



SECURITIES AND EXCHANGE COMMISSION

THE SEC HEADQUARTERS 7907 Makati Avenue, Salcedo Village, Bel-Air, Makati City
1209 Trunk Line No:02-5322-7696 Email Us:www.sec.gov.ph/imessagemo@sec.gov.ph



The following document has been received:

Receiving: ICTD ERMD

Receipt Date and Time: June 27, 2024 08:28:20 AM

Company Information

SEC Registration No.: 0000008370

Company Name: LIBERTY INSURANCE CORPORATION

Industry Classification: J67010

Company Type: Stock Corporation

Document Information

Document ID: OST10627202482771914

Document Type: Financial Statement

Document Code: FS

Period Covered: December 31, 2023

Submission Type: Annual

Remarks: None

Acceptance of this document is subject to review of forms and contents

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

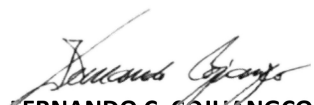
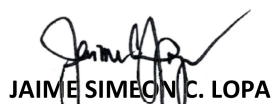
The management of **LIBERTY INSURANCE CORPORATION** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein for the years ended December 31, 2023 and 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Reyes Tacandong & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.


FERNANDO C. COJUANGCO
Chairman of the Board
JOSEFINA M. SALVADOR
President & Chief Executive Officer
JAIME SIMEON C. LOPA
Treasurer

Signed this 4th day of April, 2024

AUDITED FINANCIAL STATEMENTS

8	3	7	0
---	---	---	---

[illegible][illegible]

A	A	F	S
---	---	---	---

C	R	M	D
---	---	---	---

Insurance Company

COMPANY INFORMATION

finance@libertyinsurance.com.ph

(63) 2 8819-1961 to 66

+63 917 705 7524

79

4th Week of May

December 31

CONTACT PERSON INFORMATION	
NAME	
PHONE	
EMAIL	
ADDRESS	
CITY	
STATE	
ZIP	
COUNTRY	

Josefina M. Salvador

jo@libertyinsurance.com.ph

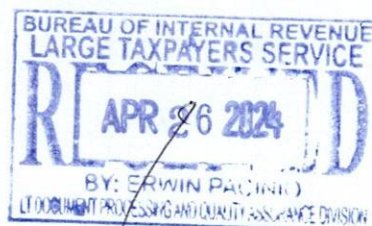
8818-8609

N/A

CONTACT PERSON'S ADDRESS

Jose Cojuangco & Sons Building, 119 Dela Rosa corner Palanca Streets, Legazpi Village, Makati City

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





INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Liberty Insurance Corporation
119 JCSO Building
Dela Rosa corner C. Palanca, Jr. Sts.
Legaspi Village, Makati City

Opinion

We have audited the accompanying financial statements of Liberty Insurance Corporation (the Company), which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to financial statements, including a summary of material accounting policy information.

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

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). 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 the audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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





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

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

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 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 PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or 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 PSA, 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.





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

REYES TACANDONG & Co.

Pamela Ann P. Escudro
PAMELA ANN P. ESCUADRO

Partner

CPA Certificate No. 128829

Tax Identification No. 216-321-918-000

BOA Accreditation No. 4782; Valid until April 13, 2024

IC Accreditation No. 128829-IC

Issued February 22, 2021

Valid for Financial Periods 2020 to 2024

BIR Accreditation No. 08-005144-013-2023

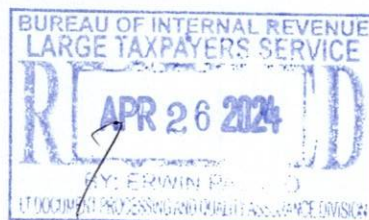
Valid until January 24, 2026

PTR No. 10072415

Issued January 2, 2024, Makati City

April 3, 2024

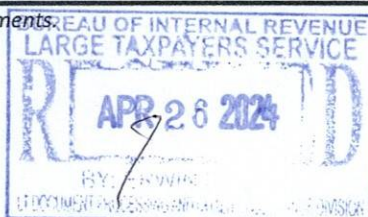
Makati City, Metro Manila



LIBERTY INSURANCE CORPORATION
STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2023	2022
ASSETS			
Cash and cash equivalents	4	P155,284,202	P134,829,019
Short-term investments	5	344,552,255	372,392,083
Insurance and other receivables	6	118,259,939	121,775,015
Financial asset investments:	7		
Held-to-maturity (HTM) investments		817,887,889	673,317,076
Investments at fair value through profit or loss (FVPL)		116,397,300	41,593,000
Available-for-sale (AFS) investments		51,008,414	50,679,919
Deferred acquisition costs	8	85,056,187	67,494,726
Reinsurance assets	9	55,603,554	33,298,579
Investment properties	10	97,641,119	97,648,958
Property and equipment	11	127,182,235	101,959,870
Net retirement asset	22	—	20,378,172
Other assets	12	6,871,477	7,021,500
		P1,975,744,571	P1,722,387,917
LIABILITIES AND EQUITY			
Liabilities			
Insurance contract liabilities	13	P442,455,576	P345,484,025
Insurance payables	14	22,754,628	20,181,993
Deferred reinsurance commissions	8	9,552,315	9,015,117
Accounts and other payables	15	73,176,661	160,552,311
Net retirement liability	22	3,159,650	—
Income tax payable		58,916,044	48,048,944
Net deferred tax liabilities	23	9,697,183	11,420,455
Total Liabilities		619,712,057	594,702,845
Equity			
Capital stock		356,687,600	356,687,600
Additional paid-in capital		2,239	2,239
Retained earnings	17	1,021,806,199	784,581,489
Other components of equity:			
Cumulative remeasurement loss on net retirement asset	22	(18,220,167)	(10,462,740)
Cumulative fair value changes on AFS investments	7	(4,243,357)	(3,123,516)
Total Equity		1,356,032,514	1,127,685,072
		P1,975,744,571	P1,722,387,917

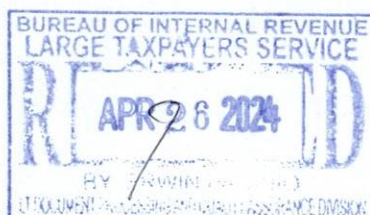
See accompanying Notes to Financial Statements.



LIBERTY INSURANCE CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31	
	Note	2023	2022
REVENUE			
Gross premiums earned on insurance contracts	18	₱819,628,255	₱643,275,829
Reinsurers' share of gross premiums earned on insurance contracts	18	(179,806,759)	(147,493,231)
Net insurance premiums earned		639,821,496	495,782,598
Investment and other income - net	21	52,556,795	39,245,957
Commission income	8	22,607,832	18,569,556
Other underwriting income	21	32,626,028	30,650,278
		747,612,151	584,248,389
BENEFITS, CLAIMS AND EXPENSES			
Net insurance benefits and claims	19	52,973,116	35,478,700
Commission expense	8	179,361,703	138,372,923
Operating expenses	20	200,210,206	169,292,249
Other underwriting expenses	21	3,330,229	2,935,414
		435,875,254	346,079,286
INCOME BEFORE INCOME TAX		311,736,897	238,169,103
INCOME TAX EXPENSE (BENEFIT)	23		
Current		65,001,989	50,586,291
Final		8,647,661	6,212,610
Deferred		862,537	(38,711)
		74,512,187	56,760,190
NET INCOME		237,224,710	181,408,913
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Not to be reclassified to profit or loss –</i>			
Remeasurement gain (loss) on net retirement asset (liability) - net of tax effect of ₱2.6 million in 2023 and ₱1.7 million in 2022	22	(7,757,427)	5,143,288
<i>To be reclassified to profit or loss when realized –</i>			
Unrealized loss on fair value changes on AFS investments	7	(613,393)	(3,139,705)
		(8,370,820)	2,003,583
TOTAL COMPREHENSIVE INCOME		₱228,853,890	₱183,412,496

See accompanying Notes to Financial Statements.



LIBERTY INSURANCE CORPORATION
STATEMENTS OF CHANGES IN EQUITY

		Years Ended December 31	
	Note	2023	2022
CAPITAL STOCK - ₱100 par value			
Authorized - 6,000,000 shares			
Issued and subscribed - 3,566,876 shares		₱356,687,600	₱356,687,600
ADDITIONAL PAID-IN CAPITAL		2,239	2,239
RETAINED EARNINGS			
	17		
Balance at beginning of year		784,581,489	603,172,576
Net income		237,224,710	181,408,913
Balance at end of year		1,021,806,199	784,581,489
OTHER COMPONENTS OF EQUITY			
Cumulative remeasurement loss on net retirement asset (liability)			
	22		
Balance at beginning of year		(10,462,740)	(15,606,028)
Remeasurement gain (loss) on net retirement asset (liability), net of tax		(7,757,427)	5,143,288
Balance at end of year		(18,220,167)	(10,462,740)
Cumulative fair value changes on AFS investments			
Balance at beginning of year	7	(3,123,516)	5,149,416
Unrealized loss on fair value changes	7	(613,393)	(3,139,705)
Realized gain on sale transferred to profit or loss	21	(506,448)	(5,133,227)
Balance at end of year		(4,243,357)	(3,123,516)
		(22,463,524)	(13,586,256)
		₱1,356,032,514	₱1,127,685,072

See accompanying Notes to Financial Statements.



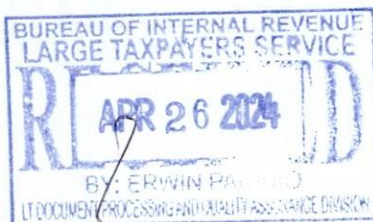
		Years Ended December 31	
	Note	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		₱311,736,897	₱238,169,103
Adjustments for:			
Interest income	21	(44,058,630)	(31,658,035)
Net retirement benefit expense	22	14,949,586	15,945,510
Depreciation and amortization	11	14,834,065	10,745,243
Dividend income	21	(6,103,131)	(5,156,452)
Loss (gain) on sale of:			
Investment properties	10	(2,067,461)	—
AFS investments	7	(506,448)	(5,133,227)
Property and equipment	11	468,175	(89,801)
Investments in FVPL	7	—	(25,992)
Impairment loss on AFS investments	7	1,645,608	2,582,387
Unrealized fair value loss (gain) on investments at FVPL	7	(289,300)	2,817,550
Operating income before changes in working capital		290,609,361	228,196,286
Decrease (increase) in:			
Insurance and other receivables		5,051,829	8,259,270
Deferred acquisition costs		(17,561,461)	(6,094,716)
Reinsurance assets		(22,304,975)	(824,589)
Other assets		150,023	(1,058,621)
Increase (decrease) in:			
Insurance contract liabilities		96,971,551	13,890,336
Insurance payables		2,572,635	(2,485,872)
Deferred reinsurance commissions		537,198	3,054,545
Accounts and other payables		(87,375,650)	68,462,466
Net cash generated from operations		268,650,511	311,399,105
Income tax paid		(62,782,550)	(42,707,701)
Contributions to the retirement plan	22	(1,755,000)	(15,100,000)
Net cash provided by operating activities		204,112,961	253,591,404
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		42,883,394	25,445,425
Dividend received		5,741,614	5,156,452
Proceeds from maturities of:			
Short-term investments		446,490,828	424,127,386
HTM investments	7	37,500,000	51,000,000
Proceeds from disposals of:			
AFS financial assets	7	8,950,765	46,013,672
Investment properties	10	2,075,300	—
Property and equipment	11	275,000	240,000
Investment at FVPL	7	—	10,754,835

(Forward)



		Years Ended December 31	
	Note	2023	2022
Acquisitions of:			
Short-term investments		(P418,651,000)	(P370,367,080)
HTM investments	7	(182,070,813)	(283,053,467)
Investments at FVPL	7	(74,515,000)	—
Property and equipment	11	(40,799,605)	(48,131,074)
AFS investments	7	(11,538,261)	(35,905,597)
Net cash used in investing activities		(183,657,778)	(174,719,448)
NET INCREASE IN CASH AND CASH EQUIVALENTS		20,455,183	78,871,956
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		134,829,019	55,957,063
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	P155,284,202	P134,829,019

See accompanying Notes to Financial Statements.



LIBERTY INSURANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

1. Corporate Information

Liberty Insurance Corporation (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on December 11, 1953.

The Company is a member of Jose Cojuangco and Sons Group of Companies.

The Company is engaged in the business of non-life insurance which includes fire, motor car, marine insurance, personal accident insurance and miscellaneous casualty that are permitted to be sold by nonlife insurance companies in the Philippines.

On September 7, 2021, the Insurance Commission (IC) renewed the Company's license to operate as an Insurance Company with Certificate of Authority No. 2022/12-R valid until December 31, 2024.

The registered office address of the Company is 119 JCSO Building Dela Rosa corner C. Palanca, Jr. Sts., Legaspi Village, Makati City.

Authorization and Approval for Issuance of the Financial Statements

The financial statements as at and for the years ended December 31, 2023 and 2022 were approved and authorized for issue by the Board of Directors (BOD) on April 3, 2024.

2. Summary of Material Accounting Policy Information

Basis of Preparation

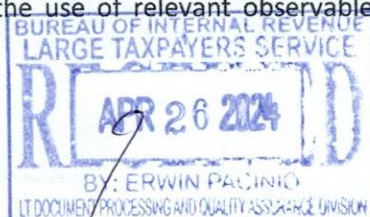
The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial and Sustainability Reporting Standards Council and adopted by SEC. This financial reporting framework includes PFRS, Philippine Accounting Standards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

Measurement Basis

The financial statements are presented in Philippine Peso (Peso), which is the Company's functional and presentation currency. All amounts are rounded to the nearest Peso unless otherwise stated.

The financial statements have been prepared on the historical cost basis of accounting, except for investments at FVPL and AFS investments which are stated at fair value and net retirement asset (liability) which is measured at the fair value of plan assets less present value of the defined benefit obligation. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and fair value of the consideration received in exchange for incurring a liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.



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

Level 1 - Quoted (unadjusted) market prices in active market for identical assets or liabilities;

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

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

Further information about the assumptions made in measuring fair value is included in the following notes:

- Note 7 - *Financial Asset Investments*
- Note 10 - *Investment Properties*
- Note 26 - *Fair Value of Financial Instruments*

Adoption of Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS starting January 1, 2023:

- Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Making Materiality Judgments - Disclosure Initiative - Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2 is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods.
- Amendments to PAS 12, *Income Taxes - Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.
- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity’s right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management’s intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments.

The adoption of the amended PFRS did not materially affect the financial statements of the Company. Additional disclosures were included in the financial statements, as applicable.

New and Amendments to PFRS in Issue But Not Yet Effective or Adopted

Relevant new and amendments to PFRS, which are not yet effective as at December 31, 2023 and have not been applied in preparing the financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2024:

- Amendments to PAS 1, *Noncurrent Liabilities with Covenants* – The amendments clarified that covenants to be complied with after the reporting date do not affect the classification of debt as current or noncurrent at the reporting date. Instead, the amendments require the entity to disclose information about these covenants in the notes to the financial statements. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Company shall also apply Amendments to PAS 1 - *Classification of Liabilities as Current or Noncurrent* for that period.

Effective for annual periods beginning on or after January 1, 2025:

- PFRS 17, *Insurance Contracts* – This standard will replace PFRS 4, *Insurance Contracts*. It requires insurance liabilities to be measured at current fulfillment value and provides a more uniform measurement and presentation approach to achieve consistent, principle-based accounting for all insurance contracts. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. An amendment to the standard was issued to (i) reduce costs of transition by simplifying some requirements of

the standard, (ii) make financial performance easier to explain, and (iii) ease transition by deferring the effectivity of the standard from 2021 to 2023 and by providing additional relief to reduce the effort required when applying PFRS 17 for the first time.

In response to the challenges brought by the COVID-19 pandemic, the Insurance Commission issued Circular Letter 2020-062, *Amendment of Section 1 of Circular Letter No. 2018-69, Deferral of IFRS 17 Implementation*, which provides a two-year deferral on the implementation of the standard from the 2023 effectivity date. Therefore, all life and nonlife insurance companies in the Philippines shall adopt PFRS 17 for annual periods beginning on or after January 1, 2025.

- *Amendment to PFRS 17, Insurance Contracts - Initial Application of PFRS 17 and PFRS 9 - Comparative information* – The amendment adds a transition option for a “classification overlay” to address temporary accounting mismatches between financial assets and insurance contract liabilities relating to comparative information presented on the initial application of PFRS 17. If an entity elects to apply the classification overlay, it can only do so for comparative periods to which it applies PFRS 17. No amendments have been made to the transition requirements of PFRS 9.

Under prevailing circumstances, the adoption of the foregoing new standard is expected to have an effect on the financial statements of the Company. The management is currently in the process of performing detailed review and analysis to determine the financial impact of the new standard. Additional disclosures will be included in the financial statements, as applicable.

Current and Noncurrent Classification

The Company presents assets and liabilities in the statements of financial position based on liquidity.

An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when it is:

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

The Company classifies all other liabilities as noncurrent.

Financial Instruments

The Company applied the temporary exemption from PFRS 9 as permitted by the amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*, issued in September 2016. The temporary exemption permits entities whose activities are predominantly connected with insurance to continue applying PAS 39 rather than PFRS 9 until the effectivity of the new insurance standards beginning January 1, 2025, based on Circular Letter 2020-062, *Amendment of Section 1 of Circular Letter No. 2018-69, Deferral of IFRS 17 Implementation* issued by the IC.

Based on the assessment made by the Management, the Company qualifies for the deferral of application of PFRS 9 since its activities are predominantly connected with insurance. Accordingly, the Company deferred the adoption of PFRS 9 and has continued to apply PAS 39.

To comply with the disclosure requirements of the amendments to PFRS 4, the table below presents the comparison of the classification of the Company's financial assets as at December 31, 2023 and 2022 under PAS 39 and PFRS 9. The carrying amounts of these financial assets under PAS 39 remain unchanged under PFRS 9.

Financial Assets	Classification under PAS 39	Classification under PFRS 9
Cash and cash equivalents	Loans and receivables	Financial assets at amortized cost
Short-term investments	Loans and receivables	Financial assets at amortized cost
Insurance and other receivables	Loans and receivables	Financial assets at amortized cost
HTM investments	HTM investments	Financial assets at amortized cost
Investments at FVPL	Held for trading	Financial assets at FVPL
AFS investments	AFS financial assets	Financial assets at fair value through other comprehensive income (OCI)

A financial instrument is any contract that gives rise to a financial asset or a liability or equity instrument of another entity.

Date of Recognition. The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition and Measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at FVPL, includes transaction cost.

Classification. Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual agreement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expenses or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

The Company classifies its financial assets into the following categories: financial assets held for trading, HTM investments, AFS investments, and insurance and other receivables. The Company classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities.

The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its financial instruments at initial recognition, and where allowed and appropriate, re-evaluates the designation at each reporting date.

Financial Assets and Financial Liabilities at FVPL. This category consists of financial assets and financial liabilities that are held for trading or financial instruments designated by management as at FVPL on initial recognition.

After initial measurement, financial assets and financial liabilities at FVPL are recorded in the statements of financial position at fair value, with any changes in fair value recognized in profit or loss.

Financial assets or financial liabilities that are not held for trading but are classified under the FVPL category are allowed to be designated by management on initial recognition in this category when any of the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the asset or liabilities or recognizing gains or losses on them on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be bifurcated.

The Company's financial assets at FVPL consist of publicly traded preferred equity instruments (see Note 7). The Company does not have any financial liabilities at FVPL as at December 31, 2023 and 2022.

HTM Investments. HTM investments are nonderivative financial assets that are quoted in the market, with fixed or determinable payments and fixed maturities for which the Company's management has the positive intention and ability to hold to maturity. HTM investments are subsequently measured at amortized cost less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization is included as part of "Interest income" lodged in "Investment and other income - net" account in the statements of comprehensive income. Gains and losses are recognized in profit or loss when the HTM investments are derecognized. Any impairment loss is recognized in profit or loss.

Where the Company sells or reclassifies other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified at fair value as AFS financial assets. The Company would then be unable to categorize financial instruments as HTM investments for the next two (2) years in the financial statements.

HTM investments are included in current assets if maturity is within twelve months from the reporting date. Otherwise, these are classified as noncurrent assets.

The Company's HTM investments consist of investments in government and corporate debt securities (see Note 7).

AFS Investments. AFS investments are nonderivative financial assets that are either designated in this category or do not qualify to be classified as financial assets at FVPL, HTM investments or loans and receivables. Financial assets may be designated at initial recognition as AFS investments if these are purchased indefinitely and may be sold in response to liquidity requirements or change in market conditions.

After the initial measurement, AFS investments are carried at fair value in the statement of financial position. Changes in the fair value of AFS investments are reported as part of other comprehensive income (OCI) and accounted for in equity under "Cumulative fair value changes on AFS investments" account, until the investment is derecognized or the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in profit or loss.

When the fair value of AFS investments cannot be measured reliably because of lack of reliable estimates of unobservable inputs such as in case of unquoted equity instruments, these financial assets are allowed to be carried as cost less impairment, if any.

Dividends earned on holding AFS investments are recognized in the profit or loss when the right to receive payment has been established. The loss arising from impairment of such securities is recognized as impairment loss in profit or loss.

When AFS investments are derecognized, the cumulative gain or loss previously recognized in OCI and previously reported in equity is transferred to profit or loss. Where the Company holds more than one investment in the same security, these are deemed to be disposed of on a weighted average basis.

The Company's AFS investments include investments in equity securities (see Note 7).

Loans and Receivables. Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as financial assets at FVPL, AFS financial assets or HTM investments.

After initial measurement, loans and receivables are carried at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in the statement of comprehensive income when the insurance and other receivables are derecognized or impaired, as well as through the amortization process.

This category includes cash and cash equivalents, short-term investments, and insurance and other receivables (see Notes 4, 5 and 6).

Cash and cash equivalents. Cash includes cash on hand and in banks. Cash equivalents pertain to short-term highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value. Cash and cash equivalents are measured at face amount.

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

Insurance Receivables. Insurance receivables are recognized on policy inception dates and measured on initial recognition at fair value of consideration receivable for the period of coverage. Subsequent to initial recognition, insurance receivables are measured at amortized cost less any allowance for impairment. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. Impairment losses are recognized in profit or loss.

Other Financial Liabilities. Financial liabilities which are not held for trading or are not designated at FVPL are classified as financial liabilities carried at amortized cost where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Other financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized and through the amortization process.

This category includes insurance payables and accounts and other payables (excluding payable to government agencies and deferred output VAT) (see Notes 14 and 15).

Impairment of Financial Assets

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Objective evidence includes observable data that comes to the attention of the Company about loss events such as but not limited to significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments, probability that borrower will enter bankruptcy or other financial reorganization.

Insurance and Other Receivables. The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the assets' effective interest rate. Time value is generally not considered when the effect of discounting is not material. The carrying amount of the asset shall be reduced directly or through the use of an allowance account. The amount of loss shall be recognized in profit or loss.

If, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Where insurance and other receivables have been ascertained to be worthless, the related amount is written off against the corresponding allowance for impairment.

AFS Financial Assets Carried at Fair Value. In case of equity investments classified as AFS financial assets, impairment indicators would include a significant or prolonged decline in the fair value of the investments below its cost. When there is evidence of impairment, the cumulative loss which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss is removed from OCI and recognized in profit or loss. Recovery of impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in OCI.

The Company treats “significant” generally as 20% or more and “prolonged” as 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.

For a partial disposal, a proportionate share of the fair value gains and losses previously recognized in OCI is reclassified from equity to profit or loss. Such gains and losses include all fair value changes until the date of disposal.

AFS Financial Assets Carried at Cost. If there is an objective evidence that an impairment loss has occurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be measured reliably, the amount of the loss is measured as the difference between that asset’s carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Derecognition of Financial Assets and Financial Liabilities

Financial Asset. A financial asset, or where applicable, a part of a financial asset or part of a group of similar financial assets is derecognized when:

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

When the Company has transferred its right to receive cash flows from a financial asset or has entered into a ‘pass-through’ arrangement, and has neither transferred nor retained substantially all the risks and rewards incidental to ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Company’s continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Company could be required to repay.

Financial Liability. A financial liability is derecognized from the statements of financial position when the obligation under the financial liability is discharged, cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statements of comprehensive income.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Company could raise debt with similar terms and conditions in the market. The difference between the carrying amount of the original liability and fair value of the new liability is recognized in the statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Offsetting of Financial Assets and Liabilities

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

Deferred Acquisition Costs

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

Subsequent to initial recognition, these costs are amortized using the 24th method. Amortization of deferred acquisition costs is recognized in profit or loss. The unamortized acquisition costs are presented as "Deferred acquisition costs" account in the statements of financial position.

Investment Properties

Investment properties pertain to parcels of land which are held for capital appreciation. These are carried at cost, including transaction costs, less any impairment losses.

Investment properties are measured initially at cost. Cost includes the acquisition cost of the investment properties plus incidental costs incurred to effect the transfer of title of the investment property and other necessary expenses incurred in its acquisition.

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are charged to operations in the year in which the costs are incurred.

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

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

Property and Equipment

Property and equipment, except for land, are stated at cost less accumulated depreciation and amortization and any impairment losses. Property and equipment includes ROU assets. Land is stated at cost less accumulated impairment losses, if any.

The initial cost of property and equipment comprises its purchase price, including import duties and nonrefundable taxes, and any direct costs attributable in bringing the asset to its working condition and location for its intended use.

Expenditures incurred after the assets have been put into operations, such as repairs and maintenance, are normally charged to profit or loss in the year the cost are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of the assets.

Depreciation and amortization commence when the property and equipment is in its location or condition capable of being operated in the manner intended by management. Depreciation and amortization ceases at the earlier of the date that the property and equipment is classified as held-for-sale and the date the property and equipment is derecognized.

Depreciation and amortization is computed using the straight-line method of property and equipment based on the estimated useful lives of the assets as follows:

<u>Asset type</u>	<u>Number of Years</u>
Computer equipment	5
Building	50
Leasehold improvements	10 or lease term, whichever is shorter
Office furniture, fixtures and equipment	5
Transportation equipment	5

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

Fully depreciated or amortized property and equipment are retained in the accounts until these are no longer in use and no further charge for depreciation and amortization is made in respect of those property and equipment.

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year the property and equipment is derecognized.

When items of property and equipment are retired or otherwise disposed of, the cost and related accumulated depreciation and amortization and any impairment loss are removed from the accounts and any resulting gain or loss is charged to the profit or loss.

Impairment of Nonfinancial Assets

At each reporting date, nonfinancial assets are reviewed to determine whether there is any indication that these nonfinancial assets may be impaired. If there is an indication of possible impairment, the recoverable amount of any asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in the statement of comprehensive income. The recoverable amount of an asset is the greater of its value in use or its fair value less cost to sell. Value in use is the present value of future cash flows expected to be derived from an asset. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized. Reversals of impairment are recognized in profit or loss.

Insurance Contracts

Insurance contracts are defined as those contracts under which the Company (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate if a specified uncertain future event (the insured event) adversely affects the policyholder. As a general guideline, the Company defines significant insurance risk, by comparing benefits paid against benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or other variable.

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

Reinsurance. The Company cedes insurance risk in the normal course of business. Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. 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. Reinsurance assets are impaired only if there is objective evidence that the Company may not receive all amounts due under the terms of the contract and that this can be measured reliably. If such evidence exists, impairment loss is recognized in profit or loss.

Premiums and claims on assumed reinsurance are recognized in profit or loss 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 reinsurance contract.

Reinsurance recoverable on paid losses on businesses ceded are offset against insurance payable to reinsurers which is customary in the industry.

Insurance Contract Liabilities

Provision for Unearned Premiums. The proportion of written premiums, gross of commissions payable to intermediaries, attributable to subsequent periods or to risks that have not yet expired is deferred as unearned premiums. The change in the provision for unearned premiums is recognized in profit or loss in the order that revenue is recognized over the period of risk. Further provisions are made to cover claims under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

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

Liability Adequacy Test. At each reporting date, liability adequacy test is performed, to ensure adequacy of insurance contract liabilities, net of deferred acquisition costs. In performing the test, current best estimates of future cash flows, claims handling and policy administration are used. Any inadequacy is immediately recognized in profit or loss 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 contract exceed future premiums plus the current provision for unearned premiums.

Benefits and Claims

Benefits and claims consist of benefits and claims paid to policyholders, which includes changes in valuation of insurance contract liabilities, except for gross changes in the provision for unearned premiums which are recorded in premiums income. It further includes internal and external claims handling costs that are directly related to the processing and settlement of claims. General insurance claims are recorded on the basis of notifications received.

Net insurance benefits and claims represent gross insurance contract benefits and claims and gross change in insurance contract liabilities less reinsurer's share.

Equity

Capital Stock. Capital stock is measured at par value for all shares issued and outstanding.

Additional Paid-in Capital. Additional paid-in capital includes any premium received in the issuances of capital stock.

Retained Earnings. Retained earnings represent the cumulative balance of the Company's net income.

Cumulative Remeasurement Loss on Net Retirement Asset (Liability). This account pertains to accumulated remeasurement gains and losses on net retirement asset (liability), which were not recognized in profit or loss. These income and expense when earned or incurred for the period are classified as other comprehensive income or loss and presented after net income in the statements of comprehensive income.

Cumulative Fair Value Changes on AFS Investments. This account pertains to accumulated unrealized fair value changes on AFS investments, which are to be reclassified to profit or loss when realized. These income and expense, when earned or incurred for the period, are classified as other comprehensive income and presented after net income in the statements of comprehensive income.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received.

The following are the recognition criteria for revenues of the Company outside the scope of PFRS 15:

Premiums Revenue. Gross insurance written premiums comprise the total premiums receivable for the whole period covered provided by contracts entered into during the accounting period and 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 premiums written that relate to the unexpired periods of the policies at reporting date are accounted for as provisions for unearned premiums and included as part of "insurance contract liabilities" in the statements of financial position. The net changes in these accounts during the year are recognized in profit or loss for the year.

Insurance receivables are recognized when due and measured at the original invoice amount, less allowance for uncollectible amount. Insurance receivables are derecognized following the derecognition criteria of financial assets.

Commission Income. Reinsurance commissions are recognized as revenue over the period of the contracts using the 24th method. The portion of the commissions that relates to the unexpired periods of the policies at the reporting date is presented as "Deferred reinsurance commissions" in the statements of financial position.

Interest Income. Interest income is recognized as it accrues, taking into account the effective yield on the asset.

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

Other Underwriting Income. Other underwriting income from other sources, if any, is recognized when earned.

The Company also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Company has assessed that it acts as principal in all of its revenue sources.

The following specific recognition criteria must also be met before revenue is recognized:

Other income. Other income consists of miscellaneous income of the Company that are recognized at a point in time once the performance of the related obligation is completed.

Expense Recognition

Expenses are recognized in the statements of comprehensive income upon consumption of goods, utilization of services or at the date these are incurred.

Benefits and Claims. Benefits and claims consist of benefits and claims to policyholders, which includes the valuation of insurance contract liabilities, except for gross changes in the provision for premiums which are recorded in premiums income. It further includes internal and external handling cost that are directly related to the processing and settlement of claims. General insurance claims are recorded on the basis of notifications received.

Net insurance benefits and claims represent gross insurance contract benefits and claims and gross change in insurance contract liabilities less reinsurer's share.

Operating Expenses. Operating expenses constitute costs of administrating the business and costs incurred in advertising and promotions. These are expensed when incurred.

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

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

Employee Benefits

Short-term Benefits. The Company provides short-term benefits to its employees in the form of basic salary, 13th month pay, bonuses, leave credits, employer's share on government contributions and other short-term benefits.

Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

Retirement Benefits. The Company has a funded, noncontributory defined benefit plan covering all qualified employees. The retirement expense is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporate assumptions concerning employees' projected salaries.

The Company recognizes service costs, comprising of current service costs and net interest expense or income in the statements of comprehensive income. Net interest is calculated by applying the discount rate to the net retirement liability or plan asset. Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment and the date that the Company recognizes restructuring related costs.

Remeasurements, comprising actuarial gains and losses and return on plan assets, are recognized immediately in OCI in the year in which these arise. Remeasurements are not reclassified to profit or loss in subsequent years.

The net retirement asset or liability is the aggregate of the present value of the retirement liability and the fair value of plan assets on which the liabilities are to be settled directly. The present value of the retirement liability is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

Plan assets are assets that are held in trust and managed by a trustee bank. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. The fair value of the plan assets is based on the market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

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

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

Income Tax

Current Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rate and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting date.

Deferred Tax. Deferred tax is provided, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is recognized in statements of comprehensive income except to the extent of items recognized as OCI or items directly recognized in equity.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences can be utilized.

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

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

Final Tax. Interest income from cash in banks, cash equivalents, short term investments and debt securities, which are subject to final withholding tax, is presented at gross amounts, while taxes paid or withheld are recognized as final tax under "Income tax expense (benefit)" account in the statements of comprehensive income.

Offsetting. Current tax assets and current tax liabilities are offset, or deferred tax assets and deferred tax liabilities are offset if, and only if, an enforceable right exists to set off the amounts and it can be demonstrated without undue cost or effort that the Company plans either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Provisions

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

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

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

Contingencies

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

Events after the Reporting Date

Events after the reporting date that provide additional information about the Company's financial position as at the reporting date (adjusting events) are reflected in the financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes to financial statements when material.

3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the financial statements requires management to exercise significant judgments, make accounting estimates and use assumptions that affect the amounts reported in the financial statements and accompanying notes. The judgments, accounting estimates and assumptions used in the financial statements are based upon management's evaluation of relevant facts and circumstances as at the reporting date. Actual results could differ from these estimates and assumptions used, and the effect of any change in estimates will be adjusted in the financial statements when these become reasonably determinable.

Judgments, accounting estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company believes the following represent a summary of these significant judgments, accounting estimates, assumptions and related impact and associated risks in the financial statements.

Judgments

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

Identification of Product Classification. The Company has determined that the policies it issues have significant insurance risk and therefore meets the definition of an insurance contract and are accounted for as such. Insurance contracts are those contracts when the Company has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts also transfer financial risk.

Classifying Financial Instruments. The Company classifies a financial instrument, on initial recognition as a financial asset, a financial liability or equity in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

The Company's financial assets include cash and cash equivalents, short-term investments, insurance and other receivables, HTM investments, AFS investments and investments at FVPL. The Company's financial liabilities include insurance payables and accounts and other payables (excluding payable to government agencies and deferred output VAT).

Accounting Estimates and Assumptions

The key accounting estimates and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in the succeeding paragraphs.

Estimating the Claims Liability Arising from Insurance Contracts. For non-life insurance contracts, estimates have been made both for the expected ultimate costs of claims reported at the end of the reporting period and for the expected ultimate cost of the IBNR claims at the reporting date. It can take a significant period of time before the ultimate claim costs can be established with certainty and for some type of policies, IBNR claims form the majority of the statement of financial position claims provision. The IBNR provision of the Company has been calculated using standard actuarial projection techniques using past development patterns to determine the expected future development and project the claim amounts for each accident year to its ultimate value. A number of different valuation methodologies have been adopted, each with their own strengths and blended them together which include incurred chain ladder/development approach, paid chain ladder/development method, the Bornheutter-Ferguson incurred approach and the Bornheutter-Ferguson paid approach. At each reporting date, prior year claims estimates are reassessed for adequacy and changed made are charged to provision.

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

The total carrying value of provision for outstanding claims and IBNR amounted to ₱68.4 million and ₱42.6 million as at December 31, 2023 and 2022, respectively (see Note 13).

Assessing the Impairment Losses on HTM Investments. The Company determines impairment of HTM investments based on its evaluation of the presence of objective evidence of impairment which includes observable data that comes to the attention of the Company such as but not limited to significant financial difficulty of the counterparty of the probability that the borrower will enter bankruptcy or other financial re-organization. In addition to the individual impairment assessment, if an entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets and collectively assesses them for impairment which takes into consideration the credit risk characteristics such as borrower type, payment history and past due status.

No impairment loss was recognized in 2023 and 2022. The carrying amount of HTM investments amounted to ₱817.9 million and ₱673.3 million as at December 31, 2023 and 2022, respectively (see Note 7).

Assessing the Impairment Losses on AFS Investments. The Company treats AFS investments 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" and "prolonged" requires judgment. The Company treats "significant" generally as 20% or more of the original cost of investment, and "prolonged," as greater than six months. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows.

Impairment losses recognized on the Company's AFS investments amounted to ₱1.6 million and ₱2.6 million in 2023 and 2022, respectively. The carrying amount of AFS investments amounted to ₱51.0 million and ₱50.7 million as at December 31, 2023 and 2022, respectively (see Note 7).

Determining the Fair Value of Investments at FVPL and AFS Investments. PFRS requires that certain financial instruments be carried at fair value, which requires the use of judgment and accounting estimates. While significant components of fair value measurement are determined using verifiable objective evidence, the timing and amount of changes in fair value would differ with the valuation methodology used. Any change in the fair value of these financial instruments would directly affect the statements of comprehensive income and the statements of changes in equity.

The carrying amount of investments at FVPL amounted to ₱116.4 million and ₱41.6 million as at December 31, 2023 and 2022, respectively. The carrying amount of AFS investments measured at fair value amounted to ₱51.0 million and ₱50.7 million as at December 31, 2023 and 2022, respectively (see Note 7).

Assessing the Impairment Losses on Insurance and Other Receivables. The Company maintains an allowance for impairment losses on receivables at a level considered adequate to provide for potential losses. The level of this allowance is determined by management using specific and collective impairment tests. The Company performs a regular review of the age and status of these accounts, designed to identify accounts with objective evidence of impairment and provide the appropriate allowance for impairment losses.

The Company assesses specifically the significant receivables based on factors that affect its collectability. These factors include, but are not limited to, the length of the Company's relationship with the customer, the counterparties payment behavior and known market factors. The Company identifies and provides for specific accounts that are doubtful of collection and reviews the age and status of the remaining receivables and establishes a provision considering, among others, historical collection and write-off experience.

The Company conducts impairment tests at a collective level for receivables that are not individually significant and for those that were already specifically tested but with no impairment losses determined. For collective impairment testing purposes, receivables are grouped according to their risks characteristics. The loss rate applied to each risk group to compute for the required allowance for impairment losses is determined based on the risk group's default or past due migration and loss history. Management's judgment is required in choosing the risk characteristics used in grouping the receivables as well as in selecting the periods over which the past due migration and loss history shall be obtained. In computing the loss rates for each group, management also makes certain assumptions over the available data on past due migration and loss history of the risk group that these reflect current relevant economic circumstances. Adjustments on the loss rates are made as deemed necessary by management to ensure that the loss rates properly reflect the incurred loss on the risks groups as of reporting date.

The amount and timing of recorded expenses for any year would differ if the Company made different judgments or utilized different methodologies. An increase in allowance for impairment losses would increase the recorded operating expenses and decrease current assets.

No provision for impairment losses was recognized on insurance and other receivables in 2023 and 2022. The Company did not write-off any insurance receivables in 2023 and 2022. The carrying amount of insurance and other receivables amounted to ₱118.3 million and ₱121.8 million as at December 31, 2023 and 2022, respectively (see Note 6).

Estimating the Useful Lives of Property and Equipment. The Company estimates the useful lives of its property and equipment based on the period over which the assets are expected to be available for use. The Company reviews annually the estimated useful lives of property and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental changes and anticipated use of the depreciable property and equipment.

There were no changes in the useful lives of property and equipment in 2023 and 2022. The carrying amount of depreciable property and equipment amounted to ₱89.0 million and ₱63.8 million as at December 31, 2023 and 2022, respectively (see Note 11).

Assessing the Impairment Losses on Investment Properties and Property and Equipment. The Company assesses impairment of its investment properties and property and equipment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The factors that the Company considered important which could trigger an impairment review include the following:

- Significant changes or planned changes in the use of the assets;
- Significant under-performance of the business; and
- Significant negative industry or economic trends.

Whenever the carrying amount of property and equipment exceeds its recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. 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 a measurement date. The estimated cash flows are projected using growth rate based on historical experience and business plans and are discounted using pretax discount rate that reflects the current assessment of the time value of money and the risks specific to the asset. Recoverable amount is estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

There were no impairment indicators on the Company's investment properties and property and equipment in 2023 and 2022. Accordingly, no impairment loss was recognized. The carrying amount of investment properties amounted to ₱97.6 million as at December 31, 2023 and 2022 (see Note 10). The carrying amount of property and equipment amounted to ₱127.2 million and ₱102.0 million as at December 31, 2023 and 2022, respectively (see Note 11).

Assessing the Realizability of Deferred Tax Assets. The Company reviews the carrying amounts of deferred tax assets at each financial reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred tax assets to be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be utilized, based upon the likely timing and level of future taxable income together with future tax planning strategies.

The Company's recognized gross deferred tax assets amounted to ₱11.6 million and ₱10.5 million as at December 31, 2023 and 2022, respectively (see Note 23).

Assessing Provisions and Evaluating Contingencies. Provisions can be distinguished from other liabilities because there is uncertainty about the timing and amount of settlement. The most common provisions recorded by the Company arise from obligations in relation to unasserted claims. Contingent liabilities of the Company are not recognized but disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

The recognition and measurement of provisions and contingencies require the Company to make significant estimates with regard to the probability (if the event is more likely than not to occur) that an outflow of resources will be required to settle the obligation and make assumptions whether a reliable estimate can be made of the amount of the obligation.

Moreover, the Company's accounting policy requires recognition of the best estimate of the amount that would be required to settle an obligation and the estimate may be based on information that produces a range of amounts.

4. Cash and Cash Equivalents

This account consists of:

	2023	2022
Cash on hand	₱755,000	₱700,000
Cash in banks	88,711,321	68,892,135
Cash equivalents	65,817,881	65,236,884
	₱155,284,202	₱134,829,019

Cash in banks earn interest at the prevailing bank deposit rates.

As at December 31, 2023 and 2022, cash equivalents pertain to government treasury bills made for varying periods with original maturities of up to 90 days from acquisition and with interest rates ranging from of 3.7% to 5.0% per annum in 2023 and 2022.

Interest income earned from cash and cash equivalents amounted to ₱0.4 million and ₱0.5 million in 2023 and 2022, respectively (see Note 21).

5. Short-term Investments

Short-term investments amounting to ₱344.6 million and ₱372.4 million as at December 31, 2023 and 2022, respectively, are government treasury bills made for varying periods with maturities of more than three months but less than one year and with interest rates ranging from 4.9% to 6.3% per annum in 2023 and 1.4% to 5.0% per annum in 2022.

Interest income earned from short-term investments amounted to ₱9.2 million and ₱4.4 million in 2023 and 2022, respectively (see Note 21).

6. Insurance and Other Receivables

This account consists of:

	2023	2022
Insurance receivables	₱99,796,319	₱110,430,246
Other receivables	18,463,620	11,344,769
	₱118,259,939	₱121,775,015

Insurance Receivables

Insurance receivables consist of:

	Note	2023	2022
Premiums receivable		₱81,177,571	₱90,109,968
Reinsurance recoverable on paid losses	19	8,689,952	11,032,560
Funds held by ceding companies		5,657,882	3,403,507
Premiums due from ceding companies		4,270,914	5,884,211
		₱99,796,319	₱110,430,246

Premiums receivable arise on unpaid premiums from policyholders and intermediaries. Normal credit term of these receivables is 30 days. No impairment loss was recognized in 2023 and 2022.

Reinsurance recoverable on paid losses represents the share of reinsurance companies for the claims paid by the Company to the insured.

Funds held by ceding companies pertain to amounts withheld by ceding companies as collateral for possible reinsurance payments.

Premiums due from ceding companies are premiums receivable for assumed business from other insurance and reinsurance companies.

Other Receivables

Other receivables consist of:

	Note	2023	2022
Receivables from employees	16	₱12,597,701	₱7,015,603
Accrued interest income		4,875,345	3,700,109
Accrued dividend income		990,574	629,057
		₱18,463,620	₱11,344,769

Receivables from employees include interest bearing advances settled through salary deductions. Interest income earned from interest bearing advances amounted to ₱0.8 million and ₱0.6 million in 2023 and 2022, respectively (see Note 21).

No impairment losses on other receivables were recognized in 2023 and 2022.

7. Financial Asset Investments

This account consists of:

	2023	2022
HTM investments	₱817,887,889	₱673,317,076
Investments at FVPL	116,397,300	41,593,000
AFS investments	51,008,414	50,679,919
	₱985,293,603	₱765,589,995

HTM Investments

HTM investments pertain to investments in corporate retail treasury bonds and Peso-denominated government bonds broken down as follows:

	2023	2022
Corporate bonds	₱434,390,000	₱312,090,000
Government bonds	383,497,889	361,227,076
	₱817,887,889	₱673,317,076

HTM investments earn interest ranging from 2.4% to 7.0% per annum in 2023 and 2.4% to 8.0% per annum in 2022. Interest income earned from these investments amounted to ₱33.6 million and ₱26.1 million in 2023 and 2022, respectively (see Note 21).

Movements of the HTM investments are as follows:

	2023	2022
Balance at beginning of year	₱673,317,076	₱441,263,609
Additions	182,070,813	283,053,467
Maturities	(37,500,000)	(51,000,000)
Balance at end of year	₱817,887,889	₱673,317,076

HTM investments were acquired at par value. Accordingly, these investments are stated at face value and no discount or premium amortization was recognized in 2023 and 2022.

Maturity profile of the above investments is as follows:

	2023	2022
Within one year	₱119,516,265	₱37,500,000
More than one to five years	634,371,624	470,302,604
More than five years	64,000,000	165,514,472
	₱817,887,889	₱673,317,076

As at December 31, 2023 and 2022, the Company has no HTM investments pledged as collateral.

In compliance with the capital investment requirement under Section 209 of the Amended Insurance Code, certain government debt securities earmarked as security for the benefit of policyholders and creditors of the Company are deposited with the Bureau of Treasury under the Registry of Scrippless Securities system.

The minimum capital investment requirement amounted to ₱325.0 million as at December 31, 2023 and 2022, respectively, or twenty-five percent (25%) of the minimum net worth required under Section 194.

The carrying amount of these earmarked government debt securities, which are included under cash equivalents, short-term investments and HTM investments accounts, aggregated to ₱793.9 million and ₱798.9 million, as at December 31, 2023 and 2022, respectively.

Investments at FVPL

Investments at FVPL pertain to publicly traded preferred equity instruments acquired for the purposes of selling in the near future amounting to ₱116.4 million and ₱41.6 million.

Movements of investments at FVPL are as follows:

	Note	2023	2022
Balance at beginning of year		₱41,593,000	₱55,139,393
Additions		74,515,000	—
Disposals		—	(10,728,843)
Unrealized gain (loss) on fair value changes	21	289,300	(2,817,550)
		₱116,397,300	₱41,593,000

The fair values of these investments are based on published closing rates from active markets, which are categorized as Level 1.

In 2022, the Company sold portions of investments in financial assets at FVPL with proceeds amounting to ₱10.8 million with related gain on sale amounting to ₱25,992 (see Note 21).

Dividends earned from investments at FVPL amounted to ₱3.0 million and ₱2.1 million in 2023 and 2022, respectively (see Note 21).

AFS Investments

AFS investments pertain to publicly traded equity shares measured at fair value and equity shares measured at cost.

AFS investments consist of:

	2023	2022
Equity shares:		
Quoted	₱50,978,414	₱50,649,919
Unquoted	30,000	30,000
	₱51,008,414	₱50,679,919

The fair values of AFS investments are based on published bidding prices from active markets which are categorized under Level 1 of the fair value hierarchy. Equity shares with no available published prices in active market are stated at cost.

Movements of AFS investments are as follows:

	Note	2023	2022
Cost			
Balance at beginning of year		₱53,803,435	₱61,360,670
Additions		11,538,261	35,905,597
Disposals		(8,444,317)	(40,880,445)
Impairment loss	20	(1,645,608)	(2,582,387)
Balance at end of year		55,251,771	53,803,435
Cumulative fair value gain (loss)			
Balance at beginning of year		(3,123,516)	5,149,416
Unrealized loss on fair value changes		(613,393)	(3,139,705)
Realized gain on sale transferred to profit or loss	21	(506,448)	(5,133,227)
Balance at end of year		(4,243,357)	(3,123,516)
		₱51,008,414	₱50,679,919

Dividends earned from AFS investments amounted to ₱3.1 million in 2023 and 2022, respectively (see Note 21).

8. Deferred Acquisition Costs and Deferred Reinsurance Commissions

Deferred Acquisition Costs

Movements in this account are as follows:

	2023	2022
Balance at beginning of year	₱67,494,726	₱61,400,010
Cost deferred	196,923,164	144,467,639
Amortization	(179,361,703)	(138,372,923)
Balance at end of year	₱85,056,187	₱67,494,726

Deferred Reinsurance Commissions

Movements in this account are as follows:

	2023	2022
Balance at beginning of year	₱9,015,117	₱5,960,572
Income deferred	23,145,030	21,624,101
Amortization	(22,607,832)	(18,569,556)
Balance at end of year	₱9,552,315	₱9,015,117

9. Reinsurance Assets

This account consists of:

	Note	2023	2022
Deferred reinsurance premiums		₱39,083,087	₱32,317,827
Reinsurance recoverable on unpaid losses		16,520,467	980,752
	13	₱55,603,554	₱33,298,579

10. Investment Properties

Investment properties, which are carried at cost, pertain to parcels of land held for capital appreciation amounting to ₱97.6 million as at December 31, 2023 and 2022, respectively.

Movements in this account are as follows:

	Note	2023	2022
Balance at beginning of year		₱97,648,958	₱135,794,558
Disposals		(7,839)	–
Reclassification to property and equipment	11	–	(38,145,600)
Balance at end of the year		₱97,641,119	₱97,648,958

In 2023, the Company sold a parcel of land with a carrying cost of ₱7,839 which resulted to a gain on sale amounting to ₱2.1 million (see Note 21).

In 2022, the Company reclassified to property and equipment, a parcel of land located in Tarlac, with a carrying amount of ₱38.1 million. The said parcel of land was used as the location for the Company's regional office which was constructed on the same year (see Note 11).

No rental income was earned from investment properties in 2023 and 2022. Expenses related to investment properties amounted to ₱0.2 million and ₱0.1 million in 2023 and 2022, respectively.

The fair value of investment properties based on a valuation made by an independent appraiser amounted to ₱1,017.6 million and ₱771.6 million as at December 31, 2023 and 2022, respectively. These are determined using the "market value" approach using observable inputs such as location, size and average selling price per square meter. Estimated price per square meter based on this approach ranges from 4,500 to 15,000 per square meter. The fair value was derived from market value that reflects the recent transaction prices for similar properties registered within the vicinity.

The fair value measurement considers the concept of value in use of the investment properties which is based on the highest and best use of the asset or that which may reasonably be expected to produce the highest return over a given period of time. The fair value measurement is categorized under Level 3 of the fair value hierarchy.

11. Property and Equipment

Movements of property and equipment are as follows:

		2023						
	Note	Land	Computer Equipment	Building	Leasehold Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Total
Cost								
Balance at beginning of year		₱38,145,600	₱54,916,124	₱21,736,409	₱14,707,857	₱16,362,054	₱13,842,250	₱159,710,294
Additions		–	15,085,187	6,607,583	13,221,211	5,885,624	–	40,799,605
Disposals and terminations		–	(10,802,515)	–	(2,696,769)	(1,704,611)	(400,000)	(15,603,895)
Balance at end of year		38,145,600	59,198,796	28,343,992	25,232,299	20,543,067	13,442,250	184,906,004
Accumulated Depreciation and Amortization								
Balance at beginning of year		–	33,053,974	–	4,233,956	9,823,103	10,639,391	57,750,424
Depreciation and amortization	20	–	7,637,552	566,880	1,824,399	2,938,778	1,866,456	14,834,065
Disposals and terminations		–	(10,566,561)	–	(2,308,977)	(1,701,346)	(283,836)	(14,860,720)
Balance at end of year		–	30,124,965	566,880	3,749,378	11,060,535	12,222,011	57,723,769
Carrying Amounts		₱38,145,600	₱29,073,831	₱27,777,112	₱21,482,921	₱9,482,532	₱1,220,239	₱127,182,235

2022								
			Computer Equipment	Building	Leasehold Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Total
	Note	Land						
Cost								
Balance at beginning of year		P=	P39,182,807	P=	P8,255,738	P12,840,172	P13,862,250	P74,140,967
Additions		—	15,733,317	21,736,409	6,659,466	3,521,882	480,000	48,131,074
Reclassification	10	38,145,600	—	—	—	—	—	38,145,600
Disposals and terminations		—	—	—	(207,347)	—	(500,000)	(707,347)
Balance at end of year		38,145,600	54,916,124	21,736,409	14,707,857	16,362,054	13,842,250	159,710,294
Accumulated Depreciation and Amortization								
Balance at beginning of year		—	27,788,494	—	3,400,463	7,776,598	8,596,774	47,562,329
Depreciation and amortization	20	—	5,265,480	—	890,641	2,046,505	2,542,617	10,745,243
Disposals and terminations		—	—	—	(57,148)	—	(500,000)	(557,148)
Balance at end of year		—	33,053,974	—	4,233,956	9,823,103	10,639,391	57,750,424
Carrying Amounts		P38,145,600	P21,862,150	P21,736,409	P10,473,901	P6,538,951	P3,202,859	P101,959,870

In 2023 and 2022, the Company sold and disposed certain property and equipment with carrying amounts aggregating to ₱0.7 million and ₱0.2 million, respectively. This resulted to a net gain (loss) on sale of property and equipment presented under “Investment and other income - net” amounting to ₱0.5 million and ₱0.1 million in 2023 and 2022, respectively (see Note 21).

In 2022, addition to building pertains to the Company’s regional office building which was constructed and completed in the same year.

The cost of fully depreciated property and equipment still being used in operations amounted to ₱41.4 million and ₱30.1 million as at December 31, 2023 and 2022, respectively.

12. Other Assets

This account consists of:

	2023	2022
Prepayments and other assets	₱5,494,465	₱5,892,380
Documentary stamp tax fund	1,328,573	1,080,681
Security fund	48,439	48,439
	₱6,871,477	₱7,021,500

Prepayments and other assets pertain to prepaid rent, unused office supplies and printed forms.

13. Insurance Contract Liabilities

Insurance contract liabilities consist of:

	2023	
	Insurance Contract Liabilities	Reinsurers’ Share of Liabilities (see Note 9)
		Net
Provision for claims reported	₱45,397,225	₱10,919,335
Provision for IBNR	22,997,018	5,601,132
Outstanding claims provision	68,394,243	16,520,467
Provision for unearned premiums	374,061,333	39,083,087
	₱442,455,576	₱55,603,554
		₱386,852,022

	2022		
	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (see Note 9)	Net
Provision for claims reported	₱29,354,433	₱542,109	₱28,812,324
Provision for IBNR	13,264,103	438,643	12,825,460
Outstanding claims provision	42,618,536	980,752	41,637,784
Provision for unearned premiums	302,865,489	32,317,827	270,547,662
	₱345,484,025	₱33,298,579	₱312,185,446

Movements of outstanding claims provision follow:

		2023		
	Note	Insurance Contract Liabilities	Reinsurers' Share of Liabilities	Net
Balance at beginning of year		₱42,618,536	₱980,752	₱41,637,784
Claims incurred		67,469,868	19,067,178	48,402,690
Claims paid, net of recoveries	19	(51,427,076)	(8,689,952)	(42,737,124)
Increase in IBNR	19	9,732,915	5,162,489	4,570,426
Balance at end of year		₱68,394,243	₱16,520,467	₱51,873,776

		2022		
	Note	Insurance Contract Liabilities	Reinsurers' Share of Liabilities	Net
Balance at beginning of year		₱52,518,641	₱5,590,148	₱46,928,493
Claims incurred		47,810,630	11,277,367	36,533,263
Claims paid, net of recoveries	19	(51,801,969)	(11,032,560)	(40,769,409)
Decrease in IBNR	19	(5,908,766)	(4,854,203)	(1,054,563)
Balance at end of year		₱42,618,536	₱980,752	₱41,637,784

Movements of provision for unearned premiums follow:

		2023		
	Note	Insurance Contract Liabilities	Reinsurers' Share of Liabilities	Net
Balance at beginning of year		₱302,865,489	₱32,317,827	₱270,547,662
Premiums written	18	890,824,099	186,572,019	704,252,080
Premiums earned	18	(819,628,255)	(179,806,759)	(639,821,496)
Balance at end of year		₱374,061,333	₱39,083,087	₱334,978,246

		2022		
	Note	Insurance Contract Liabilities	Reinsurers' Share of Liabilities	Net
Balance at beginning of year		₱279,075,048	₱26,883,842	₱252,191,206
Premiums written	18	667,066,270	152,927,216	514,139,054
Premiums earned	18	(643,275,829)	(147,493,231)	(495,782,598)
Balance at end of year		₱302,865,489	₱32,317,827	₱270,547,662

14. Insurance Payables

This account consists of:

	2023	2022
Funds held for reinsurers	₱13,554,423	₱10,527,063
Due to reinsurers and ceding companies	9,200,205	9,654,930
	₱22,754,628	₱20,181,993

15. Accounts and Other Payables

This account consists of:

	2023	2022
Payables to government agencies	₱24,949,226	₱8,269,892
Collateral bonds	23,941,991	130,217,288
Deferred output VAT	22,637,242	19,507,034
Accounts payable	1,111,952	1,056,847
Accrued expenses	536,250	1,501,250
	₱73,176,661	₱160,552,311

Payable to government agencies pertains to statutory liabilities which are normally settled within the following month.

Collateral bonds represent the amount of cash collaterals received by the Company in relation to suretyship contracts which are callable on demand or refunded to the client at the end of the contract period which is normally one year.

Deferred output VAT pertains to output VAT on uncollected receivables which is due to the taxation authority upon collection.

Accounts payable are noninterest-bearing and are normally settled within 30 days.

Accrued expenses are noninterest-bearing and usually settled throughout the subsequent year.

16. Related Party Transactions

In the normal course of business, the Company has transactions with its related parties as follows:

Account	Relationship	Nature of Transaction	Year	Transactions during the Year	Outstanding Balance
Accounts Payable	Entity under common control	Rent expense	2023	₱10,864,349	₱-
			2022	10,225,361	-
Receivable from employees	Key management personnel	Salary advances to employees	2023	₱4,497,744	₱7,443,586
			2022	1,879,784	3,376,387

Salary advances to key management personnel are interest-bearing, due and demandable, unsecured and not impaired.

Compensation of key management personnel by benefit type is as follows:

	2023	2022
Short-term employee benefits	₱7,876,685	₱7,722,240
Post-employment benefits	800,160	977,000
	₱8,676,845	₱8,699,240

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.

The Company paid directors' fees amounting to ₱2.6 million and ₱1.7 million in 2023 and 2022, respectively (see Note 20).

17. Retained Earnings

Under the Revised Corporation Code of the Philippines, stock corporations are generally prohibited from retaining surplus profits in excess of 100% of their paid up capital.

As at December 31, 2023 and 2022, the Company's retained earnings amounting to ₱1,021.8 million and ₱784.6 million, respectively, is in excess of its paid-up capital. The retention of excess retained earnings is mainly due to the requirements to the IC for minimum statutory net worth for which the Company has to comply with (see Note 25).

18. Net Insurance Premiums Earned

Gross premiums earned on insurance contracts follow:

	Note	2023	2022
Gross premiums on insurance contracts:			
Direct insurance		₱885,296,276	₱661,979,534
Assumed reinsurance		5,527,823	5,086,736
Total gross premiums on insurance contracts		890,824,099	667,066,270
Gross change in provision for unearned premiums		(71,195,844)	(23,790,441)
Gross premiums earned	13	₱819,628,255	₱643,275,829

Reinsurers' share of gross premiums earned on insurance contracts follow:

	Note	2023	2022
Reinsurers' share of gross premiums on direct insurance contracts		₱186,572,019	₱152,927,216
Reinsurers' share of gross change in provision for unearned premiums		(6,765,260)	(5,433,985)
Reinsurer's share of gross premiums earned	13	₱179,806,759	₱147,493,231

19. Net Insurance Benefits and Claims

This account consists of:

	2023	2022
Gross insurance contract benefits and claims	₱77,202,783	₱41,901,864
Reinsurers' share of gross insurance contract benefits and claims	(24,229,667)	(6,423,164)
Net insurance benefits and claims	₱52,973,116	₱35,478,700

Gross insurance contract benefits and claims consist of the following:

	Note	2023	2022
Insurance contract benefits and claims paid	13	₱51,427,076	₱51,801,969
Gross change in:			
Claims payable		16,042,792	(3,991,339)
Provision for IBNR	13	9,732,915	(5,908,766)
Gross insurance contract benefits and claims		₱77,202,783	₱41,901,864

Reinsurers' share of gross insurance contract benefits and claims:

	Note	2023	2022
Reinsurers' share of gross insurance contract benefits and claims on direct insurance contracts	6	₱8,689,952	₱11,032,560
Reinsurers' share of gross change in:			
Claims payable		10,377,226	244,807
Provision for IBNR	13	5,162,489	(4,854,203)
Reinsurer's share of gross insurance contract benefits and claims		₱24,229,667	₱6,423,164

20. Operating Expenses

This account consists of:

	Note	2023	2022
Salaries and employee benefits		₱104,558,453	₱86,847,914
Rent	24	27,522,797	21,928,373
Net retirement benefit expense	22	14,949,586	15,945,510
Depreciation and amortization	11	14,834,065	10,745,243
Professional fees		12,547,663	11,786,714
Printing and office supplies		3,947,077	2,715,582
Taxes, licenses and fees		2,776,823	2,683,507
Directors' fees	16	2,640,000	1,660,000
Light and water		2,354,493	1,470,574
Communication and postage		2,200,154	1,990,463

(Forward)

	Note	2023	2022
Outside services		₱2,218,001	₱1,973,551
Impairment loss on AFS investments	7	1,645,608	2,582,387
Repairs and maintenance		1,626,047	1,438,549
Transportation and travel		1,219,749	1,097,354
Professional and technical development		1,125,516	1,034,824
Entertainment, amusement and recreation		771,800	645,806
Association dues		758,180	597,999
Insurance		538,288	492,879
Advertising		322,623	273,310
Donation and contributions		141,000	130,000
Others		1,512,283	1,251,710
		₱200,210,206	₱169,292,249

21. Investment and Other Income - net

Investment and other income consists of:

	Note	2023	2022
Interest income:			
HTM investments	7	₱33,559,669	₱26,117,481
Short-term investments	5	9,244,944	4,435,614
Receivables from employees	6	820,325	594,984
Cash and cash equivalents	4	433,692	509,956
Dividend income:			
AFS investments	7	3,102,576	3,091,546
Investments at FVPL	7	3,000,555	2,064,906
Gain (loss) on sale of:			
Investment properties	10	2,067,461	—
AFS investments	7	506,448	5,133,227
Property and equipment	11	(468,175)	89,801
Investments at FVPL	7	—	25,992
Unrealized gain (loss) on fair value changes on investments at FVPL	7	289,300	(2,817,550)
		₱52,556,795	₱39,245,957

Other underwriting income amounting to ₱32.6 million and ₱30.7 million in 2023 and 2022, respectively, mainly pertains to income from various sources including the Company's share in insurance pool.

Other underwriting expenses amounted to ₱3.3 million and ₱2.9 million in 2023 and 2022, respectively.

22. Retirement Benefits

The Company has a funded, tax qualified, noncontributory and defined benefit retirement plan covering all of its qualified employees. The benefits are based on the years of service and compensation on the last year of employment.

The Company's annual contribution to the plan consists principally of payments which covers the current service cost for the year and the required funding relative to the guaranteed minimum benefits as applicable. The funds are administered by a trustee bank under the supervision of the Board of Trustees of the plan which delegates the implementation of the investment policy to an Investment Committee. These funds are subject to the investment objectives and guidelines established by the Investment Committee and rules and regulations issued by Bangko Sentral ng Pilipinas covering assets under trust and fiduciary agreements. The Investment Committee is responsible for the investment strategy of the plan.

The latest actuarial valuation date of the Company's retirement plan is as at December 31, 2023.

Net retirement benefit expense recognized in the statements of comprehensive income and presented under "Operating expenses" consists of (see Note 20):

	2023	2022
Current service cost	₱6,343,854	₱7,478,503
Past service cost	10,072,961	9,199,671
Net interest benefit	(1,467,229)	(732,664)
	₱14,949,586	₱15,945,510

Net retirement asset (liability) recognized in the statements of financial position follows:

	2023	2022
Fair value of retirement plan assets	₱121,986,388	₱109,639,855
Present value of defined benefit obligations	(125,146,038)	(89,261,683)
	(₱3,159,650)	₱20,378,172

Changes in fair value of retirement plan assets are as follows:

	2023	2022
Balance at beginning of year	₱109,639,855	₱99,959,446
Contributions	1,755,000	15,100,000
Interest income	7,894,070	5,097,932
Benefits paid	(265,107)	(3,580,636)
Remeasurement gain (loss) on plan assets	2,962,570	(6,936,887)
Balance at end of year	₱121,986,388	₱109,639,855

Changes in present value of defined benefits obligation are as follows:

	2023	2022
Balance at beginning of year	₱89,261,683	₱85,593,481
Current service cost	6,343,854	7,478,503
Past service cost	10,072,961	9,199,671
Interest cost	6,426,841	4,365,268
Benefits paid	(265,107)	(3,580,636)
Remeasurement loss (gain) on defined benefits obligation	13,305,806	(13,794,604)
Balance at end of year	₱125,146,038	₱89,261,683

The cumulative remeasurement gain (loss) on net retirement asset (liability) recognized in OCI as at December 31 follows:

	2023		
	Cumulative Remeasurement Loss	Deferred Tax (see Note 23)	Net
Balance at beginning of year	(₱13,950,320)	(₱3,487,580)	(₱10,462,740)
Remeasurement loss	(10,343,236)	(2,585,809)	(7,757,427)
Balance at end of year	(₱24,293,556)	(₱6,073,389)	(₱18,220,167)

	2022		
	Cumulative Remeasurement Loss	Deferred Tax (see Note 23)	Net
Balance at beginning of year	(₱20,808,037)	(₱5,202,009)	(₱15,606,028)
Remeasurement gain	6,857,717	1,714,429	5,143,288
Balance at end of year	(₱13,950,320)	(₱3,487,580)	(₱10,462,740)

The major categories of plan assets as at December 31, 2023 and 2022 are as follows:

	2023	2022
Fixed income securities	99%	99%
Other assets	1%	1%
	100%	100%

The plan exposes the Company to the following risks:

- *Salary risk* - any increase in the retirement plan participants' salary will increase the retirement plan's liability.
- *Longevity risk* - any increase in the plan participants' life expectancy will increase the retirement plan's liability.
- *Interest rate risk* - a decrease in the bond interest rate will increase the present value of the retirement liability. However, partially counterbalanced by an increase in the return on the plan assets.

- *Investment risk* - if the actual return on plan assets is below the discount rate used in calculating the present value of the retirement liability, a plan deficit will arise. However, the compositions of plan assets are balanced enough not to expose the Company to significant concentrations of investment risk.

The Company does not expect to contribute to retirement plan in 2024.

The principal assumptions used to determine the net retirement liability are as follows:

	2023	2022
Discount rates	6.1%	7.2%
Salary increase rates	6.0%	6.0%

Sensitivity analysis based on reasonably possible changes of the assumptions on present value of defined benefit obligation as at December 31, 2023 are as follows:

	Change in Assumption	Effect on Present Value of Defined Benefit Obligation	Present Value of Defined Benefit Obligation
Discount rate	+1.0%	(P8,296,329)	P116,849,709
	-1.0%	6,072,738	131,218,776
Salary increase rate	+1.0%	8,187,124	133,333,162
	-1.0%	(5,959,335)	119,186,703

The schedule below presents a projection of benefit payments expected to be paid out of the retirement fund.

Period	Amount
Between one to five years	P85,176,100
Between six to ten years	51,566,232
Between eleven to 15 years	79,056,308
Over 16 years	375,464,693
	P591,263,333

The weighted average duration of the net retirement liability is 13 years as at December 31, 2023.

23. Income Taxes

Under the "Corporate Recovery and Tax Incentives for Enterprises" (CREATE) Act which took effect on July 1, 2020, the regular corporate income tax of domestic corporations is 25% or 20% depending on the amount of total assets or total amount of taxable income while MCIT is computed at 1% of gross income for a period of three years up to June 30, 2023 and reverted to 2% effective July 1, 2023.

The income tax rates used in preparing the financial statements are 25% and 1.5% for RCIT and MCIT, respectively, in 2023 and 25% and 1% for RCIT and MCIT, respectively, in 2022. The Company's provision for current tax pertains to RCIT in 2023 and 2022.

The Company's net deferred tax liabilities relate to the tax effect on the following temporary differences:

	2023	2022
Deferred tax assets on:		
Provision for IBNR losses	₱4,348,972	₱3,206,365
Unamortized past service cost	4,039,900	5,034,430
Deferred reinsurance commissions	2,388,079	2,253,779
Net retirement liability	789,913	—
Allowance for doubtful accounts	—	53,196
	11,566,864	10,547,770
Deferred tax liabilities on:		
Deferred acquisition costs	21,264,047	16,873,682
Net retirement asset	—	5,094,543
	21,264,047	21,968,225
Net deferred tax liabilities	(₱9,697,183)	(₱11,420,455)

The components of deferred tax expense (benefit) are presented as follows:

	Note	2023	2022
In profit or loss		₱862,537	(₱38,711)
In OCI	22	(2,585,809)	1,714,429
		(₱1,723,272)	₱1,675,718

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

	2023	2022
Income tax expense at statutory income tax rate	₱77,934,224	₱59,542,276
Income tax effects of:		
Difference of final tax rate against statutory tax rate	(2,161,915)	(1,553,153)
Dividend income exempt from income tax	(1,525,783)	(1,289,113)
Impairment loss on AFS investment	411,402	645,597
Other nontaxable investment income	(198,937)	(585,417)
Nondeductible expense	53,196	—
	₱74,512,187	₱56,760,190

24. Significant Commitments and Contingencies

Lease Commitments

The Company, as a lessee, has entered into lease agreements covering its office spaces and service centers used in its operations with lease terms ranging from one to two years. The Company assessed its lease commitments by class of underlying asset and assessed the contract renewals as short-term leases. The Company applies the "short-term lease" recognition exemptions under PFRS 16 for these leases.

Rent expense amounted to ₱27.5 million and ₱21.9 million in 2023 and 2022, respectively (see Note 20).

Contingencies

Various legal actions and claims are pending or may be assessed in the future against the Company from litigations and claims incident to the ordinary course of business. The management believes that the ultimate liability for these lawsuits, claims, and tax assessments, if any, would not be material in relation to the financial position and operating results of the Company.

25. Insurance and Financial Risk Management Objectives and Capital Management

Insurance Risk

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

The following tables set out the concentration of the claims liabilities by the type of contract as at December 31.

	2023		
	Insurance Contract Liabilities	Reinsurers' Share of Liabilities	Net
Motor	₱23,024,775	₱24,185	₱23,000,590
Fire	20,168,898	9,815,000	10,353,898
Casualty	2,193,552	1,080,150	1,113,402
Marine	10,000	–	10,000
	₱45,397,225	₱10,919,335	₱34,477,890

	2022		
	Insurance Contract Liabilities	Reinsurers' Share of Liabilities	Net
Motor	₱22,259,436	₱37,041	₱22,222,395
Fire	6,688,877	350,000	6,338,877
Casualty	406,120	155,068	251,052
	₱29,354,433	₱542,109	₱28,812,324

For general insurance contracts, the most significant risks which arise from motor are car accidents, carnapping, weather disturbances, natural disasters and terrorist activities. These risks vary significantly in relation to the location of the risk insured by the Company and the types of risks insured.

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

The variability of risks is also improved by careful selection and implementation of underwriting strategies, strict claims review policies to assess all new and 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 impact the Company negatively.

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 insurance 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 surplus and excess-of-loss basis with retention limits varying by the 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 statements of financial position as reinsurance assets.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders. Thus, a credit exposure exists with respect to the reinsurance ceded to the extent that any reinsurer 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 a single reinsurance contract. There is no single counterparty exposure that exceeds 5% of the total reinsurance assets at the reporting date.

Financial Risk Management Objectives

The Company's principal financial instruments consist of cash in banks and cash equivalents, short-term investments, HTM investments, AFS investments and investments at FVPL. The Company also has various other financial assets and liabilities such as insurance and other receivables, insurance payables and accounts and other payables (excluding payable to government agencies and deferred output VAT) which arise directly from its operations. Financial assets investments arise from the Company's investing activities.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, and equity price risk. The Company's BOD and management review and approve the policies for managing each of the risks summarized below.

Credit Risk. Credit risk is a risk that the Company will incur financial loss when its counterparties fail to discharge their contractual obligations. The Company deals with reputable banks to limit this risk.

The table below shows the credit risk exposure of the Company's financial assets as at December 31, 2023 and 2022.

	2023	2022
Cash in banks	₱88,711,321	₱68,892,135
Cash equivalents	65,817,881	65,236,884
Short-term investments	344,552,255	372,392,083
Insurance and other receivables	118,259,939	121,775,015
HTM investments	817,887,889	673,317,076
	₱1,435,229,285	₱1,301,613,193

The tables below show the credit quality of financial assets as at December 31, 2023 and 2022.

	2023							Total
	Neither past due or impaired			Past due but not impaired				
	High Grade	Substandard Grade	Standard Grade	Over 30 Days	Over 90 Days	Over 180 Days	Impaired	
Cash in banks	₱88,711,321	₱—	₱—	₱—	₱—	₱—	₱—	₱88,711,321
Cash equivalents	65,817,881	—	—	—	—	—	—	65,817,881
Short-term investments	344,552,255	—	—	—	—	—	—	344,552,255
Insurance and other receivables	43,770,743	44,106,862	27,816,134	—	1,876,294	689,906	—	118,259,939
HTM investments	817,887,889	—	—	—	—	—	—	817,887,889
	₱1,360,740,089	₱44,106,862	₱27,816,134	₱—	₱1,876,294	₱689,906	₱—	₱1,435,229,285
	2022							Total
	Neither past due or impaired			Past due but not impaired				
	High Grade	Substandard Grade	Standard Grade	Over 30 Days	Over 90 Days	Over 180 Days	Impaired	
Cash in banks	₱68,892,135	₱—	₱—	₱—	₱—	₱—	₱—	₱68,892,135
Cash equivalents	65,236,884	—	—	—	—	—	—	65,236,884
Short-term investments	372,392,083	—	—	—	—	—	—	372,392,083
Insurance and other receivables	48,324,307	40,203,147	31,346,708	—	1,584,582	316,271	—	121,775,015
HTM investments	673,317,076	—	—	—	—	—	—	673,317,076
	₱1,228,162,485	₱40,203,147	₱31,346,708	₱—	₱1,584,582	₱316,271	₱—	₱1,301,613,193

Cash in banks are classified as high grade since these are deposited in reputable banks with good credit rating and low probability of insolvency. Cash equivalents and short-term investments are classified as high grade since these are investment in government of treasury bills.

HTM investments are assessed as high grade since these include investment in government treasury bonds and investment in debt securities of companies having good financial condition and operating in an industry which has potential growth.

High grade receivables pertain to those receivables from counterparties that consistently pay before the maturity date. Standard grade includes receivables that are collected on their due dates even without an effort from the Company to follow them up while receivables which are collected on their due dates provided that the Company made a persistent effort to collect them are included under substandard grade receivables.

The Company has no significant concentration of credit risk in relation to its financial assets.

Liquidity Risk. Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet commitments from financial instruments.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated funds. The Company manages its liquid funds through cash planning, using historical figures and experiences as well as reasonable forecasts for its collections and disbursements.

The tables below summarize the maturity profile of the Company's financial liabilities as at December 31 based on contractual undiscounted payments:

	2023					Total
	Within 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years		
Insurance payables	₱22,754,628	₱—	₱—	₱—		₱22,754,628
Accounts and other payables*	25,590,193	—	—	—		25,590,193
	₱48,344,821	₱—	₱—	₱—		₱48,344,821

*Excluding payables to government agencies and deferred output VAT aggregating to ₱47.6 million.

	2022				Total
	Within 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	
Insurance payables	₱20,181,993	₱–	₱–	₱–	₱20,181,993
Accounts and other payables*	132,775,385	–	–	–	132,775,385
	₱152,957,378	₱–	₱–	₱–	₱152,957,378

*Excluding payables to government agencies and deferred output VAT aggregating to ₱27.8 million.

Equity Price Risk. The Company's price risk exposure at year-end relates to financial instruments whose values will fluctuate as a result of changes in market prices, principally, investments at FVPL amounting to ₱116.4 million and ₱41.6 million as at December 31, 2023 and 2022, respectively, and AFS investments amounting to ₱51.0 million and ₱50.7 million as at December 31, 2023 and 2022, respectively (see Note 7). Such investments in equity securities are subject to price risk due to changes in market values of instruments arising either from factor specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

The Company's policy is to maintain the risk to an acceptable level. Movement in share price is monitored regularly to determine the impact on its financial position.

The sensitivity rate used for reporting equity price risk represents management's assessment of the reasonably possible change in equity pricing per PSE index. The sensitivity analysis of the Company's stock portfolio as at December 31, 2023 and 2022 follows:

	2023		
	Increase (decrease) in market value	Effect on income before tax	Effect on Equity
Investments in FVPL	11.4%	₱13,269,292	₱13,269,292
	(11.4%)	(13,269,292)	(13,269,292)
AFS investments	11.4%	–	5,811,539
	(11.4%)	–	(5,811,539)

	2022		
	Increase (decrease) in market value	Effect on income before tax	Effect on Equity
Investments in FVPL	14.6%	₱6,072,578	₱6,072,578
	(14.6%)	(6,072,578)	(6,072,578)
AFS investments	14.6%	–	7,394,888
	(14.6%)	–	(7,394,888)

Capital Management

The primary objective of the Company's capital management is to ensure that it complies with the IC requirements. The Company manages its capital structure and makes adjustments whenever there are changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and process in 2023 and 2022.

On August 5, 2013, the President of the Philippines approved the Republic Act No. 10607 to be known as "The Insurance Code" (the Code) which provides the new capitalization requirements of all existing insurance companies based on net worth on a staggered basis starting June 30, 2013 up to December 31, 2022.

The following presents the amount of required net worth and the schedule of compliance:

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

On January 13, 2015, the IC issued CL No. 2015-02-A which provides for the clarification of minimum capital requirements under Sections 194, 197, 200 and 289 of The New Insurance Code. The said circular supersedes the Department Order Nos. 27-06 and 15-2012 and CL Nos. 22-2008 and 26-2008.

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

Pursuant to Section 202 of the Code, the Company's estimated amount of admitted assets as at December 31, 2023 and the Company's IC-approved admitted assets as at December 31, 2022 follows:

	2023 (Estimated)	2022 (Approved)
Cash and cash equivalents	₱155,284,202	₱134,829,019
Short-term investments	344,552,255	372,392,083
Insurance and other receivables	115,693,740	120,042,337
Financial asset investments	985,293,603	765,589,995
Investment properties	482,624,000	423,125,564
Property and equipment	350,343,004	285,122,511
Deferred acquisition costs	85,056,187	67,494,726
Deferred reinsurance premiums	55,603,554	33,298,579
Other assets	48,439	48,439
	₱2,574,498,984	₱2,201,943,253

The reconciliation of the Company's total assets and total admitted assets follows:

	2023 (Estimated)	2022 (Approved)
Total assets	₱1,975,744,571	₱1,722,387,917
Additional admitted assets from fair value increase on:		
Property and equipment - land	549,054,288	308,037,991
Investment properties	480,770,607	421,272,171
Non admitted assets	(431,070,482)	(249,754,826)
Total admitted assets	₱2,574,498,984	₱2,201,943,253

On February 14, 2023, the Company submitted a letter of request to the IC to allow the former to include the present market value of its parcels of land, included under property and equipment and investment properties, as part of its admitted assets for the year ended December 31, 2022.

On October 4, 2023, the said request was approved by the IC and was included as part of the Company's IC-approved admitted assets as at December 31, 2022.

On March 12, 2024, the Company submitted a similar request to the IC to include the present value of its parcels of land as part of its admitted assets for the year ended December 31, 2023. The said request is still pending approval from IC as of report date.

The Company's estimated net worth as at December 31, 2023 and the Company's IC-approved net worth as at December 31, 2022 follows:

	2023 (Estimated)	2022 (Approved)
Total admitted assets	₱2,574,498,984	₱2,201,943,253
Total liabilities	619,712,056	595,597,395
Net worth	1,954,786,928	1,606,345,858
Less: Net worth requirements	1,300,000,000	1,300,000,000
Excess over net worth requirement	₱654,786,928	₱306,345,858

As at December 31, 2023 and 2022, the Company's net worth is within the minimum statutory net worth requirements of the IC.

Risk-Based Capital (RBC) Requirements

The RBC ratio shall be computed as net worth divided by the RBC requirement. Net worth shall include the Company's paid-up capital, contributed and contingency surplus and unassigned surplus. Revaluation and fluctuation reserve shall form part of the net worth only to the extent authorized by the IC. The RBC requirement is the ratio of the number of insurers which are able to meet the corresponding RBC Hurdle Rate requirement for a given year to the total number of insurers in the industry.

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

The following table shows how the RBC ratio as at December 31, 2023 and 2022 was determined by the Company based on its internal calculations:

	2023	2022
Total available capital	₱1,575,707,777	₱1,158,413,228
RBC requirement	464,570,679	355,816,540
RBC ratio	339%	326%

The final amount of the RBC ratio as at December 31, 2023 can be determined only after the accounts of the Company have been examined by IC specifically for the determination of admitted and non-admitted assets as defined under the Code.

CL No. 2016-65, *Financial Reporting Framework under Section 189 of the Amended Insurance Code (Republic Act No. 10607)*, prescribes the new financial reporting framework (FRF) that will be used for the statutory quarterly and annual reporting. This also includes rules and regulations concerning Titles III and IV of Chapter III of the Code and all other accounts not discussed in the Code but are used in accounting of insurance and reinsurance companies.

CL No. 2016-67, *Valuation Standards for Non-Life Insurance Policy Reserves*, prescribes the new valuation methodology for the non-life insurance companies. Non-life insurance companies will be changing the basis of valuation of their non-life insurance reserves. In addition to the unearned premiums reserves, the concept of unexpired risk reserves is also included in the calculation of the premiums 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 Bornheutter-Ferguson method. A margin for the adverse deviation is estimated based on standard projection techniques or combination of such techniques, such as but not limited to Mack method, Bootstrapping Method, Stochastic Chain Ladder Method to bring the actuarial estimate of the Policy Liabilities at the 75th percentile level of sufficiency. Discount rates to be used shall be current risk-free rates. The rates shall exactly match the duration of the policy and the currency of the cash flows and shall be prescribed by the IC.

CL No. 2016-69, implementation requirements for FRF, valuation standards for insurance policy reserves and new risk-based capital framework provides that the level of sufficiency for the RBC 2 Framework shall be at 95% level in 2017, 97.50% in 2018, 99.50% in 2019.

The new regulatory requirements under CL Nos. 2016-65, 2016-67, 2016-68, and 2016-69 took effect on January 1, 2017.

As at December 31, 2023 and 2022, the Company is compliant with the RBC ratio requirements of the IC.

26. Fair Value of Financial Instruments

The table below presents a comparison by category of carrying amounts and fair values of all the Company's financial instruments that are carried in the financial statements as at December 31, 2023 and 2022:

	2023		2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash in banks	₱88,711,321	₱88,711,321	₱68,892,135	₱68,892,135
Cash equivalents	65,817,881	65,817,881	65,236,884	65,236,884
Short-term investments	344,552,255	344,552,255	372,392,083	372,392,083
Insurance and other receivables	118,259,939	118,259,939	121,775,015	121,775,015
HTM investments	817,887,889	826,176,754	673,317,076	684,767,621
Investments at FVPL	116,397,300	116,397,300	41,593,000	41,593,000
AFS investments	51,008,414	51,008,414	50,679,919	50,679,919
	₱1,602,634,999	₱1,610,923,864	₱1,393,886,112	₱1,405,336,657
Financial Liabilities				
Insurance payables	₱22,754,628	₱22,754,628	₱20,181,993	₱20,181,993
Accounts and other payables*	25,590,193	25,590,193	132,775,385	132,775,385
	₱48,344,821	₱48,344,821	₱152,957,378	₱152,957,378

*Excluding deferred output VAT and payables to government agencies aggregating to ₱47.6 million and ₱27.8 million in 2023 and 2022, respectively.

Cash in Banks, Cash Equivalents, Short-term Investments, Insurance and Other Receivables and Insurance Payables, Accounts and Other Payables (excluding payable to government agencies and deferred output VAT). The carrying amounts of these instruments approximate their fair values due to their short-term maturities.

HTM investments. The fair values of HTM investments were determined based on Level 2 in which the inputs are based on the discounted interest rate of the prevailing comparable instrument in the market. The discount rates used in determining the fair value of the Company's HTM investments ranges from 2.0% to 6.3% in 2023 and from 2.4% to 8.0% in 2022.

Investments at FVPL and AFS investments. The fair values were determined based on Level 1 in which the inputs are based on quoted prices in active markets.

Fair Value Hierarchy

For the year ended December 31, 2023 and 2022, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE
SECURITIES AND EXCHANGE COMMISSION**

The Stockholders and the Board of Directors
Liberty Insurance Corporation
119 JCSO Building
Dela Rosa corner C. Palanca, Jr. Sts.
Legaspi Village, Makati City

We have audited the accompanying financial statements Liberty Insurance Corporation (the Company) as at and for the years then ended December 31, 2023 and 2022, on which we have rendered our report dated April 3, 2024.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has 77 stockholders owning one hundred or more shares each.

REYES TACANDONG & Co.


PAMELA ANN P. ESCUADRO

Partner

CPA Certificate No. 128829

Tax Identification No. 216-321-918-000

BOA Accreditation No. 4782; Valid until April 13, 2024

IC Accreditation No. 128829-IC

Issued February 22, 2021

Valid for Financial Periods 2020 to 2024

BIR Accreditation No. 08-005144-013-2023

Valid until January 24, 2026

PTR No. 10072415

Issued January 2, 2024, Makati City

April 3, 2024
Makati City, Metro Manila



**REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES OF
RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION**

The Stockholders and the Board of Directors
Liberty Insurance Corporation
119 JCSO Building
Dela Rosa corner C. Palanca, Jr. Sts.
Legaspi Village, Makati City

We have audited, in accordance with Philippine Standards on Auditing, the basic financial statements of Liberty Insurance Corporation as at and for the year ended December 31, 2023, and have issued our report thereon dated April 3, 2024. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Supplementary Schedule of Retained Earnings Available for Dividend Declaration as at December 31, 2023 is the responsibility of the Company's management.

This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

REYES TACANDONG & Co.

PAMELA ANN P. ESCUADRO

Partner

CPA Certificate No. 128829

Tax Identification No. 216-321-918-000

BOA Accreditation No. 4782; Valid until April 13, 2024

IC Accreditation No. 128829-IC

Issued February 22, 2021

Valid for Financial Periods 2020 to 2024

BIR Accreditation No. 08-005144-013-2023

Valid until January 24, 2026

PTR No. 10072415

Issued January 2, 2024, Makati City

April 3, 2024
Makati City, Metro Manila

**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
FOR THE REPORTING PERIOD ENDED DECEMBER 31, 2023**

LIBERTY INSURANCE CORPORATION

119 JCSO Building, Dela Rosa corner C. Palanca, Jr. Sts., Legaspi Village, Makati City

	Amount
Unappropriated retained earnings, beginning of reporting period	₱774,033,719
Add: <u>Category A</u>: Items that are directly credited to unappropriated retained earnings	
Reversal of retained earnings appropriation/s	—
Effect of restatements or prior-period adjustments	—
Others (describe nature)	—
Less: <u>Category B</u>: Items that are directly debited to unappropriated retained earnings	
Dividend declaration during the reporting period	—
Retained earnings appropriated during the reporting period	—
Effect of restatements or prior-period adjustments	—
Others (describe nature)	—
Unappropriated retained earnings, as adjusted	774,033,719
Add/less: Net income (loss) for the current year	237,224,710
Less: <u>Category C.1</u>: Unrealized income recognized in the profit or loss during the reporting period (net of tax)	
Equity in net income of associate/joint venture, net of dividends declared	—
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	—
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVPL)	—
Unrealized fair value gain of investment property	—
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the Philippine Financial Reporting Standards (PFRS) (describe nature)	—
Sub-total	—

	Amount	
Add: <u>Category C.2:</u> Unrealized income recognized in profit or loss in prior periods but realized in the current reporting period (net of tax)		
Realized foreign exchange gain, except those attributable to cash and cash equivalents	—	
Realized fair value adjustment (mark-to-market gains) of financial instruments at FVPL	—	
Realized fair value of investment property	—	
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	—	
Realized foreign exchange gain, except those attributable to cash and cash equivalents	—	—
Sub-total		—
Add: <u>Category C.3:</u> Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)		
Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	—	
Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instruments at FVPL	—	
Reversal of previously recorded fair value of investment property	—	
Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS, previously recorded (describe nature)	—	—
Sub-total		—
Adjusted net income (loss)		237,224,710
Add: <u>Category D:</u> Non-actual losses recognized in profit or loss during the reporting period (net of tax)		
Depreciation on revaluation increment (after tax)	—	—
Sub-total		—
Add/less: <u>Category E:</u> Adjustments related to relief granted by the SEC		
Amortization of the effect of reporting relief	—	
Total amount of reporting relief granted during the year	—	
Others (describe nature)	—	—
Sub-total		—

	Amount
Add/less: <u>Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution</u>	
Net movement of treasury shares (except for reacquisition of redeemable shares)	—
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	(1,019,094)
Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set up of right-of-use of asset and lease liability, set up of asset and asset retirement obligation, and set up of service concession asset and concession payable	—
Adjustment due to deviation from PFRS/GAAP - gain (loss)	—
Others (describe nature)	— (1,019,094)
Sub-total	(1,019,094)
Total retained earnings, end of the reporting period available for dividend	₱1,010,239,335