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Industry Classification:
Company Type:

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C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

2	1	7	0	6						

COMPANY NAME

THE MERCANTILE INSURANCE CO. INC.

PRINCIPAL OFFICE *(No./Street/Barangay/City/Town)Province)*

2/F MERCANTILE INSURANCE BUILDING GENERAL LUNA CORNER BEATERIO STREETS, INTRAMUROS, MANILA

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	NA

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number/s	Mobile Number
gen_info@mic.com.ph	5270670	n/a

No. of Stockholders	Annual Meeting (Month/Day)	Calendar Year (Month/Day)
39	Last Friday of May	12/31

WI

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Melecio Mallilin	mcmallillin@mic.com.ph	n/a	n/a

CONTACT PERSON'S ADDRESS

No. 119 Batangas West, Ayala Alabang Village, Muntinlupa City

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.*

2 *: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's record 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.*

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Stockholders
THE MERCANTILE INSURANCE CO., INC.
2/F Mercantile Insurance Building
General Luna corner Beaterio Streets
Intramuros, Manila

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **THE MERCANTILE INSURANCE CO., INC.** (the "Company"), which comprise the statements of financial position as at December 31, 2020 and 2019, 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, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' 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 audits of the financial statements in Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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W: www.rsbernaldo.com

BOA/PRC No. 0300
SEC Group A Accredited
BSP Group B Accredited
CDA CEA Accredited
IC Accredited

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.

Auditors' 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 auditors' 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 auditors' 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 auditors' 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 separate financial statements, including the disclosures, and whether the separate 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 audits.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 and 19-2011 in Notes 35 and 36, respectively, to the financial statements, is presented for purposes of filing with Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the Management of **THE MERCANTILE INSURANCE CO., INC.** The information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

R.S. BERNALDO & ASSOCIATES
BOA/PRC No. 0300
Valid until October 10, 2021
SEC Group A Accredited
Accreditation No. 0300-SEC
Valid until 2024 audit period
BSP Group B Accredited
Valid until 2021 audit period
BIR Accreditation No. 08-007679-000-2020
Valid from February 24, 2020 until February 23, 2023
IC Accreditation No. F-2019-004-R
Valid until October 1, 2022

ROMEO A. DE JESUS, JR.
Managing Partner
CPA Certificate No. 86071
SEC Group A Accredited
Accreditation No. 86071-SEC
Valid until 2024 audit period
BIR Accreditation No. 08-004744-001-2021
Valid from January 25, 2021 until January 24, 2024
Tax Identification No. 109-227-897
IC Accreditation No. SP-2019-004-R
Valid until October 1, 2022
PTR No. 8539809
Issued on January 7, 2021 at Makati City

May 28, 2021

SUPPLEMENTAL INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Stockholders
THE MERCANTILE INSURANCE CO., INC.
2/F Mercantile Insurance Building
General Luna corner Beaterio Streets
Intramuros, Manila

We have audited the financial statements of **THE MERCANTILE INSURANCE CO., INC.** for the years ended December 31, 2020 and 2019 on which we have rendered the attached report dated May 28, 2021.

In compliance with Revenue Regulation V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholders of the Company.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the above Company has a total number of thirty-two (32) stockholders owning one hundred (100) or more shares each.

R.S. BERNALDO & ASSOCIATES
BOA/PRC No. 0300
Valid until October 10, 2021
SEC Group A Accredited
Accreditation No. 0300-SEC
Valid until 2024 audit period
BSP Group B Accredited
Valid until 2021 audit period
BIR Accreditation No. 08-007679-000-2020
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IC Accreditation No. SP-2019-004-R
Valid until October 1, 2022
PTR No. 8539809
Issued on January 7, 2021 at Makati City

May 28, 2021

THE MERCANTILE INSURANCE CO., INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019

(In Philippine Peso)

	NOTES	2020	2019
A S S E T S			
Cash and cash equivalents	6	**748,735,017**	739,439,464
Short-term investments	7	**254,925,195**	55,584,407
Insurance receivables – net	8	**1,297,461,817**	858,297,204
Financial assets			
Available-for-sale financial assets	9	**557,490,637**	187,751,725
Held-to-maturity investments	9	**92,621,648**	114,562,601
FVPL Investments	9	**65,311,280**	93,168,400
Loans and receivables – net	9	**24,770,195**	24,437,766
Reinsurance assets	10,16	**616,815,265**	408,313,829
Accrued interest receivables	6,7,9	**4,776,529**	3,840,389
Deferred acquisition costs	11	**247,626,512**	235,007,508
Property and equipment – net	12	**276,391,271**	264,084,342
Investment properties	13	**151,394,002**	149,002,932
Intangible assets – net	14	**17,225,764**	19,388,145
Asset held for sale	23	**17,197,321**	23,088,750
Other assets	15	**36,785,227**	33,257,282
TOTAL ASSETS		**4,409,527,680**	3,209,224,744
LIABILITIES AND STOCKHOLDERS' EQUITY			
L I A B I L I T I E S			
Insurance contract liabilities	16	**2,476,130,454**	1,994,434,855
Insurance payables	17	**49,249,346**	29,486,839
Deferred reinsurance commissions	11	**8,837,258**	9,398,395
Accounts and other payables	19	**700,669,127**	445,710,581
Deferred tax liabilities – net	29	**34,546,958**	31,369,156
Retirement benefit obligation – net	26	**21,278,629**	11,237,323
TOTAL LIABILITIES		**3,290,711,772**	2,521,637,149
S T O C K H O L D E R S' E Q U I T Y			
Capital Stock	21	**331,442,200**	331,442,200
Contributed Surplus	21	**16,380,940**	16,380,940
Contingency Surplus	21	**22,659,244**	-
Deposit for Future Stock Subscription	21	**350,000,000**	-
Revaluation Reserve on Available-for-Sale Financial Assets	9	**8,702,250**	(4,334,556)
Revaluation Reserve on Property and Equipment	12	**167,429,237**	154,536,491
Remeasurement Loss on Defined Benefit Plan	26	**(10,956,989)**	(6,544,192)
Retained Earnings		**233,159,026**	196,106,712
TOTAL STOCKHOLDERS' EQUITY		**1,118,815,908**	687,587,595
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**4,409,527,680**	3,209,224,744

(See Notes to Financial Statements)

THE MERCANTILE INSURANCE CO., INC.
STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2020 and 2019
(In Philippine Peso)

	NOTES	2020	2019
NET INSURANCE PREMIUMS			
Gross earned premiums on insurance contracts	22	**2,225,230,711**	1,766,819,142
Reinsurers' share of premiums earned on insurance contracts	22	**(350,804,558)**	(192,853,579)
		1,874,426,153	1,573,965,563
INVESTMENT AND OTHER INCOME			
Investment income – net	24	**15,930,468**	43,947,446
Commission income	11	**10,660,159**	11,017,427
Other underwriting income		**835,392**	3,884,413
Other income		**174,367**	260,995
		27,600,386	59,110,281
TOTAL INCOME		**1,902,026,539**	1,633,075,844
NET INSURANCE BENEFITS AND CLAIMS			
Gross insurance benefits and claims paid	16,23	**967,534,531**	656,598,210
Reinsurers' share of insurance benefits and claims paid	16,23	**(66,846,168)**	(3,669,630)
Gross change in insurance contract liabilities	23	**293,411,529**	619,891,272
Reinsurers' share of change in insurance contract liabilities	23	**(197,642,376)**	(309,861,862)
		996,457,516	962,957,990
EXPENSES			
Operating expenses	25	**325,387,576**	296,187,716
Commission expense	11	**531,096,837**	441,972,946
		856,484,413	738,160,662
TOTAL INSURANCE BENEFITS AND CLAIMS AND EXPENSES		**1,852,941,929**	1,701,118,652
PROFIT (LOSS) BEFORE INCOME TAX		**49,084,610**	(68,042,808)
INCOME TAX EXPENSE (BENEFIT)	28	**12,032,296**	(26,641,317)
PROFIT (LOSS)		**37,052,314**	(41,401,491)
OTHER COMPREHENSIVE INCOME (LOSS)			
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS:			
Revaluation increment on property and equipment	12	**18,418,209**	40,779,536
Remeasurement loss on defined benefit plan	26	**(6,303,996)**	(20,464,603)
		12,114,213	20,314,933
INCOME TAX RELATING TO OTHER COMPREHENSIVE LOSS	28,29	**(3,634,264)**	(6,094,480)
		8,479,949	14,220,453
ITEM THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS:			
Fair value gain (loss) on available-for-sale financial assets	9	**13,036,806**	(1,532,164)
		21,516,755	12,688,289
TOTAL COMPREHENSIVE INCOME (LOSS)		**58,569,069**	(28,713,202)

(See Notes to Financial Statements)

THE MERCANTILE INSURANCE CO., INC.
STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2020 and 2019
(In Philippine Peso)

	Notes	Capital Stock	Contributed Surplus	Contingency Surplus	Deposit for Future Stock Subscription	Revaluation Reserve on Available-for-Sale Financial Assets	Revaluation Reserve on Property and Equipment	Remeasurement Loss on Defined Benefit Plan	Retained Earnings	Total
Balance at January 1, 2019		331,442,200	16,380,940	-	-	(2,802,392)	125,990,816	7,781,030	236,075,004	**714,867,598**
Transfer of depreciation on revaluation increment	12								1,433,199	**1,433,199**
Loss									(41,401,491)	**(41,401,491)**
Other comprehensive income (loss)	9,12,26,28					(1,532,164)	28,545,675	(14,325,222)		**12,688,289**
Balance at December 31, 2019	21	**331,442,200**	**16,380,940**	**-**	**-**	**(4,334,556)**	**154,536,491**	**(6,544,192)**	**196,106,712**	**687,587,595**
Cash infusion	21			22,659,244	350,000,000					**372,659,244**
Profit									37,052,314	**37,052,314**
Other comprehensive income (loss)	9,12,26,28					13,036,806	12,892,746	(4,412,797)		**21,516,755**
Balance at December 31, 2020	21	**331,442,200**	**16,380,940**	**22,659,244**	**350,000,000**	**8,702,250**	**167,429,237**	**(10,956,989)**	**233,159,026**	**1,118,815,908**

(See Notes to Financial Statements)

THE MERCANTILE INSURANCE CO., INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020 and 2019
(In Philippine Peso)

	NOTES	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES			
Profit (Loss) before tax		**49,084,610**	(68,042,808)
Adjustments for:			
Fair value loss on FVPL investments	9	**24,011,500**	6,302,920
Retirement benefits	26	**15,213,796**	5,786,086
Depreciation and amortization	12,14,25	**14,339,743**	14,663,275
Unrealized loss on foreign exchange	6,9,24	**7,267,122**	6,246,132
Fair value gain on investment properties	13,24	**(3,923,989)**	(965,436)
Dividend income	9,20,24	**(6,029,524)**	(6,324,378)
Finance income	6,7,9,24	**(24,104,479)**	(28,417,435)
Gain on sale of AFS	9,24	**-**	(7,522,705)
Operating cash flow before changes in working capital		**75,858,779**	(78,274,349)
Decrease (Increase) in operating assets:			
Short-term investments		**(199,340,788)**	37,511,186
Insurance receivables – net		**(439,164,613)**	(135,313,248)
Reinsurance assets		**(208,501,436)**	(321,464,577)
Accrued interest receivables		**(936,140)**	6,461,134
Deferred acquisition costs		**(12,619,004)**	(64,706,710)
Loans and receivables – net		**(332,429)**	(3,289,424)
Asset held for sale		**5,891,429**	(14,293,750)
Other assets		**(3,527,945)**	(6,684,419)
Increase (Decrease) in operating liabilities:			
Insurance contract liabilities		**481,695,599**	864,593,841
Insurance payables		**19,762,507**	(10,648,650)
Accounts and other payables		**254,958,546**	122,056,631
Deferred reinsurance commissions		**(561,137)**	3,223,799
Cash generated from (used in) operations		**(26,816,632)**	399,171,464
Interest received	24	**11,615,721**	15,453,941
Contributions to pension fund	26	**(11,476,487)**	(9,963,327)
Net cash from (used in) operating activities		**(26,677,398)**	404,662,078
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from maturities and disposals of:			
Available-for-sale financial assets	9	**66,337,218**	13,605,974
Held-to-maturity investments	9	**21,940,953**	25,090,100
Investment properties	13	**-**	67,000
Acquisitions of:			
Intangible assets	14	**(1,206,738)**	(1,743,388)
Property and equipment	12	**(3,326,424)**	(13,386,259)
Available-for-sale financial assets	9	**(423,039,324)**	(20,034,383)
Dividends received	9,20,24	**6,029,524**	6,324,378
Net cash from (used in) investing activities		**(333,264,791)**	9,923,422
CASH FLOW FROM FINANCING ACTIVITY			
Cash infusion for DFFS and contingency surplus	21	**372,659,244**	-
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	6	**(3,421,502)**	(557,452)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**9,295,553**	414,028,048
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**739,439,464**	325,411,416
CASH AND CASH EQUIVALENTS AT END OF YEAR		**748,735,017**	739,439,464

(See Notes to Financial Statements)

THE MERCANTILE INSURANCE CO., INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

1. CORPORATE INFORMATION AND STATUS OF OPERATION

The Mercantile Insurance Co., Inc (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on October 30, 1962. The principal activities of the Company are to engage in the business of non-life insurance, indemnifying others against loss, damage or liability arising from unknown or contingent events and to act as agent to other insurance or surety companies, any of its branches, including life insurance. It includes lines such as health, accident, fire and allied lines, motor vehicle, casualty, marine cargo, marine hull, comprehensive liability insurance and allied risks, and/or such other insurance coverage allied with an incident to aforementioned lines.

On August 26, 2012, the SEC approved the amended Articles of Incorporation of the Company extending its corporate life for another fifty (50) years starting October 29, 2012. It has the certificate of authority issued by the Insurance Commission (IC) to transact in non-life insurance business beginning January 1, 2019 until December 31, 2021.

In 2016, Camerton, Inc. (CI) (the "Parent Company") acquired 68.16% ownership of the Company, thus, obtained control and became the Company's immediate parent. Carmetheus Holdings, Inc. (CHI) is the ultimate parent of CI. Both CHI and CI are incorporated in the Philippines.

The Company's registered office address is located at 2/F Mercantile Insurance Building,

Effect on COVID-19

On 11 March 2020, the World Health Organisation (WHO) declared the outbreak of a new type of Coronavirus, SARS-CoV-2, that causes COVID-19 respiratory disease, a global pandemic, and subsequently the country was put in community quarantine impacting mobility and the operations of the Company. Rules and regulations were issued by the Department of Health and other government agencies to prevent spread of the virus which the Company adequately complied. Given Company activities consist of exploratory and predevelopment works, the Company has not been materially affected by the pandemic except for limitations brought about in terms of mobility, ie. site inspections, permitting and licensing activities and such is expected to pivot in the coming months. As of March 31, 2021 operations are expected to continue on a "new normal" work set up.

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The Philippine Financial Reporting Standards Council (FRSC) approved the issuance of new and revised Philippine Financial Reporting Standards (PFRS). The term "PFRS" in general includes all applicable PFRS, Philippine Accounting Standards (PAS), and Interpretations issued by the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the FRSC and adopted by SEC.

These new and revised PFRS prescribe new accounting recognition, measurement and disclosure requirements applicable to the Company. When applicable, the adoption of the new standards was made in accordance with their transitional provisions, otherwise the adoption is accounted for as change in accounting policy PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

2.01 New and Revised PFRSs Applied with No Material Effect on the Financial Statements

The following new and revised PFRSs have been adopted in these financial statements. The application of these new and revised PFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

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

  The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. It narrows the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing reference to an ability to reduce costs. It adds guidance and illustrative examples to help entities assess whether a substantive process has been acquired. It removes the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. It adds an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  The amendments are effective beginning on or after January 1, 2020.

- Amendments to PAS 1 and PAS 8, *Definition of Material*

  The definition of material has been amended as follows: information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

  The amendments are effective for annual periods beginning on or after January 1, 2020.

2.02 New and Revised PFRSs in Issue but Not Yet Effective

The Company will adopt the following standards and interpretations enumerated below when they become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended PFRS, to have significant impact on the financial statements.

2.02.01 Standard Adopted by FRSC and Approved by the Board of Accountancy (BOA)

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

  The following are the amendments to PFRS 16:

  - provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification;
  - require lessees that apply the exemption to account for COVID-19-related rent concessions as if they were not lease modifications;
  - require lessees that apply the exemption to disclose that fact; and
  - require lessees to apply the exemption retrospectively in accordance with PAS 8, but not require them to restate prior period figures.

  The amendments are effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted.

- PFRS 17, *Insurance Contracts*

  PFRS 17 sets out the requirements that an entity should apply in reporting information about insurance contracts it issues and reinsurance contracts it holds. It requires an entity that issues insurance contracts to report them on the balance sheet as the total of the fulfilment cash flows and the contractual service margin. It requires an entity to provide information that distinguishes two ways insurers earn profits from insurance contracts: the insurance service result and the financial result. It requires an entity to report as insurance revenue the amount charged for insurance coverage when it is earned, rather than when the entity receives premium. It requires that insurance revenue to exclude the deposits that represent the investment of the policyholder, rather than an amount charged for services. Similarly, it requires the entity to present deposit repayments as settlements of liabilities rather than as insurance expense.

  PFRS 17 is effective for annual periods beginning on or after January 1, 2025. Early application is permitted for entities that apply PFRS 9, *Financial Instruments* and PFRS 15, *Revenue from Contracts with Customers* on or before the date of initial application of PFRS 17.

  An entity shall apply PFRS 17 retrospectively unless impracticable, except that an entity is not required to present the quantitative information required by paragraph 28(f) of PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* and an entity shall not apply the option in paragraph B115 for periods before the date of initial application of PFRS 17. If, and only if, it is impracticable, an entity shall apply either the modified retrospective approach or the fair value approach.

- Amendments to PFRS 17, *Insurance Contracts*

  The amendments cover the following areas:

  - Insurance acquisition cash flows for renewals outside the contract boundary;
  - Reinsurance contracts held — onerous underlying insurance contracts;
  - Reinsurance contracts held — underlying insurance contracts with direct participation features; and
  - Recognition of the contractual service margin in profit or loss in the general model.

  The amendments are affective to annual reporting periods beginning on or after January 1, 2025.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

  The following are the amendments in reference to the conceptual framework:

  - update PFRS 3 so that it refers to the 2018 Conceptual Framework instead of 1989 Framework;
  - add to PFRS 3 a requirement that, for transactions and other events within the scope of PAS 37 or IFRIC 21, an acquirer applies PAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
  - add to PFRS 3 an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

  The amendments are effective for annual periods beginning on or after January 1, 2022, with earlier application permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

- Amendments to PAS 16, *Property, Plant and Equipment – Proceeds before Intended Use*

  The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

  The amendments are effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. An entity applies the amendments retrospectively only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the separate financial statements in which the entity first applies the amendments.

- Amendments to PAS 37*, Onerous Contracts – Cost of Fulfilling a Contract*

  The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

  The amendments are effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. Entities apply the amendments to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated.

- Annual Improvements to PFRS Standards 2018-2020 Cycle

  Amendments to PFRS 1, *Subsidiary as a first-time adopter* – The amendment permits a subsidiary that applies paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to PFRSs.

  Amendments to PFRS 9, *Fees in the '10 percent' test for derecognition of financial liabilities* – The amendment clarifies which fees an entity includes when it applies the '10 percent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

  Amendments to PFRS 16, *Lease Incentives* – The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

  Amendments to PAS 41, *Taxation in fair value measurements* – The amendment removes the requirement in paragraph 22 of PAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in PFRS 13.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022.

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

  The amendments to PAS 1 are the following:

  - clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;

  - clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and

- make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments defer the effective date of the January 2020 Classification of Liabilities as Current or Non-Current (Amendments to PAS 1) to annual reporting periods beginning on or after January 1, 2023. Earlier application of the January 2020 amendments continues to be permitted.

2.02.02 Deferred

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

  The amendments clarify the treatment of the sale or contribution of assets between an investor and its associate and joint venture. This requires an investor in its separate financial statements to recognize in full the gains and losses arising from the sale or contribution of assets that constitute a business while recognize partial gains and losses if the assets do not constitute a business (i.e., up to the extent only of unrelated investor share).

  On January 13, 2016, the FRSC decided to postpone the original effective date of January 1, 2016 of the said amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. BASIS FOR THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

3.01 Statement of Compliance

The financial statements have been prepared in conformity with PFRS and are under the historical cost convention except for properties at revalued amount, and financial instruments that are carried either at fair value or at amortized cost.

In both years, the Company performed an assessment of the amendments and reached the conclusion that as of December 31, 2015 up to December 31, 2017, its activities are predominantly connected with insurance. The Company opted to apply the temporary exemption from PFRS 9 and therefore continues to apply PAS 39, *Financial Instruments: Recognition and Measurement*, to its financial assets and liabilities until the Company applies the new standard on insurance contracts.

3.02 Functional and Presentation Currency

Items included in the financial statements of the Company are measured using Philippine Peso (₱), the currency of the primary economic environment in which the Company operates (the "functional currency").

The Company chose to present its financial statements using its functional currency.

3.03 Order of Liquidity Presentation

Assets and liabilities are presented in decreasing order of liquidity.

4. SIGNIFICANT ACCOUNTING POLICIES

Principal accounting and financial reporting policies applied by the Company in the preparation of its financial statements are enumerated below and are consistently applied to all the years presented, unless otherwise stated.

4.01 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value the Company takes into consideration the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement assumes that the transaction to sell the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions. In addition, it assumes that the transaction takes place either: (a) in the principal market; or (b) in the absence of a principal market, in the most advantageous market.

The Company considers the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

A fair value measurement assumes that a financial or non-financial liability or an entity's own equity instruments (e.g., equity interests issued as consideration in a business combination) is transferred to a market participant at the measurement date. The transfer of a liability or an entity's own equity instrument assumes the following:

- A liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date.
- An entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

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

The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

4.02 Financial Assets

Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets that are subsequently measured at cost or at amortized cost, and where the purchase or sale are under a contract whose terms require delivery of such within the timeframe established by the market concerned are initially recognized on the trade date.

Financial assets are classified into the following specified categories: financial assets' at fair value through profit or loss' (FVPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The Company's financial assets include cash and cash equivalents, short-term investments, insurance receivables, AFS financial assets, HTM investments, financial assets at FVPL, loans and receivables, reinsurance assets, accrued interest receivables and security deposits presented under 'other assets'.

4.02.01 Effective Interest Method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating finance income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts, through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVPL.

4.02.02 Amortized Cost

Amortized cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of effective interest rate.

4.02.03 Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash in banks and cash equivalents.

Cash includes cash on hand which is stated at face value and cash deposits held at call with bank that are subject to insignificant risk of change in value. This shall be measured at the undiscounted amount of the cash or other consideration expected to be paid or received.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities of three months or less from the date of acquisition and that are subject to an insignificant risk of change in value.

4.02.04 Short-term Investments

These are placements in time deposits and other money market instruments with original maturities of more than three months but less than one year and which are not restricted as to use.

4.02.05 Insurance Receivables

Insurance receivables are recognized on policy inception dates and measured on initial recognition at the fair value of the consideration receivable for the period of coverage. Subsequent to initial recognition, insurance receivables are measured at amortized cost. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in profit or loss. Insurance receivables are derecognized under the derecognition criteria of financial assets.

4.02.06 Financial Assets at FVPL

Financial assets are classified as at FVPL when the financial asset is held for trading.

A financial asset is classified as held for trading if:

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

Financial assets at FVPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss subsequently. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the statements of comprehensive income. Fair value is determined in the manner described in Note 4.01.

4.02.07 Held-to-maturity (HTM) Investments

Held-to-maturity (HTM) Investments are non-derivative financial assets with fixed or determinable payments that an entity intends and is able to hold to maturity and that do not meet the definition of loans and receivables and are not designated on initial recognition as assets at fair value through profit or loss or as available for sale. Held-to-maturity investments are measured at amortized cost. If an entity sells a held-to-maturity investment other than in insignificant amounts or as a consequence of a non-recurring, isolated event beyond its control that could not be reasonably anticipated, all of its other held-to-maturity investments must be reclassified as available-for-sale for the current and next two financial reporting years.

If the Company were to sell other than an insignificant amount of held-to-maturity investment, the entire category of the investment would be tainted and would be reclassified as available-for-sale financial asset. The tainting provision will not apply if the sales or reclassifications of the investment:

(i) are so close to maturity or the financial asset's call date that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;

(ii) occur after the Company has collected substantially all of the financial asset's principal through scheduled payments or prepayments; or,

(iii) are attributable to an isolated event that is beyond the control of the Company, is nonrecurring and could not have been reasonably anticipated by the Company.

Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method less any impairment, with revenue recognized on an effective yield basis.

4.02.08 Available-for-sale (AFS) Financial Assets

Listed shares and listed redeemable notes held by the Company that are traded in an active market are classified as being AFS and are stated at fair value. The Company also has investments in unlisted shares that are not traded in an active market, but are also classified as AFS financial assets and stated at fair value, because the directors consider that fair value can be reliably measured. Fair value is determined in the manner described in Note 4.01. After initial measurement, AFS financial assets are measured at fair value with unrealized gains or losses. Unrealized gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Non-derivative available-for-sale financial asset may be reclassified to loans and receivable category that would have met the definition of loans and receivables if there is an intention and ability to hold that financial asset for the foreseeable future or until maturity.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

4.02.09 Loans and Receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Finance income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

4.02.10 Impairment of Financial Assets

Financial assets, other than those at FVPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the lender would not otherwise consider; or
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including (i) adverse changes in the payment status of borrowers in the group (e.g. an increased number of delayed payments or an increased number of credit card borrowers who have reached their credit limit and are paying the minimum monthly amount); or (ii) national or local economic conditions that correlate with defaults on the assets in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, a decrease in oil prices for loan assets to oil producers, or adverse changes in industry conditions that affect the borrowers in the group).

Other factors may also be evidence of impairment, including significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of ninety (90) days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment is 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 carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, 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 through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

4.02.11 Derecognition of Financial Assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

4.03 Reinsurance Assets and Liabilities

The Company cedes 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 are in accordance with the reinsurance contract. Reinsurance assets are reviewed for impairment at each end of the reporting period or more frequently when an indication of impairment arises during the reporting 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 reinsurer can be measured reliably. The impairment loss is recorded in profit or loss. Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

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

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

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

4.04 Deferred Acquisition Costs (DAC) and Deferred Reinsurance Commission (DRC)

Commissions expense and commission income recognized during the financial period that vary with and are related to securing new insurance contracts and or renewing existing insurance contracts, but which relates to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins. Subsequent to initial recognition, these balances are amortized on a straight-line basis using the 24^{th} method over the life of the contract. Amortization is charged against profit or loss. The unamortized acquisition costs are shown as "Deferred acquisition costs" in the assets section of the statement of financial position. The portion of the commissions that relate to the unexpired periods of the policies at end of the reporting period are accounted for as "Deferred reinsurance commissions" and presented in the liabilities section of the statement of financial position. An impairment review is performed at each end of the reporting period or more frequently when an indication of impairment arises. The carrying value is written down to the recoverable amount. The impairment loss is charged to profit or loss. DAC is also considered in the liability adequacy test for each end of the reporting period.

4.05 Other Assets

4.05.01 Excess Tax Credits

Excess tax credits arise from creditable withholding tax certificates obtained from the Company's customers and overpayment of income taxes in prior years. These are accumulated and are reduced when deducted from income tax payables.

4.05.02 DST Fund

DST fund pertains to fund set aside for the payment of documentary stamp tax for premiums written. This is initially recorded as assets and measured at the amount of cash paid and subsequently charged to profit or loss upon payment of the related documentary stamp taxes.

4.05.03 Prepaid expenses

Prepaid expenses represent expenses not yet incurred but already paid in cash. These are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in operations or expire with the passage of time.

4.05.04 Claims Fund

Claims fund pertains to fund held by third parties for the payment of claims. This is initially recorded as assets and measured at the amount of cash paid and subsequently charged to profit or loss upon payment of the related claims.

4.06 Property and Equipment

Property and equipment are initially measured at cost. The cost of an asset consists of its purchase price and costs directly attributable to bringing the asset to its working condition for its intended use. Subsequent to initial recognition, property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

Subsequent expenditures relating to an item of property and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditures are recognized as expenses in the period in which those are incurred.

Land, building and building improvements held for administrative purposes are stated in the statements of financial position at their revalued amounts, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by professional appraisers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. All other properties are subsequently carried at cost less any accumulated depreciation and accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from that which would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of such land, building and building improvements is credited to the properties revaluation surplus, except to the extent that it reverses a revaluation decrease for the same asset previously recognized as an expense, in which case the increase is credited to the profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such revalued assets is charged as an expense to the extent that it exceeds the balance, if any, held in the revaluation surplus relating to a previous revaluation of those assets.

Land is not depreciated. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets as follows:

Building and building improvements	40 years
Office furniture, fixtures and equipment	5 years
Transportation equipment	5 years
Computer hardware	3 to 5 years

Leasehold improvements are depreciated over the shorter between the improvements' useful life of five (5) years or the lease term.

The property and equipment's residual values, useful lives and depreciation method are reviewed, and adjusted prospectively, if appropriate, if there is an indication of a significant change since the last reporting date.

Depreciation on revalued assets is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings.

An item of property and equipment is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of a property and equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss.

4.07 Investment Properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation including property under construction for such purposes, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at its fair value at the end of the reporting period date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise. Fair value is determined as disclosed in Note 30.

Transfers to, or from, investment properties shall be made when, and only when, there is a change in use.

Investment properties are derecognized by the Company upon its disposal or when the investment properties are permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

4.08 Intangible Assets

Intangible asset acquired separately is initially carried at cost. Subsequently, intangible asset with definite useful life is carried at cost less accumulated amortization and accumulated impairment losses. The Company's intangible assets pertain to acquired software and licenses. Amortization is based on a straight line basis over its estimated useful lives of 10 years for the Geniisys and 2 to 5 years for software that was subscribed.

The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognized on disposal or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss.

4.09 Impairment of Assets

At each reporting date, the Company assesses whether there is any indication that any assets other than deferred tax assets, pension asset, financial assets that are within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*, investment properties that are measured at fair value, deferred acquisition costs and non-current assets classified as held for sale in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized as an expense unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

4.10 Assets Held for Sale

Disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

4.11 Financial Liabilities

4.11.01 Classification as Debt or Equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements.

4.11.02 Financial Liabilities

Financial liabilities are classified as either financial liabilities ‘at FVPL’ or ‘other financial liabilities’.

The Company’s financial liabilities include insurance contract liabilities, insurance payables and accounts and other payables (except payable to government agencies and customers’ deposits).

4.11.03 Insurance Contract Liabilities

Insurance contract liabilities represent all future claim payments and related expenses for policy maintenance and claims settlement, to be made after the valuation date, arising from future events for which the company is liable under its insurance contracts, and is computed as the higher of the Unearned Premium Reserve (UPR) and Unexpired Risk Reserve (URR) at a designated level of confidence, on a gross reinsurance basis.

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

At each end of the reporting period, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities, net of the related DAC assets. In performing the test, current best estimates of future cash flows, claims handling and policy administration expenses are used. Changes in expected claims that have occurred, but which have not been settled, are reflected by adjusting the liability for claims and future benefits. Any inadequacy is immediately charged to the statement of comprehensive income by establishing an unexpired risk provision for losses arising from the liability adequacy tests. The provision for unearned premiums is increased to the extent that the future claims and expenses in respect of current insurance contracts exceed future premiums plus the current provision for unearned premiums.

4.11.03.01 Provision for Unearned Premiums

The proportion of written premiums, gross of commissions payable to intermediaries, attributable to subsequent periods or to risks that have not yet expired is deferred as provision for unearned premiums as part of "Insurance contract liabilities" and presented in the liabilities section of the statement of financial position.

Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method. The portion of the premiums written that relate to the unexpired periods of the policies at end of the reporting period are accounted for as provision for unearned premiums as part of "Insurance contract liabilities" and presented in the liabilities section of the statement of financial position. The change in the provision for unearned premiums is taken to profit or loss in order that revenue is recognized over the period of risk. Further provisions are made to cover claims under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

4.11.03.02 Claims Provision and Incurred but Not Reported (IBNR) Losses

Provision for claims reported and IBNR losses are based on estimated ultimate cost of all claims incurred but not settled at the end of the reporting period, whether reported or not, together with related claims handling cost and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of which cannot be known with certainty at the reporting date.

The IBNR losses are calculated based on standard actuarial projection techniques or combination of such techniques, such as but not limited to the Chain Ladder Method/ Development Approach, the Bornhuetter-Ferguson Paid Approach (BFPA) and the Loss Ratio Approach (LRA). At each reporting date, prior year claims are reassessed for adequacy and changes made are charged to provision.

4.11.04 Other Financial Liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with finance cost recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating finance cost over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

4.11.05 Derecognition of Financial Liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expired. When an existing liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

4.12 Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Ordinary shares are classified as equity.

4.12.01 Deposit for Future Stock Subscription

Deposit for future stock subscription is defined as a subscription agreement which, among other things, states that the Company is not contractually obliged to return the consideration received and that the Company obliged to deliver fixed number of own shares of stock for a fixed amount of cash or property paid or to be paid by the contracting party.

Deposit for future stock subscription is classified as equity if all the conditions required for such recognition have been met as of the end of the reporting period otherwise, if not, classified as liability.

Deposit for future stock subscription is classified as equity when all of the following conditions are met as of the end of the reporting date:

- the unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract; and
- There is Board of Directors' approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation); and
- There is stockholders' approval of said proposed increase; and
- The application for the approval of the proposed increase has been presented for filing or has been filed with the Commission.

4.12.01 Contingency Surplus

Contingency surplus as defined in IC Circular Letter 34-2006, Sec. Equity (3), represents contributions of stockholders to cover any deficiency in the Margin of Solvency as required under the Insurance Code and can be withdrawn only upon the approval of the Insurance Commission.

4.13 Employee Benefits

4.13.01 Short-term Benefits

The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Company to its employees include salaries and wages, allowances and other benefits and SSS, PhilHealth contributions and HDMF contributions.

4.13.02 Post-employment Benefits

The Company has a funded and non-contributory defined benefit retirement plan. This benefit defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The cost of providing benefits is determined using the Projected Unit Credit Method (PUCM) which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Post-employment benefits include current service cost, past service cost, and net interest on defined benefit asset/liability. Remeasurements which include cumulative actuarial gains and losses, return on plan assets, and changes in the effects of asset ceiling are recognized directly in other comprehensive income and is also presented under equity in the statement of financial position.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognized immediately in profit or loss.

The asset recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

The asset that resulted from this calculation is a result of over funding or when an actuarial gain arises. It is recognized since it is a resource which the Company controls and is available in the form of reduction in future cash contribution.

The funding policy is to contribute an amount based on the actuarial valuation report which is carried out at each reporting date.

4.14 Provisions

Provisions are recognized when the Company has a present obligation, whether legal or constructive, as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where 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.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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

4.15 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for rental provided in the normal course of business.

4.15.01 Premiums revenue

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

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

4.15.02 Reinsurance commissions

Commissions earned from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method calculation.

4.15.03 Rental Income

The Company’s policy for recognition of revenue from operating leases is disclosed in Note 4.18.

4.15.04 Dividend Income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established, provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably.

4.15.05 Finance Income

Finance income is recognized when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Finance income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

4.16 Expense Recognition

Expense encompasses losses as well as those expenses that arise in the course of the ordinary activities of the Company.

The Company recognizes expenses in the statement of comprehensive income when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

4.16.01 Benefits and Claims

Benefits and claims consist of benefits and claims paid to policyholders, which include changes in the valuation of insurance contract liabilities, except for changes in the provision for unearned premiums which are recorded in insurance revenue. It further includes internal and external claims handling costs that are directly related to the processing and settlement of claims. Amounts receivable in respect of salvage and subrogation are also considered. General insurance claims are recorded on the basis of notifications received.

4.16.02 Commission expense and other underwriting expenses

Commissions are recognized when the insurance contracts are entered and the corresponding premiums are recognized. Other underwriting expenses are those minimal expenses incurred in connection with the policies issued such as reimbursement for towing services and those expenses incurred in connection with the SCCI Management & Insurance Agency Corporation pool.

4.17 Leases

4.17.01 The Company as Lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

4.17.02 The Company as Lessee

The Company considers whether a contract is, or contains a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for a consideration. To apply this definition the Company assesses whether the contract meets three key evaluations, which are whether:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company.
- The Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- The Company has the right to direct the use of the identified asset throughout the period of use. The Company assesses whether it has the right to direct how and for what purpose the asset is used throughout the period of use.

The Company has elected to account for short-term leases and low-value assets using the practical expedients. Instead of recognizing an ROU asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

4.18 Foreign Currency Transactions

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency, i.e., foreign currencies, are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences are recognized in profit or loss in the period in which they arise.

4.19 Related Parties and Related Party Transactions

A related party is a person or entity that is related to the Company that is preparing its financial statements. A person or a close member of that person's family is related to Company if that person has control or joint control over the Company, has significant influence over the Company, or is a member of the key management personnel of the Company or of a parent of the Company.

An entity is related to the Company if any of the following conditions applies:

- The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

- The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
- The entity is controlled or jointly controlled by a person identified above.
- A person identified above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- Management entity providing key management personnel services to a reporting entity.

Close members of the family of a person are those family members, who may be expected to influence, or be influenced by, that person in their dealings with the Company and include that person's children and spouse or domestic partner; children of that person's spouse or domestic partner; and dependents of that person or that person's spouse or domestic partner.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

4.20 Taxation

Income tax expense represents the sum of current and deferred taxes.

4.20.01 Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

4.20.02 Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, carry forward of unused tax credits from excess Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) and unused Net Operating Loss Carry-over (NOLCO), to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and carry forward of unused MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction that affects neither the accounting profit nor taxable profit or loss.

Deferred tax liabilities are recognized for taxable temporary differences. Deferred tax assets arising from deductible temporary differences are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

4.20.03 Current and Deferred Taxes for the Period

Current and deferred taxes are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss, whether in other comprehensive income or directly in equity, in which case the tax is also recognized outside profit or loss.

4.21 Events after the Reporting Period

The Company identifies subsequent events as events that occurred after the reporting period but before the date when the financial statements were authorized for issue. Any subsequent events that provide additional information about the Company's position at the reporting period, adjusting events, are reflected in the financial statements, while subsequent events that do not require adjustments, non-adjusting events, are disclosed in the notes to financial statements when material.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

In the application of the Company's accounting policies, which are described in Note 4, Management is required to make judgments, 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.

5.01 Critical Judgments in Applying Accounting Policies

The following are the critical judgments, apart from those involving estimations that Management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in financial statements.

5.01.01 Product classification

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

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

5.01.02 Distinction between Property and Equipment and Investment Property

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

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the production of supply of goods and services or for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Company treats the portions separately. If the portion cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Company considers each property separately in making its judgment.

In both years, Management assessed that the land, building and building improvements were used for administrative and leasing operations. As of December 31, 2020 and 2019, land, building and building improvements presented under property and equipment amounted to ₱251,683,399 and ₱231,732,270, respectively, as disclosed in Note 12. While investment properties amounted to ₱151,394,002 and ₱149,002,932 as of December 31, 2020 and 2019, respectively, as disclosed in Note 13.

5.01.03 Determining whether or not a Contract Contains a Lease

The Company has elected to apply the definition of a lease from PAS 17 and IFRIC 4 and has not applied PFRS 16 to arrangements that were previously not identified as lease under PAS 17 and IFRIC 4.

Management assessed that lease agreements in Note 27 qualified as a lease since the contract contains an identified asset, the Company has the right to obtain substantially all of the economic benefits, and the Company the right to direct the use of the identified asset throughout the period of use. However, the Company has elected to account for short-term leases and low-value assets using the practical expedients. Instead of recognizing an ROU asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

5.01.04 Classification of Financial Assets

The Company classifies a financial instrument depending on the purpose for which the financial instrument was acquired or originated. Management determines the classification of its financial instrument at initial recognition and, where allowed and appropriate, re-evaluates this classification at the end of each reporting date.

In addition, the Company classifies financial instruments by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial instrument is quoted in an active market is the determination on whether prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

As of December 31, 2020 and 2019, the carrying values of AFS financial assets amounted to ₱557,490,637 and ₱187,751,725, respectively, as disclosed in Note 9. As of December 31, 2020 and 2019, the carrying values of financial assets at FVPL amounted to ₱65,311,280 and ₱93,168,400, respectively, as disclosed in Note 9.

5.01.05 Held-to-maturity (HTM) Financial Assets

The Company classifies non-derivative financial assets with fixed or determinable payments and fixed maturity as HTM investment. This classification requires significant judgment. In making this judgment, the Company evaluates its intention and ability to hold such investments to maturity. If the Company fails to keep these investments to maturity other than in certain specific circumstances-for example, sales that are so close to maturity, it will be required to reclassify the entire portfolio as AFS financial assets.

Management reviewed the Company's held-to-maturity financial assets in the light of its capital maintenance and liquidity requirements and confirmed its positive intention and ability to hold those assets to maturity.

The amortized cost of held-to-maturity financial assets is ₱92,621,648 and ₱114,562,601 as of December 31, 2020 and 2019, respectively, as disclosed in Note 9.

5.01.06 Assessment of Classification of Lease as a Lessor

The Company determines whether a lease qualifies as an operating lease. In making its judgments, the Company considers whether the risk and reward of the leased property will be transferred to the lessee. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract.

In both years, there were no lease agreements that were classified as finance lease. All were classified as operating lease. Accordingly, the rental income recognized amounted to ₱13,151,098 and ₱13,266,543 in 2020 and 2019, respectively, as disclosed in Notes 13 and 24.

5.02 Key Sources of Estimation Uncertainties

The following are the key assumptions concerning the future, and other key sources of estimation uncertainties at the end of the reporting periods that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5.02.01 Claims Liability arising from Insurance Contracts

For nonlife insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of the claims IBNR at the reporting date. It can take a significant period of time before the ultimate claim costs can be established with certainty and for some type of policies, IBNR claims form the majority of the statement of financial position claims provision.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Paid Chain Ladder method with and without Bornhuetter-Ferguson (BF) adjustments, Reported Chain Ladder method with and without BF adjustments and Expected Loss Ratio methods.

The main assumption underlying the estimation of the claims provision is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. 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 geographical area, as well as by significant business lines and claim types. Large claims are usually addressed separately, 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 historic claims development data on which the projections are based. Additional qualitative judgment is used to assess the extent to which past trends may not apply in the future, (i.e., for example to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures) 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.

As of December 31, 2020 and 2019, insurance contract liabilities amounted to ₱2,476,130,454 and ₱1,994,434,855, respectively, as disclosed in Note 16.

5.02.02 Assessment of Fair Values of Properties Classified as Investment Property and Property and Equipment

The Company has adopted the fair value approach in determining the carrying value of its properties. While the Company has opted to rely on independent appraisers to determine the fair value of its investment properties, such fair value was determined based on recent prices of similar properties, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices. The amounts and timing of recorded changes in fair value for any period would differ if the Company made different judgments and estimates or utilized different basis for determining fair value.

The fair value of the land and building owned by the Company used for administrative and leasing operations as of December 31, 2020 and 2019 as disclosed in Notes 12,13 and 30.

5.02.03 Reviewing Residual Values, Useful Lives and Depreciation Method of Property and Equipment

The residual values, useful lives and depreciation method of the Company's property and equipment are reviewed at least annually, and adjusted prospectively if appropriate, if there is an indication of a significant change in, how an asset is used; significant unexpected wear and tear; technological advancement; and changes in market prices since the most recent annual reporting date. The useful lives of the Company's assets are estimated based on the period over which the assets are expected to be available for use. In determining the useful life of an asset, the Company considers the expected usage, expected physical wear and tear, technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output and legal or other limits on the use of the Company's assets. In addition, the estimation of the useful lives is based on Company's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment would increase the recognized operating expenses and decrease non-current assets. The Company uses a depreciation method that reflects the pattern in which it expects to consume the asset's future economic benefits. If there is an indication that there has been a significant change in the pattern used by which the Company expects to consume an asset's future economic benefits, the Company shall review its present depreciation method and, if current expectations differ, change the depreciation method to reflect the new pattern.

In both years, Management assessed that there is no significant change from the previous estimates. As of December 31, 2020 and 2019, the carrying amounts of depreciable property and equipment amounted to ₱24,707,872 and ₱32,352,072, respectively, as disclosed in Note 12.

5.02.04 Reviewing Residual Values, Useful Lives and Amortization Method of Intangible Assets

The residual values, useful life and amortization method of the Company's intangible assets are reviewed at least annually, and adjusted prospectively if appropriate, if there is an indication of a significant change in, how an asset is used; technological advancement; and changes in market prices since the most recent annual reporting date. Amortization begins when the intangible asset is available for use, i.e. when it is in the location and condition necessary for it to be usable in the manner intended by management. Amortization ceases when the asset is derecognized. The Company uses a straight-line method of amortization since it cannot determine reliably the pattern in which it expects to consume the asset's future economic benefits.

In both years, Management assessed that there were no significant changes in previous estimates. As of December 31, 2020 and 2019, the Company's intangible assets amounted to ₱17,225,764 and ₱19,388,145, respectively, as disclosed in Note 14.

5.02.05 Impairment of Non-financial Assets

The Company performs an impairment review when certain impairment indicators are present. Determining the fair value of other assets (except security deposits), property and equipment and intangible assets, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Company to conclude that the foregoing assets are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Company believes that its assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRS.

Management believes that no impairment indicators exist on the foregoing assets as of the end of reporting periods. As of December 31, 2020 and 2019, the carrying amounts of these assets amounted to ₱328,318,201 and ₱314,958,161 , respectively, as disclosed in Notes 12, 14 and 15.

5.02.06 Estimating Impairment on Available-for-sale (AFS) Financial Assets

The Company treats AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is ‘significant’ or ‘prolonged’ requires judgment. The Company treats ‘significant’ generally as 20% or more and ‘prolonged’ greater than six (6) months. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. Impairment may be appropriate also when there is evidence of deterioration in the financial health of the investee, the industry and sector performance, changes in technology and operational and financing cash flows.

As of December 31, 2020 and 2019, the carrying amounts of AFS financial assets amounted to ₱557,490,637 and ₱187,751,725, respectively, as disclosed in Note 9.

5.02.07 Estimating Allowances for Impairment Loss

The Company estimates the allowance for impairment related to its insurance receivables based on assessment of specific accounts where the Company has information that certain customers are unable to meet their financial obligations. In these cases, judgment used was based on the best available facts and circumstances including but not limited to, the length of relationship with the customer and the customer’s current credit status based on third party credit reports and known market factors. The Company used judgment to record specific allowance for customers against amounts due to reduce the expected collectible amounts.

These specific allowances are re-evaluated and adjusted as additional information received impacts the amounts estimated.

The amounts and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. An increase in the allowance for doubtful accounts would increase the recognized operating expenses and decrease current assets.

As of December 31, 2020 and 2019, allowance for impairment losses amounted to ₱24,915,525 and ₱14,906,149, respectively, as disclosed in Note 8. As of December 31, 2020 and 2019, the carrying amounts of insurance receivables amounted to ₱1,297,461,817 and ₱858,297,204, respectively, as disclosed in Note 8.

5.02.08 Recoverability of Deferred Tax Assets

The Company reviews the carrying amounts at each reporting date and reduces deferred tax assets 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 assets to be utilized.

In both years, Management believes that the Company will generate sufficient taxable profit to allow all or part of its deferred tax assets to be utilized before its expiration. As of December 31, 2020 and 2019, deferred tax assets amounted to ₱55,883,822 and ₱54,556,460, respectively, as disclosed in Note 29.

5.02.09 Post-employment Benefits

The determination of the retirement obligation and cost and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include among others, discount rates, mortality rates of plan members and rates of compensation increase. In accordance with the PFRS, actual results that differ from the assumptions are recognized directly as remeasurements in other comprehensive income. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension and other retirement obligations.

As of December 31, 2020 and 2019, based on the actuarial report, the Company recognized retirement benefit obligation amounting to ₱21,278,629 and ₱11,237,323, respectively, as disclosed in Note 26. Retirement benefits expense amounted to ₱15,213,796 and ₱5,786,086 in 2020 and 2019, respectively, as disclosed in Note 26. Remeasurement loss recognized in other comprehensive income amounted to ₱6,303,996 and ₱20,464,603 in 2020 and 2019, respectively, as disclosed in Note 26.

6. CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash and cash equivalents include cash on hand, in banks and cash equivalents.

Cash and cash equivalents at the end of the reporting periods, as shown in the statements of cash flows, can be reconciled to the related items in the statements of financial position as follows:

	2020	2019
Cash on hand	₱ **245,500**	₱ 202,700
Cash in banks	**597,647,871**	446,735,711
Cash equivalents	**150,841,646**	292,501,053
	₱ **748,735,017**	₱ 739,439,464

Cash in banks earn interest at floating rates based on daily bank deposits.

Cash equivalents are short-term deposits made for varying periods of up to three (3) months depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates that ranged from 0.50% to 1.625% and 2.13% to 3.60% in 2020 and 2019, respectively.

Aggregate finance income earned from bank deposits and cash equivalents amounted to ₱1,043,502 and ₱1,974,341 in 2020 and 2019, respectively, as disclosed in Note 24. Accrued interest receivable as of December 31, 2020 and 2019 amounted to ₱241,750 and ₱44,123, respectively.

Unrealized foreign exchange loss in 2020 and 2019 from dollar denominated bank accounts amounted to ₱3,421,502 and ₱557,452, respectively, as disclosed in Note 24.

7. SHORT-TERM INVESTMENTS

Short-term investments consist of money market placements made for varying periods of more than three (3) months to twelve (12) months and earn interest ranging from 3.0% to 3.45% in both years. As of December 31, 2020 and 2019, short-term investments amounted to ₱254,925,195 and ₱55,584,407, respectively.

Finance income from these investments as disclosed in Note 24 is detailed as follows:

		2020		2019
Finance income received	₱	**6,176,873**	₱	12,189,675
Accrued finance income		**871,391**		181,171
Total finance income	₱	**7,048,264**	₱	12,370,846

8. INSURANCE RECEIVABLES – net

The account is composed of the following:

		2020		2019
Premiums receivable	₱	**1,088,807,573**	₱	683,181,996
Reinsurance recoverable on paid losses		**121,247,389**		87,564,406
Due from reinsurers		**109,636,719**		102,450,074
Premiums due from Ceding Companies		**2,251,648**		-
Claims reserve withheld by Ceding Companies		**434,013**		6,877
		1,322,377,342		873,203,353
Less: Allowance for doubtful accounts		**(24,915,525)**		(14,906,149)
	₱	**1,297,461,817**	₱	858,297,204

Premiums receivable represent unpaid premiums on written insurance policies which are collectible from policyholders within the Company's usual grace period of ninety (90) days.

Reinsurance recoverable on paid losses pertains to amounts recoverable from the reinsurers in respect of claims already paid by the Company.

Due from reinsurers pertains to premiums collectible from ceding companies with respect to assumed policies.

Claims reserve withheld by Ceding Companies is fund held by ceding companies for the payment of claims.

Movement of allowance for doubtful accounts is as follows:

		2020		2019
Balance, beginning	₱	**14,906,149**	₱	14,906,149
Provision for doubtful accounts (Note 25)		**10,009,376**		-
Balance, ending	₱	**24,915,525**	₱	14,906,149

The following table shows aging information of insurance receivables:

	December 31, 2020				
	1 to 30 days	**31 to 90 days**	**91 to 180 days**	**181 days and above**	**Total**
Premiums receivable	**₱ 389,729,654**	**₱ 424,419,983**	**₱ 146,840,583**	**₱ 127,817,353**	**₱ 1,088,807,573**
Reinsurance recoverable on paid losses	**98,162,747**	-	-	**23,084,641**	**121,247,389**
Due from reinsurers	**59,661,597**	**6,520,972**	**11,788,975**	**33,916,823**	**111,888,367**
Claims reserve withheld by Ceding Companies	**434,014**	- -	-	- -	**434,014**
	₱ 547,988,012	**₱ 430,940,955**	**₱ 158,729,558**	**₱ 184,818,817**	**₱ 1,322,377,342**

	December 31, 2019				
	1 to 30 days	31 to 90 days	91 to 180 days	181 days and above	Total
Premiums receivable	₱ 279,734,916	₱ 232,386,464	₱ 114,594,399	₱ 56,466,217	₱ 683,181,996
Reinsurance recoverable on paid losses	73,383,744	472,601	2,339,205	11,368,856	87,564,406
Due from reinsurers	54,490,660	9,615,697	16,842,930	21,500,786	102,450,074
Claims reserve withheld by Ceding Companies	6,877	-	-	-	6,877
	₱ 407,616,197	₱ 242,474,762	₱ 133,776,534	₱ 89,335,859	₱ 873,203,353

The allowance for impairment losses on insurance receivables as at December 31, 2020 and 2019 follows:

	Premiums receivable	**Reinsurance recoverable on paid losses**	**Due from reinsurers**	**Total**
Balance, January 1, 2019	₱ 7,417,441	₱ 1,804,936	₱ 5,683,772	₱ **14,906,149**
Provision	-	-	-	-
Balance, December 31, 2019	**7,417,441**	**1,804,936**	**5,683,772**	**14,906,149**
Provision	- 4,559,208	- 5,193,436	- 256,733	**10,009,376**
Balance, December 31, 2020	**₱ 11,976,649**	**₱ 6,998,372**	**₱ 5,940,505**	**₱ 24,915,525**

Management recorded provision for impairment loss based on collective and specific assessment on individual insurance receivable.

9. FINANCIAL ASSETS

The Company's financial assets other than cash and cash equivalents, short-term investments, insurance receivables, reinsurance assets, accrued interest receivables and security deposits are summarized by measurement categories as follows:

		2020		2019
AFS financial assets (Note 9.01)	₱	**557,490,637**	₱	187,751,725
HTM investments (Note 9.02)		**92,621,648**		114,562,601
Financial assets at FVPL (Note 9.03)		**65,311,280**		93,168,400
Loans and receivables – net (Note 9.04)		**24,770,195**		24,437,766
	₱	**740,193,760**	₱	419,920,492

9.01 AFS Financial Assets

The account is composed of the following categories:

		2020		2019
Quoted securities – at fair value				
Government debt securities	₱	**331,424,005**	₱	123,770,269
Corporate debt securities		**218,589,005**		56,315,737
Club shares		**6,340,000**		6,840,000
Listed common shares		**1,117,327**		805,419
		557,470,337		187,731,425
Unquoted securities – at cost				
Unlisted common shares		**20,300**		20,300
	₱	**557,490,637**	₱	187,751,725

The costs of these AFS financial assets are as follows:

		2020		2019
Quoted securities – at fair value				
Government debt securities	₱	**321,181,000**	₱	123,156,000
Corporate debt securities		**217,500,000**		61,500,000
Club shares		**1,427,500**		1,427,500
Listed common shares		**17,242**		17,242
		542,595,241		186,100,742
Unquoted securities – at cost				
Unlisted common shares		**20,300**		20,300
	₱	**542,615,541**	₱	186,121,042

Interest income from the Company's AFS financial assets amounted to ₱15,930,467 and ₱8,662,094 in 2020 and 2019, respectively, as disclosed in Note 24.

The movements of revaluation reserve on AFS financial assets are as follows:

		2020		2019
Balance, January 1	₱	**(4,334,556)**	₱	(2,802,392)
Presented under OCI				
Changes in fair value		**13,036,806**		5,990,541
Transfers to profit or loss				
Realized gain on sale (Note 24)		-		(7,522,705)
Balance, December 31	₱	**8,702,250**	₱	(4,334,556)

9.02 HTM Investments

The Company's HTM investments consist of investments in Philippine peso-denominated government securities. Details are as follows:

		2020		2019
Fair values	₱	**92,621,648**	₱	114,562,601
Interest income earned (Note 24)		**4,259,695**		5,076,441
Coupon rates		**3.25% to 6.125%**		3.25% to 6.125%

The carrying values of AFS financial assets and HTM investments are as follows:

		AFS Financial Assets		HTM Investments
Balance, January 1, 2019	₱	172,257,643	₱	139,663,931
Additions		20,034,383		-
Maturities and disposal		(10,949,438)		(25,090,100)
Amortization of premium – net		418,596		(11,230)
Fair value change during the year		5,990,541		-
Balance, December 31, 2019		**187,751,725**		**114,562,601**
Additions		423,039,324		-
Maturities and disposal		(66,083,134)		(21,982,310)
Amortization of premium – net		(254,084)		41,357
Fair value change during the year		13,036,806		-
Balance, December 31, 2020	₱	**557,490,637**	₱	**92,621,648**

9.03 Financial Assets at FVPL

Financial assets at FVPL pertain to quoted equity securities issued by Cirtek Holdings Philippines, Corp. (CHPC), a related party, as disclosed in Note 20.

The movements of the account are as follows:

		2020		2019
Balance, January 1	₱	**93,168,400**	₱	105,160,000
Unrealized foreign exchange loss (Note 24)		**(3,845,620)**		(5,688,680)
Unrealized fair value loss (Note 24)		**(24,011,500)**		(6,302,920)
Balance, December 31	₱	**65,311,280**	₱	93,168,400

In both years, the cost of the financial assets at FVPL amounted to ₱100,900,000.

Dividend income earned therefrom in 2020 and 2019 amounted to ₱6,029,524 and ₱6,324,378, respectively, as disclosed in Note 24.

9.04 Loans and Receivables – net

The account is composed of the following:

		2020		2019
Receivable from tenants	₱	**12,668,221**	₱	11,355,773
Bond loss recoverable		**9,248,542**		9,248,542
Notes receivable		**3,254,614**		4,234,633
		25,171,377		24,838,948
Less: Allowance for impairment loss		**(401,182)**		(401,182)
Balance, December 31	₱	**24,770,195**	₱	24,437,766

Receivable from tenants pertains to reimbursable expenses incurred for utilities paid by the Company on their behalf.

Bond loss recoverable pertains to the amount paid by the Company under an issued callable surety bond. It is a contract wherein the Company (the surety) guaranteed the performance of certain obligations of a second party (the principal) to a third party (the obligee). It is the amount paid by the Company to the obligee recoverable from the principal.

Notes receivable represent secured notes from employees with interest rates ranging from 6% to 12% per annum payable up to 4 years. Finance income earned in 2020 and 2019 amounted to ₱704,276 and ₱333,714, respectively, as disclosed in Note 24.

The Management based the provision on a collective assessment of the loans and receivables.

Aggregate accrued interest receivable from financial assets as of December 31, 2020 and 2019 amounted to ₱3,675,325 and ₱3,615,095, respectively.

10. REINSURANCE ASSETS

The account is composed of the following:

		2020		2019
Reinsurance recoverable on unpaid losses (Note 16)	₱	**570,359,863**	₱	372,717,487
Deferred reinsurance premiums (Note 16)		**46,455,402**		35,596,342
	₱	**616,815,265**	₱	408,313,829

The reinsurance recoverable on unpaid losses pertains to amounts recoverable from the reinsurers in respect of claims not yet paid by the Company.

Deferred reinsurance premiums refer to the unrealized portion of the premiums ceded out.

11. DEFERRED ACQUISITION COSTS AND DEFERRED REINSURANCE COMMISSIONS

Movements of deferred acquisition costs are as follows:

		2020		2019
Balance, January 1	₱	**235,007,508**	₱	170,300,798
Costs deferred during the year		**543,715,841**		506,679,656
Amortization during the year		**(531,096,837)**		(441,972,946)
Balance, December 31	₱	**247,626,512**	₱	235,007,508

Movements of deferred reinsurance commissions are as follows:

		2020		2019
Balance, January 1	₱	**9,398,395**	₱	6,174,596
Income deferred during the year		**10,099,022**		14,241,226
Income earned during the year		**(10,660,159)**		(11,017,427)
Balance, December 31	₱	**8,837,258**	₱	9,398,395

12. PROPERTY AND EQUIPMENT – net

The carrying amounts of the Company's property and equipment carried at cost are as follows:

	Office Furniture, Fixtures and Equipment	Transportation Equipment	Computer Hardware	Leasehold Improvements	Total
Balance, January 1, 2019					
Cost	₱ 35,327,056	₱ 16,282,775	₱ 18,819,919	₱ 2,891,295	₱ **73,321,045**
Accumulated depreciation	(27,923,391)	(11,409,682)	(4,501,338)	(519,589)	**(44,354,000)**
Carrying amount	**7,403,665**	**4,873,093**	**14,318,581**	**2,371,706**	**28,967,045**
Movements during 2019					
Balance, January 1, 2019	7,403,665	4,873,093	14,318,581	2,371,706	**28,967,045**
Additions	3,078,070	4,063,214	4,583,391	1,661,584	**13,386,259**
Depreciation (Note 25)	(3,574,691)	(1,421,456)	(4,302,742)	(702,343)	**(10,001,232)**
Balance, December 31, 2019	**6,907,044**	**7,514,851**	**14,599,230**	**3,330,947**	**32,352,072**
December 31, 2019					
Cost	38,405,126	20,345,989	23,403,310	4,552,879	**86,707,304**
Accumulated depreciation	(31,498,082)	(12,831,138)	(8,804,080)	(1,221,932)	**(54,355,232)**
Carrying amount	**6,907,044**	**7,514,851**	**14,599,230**	**3,330,947**	**32,352,072**
Movements during 2020					
Balance, January 1, 2020	6,907,044	7,514,851	14,599,230	3,330,947	**32,352,072**
Additions	1,179,940	641,696	1,308,457	196,331	**3,326,424**
Derecognition					
Cost	-	(9,053,078)	-	-	**(9,053,078)**
Accumulated depreciation	-	9,053,078	-	-	**9,053,078**
Depreciation (Note 25)	(2,883,040)	(2,362,429)	(4,757,228)	(967,927)	**(10,970,624)**
Balance, December 31, 2020	**5,203,944**	**5,794,118**	**11,150,459**	**2,559,351**	**24,707,872**
December 31, 2020					
Cost	39,585,066	11,934,607	24,711,767	4,749,210	**80,980,650**
Accumulated depreciation	(34,381,122)	(6,140,489)	(13,561,308)	(2,189,859)	**(56,272,778)**
Carrying amount	₱ **5,203,944**	₱ **5,794,118**	₱ **11,150,459**	₱ **2,559,351**	₱ **24,707,872**

The movements of property and equipment carried at revalued amount are as follows:

		Land		Building and Building Improvements		Total
At January 1, 2019	₱	158,015,000	₱	27,230,773	₱	**185,245,773**
Increase (decrease) in fair value		43,095,001		(268,038)		**42,826,963**
Transfer from investment property (Note 13)				5,092,733		**5,092,733**
Transfer of depreciation		-		(1,433,199)		**(1,433,199)**
Balance, December 31, 2019		**201,110,001**		**30,622,269**		**231,732,270**
Accumulated depreciation						
At January 1, 2019		-		-		-
Depreciation		-		1,433,199		**1,433,199**
Increase in fair value		-		(1,433,199)		**(1,433,199)**
Balance, December 31, 2019		-		-		-
Carrying amount		**201,110,001**		**30,622,269**		**231,732,270**
At January 1, 2020		201,110,001		30,622,269		**231,732,270**
Increase (decrease) in fair value		20,111,999		(1,692,790)		**18,418,209**
Transfer from investment property (Note 13)		-		1,532,920		**1,532,920**
Balance, December 31, 2020		**221,221,000**		**30,462,399**		**251,683,399**
Accumulated depreciation						
At January 1, 2020		-		-		-
Depreciation		-		5,972,353		**5,972,353**
Increase in fair value		-		(5,972,353)		**(5,972,353)**
Balance, December 31, 2020		-		-		-
Carrying amount	**₱**	**221,221,000**	**₱**	**30,462,399**	**₱**	**251,683,399**

If land, building and building improvements were carried at cost less accumulated depreciation, the amounts would be as follows:

		Land		Building and Building Improvements		Total
December 31, 2019						
Cost	₱	1,181,816	₱	9,042,440	₱	**10,224,256**
Accumulated depreciation		-		(4,952,969)		**(4,952,969)**
Carrying amount		**1,181,816**		**4,089,471**		**5,271,287**
December 31, 2020						
Cost		1,181,816		9,042,440		**10,224,256**
Accumulated depreciation		-		(5,078,944)		**(5,078,944)**
Carrying amount	**₱**	**1,181,816**	**₱**	**3,963,496**	**₱**	**5,145,312**

The Company's building and building improvements are carried at revalued amount as of December 31, 2020 and 2019. The Company uses the cost approach in the valuation of its building and building improvements.

On January 29, 2021 and February 28, 2020, the Company obtained appraisal from Aviso Valuation & Advisory Corporation (formerly CCGA Realty Corporation), a SEC accredited independent firm of appraisers, for the revalued amount of its property and equipment as of December 31, 2020 and 2019, respectively. The valuation for the property and equipment was 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 the 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. Depreciation expense charged to operations amounted to ₱10,970,625 and ₱10,001,232 in 2020 and 2019, respectively, as disclosed in Note 25. Cumulative revaluation reserve on property and equipment amounted to ₱167,429,237 and ₱154,536,491 as of December 31, 2020 and 2019, respectively. Gain on revaluation reserve recognized in 2020 and 2019 in statements of changes in equity amounted to ₱12,892,746 and ₱28,545,675, respectively.

Cost and percentages used in valuation are market based and reflect typical cost estimation used by the market. Both sets of inputs can be considered as Level 3.

Description of the valuation techniques used and key inputs to valuation on property and equipment is as follows:

Location	**Valuation Techniques**	**Observable Inputs Used (Level 3)**	**2020 Range (Weighted Average)**	2019 Range (Weighted Average)
Mercantile Insurance Building, General Luna corner Beaterio Streets, Barangas 655, Zone 69, Intramuros City of Manila	Comparative Market Analysis for land and Depreciated Replacement Cost Method for building improvements including building services	Price per square meter	**81,046 to 105,388** **93,217**	77,187 to 87,500 82,343.50
		Adjustments to elements of comparison	**(20%) to (10%)** **(15%)**	20% to 40% 33.33%
		Construction material and labor costs	**32,600**	32,500
		Percentages of indirect costs	**42%**	42%

As of December 31, 2020 and 2019, fully depreciated property and equipment costing ₱26,791,739 and ₱22,196,746, respectively, are still being used by the Company.

In both years, the Company determined that there is no indication that any impairment has occurred on its property and equipment.

13. INVESTMENT PROPERTIES

Movements of the account is as follows:

		Land		**Building and Building Improvements**		**Total**
Balance, January 1, 2019	₱	67,302,000	₱	85,895,229	₱	**153,197,229**
Disposal		(67,000)		-		**(67,000)**
Transfer to property and equipment (Note 12)		-		(5,092,733)		**(5,092,733)**
Fair value gain (loss) (Note 24)		5,218,200		(4,252,764)		**965,436**
Balance, December 31, 2019		**74,453,200**		**76,549,732**		**149,002,932**
Transfer to property and equipment (Note 12)				(1,532,920)		**(1,532,920)**
Fair value gain (loss) (Note 24)		7,873,200		(3,949,211)		**3,923,989**
Balance, December 31, 2020	**₱**	**80,326,000**	**₱**	**71,068,002**	**₱**	**151,394,002**

The fair value as of December 31, 2020 and 2019 of the investment property is based on valuations performed by Aviso Valuation & Advisory Corporation (formerly CCGA Realty Corporation), an independent firm of accredited appraisers. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation.

There was no change in the valuation technique used on January 29, 2021 and February 28, 2020, respectively.

The value of land investment property was arrived using the Market Approach. This approach provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available. This approach was used for the valuation of the lands as it is commonly used in the property market since inputs and data for this approach is available. The Cost Approach was used in the valuation of building investment property situated in Intramuros. Cost Approach provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction. The application of this method replicated the deductive process of a typical market participant when estimating Market Value based on cost. 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.

Cost and percentages used in valuation are market based and reflect typical cost estimation used by the market. Both sets of inputs can be considered as Level 3.

No depreciation was recognized in both years since the Company uses fair value method in measuring investment properties. Rental income earned from investment properties amounted to ₱13,151,098 and ₱13,266,543 in 2020 and 2019, respectively, which is included in investment income, as disclosed in Note 24. Direct operating expenses arising on the investment property amounted to ₱5,972,353 and ₱1,433,199 in 2020 and 2019, respectively, as disclosed in Note 27. In 2019, the Company sold a parcel of land at its fair value amounting to ₱67,000.

The movements in fair value are as follows:

		2020		2019
Cost, January 1	₱	**25,282,892**	₱	25,355,189
Disposal		-		(3,112)
Transfer to property and equipment (Note 12)		**(20,825)**		-
Cost, as adjusted		**25,262,067**		25,352,077
Fair value		**151,394,002**		149,002,932
Balance, December 31	₱	**(126,131,935)**	₱	(123,650,855)

There was no transfer between levels of fair value measurement in 2020 and 2019. As of December 31, 2020 and 2019, no property has been pledged as collateral or security for any of the Company's liabilities and the Company has no restrictions on the realizability of its land and condominium units and no contractual obligation to purchase, construct or develop such property or for repairs, maintenance and enhancements.

Description of the valuation techniques used and key inputs to valuation on investment properties follow:

Locations	Valuation Techniques	Observable Inputs Used (Level 3)	2020 Range (Weighted Average)	2019 Range (Weighted Average)
1. Barangay Utod Nasugbu, Batangas	Comparative Market Analysis	Price per square meter	**105 to 140 (122.5)**	72 to 126 (99)
		Adjustments to elements of comparison	**(65%) to (50%) (57.50%)**	(65%) to (40%) (43.33%)
2. Barangay Latag, Nasugbu, Batangas	Comparative Market Analysis	Price per square meter	**130 to 142 (136)**	81 to 135 (108)
		Adjustments to elements of comparison	**(50%) to (15%) (32.50%)**	(30%) to 10% (20%)
3. Barangay Tible Sipocot, Camarines Sur	Comparative Market Analysis	Price per square meter	**7 to 32 19.50**	6 to 25 15.5
		Adjustments to elements of comparison	**(45%) to (10%) (27.50%)**	(45%) to (40%) (41.67%)

Location	Valuation Techniques	Observable Inputs Used (Level 3)	2020 Range (Weighted Average)	2019 Range (Weighted Average)
4. Barangays Irayang Solong, Antipolo and Hobo Minalabac Camarines Sur	Comparative Market Analysis	Price per square meter	**28 to 70** **49**	25 to 38 31.50
		Adjustments to elements of comparison	**(5%) to 0%** **(2.5%)**	(75%) to (20%) (46.67%)
5. Barangay Bombon San Antonio, Camarines Sur	Comparative Market Analysis	Price per square meter	**220 to 270** **245**	45 to 270 157.5
		Adjustments to elements of comparison	**(50%) to (40%)** **(45%)**	(40%) to 60% (5%)
6. Barangay Del Carmen, Minalabac, Camarines Sur	Comparative Market Analysis	Price per square meter	**473 to 1350** **911.50**	500 to 800 650
		Adjustments to elements of comparison	**(5%) to 5%** **0%**	(5%) to 5% 1.67%
7. Mercantile Insurance Building, General Luna corner Beaterio Streets, Barangas 655, Zone 69, Intramuros City of Manila	Comparative Market Analysis for land and Depreciated Replacement Cost Method for building improvements including building services	Price per square meter	**81,046 to** **105,388** **93,217**	77,187 to 87,500 82,343.50
		Adjustments to elements of comparison	**(20%) to (10%)** **(15%)**	20% to 40% 33.33%
		Construction material and labor costs	**42%**	42%
		Percentages of indirect costs	**81,046 to** **105,388** **93,217**	4,400 to 11700 8,050
8. Barangay Babag, Lapu-lapu City, Cebu	Comparative Market Analysis	Price per square meter	**4,400 to 9600** **7,000**	(85%) to (70%) 78.33%
		Adjustments to elements of comparison	**(75%) to (70%)** **72.50%**	6,532 to 11,000 87.66
9. Barangay Canjulao, Lapu-lapu City, Cebu	Comparative Market Analysis	Price per square meter	**6,000 to 11,500** **8750**	(75%) to (60%) 65%
		Adjustments to elements of comparison	**(65%) to (50%)** **57.50%**	25 to 38 31.50

14. INTANGIBLE ASSETS – net

The carrying amounts of the Company's intangible assets which pertain to acquired software and licenses are as follows:

		2020		2019
Cost	₱	**26,700,288**	₱	24,956,900
Accumulated amortization		**(7,312,143)**		(4,083,299)
Carrying amount		**19,388,145**		20,873,601
Movements during the year				
Balance, January 1		**19,388,145**		20,873,601
Additions		**1,206,738**		1,743,388
Amortization (Note 25)		**(3,369,119)**		(3,228,844)
Balance, December 31		**17,225,764**		19,388,145
Cost		**27,907,026**		26,700,288
Accumulated amortization		**(10,681,262)**		(7,312,143)
Carrying amount	₱	**17,225,764**	₱	19,388,145

Remaining useful life of intangible assets as of December 31, 2020 and 2019 ranges from 36 months to 77 months and 36 months to 89 months, respectively.

In both years, the Company determined that there is no indication that any impairment has occurred on its intangible assets.

15. OTHER ASSETS

The account is composed of the following:

		2020		2019
Prepaid expenses	₱	**5,583,986**	₱	5,583,986
Excess tax credits		**16,773,244**		15,177,997
DST fund		**6,077,246**		6,077,246
Claims fund		**6,258,563**		4,638,322
Security deposit (Note 27)		**2,084,061**		1,771,606
Others		**8,127**		8,125
	₱	**36,785,227**	₱	33,257,282

16. INSURANCE CONTRACT LIABILITIES – net

Details of the insurance contract liabilities are as follows:

	December 31, 2020			December 31, 2019		
	Insurance Contract Liabilities	**Reinsurers' Share of Liabilities (Note 10)**	**Net**	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 10)	Net
Provision for claims reported and loss adjustment expenses	**₱ 1,066,688,781**	**₱ 406,796,176**	**₱ 659,892,605**	₱ 841,772,348	₱ 257,480,871	₱ 584,291,477
Provision for IBNR claims	**145,790,495**	**82,344,820**	**63,445,675**	109,310,875	60,435,257	48,875,618
Provision for MFAD	**116,249,732**	**81,218,867**	**35,030,865**	84,234,256	54,801,359	29,432,897
Total claims reported and IBNR claims	**1,328,729,008**	**570,359,863**	**758,369,145**	1,035,317,479	372,717,487	662,599,992
Provision for unearned premiums	**1,147,401,446**	**46,455,402**	**1,100,946,044**	959,117,376	35,596,342	923,521,034
Insurance contract liabilities	**₱ 2,476,130,454**	**₱ 616,815,265**	**₱ 1,859,315,189**	₱ 1,994,434,855	₱ 408,313,829	₱ 1,586,121,026

Details of the provisions for claims reported by policyholders and IBNR are as follows:

	December 31, 2020			December 31, 2019		
	Insurance Contract Liabilities	**Reinsurers' Share of Liabilities (Note 10)**	**Net**	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 10)	Net
Balance, January 1	**₱ 1,035,317,479**	**₱ 372,717,487**	**₱ 662,599,992**	₱ 415,426,207	₱ 62,855,625	₱ 352,570,582
Claims incurred during the year	**1,192,450,964**	**216,161,473**	**976,289,491**	1,200,928,419	257,218,834	943,709,585
Claims paid during the year net of recoveries (Note 23)	**(967,534,531)**	**(66,846,168)**	**(900,688,363)**	(656,598,210)	(3,669,630)	(652,928,580)
Increase in IBNR and MFAD	**68,495,096**	**48,327,071**	**20,168,025**	75,561,063	56,312,658	19,248,405
Balance, December 31	**₱ 1,328,729,008**	**₱ 570,359,863**	**₱ 758,369,145**	₱ 1,035,317,479	₱ 372,717,487	₱ 662,599,992

Provisions for unearned premiums are as follows:

	December 31, 2020			December 31, 2019		
	Insurance Contract Liabilities	**Reinsurers' Share of Liabilities (Note 10)**	**Net**	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 10)	Net
Balance, January 1	**₱ 959,117,376**	**₱ 35,596,342**	**₱ 923,521,034**	₱ 714,414,807	₱ 23,993,627	₱ 690,421,180
New policies written during the year (Note 22)	**2,413,514,781**	**361,663,618**	**2,051,851,163**	2,011,521,710	204,456,294	1,807,065,416
Premiums earned during the year (Note 22)	**(2,225,230,711)**	**(350,804,558)**	**(1,874,426,153)**	(1,766,819,142)	(192,853,579)	(1,573,965,563)
Balance, December 31	**₱ 1,147,401,446**	**₱ 46,455,402**	**₱ 1,100,946,044**	₱ 959,117,376	₱ 35,596,342	₱ 923,521,034

17. INSURANCE PAYABLES

Movements of the account are as follows:

		2020		2019
Balance, January 1	₱	**29,486,839**	₱	40,135,489
Arising during the year (Notes 16 and 22)		**361,663,618**		204,456,294
Paid during the year		**(341,901,111)**		(215,104,944)
Balance, December 31	₱	**49,249,346**	₱	29,486,839

18. TERMS, ASSUMPTIONS AND SENSITIVITIES ON INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS

18.01 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 twelve (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 in respect of claims that have occurred and are estimated based on known facts at the reporting date.

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

The measurement process primarily includes projections of future claims through use of historical experience statistics. In certain cases, where there is a lack of reliable historical data on which to estimate claims development, relevant benchmarks of similar business are used in developing claims estimates. Claims provisions are separately analyzed by geographical area and class of business. In addition, claims are usually assessed by loss adjusters. The claims projection assumptions are generally intended to provide a best estimate of the most likely or expected outcome.

18.02 Assumptions

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

Other key assumptions include variation in interest and delays in settlement.

18.03 Sensitivities

The general insurance claims provision is sensitive to the above key assumptions. The sensitivity of certain variables such as legislative change and uncertainty in the estimation process, is not possible 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 the 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.

The analysis below is performed for a reasonably possible movement in key assumptions with all other assumptions held constant, on the statements of comprehensive income.

	Year	Change in Assumptions	Impact on Gross Insurance Contract Liabilities	Impact on Net Insurance Contract Liabilities	Impact on Profit Before Tax
Average claim costs	**2020**	**39% increase**	**₱ 338,145,751**	**₱ 287,423,888**	**₱ 287,423,888**
Average number of claims	**2020**	**63%increase**	**1,654,619,399**	**883,503,054**	**883,503,054**
Average claim costs	2019	27% increase	138,513,684	108,040,674	108,040,674
Average number of claims	2019	61% increase	961,935,721	461,342,163	461,342,163

The average claim costs and number of claims were based on the Company's claims development experience for the past three years.

18.04 Claims Development Table

Reproduced below is an exhibit that shows the development of claims over a period of time on a gross and net reinsurance basis:

Gross General Insurance Contract Liabilities for 2020

Accident Year	2013 and prior years	2014	2015	2016	2017	2018	2019	2020	Total
Estimate of ultimate claim cost:									
End of accident year	₱ 5,565,775	-	-₱ 5,287,407	₱ 18,570,333	₱ 4,313,444	₱ 17,001,838	₱ 429,918,773	₱ 586,031,211	₱ 586,031,211
One year later	5,450,000	-	5,287,407	31,530,939	6,948,771	40,503,218	752,052,013	-	752,052,013
Two years later	7,620,325	1,175,663	6,184,132	8,465,220	57,951,473	216,045,328	-	-	216,045,328
Three years later	21,887,284	4,461,671	1,673,178	82,148,561	127,791,568	-	-	-	127,791,568
Four years later	28,318,902	5,355,840	84,839,094	120,887,742	-	-	-	-	120,887,742
Five years later	26,558,799	26,558,799	182,438,325	-	-	-	-	-	182,438,325
Six years later	64,604,751	40,222,606	-	-	-	-	-	-	40,222,606
Seven years later	215,711,508	-	-	-	-	-	-	-	215,711,508
Current estimate of cumulative claims	215,711,508	40,222,606	182,438,325	120,887,742	127,791,568	216,045,328	752,052,013	– 586,031,211	– 2,241,180,300
Cumulative payments to date	(210,145,732)	(40,222,606)	(177,150,918)	(102,317,410)	(123,478,124)	(199,043,489)	(322,133,240)	-	(1,174,491,519)
Total gross insurance liabilities	₱ 5,450,000	₱ -	-₱ 5,287,407	₱ 18,570,333	₱ 4,313,444	₱ 17,001,838	₱ 429,918,773	₱ 586,031,211	₱ 1,066,688,781

Net General Insurance Contract Liabilities for 2020

Accident Year	2013 and prior years	2014	2015	2016	2017	2018	2019	2020	Total
Estimate of ultimate claim cost:									
End of accident year	₱ 5,502,099	-	5,287,407	₱ 7,360,750	₱ 4,290,821	₱ 16,836,148	₱ 206,848,277	₱ 413,767,105	₱ 413,767,105
One year later	5,450,000	-	5,287,407	10,028,439	6,679,044	39,801,853	519,994,733	-	519,994,733
Two years later	7,620,325	1,165,763	5,484,132	8,442,933	57,577,587	213,219,732	-	-	213,219,732
Three years later	15,348,182	3,404,830	938,828	27,849,561	129,936,936	-	-	-	129,936,936
Four years later	23,247,538	5,217,206	10,651,753	76,095,771	-	-	-	-	76,095,771
Five years later	15,534,165	8,340,593	73,530,561	-	-	-	-	-	73,530,561
Six years later	44,306,377	34,129,124	-	-	-	-	-	-	34,129,124
Seven years later	101,826,670	-	-	-	-	-	-	-	101,826,670
Current estimate of cumulative claims	101,826,670	34,129,124	73,530,561	76,095,771	129,936,936	213,219,732	519,994,733	413,767,105	1,562,500,633
Cumulative payments to date	-96,324,572	-34,129,124	-68,243,154	-68,735,021	-125,646,116	-196,383,585	-313,146,457	-	-902,608,028
Total net insurance liabilities (Note 16	₱ 5,502,099	₱ -	₱ 5,287,407	₱ 7,360,750	₱ 4,290,821	₱ 16,836,148	₱ 206,848,277	₱ 413,767,105	₱ 659,892,606

Gross General Insurance Contract Liabilities for 2019

Accident Year	2012 and prior years	2013	2014	2015	2016	2017	2018	2019	Total
Estimate of ultimate claim cost:									
End of accident year	₱ 5,450,000	-	₱ -	₱ 5,287,407	₱ 31,530,939	₱ 6,948,771	₱ 40,503,218	₱ 752,052,013	₱ 752,052,013
One year later	6,454,150	1,166,175	1,175,663	6,184,132	8,465,220	57,951,473	216,045,328	-	216,045,328
Two years later	19,135,834	2,751,450	4,461,671	1,673,178	82,148,561	127,791,568	-	-	127,791,568
Three years later	13,607,797	14,711,105	5,355,840	84,839,094	120,887,742	-	-	-	120,887,742
Four years later	14,293,530	12,265,270	26,558,799	182,438,325	-	-	-	-	182,438,325
Five years later	12,843,396	51,761,356	40,222,605	-	-	-	-	-	40,222,605
Six years later	20,958,740	112,999,411	-	-	-	-	-	-	112,999,411
Seven years later	81,753,357	-	-	-	-	-	-	-	81,753,357
Current estimate of cumulative claims	81,753,357	112,999,411	40,222,605	182,438,325	120,887,742	127,791,568	216,045,328	752,052,013	1,634,190,350
Cumulative payments to date	76,303,357	112,999,411	40,222,605	177,150,918	89,356,804	120,842,796	175,542,109	-	792,418,002
Total gross insurance liabilities	₱ 5,450,000	₱ -	₱ -	₱ 5,287,407	₱ 31,530,938	₱ 6,948,772	₱ 40,503,218	₱ 752,052,013	₱ 841,772,348

Net General Insurance Contract Liabilities for 2019

Accident Year	2012 and prior years	2013	2014	2015	2016	2017	2018	2019	Total
Estimate of ultimate claim cost:									
End of accident year	₱ 5,450,000	-	-	₱ 5,287,407	₱ 10,028,439	₱ 6,679,044	₱ 36,951,854	₱ 519,994,733	₱ 519,994,733
One year later	6,454,150	1,166,175	1,165,763	5,484,132	8,442,933	57,577,587	213,219,732	-	213,219,732
Two years later	13,781,500	1,566,681	3,404,830	938,828	27,849,561	129,936,936	-	-	129,936,936
Three years later	13,413,910	9,833,628	5,217,206	10,651,753	76,095,771	-	-	-	76,095,771
Four years later	14,017,137	1,517,027	8,340,593	73,530,567	-	-	-	-	73,530,567
Five years later	11,293,396	33,012,981	34,129,124	-	-	-	-	-	34,129,124
Six years later	16,733,788	64,821,418	-	-	-	-	-	-	64,821,418
Seven years later	20,271,464	-	-	-	-	-	-	-	20,271,464
Current estimate of cumulative claims	20,271,464	64,821,418	34,129,124	73,530,567	76,095,771	129,936,936	213,219,732	519,994,733	1,131,999,745
Cumulative payments to date	14,821,464	64,821,418	34,129,124	68,243,154	66,067,333	123,257,892	176,267,878	-	547,608,263
Total net insurance liabilities (Note 16	₱ 5,450,000	₱ -	₱ -	₱ 5,287,413	₱ 10,028,438	₱ 6,679,044	₱ 36,951,854	₱ 519,994,733	₱ 584,391,482

19. ACCOUNTS AND OTHER PAYABLES

The account is composed of the following:

		2020		2019
Accounts payable	₱	**162,932,546**	₱	66,441,619
Commissions payable		**256,831,834**		182,854,066
Payable to government agencies		**244,361,141**		169,782,614
Customers' deposits		**15,612,631**		11,987,054
Accrued expenses		**15,253,480**		9,399,636
Rental deposits (Note 27)		**5,031,566**		4,874,418
Others		**645,929**		371,174
	₱	**700,669,127**	₱	445,710,581

Accounts payable represents accruals and liabilities to pay for goods or services that have been received or supplied but have not been paid, these includes excess payments from clients. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Commissions payables consist of amounts payable to agents which are non-interest-bearing and calculated based on the average commission rates approve by management.

Payable to government agencies consists of output VAT, withholding tax, unpaid previous years' taxes, premium tax and local government taxes.

Customers' deposits pertain to cash received in advance from assured.

Accrued expenses refer to expenses incurred but unpaid as of year-end.

Rental deposits represent two (2) months deposit on leased premises. These rent deposits are refundable at the end of the lease contract or applied against the remaining lease term depending on the agreement of the contracting parties. Lease contracts are renewable every year.

20. RELATED PARTY TRANSACTIONS

Nature of relationship of the Company and its related parties are disclosed below:

Related Parties	**Nature of Relationship**
Camerton, Inc. (CI)	Parent
Figaro Coffee Systems, Inc. (FCSI)	Under common control
Cirtek Holdings Philippines Corp. (CHPC)	Under common control
BPI Asset Management and Trust Corporation	Retirement plan trustee
Officers	Key management personnel

Balances and transactions between the Company and its related parties are disclosed below:

20.01 Due from Related Parties

Balance of due from related parties are summarized per category as follows:

	December 31, 2020		December 31, 2019	
	Amount/ Volume	**Outstanding Balances**	Amount/ Volume	Outstanding Balances
CI				
Premiums written	₱ -	₱ -	₱ -	₱ -
Management fee (Note 25)	**11,319,608**	-	7,725,490	-
Capital infusion (Note 21)	**372,659,244**	-		-
FCSI				
Premiums written	**322,460**	**23,417**	184,508	6,064
CHPC				
Investment in FVPL (Note 9)	-	**65,311,280**	-	93,168,400
Dividend income (Notes 9 and 24)	**6,029,524**	-	6,324,378	-
	₱ 390,008,376	**₱ 65,311,280**	₱ 14,234,376	₱ 93,174,464

Management fee pertains to amount payable to Camerton Inc. for the management services rendered to the Company.

Premiums written refers to one (1) year insurance policies issued. Nature of these policies are fire, personal accident, casualty and motor policies.

On December 8, 2017, the Company acquired quoted preferred equity securities issued by CHPC which amounted to $2,000,000 (₱100,900,000). As of December 31, 2020 and 2019, these outstanding quoted preferred equity securities are classified as financial assets at FVPL in the statements of financial position and are carried at fair value.

The amounts outstanding are non-interest bearing, unsecured, collectible on demand and will be settled in cash. No guarantees have been received. No provisions have been made for doubtful accounts in respect of the amounts owed by related parties.

20.02 Transactions with Retirement Benefit Funds

The Company's retirement benefit fund is being maintained by BPI Asset Management and Trust Corporation, the trustee bank. The fair value of the fund amounted to ₱66,431,370 and ₱54,833,103 as of December 31, 2020 and 2019, respectively, as disclosed in Note 26.

Benefits paid from plans amounted to ₱2,390,263 and ₱5,217,445 in 2020 and 2019, respectively as disclosed in Note 26.

The funds were invested in government securities, mutual funds, investment in UITF and other related investments.

20.03 Remuneration of Key Management Personnel

The remuneration of the directors and other members of key management personnel of the Company in 2020 and 2019 is detailed as follows:

		2020		2019
Short-term employee benefits	₱	**51,758,663**	₱	45,322,189
Post-employment benefits		**2,390,263**		5,217,445
	₱	**54,148,926**	₱	50,539,634

There are no agreements between the Company and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Company's retirement plan.

21. CAPITAL STOCK

Shown below are the details of capital stock:

	2020		2019	
	Shares	**Amount**	Shares	Amount
Authorized, ₱100 par value per share	**5,000,000**	**₱ 500,000,000**	5,000,000	₱ 500,000,000
Issued and outstanding December 31	**3,314,422**	**₱ 331,442,200**	3,314,422	₱ 331,442,200

Ordinary shares carry one (1) vote per share and right to dividends.

On October 9, 2018, the Company's BOD approved the additional subscription of a stockholder. Consequently, on the same date, additional 814,422 shares were subscribed and paid by the stockholder at ₱120 per share. Excess of amount paid over par value amounting to ₱16,288,440 was recorded under contributed surplus. Contributed surplus in both years amounted to ₱16,380,940.

21.01 Capital Infusion

On August 14, 2020, the Company received capital infusion from Camerton Inc., the Company's Parent, amounting to ₱372,659,244, as disclosed in Note 20, of which ₱350,000,000 shall be accounted as DFFS and the remainder amounting to ₱22,659,244 shall be accounted as contingency surplus. As of December 31, 2020, approval for the increase in capital stock is still pending from SEC.

Contingency surplus as defined in IC Circular Letter 34-2006, Sec. Equity (3), represents contributions of stockholders to cover any deficiency in the Margin of Solvency as required under the Insurance Code and can be withdrawn only upon the approval of the Insurance Commission.

22. NET INSURANCE PREMIUMS

Analysis of the account is as follows:

	2020	2019
Gross written premiums on insurance contracts:		
Direct insurance	**₱ 2,191,010,763**	₱ 1,790,921,486
Assumed reinsurance	**222,504,018**	220,600,224
Total insurance contract premiums revenue (Note 16)	**2,413,514,781**	2,011,521,710
Gross change in provision for unearned premiums	**(188,284,070)**	(244,702,568)
Total gross earned premiums on insurance	**2,225,230,711**	1,766,819,142
Reinsurer's share of gross written premiums on insurance contracts:		
Direct insurance	**361,663,618**	204,456,294
Assumed reinsurance	-	-
Total reinsurer's share of gross written premiums on insurance contracts:	**361,663,618**	204,456,294
Reinsurer's share of gross change in deferred reinsurance premiums	**(10,859,060)**	(11,602,715)
Total reinsurers' share of gross earned premiums on insurance (Note 16)	**350,804,558**	192,853,579
Total net insurance earned premiums	**₱ 1,874,426,153**	₱ 1,573,965,563

23. NET INSURANCE BENEFITS AND CLAIMS

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

	2020	2019
Gross insurance benefits and claims paid (Note 23.01)	**₱ 967,534,531**	₱ 656,598,210
Reinsurers' share of insurance benefits and claims paid (Note 23.02)	**(66,846,168)**	(3,669,630)
Gross change in insurance contract liabilities	**293,411,529**	619,891,272
Reinsurers' share of change in insurance contract liabilities	**(197,642,376)**	(309,861,862)
Total insurance contract benefits and claims paid	**₱ 996,457,516**	₱ 962,957,990

23.01 Gross Insurance Benefits and Claims Paid

		2020		2019
Direct insurance	₱	**856,781,986**	₱	645,484,005
Assumed reinsurance		**110,752,545**		11,114,205
Total insurance contract benefits and claims paid	₱	**967,534,531**	₱	656,598,210

23.02 Reinsurers' Share of Insurance Benefits and Claims Paid

		2020		2019
Direct insurance	₱	**66,846,168**	₱	3,669,630
Assumed reinsurance		-		-
Total reinsurer's share of gross insurance contract benefits and claims	₱	**66,846,168**	₱	3,669,630

23.03 Asset Held for Sale

In relation to the claims and benefits paid in 2020 and 2019, property valued at ₱17,197,321 and ₱23,088,750, respectively, were surrendered to the Company and for disposal of a third party.

The Company has made a judgment that these properties are carried as assets are held for sale since their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Furthermore, Management assessed that these are available for immediate sale in their present conditions and the sale is highly probable within one (1) year because the third party custodian and the Management are actively looking for interested buyers.

In both years, the Company determined that there is no indication that any impairment has occurred on its asset held for sale.

24. **INVESTMENT INCOME** – net

The account is composed of the following:

		2020		2019
Finance income on:				
Short-term investments (Note 7)	₱	**7,048,264**	₱	12,370,846
AFS financial assets (Note 9.01)		**10,803,634**		8,662,094
HTM investments (Note 9.02)		**4,259,695**		5,076,441
Cash and cash equivalents (Note 6)		**1,288,610**		1,974,341
Loans and receivables (Note 9.04)		**704,276**		333,714
Rental income (Note 13)		**13,151,098**		13,266,543
Dividend income (Note 9.03)		**6,029,524**		6,324,378
Fair value gain on investment properties – net (Note 13)		**3,923,989**		965,436
Unrealized loss on foreign exchange (Notes 6 and 9)		**(7,267,122)**		(6,246,132)
Unrealized loss on financial assets at FVPL (Note 9.03)		**(24,011,500)**		(6,302,920)
Gain on sale of AFS financial assets (Note 9.01)		-		7,522,705
	₱	**15,930,468**	₱	43,947,446

25. OPERATING EXPENSES

The account is composed of the following:

		2020		2019
Personnel (Note 26)	₱	**154,882,657**	₱	128,333,700
Other underwriting		**30,010,660**		21,885,225
Professional fees		**27,613,734**		27,569,870
Depreciation and amortization (Notes 12 and 14)		**14,339,743**		14,663,275
Management fee (Note 20)		**11,319,608**		7,725,490
Provision for doubtful accounts (Note 8)		**10,009,376**		-
Postage, telephone and telegraph		**9,772,610**		7,096,974
Contracted services		**9,711,611**		10,403,674
Advertising and promotion		**8,918,036**		9,725,231
Transportation		**8,345,632**		11,440,608
Rent (Note 27)		**7,422,586**		6,155,425
Entertainment, amusement and recreation		**6,312,190**		7,978,153
Stationery, printing and supplies		**4,474,142**		8,115,180
Repairs and maintenance		**3,697,124**		3,882,190
Fines and penalties		**3,687,361**		-
Light and water		**2,692,702**		3,325,151
Taxes and licenses		**2,452,365**		9,211,688
Agency, seminar and training		**2,389,225**		2,881,365
Contests and sales drive		**955,802**		7,803,827
Association dues and fees		**921,355**		1,011,245
Insurance		**474,455**		921,957
Directors fee		**178,000**		-
Miscellaneous		**4,806,602**		6,057,488
	₱	**325,387,576**	₱	296,187,716

Miscellaneous pertains to bank charges, books and subscriptions and other items that do not fall on the categories above.

26. EMPLOYEE BENEFITS

Aggregate employee benefits expense as disclosed in Note 25 comprised:

		2020		2019
Short-term benefits	₱	**139,668,861**	₱	122,547,614
Post-employment benefits		**15,213,796**		5,786,086
	₱	**154,882,657**	₱	128,333,700

26.01 Short-term Employee Benefits

The components of short-term employee benefits are as follows:

		2020		2019
Salaries and wages	₱	**89,699,836**	₱	77,493,093
Allowances and other benefits		**43,510,425**		39,952,459
SSS, PhilHealth, HDMF contributions		**6,458,600**		5,102,062
	₱	**139,668,861**	₱	122,547,614

26.02 Post-employment Benefit Plans

The Company has a single retirement plan under the regulatory framework of the Philippines. Under R.A. No. 7641 the Company is legally obliged to provide a minimum retirement pay for qualified employees upon retirement. The framework, however, does not have a minimum funding requirement. The Company's benefit plan is aligned with this framework.

The Company's funded defined benefit plans for qualifying employees are entitled to post-employment benefits varying between 6.12% of final salary on attainment of a retirement age of sixty (60) and completion of at least five (5) years of service. The payments for the unfunded benefits are borne by the Company as it falls due from trustee-administered funds. Plan assets held by trustee are governed by a trust agreement between the latter and the Company. Responsibility for governance of the plan assets including investment decision lies with the board of trustees while plan governance and contribution schedule lies with the Company.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at March 17, 2021 by Zalamea Actuarial Services. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

In accordance with the provisions of the Bureau of Internal Revenue Regulations No. 1-68, it is required that a formal Retirement Plan be Trusteed; that there must be no discrimination in benefits; that forfeitures shall be retained in the Retirement Fund and be used as soon as possible to reduce future contributions; and that no part of the corpus or income of the Retirement Fund shall be used for, or diverted to, any purpose other than for the exclusive benefit of the Plan members.

The Retirement Plan Trustee, as appointed by the Company in the Trust Agreement executed between the Company and the duly appointed Retirement Plan Trustee, is responsible for the general administration of the Retirement Plan and the Management of the Retirement Fund. The Retirement Plan Trustee may seek the advice of counsel and appoint an investment manager or managers to manage the Retirement Fund, an independent accountant to audit the Fund and an actuary to value the Retirement Fund.

There were no plan amendments and curtailments recognized for the years ended December 31, 2020 and 2019.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2020	2019
Discount rate	**4.14%**	5.22%
Expected rate of salary increase	**8.00%**	8.00%
Average remaining working life	**24.6**	25.2

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience. These assumptions translate into an average life expectancy in years for a pensioner retiring at age sixty (60).

The sensitivity analyses of the defined benefit obligation on changes in the weighted principal assumption are as follows:

	Impact on Defined Benefit Obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
December 31, 2020			
Discount rate	**1.00%**	**Decrease by 13.5%**	**Increase by 17.0%**
Salary increase rate	**1.00%**	**Increase by 16.2%**	**Decrease by 13.2%**
December 31, 2019			
Discount rate	1.00%	Decrease by 11.4%	Increase by 8.3%
Salary increase rate	1.00%	Increase by 14.0%	Decrease by 9.9%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the post-employment benefit obligation recognized within the statement of financial position.

Assumed life expectancy is not applicable because under the Company's retirement plan, benefits are paid in full in a lump sum upon retirement or separation of an employee.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

Amounts recognized in profit or loss, as disclosed in Note 25, in respect of these defined benefit plans are as follows:

		2020		2019
Current service cost	₱	**14,864,358**	₱	6,357,656
Net interest on the plan asset		**349,438**		(571,570)
	₱	**15,213,796**	₱	5,786,086

Reconciliation of remeasurements recognized in other comprehensive income are as follows:

		Change on experience		**Change on financial assumption**		**Remeasurement loss on plan assets**		**Remeasurement gain on the changes in the effect of asset ceiling**		**Total**
Balance at January 1, 2019	₱	13,360,600	₱	(9,047,375)	₱	4,098,174	₱	(630,369)	₱	**7,781,030**
Actuarial gain (loss)		(3,834,361)		(16,288,228)		(760,809)		418,795		**(20,464,603)**
Tax effect		1,150,308		4,886,469		228,243		(125,639)		**(6,139,381)**
Balance at December 31, 2019		**10,676,547**		**(20,449,134)**		**3,565,608**		**(337,213)**		**(6,544,192)**
Actuarial gain (loss)		6,967,210		(12,683,812)		(587,394)		-		**(6,303,996)**
Tax effect		(2,090,163)		3,805,143		176,219		-		**1,891,199**
Balance at December 31, 2020	**₱**	**15,553,594**	**₱**	**(29,327,803)**	**₱**	**3,154,433**	**₱**	**(337,213)**	**₱**	**(10,956,989)**

The amount included in the statements of financial position arising from the entity's obligation in respect of its defined benefit plans is as follows:

		2020		2019
Present value of defined benefit obligation	₱	**87,709,999**	₱	66,070,426
Fair value of plan assets		**(66,431,370)**		(54,833,103)
Retirement benefit obligation	₱	**21,278,629**	₱	11,237,323

Movements in the present value obligation of the defined benefit obligation in 2020 and 2019 are as follows:

		2020		2019
Defined benefit obligation, January 1	₱	**66,070,426**	₱	41,604,109
Current service cost		**14,864,358**		6,357,656
Interest expense		**3,448,876**		3,203,516
Benefits paid		**(2,390,263)**		(5,217,445)
Change on experience		**(6,967,210)**		3,834,362
Change in financial assumptions		**12,683,812**		16,288,228
Defined benefit obligation, December 31	₱	**87,709,999**	₱	66,070,426

Movements in the fair value of the plan assets in the both years were as follows:

		2020		2019
Fair value of plan assets, January 1	₱	**54,833,103**	₱	47,043,002
Contributions paid		**11,476,487**		9,963,327
Interest income		**3,099,438**		3,805,028
Actuarial loss		**(587,395)**		(760,809)
Benefits paid		**(2,390,263)**		(5,217,445)
Fair value of plan assets, December 31	₱	**66,431,370**	₱	54,833,103

Plan assets are as follows:

	2020		2019	
	Amount	**Percentage**	Amount	Percentage
Government securities	₱ **50,428,053**	**75.91%**	₱ 41,371,576	75.45%
Mutual funds	**10,921,317**	**16.44%**	8,087,883	14.75%
Investment in UITF	**3,441,145**	**5.18%**	3,926,050	7.16%
Others	**1,640,855**	**2.47%**	1,447,594	2.64%
	₱ **66,431,370**	**100.00%**	₱ 54,833,103	100.00%

Actual return and expense on these plan assets amounted to ₱3,044,219 and ₱995,013 in 2020 and 2019, respectively.

Expected maturity analysis of undiscounted benefit obligation is as follows:

		2020		2019
1 year and less	₱	**7,780,568**	₱	9,367,703
More than 1 year to 5 years		**9,872,022**		13,750,519
More than 5 years to 10 years		**45,636,118**		34,924,901
	₱	**63,288,708**	₱	58,043,123

The Company ensures that the investment positions are managed within an Asset-Liability Matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the benefit schemes. Within this framework, the Company's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency. The Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations.

The Company has not changed the processes used to manage its risks from previous periods. The Company does not use derivatives to manage its risk. A large portion of assets in the current year consist of investments in unquoted government bonds. The Company believes that risk-free debt securities offer the best returns over the long term.

The Company is exposed to a number of risks through its defined benefit plan. The most significant risks are detailed below:

Volatility Risk

The plan liabilities are calculated using a discount rate set with reference to government bond rate; if plan assets underperform this yield, this will create a deficit. The plan holds a significant proportion of debt securities, which is expected to outperform equity securities in the long-term while providing volatility and risk in the short-term.

As the plans mature, the Company intends to reduce the level of investment risk by investing more in assets that better match the liabilities. The Company makes additional contribution to the fund during the year.

However, the Company believes that due to the long-term nature of the plan liabilities and the strength of the supporting group, a level of continuing debt securities is an appropriate element of the Company's long-term strategy to manage the plans efficiently.

Investment Risk

Investment risk is the risk that investments on plan assets will result to a lower return than originally expected. This risk emanates on the premise that funded defined benefit plans should be arranged on the basis of Asset-Liabilities Matching principle. Thus, plan assets and future contributions are invested in such a way that it will generate return to cover-up future payments of defined benefit obligations and interest costs.

These plan activities expose the Company to sensitivity in investment risks that would result to lower plan assets and higher defined benefit obligations should the performance of the investment portfolio falls below the inflation rate, interest rates and other economic conditions.

Investment risk is mitigated through proper investment planning and concentration of investments. Plan assets as of December 31, 2020 and 2019 are concentrated on investments which account 100% in both years, of the total plan assets.

Inflation Risk

Inflation risk is the risk that the equivalent purchasing power of the plan assets will not be able to match the recorded liabilities.

Payments for the defined benefit plan of the Company are not linked to inflation, thus, the exposure to this risk is immaterial.

Life Expectancy Risk

The majority of the plans' obligations are to provide benefits which paid in full in a lump sum upon retirement or separation of an employee, so, increases in life expectancy will has no effect in the plans' liabilities. This risk is closely associated with inflation risk wherein inflationary increases result in higher sensitivity to changes in life expectancy. The plan possesses a minimal exposure to this risk since inflationary risk, which is directly associated to the plan's sensitivity to life expectancy risk, is immaterial.

27. LEASE AGREEMENTS

27.01 The Company as a Lessee

The Company has elected not to recognize a lease liability for short term leases (leases of expected term of 12 months or less) or for leases of low value assets for its leases of various branch office spaces around the country. Payments made under such leases are expensed on a straight-line basis.

Upon inception of the lease agreements, the Company is required to pay certain amount as security deposits. The Company likewise pay a fixed monthly rent, which is calculated by reference to a fixed sum per square meter of the area leased. The lease agreements are automatically renewed unless otherwise decided by the lessor and the Company.

As of December 31, 2020 and 2019, the amount of security deposits paid amounted to ₱2,084,061 and ₱1,771,606, respectively, as disclosed in Note 15, which can be refunded at the end of the terms of the lease.

In 2020 and 2019, the Company recognized rent expense which amounted to ₱7,422,586 and ₱6,155,425, respectively, as disclosed in Note 25.

At reporting dates, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

		2020		2019
Not later than one (1) year	₱	**5,063,841**	₱	4,266,551
Later than one (1) year but not later than five (5) years		**8,476,980**		9,360,269
	₱	**13,540,821**	₱	13,626,820

27.02 The Company as a Lessor

Operating leases relate to the investment property owned by the Company with lease terms of between less than one (1) year to five (5) years.

The property rental income earned by the Company from its investment property, all of which is leased out under operating leases, amounted to ₱13,151,098 and ₱13,266,543 during 2020 and 2019, respectively, as disclosed in Notes 13 and 24. Direct operating expenses arising on the investment property amounted to ₱5,972,353 and ₱1,433,199 during 2020 and 2019, respectively, as disclosed in Note 12.

As of December 31, 2020 and 2019, the amount of rental deposits paid amounted to ₱5,031,566 and ₱4,874,418 , respectively, as disclosed in Note 19, which can be refunded at the end of the terms of the lease.

At reporting date, the Company had outstanding commitments for future minimum lease collections under non-cancelable operating leases which are all due within one year amounting to ₱9,440,816 and ₱6,780,990 in 2020 and 2019, respectively.

28. INCOME TAXES

28.01 Income Tax Recognized in Profit or Loss

Components of income tax expense (benefit) are as follows:

		2020		2019
Current tax expense	₱	**7,851,302**	₱	4,442,952
Deferred tax benefit (Note 29)		**(456,462)**		(36,540,910)
		7,394,840		(32,097,958)
Final tax		**4,637,456**		5,456,641
	₱	**12,032,296**	₱	26,641,317

A numerical reconciliation between tax expense and the product of accounting profit (loss) multiplied by the tax rates in 2020 and 2019 is as follows:

		2020		2019
Accounting profit (loss)	₱	**49,084,610**	₱	(68,042,808)
Tax expense at 30%		**14,725,383**		(20,412,843)
Tax effects of the following:				
Non-deductible depreciation		**392,167**		392,167
Non-deductible fines and penalties		**1,106,208**		72,000
Dividend income		**(1,808,857)**		(1,897,314)
Income subjected to other taxes		**(7,020,061)**		(10,251,968)
		7,394,840		(32,097,958)
Final tax from finance income		**4,637,456**		5,456,641
	₱	**12,032,296**	₱	26,641,317

In 2019, the Company incurred net operating loss carry-over amounting to ₱71,856,559 which can be applied against future taxable income until 2022. The entire NOLCO was applied against taxable income during the year.

Details of Company's MCIT which can be claimed as tax credits against regular income tax are as follows:

Year Incurred		Amount		Applied Previous Year		Applied Current Year		Expired		Unapplied	Expiry Date
2019	₱	4,442,952	₱	-	₱	-	₱	-	₱	4,442,952	2022
2020		5,682,230		-		-		-		5,682,230	2023
	₱	**10,125,182**	**₱**	-	**₱**	-	**₱**	-	**₱**	**10,125,182**	

28.02 Income Tax Recognized in Other Comprehensive Income

An analysis on the income tax recognized in Company's other comprehensive income is as follows:

		2020		2019
Deferred tax expense				
Revaluation increment on property and equipment	**₱**	**5,525,463**	₱	12,233,861
Remeasurements on defined benefit plan		**(1,891,199)**		(6,139,381)
	₱	**3,634,264**	₱	6,094,480

29. DEFERRED TAXES – net

Components of deferred taxes are as follows:

		2020		2019
Deferred tax assets (Note 29.01)	**₱**	**55,883,822**	₱	54,556,460
Deferred tax liabilities (Note 29.02)		**(90,430,780)**		(85,925,616)
	₱	**(34,546,958)**	₱	(31,369,156)

29.01 Deferred Tax Assets

The components of the Company's deferred tax assets and their respective movements are as follows:

	Provision for IBNR	Allowance for impairment losses	Pension asset	Unamortized pension cost	NOLCO	MCIT	Unrealized fair value change on Financial Assets at FVPL	Total
Balance, January 1, 2019	₱ 17,718,033	₱ 984,121	₱ 1,819,715	₱ 608,337	₱ -	₱ -	₱ -	₱ 21,130,206
Recognized in profit or loss	5,774,522	-	(1,253,172)	1,014,108	21,556,968	4,442,952	1,890,876	**33,426,254**
Balance, December 31, 2019	**23,492,555**	**984,121**	**566,543**	**1,622,445**	**21,556,968**	**4,442,952**	**1,890,876**	**54,556,460**
Recognized in profit or loss	6,050,407	3,002,813	1,121,193	(175,763)	(21,556,968)	5,682,230	7,203,450	**1,327,362**
Balance, December 31, 2020	**₱ 29,542,962**	**₱ 3,986,934**	**₱ 1,687,736**	**₱ 1,446,682**	**₱ -**	**₱ 10,125,182**	**₱ 9,094,326**	**₱ 55,883,822**

29.02 Deferred Tax Liabilities

The components of the Company's deferred tax assets and their respective movements are as follows:

	Fair value gain on investment properties	Unrealized foreign exchange gain (loss) – net	Revaluation reserve	Actuarial gain (loss)	Total
Balance, January 1, 2019	₱ 23,470,326	₱ 1,530,447	₱ 53,996,064	₱ 3,334,727	₱ **82,331,564**
Recognized in profit or loss	289,631	(3,404,287)	-	-	**(3,114,656)**
Recognized in other comprehensive income	-	-	12,848,089	(6,139,381)	**6,708,708**
Balance, December 31, 2019	**23,759,957**	**(1,873,840)**	**66,844,153**	**(2,804,654)**	**85,925,616**
Recognized in profit or loss	1,177,197	(306,297)	-	-	**870,900**
Recognized in other comprehensive income	-	-	5,525,463	(1,891,199)	**3,634,264**
Balance, December 31, 2020	**₱ 24,937,154**	**₱ (2,180,137)**	**₱ 72,369,616**	**₱ (4,695,853)**	**₱ 90,430,780**

30. FAIR VALUE MEASUREMENTS

30.01 Fair Value of Financial Assets and Liabilities

The carrying amounts and estimated fair values of the Company's financial assets and financial liabilities as of December 31, 2020 and 2019 are presented below:

	2020		2019	
	Carrying Amounts	**Fair Values**	Carrying Amounts	Fair Values
Financial Assets:				
Cash and cash equivalents	**₱ 748,735,017**	**₱ 748,735,017**	₱ 739,439,464	₱ 739,439,464
Short-term investments	**254,925,195**	**254,925,195**	55,584,407	55,584,407
Insurance receivables	**1,297,461,817**	**1,297,461,817**	858,297,204	858,297,204
AFS financial assets	**557,490,637**	**557,490,637**	187,751,725	187,751,725
HTM investments	**92,621,648**	**92,621,648**	114,562,601	114,562,601
Financial assets at FVPL	**65,311,280**	**65,311,280**	93,168,400	93,168,400
Loans and receivables – net	**24,770,195**	**24,770,195**	24,437,766	24,437,766
Reinsurance assets	**616,815,265**	**616,815,265**	408,313,829	408,313,829
Accrued interest receivables	**4,776,529**	**4,776,529**	3,840,389	3,840,389
Security deposits	**2,084,061**	**2,084,061**	1,771,606	1,771,606
	₱3,664,991,644	**₱3,664,991,644**	₱2,487,167,391	₱2,487,167,391
Financial Liabilities:				
Insurance contract liabilities	**₱2,476,130,454**	**₱2,476,130,454**	₱1,994,434,855	₱1,994,434,855
Insurance payables	**49,249,346**	**49,249,346**	29,486,839	29,486,839
Accounts and other payables	**440,695,355**	**440,695,355**	263,940,913	263,940,913
	₱2,966,075,155	**₱2,966,075,155**	₱2,287,862,607	₱2,287,862,607

The fair values of other financial assets and financial liabilities are determined as follows:

- Due to short-term nature and demand features, Management believes that the carrying amounts of cash and cash equivalents, short-term investments, insurance receivables, reinsurance assets, accrued interest receivables, insurance contract liabilities, insurance payables and accounts and other payables (except payable to government agencies and customers' deposits) approximate their fair values;
- The fair values of AFS financial assets and financial assets at FVPL that are actively traded in organized financial markets are determined by reference to quoted market bid prices, at the close of business on the reporting date or the last trading day as applicable. Unquoted AFS financial instruments are carried at cost, less any allowance for impairment loss.
- The fair values of HTM financial assets were determined using quoted market prices.
- Management believes that the carrying amounts of loans and receivables and security deposits approximate their fair values.

30.02 Fair Value Measurements Recognized in the Statements of Financial Position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets measured at fair value				
AFS financial assets				
Government debt securities	₱ 331,208,313	₱ -	₱ -	₱ 331,208,313
Corporate debt securities	218,616,605	-	-	218,616,605
Equity securities	805,419	20,300	-	825,719
Club shares	-	6,840,000	-	6,840,000
Financial assets at FVPL	65,311,280	-	-	65,311,280
Assets where fair value is disclosed				
Held-to-maturity investments	92,621,648	-	-	92,621,648
Loans and receivables – net	-	-	24,770,195	24,770,195
	₱ 708,563,265	₱ 6,860,300	₱ 24,770,195	₱ 740,193,760

	2019			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
AFS financial assets				
Government debt securities	₱ 123,770,269	₱ -	₱ -	₱ 123,770,269
Corporate debt securities	56,315,737	-	-	56,315,737
Equity securities	805,419	20,300	-	825,719
Club shares	-	6,840,000	-	6,840,000
Financial assets at FVPL	93,168,400	-	-	93,168,400
Assets where fair value is disclosed				
Held-to-maturity investments	114,562,601	-	-	114,562,601
Loans and receivables – net	-	-	24,437,766	24,437,766
	₱ 388,622,426	₱ 6,860,300	₱ 24,437,766	₱ 419,920,492

There were no transfers between Level 1 and 2 in the period.

30.03 Fair Value Determinations of Assets and Liabilities

The following table provides an analysis of assets and liabilities that are measured at fair value on a recurring basis subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which inputs to valuation techniques are observable:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within the Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

30.03.01 Fair Value Hierarchy

Recurring Fair Value Measurements

Shown below are the fair value of assets:

	2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets measured at fair value				
AFS financial assets				
Government debt securities	**₱ 331,424,005**	**₱ -**	**₱ -**	**₱ 331,424,005**
Corporate debt securities	**218,589,005**	-	-	**218,589,005**
Equity securities	**1,117,327**	**20,300**	-	**1,137,627**
Club shares	-	**6,340,000**	-	**6,340,000**
Financial assets at FVPL	**65,311,280**	-	-	**65,311,280**
Assets where fair value is disclosed				
Held-to-maturity investments	**92,621,648**	-	-	**92,621,648**
Loans and receivables – net	-	-	**24,770,195**	**24,770,195**
	₱ 708,563,265	**₱ 6,860,300**	**₱ 24,770,195**	**₱ 740,193,760**

	2019			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
AFS financial assets				
Government debt securities	₱ 123,770,269	₱ -	₱ -	₱ 123,770,269
Corporate debt securities	56,315,737	-	-	56,315,737
Equity securities	805,419	20,300	-	825,719
Club shares	-	6,840,000	-	6,840,000
Financial assets at FVPL	93,168,400	-	-	93,168,400
Assets where fair value is disclosed				
Held-to-maturity investments	114,562,601	-	-	114,562,601
Loans and receivables – net	-	-	24,437,766	24,437,766
	₱ 388,622,426	₱ 6,860,300	₱ 24,437,766	₱ 419,920,492

There were no transfers between level 1 and 2 of the fair value hierarchy in in both years.

Fair Value Disclosure

The table shows the fair value of the land and building owned by the Company used for administrative and leasing operations which is measured using Level 3 category.

		2020				
		Investment Properties		**Property and Equipment**		**Total Appraised Value**
Land	**₱**	**-**	**₱**	**221,221,000**	**₱**	**221,221,000**
Building and Building Improvements		**71,067,601**		**30,462,399**		**101,530,000**
	₱	**71,067,601**	**₱**	**251,683,399**	**₱**	**322,751,000**

		2019				
		Investment Property		Property and Equipment		Total Appraised Value
Land	₱	-	₱	201,110,000	₱	201,110,000
Building and Building Improvements		76,549,730		30,622,270		107,172,000
	₱	76,549,730	₱	231,732,270	₱	308,282,000

The fair value as of December 31, 2020 and 2019 of the investment properties are based on valuations performed by Aviso Valuation & Advisory Corporation (formerly CCGA Realty Corporation), an independent firm of accredited appraisers. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation. There was no change in the valuation technique used on January 29, 2021 and February 28, 2020, respectively.

The value of land under investment properties was arrived using the Market Approach. This approach provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available. This approach was used for the valuation of the lands as it is commonly used in the property market since inputs and data for this approach is available. The Cost Approach was used in the valuation of building and building improvements under investment properties situated in Intramuros. Cost Approach provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction. The application of this method replicated the deductive process of a typical market participant when estimating Market Value based on cost. 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.

Highest and Best Use

The Company's non-financial assets pertain to property and equipment and investment properties at revalued amount which consist of land, building and building improvements, currently use for administrative, leasing and capital appreciation. However, as of December 31, 2020 and 2019, the Company assessed the highest and best use of property and equipment and investment properties at revalued amount from the perspective of market participants. The property and equipment and investment properties at revalued amount, in combination with other assets and liabilities, could be developed.

As such, the Company determined that the current use of property and equipment and investment properties at revalued amount is not the asset's highest and best use. Management chose not to use the property and equipment and investment properties at revalued amount in highest and best use to maintain their fixed income rather than variable income. Also, they believe that converting the property and equipment and investment properties at revalued amount may incur additional cost.

31. FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company has established a risk management function with clear terms of reference and with the responsibility for developing policies on market, credit, liquidity, insurance and operational risks. It also supports the effective implementation of policies at the individual business unit levels. The policies define the Company's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, alignment of underwriting and reinsurance strategy to the corporate goals and specify reporting requirements.

The Company's Management function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk, including currency risk and fair value interest rate risk, credit risk and liquidity risk.

The Company seeks to minimize the effects of these risks through appropriate and dedicated investment planning aimed to reduce risk exposure. These parameters include monitoring cash flows and investigation of counterparty's credit quality. Compliance with policies and exposure limits is reviewed by the Treasury on a continuous basis.

The Management reports quarterly closely and monitors risks and policies implemented to mitigate risk exposures.

31.01 Market Risk Management

31.01.01 Interest Rate Risk Management

The Company's exposure to interest rate risk arises from its cash deposits in banks, loans and receivables, AFS and HTM debt securities which are subject to variable interest rates.

The interest rate risk arising from the aforementioned assets are managed by maintaining an appropriate investment planning and analysis, and maximizing investment opportunities in various local banks and financial institutions. The Company also manages its interest rate risk by investing in fixed rate instruments and managing the maturities of interest-bearing financial assets and financial liabilities.

In addition, the Company's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Profit (Loss) for the years ended December 31, 2020 and 2019 would have been unaffected since its financial instruments are not subject to floating interest rate.

31.01.02 Foreign Currency Risk Management

The Company undertakes transaction denominated in foreign currencies; consequently exposures to exchange rate fluctuations arise.

The carrying amounts of the Company's foreign currency denominated monetary assets at the end of the reporting periods are as follows:

	2020		2019	
	Dollar	**Peso**	Dollar	Peso
Financial Asset				
Cash in banks	**635,887**	**30,545,468**	245,650	12,465,286

The Company is mainly exposed to the USD. The exchange rate used were ₱48.036 and ₱52.744 in 2020 and 2019, respectively.

The following table details the Company's sensitivity of the US Dollar against the relevant foreign currency risk. In 2020 and 2019, the sensitivity rate used was 0.60% and 1.04%, respectively. The sensitivity rate is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end. A positive number below indicates an increase in profit where the US Dollar strengthens against the relevant currency. For a strengthening of the US Dollar against the relevant currency, there would be a comparable impact on the profit (loss), and the balances below would be positive (negative).

		Monetary Asset	Effect to Profit	
	Change in assumption	**Increase/(Decrease) in assumption**	**Increase in assumption**	**Decrease in assumption**
2020				
US Dollar	**0.60%**	**182,564 / (182,564)**	**182,564**	**(182,564)**
2019				
US Dollar	1.04%	129,781 / (129,781)	129,781	(129,781)

The Company's sensitivity to foreign currency has decreased during the year mainly due to the increase in foreign currency denominated asset and liability.

In Management's opinion, the sensitivity analysis is representative of the inherent foreign exchange risk. The Company mitigates its exposure to foreign currency risk by monitoring its US Dollar cash flows.

31.01.03 Other Price Risk Management

The Company is exposed to equity price risks arising from its equity investments. Equity investments are held for strategic rather than trading purposes. The Company does not actively trade these investments.

The analysis below is performed for reasonably possible movements in Philippine Stock Exchange index (PSEi) with all other variables held constant, showing the impact on equity (that reflects adjustments on changes in fair value of AFS financial assets).

Market Indices	Year	Change in Variable	Impact on Equity Increase (Decrease)
PSEi	2020	+1.08%	11,825
		-1.08%	(11,825)
PSEi	2019	+1.68%	13,324
		-1.68%	(13,324)

The reasonably possible movements in PSEi are based on the Company's stock composite index for the past three years.

31.02 Credit Risk Management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. The carrying amount of financial assets recognized in the financial statements represents the Company's maximum exposure to credit risk, without taking into account collateral or other credit enhancements held.

Reinsurance is placed with high-rated counterparties and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year and are subject to regular reviews. At each year-end, management performs assessment of credit worthiness of reinsurers to update reinsurance purchase strategies and ascertaining suitable allowance for impairment of reinsurance assets.

In respect of investment securities, the Company secures satisfactory credit quality by setting maximum limits of portfolio securities with a single issuer or group of issuers, excluding those secured on specific assets and setting the minimum ratings for the issuer.

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

Credit risk exposure in respect of all other counterparties is managed by setting standard business terms that are required to be met by all counterparties. Commissions due to intermediaries are netted off against amounts receivable from them to reduce the risk of doubtful debts. The credit risk in respect of customer balances, incurred on nonpayment of premiums or contributions will only persist during the grace period specified in the policy document.

The Company did not have any significant concentration of credit risk with a single counterparty or group of counterparties and industry segments as of December 31, 2020 and 2019.

The table below shows the maximum exposure to credit risk for the components of its statements of financial position.

		2020		2019
Cash and cash equivalents	₱	**748,735,017**	₱	739,439,464
Short-term investments		**254,925,195**		55,584,407
Insurance receivables		**1,297,461,817**		858,297,204
AFS financial assets		**557,490,637**		172,257,643
HTM investments		**92,621,648**		114,562,601
Financial assets at FVPL		**65,311,280**		93,168,400
Loans and receivables – net		**24,770,195**		24,437,766
Reinsurance assets		**616,815,265**		408,313,829
Accrued interest receivables		**4,776,529**		3,840,389
Security deposits		**2,084,061**		1,771,606
	₱	**3,664,991,644**	₱	2,471,673,310

As of December 31, 2020 and 2019, the carrying values of the Company's financial instruments represent maximum exposure to credit risk at reporting date. The gross maximum exposure to credit risk of the Company approximates its net maximum exposure. There were no amounts that are set-off in accordance with the criteria in PAS 32. There were no amounts subject to an enforceable master netting arrangement or similar agreement as of December 31, 2020 and 2019.

Since the Company transacts only with recognized, creditworthy third parties, there is no requirement for collateral. Insurance receivables and loans and receivables are highly collectible. Cash and cash equivalents are placed with reputable financial institution.

The standard credit-term given by the Company is 90 days. However, accounts more than 90 days may be past due but not necessarily impaired. A 180-day credit term may be given for those accounts with reciprocal business and those accounts involving large amounts of sum insured or the jumbo accounts which as practiced are subject to quarterly remittance scheme.

31.03 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Company's short-, medium- and long-term funding and liquidity Management requirements. The Company manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Company may be required to pay.

	Weighted Average Effective Interest Rate	On Demand	Within One (1) Year	Total
December 31, 2020				
Insurance contract liabilities	**-**	**₱ -**	**₱ 2,476,130,454**	**₱ 2,476,130,454**
Insurance payables	**-**	**-**	**49,249,346**	**49,249,346**
Accounts and other payables	**-**	**-**	**440,695,355**	**440,695,355**
		₱ -	**₱ 2,966,075,155**	**2,966,075,155**
December 31, 2019				
Insurance contract liabilities	-	₱ -	₱ 1,994,434,855	₱ 1,994,434,855
Insurance payables	-	-	29,486,839	29,486,839
Accounts and other payables	-	-	263,940,913	263,940,913
	-	₱ -	₱ 2,287,862,607	2,287,862,607

The following table details the Company's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Company's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Weighted Average Effective Interest Rate	On demand	Within One (1) Year	Within One (1) – Five (5) Years	Total
December 31, 2020					
Cash on hand	-	**₱ 245,500**	**₱ -**	**₱ -**	**₱ 245,500**
Cash in banks	**0.80%**	**597,647,871**	-	-	**597,647,871**
Cash equivalents	**0.85%**	-	**150,841,646**	-	**150,841,646**
Short-term investments	**1.18%**	-	**254,925,195**	-	**254,925,195**
Insurance receivables	-	-	**1,297,461,817**	-	**1,297,461,817**
AFS financial assets	**4.31%**	-	**59,916,763**	**497,573,875**	**557,490,637**
HTM investments	**3.72%**	-	**5,000,623**	**87,621,025**	**92,621,648**
Financial assets at FVPL	-	-	**65,311,280**	-	**65,311,280**
Loans and receivables – net	**10.00%**	-	**24,770,195**	-	**24,770,195**
Reinsurance assets	-	-	**616,815,265**	-	**616,815,265**
Accrued interest receivables	**2.52%**	-	**4,776,529**	-	**4,776,529**
Security deposits	-	-	-	**2,084,061**	**2,084,061**
		₱ 597,893,371	**₱2,479,819,313**	**₱ 587,278,961**	**₱ 3,664,991,644**
December 31, 2019					
Cash on hand	-	₱ 202,700	₱ -	₱ -	₱ 202,700
Cash in banks	0.80%	446,735,711	-	-	446,735,711
Cash equivalents	2.87%	-	292,501,053	-	292,501,053
Short-term investments	3.23%	-	55,584,407	-	55,584,407
Insurance receivables	-	-	858,297,204	-	858,297,204
AFS financial assets	4.65%	-	66,050,754	121,700,972	187,751,725
HTM investments	5.38%	-	11,983,414	102,579,187	114,562,601
Financial assets at FVPL	-	-	93,168,400	-	93,168,400
Loans and receivables – net	10.00%	-	24,437,766	-	24,437,766
Reinsurance assets	-	-	408,313,829	-	408,313,829
Accrued interest receivables	3.23%	-	3,840,389	-	3,840,389
Security deposits	-	-	-	1,771,606	1,771,606
		₱ 446,938,411	₱1,814,177,216	₱226,051,765	₱ 2,487,167,391

31.04 Insurance Risk Management

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of 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.

		2020				
		Gross Claims Liabilities		**Reinsurers' Share of Claims Liabilities**		**Net Claims Liabilities**
Fire	**₱**	**690,776,817**	**₱**	**355,266,715**	**₱**	**335,510,102**
Motorcar		**317,390,356**		**39,145,795**		**278,244,561**
Casualty and others		**58,521,609**		**12,383,666**		**46,137,943**
	₱	**1,066,688,781**	**₱**	**406,796,175**	**₱**	**659,892,606**

		2019				
		Gross Claims Liabilities		Reinsurers' Share of Claims Liabilities		Net Claims Liabilities
Fire	₱	504,906,529	₱	232,788,441	₱	272,118,088
Motorcar		268,087,230		1,931,485		266,155,745
Casualty and others		68,778,589		22,660,945		46,117,644
	₱	841,772,348	₱	257,380,871	₱	584,391,477

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

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

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

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

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

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

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

32. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company maintains a certain level of capital to ensure sufficient solvency margins and to adequately protect the policyholders. The level of capital maintained is usually higher than the minimum capital requirements set by the regulators and the amount computed under the Risk-based Capital (RBC) Requirement model. To ensure compliance with these externally-imposed capital requirements, it is the Company's policy to monitor the regulatory requirements of the IC on a quarterly basis as part of the Company's internal financial reporting process. As of December 31, 2020 and 2019, the Company fully complied with the externally-imposed capital requirements during the reported financial periods. These are the fixed capitalization requirement and RBC requirement.

Fixed Capitalization Requirements

On January 13, 2015, the IC issued CL No. 2015-02-A clarifying the minimum capitalization and net worth requirements of new and existing insurance companies in the Philippines. All domestic life and nonlife insurance companies duly licensed by the IC must have a net worth of at least ₱900,000,000 by December 31, 2019. The following presents the amount of required net worth and the schedule of compliance:

Minimum Net Worth	Compliance Date
550,000,000	December 31, 2016
900,000,000	December 31, 2019
1,300,000,000	December 31, 2022

As of December 31, 2019, the Company's estimated statutory net worth amounted to ₱617,638,189 which is below the ₱900,000,000 minimum net worth requirement to be complied with until February 28, 2020. On February 24, 2020, the Company wrote a letter to the IC requesting for an extension and indicating therein their plans to increase the authorized capital stock of the Company from ₱500,000,000 to ₱900,000,000 which will be subscribed by the existing shareholders. As of December 31, 2020, the Company's statutory net worth cannot be determined as of the approval of these financial statements. The final amount of net worth can be determined only after the accounts of the Company have been examined by the IC.

As of December 31, 2018, the Company's estimated statutory net worth amounted to ₱554,420,000 and the Company’s net worth as of December 31, 2018 after IC’s audit amounted to ₱566,172,474. The Company’s statutory net worth as of December 31, 2017 based on the synopsis amounted to ₱408,830,000, which is below the ₱550,000,000 minimum net worth requirement. The net worth deficiency is covered up in full by the capital infusion on October 9, 2018 and subsequent collection of outstanding premiums receivable.

Unimpaired capital requirement

IC CL No. 2015-02-A, which supersedes IC CL No. 22-2008, also states that the net worth should remain intact and unimpaired at all times. As of December 31, 2020 and 2019, the Company has complied with the unimpaired capital requirement.

Risk-based capital requirements

Insurance Memorandum Circular (IMC) No. 7-2006 adopted the RBC framework for the nonlife insurance industry to establish the required amounts of capital to be maintained by the companies in relation to their investment and insurance risks. Every nonlife insurance company is annually required to maintain a minimum required RBC ratio of 100% and not fail the trend test. Failure to meet the minimum RBC ratio shall subject the non-life insurance company to the corresponding regulatory intervention which has been defined at various levels.

Pursuant to IC CL No. 2017-15, Regulatory Requirements and Actions for the New Regulatory Framework, effective January 1, 2017, nonlife insurance companies are required to maintain minimum RBC2 requirement as prescribed under IC CL No. 2016-68, Amended Risk-Based Capital (RBC2) Framework. Under the RBC2 Framework, the RBC ratio shall be calculated as total available capital divided by the RBC2 requirement.

The following table shows the estimated RBC ratio as of December 31, 2020 and 2019 as determined by the Company based on the RBC2 Framework:

	2020	2019
Total available capital	**₱ 1,080,276,484**	₱ 537,579,679
RBC2 requirement	**441,166,584**	337,287,325
RBC2 ratio	**₱ 245%**	₱ 159%

The final amount of the RBC ratio can only be determined after the accounts of the Company have been examined by the IC.

The total available capital shall be the aggregate of Tier 1 and Tier 2 capital minus deductions, subject to applicable limits and determinations. Tier 1 capital represents capital that is fully available to cover losses of the insurer at all times on a going-concern and winding up basis. This capital is considered to be the highest quality capital available to the insurer. Tier 2 Capital does not have the same high-quality characteristics of Tier 1 capital, but can provide an additional buffer to the insurer. Tier 2 capital shall not exceed 50% of Tier 1 Capital.

The RBC requirement shall be the capital that is required to be held appropriately to the risks an insurance company is exposed to, computed using the formula as prescribed under IC CL No. 2016-68.

Financial Reporting Framework

IC CL No. 2016-65, *Financial Reporting Framework under Section 189 of the Amended Insurance Code*, prescribes the new financial reporting framework (FRF) that will be used for the statutory quarterly and annual reporting effective January 1, 2017. This also includes rules and regulations concerning Titles III and IV of Chapter III of the Amended Insurance Code and all other accounts not discussed in the Amended Insurance Code but are used in accounting of insurance and reinsurance companies.

IC CL No. 2018-18, *Valuation Standards for Nonlife Insurance Policy Reserves*, prescribes the new valuation methodology for the nonlife insurance companies. Nonlife insurance companies are required to change the basis of valuation of non-life insurance reserves. In addition to the unearned premium reserves, the concept of unexpired risk reserves is also included in the calculation of the premium liability. The IBNR reserves will now be computed using actuarial projection techniques such as but not limited to the chain ladder method, expected loss ratio method and BornheutterFerguson method. A margin for adverse deviation is provisionally set at 10% and shall be incorporated on both premiums and claims liability valuation. Discount rates to be used shall be based on the latest PDST-R2 rates and the Bloomberg IYC Curve for PhP and USD-denominated policies, respectively.

Unexpired Risk Reserves or URR refers to the amount of reserve required to cover future claims, commission and expenses at a designated level of confidence, that are expected to emerge from an unexpired period of cover. For 2017, companies shall be allowed to set up as premium liabilities the Unearned Premium Reserves or UPR instead of the higher of the UPR and URR. Starting 2018, premiums liabilities shall be determined in accordance with the valuation standards prescribed under IC CL No. 2018-18 which is the higher between the UPR and URR.

On March 9, 2019 the IC issued Circular Letter No. 2018-19, *Amendment to Circular Letter No.2016-69 "Implementation Requirements for Financial Reporting, Valuation Standards for Insurance Policy Reserves and Amended Risk-based Capital (RBC2) Framework"*, which provides that item 3c Margin for Adverse Deviation (MfAD) of said circular is hereby amended as follows:

Period Covered	Percentage of Company Specific MfAD
2017	0%
2018	50%
2019 onwards	100%

The Company complied with the aforementioned regulation and reflected ₱10.65 million in the 2018 statement of income. In 2018, the Company used 50% of the company-specific MfAD.

33. EVENTS AFTER THE REPORTING PERIOD

33.01 Impact of the proposed Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

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

1. Effective July 1, 2020, the corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding ₱5,000,000 and with total assets not exceeding ₱100,000,000, excluding land on which the particular business entity's office, plant, and equipment are situated during the taxable year for which the tax is imposed at 20%. All other domestic corporations and resident foreign corporations will be subject to 25% income tax;
2. Minimum corporate income tax (MCIT) rate reduced from 2% to 1% effective July 1, 2020, to June 30, 2023;
3. Percentage tax reduced from 3% to 1% effective July 1, 2020, to June 30, 2023; and
4. The imposition of improperly accumulated earnings is repealed.

Accordingly, PAS 10, *Events after the Reporting Period,* identifies the enactment or announcement of a change in tax rates and laws after the end of the reporting period as an example of a non-adjusting event even if it has a retroactive effect. Therefore, the reduction in the rate has not been reflected in these financial statements.

The impact of the RA 11534 on the Company's financial statements as at and for the year ended December 31, 2020, is presented below:

		As at December 31, 2020		Effect of changes in tax rates		Adjusted amount based on the reduced tax rates
Statements of Comprehensive Income						
Current tax expense	₱	7,851,302	₱	(1,962,826)	₱	5,888,476
Deferred tax expense (benefit)		456,462		(3,313,803)		(2,857,341)
Net income for the year		37,052,314		(5,276,629)		31,775,685
Other Comprehensive Income						
Revaluation reserve		5,525,463		(460,455)		5,065,008
Actuarial gain (loss)		(1,891,199)		157,600		(1,733,599)
Statements of Financial Position						
Deferred tax liabilities - net	₱	34,546,958	₱	3,010,948	₱	37,557,906
Excess tax credit		16,773,244		1,962,826		18,736,070

34. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorized for issuance by the Board of Directors on May 28, 2021.

35. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATION NO. 15-2010

The Bureau of Internal Revenue (BIR) released a revenue regulation dated November 25, 2010 amending Revenue Regulation No. 21 - 2002 setting forth additional disclosures on Notes to Financial Statements. Below are the disclosures required by the said Regulation:

35.01 Taxes and Licenses Paid or Accrued

The details of the Company's taxes and licenses paid or accrued in 2020 are as follows:

35.01.01 Output VAT

Summary of vatable transactions and the output VAT thereon is as follows:

	Vatable Sales	Output VAT thereon
Sale of services – premium	**₱ 1,646,808,697**	**₱ 197,617,044**
Rental	**13,151,098**	**1,578,132**
	₱ 1,659,959,795	**₱ 199,195,176**

The Company's sales of services are based on actual collections received, hence, may not be the same as amounts accrued in the statements of comprehensive income in 2020.

35.01.02 Input VAT

An analysis of the Company's input vat claimed during the taxable year is as follows:

Balance, January 1	₱ -
Current year's domestic purchases/payments for goods for resale service purchase domestically	80,903,259
Total available input VAT	**80,903,259**
Applied Input VAT	80,903,259
Balance, December 31	**₱ -**

35.01.03 Other Taxes and Licenses

An analysis on the Company's other taxes and licenses and permit fees paid or accrued during the year is as follows:

Taxes and licenses	₱	557,986
Real estate taxes		1,589,532
License and permit fees		316,072
Registration fees		3,511
Others		2,309,159
	₱	**4,776,260**

The following taxes relate to nonlife insurance policies that have been shifted or passed on to the policyholders and are not recognized in the statement of comprehensive income in 2020:

Documentary stamp taxes	₱	248,775,840
Fire service taxes		6,207,039
Local government taxes		1,172,178
	₱	**256,155,057**

35.01.04 Withholding Taxes

An analysis on the Company's withholding taxes paid or accrued during the year is as follows:

Expanded withholding taxes	₱	65,665,961
Withholding tax on compensation and benefits		9,907,917
	₱	**164,745,134**

The expanded withholding taxes derived income payments made by top 20,000 corporations contractor/sub-contractor services and supplier of goods.

36. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATION NO. 19–2011

Pursuant to Section 244 in relation to Section 6(H) of the National Internal Revenue Code of 1997 (Tax Code), as amended, these Regulations are prescribed to revise BIR Form 1702 setting forth the following schedules. Below are the disclosures required by the said Regulation:

36.01 Revenue

An analysis of the Company's revenue for the taxable year is as follows:

Gross written premiums on insurance contracts:		
Direct insurance	₱	2,191,010,763
Assumed reinsurance		222,504,018
Total insurance contract premiums revenue		**2,413,514,781**
Gross change in provision for unearned premiums		(188,284,070)
Total gross earned premiums on insurance		**2,225,230,711**
Reinsurer's share of gross written premiums on insurance contracts:		
Direct insurance		361,663,618
Assumed reinsurance		-
Total reinsurer's share of gross written premiums on insurance contracts:		**361,663,618**
Reinsurer's share of gross change in deferred reinsurance premiums		(10,859,060)
Total reinsurers' share of gross earned premiums on insurance		**350,804,558**
Total net insurance earned premiums	**₱**	**1,874,426,153**

36.02 Cost of Services

An analysis of the Company's cost of services for the taxable year is as follows:

Insurance contract benefits and claims paid	₱	976,289,492
Commission		531,096,837
	₱	**1,507,386,329**

36.03 Taxable Other Income

The Company's taxable other income for the year are as follows:

Rental income	₱	13,151,098
Commission income		10,660,159
Other underwriting income		835,392
Finance income from loans and receivables		704,276
Others		174,367
	₱	**25,525,292**

36.04 Itemized Deductions

The Company's itemized deductions for the year are as follows:

Personnel (Note 36.04.01)	₱	151,731,225
Other underwriting		30,010,660
Professional fees		27,613,734
Depreciation and amortization (Note 36.04.02)		13,032,519
Management fee		11,319,608
Postage, telephone and telegraph		9,772,610
Contracted services		9,711,611
Advertising and promotion		8,918,036
Transportation		8,345,632
Rent		7,422,586
Entertainment, amusement and recreation		6,312,190
Prior year foreign exchange loss		6,246,133
Stationery, printing and supplies		4,474,142
Repairs and maintenance		3,697,124
Light and water		2,692,702
Taxes and licenses		2,452,365
Agency, seminar and training		2,389,225
Contests and sales drive		955,802
Association dues and fees		921,355
Insurance		474,455
Directors fee		178,000
Miscellaneous		4,806,602
	₱	**313,478,316**

36.04.01 Personnel Expenses

Salaries and wages	₱	89,699,836
Allowances and other benefits		43,510,425
Contribution to retirement fund to the of extent of current service cost		11,476,487
Yearly amortization of contribution to retirement fund		585,877
Total salaries and allowances		**145,272,625**
SSS, Philhealth and HDMF contributions		6,458,600
	₱	**151,731,225**

36.04.02 Depreciation and Amortization

Depreciation	₱	9,663,400
Amortization		3,369,119
	₱	**13,032,519**