



Annual Report

1 message

Philippine Stock Exchange <no-reply@pse.com.ph>

Wed, Apr 20, 2022 at 12:06 PM

To:

Dear Sir/Madam:

Your disclosure was approved as Company Report. Details are as follows:

Company Name: National Reinsurance Corporation of the Philippines

Reference Number: 0014067-2022

Date and Time: Wednesday, April 20, 2022 12:06 PM

Template Name: Annual Report

Report Number: CR02405-2022

Best Regards,
PSE EDGE

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The Philippine Stock Exchange, Inc., 6th to 10th Floors, PSE Tower, 5th Avenue corner 28th Street, Bonifacio Global City, Taguig City, Philippines 1634

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended: **December 31, 2021**
2. SEC Identification Number: **80118** 3. BIR Tax Identification No.: **000-480-869**
4. Exact name of issuer as specified in its charter:
National Reinsurance Corporation of the Philippines, doing business under the names and styles of Nat Re; Philippine National Reinsurance Company; PhilNaRe
5. **Philippines**
Province, Country or other jurisdiction of incorporation or organization
6. (SEC Use Only)
Industry Classification Code:
7. **31st Floor, BPI-Philam Life Makati,
6811 Ayala Avenue,
Makati City, Philippines**
Address of principal office
- 1227**
Postal Code
8. **(632) 8988-7400**
Issuer's telephone number, including area code
9. **N/A**
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

<u>Title of Each Class</u>	<u>No. of Shares Outstanding</u>	<u>Amount</u>
Common Shares	2,123,605,600	PHP2,123,605,600.00
TOTAL	2,123,605,600	PHP2,123,605,600.00

11. Are any or all of these securities listed on a Stock Exchange?

Yes [] No []

If yes, state the name of such stock exchange and the classes of securities listed therein:
Philippine Stock Exchange Common

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [] No []

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [] No []

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in "Annex B").

Shares Held by Non-Affiliates	Market Value per share as of xx/xx/xx	Total Market Value
xxx	xxx	xxx

**APPLICABLE ONLY TO ISSUERS INVOLVED IN
INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS
DURING THE PRECEDING FIVE YEARS:**

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission. **N/A**

Yes [] No []

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

- (a) Any annual report to security holders;
- (b) Any information statement filed pursuant to SRC Rule 20;
- (c) Any prospectus filed pursuant to SRC Rule 8.1.

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PART I – BUSINESS AND GENERAL INFORMATION

ITEM 1. BUSINESS

A. BUSINESS DEVELOPMENT

National Reinsurance Corporation of the Philippines (the “Company” or the “Corporation”) provides life and non-life reinsurance capacity and support to insurance companies in the Philippines and neighboring insurance markets. With this, the Company promotes the development of the Philippine insurance industry and serves as a medium for regional and international cooperation in insurance.

The Company was incorporated in 1978 pursuant to Presidential Decree No. 1270 and the Corporation Law. The Presidential Decree also designated the Company as the vehicle for the Philippines’ participation in the Asian Reinsurance Corporation, a multilateral reinsurance entity established to foster regional cooperation among insurance companies doing business in Asia.

In 2006, the Company became the country's sole domestic professional reinsurance company following its merger with Universal Malayan Reinsurance Corporation, the country's second largest domestic reinsurer.

In 2007, the Company listed its shares with the ticker symbol "NRCP" in the Philippine Stock Exchange, with the Government Service Insurance System (GSIS), the BPI Group, and the Malayan Group as significant shareholders.

The Company has no subsidiaries, and has not been a party to any bankruptcy, receivership or similar proceedings.

B. BUSINESS OF ISSUER

Principal Products & Services

Nat Re writes both life and non-life reinsurance through treaty and facultative contracts. Facultative reinsurance refers to individually written and negotiated reinsurance agreements, while treaty contracts are agreements either; to share proportionately in the specific portions of the business written by insurance company, or, to pay losses incurred by the insurer in excess of an agreed amount up to a specified limit.

The Company writes domestic and foreign reinsurance business with the domestic portfolio making up close to 75% of the Company's total Gross Premiums Written. The domestic portfolio has a Net Underwriting Income of P304M in 2021 from P333M in 2020.

The 56% of the domestic Gross Premiums Written comes from the Life Portfolio, which also accounts for 125% of domestic Net Underwriting Income.

Our Life reinsurance business reached P1.8B in GWP in line with expected market weakness. Growth was experienced in the Individual lines particularly in VUL products, Health Insurance plans, Critical Illness products and Hospital Income products. This validated the view that with the Covid-19 pandemic, the interest of the market is in health insurance.

Underwriting results with Life income continued to improve reaching P408M from previous year of P350M. Although COVID-19 has resulted in higher number of payments to beneficiaries and consequently recoveries from Nat Re, overall loss ratios still improved over last year as claims from other portfolios were much better.

We supported the industry's continued clamor for simplified underwriting as we recognize the hurdles of obtaining the traditional medical evidence of insurability. In addition, capability building of our Life cedants' technical professionals through webinars and tailor-fit training were continued. The training topics included individual and group medical underwriting, group

insurance pricing, and claims evaluation. We've also expanded the use of NORM, Nat Re's very own Life underwriting online manual, to twenty-two ceding companies out of the total twenty-eight companies.

By end of 2021 around 57% of total non-life business came from local risks, with 43% of the portfolio coming from a global book of geographically diversified exposures. Aside from writing global risks to diversify the Company's risks exposures, the Company also purposely reduced its concentration of exposures to Philippine catastrophe risks by entering into reciprocal exchanges with non-Philippine based reinsurers to replace its local exposures with globally diversified risks.

Fire remains Nat Re's main non-life product line accounting for 68% of its total non-life premiums, followed by Casualty at 15%, Motor at 15% and Marine at around 2%.

Close to 93% of the total portfolio comes from treaty business, with facultative contracts accounting for the difference. Foreign contracts, on the other hand, are exclusively treaty contracts.

Facultative contracts are limited to domestic risks where it accounts for close to 12% of the domestic life portfolio and 4% of the domestic non-life Gross Premiums Written.

The Company's non-life products include: Fire Insurance under broad named perils conditions as well as Commercial and Industrial All Risks; Engineering which includes Construction all Risks, Erection All Risks, Electronic Equipment Insurance, Machinery Breakdown and Boiler and Pressure Vessel Insurance; Liability Insurance which includes Comprehensive General Liability, Terrorism Insurance, Directors and Officers Liability, Products Liability and Errors and Omission; Money Securities and Payroll, Fidelity Guarantee; Property and Equipment Floaters; Personal Accident; and other Miscellaneous lines like Hole-In-One.

Competition

The Company is the only domestic professional reinsurance company in the Philippines. As the only national reinsurer it has the unique privilege granted by law, of being entitled to take up to a 10% share of all reinsurance business ceded abroad. This allows the Company special access to Philippine reinsurance business and an exceptional view of the domestic insurers' reinsurance requirements.

The Company competes primarily with Global reinsurers for treaty business. The Company's local character allows it to have a better understanding of market conditions and practices and enables the Company to engage the local market closely and more frequently. Its local presence enables it to provide technical guidance more efficiently and address, particularly, the local market's need for facultative reinsurance support. Its limited underwriting capacity, on the other hand, restricts its ability to write significant shares of larger risks.

To maximize premium retention within the country, Nat Re created underwriting facilities backed by domestic industry capacity. These facilities provide a mechanism for the redistribution of risks to local companies. Facultative risks ceded to Nat Re are retroceded to interested authorized companies based on their risk appetite and financial strength. These facilities allow Nat Re to increase its underwriting capacity, and provide insurers a mechanism to increase premium retention by way of small shares in a broad number of risks written by other insurers.

With the Philippines being one of the most catastrophe exposed countries, Nat Re has also been actively involved in the creation of a Philippine Catastrophe Insurance Facility (PCIF) to increase the country's catastrophe resilience by ensuring more inclusive access to catastrophe protection at sustainable rates. The Company is also working on the creation of an Agri-Insurance Facility, with the aim of encouraging private insurers to actively develop and promote agri-insurance products.

Employees

The Company has sixty-six (66) employees, of whom twenty-six (26) are in the Non-Supervisory and Supervisory levels; twenty-six (26) are in the Assistant Manager to Sr. Manager levels; fourteen (14) are in the Assistant Vice President and above levels.

Broken down by operations, there are seven (7) employees in the Life Reinsurance Group, seven (7) in the Non-Life Reinsurance Group and fifty-two (52) employees in the support group, including Office of the President and CEO, Risk and Compliance, Internal Audit, Investments, Finance, Technology, Human Resources and Office Services, Data Administration and Analytics.

In the next twelve 12 months, the Company projects an increase in the number of employees of around nine (9).

The Company's employees are not and have never been subject to any Collective Bargaining Agreement.

Risks

The occurrence of severe catastrophic events may have a material adverse effect on the financial results and conditions

Catastrophes, both natural and man-made, are one of the major threats to the solvency of an (re)insurance company. This is most important for the Company where majority of the portfolio is in the domestic market, which is highly exposed to natural catastrophes, such as earthquakes, typhoons and flood. The Company takes several steps in managing its catastrophe exposures. Exposure monitoring and assessment is done on a quarterly basis to quantify the Company's natural catastrophe accumulation. This is done using a probabilistic catastrophe model that the company licenses. The Company has invested in these modeling tools that help the company assess and quantify its exposures to natural catastrophes and extreme events. Currently, the Company has access to two earthquake models and one typhoon model for the Philippines. The Company is also working with industry experts in developing the first flood model for the country. However, the Company also acknowledges the limitations of these models and further carries out several other processes to better understand and manage these risks. Apart from this, the Company also monitors its exposures to perils that are not available to be analyzed using catastrophe models. The Company acknowledges that while earthquake and typhoon are the main perils in the Philippines, un-modeled perils such as monsoonal flood and volcanic eruption should not be overlooked. Detailed risk information is obtained for each ceded risk to allow for detailed location mapping and risk identification. Analysis using Geographic Information Systems (GIS) is then done to assess exposures to these perils.

The Company also secures several retrocession programs to further limit the Company's exposure to large losses and catastrophes. In 2021, for the Fire and Engineering portfolio, an Excess of Loss protection was bought to up to P4.6 billion (4.3b xs 300m) which limits its risk and catastrophe exposure to only P300 million per event. The Company also bought protection for its Marine and Motor portfolios to up to P120 million (80m xs 30m) and P350 million (320m xs 30m), respectively. For Life Reinsurance portfolio, a catastrophe retrocession XL cover with a total limit of P500 million (470m xs 30m) was also purchased to protect the Company against extreme events.

The Company obtains these excess of loss protections from a panel of global reinsurers with investment grade financial strength ratings higher than its own rating. The cost is material and varies from year-to-year depending upon, among other things, the amount of cover purchased, the Company's history of claims and losses, catastrophe exposure, as well as the state of the global reinsurance market. In 2021, the Company paid its excess of loss reinsurers a total minimum deposit of P206million (Life and Non-Life).

A significant amount of the Company's invested assets will be subject to changes in interest rates, exchange rates and market volatility.

The strategic allocation of the Company's investment portfolio was retained in 2020 at 85% fixed income and 15% equities. As of December 31, 2021, 86% of the total assets under management was invested in fixed income, lower than that of December 2020 while the balance of 14% was invested in equities traded in the Philippine Stock Exchange. As of year-end December 31, 2021, total invested assets amounted to PHP8.73 billion, of which only 4% was invested in U.S Dollar denominated securities, and the remaining 96% in the local currency.

2021 presented a different challenge from 2020 with most economies, including the Philippines, exerting a significant amount of effort to reopen amid the pandemic. Vaccination drives were in full force, but with the Philippines, being the developing economy that it is, was met with a myriad of delays. Coupled with the random mutations of COVID-19 throughout the year, the country cycled through different levels of mobility restrictions – some stricter, some lenient – and with arbitrary definitions that left most of the country scratching their heads. With a global economic recession caused by the COVID-19 pandemic as a prologue, investors remained cautious and data dependent. Being cautious may have paid off as at the latter part of the year, two surges in COVID-19 cases in 2H, due to the Delta and Omicron variants, led to two of the longest lockdowns of the year. Despite these challenges, the local economy was able to hold its ground. Inflation remained manageable despite being elevated throughout the year, GDP growth year-on-year printed at 7.7% by the end of 2021, while unemployment has improved from 17.7% at its peak in 2020 to 6.6% by the end of 2021. These indicators show that the country is currently in a recovery phase. Capital markets seemed to remain more neutral in their outlooks and likely wanted to see a sustained economic recovery before becoming more optimistic on an eventual expansion. Towards the latter part of 2021, central banks have started to talk up their plans of tightening monetary policy, most notably the Fed/FOMC, which gave confidence to some market players in the future of the global economy. In fact, some central banks have already started raising their interest rates. On the fixed income space, the Company shortened its duration position and regularly rebalanced its portfolio to capture higher yielding assets given its view that interest rates will rise. Though this was the strategy, the Investments team ensured that the portfolio's overall duration remained close to the duration of the benchmark (and consequently the company's liabilities) to manage risk.

Since a substantial amount of the Company's invested assets are classified as securities available for sale, changes in the market value of these securities are reflected in shareholders' equity.

The Company's Board of Directors has established investment guidelines which involve diversifying the investment portfolio, limiting investments to instruments not exposed to significant risks, performing rigorous analysis of potential investments and establishing suitable benchmarks for targeted returns, among others. Part of its longer-term strategy includes reassessing the current strategic allocation of its investible funds and generating more stable income on the portfolio.

The Company currently invests only in instruments allowable under Chapter 3, Title 4, Investments of the Amended Insurance Code and by related issuances of the Insurance Commissioner. The Board of Directors of the Company has established an Investment Committee to implement the Company's investment strategy in accordance with approved investment guidelines.

The Company's financial condition may be affected by delays in the payment of premiums by cedants.

As of December 2021, reinsurance balance receivable amounted to P3,422.2 million, compared to P2,672.4 million in 2020, net of Allowance for Impairment of P511.2 million, and P555.8 million respectively.

To mitigate the risk of non-payment of premiums, the Company regularly reviews and evaluates the financial capacity and payment history of the companies from which it accepts business. On facultative acceptances, the Company generally provides its cedants a grace period of 120 days and settlement of premiums. Within this 120-day premium payment warranty term, the company is obligated to pay legitimate claims arising from its acceptance of risk, even though it may not have yet received any premiums.

The Company's financial performance may be affected by the inability of its retrocessionaires to pay their share of losses

For the period ending December 31, 2021, the Company retroceded P1,357 million or 32% of its gross written premiums to retrocessionaires. The Company retroceded part of the gross premiums in order to transfer part of the risks to its retrocessionaires. As certain loss events occur, the Company is obligated to pay the legal claims made by its clients. The Company will then be entitled to recover part of the losses it paid to its clients from the retrocessionaires in accordance with the retrocession agreement. However, if any retrocessionaire is not able to pay the claims made by the Company, the latter will shoulder the losses it paid to its clients and this will negatively impact the Company's financials. As of end of 2021, reinsurance recoverable on paid and unpaid losses amounted to P1.9 billion compared to P2.4 billion in 2020, net of Allowance for Impairment of P99.4 million and P99.4 million respectively.

In choosing its retrocessionaires, the Company takes into consideration the retrocessionaires financial capacity, credit rating which should not be lower than an A-rating, technical knowledge/expertise and industry reputation. The Company also considers the retrocessionaires record of paying claims and adverse balances. The Company adheres to these guidelines to ensure that this risk is mitigated and/or avoided.

ITEM 2. PROPERTIES

The net property and equipment of the Company as of December 31, 2021 amounted to P52.04 million, broken down as follows:

	Cost	Accumulated depreciation	Net book value
Condominium units	101,310	74,857	26,453
Office improvements	25,241	10,198	15,043
Transportation equipment	12,000	7,073	4,927
EDP equipment	21,247	17,008	4,239
Office furniture and equipment	11,225	9,846	1,379

in thousands (Philippine Pesos)

There are no liens, mortgages or encumbrance over the aforementioned properties of the Company. There is likewise no limitation on the ownership or usage of the said properties, except under standard rules of their respective condominium corporations.

There is no litigation or claims of material importance known to the Company to be pending or threatened against the Company's properties.

ITEM 3. LEGAL PROCEEDINGS.

The Company is currently a party to the following pending litigation cases and as of this reporting period, no new legal case is filed against or by the National Reinsurance Corporation of the Philippines:

1. Oriental Assurance Corp. v. National Reinsurance Corporation of the Philippines and CBR Asia Insurance Brokers, Inc.

Civil Case No. 73975

Regional Trial Court, Branch 157, Pasig City

This is a complaint for a sum of money and damages filed by Oriental Assurance Corp. ("OAC") against NRCP and CBR Asia Reinsurance Brokers, Inc. ("CBR Asia").

While NRCP has paid the P100,000,000.00 maximum limit under the Reinsurance Policy, OAC has demanded a further sum of P7,986,422.67 representing "Sue and Labor" expenses allegedly incurred for the salvage of the vessel. NRCP has denied liability, citing the fact that its liability under the Reinsurance Policy cannot exceed P100,000,000.00.

This case is now at the trial stage. OAC has presented four witnesses on February 5, 2021, July 29, 2021, September 16, 2021, and October 7, 2021, and February 3, 2022. OAC further moved to present an additional witness from abroad, to which NRCP objected. OAC's motion to present its additional witness is still pending resolution by the court as of this writing.

2. Final Assessment Notice for 2012 Deficiency Value Added Tax

Bureau of Internal Revenue

On December 29, 2015, NRCP received a Preliminary Assessment Notice ("PAN") from the VAT Audit Group of the Bureau of Internal Revenue ("BIR") Large Taxpayers Service informing it of an alleged deficiency Value Added Tax amounting to P28,073,470.03 plus P 16,444,131.21 in interest (from January 26, 2013 to December 31, 2015) for the taxable period from July 1, 2012 to December 31, 2012, or a total of P44,517,601.24, plus compromise penalty of P50,000.00.

Based on the PAN, the assessments arose from NRCP's alleged failure to pay VAT on the sale of some items of property plant and equipment (PPE) and taxable interest income, the disallowance of input tax on current purchases for alleged lack of substantiation, the disallowance of input tax from purchases from non-VAT suppliers, the reallocation of a specific portion of NRCP's input tax credits to exempt sales, and the disallowance of input tax carried over to the next period.

On January 13, 2016, NRCP sent a reply letter to the BIR contesting the PAN. The following day, the BIR Large Taxpayers Service issued its Formal Letter of Demand (or Formal Assessment Notice/FAN) reiterating the assessments stated in the PAN with interest penalty updated to January 31, 2016.

On February 12, 2016, the Company filed the Protest to contest the assessment. For practical considerations, the Company paid the deficiency VAT of PHP 4,189,869.25, interest of P2,571,317.02, and compromise penalties of P50,000.00, or the aggregate amount of P6,811,186.27 on February 18, 2016.

On September 14, 2016, the Company received the Final Decision on Disputed Assessment (FDDA) dated September 13, 2016 (on the Protest) that was issued by OIC-Assistant Commissioner Teresita M. Angeles. The FDDA considered some of the arguments raised in the Protest and imposed upon the Company deficiency VAT in the reduced amount of P32,693,610.62, inclusive of interest.

On October 14, 2016, the Company filed with the Commissioner of Internal Revenue (“CIR”) a request for reconsideration. The request is still pending resolution.

3. Petition for Review of 2016 Deficiency Value-Added Tax
Court of Tax Appeals

On December 29, 2021, the Company received the Final Decision on Disputed Assessment (FDDA) for VAT deficiency in the amount of P53.1 million for the taxable year 2016, inclusive of interest amounting to P20.6 million, signed by the Commissioner of Internal Revenue. The Company continues to dispute the assessment and has filed a Petition for review dated February 2, 2022 with the Court of Tax Appeals (CTA).

While the Petition has yet to be heard by the CTA, the Bureau of Internal Revenue (BIR) on March 11, 2022, served to the Company a Warrant of Distraint and/or Levy (WDL), authorizing the BIR to collect the disputed 2016 VAT deficiency. Subsequently, on March 17, 2022 the BIR served the Warrant of Garnishment to a local bank where the Company maintains an account sufficient to cover the amount specified in the WDL and on the Warrant of Garnishment.

To suspend collection and further action by the BIR pending the final determination of the Petition, the Company filed on March 14, 2022, an Urgent Motion to Lift Warrant of Distraint and/or Levy, and Suspend Tax Collection. As of March 31, 2022, the CTA has not yet ruled on the said motion.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the stockholders during the fourth quarter of the fiscal year ending December 31, 2021.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5. MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

MARKET PRICE OF AND DIVIDENDS ON REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

1. Market Information

The common shares of the Company have been listed on the Philippine Stock Exchange since April 27, 2007. The high and low prices for each quarter of the last two years are as follows:

	2021		2020	
	High	Low	High	Low
1st Quarter	0.84	0.63	0.91	0.52
2nd Quarter	0.73	0.61	0.81	0.55
3rd Quarter	0.68	0.61	0.68	0.56
4th Quarter	0.70	0.59	0.79	0.52

The closing price information as of the latest practicable trading date, April 13, 2022, was P0.66 per share.

2. Holders

Approximate Number of Holders as of 31 December 2021

There were approximately 269 common shareholders of the Company as of December 31, 2021. The Top 20 shareholders as of December 31, 2021, with their corresponding shares and percentage ownership of the Company, are as follows:

	Name of Record Owner	No. of Shares Held	Percentage
1	PCD Nominee Corporation (Filipino) (Non-Filipino)	1,683,909,387 6,925,010	79.29% 0.25%
2	Bank of the Philippine Islands	290,795,500	13.69%
3	FGU Insurance Corporation	36,126,000	1.70%
4	Philippines First Insurance Co., Inc.	11,075,200	0.52%
5	Pa, Ana Go &/or Go Kim	7,500,000	0.35%
6	Phil. International Life Insurance Co., Inc	4,450,200	0.21%
7	The New India Assurance Co., Ltd.	4,168,300	0.20%
8	South Sea Surety & Insurance Co., Inc.	4,152,700	0.20%
9	Federal Phoenix Assurance Company	3,786,300	0.18%
10	Oriental Assurance Corporation	3,560,800	0.17%
11	Visayan Surety & Insurance Corporation	3,545,500	0.17%
12	BPI/MS Insurance Corporation	3,347,500	0.16%
13	Beneficial Life Insurance Company Inc	3,193,500	0.15%
14	Manila Surety & Fidelity Company, Inc.	3,168,400	0.15%
15	Romualdez, Ferdinand Martin G.	3,000,000	0.14%
16	Stronghold Insurance Company, Inc.	2,817,600	0.13%
17	United Life Assurance Corp.	2,518,100	0.12%
18	The Premier Insurance & Surety Corporation	2,456,100	0.12%
19	Sterling Insurance Co., Inc.	2,453,900	0.12%
20	People's Trans-East Asia Ins. Corp	2,435,300	0.12%

Minimum Public Ownership as of 31 December 2021

The minimum public ownership report as of December 31, 2021 showed the Company's public float at 47.63%. This was computed in accordance with the guidelines provided under the Amended Rule on Minimum Public Ownership.

3. Dividends

It is the Company's policy to declare dividends regularly with the pay-out determined by the Company's performance as well as by the availability of unappropriated retained earnings for distribution. On May 16, 2013, the Company declared cash dividends of P0.02 per share for a total amount of P42,472,112 which was paid on June 14, 2013. The payment of dividends by insurance companies is governed in the Philippines by Section 201 of the Amended Insurance Code as well as by Section 43 of the Corporation Code, both of which establish the appropriate amount of retained earnings, which may be paid out for dividend distribution. Under the Amended Insurance Code, *'no domestic insurance corporation shall declare or distribute any dividend on its outstanding stocks unless it has met the minimum paid-up capital and net worth requirements under Section 194 and except from profits attested in a sworn statement to the Commissioner by the president or treasurer of the corporation to be remaining on hand after retaining unimpaired: (a) The entire paid-up capital; (b) The solvency requirements defined by Section 200; (c) In the case of life insurance corporations, the legal reserve fund required by Section 217; (d) In the case of corporation other than life, the legal reserve fund required by Section 219; and (e) A sum sufficient to pay all net losses reported, or in the course of settlement, and all liabilities for expenses and taxes'*. Beyond these inherent limitations, there are no known restrictions or impediments to the Company's ability to pay dividends on common equity or are there likely to be any in the future.

4. Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

The Company had no recent sales of unregistered or exempt securities, including recent issuances of securities constituting an exempt transaction.

**ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS**

REVIEW OF 2021 VERSUS 2020

Results of Operations

In Millions PHP	For the years ended		Inc(dec)	
	31 Dec 2021	31 Dec 2020	Amount	%
REINSURANCE PREMIUM INCOME				
Reinsurance premiums, net of returns	P4,195.1	P4,473.7	(P278.6)	-6%
Retroceded premiums	(1,357.2)	(1,276.7)	(80.5)	6%
Net premiums retained	2,837.9	3,197.0	(359.1)	-11%
Movement in premium reserves – net	33.1	182.3	(149.2)	-82%
	2,871.0	3,379.3	(508.3)	-15%
UNDERWRITING DEDUCTIONS				
Share in reported losses – net	1,696.6	1,758.9	(62.3)	-4%
Share in unreported loss reserves – net	265.9	247.0	18.9	8%
Commissions – net	861.3	1,031.7	(170.4)	-17%
	2,823.8	3,037.6	(213.8)	-7%
NET UNDERWRITING INCOME	47.2	341.7	(294.5)	-86%
Interest	259.8	294.0	(34.2)	-12%
Gain on sale of AFS	94.4	309.3	(214.9)	-69%
Foreign currency gains (losses)	25.4	(28.7)	54.1	-189%
Others	24.5	(442.9)	467.4	-106%
INVESTMENT AND OTHER INCOME AND EXPENSES– net	404.1	131.7	272.4	207%
PROFIT AFTER INVESTMENT AND OTHER INCOME AND EXPENSES	451.3	473.4	(22.1)	-5%
GENERAL AND ADMINISTRATIVE EXPENSES	260.0	278.4	(18.4)	-7%
PROFIT BEFORE TAX	191.3	195.0	(3.7)	-2%
TAX EXPENSE	49.6	75.1	(25.5)	-34%
NET PROFIT	P141.7	P119.9	P21.8	18%

The Company recorded a net profit of P141.7 million for the year ended December 31, 2021, P21.8 million or 18% higher than the net profit recognized in 2020. The Net profit resulted from generating Net underwriting income of P47.2 million, and Investment and other income and expenses of P404.1 million, negated by General and administrative expenses of P260.0 million and Tax expense of P49.6 million.

Underwriting Results

Net underwriting income amounted to P47.2 million, lower by P294.5 million or 86% compared to 2020. This resulted from higher underwriting losses from non-life foreign and domestic businesses by P282 million and P79 million, respectively. These were partially negated by higher underwriting income from life business by P408 million. Higher underwriting losses from non-life foreign and domestic businesses resulted mainly from higher loss ratio, relative to earned premiums, and lower reinsurance premium income. Higher underwriting income from life business resulted mainly from lower loss ratio and higher reinsurance premium income from its non-modified co-insurance business, partially offset by lower underwriting income from its modified co-insurance business.

Reinsurance premium income amounted to P2,871.0 million, lower by P508.3 million or 15% compared to 2020. This resulted from (a) Lower reinsurance premium income from non-life foreign business resulting mainly from the renewal of certain treaties at a lower share; (b) Lower reinsurance premium income from non-life domestic business due to the increase in unexpired risk reserves, partially negated by higher premiums written; and (c) Lower reinsurance premium income from life business due to lower premiums reported from the modified co-insurance business, partially negated by higher reported premiums for past underwriting years for non-modified co-insurance business.

Share in reported losses - net and Share in unreported loss reserves - net amounted to P1,962.5 million lower by P43.4 million compared to 2020 which resulted to loss ratios of 68% in 2021 and 59% in 2020 relative to earned premiums. Higher loss ratio in 2021 resulted mainly from higher loss ratio incurred for the non-life foreign (2021 – 92%; 2020 – 68%) and domestic (2021 – 77%; 2020 – 70%) businesses while the loss ratio for life (2021 – 38%; 2020 – 41%) was lower compared to 2020. Higher loss ratio for the non-life foreign business resulted mainly from the catastrophe losses relating to flood and hailstorms for treaties covering European risks and Hurricane Ida for treaties covering North America. Higher loss ratio for the non-life domestic business resulted mainly from the losses incurred from Typhoon Auring and Odette that hit the Philippines in February and December 2021, respectively. Lower loss ratio from life business resulted mainly from the favorable development on losses incurred in prior years.

	For the year ended		Inc (dec)	
	2021	2020	Amount	%
Share in reported losses – net (A)	P1,696.6	P1,758.9	(P62.3)	-4%
Share in unreported loss reserves – net (B)	265.9	247.0	18.9	8%
Total share in reported losses and unreported loss reserves (C) [A+B]	1,962.5	2,005.9	(43.4)	-2%
Total earned premiums (D)	P2,871.0	P3,379.3	(P508.3)	-15%
Loss ratio (C/D)	68%	59%		

Commissions - net amounted to P861.3 million, lower by P170.4 million or 17% than the same period of 2020 which resulted to commission ratios of 30% in 2021 and 31% in 2020. Lower commission ratio in 2021 resulted mainly from lower commission expense incurred for the life business. This was partially negated by higher commission costs incurred from non-life domestic business due to the impact of higher unexpired risk reserves which was partially negated by higher overriding commissions and higher commission costs from the non-life foreign business due to the unfavorable adjustment in the commission cost estimate.

Investment and Other income and expenses, net amounted to P404.1 million, P272.4 million or 207% higher from P131.7 million in 2020 as investment income and other income were higher by P207.2 million and P65.2 million, respectively.

Investment income was higher by P207.2 million due to minimal impairment loss recognized on available-for-sale equity securities in 2021 compared to the impairment loss of P469.3 million recognized in 2020. This was partially negated by lower gain on sale of fixed income and equity securities by P214.9 million and lower interest and dividend income by P40.4 million.

Higher other income by P65.2 million resulted from foreign exchange gains of P25.4 million in 2021 as compared to foreign exchange losses of P28.7 million in 2020, and lower movement in statutory reserves and other charges by P11.1 million.

General and administrative expenses amounted to P260.0 million, lower by P18.4 million or 7% compared to 2020 of P278.4 resulted mainly from lower taxes during the year.

Tax expense amounting to P49.6 million was lower by P25.5 million or 34% from P75.1 million in 2020 resulting mainly from lower underwriting profit recognized in 2021 and reduction in the applicable income tax rates from 30% in 2020 to 25% in 2021.

Financial Condition

(includes explanation on material changes in the financial statements)

In Millions PHP	Audited	Audited	Inc(dec)	
	31 Dec 2021	31 Dec 2020	Amount	%
CASH AND CASH EQUIVALENTS	P658.2	P950.9	(P292.7)	-31%
REINSURANCE BALANCES RECEIVABLE - net	3,422.2	2,672.4	749.8	28%
AVAILABLE-FOR-SALE (AFS) FINANCIAL ASSETS	5,952.7	5,933.1	19.6	0%
HELD-TO-MATURITY (HTM) INVESTMENTS	2,390.8	1,958.5	432.3	22%
LOANS AND RECEIVABLES	57.7	71.1	(13.4)	-19%
PROPERTY AND EQUIPMENT - net	52.0	60.0	(8.0)	-13%
REINSURANCE RECOVERABLE ON REPORTED LOSSES - net	1,854.9	2,426.9	(572.0)	-24%
REINSURANCE RECOVERABLE ON CLAIMS RESERVES	912.0	330.6	581.4	176%
DEFERRED ACQUISITION COSTS	658.3	620.8	37.5	6%
DEFERRED REINSURANCE PREMIUMS	434.5	407.4	27.1	7%
OTHER ASSETS - net	325.4	447.4	(122.0)	-27%
TOTAL ASSETS	P16,718.7	P15,879.1	P839.6	5%
<u>LIABILITIES AND EQUITY</u>				
REINSURANCE BALANCES PAYABLE	P1,597.1	P1,179.6	P417.5	35%
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	319.5	326.3	(6.8)	-2%
LOSSES AND CLAIMS PAYABLE	4,492.4	4,825.0	(332.6)	-7%
CLAIMS RESERVES	3,102.9	2,255.6	847.3	38%
PREMIUM RESERVES	1,533.3	1,539.3	(6.0)	0%
DEFERRED REINSURANCE COMMISSIONS	9.3	6.9	2.4	35%
TOTAL LIABILITIES	11,054.5	10,132.7	921.8	9%
CAPITAL STOCK	2,182.0	2,182.0	-	0%
TREASURY STOCK	(100.5)	(100.5)	-	0%
ADDITIONAL PAID-IN CAPITAL	3,019.2	3,019.2	-	0%
REMEASUREMENT OF DEFINED BENEFIT LIABILITY	(73.4)	(73.9)	0.5	-1%
REVALUATION RESERVES	(29.0)	195.4	(224.4)	-115%
RETAINED EARNINGS	665.9	524.2	141.7	27%
TOTAL EQUITY	5,664.2	5,746.4	(82.2)	-1%
TOTAL LIABILITIES AND EQUITY	P16,718.7	P15,879.1	P839.6	5%

The Company's shareholders' equity amounting to P5,664.2 million as at December 31, 2021 decreased by P82.2 million or 1% from the balance as at December 31, 2020 of P5,746.4 million. The decrease resulted mainly from the decrease in revaluation reserves by P224.4 million mostly from the unfavorable market value movements of Available-for-Sale securities, negated by positive operating results of P141.7 million.

Cash and cash equivalents amounting to P658.2 million as at December 31, 2021 decreased by P292.7 million or 31% from the balance as at December 31, 2020 of P950.9 million. The decrease in Cash and cash equivalents resulted mainly from the net cash used in investing and operating activities amounting to P283.6 million and P22.8 million, respectively. These were partially negated by the favorable foreign currency revaluation amounting to P13.7 million.

Reinsurance balances receivable - net amounting to P3.4 billion increased by P749.8 million or 28% from the balance as at December 31, 2020 of P2.7 billion. The increase resulted mainly from accrual of reinsurance premiums, net of commissions, from life and non-life businesses in 2021 and favorable foreign currency revaluation. These were partially negated by the collections during the period.

AFS financial assets amounting to P6.0 billion as at December 31, 2021 increased by P19.6 million from the balance as at December 31, 2020 of P5.9 billion. The movement in the account balance can be explained by the following:

	2021	2020
Cost		
Balance at beginning of year	P5,669.0	P4,943.7
Acquisitions	4,938.6	6,991.8
Disposals/maturities	(4,673.1)	(5,783.0)
Impairment losses	(6.8)	(469.3)
Unrealized foreign currency losses	(4.2)	(14.2)
	5,923.5	5,669.0
Fair value adjustment		
Balance at beginning of year	264.1	2.1
Changes in fair value	(147.3)	102.0
Fair value gains on disposal	(94.4)	(309.3)
Impairment losses	6.8	469.3
	29.2	264.1
Balance at end of year	P5,952.7	P5,933.1

The increase was mainly due to the net acquisition amounting to P171.1 million (acquisitions net of disposals/maturities including fair value gains on disposal). This was partially negated by the market value decline of AFS securities amounting to P147.3 million and unfavorable foreign currency revaluation of P4.2 million.

HTM investments amounting to P2.4 billion as at December 31, 2021 increased by P432.3 million or 22% from the balance as at December 31, 2020 of P2.0 billion. The increase in these investments mainly resulted from the purchase of corporate bonds amounting to P1.0 billion, partially negated by maturities amounting to P596.8 million.

Loans and receivables amounting to P57.7 million as at December 31, 2021 decreased by P13.4 million or 19% from the balance as at December 31, 2020 of P71.1 million. The decrease resulted mainly from lower accrued interest receivable due to the negative variance in period accrued and interest rates.

Property and Equipment - net amounting to P52.0 million as at December 31, 2021 decreased by P8.0 million or 13% from the balance as at December 31, 2020 of P60.0 million. The decrease resulted mainly from the depreciation expense amounting P11.5 million, partially negated by the acquisitions amounting to P3.5 million.

Deferred acquisition costs amounting to P658.3 million as at December 31, 2021 increased by P37.5 million or 6% from the balance as at December 31, 2020 of P620.8 million. The increase resulted mainly from the increase in deferred acquisition costs from modified co-insurance contracts, partially negated by lower commission expenses during the year as discussed in Results of operations.

Deferred reinsurance premiums amounting to P434.5 million as at December 31, 2021 increased by P27.1 million or 7% from the balance as at December 31, 2020 of P407.4 million. The movement is consistent with the increase in retroceded premiums in the Results of operations.

Other assets – net amounting to P325.4 million decreased by P122.0 million or 27% from the balance as at December 31, 2020 of P447.4 million. The decrease resulted mainly from the settlement of Funds at Lloyd's amounting to P141.8 million and amortization of intangible assets amounting to P7.0 million, partially negated by overpayment of income taxes and increase in deferred tax assets amounting to P18.9 and P13.1 million, respectively.

Reinsurance balances payable amounting to P1.6 billion increased by P417.5 million or 35% from the balance as at December 31, 2020 of P1.2 billion. The increase resulted mainly from the accrual of retroceded premiums, net of settlements, from both life and nonlife businesses.

Losses and claims payable and Claims reserves amounting to P7.6 billion increased by P514.7 million or 31% from the balance as at December 31, 2020 of P7.1 billion. The increase resulted mainly from recognizing loss reserves for the catastrophe losses that impacted the non-life foreign and domestic businesses as discussed in the Results of operations, partially negated by the settlement of claims.

Deferred reinsurance commissions amounting to P9.3 million increased by P2.4 million or 35% from the balance as at December 31, 2020 of P6.9 million. The increase resulted mainly from higher overriding commission income from non-life domestic business mainly due to higher ceded premiums through our proportional treaties.

REVIEW OF 2020 VERSUS 2019

Results of Operations

In Millions PHP	For the years ended		Inc(dec)	
	31 Dec 2020	31 Dec 2019	Amount	%
REINSURANCE PREMIUM INCOME				
Reinsurance premiums, net of returns	P4,473.7	P4,338.5	P135.2	3.1%
Retroceded premiums	(1,276.7)	(1,064.2)	(212.5)	20.0%
				-2.4%
Net premiums retained	3,197.0	3,274.3	(77.3)	
Movement in premium reserves – net	182.3	(81.1)	263.4	-324.8%
	3,379.3	3,193.2	186.1	5.8%
UNDERWRITING DEDUCTIONS				
Share in reported losses – net	1,758.9	1,806.6	(47.7)	-2.6%
Share in unreported loss reserves – net	247.0	281.6	(34.6)	-12.3%
Commissions – net	1,031.7	968.6	63.1	6.5%
	3,037.6	3,056.8	(19.2)	-0.6%
NET UNDERWRITING INCOME	341.7	136.4	205.3	150.5%
Interest	294.0	314.8	(20.8)	-6.6%
Gain on sale of AFS	309.3	79.8	229.5	287.6%
Foreign currency losses	(28.7)	(26.2)	(2.5)	9.5%
Others	(442.9)	(19.1)	(423.8)	2218.8%
INVESTMENT AND OTHER INCOME AND EXPENSES– net	131.7	349.3	(217.6)	-62.3%
PROFIT AFTER INVESTMENT AND OTHER INCOME AND EXPENSES	473.4	485.7	(12.3)	-2.5%
GENERAL AND ADMINISTRATIVE EXPENSES	278.4	268.5	9.9	3.7%
PROFIT BEFORE TAX	195.0	217.2	-22.2	-10.2%
TAX EXPENSE	75.1	60.5	14.6	24.1%
NET PROFIT	P119.9	P156.7	(P36.8)	-23.5%

The Company recorded a net profit of P119.9 million for the year ended December 31, 2020, P36.8 million or 23.5 % lower than the net profit recognized in 2019. The Net Profit resulted from generating Net Underwriting Income of P341.7 million, and Investment and Other Income and Expenses of P131.7 million negated by General and Administrative Expenses of P278.4 million and Tax Expense of P75.1 million.

Underwriting Results

Net underwriting income amounted to P341.7 million, higher by P205.3 million or 150.5% compared to 2019. This resulted from higher Reinsurance premium income recognized in 2020 by P186.1 million or 5.8% from P3.2 billion in 2019 to P3.4 billion in 2020 and better loss experience (loss ratios: 2020 - 59%; 2019 - 65%) where Share in reported and unreported losses were lower by P82.3 million or 3.9% compared to 2019, these were partially offset by higher commission ratio relative to earned premiums (commission ratios: 2020 - 31%; 2019 - 30%) which was P63.1 million or 6.5% higher compared to 2019.

Higher Reinsurance premium income in 2020 resulted mainly from the growth in reinsurance premiums written from our life and non-life domestic business and was partially negated by the contraction in our non-life foreign business. The growth in our life business resulted mainly from higher premiums generated from our modified coinsurance treaties and the growth in the

non-life domestic business primarily resulted from higher reported premiums for past underwriting years. These were partially negated by lower written premiums from other lines of business as these lines were negatively impacted by the economic slowdown brought about by the COVID-19 pandemic as well as the recapture of certain risks in the life business. The contraction in premiums written in non-life foreign business resulted mainly from the strengthening of the peso against certain foreign currencies and renewing certain treaties at a lower share.

Net written premiums were lower by P77.3 million or 2.4% from P3.3 billion in 2019 to 3.2 billion in 2020. The decrease resulted mainly from the lower net premiums written from our non-life domestic and foreign businesses which was partially negated by higher net premiums written from our life business. The decline in the non-life foreign business was due mainly to lower gross premiums written as discussed above while the decline in the non-life domestic business resulted mainly from higher cost on our excess of loss cover and higher ceded premiums through our proportional treaties. Higher net premiums written for the life business was driven mainly by higher premiums generated from our modified co-insurance treaties which is fully retained by the Company.

Share in reported losses, net and Share in unreported loss reserves, net were lower by P82.3 million or 3.9% in 2020. Lower loss ratio for the year relative to earned premiums, resulted mainly from lower foreign catastrophe losses in 2020 vs 2019 and favorable development from non-life domestic and foreign losses incurred in prior years. These were partially negated by losses incurred from the large domestic typhoons experienced in the last quarter of the year.

Commissions, net amounted to P1,031.7 million, P63.1 million or 6.5% higher from P968.6 million in 2019. Higher commissions resulted mainly from the Company's growth in the life modified co-insurance business, partially negated by lower commissions from non-life foreign and non-life domestic business.

Investment and Other income and expenses, net amounted to P131.7 million was lower by P217.6 million or 62.3% from 2019 which amounted to P349.3 million as Investment income was lower by P200.4 million while other expenses was higher by P17.2 million.

Investment income was lower by P200.4 million in 2020 resulting mainly from the impairment loss of P469.3 million recognized in the first quarter of the year from the Company's available-for-sale equity securities brought by COVID-19 outbreak and the ensuing economic slowdown that resulted to volatility in the local equity market. For the period from December 31, 2019 to March 31, 2020, the index of the local stock market dropped to 5,321.23 points which resulted in decline in market value of the Company's equity securities. These were partially negated by higher gain on sale of fixed income and equity securities amounting to P229.5 million.

Higher other expenses by P17.2 million resulted mainly to the movement in statutory reserves by P13.6 million, higher foreign exchange loss by P2.4 million in 2020 and higher other charges by P1.2 million. Movement in statutory reserves resulted from the co-insurance arrangement as discussed in Accounts payable and accrued expenses.

General and administrative expenses amounted to P278.4 million, slightly higher compared to 2019 of P268.5 million mainly due to higher taxes during the year.

Tax expense amounted to P75.1 million was higher by P14.6 million or 24.1% from P60.5 million in 2019 resulting mainly from higher underwriting profit recognized in 2020.

Financial Condition

(includes explanation on material changes in the financial statements)

In Millions PHP	Audited	Audited	Inc(dec)	
	31 Dec 2020	31 Dec 2019	Amount	%
CASH AND CASH EQUIVALENTS	P950.9	P1,005.0	(P54.1)	-5.4%
REINSURANCE BALANCES RECEIVABLE - net	2,672.4	2,608.8	63.6	2.4%
AVAILABLE-FOR-SALE FINANCIAL ASSETS	5,933.1	4,945.8	987.3	20.0%
HELD-TO-MATURITY INVESTMENTS	1,958.5	2,227.9	(269.4)	-12.1%
LOANS AND RECEIVABLES	71.1	80.0	(8.9)	-11.1%
PROPERTY AND EQUIPMENT - net	60.0	70.4	(10.4)	-14.8%
REINSURANCE RECOVERABLE ON REPORTED LOSSES - net	2,426.9	2,288.4	138.5	6.1%
REINSURANCE RECOVERABLE ON CLAIMS RESERVES	330.6	319.6	11.0	3.4%
DEFERRED ACQUISITION COSTS	620.8	595.5	25.3	4.2%
DEFERRED REINSURANCE PREMIUMS	407.4	454.0	(46.6)	-10.3%
OTHER ASSETS	447.4	387.1	60.3	15.6%
TOTAL ASSETS	P15,879.1	P14,982.5	P896.6	6.0%
<u>LIABILITIES AND EQUITY</u>				
REINSURANCE BALANCES PAYABLE	P1,179.6	P1,185.5	(P5.9)	-0.5%
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	326.3	110.9	215.4	194.2%
LOSSES AND CLAIMS PAYABLE	4,825.0	4,554.3	270.7	5.9%
CLAIMS RESERVES	2,255.6	1,997.6	258.0	12.9%
PREMIUM RESERVES	1,539.3	1,768.3	-229.0	-13.0%
DEFERRED REINSURANCE COMMISSIONS	6.9	6.3	0.6	9.5%
TOTAL LIABILITIES	10,132.7	9,622.9	509.8	5.3%
CAPITAL STOCK	2,182.0	2,182.0	-	0.0%
TREASURY STOCK	(100.5)	(100.5)	-	0.0%
ADDITIONAL PAID-IN CAPITAL	3,019.2	3,019.2	-	0.0%
REMEASUREMENT OF DEFINED BENEFIT LIABILITY	(73.9)	(69.4)	(4.5)	6.5%
REVALUATION RESERVES	195.4	(75.9)	271.3	-357.4%
RETAINED EARNINGS	524.2	404.2	120.0	29.7%
TOTAL EQUITY	5,746.4	5,359.6	386.8	7.2%
TOTAL LIABILITIES AND EQUITY	P15,879.1	P14,982.5	P896.6	6.0%

The Company's shareholders' equity as at December 31, 2020 increased by P386.8 million or 7.2% from P5.4 billion in 2019 to P5.7 billion in 2020. The 7.2% increase resulted mainly from the other comprehensive income brought by market value movements of Available-for-Sale securities amounting to P271.3 million and the positive operating results of P119.9 million.

Cash and cash equivalents amounting to P950.9 million as at December 31, 2020 decreased by P54.1 million or 5.4% than the 2019 balance of P1.0 billion. The decrease in Cash and cash equivalents resulted mainly from the net cash used in investing activities amounting to P276.6 million negated by the net cash generated from operations amounting to P232.8 million.

AFS financial assets amounting to P5.9 billion as at December 31, 2020 increased by P987.3 million or 20.0% from P5.0 billion as at December 31, 2019. The movement in the account balance can be explained by the following:

	2020	2019
Cost		
Balance at beginning of year	P4,943.7	P4,946.3
Acquisitions	6,991.8	2,848.5
Disposals/maturities	(5,783.0)	(2,783.0)
Impairment losses	(469.3)	(57.5)
Unrealized foreign currency losses	(14.2)	(10.6)
	5,669.0	4,943.7
Fair value adjustment		
Balance at beginning of year	2.1	(366.4)
Changes in fair value	102.0	390.7
Fair value gains on disposal	(309.3)	(79.7)
Impairment losses	469.3	57.5
	264.1	2.1
Balance at end of year	P5,933.1	P4,945.8

The increase was mainly due to the net acquisition amounting to P1.2 billion (acquisitions net of disposals/maturities) partially negated by the impairment loss of P469.3 million and increase in fair value by P262.0 million.

HTM investments amounting to P2.0 billion as at December 31, 2020 decreased by P269.4 million or 12.1% from P2.2 billion as at December 31, 2019. The decrease in these investments mainly resulted from maturities amounting to P480.9 million, partially negated by the purchase and amortization of corporate bonds amounting to P200.0 million and P11.6 million respectively.

Loans and receivables amounting to P71.1 million as at December 31, 2020 decreased by P8.9 million or 11.1%. The decrease resulted mainly from lower accrued interest receivable due to low interest rates in 2020.

Property and Equipment - net amounting to P60.0 million as at December 31, 2020 decreased by P10.4 million or 14.8% from P70.4 million as at December 31, 2019 resulting mainly from the depreciation expense amounting P13.5 million. This was partially negated by the acquisitions amounting to P3.3 million.

Reinsurance recoverable on reported losses amounting to P2.4 billion as at December 31, 2020 increased by P138.5 million or 6.1% from the balance as at December 31, 2019 of P2.3 billion, the increase in the balance is aligned with the increase in Losses and claims payable and Claims reserves.

Deferred reinsurance premiums amounting to P407.4 million as at December 31, 2020 decreased by P46.6 million or 10.3% from P454.0 million as at December 31, 2019. The decline in the account balance is aligned with the decline in the Premium reserves account.

Other assets – net amounting to P447.4 million increased by P60.3 million or 15.6% from the balance as at December 31, 2019 of P387.1 million resulting mainly from the increase in deferred tax assets by P84.0 million. This was partially negated by the unfavorable revaluation adjustment of Funds at Lloyds by P8.0 million, decrease in intangible asset by P9.3 million and decrease in defined benefit asset and prepaid expenses by P5.8 million.

Accounts payable and accrued expenses amounting to P326.3 million as at December 31, 2020 increased by P215.4 million or 194.2% from P110.9 million as at December 31, 2019. The increase resulted mainly from the recognition of statutory reserves that accompanied a co-insurance arrangement entered into by the Company during the first quarter of 2020 which amounted to P180.0 million (see Note 16 of the notes to the financial statements).

Losses and claims payable and Claims reserves amounting to P7.1 billion increased by P528.7 million or 8.1% from the balance as at December 31, 2019 of P6.6 billion. The increase in the account balance resulted mainly from premiums earned during the year and loss reserves recognized for the domestic typhoons that occurred in the last quarter of 2020.

Premium reserves amounting to P1.5 billion decreased by P229.0 million or 13.0% from the balance as at December 31, 2019 of P1.8 billion. The decline in the account balance resulted mainly from lower written premiums from certain lines of business as these lines were negatively impacted by the economic slowdown brought about by the COVID-19 pandemic as well as the recapture of certain risks in the life business.

Deferred reinsurance commissions amounting to P6.9 million increased by P0.6 million or 9.5% from the balance as at December 31, 2019 of P6.3 million. The increase resulted mainly from higher ceded premiums through our proportional treaties.

REVIEW OF 2019 VERSUS 2018

Results of Operations

In Millions PHP	For the years ended		Inc(dec)	
	31 Dec 2019	31 Dec 2018	Amount	%
REINSURANCE PREMIUM INCOME				
Reinsurance premiums, net of returns	P4,338.5	P3,682.9	P655.6	17.8%
Retroceded premiums	(1,064.2)	(1,106.8)	42.6	-3.8%
Net premiums retained	3,274.3	2,576.1	698.2	27.1%
Movement in premium reserves – net	(81.1)	(9.9)	(71.2)	719.2%
	3,193.2	2,566.2	627.0	24.4%
UNDERWRITING DEDUCTIONS				
Share in reported losses – net	1,806.6	1,051.5	755.1	71.8%
Share in unreported loss reserves – net	281.6	588.6	(307.0)	-52.2%
Commissions – net	968.6	773.4	195.2	25.2%
	3,056.8	2,413.5	643.3	26.7%
NET UNDERWRITING INCOME	136.4	152.7	(16.3)	-10.7%
Interest	314.8	224.7	90.1	40.1%
Gain on sale of AFS	79.8	131.1	(51.3)	-39.1%
Foreign currency gains (losses)	(26.2)	43.2	(69.4)	-160.6%
Others	(19.1)	(9.5)	(9.6)	101.1%
INVESTMENT AND OTHER INCOME AND EXPENSES– net	349.3	389.5	(40.2)	-10.3%
PROFIT AFTER INVESTMENT AND OTHER INCOME AND EXPENSES	485.7	542.2	(56.5)	-10.4%
GENERAL AND ADMINISTRATIVE EXPENSES	268.5	350.3	(81.8)	-23.4%
PROFIT BEFORE TAX	217.2	191.9	25.3	13.2%
TAX EXPENSE	60.5	42.7	17.8	41.7%
NET PROFIT	P156.7	P149.2	P7.5	5.0%

The Company recorded a net profit of P156.7 million for the year ended December 31, 2019, P7.5 million or 5.0% higher than the net profit recognized in 2018. The Net Profit resulted from generating Net Underwriting Income of P136.4 million, and Investment and Other Income and Expenses of P349.3 million negated by General and Administrative Expenses of P268.5 million and Tax Expense of P60.5 million.

Underwriting Results

Net underwriting income amounted to P136.4 million, lower by P16.3 million or 10.7% compared to 2018. Lower net underwriting income was mainly due to higher underwriting deductions by P643.3 million or 26.7% from P2.4 billion in 2018 to P3.1 billion in 2019 resulting mainly from higher share in reported losses and share in unreported loss reserves. This was partially negated by the increase in Earned premiums by P627.0 million or 24.4%. The increase in Earned premiums was mainly due to growth in reinsurance premiums written and higher retention ratio of premiums written in 2019 that resulted to higher net written premiums by P698.2 million or 27.1% from P2.6 billion in 2018 to P3.3 billion in 2019.

Higher net written premiums in 2019 primarily resulted from growth in both life and non-life businesses, actual reported premiums exceeding 2018 premium accruals, and lower retrocession costs in 2019.

Share in reported losses, net and Share in unreported loss reserves, net were higher by P448.1 million or 27.3% in 2019 resulting mainly from higher catastrophe losses, reserves strengthening due to the decline in discount rates and overall growth of our business.

Commissions, net amounted to P968.6 million, P195.2 million or 25.2% higher from P773.4 million in 2018, resulting mainly from higher premiums earned, partially negated by higher overriding commissions earned from our proportional retrocession facility.

Investment and Other income and expenses, net amounting to P349.3 million was lower by P40.2 million or 10.3% from 2018. This is mainly due to shift to foreign exchange loss of P26.2 million in 2019 from foreign exchange gain of P43.2 million in 2018, lower gain on sale of AFS by P51.3 million, and higher impairment losses recognized amounting to P57.5 million in 2019 compared to the P7.8 million in 2018. These were partially negated by higher interest income in 2019. Foreign exchange loss resulted mainly from strengthening of Peso against USD.

General and administrative expenses amounting to P268.5 million was lower by P81.8 million or 23.4% from 2018 mainly due to the absence of impairment losses in 2019 and lower professional fees. The decrease is partially offset by the increase in manpower costs amounting to P14.1 million.

Tax expense amounting to P60.5 million was higher by P17.8 million or 41.7% from P42.7 million in 2018 mainly due to higher final taxes brought by higher interest income in 2019.

Financial Condition

(includes explanation on material changes in the financial statements)

In Millions PHP	Audited	Audited	Inc(dec)	
	31 Dec 2019	31 Dec 2018	Amount	%
CASH AND CASH EQUIVALENTS	P1,005.0	P1,161.9	(P156.9)	-13.5%
REINSURANCE BALANCES RECEIVABLE - net	2,608.8	2,280.1	328.7	14.4%
AVAILABLE-FOR-SALE FINANCIAL ASSETS	4,945.8	4,580.0	365.8	8.0%
HELD-TO-MATURITY INVESTMENTS	2,227.9	1,848.7	379.2	20.5%
LOANS AND RECEIVABLES	80.0	112.5	(32.5)	-28.9%
PROPERTY AND EQUIPMENT - net	70.4	76.6	(6.2)	-8.1%
REINSURANCE RECOVERABLE ON REPORTED LOSSES - net	2,288.4	2,374.5	(86.1)	-3.6%
REINSURANCE RECOVERABLE ON CLAIMS RESERVES	319.6	319.0	0.6	0.2%
DEFERRED ACQUISITION COSTS	595.5	405.1	190.4	47.0%
DEFERRED REINSURANCE PREMIUMS	454.0	331.6	122.4	36.9%
OTHER ASSETS	387.1	381.3	5.8	1.5%
TOTAL ASSETS	P14,982.5	P13,871.3	P1,111.2	8.0%
<u>LIABILITIES AND EQUITY</u>				
REINSURANCE BALANCES PAYABLE	P1,185.5	P1,154.2	P31.3	2.7%
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	110.9	90.7	20.2	22.3%
LOSSES AND CLAIMS PAYABLE	4,554.3	4,519.3	35.0	0.8%
CLAIMS RESERVES	1,997.6	1,715.5	282.1	16.4%
PREMIUM RESERVES	1,768.3	1,564.6	203.7	13.0%
DEFERRED REINSURANCE COMMISSIONS	6.3	0.5	5.8	1160.0%
TOTAL LIABILITIES	9,622.9	9,044.8	578.1	6.4%
CAPITAL STOCK	2,182.0	2,182.0	-	0.0%
TREASURY STOCK	(100.5)	(100.5)	-	0.0%
ADDITIONAL PAID-IN CAPITAL	3,019.2	3,019.2	-	0.0%
REMEASUREMENT OF DEFINED BENEFIT LIABILITY	(69.4)	(67.6)	(1.8)	-2.7%
REVALUATION RESERVES	(75.9)	(454.1)	378.2	83.3%
RETAINED EARNINGS	404.2	247.5	156.7	63.3%
TOTAL EQUITY	5,359.6	4,826.5	533.1	11.0%
TOTAL LIABILITIES AND EQUITY	P14,982.5	P13,871.3	P1,111.2	8.0%

The Company's shareholders' equity as at December 31, 2019 increased by P533.1 million or 11.0% from P4.8 billion in 2018 to P5.4 billion in 2019. The 11.0% increase resulted mainly from the other comprehensive income brought by market value movements of our Available for Sale securities amounting to P376.4 million and the positive operating results of P156.7 million.

Cash and cash equivalents amounting to P1.0 billion was P156.9 million or 13.5% lower than the 2018 balance of P1.2 billion. The decrease in Cash and cash equivalents resulted mainly from the net cash used in operations amounting to P166.8 million, partially offset by the net cash generated from investing activities amounting to P10.7 million.

Reinsurance balances receivables amounting to P2.6 billion increased by P328.7 million or 14.4% from the 2018 balance of P2.3 billion. The increase in account is consistent with the growth of the Company's underwriting operations as discussed in the Results of Operations.

AFS financial assets amounting to P4.9 billion as at December 31, 2019 increased by P365.8 million or 8.0% from P4.6 billion as at December 31, 2018. The increase was mainly due to the market value gains from bonds amounting to P390.7 million, acquisitions amounting to P2,848.5 million in both debt and equity securities, and fair value gains on disposal amounting to P79.8 million. These were partially offset by disposal of P2,783.0 million, and foreign exchange loss of P10.6 million.

Held-to-maturity (HTM) investments amounting to P2.2 billion as at December 31, 2019 increased by P379.2 million or 20.5% from P1.8 billion as at December 31, 2018. The increase in these investments mainly resulted from the purchase of corporate bonds amounting to P722.2 million, partially offset by maturities amounting to P338.7 million.

Loans and receivables amounting to P80.0 million as at December 31, 2019 decreased by P32.5 million or 28.9% mainly due to the maturity of certain bank notes amounting to P50 million, partially negated by the increase in dividend and interest receivable by P29.3 million.

Property and Equipment - net amounting to P70.4 million as at December 31, 2019 decreased by P6.2 million or 8.1% from P76.6 million as at December 31, 2018 mostly attributed to the depreciation expense amounting P13.9 million, partially offset by capital expenditures amounting to P7.9 million.

Deferred acquisition costs amounting to P595.5 million as at December 31, 2019 increased by P190.4 million from the balance as at December 31, 2018 of P405.1 million. The increase is consistent with the increase in commissions, net as discussed under Results of operations.

Deferred reinsurance premiums amounting to P454.0 million as at December 31, 2019 increased by P122.4 million or 36.9% from P331.6 million as at December 31, 2018. The increase in Deferred reinsurance premiums is consistent with the increase in retroceded premiums in 2019 as discussed under Results of operations.

Accounts payable and accrued expenses amounting to P110.9 million as at December 31, 2019 increased by P20.2 million or 22.3% from P90.7 million as at December 31, 2018 mainly due to the increase in income tax payable.

Claims reserves amounting to P2.0 billion increased by P282.1 million or 16.4% from the balance as at December 31, 2018 of P1.7 billion. The movement is due to the growth of the Company's underwriting operations in 2019.

Premium reserves amounting to P1.8 billion increased by P203.7 million or 13.0% from the balance as at December 31, 2018 of P1.6 billion. The increase is consistent with the increase in gross written premiums in 2019.

Deferred reinsurance commissions amounting to P6.3 million increased by P5.8 million from the balance as at December 31, 2018 of P0.5 million. The increase resulted mainly from higher overriding commissions from our proportional retrocession facility as discussed under Results of operations.

KEY PERFORMANCE INDICATORS

	2021	2020	2019
Net Profit	P142 million	P120 million	P157 million
Earnings per share	P0.067	P0.056	P0.074
Retention ratio	68%	71%	75%
Combined ratio	107%	98%	104%
Return on average equity	2.48%	2.16%	3.08%

The company's key performance ratios for the last three years are described hereunder:

Net Profit – The Company's net income amounted to P142 million in 2021, P120 million in 2020 and P157 million in 2019.

Earnings per share (EPS) - EPS is computed by dividing net profit by the weighted average number of shares issued and outstanding. The company's EPS was P0.067, P0.056 and P0.074 for the years ended December 31, 2021, 2020 and 2019, respectively.

Retention ratio - indicates the total amount of business risk retained by the company, computed by dividing reinsurance premiums retained by reinsurance premiums (Gross Premiums Written or GPW). Retention ratio in 2021 is 68%, lower than retention ratio of 71% in 2020 and 75% in 2019.

Combined ratio - a measure of performance used by the Company as this measures the profitability of its insurance operations. A ratio below 100% indicates that the company is making underwriting profit while a ratio above 100% means that it is paying more claims and expenses than it should be receiving from premiums. Combined ratio is the sum of loss ratio, commission ratio and expense ratio. The combined ratios for the last three years were 107% in 2021, 98% in 2020 and 104% in 2019.

Return on average equity (ROE) - measures the rate of return on the ownership interest (shareholders' equity) of the common stock owners, computed by dividing net income by average equity. ROE for the last three years were 2.48%, 2.16% and 3.08%, for 2021, 2020, and 2019, respectively.

FINANCIAL SOUNDNESS INDICATORS*

	2021	2020	2019
Current Ratio	2.25	2.29	2.05
Asset to Equity Ratio	2.95	2.76	2.80
Total Liabilities/Equity	1.95	1.76	1.80

* Note 32 of the Audited Financial Statements

Material Event/s and Uncertainties:

Other than the disclosures described in the preceding sections, the Company has nothing to report on the following:

- a. Any known trends, demands, commitments, events or uncertainties that will have a material impact on its liquidity.
- b. Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

- c. Material off balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.
- d. Any material commitments for capital expenditures.
- e. Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.
- f. Any significant elements of income or loss that did not arise from the issuer's continuing operations.
- g. Any seasonal aspects that had a material effect on the financial condition or results of operations.

ITEM 7. FINANCIAL STATEMENTS

Please refer to the attached Audited Financial Statements for 2021, audited by the accounting firm of R.G. Manabat & Co. (KPMG Philippines.), and signed by partner Mr. Tireso Randy F. Lapidez.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

R.G. Manabat & Co. is the independent auditor of the Company's financial statements as at and for the years ended December 31, 2021 and 2020. Meanwhile, the Company's financial statements as at and for the year ended December 31, 2019 were audited by Punongbayan&Araullo.

The Company has not had any material disagreements on accounting or financial disclosure matters with R.G. Manabat and Punongbayan&Araullo

External Audit Fees

The following are the aggregate fees (in Philippine Pesos) billed for each of the last three fiscal years by our independent auditors for professional services rendered respectively: for 2021-2020 R.G. Manabat & Co. (KPMG Philippines) and for 2019 by Punongbayan & Araullo:

	2021	2020	2019
Audit and audit-related fees	P1,091,200	P1,170,400	P1,481,200
Other assurance and related services	44,800	33,600	56,000
Total	P1,204,000	P1,204,000	P1,537,200

The Audit Committee reviewed the external auditor's engagement letter covering their scope of work and the reasonableness of the related professional fee. The Audit Committee recommended for approval of the Board the appointment of R.G. Manabat & Co. (KPMG Philippines) as the external audit service provider for the subject audit year. The Board approved the appointment subject to ratification by the stockholders during the Company's annual stockholders meeting, held on June 23, 2021.

PART III – CONTROL AND COMPENSATION INFORMATION

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

1. Directors, Including Independent Directors, and Executive Officers

The Company's Articles of Incorporation provide for a 13-seat Board of Directors. Following is the list of the members of the Board:

Name	Position	Age	Citizenship
Wilfredo C. Maldia	Chairman	73	Filipino
Yvonne S. Yuchengco	Vice Chairperson of the Board	68	Filipino
Allan R. Santos	President and Chief Executive Officer	55	Filipino
Joli Co Wu	Treasurer	55	Filipino
Maria Consuelo A. Lukban	Director	57	Filipino
Reginaldo Anthony B. Cariaso	Director	54	Filipino
Jocelyn DG Cabreza	Director	65	Filipino
Nora M. Malubay	Director	63	Filipino
Rafael G. Ayuste, Jr.	Director	58	Filipino
Antonio M. Rubin	Director	71	Filipino
Medel T. Nera	Lead Independent Director	66	Filipino
Rex Maria A. Mendoza	Independent Director	59	Filipino
Roberto G. Manabat	Independent Director	74	Filipino

Following is the list of the Corporation's key executive officers:

Name	Position	Age	Citizenship
Wilfredo C. Maldia	Chairman	73	Filipino
Yvonne S. Yuchengco	Vice Chairperson of the Board	68	Filipino
Allan R. Santos	President and Chief Executive Officer	55	Filipino
Noel A. Laman	Corporate Secretary	82	Filipino
Ma. Pilar M. Pilares-Gutierrez	Assistant Corporate Secretary	45	Filipino
Joli Co Wu	Treasurer	55	Filipino
Jaime Jose Javier	Senior Vice President and Head of Life Reinsurance	55	Filipino
Daisy C. Salonga	Vice President and Head of Investments	55	Filipino
Regina S. Ramos	Vice President and Head of Risk & Compliance	59	Filipino
Santino U. Sontillano	Senior Assistant Vice President and Head of Finance	45	Filipino
Regina Lourdes D. Papa	Senior Assistant Vice President and Head of Human Resources and Office Services	54	Filipino

Term of Office

The term of office of the Directors and executive officers is one (1) year from their election as such until their successors are duly elected and qualified.

Business experience of the Directors and Officers during the past five (5) years/ Other directorships held in reporting companies naming each company

Wilfredo C. Maldia, Filipino, Chairman of the Board since June 2019, Director of the Corporation since December 2017.

Mr. Maldia has been a member of the Government Service Insurance System (GSIS) Board of Trustees since December 2016. He sits as independent director in the Board of the First Valley Development Bank and as member of the Board of Yamang Lupa't Dagat Corporation, and CEAM Corporation.

Prior to his appointment to the GSIS Board, he served as senior adviser to the Ropali Group of Companies, and as Chairman of the Farmers Savings & Loan Bank, Inc. and Banco Alabang Inc. (A Rural Bank). He also worked as a consultant to the Asian Development Bank as financial & organizations specialist for Agricultural Development Bank of Nepal, Agricultural Credit Specialist for Bangladesh Krishi Bank, and as rural credit specialist of the Estanislao Lavin & Associates. He was likewise the financial specialist/expert of the Urban Integrated Consultants, Incorporated and Livestock Development Program Office (LDPO) & the Kilusang Kabuhayan at Kaunlaran (KKK). He also worked as Farm Manager at Universal Robina Corporation, a private company engaged in food manufacturing business. Mr. Maldia has also worked in the government sector for about 40 years, of which, 36 years were spent at the Land Bank of the Philippines (LANDBANK). He started his career at LANDBANK as a senior project analyst in 1976 (for 3 years), after a short stint working as an agronomist and researcher in the Bureau of Plant Industry and Bureau of Agricultural Economics, respectively, from 1971 to 1974. With his passion to work, he consistently rose from the ranks. In 2007, he became the Executive Vice President and head of the LANDBANK's Agrarian and Domestic Banking Sector (ADBS) covering the agrarian, banking and lending operations until his retirement in 2012. With his leadership, Mr. Maldia has developed and introduced various innovative lending programs in the field of agriculture and finance. As ADBS head, he also chaired various committees, namely: Domestic Banking Loans Committee, Branch Operations Committee, Official Development Assistance Bids and Awards Committee, ADBS Sectoral Committee. He was likewise a member of the Board of LANDBANK subsidiaries (i.e, Masaganang Sakahan Incorporated and LANDBANK Insurance Brokerage Inc), and member of the Governing Board of the Agricultural Guarantee Fund Pool. In 2008, he was recognized as one of the most distinguished alumni of the University of the Philippines – Los Baños.

Mr. Maldia graduated with a Bachelor of Science degree in Agriculture, major in Agricultural Economics from the University of the Philippines Los Baños, Laguna in 1969. In 1979, he also completed his Bachelor's degree in Commerce major in Accounting from the Polytechnic University of the Philippines, and immediately obtained his license as a Certified Public Accountant (CPA). He earned his Master's degree in Business Administration from the Philippine Christian University in 1984.

Yvonne S. Yuchengco, Filipino, Vice Chairperson since June 2019, Director of the Corporation since June 2006.

Ms. Yuchengco is the Vice Chairperson of Malayan Insurance Company, Inc. She is also the President of MICO Equities, Inc., as well as the President of Alto Pacific Corporation and RCBC Land, Inc.. She is likewise the Chairperson and President of the Philippine Integrated Advertising Agency, Inc., Yuchengco Tower Office Condominium Corporation, Y Tower II Office Condominium Owners Asso. Inc., and Royal Commons, Inc; She is currently the Chairperson

of the RCBC Capital Corporation, Y Realty Corporation, and XYZ Assets Corporation; Advisory Board Member of Rizal Commercial Banking Corporation; Director, Vice President and Treasurer of Pan Managers, Inc.; Director and Vice President of AY Holdings, Inc.; Director and Corporate Secretary of MPC Investment Corporation; Treasurer and Director of Pan Malayan Management & Investment Corporation, Honda Cars Kalookan, Inc, Mona Lisa Development Corp., Malayan High School of Science, Inc., Petro Energy Resources Corporation, and Water Dragon, Inc.; Director of Enrique T. Yuchengco Inc., Pan Malayan Realty Corporation, Malayan International Insurance Corporation, Manila Memorial Park, Inc., La Funeraria Paz Sucat Inc., iPeople Inc., Seafront Resources Corporation, House of Investments, Inc., HYDee Management and Resource Corporation, Malayan Colleges, Inc. (operating under the name Mapua Institute of Technology, Luisita Industrial Park Corporation, Asia-Pac Reinsurance Co., Ltd., Pan Malayan Express, Inc., Shayamala Corporation, A.T. Yuchengco, Inc., DS Realty, Inc., GPL Holdings, Inc., Yuchengco Center, Inc., Annabelle Y. Holdings & Management Corporation, and YGC Corporate Services, Inc.; Trustee of AY Foundation, Philippine Asia Assistance Foundation, Inc., Mapua Institute of Technology, and Avignon Tower Condominium Corporation; Trustee and Chairperson of the Malayan Plaza Condominium Owners Asso., Inc.; Trustee and Chairperson of Yuchengco Museum, Inc.; She was also formerly President of the PIA/Phil-Asia Assistance Foundation, Inc. She graduated with a Bachelor of Arts degree from Ateneo de Manila University in 1977 and took up further studies in UAP under SBEP program.

Allan R. Santos, Filipino, Director, President and Chief Executive Officer since August 2018.

Mr. Allan R. Santos, President and Chief Executive Officer, has 30+ years of experience in local and international insurance/reinsurance markets in the US, Asia and Europe. Prior to his current role, he was Nat Re's Chief Operating Officer. He has held various leadership positions in several other companies including Chief Operating Officer for the Affiliate Companies of Philam Life, Regional Chief Financial Officer for Europe at Cigna, Global Head of Product Development at Cigna, and Chief Actuary for Asia at Allied World Assurance Company. He is also the current President of the East Asian Insurance Congress, a Board Member and Secretary of the Actuarial Society of the Philippines (ASP) and a Board Trustee in the Insurance Institute for Asia and the Pacific (IIAP).

Mr. Santos holds a Master's Degree in Applied Math and Bachelor of Science in Math both from the University of the Philippines. He is a Fellow of both the Actuarial Society of the Philippines and the Society of Actuaries (US).

Joli Co Wu, Filipino, Treasurer from January 2017, Director of the Corporation from 2013-2014 and since July 2015.

Treasurer of Nat Re since January 2017, Director from 2013 to 2014 and since July 2015. Ms. Joli Co Wu is the Chief Underwriting Officer of Paramount Life General Insurance Corporation. Prior to this, she was the President and CEO of QBE Seaboard Insurance Philippines, Inc. until its acquisition by Paramount. She started her insurance career with Seaboard Eastern Insurance where she eventually led the company as its President & CEO until March 2014.

She has extensive experience in insurance operations and underwriting various insurance lines. Throughout her career, she has attended various management, insurance and reinsurance courses, both local and international. She is also currently a Board Trustee of the Insurance Institute of Asia and the Pacific (IIAP) as well as the Philippines Insurance and Reinsurance Association (PIRA), Inc. and a Board Director of the Philippine Machinery Management Services Corporation (PMMSC).

Maria Consuelo A. Lukban, Filipino, Director of the Corporation since October 2018.

Director since October 2018, Ms. Lukban is the Head of Corporate Strategy, Investor Relations and Sustainability in the Bank of the Philippine Islands (BPI). She is primarily responsible for financial planning and capital management, investor relations, and enterprise development projects. She oversees the Sustainability Office and Strategic Asset Management and Sales Division. She has over 30 years of banking experience, taking on various senior roles within BPI in its asset management and trust business, insurance business, corporate banking marketing and deposit product management. She was a member of the Board of BPI-AIA Life Assurance Corporation from November 2018 to April 2021.

Ms. Lukban completed her MBA at the University of Chicago in 1992 and BS Management Engineering in 1986 at the Ateneo de Manila University.

Reginaldo Anthony B. Cariaso, Filipino. Director of the Corporation since June 2019.

Mr. Cariaso joined BPI in 2013 and is currently the Head of Strategy, Products and Support of the Corporate Banking unit of BPI. He oversees the Corporate Bank's Transaction Banking Services, Remittance and Fund Transfer, Strategy Management and Special Accounts Management Division. Prior to this, he was President of BPI Capital, the investment banking arm of BPI. He serves on the boards of several corporations.

Before joining BPI, Mr. Cariaso worked in investment banking of JP Morgan and Nomura International based in Hong Kong covering Asia ex-Japan.

He has extensive experience (over 20 years) originating and executing corporate advisory and capital markets transactions, in variety of industries, including financial institutions and real estate, across Asia and the Philippines. Since joining BPI Capital, the firm has executed a number of landmark transactions in the Philippines including some of the largest debt markets deals, innovative project and structured financing, complex advisory assignments, and brought some of the most familiar names to the public equity markets.

He is currently also non-executive board director of the BPI Remittance Center in Hong Kong.

Mr. Cariaso was a Lieutenant in the United States Navy and received a B.A. degree from the University of Pennsylvania.

Antonio M. Rubin, Filipino, Director of the Corporation since January 2018.

Director of the Corporation since January 2018. Prior to his retirement, Mr. Rubin was the Executive Vice President of Malayan Insurance Company, Chairman of the Board of Directors of Bankers Assurance Corporation (BAC), and President of the First Nationwide Assurance Corporation (FNAC). Mr. Rubin is a seasoned underwriter in the insurance industry, having been in the practice of insurance for more than twenty-five years. Mr. Rubin headed various divisions in Malayan Insurance, namely: the Risk Analysis Department, the Fire and Motor Car Underwriting Divisions, the Sales Division, and finally, the entire Underwriting Division. He was also the Chairman of the Board of Directors of the Philippine Insurance Rating Association (PIRA) and Philippine Machinery Management Services Corporation (MacPool), and Head of Risk Management Group of the National Steel Corporation.

His expertise in the industry was further solidified and reinforced by the various specialized seminars, conventions and trainings he attended locally and abroad. Mr. Rubin went to Mindanao State University in 1974 for his degree in Bachelor of Science in Mechanical Engineering and Ateneo De Manila University for his MBA.

Jocelyn De Guzman Cabreza, Filipino, Director of the Corporation since December 2016.

Ms. Cabreza is a member of the Board of Trustees of the Government Service Insurance System (GSIS) and chairs its Audit Committee. She is also a member of GSIS Board's Risk Oversight Committee, Corporate Governance Committee, Legal Oversight Committee and GSIS Provident Fund Committee of Trustees. She is also a director of Omnipay, Inc. and Sealnsure General Insurance Co., Inc. (formerly, AA Guaranty Assurance Co., Inc.). Ms. Cabreza was a former Executive Vice President of Land Bank of the Philippines, Director of Land Bank Resources Development Corp and Land Bank Countryside Development Foundation. She is a certified public accountant, a master's degree holder and a seasoned banker with 37 years of extensive experience in different areas of banking and finance, internal audit and operations and strategic policy formulation and implementation.

Nora M. Malubay, Filipino, Director of the Corporation from 2016-2017 and since January 2019.

Atty. Nora M. Malubay graduated from the Pamantasan ng Lungsod ng Maynila with Bachelor of Science in Business Administration major in Accountancy, Magna cum laude in 1979. She passed the CPA board examination on that same year.

In 1979, she worked as Staff Auditor at Sycip, Gorres, Velayo & Co. Believing that it is time for her to step up and make a difference, she chose to serve in public office and entered Government Service Insurance System (GSIS) in 1981.

Year 1995 when she finished her Bachelor of Laws at San Beda College and passed the Bar Examination in September of same Year.

Rose from the ranks, she has been assigned to different Departments of GSIS from Internal Auditor I to Senior Vice President of National Capital Region (NCR) Operations Group.

In 2016, she was appointed by the GSIS Board of Trustees as the Officer-in-Charge President and General Manager of GSIS, until the President of the Philippines appointed a new PGM in November 2017.

Currently she is the Executive Vice President of GSIS for Core Business Sector which covers the operations for Social Insurance, Housing, and General Insurance; and she is a Board Director of the Employees Compensation Commission.

Rafael G. Ayuste, Jr., Filipino, Director of the Corporation since June 2012.

Director of the Corporation since June 2012. Mr. Rafael G. Ayuste, Jr. is the chairman of the Investment Committee of the company since July 2015. He is also a Senior Vice President and Group Head of the Trust and Investments Group of BDO Unibank, Inc. Prior to this, he was Senior Vice President of Wealth Advisory and Trust Group of BDO Private Bank, Inc. and First Senior Vice President and Head of the Trust Banking Group of Philippine National Bank from 2009-2013; Vice President and Head of Retail Branch Business, Citibank Savings, Citibank N.A. Philippines from 2008 to 2009; Senior Vice President/Deputy Group Head of Trust banking of the Metropolitan Bank and Trust Company through merger with Global Business Bank from 2000 to 2008; Vice President/Head of Securities Distribution of the Banco Santander Philippines, Inc. from 1999 to 2000; Vice President/Head of Trust Division, Security Bank Corporation from 1996 to 1999; Assistant Vice President and Head of Peso and Dollar Trading Desks of Citibank, N.A., Citibank Global Asset Management (CGAM) from 1989 to 1996. He is a four term President and a multi-term Director of the Trust Officers Association of the Philippines (TOAP). He has attended various seminars such as Enterprise Risk Management, Financial Risk Management, and Corporate Governance. He obtained his Bachelor of Science degree major in Business Administration from the University of Sto. Tomas in 1986.

Medel T. Nera, Filipino, Lead Independent Director since June 2021, Independent Director since July 2011.

Independent Director of the Corporation since July 2011. Mr. Medel T. Nera is a Director of House of Investments, Inc., iPeople inc., EEL Corp., Seafront Resources Corp, the Generika Group, Holcim Phils, Inc. and Ionics, Inc. His past experiences include: President & CEO of House of Investments, Inc.; Director and President of RCBC Realty Corp.; Director and Chairman of the Risk Oversight Committee and Member of the Audit Committee of the Rizal Commercial Banking Corp.; Director and Treasurer of CRIBS Foundation, Inc., and Senior Partner at Sycip Gorres Velayo & Co. where he served as Financial Services Practice Head. Mr. Nera obtained his Master of Business Administration degree from the Stern School of Business, New York University, USA and Bachelor of Science in Commerce from the Far Eastern University, Philippines, International Management Program from the Manchester Business School, UK, Pacific Rim Bankers Program from the University of Washington, USA.

Roberto G. Manabat, Filipino, Independent Director since June 2021.

Mr. Manabat has more than 40 years of track record in the field of accountancy and has been an adviser to a number of corporations on financial reporting and good corporate governance. He is a resource person on matters pertaining to Corporate Governance, Internal Audit, Financial Reporting, risk management and the financial services industry.

Currently, Mr. Manabat is the Lead Independent Director of Union Bank of the Philippines, and Independent Director of Union Digital Bank and City Savings Bank. He is also an Independent Adviser to the Board of Directors of SM Investments Corporation (SMIC). He is the Chairman of the KPMG R.G. Manabat Foundation. He is a member of the Board of Trustees of the Shareholders' Association of the Philippines. He is the Chairman of Enactus Philippines, a Director of Goldilocks Bakeshop, Inc., Titanium Corporation, and PA Alvarez Properties and Development Corporation. He is also a Life Fellow of the Institute of Corporate Directors.

Mr. Manabat was previously the Chairman and Chief Executive of KPMG R.G. Manabat & Co., until December 31, 2017. He has not been a part of KPMG R.G. Manabat & Co. since January 1, 2018. He was the previous Chairman of the Auditing & Assurance Standards Council and a Member of the Financial Reporting Standards Council. He was a General Accountant of the Securities and Exchange Commission and a previous partner of SGV & Co.

In 2018, he received The Outstanding Professional Award in the Field of Accountancy given by the Professional Regulation Commission. In 2019, he was honored by The Federation of Asian Institute of Management Alumni Associations, Inc. (FAIM) with an Alumni Achievement (Triple A) Award, the most prestigious recognition given to AIM graduates.

Mr. Manabat is a Certified Public Accountant. He graduated with Magna Cum Laude honors from the University of the East with a Bachelor's degree in Business Administration. He placed 6th in the CPA examinations in November 1968. He obtained his Master's degree in Business Management from the Asian Institute of Management.

Rex Maria A. Mendoza, Filipino, Independent Director since June 2019.

Mr. Rex Mendoza is the President & CEO of Rampver Financials, one of the largest distributors of investment funds in the Philippines. He is an active entrepreneur with companies and endeavors in multiple industries. He is the Lead Independent Director of Globe Telecom and Ayala Land Logistics Holdings Corporation, and Independent Director for Ayala Land and National Reinsurance Corporation, all listed companies in the Philippine Stock Exchange. He is the Chairman of Singapore Life Philippines and The Soldivo Funds. He is also a director of Esquire Financing, G-Xchange Inc. (GX1 or Gcash), Seedbox Technologies, Seven Tall Trees Events Management (The Blue Leaf), Mobile Group Inc. and many other leading companies in different fields. He is recognized as one of the best business, leadership, finance, marketing

and sales speaker in the country. Rex is also a bestselling author (Trailblazing Success and Firing On All Cylinders), financial advisor and business mentor.

Noel A. Laman, Filipino, Corporate Secretary since June 2007.

Atty. Noel A. Laman is a founder and a Senior Partner of Castillo Laman Tan Pantaleon & San Jose Law Offices. He serves as Corporate Secretary of Boehringer Ingelheim (Phils.), Inc., Merck Inc. and Eli Lilly (Phils.), Inc. He also serves as Corporate Secretary of DMCI Holdings, Inc. and its various subsidiaries. He obtained his Bachelor of Jurisprudence and Bachelor of Laws degrees from the University of the Philippines College of Law. He obtained a Master of Laws degree in 1963 from the University of Michigan Law School as a De Witt scholar. His law practice concentrates on corporation and general business law, foreign investments, mergers and acquisitions and intellectual property law. He is an active member of the Intellectual Property Association of the Philippines, the Intellectual Property Foundation, and the Philippine Bar Association. Atty. Laman is the recipient of a number of awards, plaques, citations, and certificates of appreciation as invited speaker, resource person and conference chairman of various law and business symposia. He is the firm representative to the SGC Legal, an international association of law firms and to the German Philippines Chamber of Commerce (Makati City).

Ma. Pilar M. Pilares-Gutierrez, Filipino, Assistant Corporate Secretary since December 2002.

She is presently a Senior Partner at Castillo Laman Tan Pantaleon & San Jose Law Offices. She obtained her Bachelor of Science degree major in Legal Management from the Ateneo de Manila University in 1997 and her Bachelor of Laws Degree from the University of the Philippines, College of Law in 2001. She is the Assistant Corporate Secretary of DMCI Holdings, Inc. and its various subsidiaries. She holds the position of Corporate Secretary/Assistant Corporate Secretary in several other Philippine corporations. She is currently a Senior Lecturer at the University of the Philippines, College of Law.

Jaime Jose M. Javier, Senior Vice President & Head of Life Reinsurance.

Mr. Jaime Jose “Jimmy” M. Javier is Nat Re Senior Vice President and Head of Life Reinsurance.

Mr. Javier has over 25 years of experience in the insurance and financial service industry; handling management positions in sales, marketing, operations of life and health insurance companies, health maintenance organizations, and bancassurance organizations. He also has technical knowledge and competency in actuarial, information technology, and investments.

Mr. Javier was formerly CEO of Boltech Device Protection Philippines (2017-2021) and Head of Marketing of Philam Life and General Insurance (AIA Philippines) (2014-2015), and Sales and Marketing Director, Alternate Distribution, PT Asuransi Jiwa Sinarmas MSIG, Indonesia (2005-2014).

Mr. Javier earned a Bachelor of Science in Mathematics and a Master of Science in Applied Mathematics (Actuarial Science) from the University of the Philippines Diliman. He is an Associate of the Actuarial Society of the Philippines, a Chartered Life Underwriter, and a Chartered Financial Consultant.

Daisy C. Salonga, Filipino, Vice President and Head of Investments.

Ms. Daisy Salonga joined the Company in July 2011 as Head of Investments. She held various executive positions in treasury covering foreign exchange, fixed income, sales and market studies in leading financial institutions like Citibank N.A. Manila, Credit Agricole Indosuez

Offshore Bank Manila, China Banking Corporation, and Greenwich Associates. She was nominated as one of the Most Astute Investors in the Philippine Peso Bonds by The Asset Benchmark Research for three consecutive years from 2012 to 2014. She earned her degree in Bachelor of Science in Commerce, major in Business Management from De La Salle University.

Regina S. Ramos, Filipino, Vice President and Head of Risk and Compliance.

Ms. Regina Ramos, Vice President and Head of Risk and Compliance, is a Certified Public Accountant and a Certified Internal Auditor. Prior to joining Nat Re in July 2000, Ms. Ramos held positions in various capacities in Accounting, Finance and Operations in a non-life direct insurer. She also worked with the SyCip, Gorres, Velayo & Co., CPAs (SGV), the largest professional services firm in the Philippines. She obtained her degree in Bachelor of Science in Commerce, major in Accounting from St. Paul College Manila.

Santino U. Sontillano, Filipino, Senior Assistant Vice President and Head of Finance.

Mr. Santino Sontillano is a Certified Public Accountant. Prior to joining Nat Re in January 2016 as Head of Internal Audit, Mr. Sontillano worked with various big 4 auditing firms in the Philippines, Singapore and Bermuda. He obtained his degree in Bachelor of Science in Accountancy from Ateneo de Zamboanga.

Regina Lourdes D. Papa, Filipino, Senior Assistant Vice President and Head of Human Resources and Office Services

Ms. Regina Lourdes D. Papa joined the Company in February 2011 as Head of Human Resources and assumed additional function as Office Services Head in 2018. She has over twenty-five years of experience in Human Resources Talent Acquisition, Learning and Development, Compensation Planning and Administration, Performance Management and Employee Relations. Prior to her current role in Nat Re, she served as Treasurer and Managing Director of Integral Consultants, Inc., spearheading business planning and overseeing the company's career management group operations. She also designed and conducted Management and soft skills training programs as a Human Resources Management Consultant. As an Assistant Vice President at Mapfre Asian Insurance Corporation, she was responsible for formally setting up the company's Human Resources Management Department as well as providing strategic advice on organization development initiatives.

Directorships in Other Listed Companies

Yvonne S. Yuchengco

iPeople Inc.
Seafront Resources Corporation,
House of Investments, Inc.
Petro Energy Resources Corporation

Medel T. Nera

House of Investments, Inc
iPeople, Inc.
EEI Corporation
Seafront Resources Corporation
Ionics, Inc.
Holcim Phils., Inc.

Rex Maria A. Mendoza

Globe Telecom
AyalaLand and Logistics Holding Corporation
Ayala Land, Inc.

2. Significant Employees

Although the Corporation has and will likely continue to rely significantly on the continued individual and collective contributions of its senior management team, the Corporation is not dependent on the services of any particular employee. It does not have any special arrangements to ensure that any employee will remain with the Corporation and will not compete with the Company upon termination.

3. Family Relationships

There is no family relationship up to the fourth civil degree, either by consanguinity or affinity, among directors, executive officers, or nominees for election as directors.

4. Involvement in Certain Legal Proceedings

To the best of the Corporation's knowledge, there has been no occurrence during the past 5 years up to the present date of this report of any of the following events that are material to an evaluation of the ability and integrity of any director, any nominee for election as director, executive officer, or controlling person of the Corporation:

- Any bankruptcy petition filed by or against any business of which the person was a general partner or executive officer, either at the time of the bankruptcy or within 2 years prior to that time;
- Any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, traffic violations and other minor offenses;
- Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
- Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

5. Annual Continuing Training of Directors and Key Officers

Name of Director/Officer	Date of Training	Program	Name of Training Institution
1. Wilfredo C. Maldia (Chairman)	May 14, 2021	Risk Management in the age of Covid	Institute of Corporate Directors
	July 27-28, 2021	Strategic Planning & Workshop	People Ignite Organizational Development and Training Inc.
	July 28, 2020	GSIS Strategic Planning Conference	GSIS
	October 24-25, 2019	BOT Strategic Planning Conference	GSIS

Name of Director/Officer	Date of Training	Program	Name of Training Institution
	September 23, 2019	Investment Briefing	GSIS
	September 9, 2019	Overview on Public/Private Partnership	GSIS
		Corporate Governance Wrap-Up 2018	
	December 13, 2018		Good Governance Advocates and Practitioners of the Philippines (GGAPP)
		Corporate Governance	
	February 21, 2018		Institute of Corporate Directors
2. Yvonne S. Yuchengco (Vice Chairperson)	May 14, 2021	Risk Management in the age of Covid	Institute of Corporate Directors
	October 29, 2020	Economic Briefing for Insurance Industry Executives	Insurance Institute of Asia and the Pacific
	September 23, 2020	Developing a Roadmap for the Future of Insurance Business	PIRA
	August 28, 2020	Legal Form: Too Good to Be True – A Discussion on Investment Scams and How to Avoid and Deal with them	Malayan Insurance Company
	August 3, 2020	Opportunities in the Changing Directors & Officers Insurance Landscape	Nat Re
	July 7, 2020	Survive and Thrive: Digital Transformation Necessary in the New Normal	Institute of Corporate Directors
	June 18, 2019	Revised Corporation Code	Institute of Corporate Directors
	October 26, 2019	Annual CG Seminar for Directors and Key Officers	RCBC Group
	October 27, 2018	Annual CG Seminar for Directors and Key Officers	RCBC Group
	September 26, 2017	Cyber Security & AMLC	FireEye and IBM Security Services
3. Allan R. Santos (Director, President and CEO)	October 15, 2021	4 th ASEAN Reinsurance Working Committee Meeting	ASEAN Reinsurance Working Committee
	October 26, 2021	4 th ASEAN Insurance Summit	ASEAN Insurance Council

Name of Director/Officer	Date of Training	Program	Name of Training Institution
	October 28-30, 2020	46th ASEAN Insurance Council and Regulators Meeting	ASEAN Insurance Council
	October 8, 2020	ASEAN Reinsurance Working Committee Meeting	ASEAN Reinsurance Working Committee
	June 18, 2019	Revised Corporation Code	Institute of Corporate Directors
	September 20, 2019	Annual Technical Forum	Nat Re
	October 9-11, 2019	19 th Reinsurance Summit	Taiping Reinsurance Co. Ltd
	November 26-29, 2019	45th ASEAN Insurance Council Meeting (Myanmar)	ASEAN Insurance Council
	May 6-9, 2018	29th East Asian Insurance Congress (EAIC)	Philippine Insurers and Reinsurers Association (PIRA) and EAIC
	June 8, 2018	CEO Forum 2018: Harnessing the Power of People and Technology	Nat Re
	September 3, 2018	Training on IFRS 17	PIRA
	September 14, 2018	4th Annual Non-life and Life Technical Forum	Nat Re
	October 18, 2018	Training on IFRS 17	Actuarial Society of the Philippines
	November 15-16, 2018	59th Actuarial Society of the Philippines (ASP) Annual Convention	Actuarial Society of the Philippines
	November 28, 2018	Association of Southeast Asian Nations (ASEAN) Insurance Summit	ASEAN
	December 6, 2018	Sustainability Reporting and Audit Committee Effectiveness	SGV & Co.
	December 7, 2017	Corporate Governance	SGV & Co.
	September 15, 2017	CEO Forum on Insurance Regulations & Governance	Insurance Commission and Institute of Corporate Directors
4. Joli Co Wu (Director, Treasurer)	July 15, 2021	Building Better Bankers: Fostering a Stronger KYE Program	Association of Bank Compliance Officers, Inc.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
	September 23, 2020	Developing a Roadmap for the Future of Insurance Business	PIRA
	August 26, 2020	Best Practices to Manage ML/TF Risks Arising from Online Sexual Exploitation of Children Coursed Thru Banks / MSBs (Webinar Series on ML/TF Typologies)	Association of Bank Compliance Officers, Inc.
	September 20, 2019	Annual Technical Forum	Nat Re
	June 8, 2018	CEO Forum	Nat Re
	September 15, 2017	CEO Forum on Insurance Regulations & Governance	Insurance Commission and Institute of Corporate Directors
5. Rafael G. Ayuste, Jr. (Director)	August 16, 2021	Technology Governance for Directors: Small Mistakes. Big Consequences. What Boards Can Do Against Ransomware Attacks	Institute of Corporate Directors
	September 20, 2020	Anti-Money Laundering – AML and Counter Terrorism Financing	SGV
	March 6, 2020	2020 Corporate Governance Seminar	BDO Unibank, Inc.
	June 18, 2019	Revised Corporation Code	Institute of Corporate Directors
	December 13, 2018	Corporate Governance Wrap-up	GGAPP
	August 10, 2017	Corporate Governance	Institute of Corporate Directors
6. Antonio M. Rubin (Director)	August 16, 2021	Technology Governance for Directors: Small Mistakes. Big Consequences. What Boards Can Do Against Ransomware Attacks	Institute of Corporate Directors
	September 23, 2020	Developing a Roadmap for the Future Insurance Business	PIRA
	October 26, 2019	Annual CG Seminar for Directors and Key Officers	RCBC Group
	February 13, 2018	Distinguished Corporate Governance	Institute of Corporate Directors
	June 8, 2018	CEO Forum	Nat Re
7. Maria Consuelo A. Lukban (Director)	September 27, 2021	The Philippines FATF Journey: from Technical Compliance to Effectiveness	Association of Bank Compliance Officers, Inc.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
	September 2020	Refresher on Anti-Money Laundering and Terrorist Financing	SGV – EY
	August 9, 2019	Advanced Corporate Governance Training	Ayala Group
	September 10, 2018	Ayala Group Corporate Governance & Risk Management Summit	Ayala Group
8. Reginaldo Anthony B. Cariaso (Director)	October 28, 2021	Corporate Governance Under the Revised Corporation Code	Ateneo Law Alumni Association, Inc.
	November 23, 2020	Spark 7 Series – Spark 7 Transform: Culture by Design	Ayala Corporation
	November 10, 2020	2020 Integrated Corporate Governance, Risk Management and Sustainability Summit	Ayala Corporation
	September 30, 2020	Executive Session on Anti-Money Laundering and Financial Crime Compliance	SGV
	September 20, 2020	Anti-Money Laundering and Financial Crime Compliance	SGV
	August 26, 2020	Best Practices to Manage ML/TF Risks Arising from Online Sexual Exploitation of Children	Association of Bank Compliance Officers, Inc.
	July 14, 2020	Landscape and Control Mechanisms for Business Crimes and Fraud	MAP
	June 23, 2020	Survive and Thrive: Finance Business Restructuring and after a Crisis	Institute of Corporate Directors
	September 25, 2019	Enhancing Board Performance	Institute of Corporate Directors
9. Nora M. Malubay (Director)	May 14, 2021	Risk Management in the Age of Covid	Institute of Corporate Directors
	July 15, 2021	Building Better Bankers: Fostering a Stronger KYE Program	Association of Bank Compliance Officers, Inc.
	September 23, 2020	Developing a Roadmap for the Future of Insurance Business	PIRA
	June 18, 2019	Revised Corporation Code	Institute of Corporate Directors
	June 26, 2019	Investor Relations as a Profession	Institute of Corporate Directors

Name of Director/Officer	Date of Training	Program	Name of Training Institution
10. Jocelyn DG Cabreza (Director)	June 28, 2021	IC-ICD-GGAPP Roundtable Discussion for IC Regulated Entities	Institute of Corporate Directors
	July 28, 2020	GSIS Strategic Planning	GSIS
	June 18, 2019	Revised Corporation Code	Institute of Corporate Directors
	December 6, 2018	Sustainability Reporting and Audit Committee Effectiveness	SGV & Co.
	March 22, 2017	Corporate Governance	Institute of Corporate Directors
11. Medel T. Nera (Lead Independent Director)	June 1, 2021	Annual Corporate Governance Training Program for Holcim Phils.	Institute of Corporate Directors
	September 23, 2020	BSP Supervisory Assessment Framework to Replace the CAMELS and ROCA Rating Systems for BSP-Supervised Financial Institutions	Association of Bank Compliance Officers, Inc.
	October 26, 2019	Annual CG Seminar for Directors and Key Officers	RCBC Group
	October 27, 2018	Annual CG Seminar for Directors and Key Officers	RCBC Group
	September 26, 2017	Cyber Security Seminar	FireEye and IBM Security Services
	November 12, 2016	Corporate Governance	ROAM, Inc.
	December 9, 2015	Corporate Governance	SGV & Co.
	September 3, 2021	Distinguished Corporate Governance Speaker Series for Unionbank - Singapore Institute of Corporate Directors	Institute of Corporate Directors
12. Roberto G. Manabat (Independent Director)	September 29, 2021	Corporate Governance Orientation Program	Institute of Corporate Directors
	October 6-8, 2021	21st Annual National Convention	Association of Certified Public Accountants in Private Practice
	November 22, 2021	Corporate Governance	SGV
13. Rex Maria A, Mendoza (Independent Director)	October 21, 2021	Ayala Integrated Corporate Governance, Risk Management and Sustainability Summit	Institute of Corporate Directors
	November 10, 2020	2020 Integrated Corporate Governance, Risk Management	Ayala Corporation

Name of Director/Officer	Date of Training	Program	Name of Training Institution
	August 9, 2019	and Sustainability Summit of Ayala Corporation Advanced Corporate Governance Training	Ayala Group
14. Atty. Noel A. Laman	July 14, 2021 April 11, 2019	Continuing Agency Education Program Webinar 2019 Revised Corporation Code of the Philippines	POEA Center for Global Best Practices
15. Atty. Ma. Pilar P. Gutierrez	August 18, 2021 November 19, 2020 September 9, 2020 August 12, 2020 March 19, 2020 August 29, 2019 June 18, 2019	Updates and Guidance on Sustainability Reporting for Philippine Publicly-Listed Companies 7 th SEC-PSE Corporate Governance Forum POEA Continuing Agency Education Program Seminar SECuring the Philippine Capital Market and Business Sector The Who's, What's, When's, and Why's of SEC Reportorial Requirements of Corporations Finer Points of Good Governance under the Revised Corporation Code Revised Corporation Code	SEC & GRI SEC and PSE POEA SEC SEC Financial Executives Institute of the Philippines (FINEX) Institute of Corporate Directors
16. Jaime Jose M. Javier (Senior Vice President)	November 9-10, 2021	Corporate Governance Orientation Program	Institute of Corporate Directors
17. Regina S. Ramos (Vice President)	August 16, 2021 July 28, 2021 December 10, 2020 November 19, 2020	Technology Governance for Directors: Small Mistakes. Big Consequences. What Boards Can Do Against Ransomware Attacks IC-ICD-GGAPP Roundtable Discussion for IC Regulated Entities The 4 Essential Roles of Leadership 7 th SEC-PSE Corporate Governance Forum Webinar on COVID-19: The Story in Numbers	Institute of Corporate Directors Institute of Corporate Directors Franklin Covey SEC

	September 23, 2020	Managing in the Recession – The Challenge of Economic Resilience Amidst Covid-19	Nat Re
	August 5, 2020	SEC-GRI Sustainability Reporting Workshop (Sustainable Development Goals and Global Reporting Initiatives Disclosures)	Ateneo de Manila University
	March 09, 2020	Corporate Governance Forum	SEC
	October 25, 2019	ASEAN Corporate Governance Scorecard for Publicly Listed Companies	PSE and SEC
	July 18, 2018	Corporate Governance Conference on Sustainability	Institute of Corporate Directors
	October 09, 2018	The 5 th SEC-PSE Corporate Governance Forum	SEC-PSE
	October 23, 2018	Corporate Governance Conference: Competing Against Risk	Institute of Corporate Directors
	September 26, 2017	CEO Forum on Insurance Regulations & Governance	Insurance Commission
	September 15, 2017	Corporate Governance	Institute of Corporate Directors
	August 10, 2017	Corporate Governance	Institute of Corporate Directors
18. Daisy C. Salonga (Vice President)	October 12-19, 2021	16th Philippine Summit: Reviving Paths To Recovery	The Asset
	December 10, 2020	The 4 Essential Roles of Leadership	Franklin Covey
	August 5, 2020	Managing in the Recession – The Challenge for Economic Resilience Amidst Covid-19	Ateneo de Manila University
	June 18, 2019	Annual Technical Forum	Nat Re
	June 8, 2018	CEO Forum	Nat Re
	December 7, 2017	Corporate Governance	SGV & Co.
	September 15, 2017	CEO Forum on Insurance Regulations & Governance	Insurance Commission and Institute of Corporate Directors
19. Santino U. Sontillano (Vice President)	August 6, 2021	Technology Governance for Directors: Small Mistakes. Big	Institute of Corporate Directors

	December 10, 2020	Consequences. What Boards Can Do Against Ransomware Attacks	Franklin Covey
	September 20, 2019	The 4 Essential Roles of Leadership	Nat Re
	December 6, 2018	Annual Technical Forum	SGV & Co.
		Sustainability Reporting and Audit Committee Effectiveness	
20. Regina Lourdes D. Papa (Senior Assistant Vice President)	July 15, 2021	Building Better Bankers: Fostering a Stronger KYE Program	Association of Bank Compliance Officers, Inc.
	December 10, 2020	The 4 Essential Roles of Leadership	Franklin Covey
	June 10, 2020	Leadership & HR Development in Crisis Situation	Employers Confederation of the Philippines
	September 10, 2019	Annual Technical Forum	Nat Re

ITEM 10. EXECUTIVE COMPENSATION

ANNUAL COMPENSATION IN PHILIPPINE PESOS

Name	Year	Salary	Bonus	Other annual compensation
CEO and key executive officers named	2019	27,886,186.65	4,663,500.00	14,147,488.19
All other officers and directors as a group unnamed <i>includes retirement pay for 2 officers</i>		13,113,708.60	1,482,050.00	2,242,866.97
CEO and key executive officers named	2020	27,363,732.00	11,167,545.08	5,998,087.57
All other officers and directors as a group unnamed		5,105,146.00		1,416,112.00
CEO and key executive officers named*	2021	25,472,275.00	9,370,129.16	11,280,367.56
All other officers and directors as a group unnamed		6,699,115.83		1,326,934.00
CEO and key executive officers named*	2022 (estimates)	29,628,377.10	6,936,953.90	12,467,039.68
All other officers and directors as a group unnamed		8,790,000.00		1,410,496.12

*Officers and directors named for 2021 include the following:

1. Allan R. Santos, President and CEO
2. Jaime Jose M. Javier, Senior Vice President and Head, Life Reinsurance
3. Regina S. Ramos, Vice President and Head, Risk and Compliance
4. Daisy C. Salonga, Vice President, Investments
5. Santino U. Sontillano, Senior Assistant Vice President, Head of Finance

The Corporation's Amended By-Laws (Article III, Section 8) provide that such per diem as the Board of Directors may approve shall be paid to each director for attendance at any meeting of the Board; provided however, that nothing herein contained shall be construed to preclude any director from receiving such bonuses, other than per diems, as provided elsewhere in the Corporation's Amended By-Laws, or from serving in any other capacity and receiving compensation there from, subject to approval thereof by the vote of stockholders representing at least a majority of the outstanding capital stock at a regular or special stockholders' meeting. In this connection, Section 30 of the Corporation Code of the Philippines states that "in no case shall the total yearly compensation of directors, as such directors, exceed ten percent (10%) of the net income after tax of the corporation during the preceding year."

Each director of the Corporation receives a per diem based on the following schedule for attendance in meetings of the Board of Directors/ Committees:

A. Board Meetings	
Chairman	P 50,000
Vice-Chairman	45,000
Treasurer	37,500
Independent Directors	25,000
Regular Directors	25,000
B. Committee Meetings*	
Independent Directors	P 8,000
Regular Directors	8,000

**as approved during the June 23, 2021 Annual Stockholders Meeting, the increase in the per diem of directors in Committee Meetings effective July 2021 will be as follows:*

For Committee Meetings:

Regular and Independent Directors from P6,000 to P8,000

For the year 2021, the directors of the Corporation received the following per diems (net of tax):

Name	Per Diem in 2021
Wilfredo C. Maldia	PHP 661,000
Yvonne S. Yuchengco	PHP 559,000*
Allan R. Santos	PHP 354,833
Joli Co Wu	PHP 550,500
Nora M. Malubay	PHP 379,000
Jocelyn DG Cabreza	PHP 349,000
Maria Consuelo A. Lukban	PHP 378,000*
Reginaldo Anthony B. Cariaso	PHP 436,000*
Antonio M. Rubin	PHP 385,000
Rafael G. Ayuste, Jr.	PHP 384,000
Ermilando D. Napa**	PHP 182,000
Rex Maria A. Mendoza	PHP 418,000
Roberto G. Manabat***	PHP 248,000
Medel T. Nera	PHP 498,000

**As nominee directors of their respective principals, the said directors received the per diems on behalf of their respective principals*

***term ended on June 23, 2021*

****elected as director during the Annual Stockholders Meeting on June 23, 2021*

Aside from the above, no other resolution relating to director's remuneration has been adopted by the Board of Directors.

As of date, none of the Corporation's common shares are subject to outstanding options or warrants to purchase, or securities convertible into common shares of the Corporation.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS AND MANAGEMENT

1. Security Ownership of Certain Record and Beneficial Owners

The following table sets forth as of December 31, 2021, the record and/or beneficial owners of more than 5% of the outstanding Common Shares of the Corporation and the amount of such record and/or beneficial ownership.

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name and Address of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Held	Percent of Class
Common	Bank of Philippine Islands, Ayala Avenue corner Paseo de Roxas, Makati City	Bank of Philippine Islands, Ayala Avenue corner Paseo de Roxas, Makati City	Filipino	290,795,500	13.69%
Common	PCD Nominee Corporation (Filipino) ¹ , G/F MSE Building, 6754 Ayala Avenue, Makati City	Government Service Insurance System ² , New GSIS Headquarters, Financial Center, Pasay City	Filipino	546,465,397	25.73%
Common	PCD Nominee Corporation (Filipino) ¹ , G/F MSE Building, 6754 Ayala Avenue, Makati City	MICO Equities Inc. ² Yuchengco Bldg., 484 Quintin Paredes Street Manila	Filipino	273,716,100	12.89%

^{1,2}The PCD is not related to the Company. The 546,465,397 shares and 273,716,100 shares beneficially owned by GSIS and MICO Equities, respectively, form part of the 1,676,866,787 shares registered in the name of PCD Nominee Corporation (Filipino).

2. Security Ownership of Management

The following table sets forth as of December 31, 2021 the record or beneficial stock ownership of each Director of the Corporation and all Officers and Directors as a group.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Wilfredo C. Maldia	1 Record	Filipino	0.000000%
Common	Allan R. Santos	5,000 Record 493,000 Beneficial	Filipino	0.023451%
Common	Joli Co Wu	344,100	Filipino	0.028446%

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
		Record 260,000 Beneficial		
Common	Yvonne S. Yuchengco	100 Record 26,000 Beneficial	Filipino	0.001229%
Common	Maria Consuelo A. Lukban	50 Record	Filipino	0.000002%
Common	Ermilando D. Napa	1,000 Record	Filipino	0.000047%
Common	Rex Maria A. Mendoza	1,000 Record	Filipino	0.000047%
Common	Medel T. Nera	1,000 Record	Filipino	0.000047%
Common	Rafael G. Ayuste, Jr.	100,000 Record	Filipino	0.004709%
Common	Reginaldo Anthony B. Cariaso	50 Record	Filipino	0.000002%
Common	Jocelyn DG Cabreza	1 Record	Filipino	0.00000%
Common	Antonio M. Rubin	1,000 Record 10,000 Beneficial	Filipino	0.00000%
Common	Nora M. Malubay	1 Record	Filipino	0.00000%
	TOTAL FOR DIRECTORS	1,242,303		0.058499%
	GRAND TOTAL	1,242,303		0.058499%

All the above named directors and officers of the Corporation are the record and beneficial owners of the shares of stock set forth opposite their respective names.

Voting Trust Holders of 5% or more

The Corporation is not aware of any person holding more than 5% of the shares of the Corporation under a voting trust or similar agreement which may result in a change in control of the Corporation.

Changes in Control

From January 1, 2021 to date, there has been no change in control of the Corporation. Neither is the Corporation aware of any arrangement which may result in a change in control of it.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company's corporate governance manual provides that related party transactions shall be fully disclosed and conducted on terms that are comparable to normal commercial practices to safeguard the best interest of the Corporation and its stakeholders.

The following table shows (in millions of Philippine Pesos) **premiums, retrocession and related income and expense accounts** between the Corporation, its Principal Shareholders, related parties under common ownership and companies represented by other members of the Board of Directors. For 2021 and 2020 information (refer to Note 25 of the accompanying audited financial statements):

Shareholder/Related Party/Director Corporation	2021						
	In Million PHP	Premiums	Commission Expenses	Retrocession	Commission Income	Losses Incurred	Loss Recoveries
GSIS		(0.0)	(0.0)	(0.0)	-	25.8	(6.2)
BPI-Philam Life		50.0	1.0	-	-	47.8	-
BPI/MS Insurance		45.4	11.9	-	-	21.1	-
FLT Prime Insurance		-	-	-	-	-	-
Total BPI Group		95.4	12.9	-	-	68.9	-
Sunlife GREPA Financial		14.5	-	-	-	-	-
Malayan Insurance		123.2	18.0	-	-	-	-
Total Malayan Group		137.7	18.0	-	-	-	-
GRAND TOTAL		233.1	30.9	(0.0)	-	94.7	(6.2)

Shareholder/Related Party/Director Corporation	2020						
	In Million PHP	Premiums	Commission Expenses	Retrocession	Commission Income	Losses Incurred (Reversal)	Loss Recoveries
GSIS		27.5	0.1	(0.0)	-	(2.9)	(0.2)
BPI-Philam Life		92.6	2.4	-	-	7.8	-
BPI/MS Insurance		34.8	9.5	-	-	47.5	-
FLT Prime Insurance		-	-	-	-	(8.0)	-
Total BPI Group		127.4	11.9	-	-	47.3	-
Sunlife GREPA Financial		15.0	-	-	-	-	-
Malayan Insurance		73.3	17.2	-	-	28.8	-
Total Malayan Group		88.3	17.2	-	-	28.8	-
GRAND TOTAL		243.2	29.2	(0.0)	-	73.2	(0.2)

The following tables show (in millions of Philippine Pesos) **reinsurance balances receivable from and payable to related parties** as a result of the above transactions as of December 31, 2021 and 2020 (refer to Note 25 of the accompanying audited financial statements):

Shareholder/ Related Party/Director Corporation	2021						
	In Million PHP	Due from Ceding Cos.	Reinsurance recoverable on losses	Funds held by Ceding Cos.	Losses and claims Payable	Due to Retrocessionai re	Funds held for retro
GSIS		(0.0)	8.5	-	192.6	(0.0)	-
BPI-Philam Life		80.2	-	-	47.8	6.7	-
BPI/MS Insurance		9.3	-	-	415.5	-	-
Total BPI Group		89.5	-	-	463.3	6.7	-
Malayan Insurance		15.3	-	-	111.9	-	-
Total Malayan Group		15.3	-	-	111.9	-	-
GRAND TOTAL		104.8	8.5	-	767.8	6.7	-

Shareholder/ Related Party/Director Corporation	2020						
	In Million PHP	Due from Ceding Cos.	Reinsurance recoverable on losses	Funds held by Ceding Cos.	Losses and claims Payable	Due to Retrocessionai re	Funds held for retro
GSIS		0.2	18.9	-	172.9	-	-
BPI-Philam Life		48.0	-	-	-	5.7	-
BPI/MS Insurance		-	-	-	417.8	-	-
Total BPI Group		48.0	-	-	417.8	5.7	-
Malayan Insurance		14.7	-	-	140.2	-	-
Total Malayan Group		14.7	-	-	140.2	-	-
GRAND TOTAL		62.9	18.9	-	730.9	5.7	-

In addition to the foregoing, the Corporation has entered into agreements with the following:

1. *Custodianship Agreement*: The Corporation entered into a Custodianship Agreement with the Bank of Philippine Islands Asset Management and Trust Corporation (BPI-AMTC) for purposes of opening and maintaining a custodianship account with BPI-AMTC over certain securities owned by the Corporation. BPI-AMTC acts as a depository of such securities. For services rendered, BPI-AMTC is entitled to the custodianship fees based on the value of the securities held. The Agreement shall continue in full force and effect unless sooner terminated by either of the parties concerned for any reason whatsoever upon giving the other party at least 30 days advance written notice of termination.
2. *Investment Management Agreement*: The Corporation entered into separate Investment Management Agreement with BPI-AMTC and Rizal Commercial Banking Corporation (RCBC), for purposes of investing a portion of the Company's investible funds. BPI-AMTC and RCBC, as Investment Managers shall invest and reinvest the funds deposited with them through an investment management account. As compensation for services, both BPI-AMTC and RCBC shall be entitled to collect such reasonable compensation to be paid out of the respective funds maintained. The

respective Agreements shall continue in full force and effect unless sooner terminated by either of the parties concerned for any reason whatsoever upon giving the other party at least 30 days advance written notice of termination.

3. *Retirement Fund Agreement.* The Board of Trustees of the National Reinsurance Corporation Employees Retirement Plan entered into a separate Trust Agreement with BPI-AMTC and RCBC, to manage and administer the Corporation's retirement fund and to make such investments or reinvestments of the fund as deemed to be reasonable or advisable. As compensation for services, BPI-AMTC and RCBC shall be entitled to collect such reasonable compensation to be paid out of the respective funds maintained. The respective Agreements shall continue in full force and effect unless sooner terminated by either of the parties concerned for any reason whatsoever upon giving the other party at least 30 days advance written notice of termination.

There are no other parties, aside from the related parties discussed herein, with whom the Corporation has a relationship, being a stockholder and a related party under common ownership, that enables the parties to negotiate terms of material transactions that may not be available to other more clearly independent parties on an arm's length basis.

PART IV – CORPORATE GOVERNANCE AND SUSTAINABILITY

ITEM 13.A CORPORATE GOVERNANCE

Please refer to the Corporate Governance Section on the Company's Official Website at <https://www.nat-re.com>.

Per SEC Memorandum Circular No. 5, Series of 2013, Item V, The Corporate Governance section in the Annual Report (SEC Form 17-A) may already be deleted.

ITEM 13.B SUSTAINABILITY REPORT

Our Sustainability Report is posted on the Company's Website with this link – https://www.nat-re.com/naresite/wp-content/uploads/2022/04/NatRe_2021_Sustainability_Report_12_April_2022.pdf

PART IV – EXHIBITS AND SCHEDULES

ITEM 14. EXHIBITS AND REPORTS

(a) Exhibits – See accompanying Index of Exhibits

(b) Reports on SEC Form 17-C

Items reported under SEC Form 17C during the last six months include the following:

- July 26, 2021 re: Resignation of Mr. Victor R. Tanjuakio, FVP and Head of Life Reinsurance
- July 29, 2021 re: Board approval of the company's Vision and Mission
- August 16, 2021 re: Press Release – Nat Re gets financial strength rating of PRS A from PhilRatings
- August 26, 2021 re: Appointment of Mr. Jaime Jose M. Javier, Jr. as SVP and Head of Life Reinsurance
- October 5, 2021 re: Nat Re cited as one of PH's best insurance-regulated firms in corporate governance, wins regional Best Corporate Governance and Best Reinsurance Service Provider awards
- October 28, 2021 re: Board approval of the Revised Oversight Committee Charter
- December 16, 2021 re: Dissolution of the Special Board Committee
- January 7, 2022 re: SEC Approval to the Amendments of the Company's By-Laws
- January 7, 2022 re: Press Release – Nat Re was named ASEAN Reinsurer of the Year Prize at the Insurance Asia News Awards for Excellence 2021
- January 28, 2022 re: Board approval the Nat Re Board of Directors Charter and Nat Re Code of Ethics.
- March 10, 2022 re: Insurance Commission (IC) Synopsis of the 2020 Annual Statement
- March 31, 2022 re: Board approval on the following:
 - a. Company's Audited Financial Statements for the period ending December 31, 2021;
 - b. Reappointment of KPMG Philippines as the Company's external auditor for 2022;
 - c. Sustainability Report for 2021;
 - d. Agenda Items, Attendance/Participation Process and Voting Procedures for the Annual Stockholders' meeting on June 21, 2022;
 - e. Amendment of the secondary purpose clause (Article II) of the Amended Articles of Incorporation;

- f. Increase in Directors' Per Diem for attendance in committee meetings from
- g. P8,000 to P15,000.

- March 31, 2022 re: Retirement and Promotion of Company Officers
- March 31, 2022 re: Notice and Agenda Items of the 2022 Annual Stockholders' Meeting

EXHIBIT TABLE

	Description	17-A
(3)	Plan of Acquisition, Reorganization, Arrangement, Liquidation, or Succession	N.A.
(5)	Instruments Defining the Rights of Security Holders, Including Indentures	N.A.
(8)	Voting Trust Agreement	N.A.
(10)	2019 Annual Report (SEC Form 17-A) Financial Statements and Independent Auditors' Report (with notarized Statement of Management Responsibility and SEC Supplementary Schedules)	Attached
(13)	Letter re: Change in Certifying Accountant	N.A.
(15)	Letter re: Change in Accounting Principles	N.A.
(16)	Report Furnished to Security Holders	N.A.
(18)	Subsidiaries of the Registrant	N.A.
(19)	Published Report Regarding Matters Submitted to Vote of Security Holders	N.A.
(20)	Consents of Experts and Independent Counsel	N.A.
(21)	(a) Power of Attorney (b) Power of Attorney—Foreign Registrant	N.A.
(29)	Additional Exhibits	N.A.

N.A. – Not applicable or require no answer.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on April 2022.

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
Issuer

By:

(original signed)
ALLAN R. SANTOS

Principal Executive Officer
(President & CEO)


(original signed)
SANTINO U. SONTILLANO
Designated Principal Accounting Officer
(Vice President & Head of Finance)

(original signed)
NOEL A. LAMAN
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 08 APR 2022 affiant(s) exhibiting to me their Passport Nos., as follows:

<u>NAMES</u>	<u>PASSPORT NO.</u>	<u>DATE OF ISSUE</u>	<u>PLACE OF ISSUE</u>
Allan R. Santos			
Santino U. Sontillano			
Noel A. Laman			

Doc. No.: 68 ;
Page No.: 15 ;
Book No.: 211 ;
Series of 2022.


ATTY. RAYMOND A. RAMOS
COMMISSION NO. M-239
NO. R. C. MAKATI CITY
UNTIL JUNE 30, 2022 PER B.M. NO. 3795
11 KALAYAAN AVENUE EXTENSION,
BARANGAY WEST REMBO, MAKATI CITY
SC Roll No. 62179/04-26-2013
IBP NO. 171365/01-03-2022/Pasig City
PTR NO. MKT 8852502/01-03-2022/Makati City
MCLB Compliance No. VI-0007878/4-06-2018



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

The management of **National Reinsurance Corporation of the Philippines** (the Company), 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 is 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 (the Board) is responsible for overseeing the Company's financial reporting process.

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

KPMG Philippines, the independent auditors appointed by the stockholders have audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, have expressed its opinion on the fairness of presentation upon completion of such audit.

(original signed)

WILFREDO C. MALDIA
Chairman of the Board

(original signed)

ALLAN R. SANTOS
President & Chief Executive Officer

(original signed)

JOLI CO WU
Treasurer

(original signed)

SANTINO U. SONTILLANO
Vice President & Head of Finance

Signed this day of April, 2022.

APR 12 2022

SUBSCRIBED AND SWORN TO before me on _____ at Makati City,
Affiants exhibited to me their passport numbers.

Name	Passport No.	Date Issued	Place of issue
WILFREDO C. MALDIA			
JOLI CO WU			
ALLAN R. SANTOS			
SANTINO U. SONTILLANO			

Doc. No. 115
Page No. 24
Book No. 141
Series of 2022.

Notary Public

FELIPE I. ILEDAN JR.

Notary Public for and in Makati City
Until Dec. 31, 2022, Appt. No. M-09
Roll No. 27625, TIN 136897808

Rm. 412, 4th Flr. VGP Center, Ayala, Makati City

31/F BPI-Philam Life Makati (formerly Ayala Life FGU Center), 6811 Ayala Avenue, Makati City, Philippines 1227
Trunk Line: +632 988-7400 • Fax: +632 988-7457 • Website: www.nrcp.com.ph • E-mail: nrcp@nrcp.com.ph

IBP No. 119432, 06/17/2020

MCLE Compliance No. VI-0012066



R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
National Reinsurance Corporation of the Philippines
31st Floor BPI-Philam Life Makati
6811 Ayala Avenue, Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of National Reinsurance Corporation of the Philippines (the Company), which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of income, comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

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 year then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to 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.

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audits of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

(P4.20 billion, see statements of income and Notes 2, 3 and 18 to the financial statements)

The risk

Reinsurance premium is recognized as revenue over the period of the reinsurance contracts using the "24th method". The Company's reinsurance premium consists of actual amounts reported by the cedants and accrued reinsurance premiums based on the terms of the reinsurance contracts, historical experience and latest information provided by the cedants. The accrued reinsurance premiums were estimated based on assumptions and are therefore subject to considerable uncertainties and high degree of management judgment.

Due to the materiality of the amount of reinsurance premiums and the associated uncertainties in the estimations made, this matter was of particular significance in the context of our audit.

Our response

As part of our audit procedures, we evaluated and tested the internal controls over the completeness, existence and accuracy of the reinsurance premium recognized in the financial statements. We vouched reinsurance contracts on a sampling basis, performed cut-off testing including, among others, examining the dates of approval and receipt for reinsurance contracts near period-end and subsequent to period-end. To assess the reasonableness of recorded accrued reinsurance premiums, we analyzed historical experience and tested management's estimates by comparing the actual premiums received with the previously reported accrual. We assessed the propriety of the assumptions underlying the estimate and determined whether there were any indicators of management bias.

Valuation of Reinsurance Balance Receivables

(P3.42 billion, see statements of financial position and Notes 2, 3 and 6 to the financial statements)

The risk

The risk in this area pertains to the valuation of reinsurance balances receivable including recoverability from cedants and retrocessionaires. In determining such valuation and recoverable amount, management exercised significant judgment on the credit risk assessment as well as on both the timing of recognition of impairment losses and the estimation of the amount of the impairment.



Our response

As part of our audit procedures, we evaluated the appropriateness of the Company's accounting policy on impairment, and assessed and challenged the key assumptions used by management including whether there were any indicators of management bias in the selection of method used to compute for the allowance for impairment losses on reinsurance balances receivable. We performed analysis of the adequacy of the impairment allowance by testing the aging of reinsurance balances receivable and identifying potential troubled accounts considering, among others, past due accounts, accounts under litigation and accounts from closed ceding companies and retrocessionaires.

Valuation of Claims Liabilities

(P3.10 billion, see statements of financial position and Notes 2, 3 and 17 to the financial statements)

The risk

Claims liabilities represent estimates of future payments of reported and unreported claims and related expenses. The valuation of claims reserves involves a high degree of subjectivity and complexity.

The Company uses a range of actuarial methodologies to estimate claims reserves. The expected value takes into account assumptions about premium, ultimate loss ratios and run-off periods that are based on actuarial estimate from historical experience. Other key factors include but are not limited to changes in exposure and business mix as well as inflation trends, claim emergence trends, and legal or regulatory decisions.

Our response

As part of our audit procedures, we tested the design, implementation and effectiveness of key controls established by the Company for estimating claims reserves, and tested the completeness and accuracy of the underlying data used in the estimation. This involved engaging external actuarial specialists to assist us in assessing the reasonableness of the assumptions and methodologies used in the determination of claims reserves. We also recalculated the claims reserves and unexpired risk reserves in accordance with the relevant regulatory requirements, verified the accuracy of the amounts of claims reserves based on stratified sampling, and determined compliance with the liability adequacy test as required by the Insurance Commission and relevant accounting standards.

Valuation of Available-for-sale Financial Assets

(P5.95 billion, see statements of financial position and Notes 2, 3, 7 and 30 to the financial statements)

The risk

Due to the current Coronavirus Disease 2019 pandemic, there is a significant focus in ensuring that the investments of the Company are valued in accordance with applicable standards, as it holds and manages a substantial available-for-sale investment portfolio which comprise mainly of debt and equity investments to meet its obligations under the reinsurance contracts.



The Company performs an impairment review of its available-for-sale investments at the end of each reporting period and impairment is recognized when there has been a significant or prolonged decline in the fair value of these investments below their costs. Significant management judgment is involved in evaluating the existence of objective evidence of impairment and the determination of what constitutes significant or prolonged decline in the fair value. As such, we determined this to be significant focus area during our audit.

Our response

As part of our audit procedures, we evaluated the appropriateness of the Company's impairment policy and the significant judgment used by management in evaluating the objective evidence of impairment for available-for-sale investments. We examined the impairment tests performed by the management in determining the amount of impairment losses. We also performed an independent impairment test to determine the adequacy of the impairment losses recognized using external information where available, or by analyzing the observable data that we considered to be an objective evidence of impairment.

Other Matter

The financial statements of the Company for the year ended December 31, 2019, were audited by another auditor who expressed an unmodified opinion on those financial statements on March 26, 2020.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Company's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement) and SEC Form 17-A, both of which do not include the financial statements and our auditors' report thereon, and the Annual Report for the year ended December 31, 2021. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

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

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



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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA 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 PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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



We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 34 to the basic financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditors' report is Mr. Tireso Randy F. Lapidez.

R.G. MANABAT & CO.

(original signed)

TIRESO RANDY F. LAPIDEZ

Partner

CPA License No. 0092183

IC Accreditation No. 92183-IC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements

SEC Accreditation No. 92183-SEC, Group A, valid for one (1) year
covering the audit of 2021 financial statements

Tax Identification No. 162-411-175

BIR Accreditation No. 08-001987-034-2020

Issued July 20, 2020; valid until July 19, 2023

PTR No. MKT 8854069

Issued January 3, 2022 at Makati City

April 13, 2022

Makati City, Metro Manila



NATIONAL
REINSURANCE
CORPORATION
OF THE PHILIPPINES

Irene Lozada <irene.lozada@nat-re.com>

Your BIR AFS eSubmission uploads were received

1 message

eafs@bir.gov.ph <eafs@bir.gov.ph>

Wed, Apr 13, 2022 at 4:14 PM

To: IRENE.LOZADA@nat-re.com

Cc: SAN.SONTILLANO@nat-re.com

Hi NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES,

Valid files

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- <None>

Transaction Code: **AFS-0-8CCK7AKJ0PM4WVXNZMW2ZZQW0MP32QWWT**

Submission Date/Time: **Apr 13, 2022 04:14 PM**

Company TIN: **000-480-869**

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NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF FINANCIAL POSITION
December 31, 2021 and 2020
(Amounts in thousands)

	<i>Notes</i>	2021	2020
ASSETS			
Cash and cash equivalents	5	P658,187	P950,914
Reinsurance balances receivable – net	6	3,422,158	2,672,352
Available-for-sale (AFS) financial assets	7	5,952,670	5,933,067
Held-to-maturity (HTM) investments	8	2,390,758	1,958,534
Loans and receivables	9	57,719	71,057
Property and equipment – net	10	52,041	59,973
Reinsurance recoverable on reported losses – net	11	1,854,884	2,426,926
Reinsurance recoverable on claims reserves	11	912,031	330,634
Deferred acquisition costs	12	658,344	620,854
Deferred reinsurance premiums	13	434,511	407,404
Other assets – net	14	325,444	447,396
TOTAL ASSETS		P16,718,747	P15,879,111
LIABILITIES AND EQUITY			
Liabilities			
Reinsurance balances payable	15	P1,597,074	P1,179,587
Accounts payable and accrued expenses	16	319,526	326,297
Losses and claims payable	17	4,492,427	4,824,992
Claims reserves	17	3,102,939	2,255,646
Premium reserves	18	1,533,329	1,539,347
Deferred reinsurance commissions	19	9,242	6,920
Total Liabilities		11,054,537	10,132,789
Equity	24	5,664,210	5,746,322
TOTAL LIABILITIES AND EQUITY		P16,718,747	P15,879,111

See Notes to the Financial Statements

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF INCOME

For the years ended December 31, 2021, 2020 and 2019

(Amounts in thousands, except Earnings Per Share)

	<i>Notes</i>	2021	2020	2019
Reinsurance premium income				
Reinsurance premiums – net of returns	<i>18</i>	P4,195,125	P4,473,702	P4,338,535
Retroceded premiums	<i>13</i>	(1,357,272)	(1,276,690)	(1,064,246)
Net premiums retained		2,837,853	3,197,012	3,274,289
Movement in premium reserves – net	<i>13, 18</i>	33,125	182,266	(81,119)
		2,870,978	3,379,278	3,193,170
Underwriting deductions				
Share in reported losses – net	<i>21.1</i>	1,696,576	1,758,900	1,806,624
Share in unreported loss reserves – net	<i>21.2</i>	265,896	246,994	281,592
Commissions – net	<i>21.3</i>	861,313	1,031,659	968,591
		2,823,785	3,037,553	3,056,807
Net underwriting income		47,193	341,725	136,363
Investment and other income and expenses – net	<i>20</i>	404,110	131,666	349,340
Profit after investment and other income and expenses		451,303	473,391	485,703
General and administrative expenses	<i>22</i>	259,988	278,419	268,501
Profit before tax		191,315	194,972	217,202
Tax expense	<i>23</i>	49,616	75,055	60,484
Net profit		P141,699	P119,917	P156,718
Earnings per share - basic and diluted	<i>27</i>	P0.067	P0.056	P0.074

See Notes to the Financial Statements.

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the years ended December 31, 2021, 2020 and 2019

(Amounts in thousands)

	<i>Notes</i>	2021	2020	2019
Net profit		P 141,699	P119,917	P156,718
Other comprehensive income (loss)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit asset	22.2	511	(4,462)	(1,814)
Items that are and will be reclassified subsequently to profit or loss				
Fair value gains (losses) on AFS financial assets during the year	7	(147,335)	102,105	390,713
Amortization of unrealized gains on reclassified HTM securities to profit or loss		10,773	9,186	9,510
Fair value gains on disposal of AFS financial assets reclassified to profit or loss	7	(94,434)	(309,260)	(79,772)
Impairment of AFS financial assets reclassified to profit or loss	7	6,811	469,312	57,511
Income tax effect		(137)	(46)	181
		(224,322)	271,297	378,143
Total other comprehensive income (loss)		(223,811)	266,835	376,329
Total comprehensive income (loss)		(P82,112)	P386,752	P533,047

See Notes to the Financial Statements.

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2021, 2020 and 2019

(Amounts in thousands)

	Capital Stock		Additional Paid-in Capital (Note 24)	Treasury Shares at Cost (Note 24)	Revaluation Reserves			Retained Earnings		Total Equity	
	Notes	No. of shares (in thousands)			Amount (Note 24)	AFS Financial Assets	HTM Investments	Defined Benefit Liability (Note 22)	Appropriated		Unappropriated
Balance at January 1, 2021		2,181,955	P2,181,955	P3,019,218	(P100,525)	P261,721	(P66,351)	(P73,877)	P55,400	P468,781	P5,746,322
Net profit		-	-	-	-	-	-	-	-	141,699	141,699
Other comprehensive income (loss):		-	-	-	-	-	-	-	-	-	-
Items that will not be reclassified subsequently to profit or loss		-	-	-	-	-	-	511	-	-	511
Item that are and will be reclassified subsequently to profit or loss		-	-	-	-	(235,095)	10,773	-	-	-	(224,322)
Total comprehensive income (loss)		-	-	-	-	(235,095)	10,773	511	-	141,699	(82,112)
Appropriated for contingencies	24	-	-	-	-	-	-	-	14,170	(14,170)	-
Balance at December 31, 2021		2,181,955	P2,181,955	P3,019,218	(P100,525)	P26,626	(P55,578)	(P73,366)	P69,570	P596,310	P5,664,210
Balance at January 1, 2020		2,181,955	P2,181,955	P3,019,218	(P100,525)	(P390)	(P75,537)	(P69,415)	P43,408	P360,856	P5,359,570
Net profit		-	-	-	-	-	-	-	-	119,917	119,917
Other comprehensive income (loss):		-	-	-	-	-	-	(4,462)	-	-	(4,462)
Items that will not be reclassified subsequently to profit or loss		-	-	-	-	-	-	(4,462)	-	-	(4,462)
Item that are and will be reclassified subsequently to profit or loss		-	-	-	-	262,111	9,186	-	-	-	271,297
Total comprehensive income (loss)		-	-	-	-	262,111	9,186	(4,462)	-	119,917	386,752
Appropriated for contingencies	24	-	-	-	-	-	-	-	11,992	(11,992)	-
Balance at December 31, 2020		2,181,955	P2,181,955	P3,019,218	(P100,525)	P261,721	(P66,351)	(P73,877)	P55,400	P468,781	P5,746,322

Forward

	Capital Stock		Additional Paid-in Capital (Note 24)	Treasury Shares at Cost (Note 24)	Revaluation Reserves			Retained Earnings		Total Equity	
	Notes	No. of shares (in thousands)			Amount (Note 24)	AFS Financial Assets	HTM Investments	Defined Benefit Liability (Note 22)	Appropriated		Unappropriated
Balance at January 1, 2019		2,181,955	P2,181,955	P3,019,218	(P100,525)	(P369,023)	(P85,047)	(P67,601)	P27,736	P219,810	P4,826,523
Net profit		–	–	–	–	–	–	–	–	156,718	156,718
Other comprehensive income (loss):											
Items that will not be reclassified subsequently to profit or loss		–	–	–	–	–	–	(1,814)	–	–	(1,814)
Item that are and will be reclassified subsequently to profit or loss		–	–	–	–	368,633	9,510	–	–	–	378,143
Total comprehensive income (loss)		–	–	–	–	368,633	9,510	(1,814)	–	156,718	533,047
Appropriated for contingencies	24	–	–	–	–	–	–	–	15,672	(15,672)	–
Balance at December 31, 2019		2,181,955	P2,181,955	P3,019,218	(P100,525)	(P390)	(P75,537)	(P69,415)	P43,408	P360,856	P5,359,570

See Notes to the Financial Statements.

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2021, 2020 and 2019

(Amounts in thousands)

	<i>Notes</i>	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P191,315	P194,972	P217,202
Adjustments for:				
Movement in premium reserves – net	<i>13, 18</i>	(33,125)	(182,266)	81,119
Movement in share in reported losses – net		4,210	51,435	40,920
Movement in share in unreported loss reserves – net	<i>21.2</i>	265,896	246,994	281,592
Commissions - net	<i>12, 19</i>	(35,168)	(24,688)	(184,668)
Interest income	<i>20</i>	(259,768)	(294,044)	(314,789)
Gain on sale of AFS financial assets	<i>7, 20</i>	(94,434)	(309,260)	(79,772)
Dividend income	<i>20</i>	(40,157)	(46,285)	(43,713)
Unrealized foreign currency (gains) losses		(39,794)	9,784	29,169
Impairment losses	<i>7, 20</i>	6,811	469,312	57,511
Movement in deposit liability	<i>16, 20</i>	2,360	13,581	–
(Gain) loss on sale of non-financial assets	<i>20</i>	–	(17)	17
Loss on asset retirement	<i>20</i>	–	–	35
Depreciation and amortization	<i>22</i>	18,491	20,084	22,380
Operating income (loss) before working capital changes		(13,363)	149,602	107,003
Decrease (increase) in:				
Reinsurance balances receivable - net		(660,821)	(110,276)	(374,500)
Loans and receivables		776	(326)	5,746
Reinsurance recoverable on reported losses		621,934	(102,193)	154,389
Other assets - net		137,576	17,334	26,175
Increase (decrease) in:				
Reinsurance balances payable		409,774	933	34,177
Accounts payable and accrued expenses		59,739	161,597	12,826
Losses and claims payable		(436,959)	245,547	(42,916)
Cash generated from (used in) operations		118,656	362,218	(77,100)
Cash paid for income taxes		(141,444)	(130,591)	(95,839)
Net cash from (used in) operating activities		(P22,788)	P231,627	(P172,939)

Forward

	<i>Notes</i>	2021	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal/maturities of:				
AFS financial assets	7	P4,767,566	P6,092,297	P2,862,762
HTM investments	8	596,794	480,937	338,672
Loans and receivable		2,426	2,599	57,830
Property and equipment	10	–	187	144
Interest received		283,454	299,373	300,491
Dividends received		41,377	46,660	42,505
Acquisitions of:				
AFS financial assets	7	(4,938,658)	(6,991,787)	(2,848,452)
HTM investments	8	(1,023,140)	(200,000)	(722,206)
Loans and receivable		(9,875)	(1,410)	(1,700)
Property and equipment	10	(3,544)	(3,290)	(7,942)
Intangible assets	14	–	(1,013)	(5,271)
Net cash from (used in) investing activities		(283,600)	(275,447)	16,833
NET DECREASE IN CASH AND CASH EQUIVALENTS		(306,388)	(43,820)	(156,106)
EFFECTS OF FOREIGN CURRENCY REVALUATION ON CASH AND CASH EQUIVALENTS		13,661	(10,243)	(816)
CASH AND CASH EQUIVALENTS - January 1	5	950,914	1,004,977	1,161,899
CASH AND CASH EQUIVALENTS - December 31	5	P658,187	P950,914	P1,004,977

See Notes to the Financial Statements.

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(Amounts in thousands)

1. CORPORATE INFORMATION

National Reinsurance Corporation of the Philippines (the Company) was incorporated on June 7, 1978 by virtue of Presidential Decree No. 1270 (the Decree), as a domestic professional reinsurance firm to provide life and non-life reinsurance capacity to the Philippines and neighboring insurance markets. Under the Decree, it became the vehicle for the Philippine insurance industry's participation in the Asian Reinsurance Corporation (ARC), a multi-government-initiated reinsurance entity, based in Bangkok, Thailand, which was established to foster regional cooperation among insurance companies doing business in Asia. The Company's shares are listed in the Philippine Stock Exchange (PSE).

The Company is licensed by the Insurance Commission to engage in business until December 31, 2024.

The Company's registered office and principal place of business is located at 31st floor BPI-Philam Life Makati, 6811 Ayala Avenue, Makati City.

The financial statements of the Company as at and for the year ended December 31, 2021 (including the comparative financial statements as at December 31, 2020 and for the years ended December 31, 2020 and 2019) were authorized for issue by the Company's Board of Directors (BOD) on March 31, 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below and in the succeeding pages. 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 compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by International Accounting Standards Board. PFRSs which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations.

(b) *Basis of Measurement*

The financial statements have been prepared on the historical cost basis except for AFS financial assets which are measured at fair value basis and Defined benefit asset which is measured as the difference of the present value of the defined benefit obligation and fair value of the plan assets at each reporting date.

(c) *Presentation of Financial Statements*

The financial statements are presented in accordance with PAS 1, *Presentation of Financial Statements*. The Company presents the statement of comprehensive income in two statements: a statement of income and a statement of comprehensive income (loss).

(d) *Functional and Presentation Currency*

These financial statements are presented in Philippine peso, the Company's functional and presentation currency, and amounts are presented in thousands except when otherwise indicated.

Items included in the financial statements of the Company are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the entity operates.

2.2 Adoption of New and Amended PFRSs and Framework

(a) *Effective in 2021 that are Relevant to the Company*

As at December 31, 2021, there are no new and amended PFRSs that are relevant to the Company.

(b) *Effective Subsequent to 2021 but not Adopted Early*

There are new and amended PFRSs effective for annual periods subsequent to 2021, which were adopted by the FRSC. Management is currently assessing the impact of these new and amended standards on the Company's financial statements.

- Annual Improvements to PFRS Standards 2018–2020 – Amendments to PFRS 9, *Financial Instruments*, and Illustrative Examples accompanying PFRS 16, *Leases*.
- *Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9)*. The amendment clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. It applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- *Lease Incentives (Amendment to Illustrative Examples accompanying PFRS 16)*. The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

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

- *Disclosure of Accounting Policies (Amendments to PAS 1 and PFRS Practice Statement 2 Making Materiality Judgements)* (effective January 1, 2023). The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:
 - requiring companies to disclose their material accounting policies rather than their significant accounting policies;
 - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
 - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments are effective beginning on or after January 1, 2023. Earlier application is permitted.

- *Classification of Liabilities as Current or Noncurrent (Amendments to PAS 1)* (effective January 1, 2023). To promote consistency in application and clarify the requirements on determining whether a liability is current or non-current, the amendments:
 - removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;
 - clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and
 - clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or non-current.

The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

In November 2021, the International Accounting Standards Board issued the Exposure Draft, Non-Current Liabilities with Covenants after considering stakeholder feedback on the December 2020 tentative agenda decision issued by the IFRS Interpretations Committee about the amendments. The exposure draft proposes to again amend IAS 1 as follows:

- Conditions which the entity must comply within twelve months after the reporting period will have no effect on the classification as current or non-current.
 - Additional disclosure requirements will apply to non-current liabilities subject to such conditions to enable the assessment of the risk that the liability could become repayable within twelve months.
 - Separate presentation in the statement of financial position will be required for non-current liabilities for which the right to defer settlement is subject to conditions within 12 months after the reporting period.
 - The effective date of the amendments will be deferred to no earlier than January 1, 2024.
- Definition of Accounting Estimates (Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). To clarify the distinction between changes in accounting policies and changes in accounting estimates, the amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy.

Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged. The amendments also provide examples on the application of the new definition.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the amendments are applied.

- PFRS 9 (2014) (adoption deferred to January 1, 2025). 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 17, *Insurance Contracts* (effective January 1, 2025). The new standard will eventually replace PFRS 4, 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 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 income 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.

PFRS 17 is effective for annual periods beginning on or after January 1, 2023. Full retrospective application is required, unless it is impracticable, in which case the entity chooses to apply the modified retrospective approach or the fair value approach. However, if the entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it applies the fair value approach. Early application is permitted for entities that apply PFRS 9 on or before the date of initial application of PFRS 17.

2.3 Reinsurance Contracts

Product Classification

Reinsurance contracts are those contracts under which the Company (the reinsurer) has accepted significant insurance risk from insurance and reinsurance companies (the cedants) by agreeing to compensate the cedants if a specified uncertain future event (the insured event) adversely affects the cedants. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid when an insured event occurs with benefits payable if the insured event did not occur.

Reinsurance contracts can also transfer financial risks. Contracts that transfer financial risks which create financial assets or financial liabilities, but do not expose the Company to significant insurance risk, are within the scope of PAS 39 and are recognized as Deposit liability under Accounts payable and accrued expenses.

Once a contract has been classified as reinsurance contract, it remains a reinsurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during the period, unless all rights and obligations are extinguished or expired.

Retrocession Contracts Held

Contracts entered into by the Company with retrocessionaires under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for reinsurance contracts above are classified as retroceded contracts held. Contracts that do not meet those classification requirements are classified as financial assets.

Reinsurance recoverable on paid losses are included as part of Reinsurance balances receivable. These balances represent the retrocessionaires' share in the amounts paid to the cedants and are in accordance with the retroceded contract. Reinsurance recoverable on unpaid losses represents balances due from retrocessionaires for its share on the unpaid losses and Reinsurance recoverable on claims reserves represent the retrocessionaires' share for its losses in the loss reserves are presented under Reinsurance recoverable on reported losses and Reinsurance recoverable on claims reserves, respectively, in the statements of financial position. The recoverable amounts are estimated in a manner consistent with the losses and claims payable and claims reserves and are in accordance with the retroceded contract.

Reinsurance balances receivable, Reinsurance recoverable on reported losses and Reinsurance recoverable on claims reserves are reviewed for impairment at the end of each reporting period or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the cedants and retrocessionaires can be measured reliably.

The impairment loss is recognized as part of General and administrative expenses in the statements of income.

Retroceded insurance risk does not relieve the Company from its obligations to ceding companies.

Reinsurance balances payable primarily represent premiums due to retrocessionaires. Amounts payable are estimated in a manner consistent with the associated retrocession contract.

Assets and liabilities arising from reinsurance activities are derecognized when the contractual rights are extinguished or expired or when the contract is transferred to another party.

2.4 Financial Assets

Financial assets are recognized when the Company becomes a party to an agreement and agrees to sell goods or services for a fixed amount of money. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date, i.e., the date that the Company commits to purchase the asset.

For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

(a) *Classification and Measurement of Financial Assets*

Financial assets other than those designated as hedging instruments are classified into the following categories: financial assets at FVTPL, loans and receivables, HTM investments and 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. Financial assets are recognized initially at fair value of the consideration given. Except for financial assets at FVTPL, the initial measurement of financial assets includes transaction costs.

As at December 31, 2021 and 2020, the Company has no financial assets classified as FVTPL.

(i) *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These arise when the Company provides money or services directly to a debtor with no intention of trading the receivables.

In 2021, the Company's financial assets categorized as loans and receivables are presented as cash and cash equivalents, reinsurance balances receivable – net, loans and receivables, reinsurance recoverable on reported losses, deposit and security fund (presented under Other assets – net account in the statements of financial position). In 2020, the Company's financial assets categorized as loans and receivables are presented as cash and cash equivalents, reinsurance balances receivable – net, loans and receivables, reinsurance recoverable on reported losses, and deposit and security fund and Funds at Lloyd's (presented under Other assets – net account in the statements of financial position).

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

Loans and receivables are subsequently measured at amortized cost using the effective interest method subject to any impairment loss. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization, if any, is included as part of Interest income presented under Investment and other income and expenses – net account in the statements of income.

(ii) *HTM Investments*

This category includes non-derivative financial assets with fixed or determinable payments and fixed maturity, and that the Company has the intention and ability to hold to maturity other than: (a) those that Company designates as financial assets at FVTPL upon initial recognition; (b) those that the Company designates as AFS; and (c) those that meet the definition of loans and receivables. This category includes corporate bonds and government securities.

HTM investments are subsequently measured at amortized cost using the effective interest method subject to any impairment loss. Interest income is recognized under Investment and other income and expenses – net account in the statements of income.

(iii) *AFS Financial Assets*

This category includes non-derivative financial assets that are designated as AFS financial assets or are not classified as loans and receivables, HTM investments or financial assets at FVTPL. The Company's AFS financial assets include listed and unlisted equity securities, Unit Investment Trust Fund (UITF) and government and corporate bonds.

All financial assets within this category are subsequently measured at fair value, except for certain equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost less any impairment loss. Fair value gains and losses are recognized in other comprehensive income and are reported as part of the Revaluation reserves account in the equity except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognized in the statements of income.

(b) *Impairment of Financial Assets*

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

The Company recognizes impairment loss based on the category of financial assets as follows:

(i) *Carried at Amortized Cost – Loans and Receivables and HTM Investments*

If there is objective evidence that an impairment loss on financial assets carried at cost has been incurred, the amount of the impairment loss is determined 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 or current effective interest rate determined under the contract if the loan has a variable interest rate.

Evidence of impairment is the age of the receivable and/or any financial difficulties of the counterparty. Allowances are set up on the net balance, meaning all balances related to the same counterparty are considered. The amount of the allowance is set up in relation to the time a receivable has been due and any financial difficulties of the counterparty and can be as high as the outstanding net balance.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in the statements of income.

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 is recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date of the impairment is reversed. The amount of the reversal is recognized in the statements of income.

Reclassification of AFS Financial Assets to HTM Investments

For a financial asset reclassified from AFS financial assets category to HTM investments, the Company shall reclassify the financial asset at its fair value on the date of reclassification which becomes its new amortized cost. Any previous gain or loss on that asset that has been recognized in other comprehensive income and any difference between the new amortized cost and maturity amount is amortized in profit or loss over the remaining life of the investments using the effective interest method similar to the amortization of a premium and a discount. This is presented as Revaluation reserves - HTM investments in the statements of changes in equity. If the financial asset is subsequently impaired, any gain or loss that has been recognized in other comprehensive income is reclassified from equity to profit or loss.

(ii) *Carried at Fair Value – AFS Financial Assets*

When a decline in the fair value of an AFS financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss – measured as the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in statements of income – is reclassified from Revaluation reserves to statements of income as a reclassification adjustment even though the financial asset has not been derecognized.

Impairment losses recognized in statements of income on equity instruments are not reversed through profit or loss. Reversal of impairment losses is recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss is recognized.

(c) *Items of Income and Expense Related to Financial Assets*

All income and expenses, except for recognition and reversal of impairment loss on reinsurance balances receivable and reinsurance recoverable on reported losses, relating to financial assets that are recognized in the statements of income are presented as part of Investment and other income and expenses – net account. Provision for and reversal of impairment losses on reinsurance balances receivable and reinsurance recoverable on reported losses are presented at net as part of Impairment losses – net under General and administrative expenses account in the statements of income.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in the statements of income when earned, regardless of how the related carrying amount of financial assets is measured.

(d) Derecognition of Financial Assets

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

(e) Fair Value Measurement of Financial Assets

'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 in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset measured at fair value has a bid price, then the Company measures assets and long positions at a bid price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

2.5 Deferred Acquisition Costs (DAC)

Commissions are recognized as expense over the coverage period of the policy using the 24th method [see Note 2.17(b)] except for DAC from modified co-insurance arrangements. The portion of the commissions that relates to the unexpired periods of the contracts at the end of the reporting period is accounted for as DAC and is presented in the Assets section of the statements of financial position. The net change in the account between each end of reporting periods are recognized as part of Commission expense under Commissions – net account in the statements of income.

For modified co-insurance arrangements, the related commissions are initially capitalized as DAC and amortized as Commission expense in the profit or loss throughout the term of the contract.

2.6 Deferred Reinsurance Premiums (DRP)

The ceded reinsurance premiums that pertain to the unexpired period of the contracts at the end of the reporting period are accounted for as DRP and presented in the Assets section of the statements of financial position. Subsequent to initial recognition, the amount is amortized using the 24th method [see Note 2.16(a)]. The net change in the account between each end of reporting periods are recognized in the statements of income under movement in premium reserves – net.

2.7 Reinsurance Recoverable on Reported Losses and Reinsurance Recoverable on Claims Reserves

Reinsurance recoverable on reported losses and reinsurance recoverable on claims reserves represent the amount recoverable from retrocessionaires under retroceded contracts as their share on unpaid losses, including unreported losses and loss adjustment expenses, net of salvage of recoveries.

2.8 Property and Equipment

Property and equipment represents tangible items that are held for use in the Company's business operations or for administrative purposes and are expected to be used more than one year. An item of property and equipment that qualifies for recognition as an asset shall be measured at its cost less any accumulated depreciation and any accumulated impairment losses.

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

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Condominium unit	40 years
Office improvements	10 years
Office furniture and equipment	5 years
Transportation equipment	5 years
Electronic data processing (EDP) equipment	5 years

The Company depreciates right-of-use (ROU) assets included as part of property and equipment on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term (see Note 2.18).

Fully depreciated assets are retained in the accounts until these are no longer in use. No further charge of depreciation is made in respect of those assets.

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 (see Note 2.20).

The residual values, estimated useful lives and method of depreciation of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property and equipment, including the related accumulated depreciation and impairment losses, 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 from the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included as part of Investment and Other income and expenses – net account in the statements of income in the period the item is derecognized.

2.9 Other Assets

Other assets pertain to other present economic resources controlled by the Company as a result of past events. An economic resource is a right that has the potential to produce economic benefits and the asset has a cost or value that can be measured reliably. They may include the following accounts:

(a) Investment Properties

Investment properties are property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the supply of services or for administrative purposes.

Except for land, investment properties are stated at cost less accumulated depreciation and any impairment in value. Land is stated at cost less any impairment in value. The cost of the investment properties comprise their purchase price and directly attributable costs incurred such as legal fees, transfer taxes and other transaction costs.

Depreciation is computed using the straight-line basis over the estimated useful life of the property which is 10 years.

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

The carrying amount of investment properties is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.20).

Investment properties are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of the investment properties are recognized in the statements of income in the period of retirement or disposal.

(b) Intangible Assets

Intangible assets include acquired software licenses 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 other considerations given up to acquire the asset at the time of its acquisition. Capitalized costs are amortized on a straight-line basis over five years as the lives of these intangible assets are considered finite. In addition, intangible assets are subject to impairment testing as described in Note 2.20.

Acquired computer software licenses are capitalized on the cost incurred to acquire and install the specific software. Costs associated with maintaining computer software and those costs associated with research activities are recognized under Data, licenses and subscriptions and Repairs and maintenance as part of General and administrative expenses in the statements of income as incurred.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in the statements of income.

(c) Creditable Withholding Tax (CWT)

CWT mainly arises from taxes withheld by the ceding companies upon payment of reinsurance premiums to the Company.

CWT is recorded at cost. It can either be used to offset against future income tax liabilities or be claimed as a tax refund from the Bureau of Internal Revenue (BIR).

(d) Deferred CWT

Deferred CWT represents taxes to be withheld by the ceding companies upon payment of reinsurance premiums to the Company.

(e) Input Value-added Tax (VAT)

The input VAT pertains to the 12% tax paid by the Company on commissions and local purchase of goods or services.

The input VAT is recorded at cost. It is used to offset against output VAT due to the BIR. Excess input VAT is recorded under the Other assets – net account in the statements of financial position.

(f) Deferred Input VAT

Deferred input VAT pertains to the 12% tax arising from acquisition of capital assets exceeding P1.00 million. Deferred input VAT arising from capital assets is amortized to input VAT over the useful lives of the capital assets or 60 months, whichever is shorter.

(g) Deferred Withholding VAT

Deferred withholding VAT pertains to the unapplied input VAT on unpaid premiums from a certain government entity.

(h) Prepayments

Prepayments pertain to expenditure paid for in one (1) accounting period, but for which the underlying asset will not be consumed until a future period. When the asset is eventually consumed, it is charged to expense. If consumed over multiple periods, there may be a series of corresponding charges to expense.

2.10 Financial Liabilities

The Company classifies its financial liabilities at initial recognition into the following categories: financial liabilities at FVTPL and other liabilities. The Company determines the classification of its financial liabilities at initial recognition, and were allowed and appropriate, re-evaluates such designation at every reporting date.

As at December 31, 2021 and 2020, the Company has no financial liabilities at FVTPL.

Other financial liabilities pertain to financial liabilities that are not designated or classified at FVTPL. Other financial liabilities are initially measured at their fair value and subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statements of income.

The Company's other financial liabilities include Reinsurance balances payable, Losses and claims payable (excluding Margin for Adverse Deviation (MfAD) and loss adjustment expenses) and Accounts payable and accrued expenses (excluding deferred output VAT and other taxes payable), are recognized when the Company becomes a party to an agreement and agrees to purchase goods or services for a fixed amount of money. All interest-related charges are recognized as part of Investment and other income and expenses – net account in the statements of income.

Dividend distributions to shareholders are recognized as financial liabilities upon declaration by the Company.

Financial liabilities are derecognized from the statements of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. 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, with the difference in the respective carrying amounts recognized in the statements of income.

Derivative financial instruments are classified under financial assets or financial liabilities at FVTPL, unless these are designated as hedging instruments in an effective hedge or financial guarantee contracts. Derivatives are initially recorded at fair value on the date at which the derivative contract is entered into and are subsequently remeasured at fair value. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as cash flow hedges) are taken directly to the statements of income and are included in Investment and other income and expenses – net account (see Note 20). Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. In 2019, derivatives consisted of a non-deliverable forward contract to hedge the risk associated with foreign currency fluctuations. No similar transaction occurred in 2021 and 2020. The Company has no outstanding derivative asset or liability as at December 31, 2021 and 2020.

2.11 Losses and Claims Payable and Claims Reserves

Losses and claims payable represent the present value of the estimated cost of all reported claims at the end of the reporting period, together with related claims handling costs and reduced for the expected value of salvage and other recoveries. This includes outstanding claim reserves, loss adjustment expenses payable plus MfAD based on a certain percentage of the total outstanding claim reserves and loss adjustment expenses payable to allow for inherent uncertainty of the best estimate of the policy reserves.

Claims reserves represent the estimated ultimate cost of all incurred but not reported claims (IBNR), including incurred but not enough reported claims plus MfAD at the end of the reporting period. Claims reserves are measured on a discounted basis, using actuarial estimates of historical claims expense, adjusted for current trends and conditions. These estimates are continually reviewed and the ultimate liability may vary significantly from the amount recognized, which are reflected in losses and claims payable in the statement of financial position in the period in which they are determined.

2.12 Premium Reserves

Premium reserves refer to unearned premium reserves (UPR) plus any deficiency resulting from the liability adequacy test.

UPR refers to the portion of the premiums attributable to the unexpired risks at the balance sheet date and is recognized as revenue over the coverage period of the policy using the 24th method [see Note 2.16(a)].

Liability Adequacy Test

Liability adequacy tests are performed at end of each reporting period, to ensure the adequacy of premium reserves. The test is performed by comparing the UPR, net of related DAC, and the present value of the current best estimates of future cash flows including claims handling and policy administration expenses. Any deficiency is charged to the statements of income and is recognized as premium reserves.

2.13 *Deferred Reinsurance Commissions (DRC)*

Commissions earned from retrocession contracts are recognized as revenue over the coverage period of the policy using the 24th method [see Note 2.16(c)]. The portion of the commissions that relates to the unexpired periods of the contracts at end of the reporting period is accounted for as Deferred reinsurance commissions and is presented in the Liabilities section of the statements of financial position. The net change in the account between each end of reporting periods are recognized as Commission income under Commissions – net in the statements of income.

2.14 *Accounts Payable and Accrued Expenses*

These represent other liabilities which cannot be appropriately classified under the foregoing liability accounts. These comprise, among others, the following accounts:

(a) Provisions and Contingencies

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 pre-tax rate that reflects market assessments and the risks specific to the obligation. 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 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.

(b) *Accounts payable and accrued expenses*

Accounts payable represents balances due to suppliers or for the purchase of goods or services. This includes accrued expenses pertaining to accruals of outside services, utilities, uniforms, membership dues and meeting expenses and the related input VAT.

(c) *Withholding tax payable*

Withholding tax payable represents amounts payable to the local tax authority mainly arising from taxes withheld by the Company from its suppliers of goods and services.

(d) *Dividends payable*

Dividends payable represents cash dividends declared by the Company that remain unpaid as of reporting date.

(e) *Deferred Output VAT*

Deferred output VAT, presented as part of Accounts payable and accrued expenses, represents the 12% tax due on commission income on retroceded premiums and other goods based on amounts still to be collected from counterparties. Such amounts are still not due for remittance to the BIR until the receivables are collected.

2.15 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount is reported in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right to offset must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

Income and expenses are presented on a net basis only when permitted under PFRSs, such as in the case of any realized gains or losses arising from the Company's trading activities.

2.16 Revenue and Income Recognition

Revenue is recognized only when (or as) the Company satisfies a performance obligation by transferring control of the promised services to the customer. Expenses and costs, if any, are recognized in the statement of income upon utilization of the resources or services or at the date these are incurred. All finance costs are reported on an accrual basis.

The Company's significant revenues pertain to net reinsurance premiums and investment income (loss) which are accounted for by the Company in accordance with PFRS 4 and PAS 39, respectively. The Company also earns other income from sale of non-financial assets, which is recognized as income once the Company transferred the goods. These are accounted for by the Company in accordance with relevant accounting standards.

The following provides information about the specific recognition criteria of revenues recognized in accordance with PFRS 4 and PAS 39:

- (a) *Reinsurance premiums* – Reinsurance premiums are recognized as revenue when the Company enters into a contract with cedants assuming insurance risks in exchange for reinsurance premium. Reinsurance premiums include premiums reported by cedants and accrued premiums. The Company records accrued premiums on a cedant-by-cedant basis taking into consideration the terms of the reinsurance treaty, historical experience and latest information from cedants.

Reinsurance premiums are recognized over the coverage period of the contracts using the 24th method. The 24th method assumes that the average date of issue of all contracts written during any one month is the middle of that month. Accordingly, 1/24th of the net premiums are considered earned in the month the reinsurance contracts are issued and 2/24th for every month thereafter (or 1/24th for every 15-day period after the issue month). The portion of the gross reinsurance premiums that relates to the unexpired periods of the contracts at the end of the reporting period is accounted for as Premium reserves and is presented in the Liabilities section of the statements of financial position while the portion of the retroceded reinsurance premiums that relates to the unexpired periods of the contracts at the end of the reporting period is accounted for as Deferred reinsurance premiums (see Note 2.6) and is presented in the Assets section of the statements of financial position.

Uncollected premiums net of deferred CWT and accrued premiums are recognized as due from ceding companies as part of Reinsurance balances receivable – net in the statements of financial position.

The net changes in the Premium reserves and Deferred reinsurance premiums accounts between the end of the reporting periods are recognized in the statements of income as part of Movement in premium reserves – net.

- (b) *Retroceded premiums* – Retroceded premiums are recognized as an expense when the Company enters into a contract with a retrocessionaire transferring insurance risks to the retrocessionaire in exchange for retroceded premiums. Retroceded premiums include premiums reported to the retrocessionaires and accrued retroceded premiums. The Company records accrued retroceded premiums based on individual retrocession treaties taking into consideration the terms of the treaty, historical experience and latest information relevant to the treaty.
- (c) *Commission on retrocession* – Commission is deferred and is subjected to the same amortization as the retroceded reinsurance premiums (see Note 2.13). Deferred portion is presented in the statements of financial position as Deferred reinsurance commissions.

- (d) *Interest income* – Interest income for all interest-bearing financial instruments are recognized using the effective interest rate method.
- (e) *Dividend income* – Revenue is recognized when the Company's right to receive the dividend is established.
- (f) *Gain on sale of assets* – Revenue is recognized when the risks and rewards of ownership of the investments have passed to the buyer or at a point in time when the control of the non-financial assets transfers to the customer.

Determining whether the Company is Acting as Principal or an Agent

The Company assesses its revenue arrangements against the following criteria to determine whether it is acting as a principal or an agent:

- whether the Company has primary responsibility for providing the services
- whether the Company has discretion in establishing prices; and
- whether the Company bears the credit risk.

If the Company has determined it is acting as a principal, the Company recognizes revenue on gross basis with the amount remitted to the other party being accounted as part of cost and expenses. If the Company has determined it is acting as an agent, only the net amount retained is recognized as revenue.

The Company has determined that it is acting as principal in its revenue arrangements.

2.17 Expense Recognition

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

(a) *Claims and Losses Recognition*

Share in claims and losses relating to insurance contracts are accrued when insured events occur. These arise from events that have occurred up to reporting date even if these have not yet been reported to the Company. The share in claims (including those for IBNR losses) are based on the estimated ultimate cost of settling the claims and are discounted for time value of money. The method of determining such estimates and establishing reserves are continually reviewed and updated. Changes in estimates of claims and losses resulting from the continuous review process and differences between estimates and payments for claims are recognized as income or expense in the period in which the estimates are changed or payments are made.

Share in recoveries on claims are evaluated in terms of the aggregate share of the retrocessionaire on the claims and losses and adjustment expenses of the Company on business retroceded under retrocession arrangements. Recoveries on paid, unpaid claims and claims reserves are recognized in the period the claims are made as Retrocessionaires' share in losses paid, Retrocessionaires' share in change in provision for claims reported and Retrocessionaires' share in change in provision for IBNR, respectively. The Retrocessionaires' share in losses paid and Retrocessionaires' share in change in provision for claims reported are presented under Share in reported losses – net while, Retrocessionaires' share in change in provision for IBNR is part of Share in unreported loss reserves – net in the statement of income. Uncollected balances are presented as part of Reinsurance balances receivable, Reinsurance recoverable on reported losses and Reinsurance recoverable on claims reserves accounts in the statements of financial position.

(b) Acquisition Costs

Costs that vary with and are primarily related to the acquisition of new and renewal reinsurance contracts, other than those related to modified co-insurance, such as commissions and certain underwriting costs, are recognized as expense over the period of the contracts using the 24th method. Unamortized acquisition costs are presented in the statements of financial position as Deferred acquisition costs (see Note 2.5).

(c) General and Administrative Expenses

Costs and expenses are recognized in the statements of income upon utilization of goods or services at the date they are incurred.

2.18 Leases – Company as Lessee

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

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

At lease commencement date, the Company recognizes an ROU asset and a lease liability in the statement of financial position. The ROU asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequently, the Company depreciates the ROU asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term (see Note 2.8). The Company also assesses the ROU asset for impairment when such indicators exist (see Note 2.20).

On the other hand, the Company measures the lease liability at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed) less lease incentives receivable, if any, variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options (either renewal or termination) reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the ROU asset, or profit and loss if the ROU asset is already reduced to zero.

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

On the statements of financial position, ROU assets and lease liabilities have been presented as part of Property and equipment – net and Accounts payable and accrued expenses, respectively.

2.19 Foreign Currency Transactions and Translation

The accounting records of the Company are maintained in Philippine peso. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at closing exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statements of income as part of Investment and other income and expenses – net (see Note 20).

2.20 Impairment of Non-financial Assets

The Company's property and equipment, investment properties, intangible assets and other non-financial assets are subject to impairment testing. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in the statements of income for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount which is the higher of its fair value less costs to sell and its value-in-use. In determining value-in-use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

2.21 Employee Benefits

The Company provides post-employment benefits to employees through a defined benefit plan.

(a) Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Company, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Company's defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified, non-contributory and administered by two (2) trustees.

The asset recognized in the statements of financial position for a defined benefit plan is the fair value of plan assets less the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation (asset) is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of a zero coupon government bonds using the reference rates as published by Bloomberg using its valuation technology, Bloomberg Valuation (BVAL) that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. BVAL provides evaluated prices that are based on market observations from contributed sources.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest), are reflected immediately in the statements of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, unless there is a plan amendment, curtailment or settlement during the reporting period.

The calculation also takes into account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Interest income under Investment and other income and expenses – net account in the statements of income.

Past service costs are recognized immediately in the statements of income in the period of plan amendment and curtailment.

(b) Compensated Absences

Compensated absences are recognized for the number of paid leave days remaining at the end of the reporting period. These are included in the Accounts payable and accrued expenses account in the statements of financial position at the undiscounted amount that the Company expects to pay as a result of the unused entitlement.

2.22 Income Taxes

Tax expense recognized in the statements of income comprises the sum of final tax, current tax and deferred tax not recognized in other comprehensive income or directly in equity, if any.

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 period and any adjustment to tax payable in respect of previous years. They are calculated using 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 current tax liabilities are recognized as a component of tax expense in the statements of income.

Deferred tax is accounted for using the asset-liability method, on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the asset-liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred 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 be available to allow such deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or deferred tax liabilities are recognized as a component of tax expense in the statements of income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

2.23 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Company and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close member of the family of any such individual; and, (d) the Company's funded retirement plan.

Based on the requirement of SEC Memorandum Circular 2019-10, *Rules of Material Related Party Transactions for Publicly-listed Companies*, transactions amounting to ten percent (10%) or more of the total assets based on the latest audited financial statements that were entered into by the Company with related parties are considered material.

All individual material related party transactions shall be approved by at least two-thirds vote of the board of directors, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within a 12-month period that breaches the materiality threshold of ten percent (10%) of the Company's total assets based on the latest audited financial statements, the same board approval would be required for the transaction(s) that meets and exceeds the materiality threshold covering the same related party.

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

2.24 Equity

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital includes any premiums received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Treasury shares are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Company's holders until the shares are cancelled, reissued or disposed of.

Revaluation reserves comprise gains and losses due to the revaluation of AFS financial assets, unamortized fair value gains and losses from HTM investments, and remeasurements of defined benefit plan.

Retained earnings represent all current and prior period results of operations as reported in the statements of income, reduced by the amounts of dividends declared. The appropriated portion of the retained earnings is intended as additional reserve for contingencies (see Note 24.2).

2.25 Earnings Per Share

Basic earnings per share is determined by dividing net profit by the weighted average number of shares issued, adjusted for stock dividends and stock split, less shares held in treasury during the period.

Diluted earnings per share is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares.

2.26 Segment Reporting

For purposes of segment reporting, the Company does not have other reportable segments. The Company has one reportable business segment which is the reinsurance market. The financial information about the sole business segment is presented in the financial statements.

The management monitors the operating results of its business segment for the purpose of making decisions about resource allocation and performance assessment. The segment performance is evaluated based on operating profit or loss and is measured consistently with the income before income tax in the financial statements.

2.27 Events After the End of the Reporting Period

Any event subsequent to the balance sheet date that provides additional information about the Company's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Events subsequent to the balance sheet date that are not adjusting events, if any, are disclosed when material to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Impairment of Financial Assets

(i) Financial Assets at Fair Value – AFS Financial Assets

The Company considers that investments are impaired when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is significant or prolonged decline requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share or market price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

Based on the recent evaluation of information and circumstance affecting the Company's AFS financial assets, management concluded that decline in fair value of certain AFS financial assets amounting to P6.81 million and P469.31 million are considered impairment in value as at December 31, 2021 and 2020, respectively (see Notes 7 and 20). Future changes in those information and circumstance might significantly affect the carrying amount of the assets.

(ii) Financial Assets at Amortized Cost

The Company reviews its financial assets at amortized cost to assess impairment at least on an annual basis, or as the need arises due to significant movements on certain accounts. These financial assets that are individually significant are assessed to determine whether objective evidence of impairment exists on an individual basis, while those that are not individually significant are assessed for objective evidence of impairment either on an individual or on collective basis.

In determining whether an impairment loss should be recorded in the statements of income, the Company makes judgment as to whether there are any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets before the decrease can be identified with an individual financial asset in that portfolio.

As at December 31, 2021 and 2020, the Company has recognized allowance for impairment loss amounting to P610.66 million and P655.26 million, respectively (see Notes 6 and 11).

(b) Classification of Financial Instruments

The Company exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as a financial asset, financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset or liability. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position. In addition, the Company classifies assets by evaluating among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether the quoted prices are readily and regularly available and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

As at December 31, 2021 and 2020, the Company classified its financial instruments as AFS financial assets, HTM investments, loans and receivables, and other financial liabilities.

(c) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and contingencies are discussed in Note 2.14(a) and relevant disclosures are presented in Note 28.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next reporting period:

(a) *Impairment of Financial Assets Carried at Amortized Cost*

Management uses estimates based on historical loss experience for assets with credit risk characteristics. An adequate amount of allowance for impairment is made for specific and groups of accounts, where objective evidence of impairment exists. The Company evaluates the amount of allowance for impairment based on available facts and circumstances, including, but not limited to, the length of the Company's relationship with the counterparties, the counterparties' current credit status based on known market forces, average age of accounts, collection experience and historical loss experience.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The carrying value of reinsurance balances receivable, reinsurance recoverable on reported losses and the analysis of allowance for impairment on such financial assets are shown in Notes 6 and 11.

The carrying values of HTM investments and loans and receivables are shown in Notes 8 and 9, respectively.

(b) *Fair Value Measurement of AFS Financial Assets*

The Company carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. In cases when active market quotes are not available, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument. The amount of changes in fair value would differ if the Company utilized different valuation methods and assumptions. Any change in fair value of these financial assets and liabilities would affect profit or loss and other comprehensive income.

The carrying value of the Company's AFS financial assets and the amounts of fair value changes recognized are disclosed in Note 7.

(c) *Estimation of Useful Lives of Property and Equipment, Investment Properties and Intangible Assets*

The Company estimates the useful lives of property and equipment, investment properties and intangible assets based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment, investment properties and intangible assets 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.

The carrying amount of property and equipment is analyzed in Note 10, and of investment properties and intangible assets in Note 14. Based on management's assessment as at December 31, 2021 and 2020, there is no change in the estimated useful lives of those assets during these years. Actual results, however, may vary due to changes in estimates brought about by the changes in factors mentioned above.

(d) *Impairment of Non-financial Assets*

The Company's policy on estimating the impairment of non-financial assets is discussed in Note 2.20. Though management believes that the assumptions used in the estimation of fair value 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 was recognized on the Company's non-financial assets as at December 31, 2021 and 2020.

(e) *Determination of Realizable Amount of Deferred Tax Assets*

The Company reviews its deferred tax assets at 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 assets to be utilized. Any deferred tax asset will be re-measured if it might result to derecognition where the expected tax law to be enacted has a possible risk on the realization.

As at December 31, 2021 and 2020, the Company recognized net deferred tax assets amounting to P264.61 million and P251.49 million, respectively (see Note 23), as management has assessed that it is probable that sufficient taxable profit will be available to allow the benefit of the deferred tax assets to be utilized. However, unrecognized deferred tax assets amounted to P524.42 million and P634.41 million as at December 31, 2021 and 2020, respectively (see Note 23).

(f) *Valuation of Post-employment Defined Benefit Obligation*

The determination of the Company's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by an independent actuary in calculating such amounts. Those assumptions include, among others, discount rates, salary rate increase and employee turnover rate.

A significant change in any of these actuarial assumptions may generally affect the recognized expense and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit obligation, as well as the significant assumptions used in estimating such obligation, are presented in Note 22.2.

(g) *Valuation of Reinsurance Premiums*

Reinsurance premiums include premiums reported by cedants and accrued reinsurance premiums. The Company records accrued premiums based on a cedant-by-cedant basis taking into consideration the terms of the reinsurance treaty, historical experience and latest information from cedants.

The Company accrued reinsurance premium amounting to P152.07 million, P156.30 million and P339.25 million in 2021, 2020 and 2019, respectively, as part of Reinsurance premiums – net of returns in the statements of income.

(h) *Valuation of Retroceded Premiums*

Retroceded premiums include premiums reported to the retrocessionaires and accrued retroceded premiums. The Company records retroceded premiums based on individual retroceded treaties taking into consideration the terms of the retroceded treaty, historical experience and latest information relevant to the treaty.

The Company accrued retroceded premium amounting to P219.84 million, P31.86 million and P118.28 million in 2021, 2020 and 2019, respectively, as part of Retroceded premiums in the statements of income.

(i) *Valuation of Reinsurance Contract Liabilities*

The Company's Reinsurance contract liabilities are composed of premium liabilities and claim liabilities. Premium liabilities are the premium reserves while claim liabilities are equal to the present value of Losses and claims payable and Claims reserves accounts in the statements of financial position which include outstanding losses, IBNR losses, loss adjustment expenses payable plus the MfAD. Claim liabilities are discounted for the time value of money.

The Company estimates the present value of future cash flows, used in performing the liability adequacy test and in determining claims liabilities, through the use of historical claims experience and claims settlement patterns.

The principal assumption underlying the claim liability estimates is that the Company's future claims development will depend on the estimate of the ultimate loss during a period of time for a particular risk exposure and then estimate the percentage of this ultimate loss that was not reported as of the reporting date.

The Company's claim liability estimates, as ascertained by an independent actuary, are determined by calculating the estimated ultimate losses as the sum of reported losses plus IBNR losses. Ultimate losses were estimated using generally accepted actuarial methods such as the Chain Ladder Method, Bornhuetter-Ferguson Method and the Expected Loss Ratio Method. The Company also included MfAD as a percentage of the total outstanding losses, IBNR best estimate and loss adjustment expenses payable, to allow for inherent uncertainty of the best estimate of the policy reserves.

Additional qualitative judgments are used by the independent actuary to assess the extent to which the full tail of the claims development is influenced by the different factors, for example, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix and policy conditions. Judgment is further used to assess the extent to which external factors such as juridical decisions and government legislation affect the estimates.

As at December 31, 2021 and 2020, the carrying value of provision for claims reported and IBNR losses are recognized as Losses and claims payable and Claims reserves accounts, respectively, in the statements of financial position (see Note 17).

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of financial risks from both its operating and investing activities. The Company's main risk mitigation strategies generally include adoption of underwriting and investment policies and guidelines, annual budget provision and internal audit checks and assessments.

The Company has implemented an Enterprise Risk Management Process, which is an organization-wide approach to the identification, assessment, communication and management of enterprise risks which are, defined as issues which may prevent the Company from achieving its strategic objectives. This process has been fully integrated into the Company's operations and is overseen by a Risk Management Team, who reports the results of the review and risk assessment to members of senior management. At the same time, a Risk Oversight Committee has been established by the Company's BOD to assist them in the development and oversight of the Company's risk management program. The Risk Oversight Committee is required to provide the BOD with a comprehensive enterprise risk assessment at least annually and to establish plans to ensure that risks are being managed and monitored effectively. The Risk Oversight Committee's main task is to oversee that risk management is an integral part of the planning and operations of the Company in order to meet corporate goals and objectives.

The Company's risk management, in close cooperation with the respective duly constituted Board Committees on Underwriting, Investment and Budget, Risk Oversight and Audit, focuses on implementing risk control measures addressing underwriting acceptances, catastrophe exposures, retrocession programs, claims control, and securing short to medium-term cash flows by minimizing financial market risks while managing long-term financial investments to generate expected returns.

The most significant financial risks to which the Company may be exposed to are described below and in the succeeding pages. Moreover, there are no changes in the Company's exposure to these risks, and objective, policies and processes for managing the risks from previous year.

4.1 Underwriting Risk

As a reinsurer, the Company underwrites reinsurance business from life and non-life insurance and reinsurance companies and intermediaries, with the objective of realizing profits and being a dependable partner to its clients. To attain this objective, it is essential for the Company to have a balanced portfolio, wherein there is diversification of risks. For non-life business, each risk that is accepted or treaty arrangement entered into is carefully evaluated based on the Company's underwriting guidelines, such as maximum limits per type of risk, existing exposures, premium adequacy and financial condition of the client.

The Company's retention on the larger risks that the Company accepts, or possible accumulation of the same in a given area, including losses that could arise from catastrophes such as earthquakes and typhoons, is protected by an excess of loss coverage to limit the Company's exposure up to a specified amount. Significant risk concentrations may result in potential losses not only in certain areas but also within a particular type of business such as property, motor and casualty. The Company monitors and controls its exposures in various lines.

Retroceding what the Company had earlier accepted as reinsurance is resorted to enable the Company to write risk with amounts in excess of its retention, and to reduce the volatility of its results and protect its capital. In doing so, the Company also sets minimum requirements and standards in determining with whom it retrocedes to, foremost of which is the rating of the retrocessionaires by international rating agencies such as Standard and Poor's and A.M. Best.

On the other hand, life business, which constitutes about 43% of gross premium written, follows a schedule of retention per life or group life as set by the Underwriting Committee. Any amount in excess of this is retroceded with reputable foreign reinsurers whose ratings from the same rating agencies are above par and meet the Company's standards.

Starting 2015, the Company repositioned itself as a lead-role reinsurer. Consequently, this triggered a re-evaluation of company retention. The retention limits appropriate for mandatory 10% share are not advantageous to the Company when applied to lead contracts where share is 80% or 100%.

As a lead reinsurer, the Company is pushing for the adoption of underwriting guidelines which may be accessed through the Company's web portal. Also, the Company continues to practice prudent claims management control. In evaluating a claim, the Company follows set of guidelines such as setting up of reserves upon its receipt of a preliminary loss advice, and requiring the cedant-claimant to submit other necessary documents such as the adjuster's report, affidavits and proof of loss, among others. In addition, the Company establishes claim reserves to provide for losses that have been incurred but not yet paid. At the end of each reporting date, the Company assesses the adequacy of reserves for future claims that are not yet reported by setting up IBNR best estimate and inclusion of MfAD as ascertained by an independent actuary.

Concentration of Insurance Risk

The tables below set out the concentration of premiums by line of risk.

	December 31, 2021		
	Gross Written Premiums <i>(Note 18)</i>	Retroceded Premiums <i>(Note 13)</i>	Net Written Premiums
Life	P1,796,968	P687,342	P1,109,626
Fire	1,626,094	575,282	1,050,812
Casualty	362,338	64,216	298,122
Motor	352,192	24,127	328,065
Marine and aviation	57,533	6,305	51,228
	P4,195,125	P1,357,272	P2,837,853

	December 31, 2020		
	Gross Written Premiums <i>(Note 18)</i>	Retroceded Premiums <i>(Note 13)</i>	Net Written Premiums
Life	P1,896,444	P735,516	P1,160,928
Fire	1,659,411	446,852	1,212,559
Casualty	362,879	56,479	306,400
Motor	517,501	34,833	482,668
Marine and aviation	37,467	3,010	34,457
	P4,473,702	P1,276,690	P3,197,012

	December 31, 2019		
	Gross Written Premiums	Retroceded Premiums	Net Written Premiums
Life	P1,698,065	P704,738	P993,327
Fire	1,707,837	311,334	1,396,503
Casualty	510,280	20,696	489,584
Motor	375,551	18,904	356,647
Marine and aviation	46,802	8,574	38,228
	P4,338,535	P1,064,246	P3,274,289

Claims Development

The Company aims to maintain strong reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. As claims develop and the ultimate cost of claims becomes more certain, adverse claims experiences are eliminated which results in the release of reserves from earlier accident/underwriting years. In order to maintain strong reserves, the Company transfers much of this release to current accident/underwriting year reserves when the development of claims is less mature and there is much greater uncertainty attaching to the ultimate cost of claims.

The risks vary significantly in relation to the location of the risk insured by the Company, type of risks insured and in respect of commercial and business interruption by industry.

The following tables shows the estimates of cumulative incurred claims, gross of retrocession, for each underwriting year at each reporting date, together with cumulative claims paid as at December 31, 2021 and 2020.

December 31, 2021												
Underwriting Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
At the end of the financial year	P446,197	P846,131	P1,517,806	P278,093	P720,430	P900,312	P1,138,057	P1,166,071	P1,290,466	P1,183,374	P2,040,812	P2,040,812
One year later	2,285,183	1,479,571	2,474,672	692,265	1,286,124	1,659,396	1,937,270	2,289,508	2,772,517	2,312,647	–	2,312,647
Two years later	2,444,928	1,553,907	2,756,250	663,639	1,239,501	1,537,864	2,064,256	2,362,975	2,629,680	–	–	2,629,680
Three years later	3,754,928	1,676,474	2,643,911	605,379	1,220,851	1,346,228	1,975,410	2,239,546	–	–	–	2,239,546
Four years later	3,837,886	1,701,021	2,559,103	539,079	1,166,945	1,236,293	1,843,450	–	–	–	–	1,843,450
Five years later	3,821,055	1,654,200	2,397,686	572,946	1,175,463	1,232,203	–	–	–	–	–	1,232,203
Six years later	3,796,121	1,609,139	2,399,282	574,258	1,172,284	–	–	–	–	–	–	1,172,284
Seven years later	3,806,419	1,609,110	2,399,100	579,783	–	–	–	–	–	–	–	579,783
Eight years later	3,790,200	1,604,687	2,050,196	–	–	–	–	–	–	–	–	2,050,196
Nine years later	3,785,807	1,613,703	–	–	–	–	–	–	–	–	–	1,613,703
Ten years later	3,804,185	–	–	–	–	–	–	–	–	–	–	3,804,185
Estimate of cumulative claims	P3,804,185	P1,613,703	P2,050,196	P579,783	P1,172,284	P1,232,203	P1,843,450	P2,239,546	P2,629,680	P2,312,647	P2,040,812	P21,518,489

Forward

December 31, 2020												
Underwriting Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
At the end of the financial year	P364,594	P446,197	P846,131	P1,517,806	P278,093	P720,430	P900,312	P1,138,057	P1,166,071	P1,290,466	P1,183,374	P1,183,374
One year later	742,276	2,285,183	1,479,571	2,474,672	692,265	1,286,124	1,659,396	1,937,270	2,289,508	2,772,517	–	2,772,517
Two years later	870,396	2,444,928	1,553,907	2,756,250	663,639	1,239,501	1,537,864	2,064,256	2,362,975	–	–	2,362,975
Three years later	908,425	3,754,928	1,676,474	2,643,911	605,379	1,220,851	1,346,228	1,975,410	–	–	–	1,975,410
Four years later	996,770	3,837,886	1,701,021	2,559,103	539,079	1,166,945	1,236,293	–	–	–	–	1,236,293
Five years later	1,040,042	3,821,055	1,654,200	2,397,686	572,946	1,175,463	–	–	–	–	–	1,175,463
Six years later	1,022,502	3,796,121	1,609,139	2,399,282	574,258	–	–	–	–	–	–	574,258
Seven years later	943,528	3,806,419	1,609,110	2,399,100	–	–	–	–	–	–	–	2,399,100
Eight years later	916,914	3,790,200	1,604,687	–	–	–	–	–	–	–	–	1,604,687
Nine years later	924,787	3,785,807	–	–	–	–	–	–	–	–	–	3,785,807
Ten years later	923,926	–	–	–	–	–	–	–	–	–	–	923,926
Estimate of cumulative claims	P923,926	P3,785,807	P1,604,687	P2,399,100	P574,258	P1,175,463	P1,236,293	P1,975,410	P2,362,975	P2,772,517	P1,183,374	P19,993,810

Forward

The following tables shows the estimates of cumulative incurred claims, net of retrocession, for each underwriting year at each reporting date, together with cumulative claims paid as at December 31, 2021 and 2020.

December 31, 2021												
Underwriting Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
At the end of the financial year	P388,456	P752,041	P871,508	P213,369	P408,903	P611,372	P1,019,477	P1,070,831	P1,104,462	P993,097	P1,371,731	P1,371,731
One year later	580,212	1,166,414	1,316,239	530,461	633,978	1,300,749	1,858,551	2,026,991	2,230,141	1,955,794	–	1,955,794
Two years later	587,782	1,233,206	1,058,624	540,712	609,307	1,297,926	1,939,580	2,009,116	2,124,286	–	–	2,124,286
Three years later	1,257,465	1,127,832	1,083,323	517,872	602,343	1,275,113	1,907,942	1,911,154	–	–	–	1,911,154
Four years later	1,256,110	1,149,516	1,162,020	485,300	567,379	1,222,112	1,776,201	–	–	–	–	1,776,201
Five years later	1,279,786	1,088,884	1,145,255	507,988	569,312	1,220,092	–	–	–	–	–	1,220,092
Six years later	1,287,779	1,067,718	1,136,074	510,739	564,351	–	–	–	–	–	–	564,351
Seven years later	1,296,229	1,079,424	1,098,729	510,815	–	–	–	–	–	–	–	510,815
Eight years later	1,281,610	1,107,050	1,090,661	–	–	–	–	–	–	–	–	1,090,661
Nine years later	1,280,708	1,109,625	–	–	–	–	–	–	–	–	–	1,109,625
Ten years later	1,280,793	–	–	–	–	–	–	–	–	–	–	1,280,793
Estimate of cumulative claims	P1,280,793	P1,109,625	P1,090,661	P510,815	P564,351	P1,220,092	P1,776,201	P1,911,154	P2,124,286	P1,955,794	P1,371,731	P14,915,503

Forward

December 31, 2020												
Underwriting Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
At the end of the financial year	P304,021	P388,456	P752,041	P871,508	P213,369	P408,903	P611,372	P1,019,477	P1,070,831	P1,104,462	P993,097	P993,097
One year later	482,633	580,212	1,166,414	1,316,239	530,461	633,978	1,300,749	1,858,551	2,026,991	2,230,141	–	2,230,141
Two years later	507,762	587,782	1,233,206	1,058,624	540,712	609,307	1,297,926	1,939,580	2,009,116	–	–	2,009,116
Three years later	482,904	1,257,465	1,127,832	1,083,323	517,872	602,343	1,275,113	1,907,942	–	–	–	1,907,942
Four years later	566,961	1,256,110	1,149,516	1,162,020	485,300	567,379	1,222,112	–	–	–	–	1,222,112
Five years later	596,987	1,279,786	1,088,884	1,145,255	507,988	569,312	–	–	–	–	–	569,312
Six years later	585,752	1,287,779	1,067,718	1,136,074	510,739	–	–	–	–	–	–	510,739
Seven years later	489,932	1,296,229	1,079,424	1,098,729	–	–	–	–	–	–	–	1,098,729
Eight years later	462,668	1,281,610	1,107,050	–	–	–	–	–	–	–	–	1,107,050
Nine years later	468,784	1,280,708	–	–	–	–	–	–	–	–	–	1,280,708
Ten years later	503,731	–	–	–	–	–	–	–	–	–	–	503,731
Estimate of cumulative claims	P503,731	P1,280,708	P1,107,050	P1,098,729	P510,739	P569,312	P1,222,112	P1,907,942	P2,009,116	P2,230,141	P993,097	P13,432,677

Forward

Sensitivities

As a reinsurer, the insurance contract liabilities of the Company are sensitive to key factors such as claims experience, the observed claims reporting and payment patterns, and the occurrence of catastrophic events as observed in the historical loss ratios of the Company.

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on the Company's income before income tax. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these variables are nonlinear.

	Change in Assumption	Impact on Income before Income Tax		Impact on Income after Income Tax	
		Increase (Decrease)		Increase (Decrease)	
		2021	2020	2021	2020
Loss ratio	+5%	(P143,549)	(P168,964)	(P107,662)	(P118,275)
	-5%	143,549	168,964	107,662	118,275

4.2 Credit Risk

Credit risk is the risk of financial loss to the Company if a counterparty to a reinsurance contract or financial instrument fails to meet its contractual obligations. In 2021, the Company is exposed to credit risk primarily through its cash and cash equivalents, debt instruments classified as AFS financial assets and HTM investments, reinsurance balances receivable, loans and receivables, reinsurance recoverable on reported losses, deposits and security fund. In 2020, the Company is exposed to credit risk primarily through its cash and cash equivalents, debt instruments classified as AFS financial assets and HTM investments, reinsurance balances receivable, loans and receivables, reinsurance recoverable on reported losses, deposits and security fund and Funds at Lloyd's. The carrying amounts of the financial assets best represent the maximum credit risk exposure at the reporting date.

As at December 31, 2021 and 2020, the exposure to credit risk for reinsurance balances receivable by region and source is as follows:

By Region	<i>Note</i>	2021	2020
Domestic		P2,120,180	P1,560,028
Foreign		1,813,190	1,668,137
	<i>6</i>	P3,933,370	P3,228,165

By Source	<i>Note</i>	2021	2020
Life		P1,287,335	P796,892
Nonlife		2,646,035	2,431,273
	<i>6</i>	P3,933,370	P3,228,165

As at December 31, 2021 and 2020, the exposure to credit risk for AFS financial assets – debt securities by type of security is as follows:

	<i>Note</i>	2021	2020
Government securities		P4,434,774	P4,529,210
Corporate bonds		35,784	58,368
	7	P4,470,558	P4,587,578

As at December 31, 2021 and 2020, the exposure to credit risk for HTM investments by type of security is as follows:

	<i>Note</i>	2021	2020
Corporate bonds		P1,804,427	P1,383,352
Government securities		586,331	575,182
	8	P2,390,758	P1,958,534

As at December 31, 2021 and 2020, the exposure to credit risk for Reinsurance recoverable on reported losses (excluding MfAD) by region and source is as follows:

By Region	2021	2020
Domestic	P299,576	P260,093
Foreign	1,434,587	2,074,392
	P1,734,163	P2,334,485

By Source	2021	2020
Life	P16,606	P18,366
Nonlife	1,717,557	2,316,119
	P1,734,163	P2,334,485

The tables below provide information regarding the credit risk exposure of the Company as at December 31, 2021 and 2020 by classifying assets according to the Company's credit grading of counterparties.

		December 31, 2021					
		Neither Past Due nor Impaired			Past Due but not Impaired	Impaired	Total
	<i>Notes</i>	Investment High Grade	Non-investment Grade	Investment High Grade	Non-investment Grade	Total	
Cash and cash equivalents	5	P658,187	P-	P-	P-	P658,187	
Reinsurance balances receivable	6	2,173,022	658,609	590,527	511,212	3,933,370	
AFS financial assets - debt securities	7	4,470,558	-	-	-	4,470,558	
HTM investments	8	2,390,758	-	-	-	2,390,758	
Loans and receivables	9	43,433	14,286	-	-	57,719	
Reinsurance recoverable on reported losses		981,382	653,337	-	99,444	1,734,163	
Other assets*	14	1,331	-	-	-	1,331	
		P10,718,671	P1,326,232	P590,527	P610,656	P13,246,086	

*consists of deposit and security fund

December 31, 2020						
	Notes	Neither Past Due nor Impaired		Past Due but not Impaired	Impaired	Total
		Investment High Grade	Non-investment Grade			
Cash and cash equivalents	5	P950,914	P-	P-	P-	P950,914
Reinsurance balances receivable	6	1,762,703	519,906	389,743	555,813	3,228,165
AFS financial assets - debt securities	7	4,587,578	-	-	-	4,587,578
HTM investments	8	1,958,534	-	-	-	1,958,534
Loans and receivables	9	63,444	7,613	-	-	71,057
Reinsurance recoverable on reported losses		1,639,544	595,497	-	99,444	2,334,485
Funds at Lloyd's	14	142,476	-	-	-	142,476
Other assets*	14	1,331	-	-	-	1,331
		P11,106,524	P1,123,016	P389,743	P655,257	P13,274,540

*consists of deposit and security fund

The Company uses a credit grading system based on the borrowers and counterparties overall credit worthiness, as described below.

Investment High Grade – This pertains to accounts with a very low probability of default as demonstrated by the borrower’s strong financial position and reputation. The borrower has the ability to raise substantial amounts of funds through credit facilities with financial institutions. The borrower has a strong debt service record and a moderate use of leverage.

Non-investment Grade - Satisfactory – This pertains to current accounts with no history of default or which may have defaulted in the past, but the conditions and circumstances directly affecting the borrower’s ability to pay has abated already. The borrower is expected to be able to adjust to the cyclical downturns in its operations. Any prolonged adverse economic conditions would however ostensibly create profitability and liquidity issues. The use of leverage may be above industry or credit standards but remains stable.

Past Due but not Impaired – Rating given to borrowers and counterparties where outstanding obligation is already past due without impairment indicator.

Impaired – This pertains to accounts with impairment indicator and uncertain collectability. Allowance for impairment losses were recognized by the Company for these accounts.

The Company continuously monitors defaults of ceding companies and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on ceding companies and other counterparties are obtained and used. The Company’s policy is to deal only with creditworthy counterparties.

As part of Company's policy, substantially all bank deposits are only maintained with reputable financial institution having high quality external credit ratings. Cash in banks which are insured by the Philippine Deposit Insurance Corporation (PDIC) up to a maximum coverage of P0.50 million per depositor per banking institution, as provided for under Republic Act (RA) No. 9576, *Amendment to Charter of PDIC*, are still exposed to credit risk. However, the credit risk for cash and cash equivalents is considered negligible, since the majority of the counterparties are reputable banks with high quality external credit ratings.

The reinsurance balances receivable that are past due but not impaired as at December 31 are as follows:

	2021	2020
More than six months but not more than one year	P521,736	P375,196
More than one year	68,791	14,547
	P590,527	P389,743

None of the Company's reinsurance receivables and financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents as described in the preceding page. Further, the Company's reinsurance balances are subject to enforceable master netting agreements, each agreement between the Company and counterparties allows for net settlement of the relevant reinsurance liabilities when both elect to settle on a net basis.

Reinsurance balances as at December 31 are as follows:

	<i>Notes</i>	2021	2020
Reinsurance balances receivable	6	P3,422,158	P2,672,352
Reinsurance balances payable	15	1,597,074	1,179,587

4.3 Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with its reinsurance contracts and financial liabilities that are settled by delivering cash or another financial asset.

The Company manages its cash and investment position to meet its obligations arising from reinsurance agreements and other financial liabilities. Currently, the Company's excess cash is invested in short-term placements and AFS financial assets.

As at December 31, 2021 and 2020, the Company's obligations arising from reinsurance operations amounting to P3.49 billion and P2.79 billion, respectively, are expected to be settled within the normal operating cycle of the business. In addition, as at December 31, 2021 and 2020, other financial liabilities included as part of the Accounts payable and accrued expenses account in the statements of financial position amounted to P189.64 million and P100.56 million, respectively, and have contractual maturities within one year after the end of the reporting period.

As at December 31, 2021 and 2020, the Company has a current ratio of 2.06:1 and 2.25:1, respectively.

4.4 Market Risk

Market risk embodies potential losses due to market fluctuations and includes foreign exchange risk, equity price risk and interest rate risk.

The Company's market risk is managed on a daily basis in accordance with internal and regulatory policies and procedures while overall market positions are reported to the Investment Committee of the Company.

The market risks to which the Company may be exposed are as follows:

(a) Foreign Exchange Risk

Foreign currency risk is the risk that fluctuations in foreign exchange rates will adversely affect the fair value or cash flow of a recognized financial instrument. The Company may invest in financial instruments and enter into transactions denominated in currencies other than its functional currency. Consequently, the Company is exposed to risk that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Company's assets or liabilities denominated in currencies other than in Philippine peso.

Exposures to currency exchange rates arise from the foreign currency denominated short-term placements, investments, receivables and payables. The Company recognized net foreign currency gains of P25.40 million in 2021 and net foreign currency losses of P28.66 million and P26.25 million in 2020 and 2019, respectively (see Note 20).

To mitigate the Company's exposure to foreign exchange risk, foreign-currency denominated cash flows and positions are monitored and hedged as it deems necessary. The foreign currency denominated financial assets and liabilities of the Company is as follows:

	2021		2020	
	U.S. Dollars	Other Currencies	U.S. Dollars	Other Currencies
Financial assets	P1,749,655	P454,837	P2,082,252	P356,219
Financial liabilities	(998,672)	(386,123)	(1,205,091)	(218,420)
Total net exposure	P750,983	P68,714	P877,161	P137,799

The table below illustrates the sensitivity of the Company's profit before tax and equity with respect to changes on Philippine peso (Php) against foreign currencies exchange rates. The percentage changes in rates have been determined based on the average market volatility rates, using standard deviation, in the previous 12 months. If the Philippine peso had strengthened against the foreign currencies, the effect is presented below.

	2021			2020		
	Reasonably Possible Change in Rate	Effect in Profit Before Tax	Effect in Equity	Reasonably Possible Change in Rate	Effect in Profit Before Tax	Effect in Equity
Php - U.S. Dollars	4.65%	P31,556	P23,667	2.37%	P24,126	P16,888
Php - Indian Rupee	5.36%	86	65	4.81%	74	52
Php - Singaporean Dollars	5.60%	(1,028)	(771)	3.44%	(564)	(395)
Php - Hongkong Dollars	4.72%	(959)	(719)	2.57%	(497)	(348)
Php - Euro	8.25%	6,989	5,242	5.99%	4,550	3,185
Php - Thailand Baht	5.74%	273	205	6.80%	(22)	(15)
Php - Vietnamese Dong	5.73%	(208)	(156)	2.56%	(18)	(13)
Php - Indonesian Rupiah	11.28%	(490)	(368)	18.11%	6,504	4,553
Php - Nepalese Rupee	5.98%	271	203	4.67%	419	293
Php - Japanese Yen	7.27%	7	5	4.36%	(4)	(3)
Php - China Yuan	5.21%	(14)	(11)	3.62%	(9)	(6)
Php - Sri Lankan Rupee	6.93%	(9)	(7)	6.38%	(8)	(6)
Php - British Pound	8.80%	(3)	(2)	7.84%	(4,397)	(3,078)
Php - Bhutanese	5.39%	(296)	(222)	4.41%	(282)	(197)
Php - South Korean	6.08%	(2,095)	(1,571)	5.82%	(1,615)	(1,131)
Php - Nepalese	5.87%	(27)	(20)	5.18%	17	12
Total		P34,053	P25,540		P28,274	P19,791

If the Philippine peso had weakened against the foreign currencies, the effect would be the reverse of the amounts presented.

Exposures to foreign currency rates vary during the year depending on the volume of foreign currency denominated transactions. Nonetheless, the analysis is considered to be a representative of the Company's currency risk.

(b) *Equity Price Risk*

Equity price risk is the probability that the value of an equity investment would deteriorate due to changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

The Company, through its Investment Committee, has established conservative guidelines and policies and constantly reviews them to align with the Company's risk appetite, business profile, targets and better control the risks inherent in equity investments.

The Company's own investment policy requires that it invests only in shares of common stock of companies listed in the PSE. Also, these listed companies must have profitable business operations and market capitalizations supportive of the overall strategic direction of the Company.

The Investment Committee regularly reviews and approves a list of publicly traded stocks authorized for investments on the basis of the foregoing considerations. Furthermore, the Investment Committee seeks to avoid unwarranted concentration of funds in a single asset class by regularly monitoring and limiting the proportion of equity investments to the Company's total investment portfolio. Further, exposure limits to a group of entities and single entities are established and monitored regularly.

As at December 31, 2021 and 2020, investments in listed equities accounted for 24% and 21% of the Company's total investment portfolio, respectively.

The observed volatility rates of the fair value of the Company's AFS financial assets held at fair value and their impact on the Company's other comprehensive income for the years ended December 31, 2021 and 2020 are summarized as follows:

	2021		2020	
	Observed Volatility Rates	Effect in Other Comprehensive Income	Observed Volatility Rates	Effect in Other Comprehensive Income
Common shares	13.47%	P154,759	33.04%	P305,884
Preferred shares	6.97%	18,804	17.04%	56,217
		P173,563		P362,101

If the volatility in market value resulted to depreciation in fair value of the AFS financial assets, with all other variables remaining constant, the effect would be the reverse of the amounts presented.

(c) *Interest Rate Risk*

There are two types of interest rate risk:

- Fair Value Interest Rate Risk - the probability that the value of a financial instrument would deteriorate due to changes in market interest rates; and
- Cash Flow Interest Rate Risk - the probability that future cash flows of a financial instrument would deteriorate due to changes in market interest rates.

Significant portion of the Company's investments is composed mainly of fixed interest-bearing debt instruments carried at fair value. Its total consolidated bond holdings accounted for 75% and 77% of its total investment portfolio as at December 31, 2021 and 2020, respectively. As a result, the Company is exposed to fair value interest rate risk.

The Company does not carry debt instruments with variable interest rate and, thus, is not exposed to cash flow interest rate risk.

Risk limits on issuer exposure, credit ratings, duration, and gapping of its portfolio are being monitored and managed to ensure protection of capital and address the Company's liquidity needs as they arise.

The analysis below details the impact of changes in market interest rate to the fair value of the Company's investment in fixed-rate debt instruments. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	2021		
	Observed Volatility Rates	Effect in Other Comprehensive Income	
		Increase in variable	Decrease in variable
Peso-denominated securities:			
Government bonds	28.41%	(P43,287)	P147,261
U.S. Dollar-denominated securities:			
Government bonds	51.71%	(49)	2
Corporate bonds	20.69%	(2)	-
		(P43,338)	P147,263
	2020		
	Observed Volatility Rates	Effect in Other Comprehensive Income	
		Increase in variable	Decrease in variable
Peso-denominated securities:			
Government bonds	39.68%	(P52,396)	P232,882
U.S. Dollar-denominated securities:			
Government bonds	32.89%	(79)	(52)
Corporate bonds	18.02%	(12)	-
		(P52,487)	P232,830

In 2021 and 2020, the Company determined the reasonably possible change in interest rate based on the historical percentage changes in weighted average yield rates of outstanding investments of the Company.

5. CASH AND CASH EQUIVALENTS

This account consists of:

	2021	2020
Cash on hand and in banks	P305,165	P259,627
Short-term placements	353,022	691,287
	P658,187	P950,914

Cash in banks generally earn interest at rates based on daily bank deposit rates.

Short-term placements include time deposits and special deposit accounts made for varying periods of up to three months depending on the liquidity requirements of the Company.

Interest income recognized from cash in banks and short-term placements amounting to P3.38 million in 2021, P11.85 million in 2020, and P46.75 million in 2019, is presented as part of the Investment and other income and expenses – net account in the statements of income (see Note 20).

Peso short-term placements earn annual interest ranging from 0.03% to 1.90% in 2021, 0.03% to 4.00% in 2020 and from 0.50% to 7.15% in 2019, while U.S. dollar short-term placements earn annual interest ranging from 0.02% to 0.13% in 2021, 0.02% to 1.88% in 2020, and 1.00% to 2.40% in 2019.

The Cash and cash equivalents account includes cash denominated in U.S. dollar amounting to \$5.45 million or P276.69 million in 2021 and \$2.65 million or P127.08 million in 2020.

6. REINSURANCE BALANCES RECEIVABLE – NET

The details of this account are as follows:

	2021	2020
Due from ceding companies	P3,331,369	P2,741,537
Reinsurance recoverable on paid losses	376,040	328,005
Funds held by ceding companies	224,901	157,563
Due from reinsurers	1,060	1,060
	3,933,370	3,228,165
Allowance for impairment	(511,212)	(555,813)
	P3,422,158	P2,672,352

The movements in these accounts are as follows:

	<i>Notes</i>	2021				Total
		Due from ceding companies	Reinsurance recoverable on paid losses	Funds held by ceding companies	Due from reinsurers	
Balance at beginning of year		P2,741,537	P328,005	P157,563	P1,060	P3,228,165
Loss recoveries during the year	11, 21.1	–	474,644	–	–	474,644
Premiums written net of funds held during the year		3,777,678	–	–	–	3,777,678
Funds held during the year		–	–	417,447	–	417,447
Reclassification		495,374	49,921	(327,585)	–	217,710
Collections during the year		(3,754,274)	(472,384)	–	–	(4,226,658)
Write-off during the year		(19,032)	(10,979)	(24,033)	–	(54,044)
Foreign exchange revaluation		90,086	6,833	1,509	–	98,428
		3,331,369	376,040	224,901	1,060	3,933,370
Allowance for impairment		(198,570)	(311,557)	(25)	(1,060)	(511,212)
Balance at end of year		P3,132,799	P64,483	P224,876	P–	P3,422,158

		2020				
	Notes	Due from ceding companies	Reinsurance recoverable on paid losses	Funds held by ceding companies	Due from reinsurers	Total
Balance at beginning of year		P2,739,387	P344,609	P101,631	P1,261	P3,186,888
Loss recoveries during the year	11, 21.1	–	371,075	–	–	371,075
Premiums written net of funds held during the year		4,139,899	–	–	–	4,139,899
Funds held during the year		–	–	333,803	–	333,803
Reclassification		247,130	–	(275,340)	–	(28,210)
Collections during the year		(4,336,512)	(369,780)	–	–	(4,706,292)
Write-off during the year		(27,592)	(9,509)	(1,419)	(201)	(38,721)
Foreign exchange revaluation		(20,775)	(8,390)	(1,112)	–	(30,277)
		2,741,537	328,005	157,563	1,060	3,228,165
Allowance for impairment		(206,546)	(326,756)	(21,451)	(1,060)	(555,813)
Balance at end of year		P2,534,991	P1,249	P136,112	P–	P2,672,352

The Company's collections of these reinsurance receivable include collections equivalent to underwriting costs and claims deducted by cedants from their statements of accounts.

Reinsurance balances receivables are reviewed for any indicators of impairment as of reporting date and allowance for impairment is recognized when necessary.

A reconciliation of the allowance for impairment at the beginning and end of 2021 and 2020 is shown below.

		2021				
		Due from ceding companies	Reinsurance recoverable on paid losses	Funds held by ceding companies	Due from reinsurers	Total
Balance at beginning of year		P206,546	P326,756	P21,451	P1,060	P555,813
Write-off during the year		(19,032)	(10,979)	(24,033)	–	(54,044)
Reclassification		11,050	(11,050)	–	–	–
Revaluation		6	6,830	2,607	–	9,443
Balance at end of year		P198,570	P311,557	P25	P1,060	P511,212

		2020				
	Note	Due from ceding companies	Reinsurance recoverable on paid losses	Funds held by ceding companies	Due from reinsurers	Total
Balance at beginning of year		P221,988	P331,962	P22,870	P1,261	P578,081
Write-off during the year		(27,592)	(9,509)	(1,419)	(201)	(38,721)
Reclassification	11	12,136	12,423	–	–	24,559
Revaluation		14	(8,120)	–	–	(8,106)
Balance at end of year		P206,546	P326,756	P21,451	P1,060	P555,813

The fair value of these short-term financial assets is not individually determined as the carrying amount is considered reasonable approximation of their fair value.

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

This account is composed of the following:

	2021	2020
Debt securities	P4,470,558	P4,587,578
Equity securities - net	1,427,640	1,264,482
Investment in ARC shares	34,328	32,397
UITF	20,144	48,610
	P5,952,670	P5,933,067

Debt securities include investments in corporate bonds and government securities.

Debt securities earn interest at annual rates ranging from 0.85% to 8.00% in 2021, 0.95% to 8.00% in 2020, and 3.25% to 8.00% in 2019. Interest income amounting to P150.48 million in 2021, P160.49 million in 2020 and P148.94 million in 2019, is presented as part of Investment and other income and expenses – net account in the statements of income (see Note 20).

The following presents the fair value of debt securities by contractual maturity dates:

	2021	2020
Due within one year	P953,813	P801,044
Due after one year through five years	3,187,184	2,773,497
Due after five years through ten years	329,561	669,473
Due after ten years	–	343,564
	P4,470,558	P4,587,578

The balance of equity securities classified as AFS financial assets consists of:

	2021	2020
Cost:		
Quoted in the stock exchange	P1,384,994	P1,160,939
Not quoted in the stock exchange	14,745	14,745
	1,399,739	1,175,684
Unrealized foreign currency gains (losses)	102	(582)
Fair value gains (losses):		
Quoted in the stock exchange	33,262	95,409
Not quoted in the stock exchange	(5,463)	(6,029)
	27,799	89,380
	P1,427,640	P1,264,482

Equity securities consist mainly of investment in companies listed in the PSE.

Dividend income from these equity securities amounting to P40.16 million in 2021, P46.29 million in 2020 and P43.71 million in 2019, is presented under the Investment and other income and expenses – net account in the statements of income (see Note 20).

The shares of ARC have been issued in the name of the Government of the Philippines (GoP) as the Philippine government’s participation in the joint undertaking of Asian countries to organize a reinsurance company that will service the needs of the region. The GoP assigned such shares, including any interest accruing thereon, to the Company.

The GoP designated the Company as the national institution authorized to subscribe and pay for the said shares of stock. The shares of stock of ARC, while not for sale, were classified under this category since these do not qualify for inclusion in any other categories of financial assets. The fair value of investment in ARC shares amounted to P34.33 million and P32.40 million as at December 31, 2021 and 2020, respectively.

UITF is a collective investment scheme, wherein funds of investors are pooled together. Subscription and/or redemption to these UITFs are reflected through units of participation. This is managed by a professional fund manager and is invested in various underlying instruments, such as time deposits and government securities

The reconciliation of the carrying amount of AFS financial assets is as follows:

	<i>Notes</i>	2021	2020
Cost			
Balance at beginning of year		P5,668,881	P4,943,678
Acquisitions		4,938,658	6,991,787
Disposals/maturities		(4,673,132)	(5,783,037)
Impairment losses		(6,811)	(469,312)
Unrealized foreign currency losses		(4,154)	(14,235)
		5,923,442	5,668,881
Fair value adjustment			
Balance at beginning of year		264,186	2,075
Changes in fair value		(147,335)	102,059
Fair value gains on disposal	<i>20</i>	(94,434)	(309,260)
Impairment losses	<i>20</i>	6,811	469,312
		29,228	264,186
Balance at end of year		P5,952,670	P5,933,067

Fair value gains or losses recognized in the statements of comprehensive income (loss) amounted to fair value losses of P147.34 million in 2021 and fair value gains of P102.11 million and P390.71 million in 2020 and 2019, respectively.

In 2018, the Company reclassified certain investments classified under AFS financial assets to HTM investments amounting to P473.13 million (see Note 8) and to Other assets amounting to P0.88 million.

The Company recognized an impairment loss amounting to P6.81 million, P469.31 million and P57.51 million, in 2021, 2020 and 2019, respectively, which pertains to certain investments in equity securities with significant or prolonged decline in fair values. These were recorded as part of Investment and other income and expenses – net account in the statements of income (see Note 20) after transferring the same amount of fair value losses on AFS financial assets from the Other comprehensive income account.

The Company sold AFS financial assets with carrying amount of P4.67 billion in 2021, P5.78 billion in 2020 and P2.78 billion in 2019. Accordingly, the Company recognized gain on sale of AFS financial assets amounting to P94.43 million, P309.26 million and P79.77 million in 2021, 2020 and 2019, respectively. These are presented as part of Investment and other income and expenses – net account in the statements of income (see Note 20).

Fair value gains of P87.62 million and P22.26 million in 2021 and 2019, respectively, and fair value losses of P160.05 million in 2020 as presented in the statements of comprehensive income (loss), were reclassified to profit or loss (see Note 20).

The fair value of majority of the AFS financial assets has been determined directly by reference to published prices in active market (see Note 30.2).

8. HELD-TO-MATURITY INVESTMENTS

The following presents the carrying value of corporate and government securities by contractual maturity dates:

	2021	2020
Due within one year	P251,084	P384,547
Due after one year through five years	1,771,809	1,241,352
Due after five years through ten years	367,865	255,873
More than ten years	–	76,762
	P2,390,758	P1,958,534

The reconciliation of the carrying amount of HTM investments is as follows:

	2021	2020
Balance at beginning of year	P1,958,534	P2,227,897
Additions	1,023,140	200,000
Maturities	(596,794)	(480,937)
Amortization	5,878	11,574
Balance at end of year	P2,390,758	P1,958,534

In May 2017, the Company's BOD approved the reclassification of certain investment in corporate bonds amounting to P1.09 billion previously classified as AFS financial assets to HTM investments due to change in intention to collecting interest coupons until maturity. New effective interest rates at the date of reclassification range from 2.36% to 6.24%.

In September 2018, the Company's BOD approved the reclassification of certain government securities from AFS financial assets to HTM investments amounting to P473.13 million with face value of P562.50 million (see Note 7). These are earmarked as security for the benefit of cedants and creditors of the Company in accordance with the provisions of the Insurance Code. The new effective interest rate at the date of reclassification is 7.13%.

As at December 31, 2021 and 2020, the fair value of the reclassified debt securities amounted to P0.90 billion and P1.28 billion, respectively, and the unamortized fair value gain that would have been recognized in other comprehensive income if the AFS financial assets had not been reclassified amounted to P51.32 million and P96.56 million for the years ended December 31, 2021 and 2020, respectively.

The carrying amount of the reclassified debt securities amounted to P0.85 billion and P1.18 billion as at December 31, 2021 and 2020, respectively.

In 2021, 2020 and 2019, the Company recognized interest income on HTM investments amounting to P105.12 million, P119.52 million and P111.15 million, respectively (see Note 20).

9. LOANS AND RECEIVABLES

This account is comprised of the following:

	<i>Notes</i>	2021	2020
Current:			
Loans and notes receivable		P11,958	P2,658
Dividend and interest receivable		43,433	63,444
	<i>32</i>	55,391	66,102
Non-current:			
Loans and notes receivable	<i>32</i>	2,328	4,955
		P57,719	P71,057

Loans and notes receivable include car loans extended to certain officers as part of their benefits. These loans are collected through salary deductions for a period of five years with an annual effective interest rate of 8.00%.

Interest income on Loans and notes receivable amounting to P0.38 million in 2021, P0.43 million in 2020 and P0.64 million in 2019, is presented as part of Investment and other income and expenses – net account in the statements of income (see Note 20).

The carrying value of these financial assets approximate their fair value as the interest rates approximate the prevailing market interest rates. No impairment loss was recognized for loans and receivables in 2021, 2020 and 2019.

10. PROPERTY AND EQUIPMENT

A reconciliation of the carrying amount at the beginning and end of 2021 and 2020 of property and equipment is shown below.

		2021					
	Note	Condominium Unit	Office Improvements	Transportation Equipment	EDP Equipment	Office Furniture and Equipment	Total
Cost							
Balance at beginning of year		P101,310	P25,241	P12,353	P20,194	P11,225	P170,323
Additions		-	-	2,491	1,053	-	3,544
Disposals/retirement		-	-	(2,844)	-	-	(2,844)
Balance at end of year		101,310	25,241	12,000	21,247	11,225	171,023
Accumulated Depreciation							
Balance at beginning of year		71,480	7,676	7,835	14,913	8,446	110,350
Depreciation	22	3,377	2,522	2,082	2,095	1,400	11,476
Disposals/retirement		-	-	(2,844)	-	-	(2,844)
Balance at end of year		74,857	10,198	7,073	17,008	9,846	118,982
Net Book Value		P26,453	P15,043	P4,927	P4,239	P1,379	P52,041
		2020					
	Note	Condominium Unit	Office Improvements	Transportation Equipment	EDP Equipment	Office Furniture and Equipment	Total
Cost							
Balance at beginning of year		P101,310	P25,241	P12,585	P17,870	P11,225	P168,231
Additions		-	-	607	2,683	-	3,290
Disposals/retirement		-	-	(839)	(359)	-	(1,198)
Balance at end of year		101,310	25,241	12,353	20,194	11,225	170,323
Accumulated Depreciation							
Balance at beginning of year		68,103	5,154	6,390	11,148	7,042	97,837
Depreciation	22	3,377	2,522	2,284	3,954	1,404	13,541
Disposals/retirement		-	-	(839)	(189)	-	(1,028)
Balance at end of year		71,480	7,676	7,835	14,913	8,446	110,350
Net Book Value		P29,830	P17,565	P4,518	P5,281	P2,779	P59,973

The Company sold and retired certain assets with book value of nil, P0.17 million, and P0.20 million in 2021, 2020, and 2019, respectively, and recognized net gain amounting to nil in 2021, P0.02 million in 2020, and net loss amounting to P0.05 million in 2019, respectively, and is presented under Gain (loss) on sale of non-financial assets and Loss on asset retirement under Investment and other income and expenses – net account in the statements of income (see Note 20).

The original cost of fully depreciated property and equipment that are still in use amounted to P17.75 million and P16.02 million as at December 31, 2021 and 2020, respectively.

ROU assets capitalized are recognized as part of EDP Equipment. As at December 31, 2021 and 2020, ROU assets and Lease liabilities amounted to nil and P1.34 million, respectively.

In 2021 and 2020, depreciation associated with ROU assets amounted to P0.72 million and P2.57 million, respectively.

11. REINSURANCE RECOVERABLE ON REPORTED LOSSES AND REINSURANCE RECOVERABLE ON CLAIMS RESERVES

The movements in the accounts are as follows:

	<i>Notes</i>	Reinsurance recoverable on reported losses	Reinsurance recoverable on claims reserves
December 31, 2021			
Balance at beginning of year		P2,526,370	P330,634
Claims reported during the year	21.1	(173,948)	-
Transferred to reinsurance recovered on paid losses	6, 21.1	(474,644)	-
Claims incurred but not reported, net of adjustments	21.2	-	581,397
Reclassification		56,964	-
Foreign exchange revaluation		19,586	-
		1,954,328	912,031
Allowance for impairment		(99,444)	-
Balance at end of year		P1,854,884	P912,031
December 31, 2020			
Balance at beginning of year		P2,412,386	P319,606
Claims reported during the year	21.1	530,859	-
Transferred to reinsurance recovered on paid losses	6, 21.1	(371,075)	-
Claims incurred but not reported, net of adjustments	21.2	-	11,028
Reclassification		(24,959)	-
Foreign exchange revaluation		(20,841)	-
		2,526,370	330,634
Allowance for impairment		(99,444)	-
Balance at end of year		P2,426,926	P330,634

All of the Company's reinsurance recoverable on reported losses and claims reserves have been reviewed for indicators of impairment. Certain reinsurance recoverable on reported losses was found to be impaired and provisions have been recorded accordingly.

The movement in the allowance for impairment with respect to Reinsurance recoverable on reported losses during the year is as follows:

	<i>Note</i>	2021	2020
Balance at beginning of year		P99,444	P124,003
Reclassification	6	-	(24,559)
Balance at end of year		P99,444	P99,444

12. DEFERRED ACQUISITION COSTS

The movements in this account are as follows:

	<i>Note</i>	2021	2020
Balance at beginning of year		P620,854	P595,480
Cost deferred during the year		944,579	1,088,592
Cost recognized during the year	<i>21.3</i>	(907,089)	(1,063,218)
Balance at end of year		P658,344	P620,854

The amortization of deferred acquisition costs for the year is presented as part of Commissions – net under Underwriting deductions in the statements of income (see Note 21.3).

13. DEFERRED REINSURANCE PREMIUMS

The movements in this account are as follows:

	2021	2020
Balance at beginning of year	P407,404	P454,040
Premiums retroceded during the year	1,357,272	1,276,690
Premiums amortized during the year	(1,330,165)	(1,323,326)
Balance at end of year	P434,511	P407,404

The movements in deferred reinsurance premiums for the year are presented as part of Movement in premium reserves – net account in the statements of income.

14. **OTHER ASSETS – NET**

This account is composed of the following:

	<i>Notes</i>	2021	2020
Deferred tax assets – net	23	P264,608	P251,486
Input VAT		201,221	206,218
Prepaid income tax		18,885	–
Intangible assets – net		10,501	17,516
Defined benefit asset	22.2(b)	9,919	9,097
Deferred withholding VAT		9,203	9,203
Deferred creditable tax		8,019	7,171
Prepayments		7,077	8,257
Investment properties – net		3,705	3,705
Deposit		687	687
Security fund		644	644
Deferred input VAT		470	431
Funds at Lloyd’s		–	142,476
Others		138	138
		535,077	657,029
Allowance for impairment		(209,633)	(209,633)
		P325,444	P447,396

In 2021 and 2020, there is no change in the amount of allowance for impairment with respect to the balances disclosed above.

Intangible Assets – net

Intangible assets pertain to acquired computer software licenses used in operation and administration. The gross carrying amount and accumulated amortization of intangible assets as at December 31, 2021 and 2020 are as follows:

	2021	2020
Cost	P163,289	P163,289
Accumulated amortization	(152,788)	(145,773)
Balance at end of year	P10,501	P17,516

A reconciliation of the carrying amount at the beginning and end of 2021 and 2020, of intangible assets is shown below.

	<i>Note</i>	2021	2020
Balance at beginning of year, net of accumulated amortization		P17,516	P26,819
Additions		–	1,013
Reclassification		–	(3,773)
Amortization	22	(7,015)	(6,543)
Balance at end of year, net of accumulated amortization		P10,501	P17,516

Prepayments

Prepayments pertain to software licenses and support maintenance costs and prepaid health and group life insurance premiums of the Company.

Investment Properties – net

Investment properties consist of land which are owned for capital appreciation. The carrying amount of the investment properties as at December 31, 2021 and 2020 is P3.71 million.

The total estimated fair value based on the latest available selling price of the properties obtained by the Company amounted to P23.30 million and P20.76 million as at December 31, 2021 and 2020, respectively (see Note 30.4).

Security Fund

Security fund represents amount deposited with the IC, as required by the IC, and in instances of the Company becoming insolvent, can be used as payment for valid claims against the Company. The balance of the fund earns interest at rates determined by the IC annually.

Deferred Input VAT

Deferred input VAT pertains to VAT from the purchase of goods and services that are due to the suppliers as at reporting date.

Funds at Lloyd's

In December 2016, the Company entered into a quota share reinsurance treaty contract with a member of the Society of Lloyd's effective January 1, 2017, whereby the Company was required to establish its share of the Funds at Lloyd's amounting to U.S.\$3.00 million.

In 2017, the Company deposited additional funds amounting to P36.94 million (£0.56 million). In 2019, the Company settled claims through the Funds at Lloyd's amounting to P38.67 million (U.S.\$ 0.76 million).

In 2021, the Company collected the Funds at Lloyd's, net of the related cumulative underwriting results which consist of premiums, claims and acquisition costs. As at December 31, 2020, the Funds at Lloyd's amounted to P142.48 million (U.S. \$2.97 million).

15. REINSURANCE BALANCES PAYABLE

The details of this account are as follows:

	2021	2020
Due to retrocessionaires	P1,554,687	P1,157,660
Due to cedant	21,927	9,174
Funds held for retrocessionaires	20,460	12,753
	P1,597,074	P1,179,587

Due to retrocessionaires

Due to retrocessionaires represent unpaid premiums payable to the Company's retrocessionaires.

Funds held for retrocessionaires

Funds held for retrocessionaires represent portion of the reinsurance premium ceded to retrocessionaires, which were withheld by the Company in accordance with reinsurance agreements.

The Company's payments of these reinsurance liabilities are netted by the retrocessionaires' share in underwriting costs and losses paid.

The movements in these accounts are shown below.

	2021			Total
	Due to retrocessionaires	Due to cedant	Funds held for retrocessionaires	
Balance at beginning of year	P1,157,660	P9,174	P12,753	P1,179,587
Retroceded premiums net of funds held during the year	1,340,201	-	-	1,340,201
Funds held during the year	-	-	17,071	17,071
Funds released during the year	14,509	-	(14,509)	-
Reclassification	222,899	14,135	5,128	242,162
Payments made during the year	(1,188,251)	(1,409)	-	(1,189,660)
Foreign exchange revaluation	7,669	27	17	7,713
Balance at end of year	P1,554,687	P21,927	P20,460	P1,597,074

	2020			Total
	Due to retrocessionaires	Due to cedant	Funds held for retrocessionaires	
Balance at beginning of year	P1,175,144	P4,683	P5,691	P1,185,518
Retroceded premiums net of funds held during the year	1,264,901	-	-	1,264,901
Funds held during the year	-	-	11,789	11,789
Funds released during the year	4,727	-	(4,727)	-
Reclassification	(34,480)	4,490	-	(29,990)
Payments made during the year	(1,245,768)	-	-	(1,245,768)
Foreign exchange revaluation	(6,864)	1	-	(6,863)
Balance at end of year	P1,157,660	P9,174	P12,753	P1,179,587

16. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

This account includes the following:

	<i>Note</i>	2021	2020
Accounts payable and accrued expenses		P147,524	P53,083
Deposit liability		137,711	179,579
Deferred output VAT		26,247	25,508
Withholding taxes payable		5,501	5,899
Dividends payable	<i>24.3</i>	2,543	2,543
Income tax payable		–	59,685
		P319,526	P326,297

Accounts payable represent balances due to suppliers or for the purchase of goods or services. This includes accrued expenses pertaining to accruals of outside services, utilities, uniforms, membership dues and meeting expenses and the related input VAT.

In February 13, 2020, the Company entered into an ordinary life coinsurance agreement with a ceding company for its specific in-force block of business, where it assumed a share of the gross premium in return for a proportionate share of the coverage of all benefits. An initial consideration of P211.10 million was transferred to the Company representing the statutory reserves of the underlying contracts. As the related insurance risk of the underlying contracts were not considered significant, this contract was accounted for as a Deposit liability. The statutory reserves are measured based on the assumptions consistent with the Life's valuation standards set by the IC.

Movements resulting from the remeasurement of the statutory reserves amounting to P2.36 million in 2021 and P13.58 million in 2020 are recognized as Movement in deposit liability as reported under Investment and other income and expenses – net account (see Note 20). As at December 31, 2021 and 2020, the statutory reserves amounted to P137.71 million and P179.58 million, respectively.

Deferred output VAT pertains to VAT from the sale of goods and services that are still outstanding as at year-end. These amounts are not due for remittance to the BIR until the receivables are collected.

Other than the statutory reserves discussed above, the Management considers the carrying amount of accounts payable and accrued expenses recognized in the statements of financial position to be a reasonable approximation of their fair value due to their short duration.

17. LOSSES AND CLAIMS PAYABLE AND CLAIMS RESERVES

Losses and claims payable and claims reserves are losses due to ceding companies under reinsurance agreements inclusive of reserves for IBNR losses, loss adjustment expenses payable and MFAD as shown below.

<u>December 31, 2021</u>	<i>Notes</i>	Losses and Claims Payable	Claims Reserves
Balance at beginning of year		P4,824,992	P2,255,646
Claims incurred during the year – net	21.1	1,522,628	–
Claims incurred but not reported, net of adjustments	21.2	–	847,293
Reclassification		(18,948)	
Claims paid during the year	21.1	(1,906,123)	–
Foreign exchange revaluation		69,878	–
Balance at end of year		P4,492,427	P3,102,939

<u>December 31, 2020</u>	<i>Notes</i>	Losses and Claims Payable	Claims Reserves
Balance at beginning of year		P4,554,326	P1,997,624
Claims incurred during the year – net	21.1	2,289,759	–
Claims incurred but not reported, net of adjustments	21.2	–	258,022
Reclassification		(32,700)	
Claims paid during the year	21.1	(1,927,445)	–
Foreign exchange revaluation		(58,948)	–
Balance at end of year		P4,824,992	P2,255,646

18. PREMIUM RESERVES

The movements in Premium reserves are as follows:

	2021	2020
Balance at beginning of year	P1,539,347	P1,768,249
Premium written during the year	4,195,125	4,473,702
Premiums earned during the year	(4,201,143)	(4,702,604)
Balance at end of year	P1,533,329	P1,539,347

The movements in premiums reserves for the year are presented as part of Movement in premium reserves – net account in the statements of income.

19. DEFERRED REINSURANCE COMMISSIONS

The movements in Deferred reinsurance commissions are as follows:

	<i>Note</i>	2021	2020
Balance at beginning of year		P6,920	P6,234
Income deferred during the year		48,098	32,245
Income recognized during the year	21.3	(45,776)	(31,559)
Balance at end of year		P9,242	P6,920

The amortization of deferred reinsurance commissions for the year is presented as part of Commissions – net under Underwriting deductions in the statements of income (see Note 21.3).

20. INVESTMENT AND OTHER INCOME AND EXPENSES – NET

The details of this account are as follows:

	<i>Notes</i>	2021	2020	2019
Interest income:				
Cash and cash equivalents	5	P3,379	P11,846	P46,752
AFS financial assets	7	150,475	160,493	148,937
HTM investments	8	105,115	119,524	111,151
Loans and receivables	9	384	429	641
Others		415	1,752	7,308
Gain on sale of AFS	7	94,434	309,260	79,772
Dividend income	7	40,157	46,285	43,713
Foreign currency gains (losses)		25,399	(28,661)	(26,245)
Impairment loss on AFS financial assets	7	(6,811)	(469,312)	(57,511)
Movement in deposit liability	16	(2,360)	(13,581)	–
Gain (loss) on sale of non-financial assets	10	–	17	(17)
Loss on asset retirement	10	–	–	(35)
Other charges		(6,477)	(6,386)	(5,126)
		P404,110	P131,666	P349,340

In 2019, gain from settlement of derivative liabilities amounted to P4.06 million and reported under foreign currency gains. No similar transaction occurred in 2021 and 2020.

21. UNDERWRITING DEDUCTIONS

The accounts below represent the aggregate amount of the Company's share in net losses and claims relative to its acceptances under reinsurance agreements.

21.1 *Share in Reported Losses – Net*

	<i>Notes</i>	2021	2020	2019
Gross claims paid	17	P1,906,123	P1,927,445	P1,950,987
Retrocessionaires' share in losses paid	6, 11	(474,644)	(371,075)	(257,462)
Gross change in provision for claims reported	17	(383,495)	362,314	105,837
Retrocessionaires' share in change in provision for claims reported	11	648,592	(159,784)	7,262
		P1,696,576	P1,758,900	P1,806,624

21.2 Share in Unreported Loss Reserves – Net

	Notes	2021	2020	2019
Gross change in provision for IBNR	17	P847,293	P258,022	P282,150
Retrocessionaires' share in change in provision for IBNR	11	(581,397)	(11,028)	(558)
		P265,896	P246,994	P281,592

21.3 Commissions – Net

This account consists of the following:

	Notes	2021	2020	2019
Commission expense	12	P907,089	P1,063,218	P986,710
Commission income	19	(45,776)	(31,559)	(18,119)
		P861,313	P1,031,659	P968,591

Commission expense refers to the amortized portion of the fees deducted by ceding companies from reinsurance premiums assumed under reinsurance agreements, while commission income pertains to the amortization for the year of the fees charged by the Company related to reinsurance premiums retroceded under retrocession agreements.

22. GENERAL AND ADMINISTRATIVE EXPENSES

The details of this account are as follows:

	Notes	2021	2020	2019
Salaries and employee benefits	22.1	P163,719	P154,769	P166,355
Data, licenses and subscriptions		22,922	21,194	13,666
Depreciation and amortization	10, 14	18,491	20,084	22,380
Professional fees		14,609	15,320	11,656
Repairs and maintenance		8,362	8,213	8,632
Taxes, licenses and fees	34	6,325	30,439	9,215
Outsourced functions		5,918	7,273	7,078
Communication and postages		4,446	6,141	5,501
Dues and fees		3,422	3,459	3,235
Advertising and publicity		1,496	702	2,962
Light and water		1,300	1,656	1,792
Insurance		987	1,105	991
Meetings, conferences and conventions		489	566	3,393
Rental	28.1	223	253	210
Representation and entertainment		128	217	823
Printing and office supplies		93	242	738
Miscellaneous		7,058	6,786	9,874
		P259,988	P278,419	P268,501

Data, licenses and Subscriptions

Data, licenses and subscription are the amortized portion of subscriptions paid for the use of various computer licensed software.

Professional Fees

Professional fees are the expenses charged for external services engaged such as tax consultancy, external audit, legal and actuarial services.

Taxes, Licences and Fees

In 2021 and 2019, taxes, licenses and fees consists of payments made for the local and national taxes, business permits and licenses. In 2020, taxes, licenses and fees consists of payments made for the local and national taxes, tax deficiency assessments, business permits and licenses.

22.1 Salaries and Employee Benefit Expense

The details of salaries and employee benefits are presented below.

	2021	2020	2019
Short-term employee benefits	P147,206	P140,264	P153,286
Post-employment defined benefit	10,461	10,293	9,021
Compensated absences	6,052	4,212	4,048
	P163,719	P154,769	P166,355

22.2 Post-employment Defined Benefit

(a) Characteristics of the Defined Benefit Plan

The Company maintains a wholly-funded, tax-qualified, non-contributory post-employment defined benefit plan retirement plan that is being administered by a trustee covering all regular full-time employees.

The normal retirement age is 60 with a minimum of 10 years of credited service. The plan also provides for an early retirement at age 50 with a minimum of 10 years of credited service. Normal retirement benefit is an amount equivalent to 175% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below and in the succeeding pages are based on the actuarial valuation reports obtained from an independent actuary in 2021 and 2020. The amount of defined benefit asset presented as part of Other assets – net (see Note 14) and recognized in the statements of financial position are determined as follows:

	2021	2020
Fair value of the plan assets	P98,829	P92,238
Present value of the obligation	(88,910)	(83,141)
	P9,919	P9,097

The movements in the fair value of plan assets is presented below.

	2021	2020
Balance at beginning of year	P92,238	P80,683
Interest income	3,146	3,945
Return on plan assets	(527)	(2,683)
Contributions paid into the plan	10,461	10,293
Benefits paid by the plan	(6,489)	–
Balance at end of year	P98,829	P92,238

The movements in the present value of the retirement benefit obligation are as follows:

	2021	2020
Balance at beginning of year	P83,141	P67,755
Current service cost	10,461	10,293
Interest expense	2,835	3,314
Remeasurements – actuarial losses (gains) arising from:		
Experience adjustments	(4,195)	1,972
Changes in financial assumptions	3,157	(193)
Benefits paid by the plan	(6,489)	–
Balance at end of year	P88,910	P83,141

The composition of the fair value of plan assets at the end of the reporting period by category and risk characteristics is shown below.

	2021	2020
Cash and cash equivalents	P12,012	P8,734
Philippine government securities	57,176	36,021
Equity securities	20,535	16,872
Corporate notes	6,998	19,872
Loans and receivables	790	9,687
Mutual fund	8,024	1,208
Accounts payable	(6,706)	(156)
	P98,829	P92,238

The fair value of the equity and government bonds are determined based on quoted market prices in active markets

The plan assets earned a return of P2.62 million, P1.26 million and P9.11 million in 2021, 2020 and 2019, respectively.

Plan assets do not comprise any of the Company's own financial instruments.

The components of amounts recognized in the statements of income and in other comprehensive income in respect of the defined benefit post-employment plan are as follows:

	2021	2020	2019
<i>Reported in statements of income:</i>			
Current service cost	P10,461	P10,293	P9,021
Net interest income	(311)	(631)	(1,115)
	P10,150	P9,662	P7,906
<i>Reported in other comprehensive loss (income):</i>			
Actuarial losses (gains) arising from:			
Experience adjustments	(P4,195)	P1,972	(P1,450)
Changes in financial assumptions	3,157	(193)	7,079
Return on plan assets (excluding amounts included in net interest)	527	2,683	(3,815)
	(P511)	P4,462	P1,814

Current service cost and settlement gain, if any, are presented as part of Salaries and employee benefits; while net interest income or expense is presented as part of Interest income under Investment and other income and expenses – net account (see Note 20).

Amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of the defined benefit post-employment obligation, the following significant actuarial assumptions were used:

	2021	2020	2019
Discount rate	4.8%	3.4%	4.9%
Expected rate of salary increase	5.0%	3.0%	4.5%
Employee turn-over rate	10.0%	10.0%	10.0%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 65 is 40. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero-coupon government bond with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Retirement Plan*

The plan exposes the Company to actuarial risks such as investment risk, interest rate risk, longevity risk, salary risk and inflation risk.

(i) *Investment and Interest Risks*

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has investments in equity securities, debt securities, cash and cash equivalents, and loans and receivables. Due to the long-term nature of the plan obligation, a level of continuing equity and debt investments is an appropriate element of the Company's long-term strategy to manage the plan efficiently.

(ii) *Longevity and Salary Risks*

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(iii) *Inflation Risk*

A significant proportion of the defined benefit obligation is linked to inflation. The increase in inflation will increase the Company's liability. A portion of the plan assets are inflation-linked debt securities which will mitigate some of the effects of inflation.

(d) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions, the Company's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described as follows:

(i) *Sensitivity Analysis*

The following tables summarize the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit asset:

December 31, 2021	Impact on Defined Benefit Asset		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	+/- 1.0%	P5,074	(P5,769)
Salary growth	+/- 1.0%	(5,667)	5,136
Turn-over rate	+/- 10.0%	740	(740)

December 31, 2020	Impact on Defined Benefit Asset		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	+/- 1.0%	P4,799	(P5,466)
Salary growth	+/- 1.0%	(5,398)	4,944
Turn-over rate	+/- 10.0%	566	(566)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit asset recognized in the statements of financial position.

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

(ii) *Asset-liability Matching Strategies*

The Company applies asset-liability matching techniques to maximize investment returns at the least risk to reduce contribution requirements while maintaining a stable retirement fund. Retirement funds are invested to ensure that liquid funds are available when benefits become due, to minimize losses due to investment pre-terminations, and maximize opportunities for higher potential returns at the least risk.

The Company is guided by a formal Asset-Liability Management Study conducted by an independent actuary. In the study, expected benefit payments are projected and classified into short-term, medium-term or long-term liabilities. Investment instruments that would match the liabilities are identified. Finally, the investment mixes that would yield the maximum returns at certain risk levels are identified.

The study is conducted annually to capture changes in the demographic profile of the employees and changes in the economic environment affecting the amounts of maturing obligations and rates of return of available investment instruments.

In view of this, investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets.

A large portion of the plan assets as at December 31, 2021 and 2020 consists of debt and equity securities, although the Company also invests in cash equivalents, mutual fund and loans and receivables. The Company believes that debt securities offer the most secure returns over the long term as they have the least acceptable level of risk which is in line with their asset-liability matching techniques.

There has been no change in the Company's strategies to manage its risks from previous periods.

(iii) Funding Arrangements and Expected Contributions

The plan is currently overfunded by P9.92 million based on the latest actuarial valuation. Therefore, the Company is not expected to make any contribution to the plan during the next reporting period, unless the plan becomes underfunded.

As at December 31, 2021 and 2020, the maturity profile of undiscounted expected benefit payments from the plan for the next 20 years is as follows:

	2021	2020
Within one year	P19,497	P7,816
More than one year to five years	70,937	39,514
More than five years to 10 years	41,176	77,242
More than 10 years to 15 years	63,736	32,407
More than 15 years to 20 years	57,296	83,955
	P252,642	P240,934

The weighted average duration of the defined benefit obligation at the end of the reporting period is 10 years.

23. CURRENT AND DEFERRED TAXES

The components of tax expense, as reported in statements of income, are as follows:

	2021	2020	2019
Current tax expense:			
Regular corporate income tax (RCIT)	P4,999	P98,520	P53,614
Final tax at 20%, 7.5%, and 15%	57,876	60,549	60,303
Deferred tax benefit	(13,259)	(84,014)	(53,433)
	P49,616	P75,055	P60,484

The reconciliation of the tax on pretax profit computed at the applicable statutory rates to tax expense in the statements of income is as follows:

	2021	2020	2019
Tax on pretax profit (2021: 25%; 2020 and 2019: 30%)	P47,829	P58,491	P65,161
Non-deductible expenses	1,865	144,607	17,256
Non-taxable income	(34,305)	(105,683)	(13,115)
Adjustment for income subjected to lower tax rates	(6,944)	(27,200)	(56,306)
Others	34,279	(1,241)	-
Tax effects of:			
Movements in unrecognized deferred tax assets:			
Losses and claims payable	1,053	31,002	(3,295)
Unrealized foreign currency losses (gains)	(4,653)	5,584	-
Accrued commission expense, net of deferred acquisition costs	(1,862)	10,522	-
Claims reserves	7,467	176	58,920
Accrued expense	844	(2,935)	968
Amortized past service cost	(3,115)	(6,599)	(4,466)
Premium reserves	7,158	(9,696)	(4,663)
Define benefit liability	-	(21,973)	-
Allowance for impairment of receivables	-	-	24
Tax expense reported in statements of income	P49,616	P75,055	P60,484

Presented below is the composition of the deferred tax asset and deferred tax liabilities recognized as at December 31, 2021 and 2020 (see Note 14).

	2021		2020	
	Tax Base	Tax Amount	Tax Base	Tax Amount
Profit or loss:				
Claims reserves	P1,935,332	P483,833	P1,117,904	P335,371
Losses and claims payable	196,494	49,124	166,188	49,856
Defined benefit liability	73,366	18,341	73,877	22,163
Accrued commission expense, net of deferred acquisition costs	66,918	16,730	59,397	17,819
Past service cost	9,919	2,480	9,097	2,729
Accrued expenses	6,748	1,687	7,946	2,384
Prepaid expenses	(6,748)	(1,687)	(7,946)	(2,384)
Defined benefit asset	(83,285)	(20,821)	(82,974)	(24,892)
Reinsurance recoverable on claims reserves	(912,031)	(228,008)	(330,634)	(99,190)
Reinsurance recoverable on reported losses	(196,494)	(49,124)	(166,188)	(49,856)
Unrealized foreign currency gains	(21,182)	(5,296)	-	-
	1,069,037	267,259	846,667	254,000
Other comprehensive income:				
Revaluation reserves on AFS financial assets	(8,941)	(2,651)	(8,379)	(2,514)
Net deferred tax assets	P1,060,096	P264,608	P838,288	P251,486

The Company has not recognized deferred tax assets on the following temporary differences as at December 31, 2021 and 2020.

	2021		2020	
	Tax Base	Tax Amount	Tax Base	Tax Amount
Deferred tax assets:				
Claims reserves	P1,167,607	P291,902	P1,137,741	P341,322
Allowance for impairment	610,656	152,664	655,257	196,577
Losses and claims payable	167,962	41,991	163,752	49,126
Accrued commission expense, net of deferred acquisition costs	78,393	19,598	85,839	25,752
Unamortized past service cost	11,564	2,891	24,025	7,208
Premium reserves	48,744	12,186	20,112	6,034
Unrealized foreign currency losses	-	-	18,612	5,584
Accrued expense	12,741	3,185	9,364	2,809
Unrecognized deferred tax assets	P2,097,667	P524,417	P2,114,702	P634,412

In 2021 and 2020, the Company opted to claim itemized deductions in determining its tax expense.

On April 8, 2021, the Bureau of Internal Revenue (BIR) issued the following implementing revenue regulations that are effective immediately upon publication:

- BIR Revenue Regulations (RR) No. 2-2021, Amending Certain Provisions of Revenue Regulations No. 2-98, As Amended, to Implement the Amendments Introduced by R.A. No. 11534, or the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, to the National Revenue Code (NIRC) of 1997, as Amended, Relative to the Final Tax on Certain Passive Income;
- BIR RR No. 3-2021, Rules and Regulations Implementing Section 3 of R.A. No. 11534, Otherwise Known as the CREATE Act, Amending Section 20 of the NIRC of 1997, As Amended;
- BIR RR No. 4-2021, Implementing the Provisions on VAT and Percentage Tax Under Republic Act No. 11534, Otherwise Known as the CREATE Act Which Further Amended the NIRC of 1997, as Amended, as Implemented by RR No. 16-2005 (Consolidated Value-Added Tax Regulations of 2005), As Amended; and
- BIR RR No. 5-2021, Implementing the New Income Tax Rates on the Regular Income of Corporations, on Certain Passive Incomes, Including Additional Allowable Deductions from Gross Income of Persons Engaged in Business or Practice of Profession Pursuant to RA No. 11534 or the CREATE Act, Which Further Amended the NIRC of 1997.

The enactment of the CREATE Law is a non-adjusting subsequent event in 2020 despite its effectivity date of July 1, 2020. Hence, the current and deferred income taxes as at December 31, 2020 are measured using the applicable income tax rates while the half-year impact in 2020 was recognized prospectively in 2021.

Below is the impact of CREATE Law on the current year's current income and deferred income tax benefit (expense).

	2021
Current Income Tax	
Current year income tax	P13,209
Impact of CREATE Law	(8,210)
	P4,999
Deferred Income Tax Benefit	
Current year deferred income tax benefit	(P55,173)
Impact of CREATE Law	41,914
	(P13,259)

The Company is subject to MCIT which is computed at 1% (2021) and 2% (2020) of gross income or RCIT, whichever is higher. The Company recognized RCIT at 25% (2021) and 30% (2020) as its current tax expense in 2021 and 2020.

24. EQUITY

The Company's equity is composed of the following:

	<i>Notes</i>	2021	2020
Capital stocks		P2,181,955	P2,181,955
Additional paid-in capital		3,019,218	3,019,218
Treasury shares	24.1	(100,525)	(100,525)
Revaluation reserves		(102,318)	121,493
Retained earnings		665,880	524,181
		P5,664,210	P5,746,322

24.1 Capital Stock

As at December 31, 2021 and 2020, the Company has authorized shares of 3,000,000,000 and has issued and outstanding shares amounting to P2.08 billion net of treasury shares, which is divided into 2,123,605,600 shares with a par value of P1 per share.

On April 27, 2007, the Philippine Securities and Exchange Commission (SEC) approved the listing of the Company's shares totalling 741,902,600. The shares were initially issued at an offer price of P3.80 per share.

As at December 31, 2021 and 2020, there are 269 holders of the listed shares. Such listed shares closed at P0.60 and P0.67 per share, as at those dates, respectively.

As at December 31, 2021 and 2020, total treasury shares amounted to P100.53 million representing 58,349,000 shares. There were no treasury stock transactions in 2021 and 2020.

24.2 *Appropriation for Special Reserve*

In 1989, the BOD approved the establishment of a special reserve for extraordinarily high loss occurrences or severe catastrophic losses. As such, 10% of profit is set aside as special reserve provided there is no deficit. For the years ended December 31, 2021 and 2020, the Company appropriated P14.17 million and P11.99 million, respectively, for special reserve.

24.3 *Retained Earnings*

There was no declaration of cash dividends in 2021 and 2020. The total outstanding dividends payable amounted to P2.54 million as at December 31, 2021 and 2020. These are presented as Dividends payable under Accounts payable and accrued expenses account in the statements of financial position (see Note 16).

The Company's retained earnings are restricted to the extent of the cost of the treasury shares as of the end of the reporting periods.

25. RELATED PARTY TRANSACTIONS

The Company's related parties include its stockholders, related parties under common ownership, retirement plan and the Company's key management personnel with which the Company had transactions as described below and in the succeeding pages.

25.1 *Reinsurance Contracts with Related Parties*

The Company accepts and cedes insurance business under various reinsurance contracts with related parties. The details of which are presented as follows:

	2021		2020	
	Stockholders	Related Parties Under Common Ownership	Stockholders	Related Parties Under Common Ownership
Premiums	(P3)	P233,152	P27,534	P215,625
Retrocessions	(2)	-	(33)	-
Commission expense	(1)	30,867	125	29,077
Losses incurred (reversal)	25,838	68,838	(2,917)	76,117
Loss recoveries (reversal)	(6,160)	-	(220)	-

The outstanding balance of the Reinsurance balances receivable from and payable to related parties as at December 31, 2021 and 2020 are presented as follows:

	2021		2020	
	Stockholders	Related Parties Under Common Ownership	Stockholders	Related Parties Under Common Ownership
Due from (to) ceding companies	(P2)	P104,788	P164	P62,700
Funds held for retrocessionaires	1	-	1	-
Reinsurance recoverable on reported losses	8,478	-	18,900	-
Losses and claims payable	192,532	575,222	172,872	557,989
Due to retrocessionaires	6	6,678	8	5,667

The balances discussed above are non-interest bearing, unsecured and is common for all reinsurance agreements regardless of whether the counterparties are related or unrelated to the Company. Premiums receivable, premiums payable and the related commission income/expense are expected to be settled in cash in accordance with the underlying reinsurance contracts. Claims payable and claims recoverable are expected to be settled in cash when the insured/reinsured party has fully substantiated the underlying claim. The allowance for impairment recognized under Due from ceding companies amounted to P74.88 million and P74.93 million as at December 31, 2021 and 2020, respectively.

25.2 Other Transactions

The Company's other transactions with related parties are presented as follows:

		2021		2020	
		Amount of Transactions	Outstanding Balance	Amount of Transactions	Outstanding Balance
Stockholder:					
Cash and cash equivalents	(a)	(P19,472)	P42,108	P4,301	P61,580
AFS financial assets	(b)	1,134	80,908	20,338	79,774
HTM investments	(b)	–	50,000	50,000	50,000
Dividend receivables	(b)	–	–	(426)	–
Interest income - bank accounts	(a)	51	–	649	–
Interest income – bonds	(b)	1,525	183	606	183
Dividend income - AFS financial assets	(b)	1,046	–	445	–
Other expenses	(c)	2	–	96	–
Related Party Under Common Ownership:					
Cash and cash equivalents	(a)	(34,746)	316,186	(283,390)	350,932
AFS financial assets	(b)	(145,866)	189,914	31,481	335,780
HTM investments	(b)	113,574	164,007	(99,422)	50,433
Contributions paid	(c)	10,461	–	(10,293)	–
Benefits paid	(c)	(6,489)	–	–	–

(a) Cash and Cash Equivalents

The Company maintains several savings, time deposits and current accounts with a stockholder and related party under common ownership. Interest income recognized is presented as part of Interest income under Investment and other income and expenses – net account in the statements of income (see Note 20).

(b) Investments

The Company has investment in shares of stock of a stockholder, and fixed income securities and UITF investments with related parties under common ownership classified as AFS financial assets and HTM investments. Relative to these transactions, the Company recognized dividend income, interest income and trading gains which are presented as part of Investment and other income and expenses – net account in the statements of income (see Note 20).

(c) *Investment Management and Custodianship*

The Company has entered into “Investment Management Agreement” and “Custodianship Agreement” with related parties under common ownership for the management and custodianship of certain investible funds of the Company subject to terms and conditions in the said agreements. In consideration for the services rendered, the Company pays the related parties under common ownership service fees equivalent to a certain percentage of the market value of the investments. The total service fees paid is charged against Other charges under Investment and other income and expenses – net account in the statements of income (see Note 20).

25.3 *Investment Management of Retirement Fund*

The Company has existing “Retirement Fund Investment Management Agreement” with related parties under common ownership for the management of the investments of the Company’s retirement funds subject to the terms and conditions in the said agreement.

25.4 *Transactions with Retirement Fund*

As discussed in Note 22.2, the Company maintains a wholly-funded, tax-qualified, non-contributory retirement plan that is being administered by two trustees covering all regular full-time employees. The Company’s transactions with its retirement fund are limited to contributions made to the fund in 2021 and 2020. The retirement fund does not hold any security issued by the Company as at December 31, 2021 and 2020.

25.5 *Key Management Personnel Compensation*

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including director, whether executive or otherwise, of the Company.

The compensation of key management personnel is presented as follows:

	2021	2020	2019
Short-term benefits	P57,332	P52,504	P49,528
Post-employment defined benefit	3,342	3,776	3,920
	P60,674	P56,280	P53,448

26. SOLVENCY

Under the Amended Insurance Code, an insurance company doing business in the Philippines shall at all times maintain the minimum paid-up capital, and net worth requirements as prescribed by the IC Commissioner. Such solvency requirements shall be based on internationally accepted solvency frameworks and adopted only after due consultation with the insurance industry associations.

Whenever the aforementioned requirement is found to be less than the required to be maintained, the IC Commissioner shall direct the Company to make good any such deficiency by cash, to be contributed by all stockholders of record in proportion with their respective interests, and paid to the treasurer of the Company, within 15 days from receipt of the order. Provided, that the Company in the interim shall not be permitted to take any new risk of any kind or character unless and until it makes good any such deficiency.

In case that a stockholder pays the contribution due from another stockholder by reason of failure or refusal of the latter to do so, shall have a lien on the certificates of stock of the Company appearing in its books in the name of the defaulting stockholder on the date of default, as well as on any interests or dividends that have accrued or will accrue to the said certificates of stocks, until the corresponding payment or reimbursement is made by the defaulting stockholder.

27. EARNINGS PER SHARE

The earnings per share are presented as follows:

	2021	2020	2019
Net profit available to common shareholders	P141,699	P119,917	P156,718
Divided by the average number of outstanding common shares (in thousands)	2,123,606	2,123,606	2,123,606
	P0.067	P0.056	P0.074

Diluted earnings per share is not determined since the Company does not have dilutive shares as at December 31, 2021, 2020 and 2019.

28. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Company:

28.1 Lease Commitments – Company as Lessee

The Company is a lessee under various leases covering warehouse and parking lots having a term of one year with renewal options. The future minimum rentals payable under this non-cancellable operating lease as at December 31, 2021 and 2020 is P1.12 million and P0.87 million, respectively, which is payable not later than one year.

Rental expense recognized amounted to P0.22 million, P0.25 million and P0.21 million in 2021, 2020, and 2019, respectively, and is presented in the statements of income as Rental under General and administrative expenses (see Note 22).

28.2 Legal Claims

The Company is currently involved in various legal proceedings. In consultation with the legal counsel, the related risk has been analyzed as to likelihood of occurrence and amount of future obligation. The Company believes that the outcome of these proceedings as at December 31, 2021 and 2020 will not have a material adverse effect on the Company's financial position.

28.3 Deficiency Tax Assessments

The Company is in receipt of Final Decision on Disputed Assessment (FDDA) for the taxable period July 1, 2012 to December 31, 2012 and taxable year 2016 in relation to its VAT. These assessments are in pursuant to which the BIR has sought to investigate the tax periods identified against the Company and consequently examine certain books, records and accounts that relate to transactions in the ordinary course of business. Pursuant to the Company's policy of addressing such actions and in line with prudent business practice, the Company has engaged tax counsel in relation to these matters.

As at December 31, 2021 and 2020, management believes that there is no probable reason that an outflow of resources will be required considering the merits of the Company's protest and the sufficiency and validity of the documents submitted to the local tax authorities to support the Company's position. Accordingly, the Company did not provide any provision for contingent tax liability.

28.4 Others

In the normal course of business, the Company makes various commitments and incurs certain contingent liabilities that are not given recognition in the accompanying financial statements. Management believes that losses as at December 31, 2021 and 2020, if any, that may arise from these commitments and contingencies will not have any material effect on the financial statements.

29. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

29.1 Comparison of Carrying Amounts and Fair Values

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the statements of financial position are shown below.

	Notes	2021		2020	
		Carrying Values	Fair Values	Carrying Values	Fair Values
Financial assets:					
Loans and receivables:					
Cash and cash equivalents	5	P658,187	P658,187	P950,914	P950,914
Reinsurance balances receivable - net	6	3,422,158	3,422,158	2,672,352	2,672,352
Loans and receivables	9	57,719	57,719	71,057	71,057
Reinsurance recoverable on reported losses - net		1,634,719	1,634,719	2,235,041	2,235,041
Funds at Lloyd's	14	–	–	142,476	142,476
Other assets*	14	1,331	1,331	1,331	1,331
		P5,774,114	P5,774,114	P6,073,171	P6,073,171
AFS financial assets:					
Debt securities		P4,470,558	P4,470,558	P4,587,578	P4,587,578
Equity securities		1,427,640	1,427,640	1,264,482	1,264,482
Investment in ARC		34,328	34,328	32,397	32,397
UITF		20,144	20,144	48,610	48,610
	7	P5,952,670	P5,952,670	P5,933,067	P5,933,067
HTM investments	8	P2,390,758	P2,446,718	P1,958,534	P2,093,144
Financial liabilities:					
Reinsurance balances payable	15	P1,597,074	P1,597,074	P1,179,587	P1,179,587
Accounts payable and other accrued expenses**	16	287,778	287,778	235,205	235,205
Losses and claims payable		4,034,776	4,034,776	4,429,004	4,429,004
		P5,919,628	P5,919,628	P5,843,796	P5,843,796

*consists of deposit and security fund

**Excluding taxes payable

Due to the short-term duration, management considers the carrying value of the Company's loans and receivables and financial liabilities at amortized cost approximate their fair value as at the end of the reporting periods.

See Notes 2.4 and 2.10 for a description of the accounting policies for each category of financial instrument including the determination of fair value. A description of the Company's risk management objectives and policies for financial instruments is provided in Note 4.

29.2 Offsetting of Financial Assets and Financial Liabilities

For financial assets and financial liabilities, subject to enforceable master netting agreements or similar arrangements, each agreement between the Company and counterparties, including related parties, allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis.

30. FAIR VALUE MEASUREMENT AND DISCLOSURES

30.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- 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).

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

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

30.2 Financial Instruments Measured at Fair Value

The table below shows the fair value hierarchy of the Company's financial assets measured at fair value in the statements of financial position on a recurring basis (amounts in thousands).

	<i>Notes</i>	Level 1	Level 2	Level 3	Total
December 31, 2021					
AFS financial assets	7	P5,909,060	P1,650	P41,960	P5,952,670
December 31, 2020					
AFS financial assets	7	P5,891,954	P1,220	P39,893	P5,933,067

The movements of the AFS financial assets classified under Level 3 in the fair value hierarchy are shown below.

	2021	2020
Balance at beginning of year	P39,893	P41,845
Fair value gains	698	299
Disposal	–	(897)
Foreign currency losses	1,369	(1,354)
Balance at end of year	P41,960	P39,893

The Company has no financial liabilities measured at fair value as at December 31, 2021 and 2020. Also, there has been no transfer between levels in 2021 and 2020.

Described below are the information about how the fair value of the Company's classes of financial assets are determined.

a) *Equity securities*

As at December 31, 2021 and 2020, instruments included in Level 1 comprise equity securities classified as AFS financial assets. These securities were valued based on their market prices quoted in the PSE at the end of each reporting period.

Golf club shares classified as AFS financial assets are included in Level 2 as their prices are not derived from market considered as active due to lack of trading activities among market participants at the end or close to the end of the reporting period. Moreover, investment in equity securities held in a private company is included in Level 3 since its market value is not quoted in an active market, hence, measured by reference to the private company's book value using the most recent available financial data. The estimated fair value will increase (decrease) if the book value increases (decreases).

b) *Debt securities*

The fair value of the Company's debt securities, which consist of government and corporate bonds, is estimated by reference to quoted bid price in active market at the end of the reporting period and is categorized within Level 1.

c) *UITF*

The fair value of the Company's UITF which is classified as money market funds and consist of units of participation on the Fund's investments in short-term fixed income instruments consisting of time deposits and government securities with tenors of less than one year is estimated by reference to the net asset value published by the fund managers and is categorized within Level 1.

30.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below summarizes the fair value hierarchy of the Company's financial assets and financial liabilities which are not measured at fair value in the statements of financial position but for which fair value is disclosed.

	<u>Notes</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2021					
Financial assets:					
Cash and cash equivalents	5	P658,187	P-	P-	P658,187
Reinsurance balances receivable - net	6	-	-	3,422,158	3,422,158
HTM investments	8	2,446,718	-	-	2,446,718
Loans and receivables	9	-	-	57,719	57,719
Reinsurance recoverable on reported losses - net		-	-	1,634,719	1,634,719
Other assets*	14	-	-	1,331	1,331
		P3,104,905	P-	P5,115,927	P8,220,832
Financial liabilities:					
Reinsurance balances payable	15	P-	P-	P1,597,074	P1,597,074
Accounts payable and other accrued expenses**	16	-	-	287,778	287,778
Losses and claims payable		-	-	4,034,776	4,034,776
		P-	P-	P5,919,628	P5,919,628

*Consists of deposit and security fund

**Excluding taxes payable

	<u>Notes</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2020					
Financial assets:					
Cash and cash equivalents	5	P950,914	P-	P-	P950,914
Reinsurance balances receivable - net	6	-	-	2,672,352	2,672,352
HTM investments	8	2,093,144	-	-	2,093,144
Loans and receivables	9	-	-	71,057	71,057
Reinsurance recoverable on reported losses - net		-	-	2,235,041	2,235,041
Funds at Lloyd's	14	-	-	142,476	142,476
Other assets*	14	-	-	1,331	1,331
		P3,044,058	P-	P5,122,257	P8,166,315
Financial liabilities:					
Reinsurance balances payable	15	P-	P-	P1,179,587	P1,179,587
Accounts payable and other accrued expenses**	16	-	-	235,205	235,205
Losses and claims payable		-	-	4,429,004	4,429,004
		P-	P-	P5,843,796	P5,843,796

*Consists of deposit and security fund

**Excluding taxes payable

For financial assets other than HTM investments, management considers that the carrying amount of those short-term financial instruments approximate their fair value.

30.4 Fair Value Measurement for Non-financial Assets

The Company used market comparable approach as a valuation technique in measuring the fair value of its investment properties to arrive at fair value that is more representative of the investment properties' highest and best use. As at December 31, 2021 and 2020, the fair value of the investment properties is P23.30 million and P20.76 million, respectively, classified under Level 3 of the fair value hierarchy (see Note 14). The most significant input into this valuation approach is the price per square meter, hence, the higher the price per square meter, the higher the fair value.

30.5 Fair Value Measurement for Financial Assets Grouped Based on Nature of Cash Flows

The following table provides an overview of the fair values as at December 31, 2021 and 2020, and the amounts of change in the fair values during the reporting period separately for financial assets that meet the SPPI criterion (i.e. financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, excluding any financial asset that meets the definition of held for trading in PFRS 9, or that is managed and whose performance is evaluated on a fair value basis) and all other financial assets:

	Notes	2021			
		Financial assets that meet the SPPI criteria*		All other financial assets	
		Fair Value	Fair value change during the reporting period	Fair Value	Fair value change during the reporting period
Cash and cash equivalents	5	P658,187	P-	P-	P-
AFS financial assets	7	-	-	5,952,670	(147,335)
HTM investments	8	2,446,718	55,960	-	-
Loans and receivables	9	57,719	-	-	-
Funds held by ceding companies	6	224,901	-	-	-
Other assets**	14	1,331	-	-	-
		P3,388,856	P55,960	P5,952,670	(P147,335)

* Excluding any financial asset that meets the definition of held for trading in PFRS 9, or that is managed and whose performance is evaluated on a fair value basis.

**Consists of deposit and security fund

	Notes	2020			
		Financial assets that meet the SPPI criteria*		All other financial assets	
		Fair Value	Fair value change during the reporting period	Fair Value	Fair value change during the reporting period
Cash and cash equivalents	5	P950,914	P-	P-	P-
AFS financial assets	7	-	-	5,933,067	102,059
HTM investments	8	2,093,144	134,610	-	-
Loans and receivables	9	71,057	-	-	-
Funds at Lloyd's	14	142,476	-	-	-
Funds held by ceding companies	6	157,563	-	-	-
Other assets**	14	1,331	-	-	-
		P3,416,485	P134,610	P5,933,067	P102,059

* Excluding any financial asset that meets the definition of held for trading in PFRS 9, or that is managed and whose performance is evaluated on a fair value basis.

**Consists of deposit and security fund

31. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company's capital management objectives are (a) to ensure the Company's ability to continue as a going concern; and, (b) to provide an adequate return to shareholders by complying with the capital requirements and limitation enforced by the IC and by aligning the Company's operational strategy to its corporate goals. The capital requirements and limitations are as follows:

31.1 Minimum Capitalization

Under Section 289 of the RA No. 10607 (The New Insurance Code), any partnership, association, or corporation authorized to transact solely reinsurance business must have a capitalization of at least P3,000,000,000 paid in cash of which at least 50% is paid-up capital and the remaining portion thereof is contributed surplus, which in no case shall be less than P400,000,000 or such capitalization as may be determined by the Secretary of Finance, upon the recommendation of the IC Commissioner.

The IC issued Circular Letter (CL) No. 2015-02-A dated January 13, 2015, to clarify the minimum capitalization requirements under Sections 194, 197, 200 and 289 of RA No. 10607. Under the said CL, all existing reinsurance companies authorized to transact solely reinsurance business must have a net worth of at least P2.5 billion by December 31, 2019. The minimum net worth of the said companies shall remain unimpaired at all times and shall increase to P3.0 billion as at December 31, 2022.

As at December 31, 2021 and 2020, the Company has complied with the minimum capital requirements.

31.2 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.

As at December 31, 2021 and 2020, the Company has complied with the risk-based capital requirements.

31.3 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 and at such times as the BOD may determine and in accordance with law.

Section 201 of the Amended Insurance Code provides that no domestic insurance company shall declare or distribute dividends on its outstanding stock unless it has met the minimum paid-up capital and net worth requirements under Section 194 and except from profits attested in a sworn statement to the Commissioner by the president or treasurer of the corporation to be remaining on hand after retaining unimpaired:

- the entire paid-up capital stock;
- the solvency requirements defined by Section 200;
- the legal reserve fund required by Section 219; 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 statements 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; and,
- other unrealized gains or adjustments to the retained earnings.

31.4 Non-admitted Assets

Various assets, included on the enumeration of Section 203 of RA 10607, are considered non-admitted assets for the purposes of determining the Company's financial condition.

The estimated non-admitted assets as defined in the Amended Insurance Code are measured in accordance with PFRS and included in the statements of financial position.

These assets, which are subject to final determination by the IC, are as follows:

	2021	2020
Goodwill, trade names, and other like intangible assets	P10,501	P17,515
Prepaid or deferred charges for expenses and commissions paid by such insurance company	677,396	1,049,595
Advances to officers (other than policy loans), which are not adequately secured and which are not previously authorized by the Commissioner, as well as advances to employees, agents, and other persons on mere personal security	5,385	4,845
Furniture, furnishing, fixtures, safes, equipment, library, stationery, literature, and supplies	6,307	12,578
Other non-admitted assets as determined by IC	39,100	9,097
Total Non-admitted Assets	P738,689	P1,093,630

32. CURRENT AND NON-CURRENT CLASSIFICATION

The Company expects that the following asset or liability line items are expected to be recovered or settled no more than twelve months after December 31, 2021 and 2020.

	<i>Notes</i>	2021	2020
Current Assets:			
Cash and cash equivalents	<i>5</i>	P658,187	P950,914
Reinsurance balances receivable - net	<i>6</i>	3,422,158	1,584,022
AFS financial assets	<i>7</i>	5,952,670	5,933,067
HTM investments	<i>8</i>	251,084	384,547
Loans and receivables	<i>9</i>	55,391	66,102
Reinsurance recoverable on reported losses	<i>11</i>	394,265	485,255
Reinsurance recoverable on claim reserves	<i>11</i>	218,113	73,310
Deferred acquisition costs	<i>12</i>	251,022	282,653
Deferred reinsurance premiums	<i>13</i>	432,337	404,254
Other assets	<i>14</i>	104,948	154,492
Total Current Assets		P11,740,175	P10,318,616
Current Liabilities:			
Reinsurance balances payable	<i>15</i>	P1,597,074	P1,130,440
Accounts payable and accrued expenses	<i>16</i>	221,384	166,146
Losses and claims payable	<i>17</i>	1,151,514	1,162,720
Claims reserves	<i>17</i>	742,071	500,135
Premium reserves	<i>18</i>	1,493,152	1,534,016
Deferred reinsurance commissions	<i>19</i>	8,299	5,533
Total Current Liabilities		P5,213,494	P4,498,990

On the other hand, the Company expects that the following asset or liability items are expected to be recovered or settled more than twelve months after December 31, 2021 and 2020.

	<i>Notes</i>	2021	2020
Non-current Assets:			
Reinsurance balances			
receivable – net	<i>6</i>	P-	P1,088,330
HTM investments	<i>8</i>	2,139,674	1,573,987
Loans and receivables	<i>9</i>	2,328	4,955
Property and equipment – net	<i>10</i>	52,041	59,973
Reinsurance recoverable on reported losses	<i>11</i>	1,460,619	1,941,671
Reinsurance recoverable on claim reserves	<i>11</i>	693,918	257,324
Deferred acquisition costs	<i>12</i>	407,322	338,201
Deferred reinsurance premiums	<i>13</i>	2,174	3,150
Other assets	<i>14</i>	220,496	292,904
Total Non-current Assets		P4,978,572	P5,560,495
Non-current Liabilities:			
Reinsurance balances payable	<i>15</i>	P-	P49,147
Accounts payable and accrued expenses	<i>16</i>	98,142	160,151
Losses and claims payable	<i>17</i>	3,340,913	3,662,272
Claims reserves	<i>17</i>	2,360,868	1,755,511
Premium reserves	<i>18</i>	40,177	5,331
Deferred reinsurance commissions	<i>19</i>	943	1,387
Total Non-current Liabilities		P5,841,043	P5,633,799

33. OTHER INFORMATION REQUIRED BY THE SECURITIES AND EXCHANGE COMMISSION

On February 20, 2019, Republic Act No. 11232, *An Act Providing for the Revised Corporation Code of the Philippines* (RCC) was signed into law and published in the Official Gazette on February 21, 2019. The RCC took effect on March 8, 2019. The significant provision, among others, of the RCC that would have financial reporting impact on the Company, is the removal of the maximum 50-year corporate term for stock corporations. The RCC states that corporations shall now have perpetual existence unless their articles of incorporation provide otherwise. Further, it clarifies that even corporations with certificates of incorporation issued prior to the effectivity of the RCC, and which continue to exist, shall have perpetual existence, unless the corporation, upon a vote of its stockholders representing majority of its outstanding capital stock, notifies SEC that it elects to retain its specific corporate term pursuant to its articles of incorporation. Provided, that any change in the corporate term is without prejudice to the appraisal right of dissenting stockholders in accordance with the provisions of the RCC. The Company intends to amend Article IV of the Articles of Incorporation in order to indicate that the Company shall have a perpetual existence, consistent with the RCC. The new provisions of the RCC or any amendments thereof have no significant impact to the Company's financial statements.

34. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE (BIR)

Presented below and in the succeeding pages are the supplementary information which is required by the BIR under its existing Revenue Regulations (RR) No. 15-2010 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRSs.

The information on taxes, duties and license fees paid or accrued during the taxable year required under RR No. 15-2010 are presented below and in the succeeding page.

(a) Output VAT

In 2021, the Company declared output VAT amounting to P5,015,968, which is set off against input VAT, based on the following gross receipts:

	Tax Base	Output VAT
Exempt receipts	P4,161,786,089	P-
Commission earned on retrocession	41,416,527	4,969,983
Interest income on loans	383,205	45,985
	P4,203,585,821	P 5,015,968

Pursuant to RR No. 04-07 effective April 6, 2007, "Non-life insurance premiums are subject to VAT whereas non-life reinsurance premiums are not subject to VAT, the latter being already subject to VAT upon receipt of the insurance premiums."

The tax bases of commission earned on retrocession are included as net of Underwriting deductions account in the 2021 statements of income. The tax bases for commission are based on the Company's gross receipts for the year, hence, may not be the same with the amounts accrued in the 2021 statements of income.

As at December 31, 2021, the Company also has deferred output VAT amounting to P26,246,619 pertaining to uncollected commission income from retrocessionaires (see Note 16).

(b) Input VAT

The movements of input VAT in 2021 are summarized below.

Balance at beginning of year	P154,837,393
Services lodged under other accounts	4,361,566
Goods other than for resale or manufacture	349,611
Amortization of input VAT	152,408
Applied against output VAT	(5,015,968)
Input VAT on exempt sales	(4,809,439)
Balance at end of year	P149,875,571

The balance of input VAT as at December 31, 2021 is recorded under Other assets – net account in the statements of financial position (see Note 14).

As at December 31, 2021, the Company also has deferred input VAT amounting to P469,988 pertaining to VAT on capital assets, and deferred withholding VAT amounting to P9,202,886 representing VAT on unapplied input VAT on unpaid premiums on ceded out transactions to the Company from a certain government entity.

(c) Taxes on Importation

The Company does not have any customs duties or tariff fees in 2021 since it does not have any importation.

(d) Excise Tax

The Company does not have excise tax in 2021 since it does not have any transactions which are subject to excise tax.

(e) Documentary Stamp Tax (DST)

Total DST accrued and paid in 2021 amounted to P15,938 which pertains to car loan transactions of the Company. The Company is also liable to DST when it issues original shares of stocks or transfer certificate of stock. The Company did not issue original shares of stocks nor transfer certificate of stocks for the year ended December 31, 2021. Reinsurance contracts are not subject to DST.

(f) *Taxes and Licenses*

The details of taxes and licenses for 2021, which are presented under General and administrative expenses account in the statements of income are as follows:

Municipal licenses and permits	P4,490,335
Fringe benefit tax	1,230,210
Real estate taxes	315,253
Registration	237,350
DST	15,938
Miscellaneous	35,750
	<hr/>
	P6,324,836

(g) *Withholding Taxes*

The details of total withholding taxes for the year ended December 31, 2021 are shown below.

Compensation and benefits	P33,084,014
Expanded	15,362,659
Final	203,375
	<hr/>
	P48,650,048

(h) *Deficiency Tax Assessments and Tax Cases*

On September 14, 2016, the Company received the FDDA for the 2012 VAT assessment dated September 13, 2016 from the BIR. The Company filed a request for reconsideration with the Office of the Commissioner of the Internal Revenue on October 14, 2016. As of date, the request is still pending resolution.

On December 29, 2021, the Company received the FDDA for VAT deficiency in the amount of P53.1 million for the taxable year 2016, inclusive of interest amounting to P20.6 million, signed by the Commissioner of Internal Revenue. The Company continues to dispute the assessment and has filed a Petition for review dated February 2, 2022 with the Court of Tax Appeals (CTA).

While the Petition has yet to be heard by the CTA, the BIR on March 11, 2022, served to the Company a Warrant of Distraint and/or Levy (WDL), authorizing the BIR to collect the disputed 2016 VAT deficiency. Subsequently, on March 17, 2022 the BIR served the Warrant of Garnishment to a local bank where the Company maintains an account sufficient to cover the amount specified in the WDL and on the Warrant of Garnishment.

To suspend collection and further action by the BIR pending the final determination of the Petition, the Company filed on March 14, 2022, an Urgent Motion to Lift Warrant of Distraint and/or Levy, and Suspend Tax Collection. As of March 31, 2022, the CTA has not yet ruled on the said motion.

On September 11, 2020 and September 28, 2021, the Company received Letters of Authority (LOA) from the BIR to examine the Company's books of accounts and other accounting records for all internal revenue taxes for the taxable years 2017 and 2018, respectively. As of date, the BIR is still in process of examining the books of accounts and other accounting records for taxable years 2017 and 2018.



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REPORT OF INDEPENDENT AUDITORS ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
National Reinsurance Corporation of the Philippines
31st Floor BPI-Philam Life Makati
6811 Ayala Avenue, Makati City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of National Reinsurance Corporation of the Philippines (the Company) as at and for the year ended December 31, 2021, included in this Form 17-A, on which we have rendered our report thereon dated April 13, 2022.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Company taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards and may not be comparable to similarly titled measures presented by other companies.

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



The above schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and is not a required part of the Company's basic financial statements. The components of these financial soundness indicators have been traced to the Company's basic financial statements as at and for the year ended December 31, 2021 and no material exceptions were noted.

R.G. MANABAT & CO.

TIRESO RANDY F. LAPIDEZ

Partner

CPA License No. 0092183

IC Accreditation No. 92183-IC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements

SEC Accreditation No. 92183-SEC, Group A, valid for one (1) year
covering the audit of 2021 financial statements

Tax Identification No. 162-411-175

BIR Accreditation No. 08-001987-034-2020

Issued July 20, 2020; valid until July 19, 2023

PTR No. MKT 8854069

Issued January 3, 2022 at Makati City

April 13, 2022

Makati City, Metro Manila

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
Supplemental Schedule of Financial Soundness Indicators
December 31, 2021 and 2020
(Amounts in thousands)

Ratio	Formula	2021	Formula	2020
Current ratio	Total Current Assets divided by Total Current Liabilities Total Current Assets 11,740,175 Divide by: Total Current Liabilities 5,213,494 Current ratio 2.25	2.25	Total Current Assets divided by Total Current Liabilities Total Current Assets 10,318,616 Divide by: Total Current Liabilities 4,498,990 Current ratio 2.29	2.29
Acid test ratio	Quick assets (Cash and cash equivalents + Reinsurance balances receivable – net + Loans and receivables) divided by Total Current Liabilities Cash and cash equivalents 658,187 Reinsurance balances receivable – net 3,422,158 Loans and receivables 55,391 Quick Assets 4,135,736 Divide by: Total Current Liabilities 5,213,494 Acid test ratio 0.79	0.79	Quick assets (Cash and cash equivalents + Reinsurance balances receivable – net + Loans and receivables) divided by Total Current Liabilities Cash and cash equivalents 950,914 Reinsurance balances receivable – net 1,584,022 Loans and receivables 66,102 Quick Assets 2,601,038 Divide by: Total Current Liabilities 4,498,990 Acid test ratio 0.58	0.58
Solvency ratio	Total Assets divided by Total Liabilities Total Assets 16,718,747 Divide by: Total Liabilities 11,054,537 Solvency ratio 1.51	1.51	Total Assets divided by Total Liabilities Total Assets 15,879,111 Divide by: Total Liabilities 10,132,789 Solvency ratio 1.57	1.57
Debt-to-equity ratio	Total Liabilities divided by Total Equity Total Liabilities 11,054,537 Divide by: Total Equity 5,664,210 Debt-to-equity ratio 1.95	1.95	Total Liabilities divided by Total Equity Total Liabilities 10,132,789 Divide by: Total Equity 5,746,322 Debt-to-equity ratio 1.76	1.76
Assets-to-equity ratio	Total Assets divided by Total Equity Total Assets 16,718,747 Divide by: Total Equity 5,664,210 Assets-to-equity ratio 2.95	2.95	Total Assets divided by Total Equity Total Assets 15,879,111 Divide by: Total Equity 5,746,322 Assets-to-equity ratio 2.76	2.76
Interest rate coverage ratio	Earnings before interest and taxes (EBIT) divided by Interest expense EBIT 191,448 Divide by: Interest expense 133 Interest rate coverage ratio 1,439.46	1,439.46	Earnings before interest and taxes (EBIT) divided by Interest expense EBIT 195,266 Divide by: Interest expense 294 Interest rate coverage ratio 664.17	664.17
Return on equity	Net Profit divided by Total Equity Net Profit 141,699 Divide by: Total Equity 5,664,210 Return on equity 0.03	0.03	Net Profit divided by Total Equity Net Profit 119,917 Divide by: Total Equity 5,746,322 Return on equity 0.02	0.02
Return on assets	Net Profit divided by Total Assets Net Profit 141,699 Divide by: Total Assets 16,718,747 Return on assets 0.01	0.01	Net Profit divided by Total Assets Net Profit 119,917 Divide by: Total Assets 15,879,111 Return on assets 0.01	0.01
Net profit margin	Net Profit divided by Total Revenue* Net Profit 141,699 Divide by: Total Revenue* 2,870,978 Net profit margin 0.05	0.05	Net Profit divided by Total Revenue* Net Profit 119,917 Divide by: Total Revenue* 3,379,278 Net profit margin 0.04	0.04

**Composed of Reinsurance premiums – net of returns, Retroceded premiums and Movement in premium reserves - net*



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**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING
WITH THE SECURITIES AND EXCHANGE COMMISSION**

The Board of Directors and Stockholders
National Reinsurance Corporation of the Philippines
31st Floor BPI-Philam Life Makati
6811 Ayala Avenue, Makati City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of National Reinsurance Corporation of the Philippines (the Company) as at and for the year ended December 31, 2021, included in this Form 17-A, on which we have rendered our report thereon dated April 13, 2022.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Company taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Company's management.

1. Supplementary Schedules of Annex 68-J
2. Reconciliation of Retained Earnings Available for Dividend Declaration

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



The above supplementary information are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and are not required parts of the Company's basic financial statements. Such supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

TIRESO RANDY F. LAPIDEZ

Partner

CPA License No. 0092183

IC Accreditation No. 92183-IC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements

SEC Accreditation No. 92183-SEC, Group A, valid for one (1) year
covering the audit of 2021 financial statements

Tax Identification No. 162-411-175

BIR Accreditation No. 08-001987-034-2020

Issued July 20, 2020; valid until July 19, 2023

PTR No. MKT 8854069

Issued January 3, 2022 at Makati City

April 13, 2022

Makati City, Metro Manila

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
List of Supplementary Information
December 31, 2021

Statement of Management's Responsibility for the Financial Statements

**Independent Auditor's Report on the SEC Supplementary Schedules
Filed Separately from the Basic Financial Statements**

**Supplementary Schedules to Financial Statements
(Form 17-A, item 7)**

Schedule	No. of Pages
A Financial Assets Amounts Receivable from Directors, Officers, Employees, Related Parties &	4
B Principal stockholders other than related parties	1
C Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements	N/A
D Long-term Debt	N/A
E Indebtedness to related parties (Long-term loans from related companies)	N/A
F Guarantees of securities of other Issuers	N/A
G Capital Stock	4

**Supplementary Schedule to Financial Statements
(SEC Circular 11)**

Reconciliation of Retained Earnings for Dividend Declaration	1
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NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
SCHEDULE A. Financial Assets
December 31, 2021

Name of Issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes (ii)	Amount shown in the balance sheet (ii)	Valued based on market quotation at end of reporting	Income received and accrued
--	--	--	--	-----------------------------

I. LOANS AND RECEIVABLES

Cash and Cash Equivalents				
Cash on hand and in banks		305,165,312	305,165,312	430,329
Short-term placements		353,022,000	353,022,000	2,948,872
Total Cash and Cash Equivalents		658,187,312	658,187,312	3,379,201
Funds at Lloyds				
-				
Other Receivables				
Accrued interest receivable		43,013,753	43,013,753	
Dividends receivable		418,814	418,814	
Other accounts receivable		14,286,794	14,286,794	384,329
Other Assets				
Deposit		687,368	687,368	
Security fund		643,925	643,925	
TOTAL LOANS AND RECEIVABLES		717,237,966	717,237,966	3,763,530

II. AVAILABLE FOR SALE SECURITIES

INVESTMENT IN EQUITY SECURITIES:

Aboitiz Equity Ventures - Common	268,510	14,620,370	14,620,370	102,257
Aboitiz Power Corporation	812,300	24,125,310	24,125,310	1,093,015
Alliance Global Group Incorporated	491,100	5,794,980	5,794,980	72,954
Asian Reinsurance Corporation	980	34,327,905	34,327,905	-
Ayala Corp Preferred Shares Class B2	79,830	40,872,960	40,872,960	1,924,462
Ayala Corp.-Preferred Shares Class B	100,000	52,450,000	52,450,000	2,625,000
Ayala Corporation	102,330	85,036,230	85,036,230	707,224
Ayala Land, Inc.	2,688,700	98,675,290	98,675,290	724,829
Banco De Oro	635,740	76,733,818	76,733,818	720,387
Bank of the Philippine Islands	659,400	60,763,710	60,763,710	1,016,091
Batangas Venture (BAC)	220,000	220,000	220,000	264,000
Benguet Consolidated	18	62	62	-
Calatagan Golf Club, Inc.	1	100,000	100,000	-
Century Pacific Food, Inc.	52,700	1,541,475	1,541,475	-
Cirtek Hldgs Corp USD Preferred Shares B2	250,000	12,693,500	12,693,500	753,136
Converge ICT Solutions Inc	654,000	20,862,600	20,862,600	-
Double Dragon Prop Corp Preferred Shares	500,000	50,350,000	50,350,000	3,238,900
Filinvest REIT, Corporation	519,900	3,847,260	3,847,260	45,506
First Gen Corporation	99,200	2,762,720	2,762,720	158,270
First Gen Series G Perp Preferred Shares	200,000	20,600,000	20,600,000	1,556,160
Globe Telecom	1,860	6,178,920	6,178,920	2,018,385
GT Capital Holdings, Inc.	36,172	19,532,880	19,532,880	117,966
GTCAP Preferred Shares Series A	37,120	36,934,400	36,934,400	1,718,619
Int'l. Container Terminal Services	258,990	51,798,000	51,798,000	125,847
J.G. Summit Holdings Inc.	792,438	41,999,214	41,999,214	327,206
Jollibee Foods Corp.	151,190	32,717,516	32,717,516	135,023
LT Group Inc.	280,000	2,772,000	2,772,000	254,400
Makati Sports Club "A"	1	750,000	750,000	-
Megaworld Corporation	6,900,000	21,735,000	21,735,000	277,512
Meralco	86,530	25,543,656	25,543,656	1,444,391
Metro Pacific Investments Corporation	6,830,000	26,637,000	26,637,000	539,559
Metropolitan Bank and Trust Company	610,240	33,990,368	33,990,368	4,461,576
Monde Nissin Corporation	744,800	12,065,760	12,065,760	-
MREIT, Inc.	700,000	13,790,000	13,790,000	29,928
Orchard Golf Club - C	1	800,000	800,000	-
Petron Preferred Shares Series 3B	50,000	55,950,000	55,950,000	6,169,450
Phil Hotel C (HOT)	750	96,972	96,972	-
Philippine Long Distance Telephone Co.	22,920	41,531,040	41,531,040	3,440,830
Philippine Nuclear	300	30,000	30,000	-
Pure Gold Price Club, Inc.	539,470	21,201,171	21,201,171	197,627
Rancho Palos Verdes	2	-	-	-
RL Commercial REIT, Inc.	3,259,200	24,802,512	24,802,512	211,470
Robinsons Land Corporation	1,191,200	22,871,040	22,871,040	217,750
Robinsons Retail Holdings, Inc.	91,710	5,997,834	5,997,834	107,220
Roxas	2,628	2,628	2,628	-
Roxas C	46,653	2,078,093	2,078,093	-
Roxas Pref. others C (RXC-1)	74,044	3,298,187	3,298,187	-
San Miguel Corp.	27,180	3,122,982	3,122,982	36,649
Security Bank Corporation	245,430	29,206,170	29,206,170	312,075
Shell Co. (SHEP)	660	1,905,974	1,905,974	-
SM Investments Corp.	158,160	149,144,880	149,144,880	628,660
SM Prime Holdings Inc.	3,457,000	117,192,300	117,192,300	218,842
Universal Robina Corporation	326,590	41,803,520	41,803,520	1,317,414
Wilcon Depot Inc	265,900	8,109,950	8,109,950	-
Matured/Sold		-	-	845,989
SUBTOTAL-INVESTMENT IN EQUITY SECURITIES	35,523,848	1,461,968,157	1,461,968,157	40,156,579

UNIT INVESTMENT TRUST FUND:

BPI-MANAGED

BPI Investment Short Term Fund

	128,791	20,144,200	20,144,200	-
	128,791	20,144,200	20,144,200	-

INVESTMENT IN DEBT SECURITIES:

A. NRCP-MANAGED

Fixed Rate Treasury Bonds

PIBD0323I252	50,000,000	49,909,982	49,909,982	2,661,725
PIBD0523C752	190,000,000	196,072,202	196,072,202	12,156,539
PIBD0524J762	50,000,000	51,206,106	51,206,106	1,657,951
PIBD0526D772	290,000,000	285,582,500	285,582,500	6,695,262
PIBD0723D588	50,000,000	50,644,068	50,644,068	1,099,893
PIBD0728D649	100,000,000	96,625,716	96,625,716	2,037,211
PIBD0728H654	50,000,000	48,018,103	48,018,103	561,330
PIBD1022L585	50,000,000	50,848,221	50,848,221	1,033,991
PIID0323B101	150,000,000	152,885,203	152,885,203	3,333,502
PIID0324C115	300,000,000	298,334,033	298,334,033	5,990,551
PIID0522L114	300,000,000	305,482,739	305,482,739	11,078,099
PIID0524C129	200,000,000	211,303,313	211,303,313	5,934,979
PIID0525H130	50,000,000	48,659,263	48,659,263	1,470,748
PIID0527L140	50,000,000	50,335,459	50,335,459	186,285
Matured/Sold				15,323,555
Subtotal-Peso Bonds	1,880,000,000	1,895,906,908	1,895,906,908	71,221,621

Treasury Bills

PIBL1221A042	50,000,000	49,965,026	49,965,026	146,974
PIBL1221B050	150,000,000	149,875,215	149,875,215	442,530
PIBL1221C120	46,790,000	46,677,854	46,677,854	718,513
PIBL1221D174	40,000,000	39,856,795	39,856,795	2,436
PIBL1221I393	50,000,000	49,482,877	49,482,877	196,081
Matured/Sold				1,636,515
Subtotal-Peso Bonds	336,790,000	335,857,767	335,857,767	3,143,049

Government Bonds - USD

RODB0526J014	12,693,500	12,655,927	12,655,927	39,971
US718286BN61	25,387,000	29,616,474	29,616,474	98,429
US718286BY27	33,003,100	35,104,077	35,104,077	7,446,080
	71,083,600	77,376,478	77,376,478	7,584,480

Corporate Bonds - USD

XS1673684509	10,154,800	10,338,907	10,338,907	291,705
XS2407048623	25,387,000	25,444,882	25,444,882	107,634
Matured/Sold				1,687,424
	35,541,800	35,783,789	35,783,789	2,086,763
Subtotal-Dollar Bonds	106,625,400	113,160,267	113,160,267	9,671,243
TOTAL NRCP-MANAGED	2,323,415,400	2,344,924,942	2,344,924,942	84,035,913

B. BPI-MANAGED

Fixed Rate Treasury Bonds

PIBD0322G247	98,000,000	99,334,024	99,334,024	3,704,562
PIBD0526D772	204,800,000	201,680,331	201,680,331	2,268,842
PIBD0723D588	135,000,000	136,738,985	136,738,985	4,865,044
PIBD0724D595	39,290,000	40,585,073	40,585,073	1,727,995
PIBD0726B627	67,800,000	72,817,772	72,817,772	5,002,678
PIBD1025I608	109,464,475	108,993,910	108,993,910	3,936,073
PIID0323B101	215,000,000	219,135,458	219,135,458	7,731,724
PIID0522L114	70,000,000	71,279,306	71,279,306	2,745,486
PIID0524C129	708,600,000	748,647,639	748,647,639	22,732,713
PIID0525H130	56,700,000	55,179,604	55,179,604	467,162
Matured/Sold				948,098
Subtotal-Peso Bonds	1,704,654,475	1,754,392,102	1,754,392,102	56,130,377

Treasury Bills

Matured/Sold	-	-	-	366,525
Subtotal-Peso Bills	-	-	-	366,525

TOTAL BPI-MANAGED

	1,704,654,475	1,754,392,102	1,754,392,102	56,496,902
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C. RCBC-MANAGED

Fixed Rate Treasury Bonds

PIBD0322G247	10,000,000	10,136,125	10,136,125	462,774
PIBD0522A747	1,500,000	1,502,429	1,502,429	72,961
PIBD0526D772	10,000,000	9,847,672	9,847,672	57,093
PIBD0723D588	22,000,000	22,283,390	22,283,390	697,553
PIBD0724D595	7,000,000	7,230,733	7,230,733	342,607
PIBD0726B627	50,000,000	53,700,422	53,700,422	1,903,152
PIBD0728D649	10,000,000	9,662,572	9,662,572	153,759
PIBD0728H654	30,000,000	28,810,862	28,810,862	360,057
PIBD1027E617	40,000,000	40,462,042	40,462,042	663,526
PIID0323B101	11,000,000	11,211,582	11,211,582	481,250
PIID0324C115	10,000,000	9,944,468	9,944,468	192,639
PIID0522L114	30,000,000	30,548,274	30,548,274	1,170,629
PIID0524C129	30,000,000	31,695,497	31,695,497	1,563,411
PIID0527L140	30,000,000	30,201,275	30,201,275	111,771
PIID1023H046	25,000,000	25,179,234	25,179,234	812,500
Matured/Sold				356,592
Subtotal-Peso Bonds	316,500,000	322,416,577	322,416,577	9,402,274

Treasury Bills

PIBL1221D156	10,000,000	9,968,850	9,968,850	30,463
PIBL1221E191	4,200,000	4,182,844	4,182,844	48,816
PIBL1221F243	10,000,000	9,943,006	9,943,006	81,892
PIBL1221I384	25,000,000	24,729,787	24,729,787	48,518
Matured/Sold				330,330
Subtotal-Peso Bills	49,200,000	48,824,487	48,824,487	540,019
TOTAL RCBC-MANAGED	365,700,000	371,241,064	371,241,064	9,942,293
SUBTOTAL-INVESTMENT IN DEBT SECURITIES	4,393,769,875	4,470,558,108	4,470,558,108	150,475,108
TOTAL AVAILABLE FOR SALE SECURITIES	4,429,422,514	5,952,670,465	5,952,670,465	190,631,687

III. HELD-TO-MATURITY INVESTMENTS

Corporate Bonds				
ACFXBOND2023	25,000,000	24,437,972	24,519,925	980,000
ACFXBOND2025	54,590,000	54,905,796	55,728,857	1,683,588
ACFXBOND2027	31,000,000	34,663,153	35,437,402	579,017
AEV2FXBD2025	13,200,000	13,200,000	13,109,936	171,700
ALI2FXBD2026	125,000,000	131,135,871	133,401,125	5,444,932
ALI3FXBD2025	100,000,000	101,169,619	99,350,600	3,185,557
ALIFXBND2026	25,000,000	25,468,131	25,187,975	49,591
ALIFXBND2027	50,000,000	53,064,183	50,837,500	716,090
ALIFXBND2028	110,000,000	110,368,919	113,625,600	6,246,530
ALIFXBND2031	50,000,000	50,000,000	49,842,300	368,117
APC2FXBD2025	10,460,000	10,460,000	10,440,733	33,698
APC2FXBD2026	200,000,000	207,383,973	212,845,000	6,049,703
AREITFXB2023	10,000,000	10,000,000	9,999,890	2,537
BPI2FXBD2022	50,000,000	50,000,000	50,213,950	1,525,000
DNLFXBND2024	25,000,000	24,811,417	24,703,100	21,015
DNLFXBND2026	17,200,000	17,200,000	16,976,589	183,846
EDCFXBND2026	12,090,000	12,090,000	10,806,888	233,026
FDCFXBND2024	20,196,309	20,196,309	20,249,360	1,229,160
FLIFXBND2022	50,000,000	50,001,331	50,031,800	2,678,350
FLIFXBND2025	25,000,000	26,032,722	26,010,775	52,317
FLIFXBND2027	19,500,000	19,500,000	19,458,056	28,480
PCORFXBD2024	50,000,000	50,000,000	51,339,650	3,909,150
RCBFXBND2023	50,000,000	50,000,000	50,509,200	1,204,444
RLCFXBND2023	50,000,000	50,747,724	50,811,250	608,792
SMBFXBND2022	70,000,000	70,200,111	70,821,800	4,620,000
SMCFXBND2024	67,000,000	67,000,000	65,368,014	3,540,280
SMICFXBD2022	80,000,000	80,882,529	82,185,040	6,182,723
SMPH2FBD2023	48,560,000	48,560,000	48,451,663	1,080,216
SMPH2FBD2024	109,199,000	112,150,936	107,799,942	4,324,159
SMPH3FBD2025	50,000,000	51,550,247	51,141,350	1,495,151
SMPHFXBD2023	30,500,000	30,500,000	30,552,613	1,727,215
SMPHFXBD2026	75,000,000	71,745,759	73,924,350	2,766,018
SMPHFXBD2028	25,000,000	25,000,000	24,926,025	162,898
UBP 30 R25	50,000,000	50,000,000	50,649,286	2,625,000
Matured/Sold				16,274,679
	1,778,299,000	1,804,426,702	1,811,257,544	81,982,979
Government Bonds				
PIBD1025I608	562,500,000	510,693,360	560,081,929	20,390,625
PIBD2031G171	62,500,000	75,637,775	75,378,075	2,740,981
	625,000,000	586,331,135	635,460,004	23,131,606
TOTAL HELD-TO-MATURITY INVESTMENTS	2,403,299,000	2,390,757,837	2,446,717,548	105,114,585
GRAND TOTAL FINANCIAL ASSETS		9,060,666,268	9,116,625,979	299,509,802

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties
and Principal Stockholders' (Other than Related Parties)
December 31, 2021

Name of employee	Designation	Date of Availment	Bal. at beg. of period	Additions	Deductions		Ending Balance		Balance at end of period
					Amounts collected	Amounts Written off	Current	Non-Current	
A. Emergency Loans									
1 ANNE MARIZ ANGELES ¹	Rank & File	06/18/2021	-	30,000	14,551	-	15,449	-	15,449
2 BETHZAYDA G MANZANO	Rank & File	03/17/2021	-	30,000	28,677	-	1,323	-	1,323
3 CAMILLE C AQUINO	Rank & File	09/14/2021	-	30,000	7,167	-	22,833	-	22,833
4 DE GUZMAN, DARIUS M	Assistant Manager	11/15/2021	-	60,000	4,730	-	55,270	-	55,270
5 DIAN R SALES	Manager	04/01/2020	9,136	-	-	-	-	-	-
6 ENRICO U CAMINCE	Manager	01/28/2020	5,303	-	-	-	-	-	-
7 IRENE G LOZADA	Manager	06/08/2021	-	50,000	26,339	-	23,661	-	23,661
8 IVY E MAGTALAS	Senior Manager	11/25/2020	57,853	-	57,853	-	-	-	-
9 IVY E MAGTALAS	Senior Manager	12/06/2021	-	60,000	2,359	-	57,641	-	57,641
10 JACKILYN S MALANA	Rank & File	08/26/2020	20,421	-	20,421	-	-	-	-
11 JACKILYN S MALANA	Rank & File	11/26/2021	-	30,000	1,186	-	28,814	-	28,814
12 JOCELYN A CASTILLO	Rank & File	01/05/2021	-	30,000	22,160	-	7,840	-	7,840
13 JOCELYN A CASTILLO	Rank & File	09/15/2021	-	30,000	7,167	-	22,833	-	22,833
14 LILYBETH R AVILA	Rank & File	05/21/2020	12,885	-	12,885	-	-	-	-
15 LILYBETH R AVILA	Rank & File	05/18/2021	-	30,000	17,062	-	12,938	-	12,938
16 MARIA CARMEN C ORTIZ	Manager	12/06/2021	-	60,000	2,359	-	57,641	-	57,641
17 NATHALIE S MAGALONA	Manager	09/06/2020	40,825	-	40,825	-	-	-	-
18 NIKKOS JOSEF L IGNES	Senior Manager	05/12/2020	23,369	-	23,369	-	-	-	-
19 RAUL G TUMANGDAY	Senior Manager	08/19/2020	40,830	-	40,830	-	-	-	-
20 RAUL G TUMANGDAY	Senior Manager	07/27/2021	-	60,000	21,663	-	38,337	-	38,337
21 RUBYLEN T VILLAMER	Rank & File	09/20/2021	-	30,000	7,167	-	22,833	-	22,833
22 SEAN B TABIOLA	Rank & File	05/26/2021	-	30,000	15,804	-	14,196	-	14,196
Resigned employees									
			210,623	560,000	389,014	-	381,609	-	381,609
B. Car Facility Loan									
1 ANELISA TRINIDAD M MERIDA	Assistant Vice President	24/10/2016	117,416	-	117,416	-	-	0.00	0
2 APRIL ROSE R AGSAWAY	Manager	27/06/2018	230,896	-	86,867	-	94,090	49,938.94	144,029
3 ARLENE GAY SANTOS	Senior Assistant Vice President	23/09/2021	-	585,000	19,997	-	100,757	464,246.20	565,003
4 BLESILDA S BESABE	Senior Assistant Vice President	18/12/2020	600,000	-	101,635	-	498,365	-	498,365
5 CHERRY LOU R LORENZO	Senior Assistant Vice President	31/08/2016	92,417	-	92,417	-	-	0.00	0
6 DAISY C SALONGA	Vice President	20/02/2017	110,913	-	91,019	-	19,895	0.00	19,895
7 EDELITA P SUYO	Manager	13/10/2017	170,085	-	91,923	-	78,162	-	78,162
8 ENRICO U. CAMINCE	Manager	09/02/2021	-	420,000	61,938	-	76,294	281,768.01	358,062
9 FRANCIS ALBERT J ALVAREZ	Senior Manager	28/12/2018	310,624	-	95,390	-	103,321	111,911.94	215,233
10 HONORATA S LUCOS	Assistant Vice President	21/06/2017	205,755	-	134,414	-	71,341	0.00	71,341
11 IVY E MAGTALAS	Senior Manager	17/08/2016	66,147	-	66,147	-	-	0.00	0
12 MARIA CARMEN C ORTIZ	Manager	13/11/2018	261,723	-	84,304	-	91,313	86,105.99	177,419
13 MARILYN T DELA PAZ	Manager	18/12/2020	420,000	-	71,145	-	77,060	271,795.62	348,855
14 MARITES B BALAJADIA	Senior Manager	28/11/2017	206,935	-	104,011	-	102,924	-	102,924
15 MARK QUINTIN G NUNEZ ¹	Assistant Vice President	31/07/2019	453,562	-	99,082	-	354,480	-	354,480
16 NATALIE S MAGALONA	Manager	18/09/2017	166,400	-	92,230	-	74,170	-	74,170
17 RAUL TUMANGDAY	Senior Manager	29/06/2016	55,928	-	55,928	-	-	-	-
18 RAUL TUMANGDAY	Senior Manager	29/06/2021	-	480,000	36,461	-	84,340	359,199.31	443,539
19 REGINA LOURDES D PAPA	Senior Assistant Vice President	28/09/2016	105,958	-	105,958	-	-	-	-
20 REGINA LOURDES D PAPA	Senior Assistant Vice President	28/10/2021	-	600,000	8,163	-	102,314	489,523.26	591,837
21 REGINA S RAMOS	Vice President	31/01/2017	110,771	-	101,905	-	8,865	0.00	8,865
22 RUSSELL B AGUSTIN ¹	Manager	18/07/2018	237,826	-	56,758	-	181,068	-	181,068
23 SHERWIN T PARUNGAO	Senior Manager	30/08/2018	279,670	-	97,964	-	106,109	75,596.56	181,706
24 VICTOR DEL ROSARIO TANJUAKIO ¹	First Vice President	11/12/2019	368,694	-	46,153	-	322,541	-	322,541
25 VON EDWARD EBRON	Assistant Vice President	20/12/2018	383,620	-	117,807	-	127,602	138,211.22	265,813
Resigned employees									
			4,955,341	2,085,000	2,037,033	-	2,675,011	2,328,297	5,003,308
C. Receivables from Employee (HMO & Car Insurance)									
1 ALLAN R SANTOS	President/ CEO		8,116	-	-	-	8,116	-	8,116
2 ANELISA TRINIDAD M MERIDA	Assistant Vice President		46,892	12,884	32,734	-	27,042	-	27,042
3 ANNE MARIZ ANGELES ¹	Rank and File		9,635	24,624	9,635	-	14,989	-	14,989
4 APRIL ROSE R AGSAWAY	Manager		93,535	11,726	11,424	-	93,838	-	93,838
5 ARLENE GAY SANTOS	Senior Assistant Vice President		16,953	3,532	13,421	-	13,421	-	13,421
6 BLESILDA S BESABE	Senior Assistant Vice President		21,337	75,881	38,586	-	58,632	-	58,632
7 CARMEL F TORRALBA	Rank and File		23,393	-	-	-	23,393	-	23,393
8 CHERRY LOU R LORENZO	Senior Assistant Vice President		104,355	39,031	81,120	-	62,266	-	62,266
9 DAISY C SALONGA	Vice President		5,163	9,643	8,989	-	5,817	-	5,817
10 DARIUS M DE GUZMAN	Assistant Manager		47,001	64,021	59,730	-	51,292	-	51,292
11 DIANNE MONIQUE G GARCIA	Rank and File		13,338	24,624	22,973	-	14,989	-	14,989
12 EDELITA P SUYO	Manager		12,363	10,438	11,900	-	10,901	-	10,901
13 ENRICO U CAMINCE	Manager		30,640	-	2,034	-	28,607	-	28,607
14 EVELYN N BUENO	Manager		70,745	49,248	37,114	-	82,879	-	82,879
15 FRANCIS ALBERT J ALVAREZ	Senior Manager		-	7,890	7,262	-	628	-	628
16 IRENE G LOZADA	Manager		18,570	34,283	31,985	-	20,868	-	20,868
17 IVY E MAGTALAS	Senior Manager		9,409	-	9,409	-	(0)	-	(0)
18 JACKILYN S MALANA	Rank and File		13,338	24,624	22,973	-	14,989	-	14,989
19 JAIME JOSE M JAVIER JR	Vice President		-	156,771	34,079	-	122,692	-	122,692
20 JANNETH F ROLDAN	Rank and File		10,466	-	-	-	10,466	-	10,466
21 JOSE VINCENT B DALINO	Rank and File		-	26,337	11,348	-	14,989	-	14,989
22 MARIA CARMEN C ORTIZ	Manager		11,050	11,663	11,536	-	11,177	-	11,177
23 MARILYN T DELA PAZ	Manager		-	15,587	14,937	-	649	-	649
24 MARITES B BALAJADIA	Senior Manager		37,393	48,854	50,096	-	36,151	-	36,151
25 MARK QUINTIN G NUNEZ ¹	Assistant Vice President		16,293	22,388	20,024	-	18,656	-	18,656
26 NATALIE S MAGALONA	Manager		32,281	41,066	33,203	-	40,143	-	40,143
27 PATRICK S BASOBAS ¹	Assistant Manager		1,776	26,321	19,317	-	8,780	-	8,780
28 RAUL TUMANGDAY	Senior Manager		-	21,796	12,629	-	9,167	-	9,167
29 REGINA LOURDES D PAPA	Senior Assistant Vice President		8,893	21,106	11,408	-	18,591	-	18,591
30 REGINA S RAMOS	Vice President		47,346	89,787	86,694	-	50,439	-	50,439
31 ROJANE C MENDOZA	Assistant Manager		38,987	49,248	45,947	-	42,288	-	42,288
32 RUBYLEN T VILLAMER	Rank and File		13,338	24,624	22,973	-	14,989	-	14,989
33 RUSSELL B AGUSTIN ¹	Manager		10,307	12,821	8,575	-	14,553	-	14,553
34 VICTOR DEL ROSARIO TANJUAKIO ¹	First Vice President		21,600	-	-	-	21,600	-	21,600
35 VON EDWARD EBRON	Assistant Vice President		28,905	50,655	49,728	-	29,832	-	29,832
Resigned employees									
			796,828	1,024,894	823,897	-	997,825	-	997,825
GRAND TOTAL									
			5,962,791	3,669,894	3,249,944	-	4,054,444	2,328,297	6,382,741

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
Schedule C - Amounts Receivable from Related Parties which are
eliminated during the consolidation of financial statements
December 31, 2021

Name of employee	Designation	Bal. at beg. of period	Additions	Deductions		Ending Balance		Balance at end of period
				Amounts collected	Amounts Written off	Current	Non-Current	

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NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
Schedule D - Long-term Debt
December 31, 2021

Title of Issue and type of obligation (i)	Amount Authorized by Indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet (iii)
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NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
Schedule E - Indebtedness to Related Parties (Long-Term Loans from Related
December 31, 2021

Name of related party (i)	Balance at beginning of period	Balance at end of period (ii)
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NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
Schedule F - Guarantees of Securities of Other Issuers
December 31, 2021

Name of issuing entity of securities guaranteed by the company for which this statement is file	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding (i)	Amount owned by person for which statement is file	Nature of guarantee (ii)
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NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
Schedule G- Capital Stock
December 31, 2021

	Name of Stockholders	Title of Issue	No. of shares issued & outstanding as shown under the related balance sheet caption	No. of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
					Related parties	Directors, officers and employees	Others
1	ALEGAR CORPORATION	Common	32,600	NIL	-	-	32,600
2	ALPHA INSURANCE & SURETY CO., INC.	Common	1,578,900	NIL	-	-	1,578,900
3	AP MADRIGAL STEAMSHIP CO. INC.	Common	3,300	NIL	-	-	3,300
4	ARAVAL, INC	Common	77,100	NIL	-	-	77,100
5	ASIA UNITED INSURANCE, INC	Common	1,252,300	NIL	-	-	1,252,300
6	BANCOM DEVELOPMENT CORP.	Common	8,300	NIL	-	-	8,300
7	BENEFICIAL LIFE INSURANCE COMPANY INC	Common	3,193,500	NIL	-	-	3,193,500
8	B.F. GENERAL INSURANCE CO., INC.	Common	36,900	NIL	-	-	36,900
9	BF LIFE INSURANCE CORP.	Common	397,300	NIL	-	-	397,300
10	BPI/MS INSURANCE CORP.	Common	3,347,500	NIL	3,347,500	-	-
11	CENTENNIAL GUARANTEE ASSURANCE COR	Common	14,500	NIL	-	-	14,500
12	CONSOLIDATED INSURANCE CO., INC.	Common	144,600	NIL	-	-	144,600
13	COOPERATIVE INSURANCE SYSTEM OF THE	Common	72,900	NIL	-	-	72,900
14	COUNTRY BANKERS INS. CORP.	Common	2,220,300	NIL	-	-	2,220,300
15	COUNTRY BANKERS LIFE INSURANCE CORP	Common	30,000	NIL	-	-	30,000
16	EASTERN ASSURANCE & SURETY CORPORA	Common	1,872,400	NIL	-	-	1,872,400
17	FEDERAL PHOENIX ASSURANCE COMPANY I	Common	3,786,300	NIL	-	-	3,786,300
18	FGU INSURANCE CORPORATION	Common	36,126,000	NIL	36,126,000	-	-
19	FIDELITY INSURANCE COMPANY INC.	Common	818,800	NIL	-	-	818,800
20	FIRST INTEGRATED BONDING & INS. CO INC.	Common	275,300	NIL	-	-	275,300
21	GREAT DOMESTIC INS. CO. OF THE PHILS.	Common	544,700	NIL	-	-	544,700
22	INSURANCE COMPANY OF NORTH AMERICA	Common	705,600	NIL	-	-	705,600
23	INSURANCE OF THE PHIL. ISLANDS CO., INC.	Common	59,100	NIL	-	-	59,100
24	INVESTOR'S ASSURANCE CORP.	Common	99,000	NIL	-	-	99,000
25	LUZON INSURANCE & SURETY CO., INC.	Common	32,300	NIL	-	-	32,300
26	MAA GENERAL ASSURANCE PHILS., INC.	Common	271,800	NIL	-	-	271,800
27	MABASA & COMPANY, INC.	Common	36,500	NIL	-	-	36,500
28	MALAYAN INSURANCE CO., INC.	Common	21,600	NIL	21,600	-	-
29	MANILA INSURANCE COMPANY INC.	Common	1,148,400	NIL	-	-	1,148,400
30	MANILA SURETY & FIDELITY CO., INC.	Common	3,168,400	NIL	-	-	3,168,400
31	MONARCH INSURANCE CO., INC.	Common	1,674,000	NIL	-	-	1,674,000
32	THE NEW INDIA ASSURANCE COMPANY, LIM	Common	4,168,300	NIL	-	-	4,168,300
33	ORIENTAL ASSURANCE CORPORATION	Common	3,560,800	NIL	-	-	3,560,800
34	PACIFIC UNION INSURANCE CO.	Common	1,351,600	NIL	-	-	1,351,600
35	PARAMOUNT LIFE & GENERAL INS. CORP.	Common	940,900	NIL	-	-	940,900
36	PEOPLE'S TRANS-EAST ASIA INS. CORP.	Common	2,435,300	NIL	-	-	2,435,300
37	PHILIPPINE BRITISH ASSURANCE CO., INC.	Common	590,400	NIL	-	-	590,400
38	PHIL. PHOENIX SURETY & INS. INC.	Common	134,900	NIL	-	-	134,900
39	PHIL. PRUDENTIAL LIFE INS. CO., INC.	Common	1,771,900	NIL	-	-	1,771,900
40	PHILIPPINE REMNANTS CO., INC.	Common	399,300	NIL	-	-	399,300
41	PHILIPPINES FIRST INSURANCE CO., INC.	Common	11,075,200	NIL	-	-	11,075,200
42	PHIL. INT'L LIFE INSURANCE CO., INC.	Common	4,450,200	NIL	-	-	4,450,200
43	PLARIDEL SURETY & INSURANCE COMPANY	Common	162,500	NIL	-	-	162,500
44	THE PREMIER INSURANCE & SURETY CORP	Common	2,456,100	NIL	-	-	2,456,100
45	RITA LEGARDA., INC.	Common	13,700	NIL	-	-	13,700
46	RIVARA, INC.	Common	8,700	NIL	-	-	8,700
47	SOUTH SEA SURETY & INS. CO., INC.	Common	4,152,700	NIL	-	-	4,152,700
48	STERLING INSURANCE CO., INC.	Common	2,453,900	NIL	-	-	2,453,900
49	STRONGHOLD INSURANCE CO., INC.	Common	2,817,600	NIL	-	-	2,817,600
50	SUN LIFE ASSURANCE CO. OF CANADA	Common	305,700	NIL	-	-	305,700
51	SUSANA REALTY	Common	600	NIL	-	-	600
52	TABACALERA INSURANCE CO. INC.	Common	1,278,700	NIL	-	-	1,278,700
53	TIMES SURETY & INSURANCE CO., INC.	Common	7,500	NIL	-	-	7,500
54	TRAVELLER'S INSURANCE & SURETY CORP.	Common	696,100	NIL	-	-	696,100
55	UNION BANK OF THE PHILIS.	Common	5,000	NIL	-	-	5,000
56	UNION INSURANCE SOCIETY OF CANTON LT	Common	2,197,300	NIL	-	-	2,197,300
57	UNITED INSURANCE CO., INC	Common	2,006,600	NIL	-	-	2,006,600
58	UNITED LIFE ASSURANCE CORP.	Common	2,518,100	NIL	-	-	2,518,100
59	UTILITY ASSURANCE CORP.	Common	1,837,900	NIL	-	-	1,837,900
60	VISAYAN SURETY & INSURANCE CORP.	Common	3,545,500	NIL	-	-	3,545,500
61	WORLDWIDE INSURANCE & SURETY COMPA	Common	100	NIL	-	-	100
62	ZENITH INSURANCE CORPORATION	Common	805,800	NIL	-	-	805,800
63	MAMERTA ANDAYA	Common	2,100	NIL	-	-	2,100
64	NORMANDO ANTONIO S. AGUILAR	Common	16,900	NIL	-	-	16,900
65	CONCEPCION S. ARANETA	Common	700	NIL	-	-	700
66	BASCO, AMERFIL V.	Common	11,800	NIL	-	-	11,800
67	JAYMERLI C. BAUTISTA	Common	298,100	NIL	-	-	298,100

68	FRANCISCO M. BAYOT	Common	1,100	NIL	-	-	1,100
69	VICENTE M. BAYOT	Common	1,100	NIL	-	-	1,100
70	VICTORIANO G. BELIZARIO	Common	300	NIL	-	-	300
71	PEDRO P. BENEDICTO JR.	Common	15,800	NIL	-	-	15,800
72	CONRADO BENITEZ	Common	7,400	NIL	-	-	7,400
73	ISABELITA M. CABANGUNAY	Common	14,500	NIL	-	-	14,500
74	DANILO J. CABERO	Common	7,200	NIL	-	-	7,200
75	NATIVIDAD CANTAJAL	Common	4,800	NIL	-	-	4,800
76	ANTONIO ROXAS CHUA	Common	1,089,500	NIL	-	-	1,089,500
77	JACQUELINE M. HALILI CO	Common	293,800	NIL	-	-	293,800
78	MANUEL U. CO	Common	100	NIL	-	-	100
79	FRANCISCO CORPUS	Common	100	NIL	-	-	100
80	DAVID C. COYUKIAT	Common	200	NIL	-	-	200
81	ALICIA S. CRUZ	Common	6,400	NIL	-	-	6,400
82	LUZ NER CRUZ	Common	13,400	NIL	-	-	13,400
83	ADELITA VERGEL DE DIOS	Common	171,500	NIL	-	-	171,500
84	MANUEL DYTOC	Common	900	NIL	-	-	900
85	EDUARDO ECHAUZ	Common	100	NIL	-	-	100
86	ROMEO ECHAUZ	Common	400	NIL	-	-	400
87	MANUEL B. ENRIQUEZ	Common	500	NIL	-	-	500
88	LILY VICTORIA G. GALO	Common	2,800	NIL	-	-	2,800
89	RAFAEL C. GALLAGA	Common	13,500	NIL	-	-	13,500
90	GARCIA, WINSTON F.	Common	442,300	NIL	-	-	442,300
91	EDITHA B. GERONIMO	Common	15,000	NIL	-	-	15,000
92	MERCEDES U. GONZALES	Common	200	NIL	-	-	200
93	LUCINA OCAMPO LEGASPI	Common	3,800	NIL	-	-	3,800
94	LUCITA R.C. LIMPE	Common	13,400	NIL	-	-	13,400
95	ROSARIO M. LLORA	Common	7,100	NIL	-	-	7,100
96	HONORATA S. LUCOS	Common	15,000	NIL	-	-	15,000
97	ANTONIO P. MADRIGAL	Common	4,200	NIL	-	-	4,200
98	CONSUELO P. MADRIGAL	Common	1,200	NIL	-	-	1,200
99	GERARDO A.S. MADRIGAL	Common	1,600	NIL	-	-	1,600
100	MACARIA P. MADRIGAL	Common	2,300	NIL	-	-	2,300
101	VICENTE A.S. MADRIGAL	Common	1,600	NIL	-	-	1,600
102	NELIA M. MALUBAY	Common	54,000	NIL	-	-	54,000
103	JENNIFER C. MARTIN	Common	294,000	NIL	-	-	294,000
104	HANS MENZI	Common	2,100	NIL	-	-	2,100
105	DAVID C. MERCADO	Common	27,300	NIL	-	-	27,300
106	SUSANA B. ORTIGAS	Common	1,100	NIL	-	-	1,100
107	MAURO PRIETO	Common	11,600	NIL	-	-	11,600
108	ANGELITA U. REYES	Common	2,800	NIL	-	-	2,800
109	JOSE R. RODAS	Common	100	NIL	-	-	100
110	LOURDES S. RODAS	Common	1,100	NIL	-	-	1,100
111	PAZ VDA. DE RODAS	Common	6,200	NIL	-	-	6,200
112	ROSARIO RODAS	Common	900	NIL	-	-	900
113	PACITA RODRIGUEZ	Common	13,400	NIL	-	-	13,400
114	PETER T. ROXAS-CHUA	Common	13,400	NIL	-	-	13,400
115	TAN KIM CHIONG DE ROXAS-CHUA	Common	92,300	NIL	-	-	92,300
116	ANTONIO S. ROXAS-CHUA JR.	Common	24,900	NIL	-	-	24,900
117	SEVERINO T. ROXAS-CHUA	Common	13,400	NIL	-	-	13,400
118	ANDRES E. SIOCHI	Common	11,700	NIL	-	-	11,700
119	EUGENIA G. SILVA	Common	2,800	NIL	-	-	2,800
120	MANUEL A. TORRES JR.	Common	79,100	NIL	-	-	79,100
121	MA. LUISA MADRIGAL VASQUEZ	Common	400	NIL	-	-	400
122	VICENTE B. VILLARAMA JR.	Common	2,800	NIL	-	-	2,800
123	BETTY RC YAO	Common	13,400	NIL	-	-	13,400
124	FRANCISCO JOSE ELIZALDE YTURREALDE	Common	75,700	NIL	-	-	75,700
125	MACROHON JR., IGNACIO	Common	100	NIL	-	-	100
126	LIM, PEDRO C.	Common	3,000	NIL	-	-	3,000
127	YAO, WILSON A.	Common	30,000	NIL	-	-	30,000
128	TAN, LOZANO A.	Common	100,000	NIL	-	-	100,000
129	VALENCIA, JESUS SAN LUIS	Common	2,100	NIL	-	-	2,100
130	PA, ANA GO &/OR GO KIM	Common	7,500,000	NIL	-	-	7,500,000
131	CRUZ, NAPOLEON D. CRUZ SR. &/OR LUISA I	Common	5,000	NIL	-	-	5,000
132	GALLAGA, RAFAEL C.	Common	100	NIL	-	-	100
133	LA'O, LUIS C.	Common	100	NIL	-	-	100
134	JACINTO JR., FERNANDO P.	Common	100	NIL	-	-	100
135	SALVADOR, BIENVENIDO C.	Common	100	NIL	-	-	100
136	BERNARDO, ROMEO L.	Common	100	NIL	-	-	100
137	CASTANEDA JR., CONSTANCIO T.	Common	100	NIL	-	-	100
138	KO PIO, RUFINO H.	Common	100	NIL	-	-	100
139	FRANCISCO, ROLANDO B.	Common	100	NIL	-	-	100
140	DESIDERIO JR., JOSE O.	Common	100	NIL	-	-	100
141	DESIDERIO, RODOLFO O.	Common	100	NIL	-	-	100
142	ONGKINGCO, FLORENCIO N.	Common	100	NIL	-	-	100
143	MARIANO JR., JORGE T.	Common	100	NIL	-	-	100
144	SAUCO, NORBERTO V.	Common	100	NIL	-	-	100

145	JUAN, FRISCO F. SAN	Common	100	NIL	-	-	100
146	CORPUS, SERGIO	Common	100	NIL	-	-	100
147	GO, GEORGE L.	Common	1,000	NIL	-	-	1,000
148	UY JR., CARLOS F.	Common	100	NIL	-	-	100
149	SALCEDO JR., ALFONSO L.	Common	100	NIL	-	-	100
150	ARAGON, BIENVENIDO M.	Common	200	NIL	-	-	200
151	CABANGON CHUA, ANTONIO L.	Common	100	NIL	-	-	100
152	TRINIDAD, ARMANDO C.	Common	100	NIL	-	-	100
153	BUENO, FRANCIS EDWIN I.	Common	100	NIL	-	-	100
154	HARI, ABDON M.	Common	100	NIL	-	-	100
155	REMO JR., JOSE H.	Common	100	NIL	-	-	100
156	CRUZ JR., ROMAN A.	Common	100	NIL	-	-	100
157	FRANCISCO, CLEOTILDE B.	Common	100	NIL	-	-	100
158	BELTRAN, AURELIO M.	Common	100	NIL	-	-	100
159	YUCHENGCO, YVONNE S.	Common	100	NIL	-	100 -	100
160	DEE, HELEN Y.	Common	100	NIL	-	-	100
161	PUYAT, ALFONSO G.	Common	100	NIL	-	-	100
162	FERNANDEZ, VICENTE T.	Common	100	NIL	-	-	100
163	LEON, JAIME S. DE	Common	100	NIL	-	-	100
164	RAMAJO, HONORIO J.	Common	100	NIL	-	-	100
165	UNSON, MA. ANICIA F.	Common	100	NIL	-	-	100
166	UNSON JR., ALEJANDRO F.	Common	100	NIL	-	-	100
167	VILLAMAYOR, ANTONIO S.	Common	100	NIL	-	-	100
168	CHENG, GEMA O.	Common	100	NIL	-	-	100
169	JUNTEREAL JR., FILEMON A.	Common	100	NIL	-	-	100
170	COTOCO, NAZARIO	Common	100	NIL	-	-	100
171	COTOCO, DOMINGO	Common	100	NIL	-	-	100
172	PADIERNOS, GAY G.	Common	100	NIL	-	-	100
173	UNSON JR., EDMUNDO L.	Common	100	NIL	-	-	100
174	LIM, JAMES ORTEGA	Common	100	NIL	-	-	100
175	CUYEGKENG, ROSARIO W.	Common	100	NIL	-	-	100
176	FERNANDEZ, JAIME C.	Common	100	NIL	-	-	100
177	ALVENDIA, JOSE P.	Common	100	NIL	-	-	100
178	MERCADO JR., DANIEL M.	Common	100	NIL	-	-	100
179	ROMAN, VICTOR B.	Common	100	NIL	-	-	100
180	TANCO, EUSEBIO H.	Common	100	NIL	-	-	100
181	LEE, JOSE C.	Common	100	NIL	-	-	100
182	MORALES, RHODORA B.	Common	100	NIL	-	-	100
183	LOCSIN, JULIAN J.	Common	100	NIL	-	-	100
184	CARREDO, RAMON M.	Common	200	NIL	-	-	200
185	KOH, ANTONIO M.	Common	100	NIL	-	-	100
186	INDON, REYNALDO P.	Common	100	NIL	-	-	100
187	LICAROS, ABELARDO B.	Common	100	NIL	-	-	100
188	LICAROS JR., GREGORIO B.	Common	100	NIL	-	-	100
189	DOMINO, JUAN	Common	100	NIL	-	-	100
190	REYES, OSCAR C.	Common	200	NIL	-	-	200
191	MALONG, ALEJANDRO V.	Common	100	NIL	-	-	100
192	MERCADO JR., DAVID P.	Common	100	NIL	-	-	100
193	WONGAIHAM, ANTHONY T.	Common	200	NIL	-	-	200
194	MALLILLIN, MELECIO C.	Common	100	NIL	-	-	100
195	ROMUALDEZ, FERDINAND MARTIN G.	Common	3,000,000	NIL	-	-	3,000,000
196	OLIVA, DULCE MARIA S.	Common	20,000	NIL	-	-	20,000
197	BANK OF THE PHILIPPINE ISLANDS	Common	290,795,500	NIL	290,795,500	-	-
198	KO PIO, RODERICK C.	Common	100	NIL	-	-	100
199	KO PIO, RUFFY C.	Common	100	NIL	-	-	100
200	TEO, STEPHEN T. TEO &/OR TERESITA R.	Common	29,000	NIL	-	-	29,000
201	TURNER, PHILIP &/OR ELNORA	Common	1,000	NIL	-	-	1,000
202	PNB GENERAL INSURERS CO., INC.	Common	1,000	NIL	-	-	1,000
203	HYDEE MANAGEMENT & RESOURCE CORPO	Common	264,000	NIL	-	-	264,000

204	SM SAVINGS & LOAN ASSOCIATION	Common	70,000	NIL	-	-	70,000
205	SUDHAKAR, RANIPETA RANI	Common	100	NIL	-	-	100
206	REYES, CARLOS, R.	Common	12,000	NIL	-	-	12,000
207	GILI JR., GUILLERMO F.	Common	38,000	NIL	-	-	38,000
208	MENDIOLA, JORGE T.	Common	20,000	NIL	-	-	20,000
209	CRISOL, ROBERTO B.	Common	1,000	NIL	-	-	1,000
210	CALLAR, CYRIL C. DEL CALLAR &/OR JOSEPH	Common	1,896,000	NIL	-	-	1,896,000
211	SUNGA, PROSPERO S. SUNGA &/OR CLARIT/	Common	375,000	NIL	-	-	375,000
212	YAN, LUCIO W. YAN &/OR CLARA Y.	Common	50,000	NIL	-	-	50,000
213	SUNGA, PETER EDWIN J. SUNGA &/OR ROSA	Common	300,000	NIL	-	-	300,000
214	GO, IRENE CHAN	Common	185,000	NIL	-	-	185,000
215	LO, JOSEPHINE NG	Common	71,000	NIL	-	-	71,000
216	LEE, LEA B.	Common	250,000	NIL	-	-	250,000
217	ALMEDA, VALERIANO &/OR TITA JANE &/OR I	Common	40,000	NIL	-	-	40,000
218	PHILIPPINE GENERAL INSURANCE CORP.	Common	750,000	NIL	-	-	750,000
219	MANANSALA, CONSUELO D.	Common	1,000	NIL	-	-	1,000
220	VERGARA, ROBERT G.	Common	1,000	NIL	-	-	1,000
221	LEON, BEATRIZ P. DE	Common	1,933	NIL	-	-	1,933
222	PRIETO, MERCEDES R.	Common	1,933	NIL	-	-	1,933
223	PRIETO JR., BENITO R.	Common	1,933	NIL	-	-	1,933
224	PRIETO, MAURO R.	Common	1,934	NIL	-	-	1,934
225	TEODORO, MONICA P.	Common	967	NIL	-	-	967
226	PRIETO, MARTIN L.	Common	967	NIL	-	-	967
227	GOZO, DANILO A.	Common	1,000	NIL	-	-	1,000
228	NAPA, ERMILANDO D.	Common	1,000	NIL	-	-	1,000
229	NERA, MEDEL T.	Common	1,000	NIL	-	1,000	-
230	STERLING INSURANCE COMPANY, INC.	Common	300,000	NIL	-	-	300,000
231	TIU, ALFONSO SY	Common	6,000	NIL	-	-	6,000
232	CHUA, VICKY B.	Common	1,000	NIL	-	-	1,000
233	LAO, EDMUND Y.	Common	6,000	NIL	-	-	6,000
234	UY, ALVIN CHRIS SY	Common	6,000	NIL	-	-	6,000
235	WU, JOLI CO	Common	344,100	NIL	-	344,100	-
236	BANZON JR., JOSE G.	Common	54,000	NIL	-	-	54,000
237	DIZON, VLADEMIR S.	Common	26,000	NIL	-	-	26,000
238	AYUSTE JR., RAFAEL G.	Common	100,000	NIL	-	100,000	-
239	CASTRO, WILLIAM Y.	Common	15,000	NIL	-	-	15,000
240	REGINA CAPITAL DEV. CORP. 018414	Common	3,000	NIL	-	-	3,000
241	REGINA CAPITAL DEV. CORP. 018400	Common	6,000	NIL	-	-	6,000
242	VISAYAN SURETY & INSURANCE CORPORAT	Common	200,000	NIL	-	-	200,000
243	REYES, ROMAN FELIPE S.	Common	1,000	NIL	-	-	1,000
244	KAWSEK, PAUL L.	Common	80,000	NIL	-	-	80,000
245	MARILEX REALTY DEVELOPMENT CORPORA	Common	1,933	NIL	-	-	1,933
246	HIDALGO, AUGUSTO PEDROSA III	Common	1,000	NIL	-	-	1,000
247	CHAVEZ, RAMON NONATO D.	Common	5,000	NIL	-	-	5,000
248	GONZALEZ, GIZELA M.	Common	600	NIL	-	-	600
249	ESTATE OF VICENTE M. WARNS	Common	600	NIL	-	-	600
250	OWEN NATHANIEL S. AU ITF LI MARCUS M. A	Common	200	NIL	-	-	200
251	CUA, PAMELA S.	Common	6,000	NIL	-	-	6,000
252	FIRST LIFE FINANCIAL COMPANY INC.	Common	485,700	NIL	-	-	485,700
253	CABREZA, JOCELYN DE GUZMAN	Common	1	NIL	-	1	-
254	ANTONIO M. RUBIN	Common	1,000	NIL	-	1,000	-
255	ELIAS BENIZA DULALIA	Common	1,000	NIL	-	-	1,000
256	WILFREDO C. MALDIA	Common	1	NIL	-	1	-
257	MAR M. TANGLAO I	Common	180,000	NIL	-	-	180,000
258	ALLAN ROSSI SANTOS	Common	5,000	NIL	-	5,000	-
259	MARIA CONSUELO A. LUKBAN	Common	50	NIL	-	50	-
260	NORA M. MALUBAY	Common	1	NIL	-	1	-
261	M PIONEER INSURANCE INC.	Common	542,300	NIL	-	-	542,300
262	REX MARIA ARGUELLES MENDOZA	Common	1,000	NIL	-	1,000	-
263	REGINALDO ANTHONY B. CARIASO	Common	50	NIL	-	50	-
264	ALLIEDBANKERS INSURANCE CORPORATIO	Common	100	NIL	-	-	100
265	AUGUSTO LOZADA TOLEDO II	Common	131,000	NIL	-	-	131,000
266	ENRICO UTITCO CAMINCE	Common	3,000	NIL	-	-	3,000
267	ROBERTO GAN MANABAT	Common	1,000	NIL	-	1,000	-
268	PCD NOMINEE CORP - FILIPINO	Common	1,683,908,387	NIL	1,683,908,387	-	-
269	PCD NOMINEE CORP - NON-FILIPINO	Common	6,925,010	NIL	-	-	6,925,010
Total			2,123,605,600		2,014,198,987	453,303	108,953,310

**Reconciliation of Retained Earnings Available for Dividend Declaration
As of December 31, 2021**

**NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
31st floor BPI-Philam Life Makati, 6811 Ayala Avenue, Makati City**

Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning of the year	P	319,157,717
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Add: Net income actually earned/realized during the period		
Net income during the period closed to Retained Earnings		141,699,130
Less: Non-actual / unrealized income net of tax		-
Equity in net income if associate / joint venture		-
Unrealized foreign exchange gain (except those attributable to Cash and Cash Equivalents) and Unrealized actuarial gain		89,511,573
Fair value adjustment (M2M gains)		-
Fair value adjustment of Investment Property resulting to gain		-
Adjustment due to deviation from PFRS / GAAP – gain		-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS		-
Sub-total		52,187,557
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Add: Non-actual losses		-
Depreciation on revaluation increment (after tax)		-
Adjustment due to deviation from PFRS/GAAP – loss		-
Loss on fair value adjustment of investment property (after tax)		-
Sub-total		-
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Net income actually earned during the period		371,345,274
Add (Less):		
Dividend declarations during the period		-
Appropriations of Retained Earnings during the period		(14,169,913)
Reversals of appropriations		-
Effects of prior period adjustments		-
Treasury Shares		-
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TOTAL RETAINED EARNINGS, END OF YEAR AVAILABLE FOR DIVIDEND *	P	357,175,361

**This is still subject to Insurance Commissions' requirements on declaration of dividends for insurance companies in the Philippines in accordance to Section 201 of the Amended Insurance Code.*