COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

								3	0	2

Company Name

VISAYAN SURETY AND
INSURANCE CORPORATION

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

UNIT 1403 KEPPEL CENTER
COR. SAMAR LOOP AND CARDINAL
ROSALES AVE CEBU BUSINESS PARK
CEBU CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
AFS		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
ruby@visayansurety.com	032-2311627	+639983019300

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
59	January/2nd Thursday	December 31

CONTACT PERSON INFORMATION

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

Name of the Contact Person	Email Address	Telephone Number/s	Mobile Number
Kenneth L. Go	ruby@visayansurety.com	032-2311627	+639983019300

Contact Person's Address

Unit 1403 Keppel Center Cor. Samar Loop and Cardinal Rosales Ave., Cebu Business Park, Cebu City

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

VISAYAN SURETY AND INSURANCE CORPORATION
Company Name

CERTIFICATION

I hereby certify that all the components checked are attached hereto:

STA. ANA RIVERA & CO.
By:

ELTON G. MONTECILLO
Partner

STOCK CORPORATION

- [✓] 1. Statement of Management's Responsibility over the Financial Statements (Chairman, CEO, Treasurer)
- [✓] 2. Auditors' Report or Treasurer's certification, as applicable
  BOA registration number of the external auditor
- [✓] 3. Statements of Financial Position
- [✓] 4. Statements of Comprehensive Income
- [✓] 5. Statements of Changes in Equity
- [✓] 6. Statements of Cash Flows
- [✓] 7. Notes to Financial Statements
- [✓] 8. Supplemental written statement of external auditor on the number of stockholders

X NOT COMPLIED: ______________________________
SEC Personnel

Auditor's report is required if the Paid-up Capital Stock of the Company is P50,000.00 or more. If less than P50,000.00 only a Treasurer's Certification is required.

This statement is not required if the company was not in operation during the two comparative years.

This statement is not required if the only change in equity is the net income/loss for the period.

VISAYAN SURETY AND INSURANCE CORPORATION

Unit 1403 Keppel Center, cor. Samar Loop & Cardinal Rosales Ave.,
Cebu Business Park, Cebu City

FINANCIAL STATEMENTS

AND

AUDITORS' REPORT

As at and for the years ended

December 31, 2021 and 2020

SRC **Sta. Ana Rivera & Co.**
Certified Public Accountants

VISAYAN SURETY & INSURANCE CORPORATION
SINCE 1931
Unit 1403, 14/F Keppel Center, Samar Loop cor. Cardinal Rosales Avenue
Cebu Business Park, Cebu City • Tel. Nos. (032) 231-1627, 231-9581, 416-3844, 415-8287
Telefax No. (032) 415-8286

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of **VISAYAN SURETY AND INSURACE CORPORATION** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

AUGUSTO W. GO
Chairman of the Board

KENNETH L. GO
President/Chief Executive Officer

MARTIN STEPHEN QUA
Treasurer/Chief Financial Officer

BUREAU OF INTERNAL REVENUE
RECEIVED
JUN 06 2022

Signed this 27th day of May, 2022

SEC Accreditation No. 0218-FR-3 until September 4, 2022
BOA/PRC Cert. of Reg. No. 0144 until September 12, 2022
NEA Accreditation No. 2020-1-00066 until January 14, 2023
BSP Accreditation No. 0144-BSP (up to 2024 Audit Period)
TIN 001-075-090-000

REPORT OF INDEPENDENT AUDITORS

The Stockholders and Board of Directors
VISAYAN SURETY AND INSURANCE CORPORATION
Unit 1403 Keppel Center, cor. Samar Loop & Cardinal Rosales Avenue
Cebu Business Park, Cebu City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **VISAYAN SURETY AND INSURANCE CORPORATION** ("the Company"), which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 31 in the notes of financial statements, which describe the likely impact of the business disruptions as a result of corona virus outbreak to the Company's financial condition and performance after the end of the reporting period. Our opinion is not qualified in respect to this matter.

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

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

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

JUN 06 2022

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Report on the Supplementary Information Required under Revenue Regulations 02-2014 and 15-2010 and 34-2020

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 02-2014 and 15-2010 in Note 28 to the financial statements are presented for purposes of filing with the Bureau of Internal Revenue, and are not a required part of the basic financial statements. Such information is the responsibility of the management of **VISAYAN SURETY AND INSURANCE CORPORATION**. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

STA. ANA RIVERA & CO.
SEC Accreditation No. 0218-FR-3 until September 4, 2022 (Group B)
BOA/PRC Cert. of Reg. No. 0144 until September 12, 2022
NEA Accreditation No. 2020-1-00066 until January 14, 2023
BSP Accreditation No. 0144-BSP (up to 2024 Audit Period)
BIR Accreditation No. 13-000057-001-2019 until November 28, 2022
TIN 001-075-090-000

BUREAU OF INTERNAL REVENUE
MANILA RDO No. 34
JUN 06 2022
RECEIVED

By:

ELTON G. MONTECILLO
Partner
CPA Reg. No. 111601
TIN 237-807-996-000
PTR No. 3576529, January 12, 2022, Cebu City
BSP Accreditation No. 111601-BSP (up to 2024 Audit Period)
BIR Accreditation No.13-022312-002-2020 until June 5, 2023

Cebu City, Philippines
April 30, 2022

**REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and Board of Directors
VISAYAN SURETY AND INSURANCE CORPORATION
Unit 1403 Keppel Center, cor. Samar Loop & Cardinal Rosales Avenue
Cebu Business Park, Cebu City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of **VISAYAN SURETY AND INSURANCE CORPORATION** as at and for the years ended December 31, 2021 and 2020, and have issued our report thereon dated April 30, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The tabular schedule of Philippines Financial Reporting Standards is the responsibility of the Company's management. This schedule is presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of basic financial statements, and in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

STA. ANA RIVERA & CO.
SEC Accreditation No. 0218-FR-3 until September 4, 2022 (Group B)
BOA/PRC Cert. of Reg. No. 0144 until September 12, 2022
NEA Accreditation No. 2020-1-00066 until January 14, 2023
BSP Accreditation No. 0144-BSP (up to 2024 Audit Period)
BIR Accreditation No. 13-000057-001-2019 until November 28, 2022
TIN 001-075-090-000

By:

ELTON G. MONTECILLO
Partner
CPA Reg. No. 111601
TIN 237-807-996-000
PTR No. 3576529, January 12, 2022, Cebu City
BSP Accreditation No. 111601-BSP (up to 2024 Audit Period)
BIR Accreditation No.13-022312-002-2020 until June 5, 2023

Cebu City, Philippines
April 30, 2022

SRC Sta. Ana Rivera & Co.
Certified Public Accountants

SEC Accreditation No. 0218-FR-3 until September 4, 2022
BOA/PRC Cert. of Reg. No. 0144 until September 12, 2022
NEA Accreditation No. 2020-1-00066 until January 14, 2023
BSP Accreditation No. 0144-BSP (up to 2024 Audit Period)
TIN 001-075-090-000

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

The Stockholders and Board of Directors
VISAYAN SURETY AND INSURANCE CORPORATION
Unit 1403 Keppel Center, cor. Samar Loop & Cardinal Rosales Avenue
Cebu Business Park, Cebu City

We have examined the financial statements of **VISAYAN SURETY AND INSURANCE CORPORATION** as at and for the years ended December 31, 2021 and 2020, on which we have rendered our report dated April 30, 2022.

In compliance with SRC Rule 68, we are stating that the said company has 59 stockholders, each owning 100 shares or more.

STA. ANA RIVERA & CO.
SEC Accreditation No. 0218-FR-3 until September 4, 2022 (Group B)
BOA/PRC Cert. of Reg. No. 0144 until September 12, 2022
NEA Accreditation No. 2020-1-00066 until January 14, 2023
BSP Accreditation No. 0144-BSP (up to 2024 Audit Period)
BIR Accreditation No. 13-000057-001-2019 until November 28, 2022
TIN 001-075-090-000

By:

ELTON G. MONTECILLO
Partner
CPA Reg. No. 111601
TIN 237-807-996-000
PTR No. 3576529, January 12, 2022, Cebu City
BSP Accreditation No. 111601-BSP (up to 2024 Audit Period)
BIR Accreditation No.13-022312-002-2020 until June 5, 2023

Cebu City, Philippines
April 30, 2022

Exhibit A

VISAYAN SURETY AND INSURANCE CORPORATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2021 and 2020
(In Philippine Pesos)

	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents	**437,352,439**	324,239,511
Insurance receivables, net	**322,649,341**	344,299,590
Other receivables	**114,447,830**	104,138,749
Loans receivable	**144,157,343**	167,377,778
Current financial assets		
Financial asset at fair value through profit or loss	**50,123,757**	49,288,241
Available for sale financial assets	**12,942,094**	12,971,364
Held to maturity financial assets	**71,858,185**	56,488,622
Short-term financial assets	**333,111**	275,130
Current tax asset	**239,536**	-
Other current assets	**6,000**	-
Total Current Assets	**1,154,109,636**	1,059,078,985
Noncurrent Assets		
Property and equipment - net	**31,845,354**	31,496,200
Noncurrent financial assets		
Held to maturity financial assets	**187,393,350**	190,699,367
Noncurrent loans receivable	**125,745,850**	109,055,662
Insurance contracts		
Deferred acquisition cost	**60,246,424**	63,902,631
Deferred reinsurance premiums	**128,542,025**	100,118,517
Deferred tax assets	**11,863,404**	10,406,594
Other assets	**385,290,731**	323,335,376
Total Noncurrent Assets	**930,927,138**	829,014,347
	2,085,036,774	1,888,093,332
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	**146,724,299**	120,093,116
Due to reinsurers	**200,948,831**	143,131,211
Claims and losses payable	**230,757,593**	139,817,918
Deposits	**67,553,317**	86,362,108
Insurance contracts		
Deferred reinsurance commissions	**29,633,379**	18,700,144
Reserve for unearned premiums	**286,294,840**	284,826,669
Income tax payable	**-**	6,101,483
Total Current Liabilities	**961,912,259**	799,032,649
Noncurrent Liabilities		
Accrued retirement obligation	**25,909,901**	22,833,124
Deferred tax liabilities	**15,072,615**	16,574,061
Total Noncurrent Liabilities	**40,982,516**	39,407,185
Total Liabilities	**1,002,894,775**	838,439,834
Equity		
Share capital - P100 par value	**300,000,000**	300,000,000
Additional paid in capital	**1,500**	1,500
Contingency surplus	**179,565,375**	179,565,375
Deposits for future subscription	**296,250,000**	296,250,000
Other comprehensive income		
Unrealized gain on AFS financial asset, net of tax	**819,372**	621,101
Appraisal increase, net of tax	**3,177,988**	3,257,893
Remeasurement loss, net of tax	**(364,831)**	(340,509)
Retained earnings	**302,692,594**	270,298,138
Total Equity	**1,082,141,998**	1,049,653,498
	2,085,036,773	1,888,093,332

See accompanying notes to financial statements.

Exhibit B

VISAYAN SURETY AND INSURANCE CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2021 and 2020
(In Philippine Pesos)

	2021	2020
Revenues		
Earned premiums	**373,356,757**	429,229,155
Earned commission	**48,924,831**	31,868,443
Total Revenues	**422,281,588**	461,097,598
Losses on fire, bonds and casualty	**169,940,785**	263,122,139
Net insurance benefits and claims	**252,340,803**	197,975,459
Other Revenues (Expense)		
Loss on recognition of market value	**895,516**	5,964,770
Other Income	**22,615,133**	41,149,771
Total Other Income	**23,510,649**	47,114,541
Total	**275,851,452**	245,090,000
Expenses		
Commissions - bonds, fire, casualty and marine	**126,941,399**	118,599,550
Compensation and benefits	**42,836,277**	29,183,653
Service fee	**6,399,573**	4,621,241
Depreciation and amortization	**5,873,652**	3,827,351
Rent	**4,625,137**	2,663,960
Taxes and licenses	**1,744,459**	995,178
Utilities	**1,631,639**	985,032
Professional fees	**828,315**	875,523
Insurance	**272,423**	332,657
Retirement expense	**3,076,777**	2,697,886
Provision for doubtful accounts	**6,587,459**	4,254,870
Other expenses	**35,754,292**	33,127,460
Total Expenses	**236,571,402**	202,164,361
Net Income Before Income Tax	**39,280,050**	42,925,639
Income Tax Expense	**7,302,409**	5,935,301
Net Income before Other Comprehensive Income	**31,977,641**	36,990,338
Other Comprehensive Income		
Items that may be reclassified to profit or loss in subsequent years:		
Unrealized gain (loss) on AFS financial asset	**205,209**	238,699
Income tax effect	**(51,302)**	(71,610)
	153,907	167,089
Items not to be reclassified to profit or loss in subsequent years:		
Depreciation on appraisal increment	**(416,815)**	(416,815)
Income tax effect	**104,203**	125,044
	(312,612)	(291,771)
Total Other Comprehensive Income (Loss)	**(158,705)**	(124,682)
Total Comprehensive Income for the Year	**31,818,936**	36,865,656
Earnings per share	**10.66**	12.33

See accompanying notes to financial statements.

VISAYAN SURETY AND INSURANCE CORPORATION
STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2021 and 2020
(In Philippine Pesos)

		Authorized		Subscribed and Paid		Additional Paid in Capital	Contingency Surplus	Deposits for Future Subscription	Other Comprehensive Income			Retained Earnings	Total
	Note	**Shares**	**Amount**	**Shares**	**Amount**				**Remeasurement Loss**	**Unrealized gain on AFS FA**	**Appraisal Increment**		
Balance, December 31, 2019		3,000,000	300,000,000	3,000,000	300,000,000	1,500	179,565,375	296,250,000	(340,509)	454,012	3,549,664	232,890,985	1,012,371,027
Unrealized gain on AFS financial assets, net of tax	*9*	-	-	-	-	-	-	-	-	167,089	-	-	167,089
Depreciation of appraisal surplus, net of tax	*11*	-	-	-	-	-	-	-	-		(291,771)	416,815	125,044
Additional deposits	*18*	-	-	-	-	-	-		-	-	-	-	-
Net income for the year		-	-	-	-	-	-	-	-	-	-	36,990,338	36,990,338
Balance, December 31, 2020		3,000,000	300,000,000	3,000,000	300,000,000	1,500	179,565,375	296,250,000	(340,509)	621,101	3,257,893	270,298,138	1,049,653,498
Effect due to change in tax rate		-	-	-	-	-	-	-	(24,322)	44,364	232,707		252,749
Unrealized gain on AFS financial assets, net of tax	*9*	-	-	-	-	-	-	-	-	153,907	-	-	153,907
Depreciation of appraisal surplus, net of tax	*11*	-	-	-	-	-	-	-	-	-	(312,612)	416,815	104,203
Additional deposits	*18*	-	-	-	-	-	-	-	-	-	-	-	-
Net income for the year		-	-	-	-	-	-	-	-	-	-	31,977,641	31,977,641
Balance, December 31, 2021		**3,000,000**	**300,000,000**	**3,000,000**	**300,000,000**	**1,500**	**179,565,375**	**296,250,000**	**(364,831)**	**819,372**	**3,177,988**	**302,692,594**	**1,082,141,998**

See accompanying notes to financial statements

VISAYAN SURETY AND INSURANCE CORPORATION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 20201and 2019
(In Philippine Pesos)

	2021	2020
Cash Flows from Operating Activities		
Net income before income tax	**39,280,050**	42,925,639
Non cash adjustments to reconcile income before tax:		
Effect of appraisal	**500,109**	25,139,303
Provision for doubtful accounts	**6,587,459**	4,254,870
Loss on recognition of market value	**(895,516)**	(5,964,770)
Amortization of bond discount	**(619,911)**	(187,786)
Depreciation and amortization	**5,873,652**	3,827,351
Provision for retirement	**3,076,777**	2,697,886
Earned interest on mortgage loans	**(9,308,868)**	(16,128,512)
Interest on bank deposits	**(1,310,296)**	(1,550,898)
Interest income on bonds, net of amortization of bond discount	**(8,272,877)**	(20,464,710)
Dividend income	**(1,766,676)**	(1,354,724)
Operating income before working capital changes	**33,143,903**	33,193,649
(Increase) Decrease in:		
Insurance receivables	**15,062,790**	(110,082,316)
Other receivables	**(10,309,081)**	(36,600,411)
Other current assets	**(6,000)**	1,591,461
Changes in other assets		
Deposits	**(436,717)**	16,437,282
Reinsurance recoverable on unpaid losses	**(177,105,645)**	(9,222,926)
Increase (Decrease) in:		
Accounts payable and accrued expenses	**26,631,183**	34,072,238
Due to reinsurers	**57,817,620**	23,535,264
Claims and losses payable	**181,238,228**	(87,549)
Deposits	**(18,808,791)**	15,729,981
Unearned premiums	**1,468,171**	(3,866,595)
Cash generated from operations	**108,695,661**	(35,299,922)
Income tax paid	**(11,238,795)**	(7,663,092)
Net cash from (used in) operating activities	**97,456,865**	(42,963,014)
Cash Flows from Investing Activities		
Additional mortgage loans granted	**15,500,000**	21,422,222
Collection of mortgage loans	**(8,969,753)**	(18,213,565)
Acquisition of held to maturity financial assets	**(71,323,635)**	(43,003,886)
Matured held to maturity financial assets	**59,880,000**	42,091,709
Acquisition of other financial assets	**(57,981)**	(275,130)
Acquisition of property and equipment	**(31,285)**	(11,913,311)
Interest received on mortgage loans receivable	**9,308,868**	16,128,512
Interest received on bank deposits	**1,310,296**	1,550,898
Interest income on bonds	**8,272,877**	20,464,710
Dividend income	**1,766,676**	1,354,724
Net cash from investing activities	**15,656,063**	29,606,883
Net Increase (Decrease) in Cash and Cash Equivalents	**113,112,928**	(13,356,131)
Cash and Cash Equivalents, January 1	**324,239,511**	337,595,642
Cash and Cash Equivalents, December 31	**437,352,439**	324,239,511

See accompanying notes to financial statements.

1. Corporate Information

Visayan Surety and Insurance Corporation (the "Company") was registered with the Securities and Exchange Commission (SEC) on August 9, 1999. It was primarily formed to save any person or persons or other entity from any loss, damage or liability arising from any unknown or future or contingent event; to indemnify or compensate any persons or person or other entity for any such loss, damage or liability and to guarantee the fidelity of persons holding public trust and to execute and guarantee bonds and undertakings in judicial proceedings and to agree to the faithful performance of any contract or undertaking made with any public authority. The Company is also formed to act as an agent for insurance companies of every class and to conduct a general insurance agency and insurance brokerage business. The SEC registration number of the Company is 502 and its Insurance Commission (IC) Certificate of Authority 2010/101-R granted in August 2010.

The Company is incorporated and domiciled in the Republic of the Philippines. The registered address of the Company is located at Unit 1403 Keppel Center, cor. Samar Loop & Cardinal Rosales Avenue, Cebu Business Park, Cebu City. The Company has branches in Davao City, Binondo Manila, Cagayan de Oro City and Dumaguete City.

The President is the authorized representative of the Company to approve the financial statements. On April 15, 2021, the President approved the financial statements and authorized them for issue.

2. Summary of Significant Accounting Policies

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. The policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

a. Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

b. Presentation of Separate Financial Statements

The separate financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Company presents all items of income and expenses in a single statement of comprehensive income. The financial statements provide comparative information in respect of the previous period.

c. Functional and Presentation Currency

These separate financial statements are presented in Philippine pesos, the Company's functional currency, and all values represent absolute amounts except when otherwise indicated. Items included in the separate financial statements of the Company are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Company operates.

2.2 Changes in Accounting Policies and Disclosures

a. New and Amended Standards

The accounting policies adopted are consistent with those of the previous financial years, except that the Bank has adopted the following new and amended PFRS, PAS and annual improvements effective as of January 1, 2020.

- Amendments to References to Conceptual Framework in PFRS Standards

  This sets out amendments to PFRS Standards, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes:

  - A new chapter on measurement;
  - Guidance on reporting financial performance;
  - Improved definitions of an asset and a liability, and guidance supporting these definitions; and
  - Clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

  Some Standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee (IASC)'s Framework for the Preparation and Presentation of Financial Statements adopted by the International Accounting Standards Board (IASB) in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of these references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

  The amendments do not have a significant impact on the Company's financial position and performance.

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

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

  The amendments do not have a significant impact on the Company's financial position and performance.

New and Amended Standard not Applicable to the Company

The following standard is effective as of January 1, 2020 but is not relevant to the Company:

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

b. Effective Subsequent to 2020 but not Adopted Early

A number of new standards, amendments and improvements to standards and interpretations are effective for annual periods beginning after January 1, 2020, and have not been applied in preparing these financial statements. Unless otherwise stated, none of these is expected to have a significant effect on the financial statements of the Company. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early and the extent of the impact is not yet determinable.

- Amendment to PFRS 16, *Leases* (COVID-19 Related Concessions)

  The amendments introduce an optional practical expedient that simplify how a lessee accounts for rent concessions that are a a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The practical expedient apply if:

  - The revised consideration is substantially the same or less than the original consideration;
  - The reduction in lease payments related to payments due on or before June 23, 2021; and
  - No other substantive changes have been made to the terms of the lease.

  Lessees applying the practical expedient are required to disclose that fact, whether they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and the amount recognized in profit or loss for the reporting period arising from application of the practical expedient. No practical expedient is provided for lessors.

  The amendment is effective for annual reporting periods beginning on or after June 1, 2020. Earlier application is permitted. A lessee applies the amendments retrospectively, recognizing the cumulative effect of the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate.

  The amendment is not expected to have a significant impact on the Company’s financial position and performance.

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

  The amendments prohibit an entity from deducting the cost of an item of property, plant and equipment the proceeds from selling items produced before the asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the cost of producing those items which are identified and measured in accordance with PAS 2, *Inventories*.

  The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

  For the sale of items that are not part of the Company’s ordinary activities, the amendments require the Company to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items n which such proceeds and costs are included in the statement of comprehensive income. The disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the Company first applies the amendments.

The amendment is not expected to have a significant impact on the Company's financial position and performance.

- PFRS 9 (2014), *Financial Instruments*. This new standard on financial instruments will replace PAS 39, *Financial Instruments* and PFRS 9 (2009, 2010 and 2013 versions).

  This standard contains, among others, the following:

  - three principal classification categories for financial assets based on the
  - business model on how an entity is managing its financial instruments;
  - an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and
  - a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

  In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

  In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

  The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

  For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

  PFRS 4 (Amendments), *Applying PFRS 9 with PFRS 4*, provide two options for entities that issue insurance contracts within the scope of PFRS 4:

  - an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets (the "overlay approach"); and,
  - an optional temporary exemption from applying PFRS 9 for entities whose predominant activity is issuing contracts within the scope of PFRS 4 (the "deferral approach").

The Company has selected to apply the second option as allowed by this amendment, effectively deferring application of PFRS 9 (2014) to periods beyond January 2023, since the Company was able to meet the following criteria:

- it has not previously applied any version of PFRS 9; and,
- its activities are predominantly connected with insurance as of December 31, 2015, the Company's latest annual reporting date immediately preceding April 1, 2016, and no reassessment is required as the activities of the Company did not change at subsequent dates after initial assessment and before the effective date of PFRS 9.

Based on management's assessment, liabilities arising from insurance contracts represent over 71% of the total carrying amount of all the Company's total liabilities. These liabilities include reinsurance balances payable, losses and claims payable, premium reserves and deferred reinsurance commissions. Consequently, the Company will continue to apply its existing accounting policy on financial instruments.

- PFRS 17, Insurance Contracts (effective January 1, 2023). The new standard will eventually replace PFRS 4, Insurance Contracts, that will set out the principles for the recognition, measurement, presentation and disclosure of insurance contracts within its scope.

  This new standard requires a current measurement model where estimates are remeasured in each reporting period. Moreover, contracts are measured using the building blocks of:

  - discounted probability-weighted cash flows;
  - an explicit risk adjustment; and,
  - a contractual service margin (CSM) representing the unearned profit of
  - the contract which is recognized as revenue over the coverage period.

  PFRS 17 further allows a choice between recognizing changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for financial assets under PFRS 9.

  In addition, the standard provides an optional, simplified premium allocation approach for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. Management is currently assessing the the impact of this new standard on the Company's financial statements.

<u>New and Amended Standards Effective Subsequent to 2020 but not Applicable to the Company</u>

The following amended standard is effective subsequent to 2020 but do not apply to the Company:

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

2.3 Fair Value Measurement

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

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

The principal or most advantageous market must be accessible to the Company.

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

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

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

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy be 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 nature, characteristics and risks of the assets and liability and the level of fair value hierarchy.

2.4 Cash and Cash Equivalents

Cash includes cash on hand and in banks and is stated at its face value. *Cash equivalents* are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the dates of acquisition and are subject to an insignificant risk of change in value. Cash is unrestricted from being exchanged or used to settle a liability for at least twelve (12) months after the end of the reporting period.

2.5 Financial Assets and Financial Liabilities

Financial assets and liabilities are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized using trade date accounting. Derivatives are recognized on trade date accounting.

Financial instruments are initially recognized at fair value plus transaction costs that are attributable to the acquistion of the financial asset, except for securities at fair value through profit or loss (FVPL). Transaction costs directly attributable for securities at fair value through profit or loss are recognized immediately in profit or loss.

a. Financial Assets

Financial assets include cash and other financial instruments. Financial assets, other than hedging instruments, are classified into the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated at every reporting date at which date a choice of classification or accounting treatment is available, subject to compliance with specific provisions of applicable accounting standards.

The fair value of financial instruments traded in organized financial markets is determined by reference to quoted market bid prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs, that are active at the close of business at financial reporting date. When current bid and asking prices are not available, the price of the most recent transaction is used since it provides evidence of current fair value as long as there has not been significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Such techniques include using reference to similar instruments for which observable prices exist, discounted cash flows analyses, and other relevant valuation models.

Financial Assets at FVPL

This category includes financial assets that are either classified as held for trading or are designated by the entity to be carried at fair value through profit or loss upon initial recognition.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Financial assets held for trading consist of debt instruments, including money-market paper, traded corporate and bank loans, and equity instruments, as well as financial assets with embedded derivatives.

Financial instruments included in this category are recognized initially at fair value; transaction costs are taken directly to the statement of comprehensive income. Gains and losses arising from changes in fair value are included directly in the statement of comprehensive income and are reported as ‘Net gains/(losses) on financial instruments classified as held for trading’. Interest income and expense and dividend income and expenses on financial assets held for trading are included in ‘Net interest income’ or ‘Dividend income’, respectively. The instruments are derecognized when the rights to receive cash flows have expired or the Company has transferred substantially all the risks and rewards of ownership and the transfer qualifies for derecognising.

The Company’s financial asset at fair value through profit or loss as of December 31, 2021 and 2020 are disclosed in Note 9.

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 classified as at FVPL, designated as AFS investments or HTM investments. After initial measurement, loans and receivables are subsequently 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 loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans and receivables are included in current assets if maturity is within 12 months from financial reporting date. Otherwise, these are classified as noncurrent assets.

The Company's loans and receivables include insurance receivables, mortgage loan receivables, other receivables and short-term investments (Notes 6, 7, 8 and 9).

HTM Investments

These include nonderivative financial assets with fixed or determinable payments and a fixed date of maturity. Investments are classified as held-to-maturity if the Company has the positive intention and ability to hold them until maturity. Investments intended to be held for an undefined period are not included in this classification.

These are initially recognized at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method. Interest on held-to-maturity investments is included in the statement of comprehensive income and reported as 'Interest and similar income'. In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the investment and recognized in the statement of comprehensive income as 'Net gains/(losses) on investment securities'. Held-to-maturity investments includes corporate bonds.

The Company's held-to-maturity financial asset as of December 31, 2021 and 2020 are disclosed in Note 9.

AFS Investments

AFS investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

AFS financial assets are initially recognized at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognized. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income. However, interest is calculated using the effective interest method, and foreign currency gains and losses on monetary assets classified as available-for-sale are recognized in the statement of comprehensive income. Dividends on available-for-sale equity instruments are recognized in the statement of comprehensive income in 'Dividend income' when the Company's right to receive payment is established.

When the fair value of AFS financial assets cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity and debt instruments, these investments are carried at cost, less any allowance for imparirment loss.

The Company's AFS financial asset as of December 31, 2021 and 2020 are disclosed in Note 9.

b. Financial Liabilities

Financial liabilities are either classified as financial liabilities through profit or loss or other financial liabilities.

The Company's financial liabilities are categorized under other financial liabilities.

Other financial liabilities include accounts payable and accrued expenses (excluding government and other statutory liabilities), due to reinsurers, claims and losses payable and deposits.

Financial liabilities are recognized when the Company becomes a party to the contractual agreements of the instrument. All interest related charges are recognized as an expense in the statement of comprehensive income under the caption Financing Costs, except those directly attributable to the acquisition, construction or production of a qualifying asset which are capitalized as part of the cost of that asset.

Financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and liabilities.

After initial recognition, these liabilities are subsequently measured at amortized cost using the effective interest rate 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.

Interest-bearing loans and borrowings are raised for support of long-term funding of operations. They are recognized at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss except for those which are capitalized as part of the cost of a qualifying asset, on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. The Company does not have interest-bearing loans and borrowings as of December 31, 2021 and 2020.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. Otherwise, these are presented as noncurrent liabilities.

2.6 Impairment of Financial Assets

The Company assesses at each end of reporting period whether there is any 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 has 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. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

a. Assets Carried at Amortized Cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss is recognized in the statement of comprehensive income.

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

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

b. Assets Carried at Fair Value

In the case of equity investments classified as AFS, a significant or prolonged decline in the fair value of security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for AFS securities, the cumulative loss – 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 reclassified from equity and recognized in profit or loss. Such reclassification is presented as an adjustment within other comprehensive income. Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

c. Assets Carried at Cost

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

2.7 Derecognition of Financial Assets and Liabilities

a. Financial Assets

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

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

b. Financial Liabilities

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

2.8 Offsetting Financial Instruments

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

2.9 Reclassification of Financial Instruments

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

- the financial asset is no longer held for the purpose of selling or repurchasing it in the near term; and
- there is a rare circumstance.

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

2.10 Embedded Derivatives

An embedded derivative is separated from the host contract and accounted for as derivative if all of the following conditions are met: a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; b) a separate instrument with the same terms as the embedded derivative would meet the definition of the derivative; and c) the hybrid or combined instrument is not recognized at FVPL.

The Company assesses whether embedded derivatives are required to be separated from the host contracts when the Company first becomes a party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

The Company has no bifurcated embedded derivatives as of December 31, 2021 and 2020.

2.11 Insurance Contracts – classification

The Company issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Recognition and measurement

(a) Short-term insurance contracts

These contracts are casualty, property and short-duration non-life insurance contracts.

Casualty insurance contracts protect the Company's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and noncontractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers liability) and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

Property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

For all these contracts, premiums are recognized as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as the unearned premium liability.

Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums.

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders.

They include direct and indirect claims settlement costs and arise from events that have occurred up to the balance sheet date even if they have not yet been reported to the company. The Company does not discount its liabilities for unpaid claims other than for disability claims.

Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).

(b) Reinsurance contracts held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the Company is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognized as an expense when due.

In certain cases a reinsurance contract is entered into retrospectively to reinsure a notified claim under the Company's property or casualty insurance contracts. Where the premium due to the reinsurer differs from the liability established by the Company for the related claim, the difference is amortized over the estimated remaining settlement period.

The Company assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the income statement. The Company gathers objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortized cost. The impairment loss is also calculated following the same method used for these financial assets.

(c) Receivables and payables related to insurance contracts

Receivables and payables are recognized when due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognizes that impairment loss in the income statement. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated under the same method used for these financial assets.

2.12 Reinsurance Assets

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

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurance can be measured reliably. The impairment loss is changed against profit or loss.

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

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

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

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

2.13 Deferred Acquisition Costs (DAC)

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 margin. All other acquisition costs are recognized as expense when incurred.

Subsequent to initial recognition, these costs are amortized on a straight-line basis over the life of the contract. Amortization is charged to profit or loss. The unamortized acquisition costs are shown as deferred acquisition costs in the assets section of the statement of financial position.

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

The Company has not recognized DAC since all insurance contracts are for a term of 12 months only.

2.14 *Other Assets*

Other current assets pertain to other resources controlled by the Company as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Company beyond one year after the end of the reporting period (or in the normal operating cycle of the business, if longer), are classified as noncurrent assets.

2.15 *Property and Equipment*

Property and equipment are carried at acquisition cost less subsequent depreciation, amortization and impairment losses, except for land and condominium and improvements which are stated at revalued amounts in 2021 and 2020.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

Land held for use in providing services, or for administrative purposes, is stated in the statement of financial position at revalued amount, being the fair value at the date of revaluation, less subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of such land and condominium is recognized in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and condominium is recognized in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Land is not depreciated. Depreciation on other property and equipment commences once the assets are available for use and is computed using the straight-line method over the following estimated useful lives of the depreciable assets as follows:

Condominium and improvements	25 years
Furniture, fixtures and office equipment	5 years
Transportation equipment	5 years

Leasehold improvements are amortized on a straight-line basis over the term of the lease or the estimated useful lives of the improvements, a period of 5 years, whichever is shorter.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The estimated useful lives, residual values and depreciation and amortization method of property and equipment are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

An item of Company's property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the year the item is derecognized. On the subsequent sale or disposal or disposal of revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Fully depreciated and amortized property and equipment are retained in the accounts until they are no longer in use and no further depreciation and amortization are charged against current operations

Property under construction is stated at cost less any impairment in value. This includes cost of construction, plant and equipment, capitalizable borrowing costs, and other direct costs associated to construction. Property under construction is not depreciated until such time that the relevant assets are completed and available for its intended use.

Construction in progress is transferred to the related property and equipment when the construction or installation and related activities necessary to prepare the property and equipment for their intended use have been completed, and the property and equipment are ready for commercial service.

2.16 Impairment of Nonfinancial Assets

At the end of each reporting period, the Company reviews the carrying amounts of its nonfinancial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

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

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

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

No impairment of nonfinancial assets was recognized in 2021 and 2020.

2.17 Insurance Contract Liabilities

Insurance contract liabilities are recognized when the contracts are entered into and the premiums are charged. These liabilities are known as outstanding claims provisions, which are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, 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 liability is calculated at the reporting date using a range of standard actuarial claim projection techniques based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money and includes provisions for unearned premiums and incurred but not reported (IBNR) losses.

No provision for catastrophic reserves is recognized. The liability is derecognized when the contract has expired, is discharged or is cancelled.

a. Provision for Unearned Premiums

The proportion of written premiums, gross of commissions payable to intermediaries, attributable to subsequent periods or to risk that have not yet expired, is deferred as provision for unearned premiums using the 365th method, where the provision for unearned premiums pertains to the premiums for the last two months of the year. The change in provision for unearned premiums is taken to profit or loss in order that revenue is recognized over the period of risk. Further provision are made to cover claims under unexpired insurance contract which may exceed the unearned premiums and the premiums due in respect of these contracts.

b. Liability Adequacy Test

At each reporting date, liability adequacy tests are performed, to ensure the adequacy of insurance contract liabilities, net of related DAC assets. In performing the test, current best estimates of future cash flows and claims handling and policy administration expenses are used. Changes in expected claims that have occurred, but which have not been settled, are reflected by adjusting the liability for claims and future benefits. Any inadequacy is immediately charged to profit or loss by establishing and 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 to current insurance exceed future premiums plus the current unearned premiums reserve.

2.18 Equity

Share capital are presented at subscribed amount including interest for those paid The Company has issued par value capital stock that is classified as equity. Incremental costs directly attributable to the issue of new capital stock are shown in equity as a deduction, net of tax, from the proceeds.

When the Company issues its par value shares, the proceeds shall be credited to the “Capital stock” account in the Company’s statement of financial position to the extent of the par value, with any excess being reflected as “Additional paid-in-capital” account in the Company’s statement of financial position.

Contingency surplus represents contributions of the stockholders to cover any deficiency in the Margin of Solvency as required under the Insurance Code and can be withdrawn only upon the approval of the Insurance Commission

Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity attributable to the equity holders of the Company.

Retained earnings include all current and prior period results as disclosed in profit or loss in the statement of comprehensive income, reduced by the amount of dividend declared. The appropriated portion represents the amount which is not available for distribution.

Other comprehensive income comprises items of income and expense, including reclassification adjustments that are not recognized in profit or loss as required by other PFRS.

2.19 Revenue and Cost Recognition

Revenue

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 or receivable, excluding discounts, rebates, sales taxes and duties. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as a principal or agent. The Company has concluded that it is acting as principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Premiums

Premiums from short term insurance contracts are recognized as revenue over the period of the contracts using the 24th method except for the premiums from marine cargo risks wherein revenue is recognized based on the provisions in the Insurance Code. The portion of the premiums written that relate to the unexpired periods of the policies at the end of the reporting period are accounted for as Reserve for Unearned Premiums and presented in the liability section of the Statement of Financial Position. The net changes in this account between the end of the reporting period are charged or credited to income.

Commission

Commission from insurance contracts are recognized by the Company when collected.

Interest income

Interest income from bank deposits, special savings accounts, held to maturity financial assets and mortgage loans recognized as interest accrues taking into account the effective yield on the related asset.

Dividend income

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

Other income

Other income is recognized by the Company when earned.

Gain on market value

Trading and securities gain is recognized when the ownership of the security is transferred to the buyer and is computed as the difference between the selling price and the carrying amount of the security. Trading and securities gain also results from the mark-to-market valuation of the securities at the valuation date.

Expense

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

Benefits and claims

Gross benefits and claims consist of benefits and claims paid to policyholders, and changes in the gross valuation of insurance contract liabilities, except gross changes in the provision for unearned premiums which are included in net premiums earned. It further includes internal and external claims handling costs that are directly related to the processing and settlement of claims. Insurance claims are recorded on the basis of notifications received while claims IBNR are based on historical experience.

Commission expense

Commission expense are recognized in the statement of comprehensive income when incurred

Other underwriting expenses

Other underwriting expenses are recognized in the statement of comprehensive income as incurred.

General and administrative expenses

These expenses are recognized in the statement of comprehensive income in the period these are incurred.

2.20 Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized.

Borrowing costs incurred after the assets are substantially ready for their intended use are expensed immediately.

2.21 Employee Benefits

a. Defined Benefit Plan

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

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

Defined benefit costs comprise service cost, net interest on the net defined benefit liability or asset and remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on nonroutine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

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

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

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

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

b. Termination Benefit

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

c. Employee Leave Entitlement

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

2.22 Leases

The Company determines whether an arrangement is, or contains, a lease based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Company as Lessee

Payments associated with short-term leases and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Variable lease payments which are based on future sales or consumption are recognized as rent expense in the period incurred.

2.23 Taxes

Current

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

Deferred

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

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and unused tax losses can be utilized.

Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. In respect of taxable temporary differences associated with investment in a subsidiary, deferred income tax liability is not recognized where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets are realized or the liabilities are settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Income tax relating to items recognized directly in equity is recognized in equity and not in the statement of income.

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

Value Added Tax

Revenue, expenses and assets are recognized net of the amount of value added tax (VAT) except where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of “Other current assets” or “Accounts payable and accrued expenses” accounts in the statement of financial position.

2.24 Related Party Transactions

A party is related to the Company if it has direct or indirect control or is controlled by an entity whether parent or subsidiary, if it has interest in the Company that gives its significant influence over the Company and if it is a member of the key management personnel of the Company.

PAS 24 provides additional guidance and clarity in the scope of the standard, the definitions and disclosures for related parties. It also requires disclosure of the compensation of key management personnel by benefit type.

2.25 Intangible assets

Intangible assets acquired separately

Intangible assets include software used in operations and administration which are accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given to acquire an asset at the time of its acquisition. Capitalized software costs are amortized on a straight-line basis over the estimated useful lives (ranging from 3 to 10 years) as these intangible assets are considered finite.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Costs associated with maintaining computer software are expensed as incurred.

Impairment of tangible and intangible assets excluding goodwill

Intangible assets with definite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

2.26 Provisions

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

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to 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.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.27 Contingencies

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

The Company does not have contingent liabilities which require disclosure as of December 31, 2021 and 2020.

2.28 Events After End of Reporting Period

Post year-end events that provide additional information about the Company's position at the end of each reporting period (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

There are no events after end of reporting period involving the Company which require disclosure as of December 31, 2021 and 2020.

2.29 Accounting Policies, Changes in Accounting Estimates and Errors

PAS 8 removes the concept of fundamental error and the allowed alternative to retrospective application of voluntary changes in accounting policies and retrospective restatement to correct prior period errors. It defines material omission or misstatements, and describes how to apply the concept of materiality when applying accounting policies and correcting errors.

2.30 Earnings Per Share

Earnings per common share is determined by dividing net income for the year by the weighted average number of common shares issued and outstanding during the year.

Earnings per share is computed as:

	2021	2020
Net income	**31,977,641**	36,990,338
Divided by the weighted average		
number of issued and outstanding common shares	**3,000,000**	3,000,000
Earnings per share	**10.66**	12.33

3. Significant Accounting Judgments and Estimates

The Company's financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect amounts reported in the financial statements and related notes.

The estimates and assumptions used in the financial statements are based upon management's evaluation of relevant facts and circumstances of the Company's financial statements. Actual results could differ from those estimates. The following are the relevant estimates performed by management on its December 31, 2021 and 2020 financial statements.

3.1 Judgments

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

a. Functional Currency

The Company, based on the relevant economic substance of the underlying circumstances, has determined its functional currency to be the Philippine peso. It is the currency that mainly influences the Company's revenue and costs and expenses.

b. Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and disclosure of contingencies are discussed in Notes 2.26 and 2.27.

c. Distinction Between Investment Properties and Owner-managed Properties

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

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

The Company does not have investment properties as of December 31, 2021 and 2020.

d. Classification of Time Deposits

The Company classifies time deposits depending on its intention in holding such financial assets. If the Company intends to hold such financial assets to earn interest income regardless of original maturity, it classifies such financial assets as HTM investments. However, if the Company's intention is to hold such financial assets for operational purposes; it classifies such financial assets as cash equivalents.

The Company classifies its time deposits as cash equivalents as of December 31, 2021 and 2020. The Company's time deposits amounted to P103,638,312 and P96,358,276as of December 31, 2021 and 2020, respectively (Note 5).

e. *Amortization of Leasehold Improvements*

The Company's leasehold improvements are amortized over 5 years, which is the estimated useful life of the asset (see Notes 2.15 and 11) regardless of the term of the lease contracts which is usually shorter than the expected useful life of the improvements because it is highly probable that the lease contract will be renewed before the end of such contract. A decision by management not to renew its lease agreement will result in a significant change in profit or loss in the period such decision is made.

3.2 Estimates

The estimates and assumptions used in the financial statements are based upon management's evaluation of relevant facts and circumstances of the Company's financial statements. Actual results could differ from those estimates. The relevant estimates performed by management on its December 31, 2021 and 2020 financial statements are discussed below.

a. The Ultimate Liability Arising from Claims Made Under Insurance Contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims.

The main assumption underlying the estimation of the claims provision is that the Company's past claim 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 claims types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected in order to reflect their future development. In most cases, no explicit assumption used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgment is used to assess the extent to which past trends may not apply in the future.

Claims and losses payable amounted to P230,757,593 and P139,817,918 as of December 31, 2021 and 2020, respectively (Note 16).

b. Useful Lives of Company Property and Equipment

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

Property and equipment, net of accumulated depreciation and amortization amounted to P31,845,354 and P31,496,200 as of December 31, 2021 and 2020, respectively (see Note 11).

c. Impairment of Nonfinancial Assets

Except for intangible assets with indefinite useful lives, PFRS requires that an impairment review be performed when certain impairment indicators are present. The Company's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.16. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

No impairment losses on other nonfinancial assets were recognized in 2021 and 2020.

d. Fair Value of Land and Condominium and Improvements

The fair value of the Company's land and condominium and improvements are determined from market-based evidence by appraisal that was undertaken by an independent firm of appraisers in calculating such amounts. While management believes that the assumptions and market-based evidences used are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the valuation of the Company's land and condominium. However, management believes that the carrying amounts of condominium as of December 2013 do not differ materially from that which would be determined using appraised value and fair value at reporting date (Note 11).

e. Impairment of Available for Sale Securities

The Company follows the guidance of PAS 39 on determining when an investment is other than temporarily impaired. This determination requires significant judgment. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

The carrying values of the Company's AFS financial statements amounted to P12,942,094 and P12,971,,364 as of December 31, 2021 and 2020, respectively. The Company has not recognized any allowance for impairment losses as of December 31, 2021 and 2020, respectively (Note 9).

f. Impairment of Receivables

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

Insurance receivables amounted to P322,649,341 and P344,299,590 as of December 31, 2021 and 2020, respectively (Note 6). Provision for doubtful accounts amounted to P6,587,459 and P4,254,870 in 2021 and 2020, respectively.

Other receivables amounted to P114,477,830 and P104,137,749 as of December 31, 2021 and 2020, respectively (Note 7).

g. Realizable Amount of Deferred Tax Assets

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

The Company's deferred tax assets amounted to P11,863,404 and P10,406 as of December 31, 2021 and 2020, respectively (Note 28).

h. Retirement Benefits

The cost of defined benefit pension plans and other post employment medical benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The net defined benefit liability amounted to P25,909,901 and P22,833,124 as at December 31, 2021 and 2020, respectively (Note 19).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

i. Revenue Recognition

The revenue recognition policies require the use of estimates and assumptions that may affect the reported amounts of the revenues and receivables.

j. Fair Values of Financial Assets and Liabilities

Financial assets and liabilities of the Company are recognized initially at cost which is the fair value of the consideration given (in case of asset) or received (in case of liability). Subsequent to initial recognition, assets and liabilities are either valued at amortized cost using the effective interest method or at fair value depending on classification.

The following table sets forth the carrying values and estimated fair values of the Company's financial assets and liabilities recognized as at December 31, 2021 and 2020. There are no material unrecognized financial assets and liabilities as of December 31, 2021 and 2020.

	Carrying Value		Fair Value	
	2021	2020	**2021**	2020
Financial Assets				
Cash and cash equivalents	**433,965,101**	322,967,793	**433,965,101**	322,967,793
Insurance receivables	**322,649,341**	344,299,590	**322,649,341**	344,299,590
Other receivables	**114,447,830**	104,138,749	**114,447,830**	104,138,749
Loans receivable	**269,903,193**	276,433,440	**269,903,193**	276,433,440
Financial assets at fair value through profit and loss	**50,123,757**	49,288,241	**50,123,757**	49,288,241
AFS financial asset	**12,942,094**	12,971,364	**12,942,094**	12,971,364
HTM financial asset	**259,251,535**	247,187,989	**259,251,535**	247,187,989
Total Financial Assets	**1,463,282,851**	1,357,287,166	**1,463,282,851**	1,357,287,166
Financial Liabilities				
Accounts payable and accrued expenses*	**90,336,928**	66,700,899	**90,336,928**	66,700,899
Due to reinsurers	**200,948,831**	143,131,211	**200,948,831**	143,131,211
Claims and losses payable**	**230,757,593**	35,967,810	**230,757,593**	35,967,810
Deposits	**67,553,317**	86,362,108	**67,553,317**	86,362,108
Total Financial Liabilities	**589,596,669**	332,162,028	**589,596,669**	332,162,028

**excluding payable to government regulatory agencies*
***excluding effect of appraisal of insurance contracts*

A number of the Company's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and disclosure purposes based on the methods described below.

Cash and Cash Equivalents

The carrying amount approximates the fair value primarily due to the relatively short-term maturity of these financial instruments.

Receivables /Accounts Payable and Accrued Expenses

Current receivables are reported at their net realizable values, at total amounts less allowances for impairment losses. Current liabilities are stated at amounts reasonably expected to be paid within the next twelve months or within the Company's operating cycle.

Due to Reinsurers/Claims and Losses Payable/Deposits

Liabilities are stated at amounts reasonably expected to be paid within the next twelve months or within the Company's operating cycle.

Other Financial Assets

Financial Assets at Fair Value through Profit or Loss – Held for Trading

These are measured at fair value based on the quoted price at market as of the balance sheet date.

Held to Maturity

These are carried in the books at amortized cost except time deposits and special savings deposits which are measured at their face amount approximating their fair value.

Available for Sale

Unquoted AFS financial assets are carried at cost less any impairment in value. These financial assets are equity shares of private entities and are not traded in an active market, hence its fair value cannot be determined reliably.

Short-term Investments

These pertain to special savings deposits which are measured at cost since cost equals the face value of the investment.

The financial assets measured at fair value in the statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities.

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The breakdown of the Company's financial assets measured at fair value in its statements of financial position as of December 31, 2021 and 2020 is as follows (see Note 9):

2021	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value through profit and loss	**50,123,757**	**-**	**-**
AFS financial asset	**-**	**12,942,094**	**-**

2020	Level 1	Level 2	Level 3
Financial assets at fair value through profit and loss	49,288,241	-	-
AFS financial asset	-	12,971,364	-

4. Financial Risk Management Objectives and Policies

4.1 Governance Framework

The Company has established a risk management function with clear terms of reference and with the responsibility for developing policies on market, credit, liquidity, insurance and operational risk. It also supports the effective implementation of policies at the individual business unit levels.

The policy defines the Company's identification of risks and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, alignment of underwriting and reinsurance strategy to the corporate goals and specify reporting requirements.

4.2 Strategy in Using Financial Instruments

By their nature, the Company's activities are principally related to the use of financial instruments. The Company seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

The Company also trades in financial instruments where it takes positions in traded and over the-counter instruments, to take advantage of short-term market movements in equities and bonds.

4.3 Liquidity Risk

Liquidity risk is the risk that there are insufficient funds available to adequately meet the credit demands of the Company's customers and repay deposits on maturity. The Company manages liquidity risk by holding sufficient liquid assets of appropriate quality to ensure short-term funding requirements are met. In addition, the Company seeks to maintain sufficient liquidity to take advantage of interest rate and exchange rate opportunities when they arise.

The Company's financial liabilities as of December 31, 2021 and 2020 have contractual maturities which are presented below:

	Total		**Current**		**Noncurrent**
2021	**Carrying Value**	**On Demand**	**Within 6 Months**	**6 to 12 Months**	**1 to 5 Years**
Accounts payable and accrued expenses*	**90,336,928**	**90,336,928**	-	-	-
Due to reinsurers	**200,948,831**	**200,948,831**	-	-	-
Claims and losses payable	**230,757,593**	**230,757,593**	-	-	-
Deposits	**67,553,317**	**67,553,317**	-	-	-
	589,596,669	**589,596,669**	-	-	-

**net of payable to government regulatory agencies*

	Total		Current		Noncurrent
2020	Carrying Value	On Demand	Within 6 Months	6 to 12 Months	1 to 5 Years
Accounts payable and accrued expenses*	66,700,899	66,700,899	-	-	-
Due to reinsurers	143,131,211	143,131,211	-	-	-
Claims and losses payable	35,967,810	35,967,810	-	-	-
Deposits	86,362,108	86,362,108	-	-	-
	332,162,028	332,162,028	-	-	-

**net of payable to government regulatory agencies*

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

	Total		**Current**		**Noncurrent**
2021	**Carrying Value**	**On Demand**	**Within 6 Months**	**6 to 12 Months**	**1 to 5 Years**
Cash and cash equivalents	**433,965,101**	**331,791,930**	**102,173,171**	**-**	**-**
Insurance receivables	**322,649,341**	**162,006,343**	**160,642,998**	**-**	**-**
Other receivables	**114,447,830**	**-**	**114,447,830**	**-**	**-**
Loans receivable	**269,903,193**	**-**	**110,000,000**	**34,157,343**	**125,745,850**
Financial assets at fair value through profit and loss	**50,123,757**	**50,123,757**	**-**	**-**	**-**
AFS financial asset	**12,942,094**	**12,942,094**	**-**	**-**	**-**
HTM financial asset	**259,251,535**	**-**	**1,010**	**1,010**	**259,249,515**
	1,463,282,851	**556,864,124**	**487,265,009**	**34,158,353**	**384,995,365**

	Total		Current		Noncurrent
2020	Carrying Value	On Demand	Within 6 Months	6 to 12 Months	1 to 5 Years
Cash and cash equivalents	322,967,793	226,609,517	96,358,276	-	-
Insurance receivables	344,299,590	96,670,535	42,154,874	205,474,181	-
Other receivables	104,138,749	44,489,041	59,649,708	-	-
Loans receivable	276,433,440	-	42,377,778	125,000,000	109,055,662
Financial assets at fair value through profit and loss	49,288,241	49,288,241	-	-	-
AFS financial asset	12,971,364	12,971,364	-	-	-
HTM financial asset	247,187,989	-	28,244,311	28,244,311	190,699,367
	1,357,287,166	430,028,698	268,784,947	358,718,492	299,755,029

4.4 Market Risk

The Company's exposure to market risk, the risk of future loss from changes in the price of a financial instrument, relates primarily to its holdings in debt securities. The Company manages its risk by identifying, analyzing and measuring relevant or likely market risks. It recommends various limits on value-at-risk, stop loss, trading volume and earning-at-risk.

Interest Rate Risk Sensitivity Analysis

The Company's exposure to interest rate risk arises from the following interest-bearing financial instruments:

	2021	2020
Cash in banks	**433,965,101**	322,967,793
Mortgage loan receivable	**269,903,193**	276,433,440
HTM financial asset	**259,251,535**	247,187,989
	963,119,829	846,589,222

The changes in interest rates used in the analysis of cash equivalents and held to maturity financial assets have been determined based on the average volatility in interest rates in the previous 12 months. The changes in interest rates used in the analysis of time deposits and treasury bills are based on the volatility of the Bangko Sentral ng Pilipinas (BSP)'s compilation of domestic rates on short-term investment in the past twelve months.

	Increase (Decrease) in Interest Rate		Effect on Profit before Tax	
	2021	2020	**2021**	2020
Cash in banks	**0.150%**	0.150%	**650,948**	484,452
	0.150%	0.150%	**(650,948)**	(484,452)
HTM financial assets	**3.52%**	2.16%	**9,125,654**	5,339,261
	-3.52%	-2.16%	**(9,125,654)**	(5,339,261)

The Company's mortgage loans receivable have minimal exposure to interest risks as the interest rates imposed by the Company are fixed until maturity of these loans.

Price Risk

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

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

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

4.5 Insurance risk

The risk under an insurance contract is the possibility of occurrence of insured event and uncertainty of the amount and timing of the resulting claim. The principal risk the Company faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, and actual benefits paid that are greater than originally estimated.

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

The majority of reinsurance business ceded is placed on a quota share basis with retention limits. 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 recoverable on unpaid losses".

Although the Company has reinsurance agreements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurers is unable to meet its obligations assumed under such reinsurance agreements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract.

For the years ended December 31, 2021 and 2020, the Company issued general accident insurance contracts. The table below sets out the concentration of the claims liabilities, net of recoverable as of December 31, 2021 and 2020:

	2021	2020
Gross amount of losses and claims payable	**230,757,593**	139,817,918
Less: Reinsurance recoverable on unpaid losses	**107,882,887**	46,364,249
Net amount	**122,874,706**	93,453,669

Key assumptions

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

Other key assumptions include variations in interest, delays in settlement and changes in foreign currency rates.

Sensitivities

The insurance claims provision is sensitive to the above key assumptions. Because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claims provision is not known with certainty at the reporting dates.

4.6 Financial risk

The Company is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that in the long-term its investment proceeds are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important components of this financial risk are interest rate risk, equity price risk, foreign currency risk and credit risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Company primarily faces due to the nature of its investments and liabilities are interest rate risk and equity price risk.

The Company has not changed the processes used to manage its risks from previous periods.

4.7 Credit risk

The Company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk are:

- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders;
- amounts due from insurance intermediaries; and
- counterparty risk with respect to derivative transactions.

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

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract.

With respect to credit risk arising from other financial assets of the Company, which comprise of cash and cash equivalents, its exposure to credit risk arises from the default of the counterparty with a maximum exposure equal to the carrying value of these instruments. This is mitigated, however, by the Company's policy of placing it funds only in reputable banks and financial institutions.

The maximum exposure to credit risk at end of reporting period is as follows:

	2021	2020
Cash and cash equivalents, net of cash on hand	**433,965,101**	322,967,793
Insurance receivables, gross	**340,141,085**	356,067,559
Other receivables	**114,447,830**	104,138,749
Mortgage loan receivable	**269,903,193**	276,433,440
Financial assets at fair value through profit and loss	**50,123,757**	49,288,241
AFS financial asset	**12,942,094**	12,971,364
HTM financial asset	**259,251,535**	247,187,989
Total Financial Assets	**1,480,774,595**	1,369,055,135

Information on concentration of credit as to counterparties as of December 31, 2021 and 2020 as follows:

2021	**High Grade**	**Standard Grade**	**Substandard Grade**	**Total**
Cash and cash equivalents	**433,965,101**	**-**	**-**	**433,965,101**
Insurance receivables	**237,720,393**	**67,437,204**	**17,491,744**	**322,649,341**
Other receivables	**63,460,847**	**-**	**50,986,983**	**114,447,830**
Mortgage loan receivable	**269,903,193**	**-**	**-**	**269,903,193**
Financial assets at fair value through profit and loss	**50,123,757**	**-**	**-**	**50,123,757**
AFS financial asset	**12,942,094**	**-**	**-**	**12,942,094**
HTM financial asset	**259,251,535**	**-**	**-**	**259,251,535**
	1,327,366,920	**67,437,204**	**68,478,727**	**1,463,282,851**

2020	High Grade	Standard Grade	Substandard Grade	Total
Cash and cash equivalents	322,967,793	-	-	322,967,793
Insurance receivables	259,397,024	84,902,566	11,767,969	356,067,559
Other receivables	92,717,740	11,421,009	-	104,138,749
Mortgage loan receivable	276,433,440	-	-	276,433,440
Financial assets at fair value through profit and loss	49,288,241	-	-	49,288,241
AFS financial asset	12,971,364	-	-	12,971,364
HTM financial asset	247,187,989	-	-	247,187,989
	1,260,963,591	96,323,575	11,767,969	1,369,055,135

High Grade financial assets apply to highly rated financial obligors, strong corporate counterparties and personal borrowers with whom the Company has excellent repayment experience.

Standard Grade financial assets apply to counterparties with risk profiles that are subject to closer monitoring and scrutiny with the objective of managing risk and moving accounts to improve rating category.

Substandard Grade financial assets are accounts that are past due and specifically identified to be impaired.

The analysis of the Company's receivables as of December 31, 2021 and 2020 according to credit quality is as follows:

2021	**Neither Past Due nor Impaired**	**Past Due**		**Total**
		Impaired	**Not Impaired**	
Premiums receivable	**160,642,998**	**17,491,744**	**84,928,948**	**263,063,690**
Receivable from reinsurers	**77,077,395**	**-**	**-**	**77,077,395**
Doc stamps receivable	**63,008,955**	**-**	**86,584,209**	**149,593,164**
Accounts receivable	**21,329,111**	**-**	**5,992,383**	**27,321,494**
Premiums due from ceding	**19,251,003**	**-**	**11,562,157**	**30,813,160**
Bonds recoverable	**2,722,346**	**-**	**-**	**2,722,346**
Accrued interest receivable	**1,762,328**	**-**	**-**	**1,762,328**
Other loans receivable	**3,001,235**		**-**	**3,001,235**
Advances from employees	**-**	**-**	**-**	**-**
Others	**3,372,852**	**-**	**-**	**3,372,852**
Mortgage loan receivable	**269,903,193**	**-**	**-**	**269,903,193**
	622,071,416	**17,491,744**	**189,067,697**	**828,630,857**

2020	Neither Past Due nor Impaired	Past Due		Total
		Impaired	Not Impaired	
Premiums receivable	149,865,522	11,767,969	84,902,566	246,536,057
Receivable from reinsurers	109,531,502	-	-	109,531,502
Doc stamps receivable	34,745,266	-	26,934,501	61,679,767
Accounts receivable	4,718,043	-	5,992,383	10,710,426
Premiums due from ceding	3,963,715	-	11,562,157	15,525,872
Bonds recoverable	2,722,346	-	-	2,722,346
Accrued interest receivable	8,050,585	-	-	8,050,585
Other loans receivable	2,041,728		-	2,041,728
Advances from employees	772,765	-	-	772,765
Others	2,635,260	-		2,635,260
Mortgage loan receivable	247,187,989	-	-	247,187,989
	566,234,721	11,767,969	129,391,607	707,394,297

The movements in allowance for impairment losses in respect of receivables during the years ended December 31, 2021 and 2020 is shown in Note 6.

The allowance for impairment losses on receivables as of December 31, 2021 and 2020 relates to receivables from customers which have been long outstanding and specifically identified to be impaired.

The Company has not provided additional allowance for doubtful accounts on other receivables which are past due but not impaired at the end of the reporting period because management believes there has not been a significant change in credit quality of these receivables.

There was no additional impairment on the rest of the financial assets of the Company.

5. Cash and Cash Equivalents

This consists of the following:

	2021	2020
Cash	**331,791,930**	227,881,235
Cash equivalents	**103,638,312**	96,358,276
	435,430,242	324,239,511

Cash accounts with banks generally earn interest at rates based on daily bank deposit rates. Cash equivalents are placements that have an average maturity of 90 days and earn interest ranging from 1.5% to 5.75% in 2021 and 2020.

Interest earned on bank deposits amounting to P1,310,296 and P1,550,898 in 2021 and 2020, respectively, are recognized in the statement of comprehensive income as interest income (Note 22).

6. Insurance Receivables

This consists of the following:

	2021	2020
Premiums receivable	**263,063,690**	246,536,057
Receivable from reinsurers	**77,077,395**	109,531,502
	340,141,085	356,067,559
Less: Allowance for doubtful accounts	**(17,491,744)**	(11,767,969)
	322,649,341	344,299,590

The aging of premiums receivable is shown as follows:

	2021	2020
Current	**178,134,742**	149,865,522
Past Due		
91 days to 1 year	**49,258,200**	55,667,546
1-2 years	**20,030,423**	17,149,174
2-3 years	**3,326,882**	11,363,832
Beyond 3 years	**12,313,443**	12,489,983
	84,928,948	96,670,535
	263,063,690	246,536,057

Premiums receivable pertain to due from contract holders for unpaid insurance premiums. The average credit period on insurance contracts is 90 days. No interest is charged on receivables for the first 30 days from the date of the invoice.

Amounts due from reinsurers comprise of reinsurance receivables where the Company has the right to call a letter of credit given by reinsurers to cover losses on credit insurance provided to policyholders.

The movements in allowance for impairment losses with respect to receivables during the year ended December 31, 2021 and 2020 are as follows:

	2021	2020
Beginning	**11,767,969**	7,600,647
Provision	**6,587,459**	4,167,322
Write off	**(863,684)**	
Ending	**17,491,744**	11,767,969

The allowance for impairment losses on receivables as of December 312021 and 2020 relates to receivables from customers which have been long outstanding and specifically identified to be impaired.

In 2021, the Board approved the write off of accounts amounting to P863,684.

Reinsurance receivables pertain to amounts recoverable from reinsurers on losses already paid by the Company. These amounts are due and demandable.

7. Other Receivables

This consists of the following receivables:

	Note	2021	2020
Doc stamps receivable		**63,008,955**	61,679,767
Accounts receivable		**21,329,111**	10,710,426
Premiums due from ceding		**19,251,003**	15,525,872
Bonds recoverable		**2,722,346**	2,722,346
Other loans receivable		**1,762,328**	2,041,728
Advances from employees		**3,001,235**	772,765
Accrued interest receivable	*29*	**-**	8,050,585
Others		**3,372,852**	2,635,260
		114,447,830	104,138,749

The aging of the above receivables is shown as follows:

	2021	2020
Current	**63,460,847**	59,649,708
Past Due		
Over 90 days to 1 year	**4,377,125**	23,282,529
1-2 years	**5,321,036**	4,507,032
2-3 years	**18,083,943**	1,270,071
Beyond 3 years	**23,204,879**	15,429,409
	50,986,983	44,489,041
	114,447,830	104,138,749

Documentary stamps receivable pertains to documentary stamps and other taxes on uncollected premiums receivables.

Accounts receivable consists of non-interest-bearing open accounts with agents, brokers and other parties.

Bonds recoverable are claims paid by the Company to be recovered from the assured.

Accrued interest receivable pertains to interest earned but not yet received on time deposits and held to maturity financial assets.

Included in other receivables is salvage recoverable which is secured.

The Company has not provided an allowance for doubtful accounts on its other receivables which are past due but not impaired at the end of the reporting period because management believes there has not been a significant change in credit quality and these receivables are fully collectible.

8. Loans Receivable

This pertains to loans granted to various borrowers which earns interest at a rate of ranging from 6%-10%per annum payable on a monthly basis. The breakdown as to maturity is as follows:

	2021	2020
Current	**144,157,343**	167,377,778
Noncurrent	**125,745,850**	109,055,662
	269,903,193	276,433,440

The breakdown of loans as to security is as follows:

	2021	2020
Real estate	**126,433,440**	126,433,440
Chattel	**143,469,753**	150,000,000
	269,903,193	276,433,440

Interest earned on mortgaged loans amounted to P9,308,868 and P16,128,512 in 2021 and 2020, respectively (Note 22).

9. Financial Assets

This account consists of:

	2021	2020
Financial asset at fair value through profit or loss	**50,120,127**	49,288,241
Available for sale	**12,945,724**	12,971,364
Held to maturity	**259,251,535**	247,187,989
Other investments	**333,111**	275,130
	322,650,497	309,722,724

a. Financial Assets at Fair Value through Profit or Loss

These are equity instruments listed in the PSE acquired designated as FVPL based on initial recognition measured at fair value. These investments are designated by the Company at FVPL.

This is accounted for as follows:

	Cost		*Market Value*	
	2021	2020	**2021**	2020
Balance beginning	**49,158,302**	49,158,302	**49,228,241**	43,323,471
Gain (Loss) on recognition of market value	**-**	-	**895,516**	5,964,770
Held for trading	**49,158,302**	49,158,302	**50,123,757**	49,228,241

Dividends earned and received from held for trading financial assets amounted to P1,766,676 and P1,354,724 in 2021 and 2020, respectively (Note 22).

b. Available for Sale Financial Instruments

These are equity securities that are purchased and held indefinitely and will be available to be sold when the need for liquid funds arises during the operating cycle.

The breakdown of AFS securities is as follows:

	2021	2020
Quoted	**12,397,366**	12,353,002
Unquoted	**618,362**	618,362
	13,015,728	12,971,364

The movement of available for sale financial assets is as follows:

	2021	2020
Beginning balance	**12,971,364**	12,732,665
Disposals	**(234,479)**	-
Unrealized gain	**205,209**	238,699
	12,942,094	12,971,364

There were no amounts reclassified from equity and reported in profit and loss during the period.

The movement of unrealized gain through OCI is as follows:

	2021	2020
Beginning, net of tax	**621,101**	454,012
Change in tax rate	**44,364**	
Unrealized gain (loss) on AFS financial asset	**205,209**	238,699
Income tax effect	**(51,302)**	(71,610)
Current year gain (loss), net of tax	**198,271**	167,089
Ending balance, net of tax	**819,371**	621,101

c. Held to Maturity Financial Instruments

These are debt securities with fixed or determinable payments and fixed maturity that an enterprise has the positive intent and ability to hold to maturity. These consist of treasury bills and corporate bonds. These are measured at amortized cost using the effective interest rate method.

The breakdown as to maturity of these financial assets is as follows:

	2021	2020
Current	**71,858,185**	56,488,622
Noncurrent	**187,393,350**	190,699,367
	259,251,535	247,187,989

The movement of these financial assets is as follows:

	2021	2020
Beginning balance	**247,187,989**	246,088,026
Additional acquisition of held to maturity	**71,323,635**	43,003,886
Matured during the year	**(59,880,000)**	(42,091,709)
Amortization of bond premium	**619,911**	187,786
	259,251,535	247,187,989

Interest earned on held to maturity financial assets amounted to P8,892,788 and P20,652,496 in 2021 and 2020, respectively (Note 22).

d. Investment in Closed Companies

The Company has investments in closed companies amounting to P288,630 in 2021 and 2020 broken as follows:

Financial assets at fair value through profit or loss	**63,630**
Available for sale	**225,000**
	288,630

Impairment losses have been recognized on the above investments recognized as unrealized loss in both profit and loss and other comprehensive income.

10. Other Current Assets

This account pertains to prepaid insurance and rent at the end of the year.

11. Property and Equipment

This account is broken down as follows:

	Land	Building and Improvements	Furniture, Fixture and Office equipment	Transportation Equipment	Leasehold Improvement	Total
Costs						
Dec. 31, 2019	137,205	28,392,014	6,990,991	3,574,031	1,203,122	40,297,363
Additions	-	-	9,673,416	2,208,610	31,285	11,913,311
Dec. 31, 2020	**137,205**	**28,392,014**	**16,664,407**	**5,782,641**	**1,234,407**	**52,210,674**
Additions	-	-	4,354,653	-	1,868,153	6,222,806
Disposal	-	-	-	(273,723)	-	(273,723)
Dec. 31, 2021	**137,205**	**28,392,014**	**21,019,060**	**5,508,918**	**3,102,560**	**58,159,757**
Accumulated						-
Depreciation						-
Dec. 31, 2019	-	9,835,509	4,404,449	2,248,996	877,636	17,366,590
Provision	-	1,300,716	1,541,389	411,234	94,545	3,347,884
Dec. 31, 2020	**-**	**11,136,225**	**5,945,838**	**2,660,230**	**972,181**	**20,714,474**
Provision	-	1,300,715	3,352,608	808,056	412,273	5,873,652
Disposal	-			(273,723)		(273,723)
Dec. 31, 2021	**-**	**12,436,940**	**9,298,446**	**3,194,563**	**1,384,454**	**26,314,403**
Net Book Value						
Dec. 31, 2020	137,205	17,255,789	10,718,569	3,122,411	262,226	31,496,200
Dec. 31, 2021	**137,205**	**15,955,074**	**11,720,614**	**2,314,355**	**1,718,106**	**31,845,354**

Additions during the year were valued at acquisition costs and other direct costs other expenditures necessary to bring the asset to its intended use. These properties are not encumbered and no impairment losses were recognized during the year.

Depreciation charged to operations amounted to P5,873,652 and P3,347,884 and in 2021 and 2020, respectively.

Revaluation of Land

In 2000, the Company's lands were appraised by Cuervo Appraisal Co., Inc., an independent appraiser. The reconciliation of these lands is as follows:

	2021	2020
Cost	**37,783**	37,783
Appraisal Increment	**99,422**	99,422
Appraised Value	**137,205**	137,205

No updated appraisal conducted on the land since the amount of the land is immaterial.

Revaluation of Condominium

Condominium unit is stated at revalued amount. The related revaluation increment is reported in the equity section of the statement of financial position under the "Appraisal Increment" account.

In December 2013, the Company's condominium unit with a carrying value of P20,919,592 was appraised by an independent appraiser, to have a sound value of P28,392,014, resulting into appraisal surplus of P7,472,422.

The valuation technique used by the appraiser in determining the fair value of the condominium unit fall under Level 2 (Note 2.3).

Appraisal Increment

In compliance with PAS 16, Property and Equipment and PAS 12, Income Taxes, the Company recognized deferred tax liability on its appraisal increment. The balances are as follows:

	Note	**2021**	2020
Appraisal increment		**4,237,324**	4,654,139
Less: Deferred tax liability	*28*	**1,059,336**	1,396,246
Net		**3,177,988**	3,257,893

The breakdown of appraisal increment is as follows:

	2021	2020
Land	**69,595**	69,595
Condominium	**3,108,393**	3,188,298
	3,177,988	3,257,893

The reconciliation of appraisal increment on condominium is as follows:

	2021	2020
Beginning, net of tax	**3,257,893**	3,549,664
Current year adjustments	**232,707**	
Depreciation on appraisal increment	**(416,815)**	(416,815)
Income tax effect	**104,203**	125,044
	(79,905)	(291,771)
	3,177,988	3,257,893

The carrying amounts of these properties if the cost method is used are as follows:

	2021	2020
Land	**37,783**	37,783
Condominium	**11,717,750**	12,601,650
	11,755,533	12,639,433

12. Insurance Contracts

a. Deferred Acquisition Costs

The movements in this account are as follows:

	Note	**2021**	2020
Balance at beginning of year		**63,902,631**	65,171,205
Cost deferred		**60,246,424**	63,902,631
Cost recognized		**(63,902,631)**	(65,171,205)
Balance at end of year	*32*	**60,246,424**	63,902,631

The increase or decrease of deferred acquisition costs for the year is presented as part of commission in the Statement of Comprehensive Income.

b. Deferred Reinsurance Premiums

The movements in this account are as follows:

	Note	**2021**	2020
Balance at beginning of year		**100,118,517**	75,486,891
Premiums retroceded during the year		**128,542,025**	100,118,517
Premiums amortized during the year		**(100,118,517)**	(75,486,891)
Balance at end of year	*32*	**128,542,025**	100,118,517

The increase or decrease of deferred reinsurance premiums for the year is presented as part of increase in premium reserves in the Statement of Comprehensive Income.

c. Deferred Reinsurance Commission

The movements in this account are as follows:

	Note	**2021**	2020
Balance at beginning of year		**18,700,144**	14,422,790
Income deferred		**29,633,379**	18,700,144
Income earned		**(18,700,144)**	(14,422,790)
Balance at end of year	*32*	**29,633,379**	18,700,144

The increase or decrease of deferred reinsurance commission for the year is presented as part of increase in commission in the Statement of Comprehensive Income.

13. Other Assets

This account consists of:

	2021	2020
Deposit for share purchase	**265,000,000**	265,000,000
Reinsurance recoverable on unpaid losses	**107,882,887**	46,364,249
Deposits	**9,953,299**	9,516,582
Loss reserve withheld by ceding	**2,454,545**	2,454,545
	385,290,731	323,335,376

In 2019, Company paid P265,000,000 as partial payment for the controlling interest of the following companies:

	Percentage of ownership	Shares	Amount
ASPAC Rural Bank	100%	2,499,990	334,822,993
Cebu University Nurses' Abode, Inc.	56.63%	771,446	77,099,692
			411,922,685

The remaining balance of P146,922,685 will be paid once the transfer has been completed.

The shares of stocks corresponding to the above investment have not been transferred to the Company, hence, this investment is reported under Other Assets instead of Investment in Subsidiaries.

Deposits represent utilities meter deposits and premium deposits on excess of losses paid. .

Reinsurance recoverable on unpaid losses is the reinsurer's share on the losses or claims that is yet to be settled by the Company (Note 16). The analysis of this account is as follows:

	Note	2021	2020
Beginning balance		**46,364,249**	18,156,302
Losses incurred and recoverable from reinsurer		**144,903,697**	27,379,228
Amounts settled by reinsurer		**(46,364,249)**	(18,156,302)
Effect of appraisal	*32*	**(37,020,810)**	18,985,021
Ending balance		**107,882,887**	46,364,249

Loss reserve withheld by ceding pertains to amount withheld by ceding insurance companies on paid losses.

Software pertains to the accounting system used by the Company. This is amortized over a period of 5 years.

Shown below is the reconciliation of software as of December 31, 2021 and 2020:

Cost	
Dec. 31, 2019	5,469,362
Additions	-
Dec. 31, 2020	**5,469,362**
Accumulated Depreciation	
Dec. 31, 2019	4,989,895
Provision	479,467
Dec. 31, 2020	**5,469,362**
Net Book Value	
Dec. 31, 2020	**-**

Amortization charged to operations amounted to P479,467 and in 2020. This software has been fully amortized as of December 31, 2020.

14. Accounts Payable and Accrued Expenses

This account consists of the following:

	2021	2020
Accounts payable	**90,336,928**	66,700,899
Payable to government regulatory agencies	**56,387,371**	53,392,217
	146,724,299	120,093,116

Accounts payable are short-term obligations to suppliers and creditors of the Company.

Payable to government regulatory agencies pertains to remittances to SSS, PHIC and HMDF due in the year.

The fair values of accounts payable and accrued expenses have not been disclosed as, due to their short duration, management considers the carrying amounts recognized in the statements of financial position to be a reasonable approximation of their fair values.

15. Due to Reinsurers

This pertains to payable to treaty and facultative reinsurers of the Company.

These payables relate to the following:

- Due to retrocessionaires are unremitted share in premiums of retrocessionaires.
- Funds held for retrocessionaires represent portion of the reinsurance premium ceded to retrocessionaires which was withheld by the Company in accordance with treaty and facultative agreements.

16. Claims and Losses Payable

Outstanding claims will become payable and materialize into claims paid as and when amounts of insured losses suffered by policyholders have been ascertained and agreed, without any contractual maturity date.

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

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

The analysis of this payable is as follows:

	Note	**2021**	2020
Beginning balance		**139,817,918**	76,607,897
Losses incurred		**273,790,893**	224,727,144
Losses paid		**(79,001,110)**	(199,912,118)
Effect of appraisal	*32*	**(103,850,108)**	38,394,995
Ending balance		**230,757,593**	139,817,918
Amount to be recovered from reinsurer	*13*	**(107,882,887)**	(46,364,249)
Net		**122,874,706**	93,453,669

17. Deposits

This pertains to refundable miscellaneous deposits from various policy holders and agents. These deposits do not earn interest. These deposits amounted to P67,553,317 and P86,3662,108 as of December 31, 2021 and 2020, respectively.

18. Unearned Premiums

The reconciliation of unearned premiums is as follows:

	Note	**2021**	2020
Balance beginning		**284,826,669**	288,693,264
Premiums written during the period		**374,824,928**	425,362,560
Realized during the period	*21*	**(373,356,757)**	(429,229,155)
		286,294,840	284,826,669

Unearned premiums are broken down as follows:

	2021	2020
Casualty	**210,332,342**	147,509,521
Fire	**96,689,686**	70,567,772
Bonds	**14,393,335**	11,307,231
Marine and engineering	**(35,120,523)**	55,442,145
	286,294,840	284,826,669

Unearned premiums are the portion of premiums that relate to the unexpired periods of the policies at the end of each reporting period.

The difference between the unearned premiums for the year is presented as decrease (increase) in earned premiums in the statements of comprehensive income.

19. Retirement Benefits

The Company's defined retirement benefit plan is noncontributory which provides retirement benefit equal to one (1) month pay for every year of service in the Company with the latest salary as the basis. The plan is not funded and is not registered with the Bureau of Internal Revenue.

The expense recognized in profit and loss as of December 31, 2021 and 2020 is as follows:

	2021	2020
Current service cost	**1,250,127**	1,087,067
Interest cost	**1,826,650**	1,610,819
Retirement expense	**3,076,777**	2,697,886

The movements in retirement liability are shown as follows:

	2021	2020
Accrued Benefit Obligation		
Beginning balance	**22,833,124**	20,135,238
Current service cost	**1,250,127**	1,087,067
Interest cost	**1,826,650**	1,610,819
Ending balance	**25,909,901**	22,833,124

The cost of defined benefit pension plans and other post employment medical benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension and post-employment medical benefit obligations for the defined benefit plans are shown below:

	2021	2020
Discount rates	**8%**	8%
Future salary increases	**3.5%**	3.5%
Turnover rate	**3%**	3%

There were no changes from the previous period in the methods and assumptions used in preparing sensitivity analysis.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant.

December 31, 2021	**Increase (Decrease)**	**Effects**
Discount rates	**50 basis points**	**3,909,742**
	(50 basis points)	**(3,909,742)**
Turnover rate	**0.25%**	**2,377,795**
	(0.25%)	**(2,377,795)**
Future salary increases	**1%**	**2,331,680**
	-(1%)	**(2,331,680)**

December 31, 2020	Increase (Decrease)	Effects
Discount rates	50 basis points	3,783,620
	(50 basis points)	(3,783,620)
Turnover rate	0.25%	2,465,454
	(0.25%)	(2,465,454)
Future salary increases	1%	2,342,185
	-(1%)	(2,342,185)

The latest valuation conducted by an actuary was as of 2009. The assumptions used in the valuation may have already changed. Management believes, however, that these changes will not have a material effect on the statement of financial position.

20. Capital Disclosures

Share Capital

Capital stock consists of:

	Shares		Amount	
	2021	2020	**2021**	2020
Authorized				
Common – P100 par value per share	**3,000,000**	3,000,000	**300,000,000**	300,000,000
Subscribed and paid				
Beginning	**3,000,000**	2,500,000	**300,000,000**	250,000,000
Additions during the year	**-**	500,000	**-**	50,000,000
Ending	**3,000,000**	3,000,000	**300,000,000**	300,000,000

The Company has 59 stockholders, each owning 100 shares or more shares. Its shares are not traded in any stock exchange or over the counter market.

In June 2013, the Board of Directors approved a resolution approving the declaration of a 24% stock dividends based on the paid up capital in 2012 amounting to P39,000,000. The declaration resulted to a fractional shares totaling 30 shares or P3,000. The fractional shares were later issued resulting to an additional paid in capital amounting to P1,500.

Contingency Surplus

This represents contributions of the stockholders to cover any deficiency in the Margin of Solvency as required under the Insurance Code and can be withdrawn only upon the approval of the Insurance Commission. These contributions will be applied to deposit for future subscription as soon as the stockholders wills it.

Deposit for Future Subscription

On October 15, 2017, the Board of Directors and its stockholders approved a resolution to increase its authorized capital stock from P300,000,000 to P800,000,000. The payments for additional subscription from stockholders amounting to P296,250,000 and P31,250,000 as of December 31, 2021 and 2020, are reported in the equity section of statements of financial position as “Deposits for Future Subscription” pending application of the increase in the authorized capital stock since the application is already in process with the Securities and Exchange Commission.

Additional Capital Disclosures

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders, and

- To provide an adequate return to shareholders by pricing products and services consummately with the level of risk.

Debt-to-Equity Ratio

The Company sets the amount of capital in proportion to risk. It manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistently with others in the industry, the Company monitors its capital on the basis of the adjusted net debt-to-equity ratio. This ratio is calculated as adjusted net debt over capital. Adjusted net debt is calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e., share capital, revaluation increment, other comprehensive income and retained earnings) other than amounts recognized in equity relating to cash flow hedges, and including some forms of subordinated debt.

The Company's strategy has not changed in 2021 and 2020. The adjusted net debt-to-equity ratios at December 31, 2021 and 2020 are as follows:

	2021	2020
Total debt	**1,002,894,775**	838,439,834
Less: Cash and cash equivalents	**437,352,439**	324,239,511
Adjusted net debt	**565,542,336**	514,200,323
Divided by: Total equity	**1,082,141,998**	1,049,653,498
Adjusted net debt-to-equity ratio	**0.52**	0.49

Retained Earnings

The movement of the unappropriated retained earnings is as follows:

	2021	2020
Beginning	**270,298,138**	232,890,985
Depreciation on appraisal surplus	**416,815**	416,815
Net income for the year	**31,977,641**	36,990,338
	302,692,594	270,298,138

Limitation on Dividend Declaration

The Company's BOD is authorized to declare dividends. A cash dividend declaration does not require any further approval from the stockholders. However, a stock dividend declaration requires further approval of the stockholders holding or representing not less than two-thirds of the Company's outstanding capital stock. Dividends may be declared and paid out of the unrestricted retained earnings which shall be payable in cash, property, or stock to all stockholders on the basis of outstanding stock held by them, as often and at such times as the BOD may determine and in accordance with law.

Section 195 of the Insurance Code provides that a domestic insurance company shall declare or distribute dividends on its outstanding stock only from profits remaining on hand after retaining unimpaired:

- the entire paid-up capital stock;
- the margin of solvency required;
- the legal reserve fund required; and
- a sum sufficient to pay all net losses reported or in the course of settlement and all liabilities for expenses and taxes.

The Company is required to report such dividend declaration or distribution to the IC within 30 days from the date of such declaration.

Moreover, the SEC, through its Memorandum Circular 11 dated December 5, 2008 has set guidelines in determining the appropriate amount of Retained Earnings available for dividend distribution. This shall be based on the net profit for the year based on the audited financial statements, adjusted for unrealized items which are considered not available for dividend declaration. These unrealized items consist of the following:

- share/equity in net income of the associate or joint venture
- unrealized foreign currency gains, except those attributable to cash and cash equivalents
- unrealized actuarial gains arising from the exercise of the option of recognizing actuarial gains or losses directly to the statement of comprehensive income
- fair value adjustment arising only from marked-to-market valuation which are not yet realized
- the amount of deferred tax asset that reduced the amount of income tax expense
- adjustment due to deviation from PFRS/Generally Accepted Accounting Principles which results to gain
- other unrealized gains or adjustments to the retained earnings.

Capital Management

The Company maintains a certain level of capital to ensure sufficient solvency margins and to adequately protect the policyholders. The level of capital maintained is higher than the minimum capital requirements set by the regulators and the amount computed under the RBC Model. To ensure compliance with these externally imposed capital requirements, it is the Company's policy to monitor the paid-up capital, net worth and RBC requirements on a quarterly basis as part of the Company's internal financial reporting process.

The premiums received by the Company from the policyholders are properly invested not only to provide for policy obligations but also to serve as capital or surplus to provide margin of safety which will attract insurance buyers.

The funds invested shall produce an investment income that will be needed to pay stockholders a fair return. While part of this income are due to favorable loss experience and sound cost management, a major portion of additional profits must be earned by managing the investment portfolio to produce a higher return on investment. While there may be a wide range of investment opportunities, the investment portfolio must always reflect the safety of the funds.

Since those funds are held in fiduciary capacity, the Insurance Code (the "Code") contains investment provisions that the Company should observe to protect the interest of the policyholders and of the stockholders.

The three (3) general classifications of investment requirements are:

1. Capital Investments - The Company must invest at least 25% of its minimum paid-up capital in bonds or other evidences of debt of the Government of the Philippines or its political subdivisions or in government-owned or controlled corporations and entities, including the Bangko Sentral ng Pilipinas.

Furthermore, investments shall at all times be maintained free from any lien or encumbrance and shall be deposited and held by the Commissioner of the IC for the benefit and security of the policyholders.

2. Reserve Investment - The Company must invest 100% of the Reserve for unearned premiums and Reserve funds withheld for authorized reinsurer in common or preferred stocks and government or private bonds, real estate and real estate loans, collateral loans, adequately secured obligations and other securities as may be approved by the Commissioner.

3. Surplus Investment - After complying with the capital and reserve investment requirements, the Company may invest any portion of its funds, representing earned surplus in stocks, bonds, real estate, equities of other financial institutions, engaged in buying and selling of short term debt instruments, securities issued by registered enterprises under R.A. 5186, otherwise known as the Investment Incentives Act.

Margin of Solvency

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

The estimated amounts of non-admitted assets as of December 31, 2020, as defined under the Code, which are included in the accompanying statements of financial position follow:

	2020
Premiums in course of collection (direct)	136,175,430
Other receivables	6,880,143
Property and equipment - net	4,114,149
Other assets	5,363,010
	152,532,732

The Company is also still in the process of computing for its 2021 and 2020 MOS to be reported to the IC.

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

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

Fixed Capitalization Requirements

On August 15, 2013, the President of the Philippines approved the Republic Act No. 10607 to be known as the “New Insurance 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 per New Insurance Code:

Networth	Compliance Date
P 250,000,000	June 30, 2013
550,000,000	December 31, 2016
900,000,000	December 31, 2019
1,300,000,000	December 31, 2022

The Company has met the required net worth as of December 31, 2019. The Company is in the process of increasing its authorized capital stock with SEC.

Unimpaired capital requirement

Insurance Memorandum Circular (IMC) 22-2008 provided that for purposes of determining compliance with the law, rules and regulations requiring that the paid-up capital should remain intact and unimpaired at all times, the statement of financial position should show that the net worth or equity is at least equal to the actual paid-up capital. The Company has complied with the unimpaired capital requirement.

Risk- based Capital Requirements

As per IC CL No. 2016-68, Amended Risk-Based Capital (RBC2) Framework, all insurance companies must satisfy the annual minimum statutory RBC Ratio set at 100%. RBC ratio is computed by dividing the Company's Total Available Capital (TAC) by the RBC requirement. TAC is the aggregate of Tier 1 and Tier 2, minus deductions, subject to applicable limits and determinations. Tier 1 capital represents capital that is fully available to cover losses of the insurer at all times on a going-concern and winding up basis and is considered to be the highest quality capital available to the insurer. Tier 2 refers to capital not having the same high quality characteristics of Tier 1, but can provide additional buffer to the insurer. RBC requirement or the total required capital of an insurance company is the capital that is required to be held appropriately to the risks an insurance company is exposed to.

The following table shows how the RBC ratio as of December 31, 2020 was determined by the Company:

	2020
Net worth	**1,018,263,557**
RBC requirement	**227,344,719**
	4.48

21. Revenues

This account consists of:

	Note	**2021**	2020
Casualty		**254,882,818**	245,116,271
Marine and engineering		**120,213,253**	179,854,876
Fire		**163,856,142**	126,515,812
Bonds		**23,282,437**	25,483,068
Reinsurance assumed		**20,900,429**	10,948,806
Reinsurance ceded		**(208,310,153)**	(162,678,381)
(Increase) Decrease in unearned premiums		**(1,468,169)**	3,988,703
	18	**373,356,757**	429,229,155

Earned commission pertains to commission received from reinsurance companies amounting to P48,924,831 and P31,868,443 in 2021 and 2020, respectively.

22. Other Income

This account consists of:

	Note	2021	2020
Interest on mortgage loan	*9*	**9,308,868**	16,128,512
Interest income on bonds	*8*	**8,892,788**	20,652,496
Dividend income	*5*	**1,766,676**	1,354,724
Interest on bank deposits	*9*	**1,310,296**	1,550,898
Miscellaneous income		**1,280,255**	1,463,141
		22,615,133	41,149,771

Miscellaneous income pertains to service fees and other charges collected by the Company from the policyholders.

23. Losses on Fire, Bonds and Casualty

This account consists of:

	2021	2020
Casualty	**94,499,846**	88,587,342
Fire	**19,959,853**	114,903,424
Bonds	**52,723,887**	7,060,924
Marine and engineering	**204,000**	2,300,910
Losses on RI assumed	**3,364,940**	49,324,398
Direct loss adjustment	**(811,741)**	945,141
	169,940,785	263,122,139

24. Commissions

This account pertains to the commission accrued to the agents and dealers of the insurance policies for the year.

25. Compensation and Benefits

This account consists of:

	2021	2020
Salaries and wages	**31,383,039**	21,993,177
SSS, Philhealth and Pag-ibig contribution	**3,514,517**	2,054,114
Other employee benefits	**7,938,721**	5,136,362
	42,836,277	29,183,653

26. Lease Disclosures

The Company leases the premises where its branch offices are located. The lease agreements are renewable annually at the option of the lessor.

Under PFRS 16

Expense recognized in statements of comprehensive income related to short-term leases amounted to P4,625,137 and P2,663,960 2021 and 2020, respectively.

There are no right-of-use assets or lease liabilities arising from the short-term leases and leases of low valued assets recognized.

Total cash outflow for leases amounted to P4,625,137 and P2,663,960 in 2021 and 2020, respectively.

27. Other Operating Expenses

This account consists of:

	Note	**2021**	2020
Advertising and promotion		**4,493,799**	4,955,068
Printing and office supplies		**4,088,782**	3,650,371
Underwriting expense		**3,719,300**	4,670,465
Representation and entertainment		**3,559,265**	2,012,508
Repairs and maintenance		**3,113,824**	1,581,654
Transportation and travel		**2,717,396**	2,420,570
Communication and postage		**2,486,087**	2,517,479
Membership dues and contribution		**966,425**	814,700
Donation and contribution		**584,671**	698,979
Agency expense		**564,875**	691,300
Directors' fee	*29*	**324,000**	96,000
Gasoline and oil		**-**	954,524
Miscellaneous expense		**9,135,868**	8,063,842
		35,754,292	33,127,460

Miscellaneous expenses include marketing, litigation, hauling, training, appraisal and accreditation expenses.

28. Income Taxes

The computation of Normal Income Tax (NIT) and MCIT for 2021 and 2020 are shown below:

NIT

	2021	2020
Net Income Before Income Tax	**39,280,050**	42,925,639
Less: Income Subjected to Final Tax		
Dividend income	**(1,766,676)**	(1,354,724)
Interest on bonds	**(8,892,788)**	(20,652,496)
Interest on bank deposits	**(1,310,296)**	(1,550,898)
Gain on recognition of market value	**(895,516)**	(5,964,770)
Accounts written off	**(863,684)**	-
Effects on appraisal on insurance contracts	**500,108**	25,139,303
Add: Depreciation of appraisal surplus	**416,815**	416,815
Retirement expense	**3,076,777**	2,697,886
Provision for doubtful accounts	**6,587,459**	4,254,870
Loss on recognition of market value	**-**	-
Taxable Income	**36,132,249**	45,911,625
Income Tax Expense @ 25% in 2021	**9,033,062**	
Income Tax Expense @ 30% in 2020		13,773,488
Less: Quarterly payments	**3,020,223**	3,322,479
Prior years excess credit	**-**	8,913
Creditable withholding tax	**6,252,375**	4,340,613
Income Tax Payable/(Creditable withholding tax)	**(239,536)**	6,101,483

MCIT

	2021	2020
Revenues	**445,792,237**	487,857,867
Less: Income Subjected to Final Tax		
Dividend income	**(1,766,676)**	(1,354,724)
Interest on bonds	**(8,892,788)**	(20,652,496)
Interest on bank deposits	**(1,310,296)**	(1,550,898)
Loss (Gain) on recognition of market value	**(895,516)**	(5,964,770)
	432,926,961	458,334,979
Less: Direct Expenses		
Salaries,wages and other benefits	**25,701,766**	17,510,192
Commissions - bonds and fire	**126,941,399**	117,330,976
Losses on fire, bonds and casualty	**169,940,785**	218,897,138
	322,583,950	353,738,306
Gross Profit	**110,343,011**	104,596,673
MCIT Due @ 1% in 2021	**1,103,430**	
MCIT Due @ 2% in 2020		2,091,933

The reconciliation between the income tax expense at the statutory income tax rate and the income tax expense as shown in the statements of comprehensive income follows:

	2021	2020
Income tax computed at the statutory income tax rate	**9,033,062**	13,773,488
Effect on change in tax rate on current tax	**(1,147,781)**	-
Effect on change in tax rate on deferred tax		-
Effects of deferred tax assets and liability:	**(447,782)**	
Retirement expense	**(769,194)**	(809,366)
Gain (Loss) on recognition of market value	**223,879**	1,789,431
Provision for doubtful accounts	**(1,646,865)**	(1,276,461)
Appraisal on insurance contracts	**(125,027)**	(7,541,791)
Accounts written off	**215,921**	-
Tax deficiency	**1,966,198**	-
Current	**7,885,281**	13,773,488
Benefit	**(2,549,070)**	(7,838,187)
Tax deficiency	**1,966,198**	-
	7,302,409	5,935,301

Deferred tax assets and liabilities as of December 31, 2021 and 2020 arise principally from the following:

	2021	2020
Deferred Tax Assets		
Accrued retirement liability	**7,129,851**	6,849,938
Allowance for doubtful accounts	**4,733,553**	3,556,656
	11,863,404	10,406,594

	2021	2020
Deferred Tax Liabilities		
Gain on recognition of market value-FVTPL	**228,203**	4,657
Gain on recognition of market value-AFS	**67,917**	266,188
Appraisal increment	**1,059,336**	1,396,246
Appraisal on insurance contracts	**13,717,159**	14,906,970
	15,072,615	16,574,061

A reconciliation of the deferred tax assets and liabilities is shown below:

Deferred tax assets

	Accrued Retirement Liability	Allowance for Doubtful Accounts	Loss on recognition of market value-FVTFL	Total
December 31, 2019	6,040,572	2,280,195	1,784,774	10,105,541
Applied			(1,784,774)	(1,784,774)
Provision	809,366	1,276,461		2,085,827
December 31, 2020	6,849,938	3,556,656	-	10,406,594
Effect due to change in tax rate	(489,281)	(254,047)		(743,328)
Applied	769,194	-	-	769,194
Provision	-	1,646,865		1,646,865
Write off		(215,921)		(215,921)
December 31, 2021	7,129,851	4,733,553	**-**	**11,863,404**

Deferred tax liabilities

	Gain on recognition of market value-FVTFL	Gain/(Loss) on recognition of market value-AFS	Appraisal Increase	Appraisal on insurance contracts	Total
December 31, 2019	-	194,578	1,521,290	22,448,761	24,164,629
Provision	4,657	71,610	-	(7,541,791)	(7,465,524)
Applied	-	-	(125,044)	-	(125,044)
December 31, 2020	4,657	266,188	1,396,246	14,906,970	16,574,061
Effect due to change in tax rate	(333)	(44,364)	(232,707)	(1,064,784)	(1,342,188)
Provision	223,879	(153,907)	(104,203)	(125,027)	(159,258)
December 31, 2021	**228,203**	**67,917**	**1,059,336**	**13,717,159**	**15,072,615**

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Law

The President signed the CREATE Bill into law on March 25, 2021. The following are the law’s significant provisions:

- Adoption of graduated Regular Corporate Income Tax (RCIT) rate effective July 1, 2020 based on total assets of domestic corporations. For those domestic corporations with total assets (excluding land where the company is located) and below and taxable income of 5 million and below, the income tax rate is 20%. For other domestic corporations, the income tax rate is 25%.
- Adoption of 25% RCIT for resident foreign corporations effective July 1, 2020.
- Adoption of 25% tax rate for nonresident foreign corporations effective July 1, 2020.
- Reduction of Minimum Corporate Income Tax (MCIT) from 2% to 1% for a period of three years (effective July 1, 2020 to June 30, 2023).
- Existing enterprises under income tax holiday (ITH) shall be allowed to continue availing the ITH until the remaining period ends. Existing enterprises enjoying the 5% tax based on gross income shall be allowed to continue to enjoy the 5% tax for a period of 10 years. After the expiration of the transitory period, they have the option to avail of tax incentives under CREATE.

29. Related Party Transactions

Identity of Related Parties

The Company has identified its executive directors, stockholders and key management personnel as its related parties.

Due from Key Management Personnel

In the normal course of business, the Company extends advances to its key management personnel. These advances are interest-free, not collateralized and have no definite repayment scheme. These are presented in the Statement of Financial Position as a component of “Other Receivables”.

The movement of this account is shown as follows:

	Note	**2021**	2020
Beginning balance		**772,765**	134,585
Additional advances		**2,945,146**	1,316,919
Less: Payments		**(716,676)**	(678,739)
	7	**3,001,235**	772,765

Executive Compensation

The executive directors of the Company receive compensation for their services as such amounted as follows:

	2021	2020
Short-term benefits	**3,542,050**	3,122,500
Post-employment benefits	**-**	-
Other long-term benefits	**-**	-
Share-based payments	**-**	-
	2,954,220	3,122,500

The directors also received fees amounting to P324,000 and P96,000 in 2021 and 2020, respectively.

The aggregate compensation and benefits paid to the managerial staff in 2021 and 2020 amounted as follows:

	2021	2020
Short-term benefits	**8,565,450**	7,254,150
Post-employment benefits	**-**	-
Other long-term benefits	**-**	-
Share-based payments	**-**	-
	8,565,450	7,254,150

30. Cash Flow Information

Non-cash investing and financing activities

The Company has no acquisition of PPE through finance lease and conversion of debt to equity in 2021 and 2020.

Reconciliation of cash and non-cash financial liabilities arising from financing activities

The Company has no financial liabilities arising from financing activities in 2021 and 2020.

31. Impact of COVID-19 Pandemic

In March 2020, the Philippine Government issued a series of executive orders imposing stringent health and social distancing measures in a move to contain the outbreak in various areas in the country. These measures have caused disruptions to business and economic activities. The pandemic negatively impacted the Company's collections since many of its borrowers lost their source of income. Also, as part of the government's measures to combat the impact of the pandemic, the government implemented a law titled Bayanihan to Heal As One Act effective March 17 – May 31, 2020. For financing companies and other financial institutions, they are required to implement a minimum of 60-day grace period for all loans with principal and/or interest falling due within the quarantine period without charging interest, penalties, fees and other charges to the borrower. To further combat the effects of the pandemic, the government later implemented a law titled Bayanihan to Recover as one Act, effective September 11, 2020, directing all financing companies and other financial institutions to implement a one-time sixty (60)-day grace period of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020 without charging interest, penalties, fees and other charges to the borrower thereby extending the maturity of the said loans.

These events resulted in the increase of the of incurred losses from 175M in 2019 to 263M in 2020 or an increase of 50% which resulted in the decline of net insurance benefits and claims from P232M in 2019 to P198M in 2020 or a decrease of 15%.

In its assessment one in December 2020, the Company has determined that in spite of the negative impact of COVID-19 on the financial statements, it can still continue as a going concern. Considering the evolving nature of the outbreak, there may still be a significant impact to the Company's financial position and performance on its 2021 financial results which cannot be quantified at this time.

32. Impact of Typhoon Odette (Rai) to the Company

On December 16, 2021, Typhoon Odette made landfall in parts of Visayas and Mindanao, causing widespread damage and severe interruptions to business and daily life. The Company was not significantly affected by the typhoon.

33. Supplementary Information Required Under Revenue Regulation Nos. 15-2010 and 34-2020 of the BIR of the BIR

In addition to the disclosures mandated under PFRS, companies are required by the BIR to provide in the notes to financial statements certain supplementary information for the taxable year. The amounts relating to such supplementary information may not necessarily be the same with those amounts disclosed in the separate financial statements which were prepared in accordance with PFRS. The following are the supplementary tax information required for the taxable years ended December 31, 2021 and 2020.

I. Based on RR 15-2010

a. Value Added Tax

Output Taxes

The total amount of revenues with the corresponding output taxes in 2021 and 2020 are as follows:

	Revenues	Output Tax
2020	**576,400,488**	**69,168,059**
2019	420,029,702	50,403,564

Input Tax

The reconciliation of input tax as of 2021 and 2020 are shown below:

	2021	2020
Beginning Balance		
Add:Current year's domestic purchases/payments for:		
i. Goods for resale/manufacture or further processing	**431,336**	205,469
ii. Goods other than resale or manufacture		-
iii. Capital goods subject to amortization		-
iv. Capital goods not subject to amortization		-
v. Services lodged under cost of goods sold		-
vi. Services lodged under other accounts	**18,402,599**	17,410,059
Less: Claims for tax credit/refund and other adjustments		
Payments made	**50,334,124**	32,788,036
Claimed against output tax	**(69,168,059)**	(50,403,564)
	-	-

b. Percentage Tax

The total amount of sales with the corresponding percentage tax 2021 and 2020 is as follows:

	Revenues	Percentage Tax
2021	**39,615,387**	**792,308**
2020	110,054,365	2,201,087

c. *Withholding Taxes*

The following shows the total remittance of withholding taxes in 2021 and 2020:

	2021	2020
a) Tax on compensation and benefits	**1,293,554**	929,604
b) Creditable withholding taxes	**16,525,762**	17,065,862
c) Final withholding tax	**-**	-
	17,819,316	17,995,466

d. *Taxes and Licenses*

The following table shows the taxes and licenses paid and accrued in 2021 and 2020 lodged under operating expenses:

	2021	2020
Business permit	**551,503**	471,868
Real property tax	**478,829**	7,254
IC supervision fee	**307,040**	188,850
LTO registration	**47,515**	23,545
Corporate community tax	**69,750**	26,845
BIR annual registration fee	**7,500**	5,000
Others	**282,323**	271,816
	1,744,459	471,868

e. The Company is not involved in any preliminary investigation, litigation and/or prosecution in courts or bodies outside BIR. It has not been assessed any deficiency tax aside from the year assessed. The Company is not involved in any preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR. It has not been assessed any deficiency taxes for the taxable year 2020.

II. *Based on RR 34-2020*

The Company is not covered by BIR requirements and procedures for related party transactions as the Company is not a large taxpayer, not BOI or PEZA-registered, and has not reported net operating loss for the current and the past two (2) years.

34. Appraisal of Insurance Contracts

In 2021 and 2020, the Company appraised its insurance contracts through a third-party appraiser resulting to the following additional balances:

Statement of Financial Position

	Note	**2021**	2020
Assets			
Reinsurance Recoverable on Unpaid Losses	*13*	**57,702,628**	37,020,810
Deferred Acquisition Costs	*12*	**60,246,424**	63,902,631
Deferred Reinsurance Premiums	*12*	**128,542,025**	100,118,517
		246,491,077	201,041,958
Liabilities			
Loss and claims payable	*16*	**123,420,608**	103,850,108
Deferred Reinsurance Commissions	*12*	**29,633,379**	18,700,144
		153,053,987	122,550,252

Statement of Comprehensive Income

	Note	**2021**	2020
Revenues			
Earned premiums	*21*	**28,423,508**	24,631,626
Earned commission	*21*	**(10,933,234)**	(4,277,354)
Direct costs			
Losses on fire, bonds and casualty	*23*	**96,941,715**	43,908,268
Direct loss adjustment	*23*	**(407,084)**	316,733
Commissions - bonds, fire, casualty and marine	*24*	**3,656,207**	1,268,574
Net effect		**(82,700,565)**	(25,139,303)