COVER SHEET

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SEC Registration Number

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

(Company's Full Name)

31F BPI-PHILAM LIFE MAKATI
6811 AYALA AVENUE MAKATI

(Business Address: No., Street City / Town / Province)

Jacqueline Michelle Dy	(02) 8988-7400
Contact Person	Company Telephone Number

1 2	3 1	**SEC Form 17-Q** **1st Quarter ending March 31, 2023**	4th Wednesday of June
Month	Day	FORM TYPE	Month Day

Fiscal Year

Annual Meeting

Secondary License Type, If Applicable

Dept Requiring this Doc

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE
SECURITIES REGULATIONS ACT AND SRC RULE 17 (2) (b) THEREUNDER

1. For the quarter ended **March 31, 2023**

2. Commission identification Number **80118**

3. BIR Tax Identification Number **000-480-869-000**

4. **NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES** doing business **under the names and styles of Nat Re; Philippine National Reinsurance Company; PhilNaRe**
   Exact name of registrant as specified in its charter

5. **PHILIPPINES**
   Province, country or other jurisdiction of incorporation or organization

6. Industry classification code [ ] (SEC Use Only)

7. **31st FLOOR, BPI-PHILAM LIFE MAKATI, 6811 AYALA AVENUE MAKATI CITY, PHILIPPINES** **1227**
   Address of registrant's principal office Postal Code

8. **(632) 8988-7400**
   Registrant'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 4 and 8 of the RSA as at quarter ended:

Title of Each Class	Number of Shares of Common Stock Outstanding
Common	**2,123,605,600**

11. Are any or all of the securities listed on the Philippine Stock Exchange?
    Yes [✓]**No [ ]**

12. Indicate by check mark whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period the registrant was required to file such report);

    Yes [✓]No [ ]

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

    Yes [✓]No [ ]

PART I. - FINANCIAL INFORMATION

Item 1. Financial Statements

The financial statements listed below and covering pages 12 to 87 of this report are filed as part of this Form 17-Q:

a. Statements of Financial Position as at March 31, 2023 and December 31, 2022.

b. Statements of Income for the three-month ended March 31, 2023 and 2022.

c. Statements of Comprehensive Income for the three-month ended March 31, 2023 and 2022.

d. Statements of Changes in Equity for the three-month ended March 31, 2023 and 2022.

e. Statements of Cash Flows for the three-month ended March 31, 2023 and 2022.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

I. RESULTS OF OPERATIONS

For the three-month ended March 31, 2023 and 2022

	For the three-month ended		Inc(dec)	
In Millions PHP	**March 31, 2023**	**March 31, 2022**	**Amount**	**%**
REINSURANCE PREMIUM INCOME				
Reinsurance premiums - net of returns	**P1,091.1**	P1,042.6	P48.5	5%
Retroceded premiums	**(211.0)**	(261.6)	50.6	-19%
Net premiums retained	**880.1**	781.0	99.1	13%
Movement in premium reserves – net	**(188.8)**	(137.0)	(51.8)	38%
	691.3	644.0	47.3	7%
UNDERWRITING DEDUCTIONS				
Share in reported losses – net	**(115.6)**	(850.1)	734.5	-86%
Share in unreported loss reserves – net	**(300.9)**	475.8	(776.7)	-163%
Commissions – net	**(198.5)**	(199.2)	0.7	-0%
	(615.0)	(573.5)	(41.5)	7%
NET UNDERWRITING INCOME	**76.3**	70.5	5.8	8%
INVESTMENT AND OTHER INCOME AND EXPENSES – net	**100.2**	92.4	7.8	8%
PROFIT AFTER INVESTMENT AND OTHER INCOME AND EXPENSES	**176.5**	162.9	13.6	8%
GENERAL AND ADMINISTRATIVE EXPENSES	**(69.0)**	(64.2)	(4.8)	7%
PROFIT BEFORE TAX	**107.5**	98.7	8.8	9%
TAX EXPENSE	**(19.9)**	(17.5)	(2.4)	14%
NET PROFIT	**P87.6**	P81.2	P6.4	8%

Underwriting Results

Net underwriting income amounted to P76.3 million, higher by P5.8 million or 8% than the first quarter of 2022. The favorable variance resulted mainly from (a) Net underwriting income from the Non-life foreign business amounting to P26.3 million compared to the net underwriting loss in 2022 amounting to P1.2 million; and (b) Higher net underwriting income from the Life business amounting to P14.1 million. These were partially negated by higher net underwriting losses from the Non-life domestic business by P35.8 million.

Net underwriting income recognized in 2023 as compared to net underwriting loss in 2022 from the Non-life foreign business resulted mainly from lower loss and commission ratios relative to earned premiums. Higher net underwriting income from the Life business resulted mainly from higher reinsurance premium income from the non-modified co-insurance business and lower commission costs, partially negated by higher loss ratio relative to earned premiums. Higher net underwriting losses from the Non-life domestic business resulted mainly from higher provision for unexpired risk reserves and higher loss and commission ratios relative to earned premium.

Reinsurance premium income amounted to P691.3 million, higher by P47.3 million or 7% than the first quarter of 2022. This resulted from higher reinsurance premium income from the Life business due to higher reported premiums from the non-modified co-insurance business. This was partially negated by lower reinsurance premium income from (a) Non-life domestic business due to higher provision for unexpired risk reserves in 2023 as compared to 2022; and (b) Non-life foreign business due to non-renewal of certain treaties, partially negated by premiums from new written contracts.

Share in reported losses, net and Share in unreported loss reserves, net amounted to P416.5 million, higher by P42.2 million than the first quarter of 2022 which resulted to loss ratios of 60% in 2023 versus 58% in 2022 relative to earned premiums.

Higher loss ratio in 2023 resulted mainly from the following: (a) Higher unfavorable loss developments for past underwriting years for Life business; and (b) Unfavorable impact of discount rates and higher provision for unexpired risk reserves from the Non-life domestic business. These were partially negated by lower expected claims pertaining to the new written contracts and the favorable impact of discount rates for Non-life foreign business.

	For the three-month ended		Inc (dec)	
	March 31, 2023	March 31, 2022	Amount	%
Share in reported losses – net (A)	P115.6	P850.1	(P734.5)	-86%
Share in unreported loss reserves – net (B)	300.9	(475.8)	776.7	-163%
Total share in reported losses and unreported loss reserves – net (C) [A+B]	**416.5**	**374.3**	**42.2**	**11%**
Total earned premiums (D)	**691.3**	**644.0**	**47.3**	**7%**
Loss ratio (C/D)	**60%**	**58%**		

Commissions, net amounted to P198.5 million, which is aligned to the first quarter of 2022 resulting to commission ratios of 29% in 2023 versus 31% in 2022 relative to earned premiums. Lower commission ratio in 2023 resulted mainly from (a) Lower commission costs from the Life business due to lower acquisition costs from group and modified co-insurance treaties; and (b) Lower acquisition costs of new contracts compared to contracts that were not renewed for the Non-life foreign business. These were partially negated by the impact of higher provision for unexpired risk reserves for the Non-life domestic business

Investment and other income and expenses, net amounted to P100.2 million, higher by P7.8 million or 8% than the first quarter of 2022, resulting from higher investment income amounting to P35.1 million, partially negated by higher other expenses amounting to P27.3 million.

Higher investment income in 2023 resulted mainly from (a) Higher interest and dividend income by P29.4 million; (b) Higher gain on sale from available-for-sale financial assets by P17.1 million; partially negated by (c) Unfavorable changes in the net fair value of held-for-trading securities amounting to P11.4 million.

Higher other expenses by P27.3 million resulted mainly from the foreign exchange losses amounting in 2023 as compared to the foreign exchange gains in 2022.

General and administrative expenses amounted to P69.0 million, higher by P4.8 million or 7% than the first quarter of 2022 resulting mainly from higher manpower costs.

Tax expense amounted to P19.9 million, higher by P2.4 million or 14% than the first quarter of 2022 resulting mainly from higher final taxes from the interest income recognized in 2023.

II. FINANCIAL CONDITIONS

In Millions PHP	Unaudited	Audited	Inc(dec)	
	March 31, 2023	December 31, 2022	Amount	%
CASH AND CASH EQUIVALENTS	**P913.0**	P724.7	P188.3	26%
REINSURANCE BALANCES RECEIVABLE – net	**3,534.5**	3,374.5	160.0	5%
HELD-FOR-TRADING (HFT) SECURITIES	**561.5**	289.5	272.0	94%
AVAILABLE-FOR-SALE (AFS) FINANCIAL ASSETS	**4,779.6**	4,808.0	(28.4)	-1%
HELD-TO-MATURITY (HTM) INVESTMENTS	**3,148.4**	3,058.5	89.9	3%
OTHER INVESTMENTS	**293.0**	442.3	(149.3)	-34%
LOANS AND RECEIVABLES	**73.2**	86.2	(13.0)	-15%
PROPERTY AND EQUIPMENT – net	**43.3**	45.2	(1.9)	-4%
REINSURANCE RECOVERABLE ON REPORTED LOSSES – net	**2,944.4**	2,905.1	39.3	1%
REINSURANCE RECOVERABLE ON CLAIMS RESERVES	**975.7**	923.5	52.2	6%
DEFERRED ACQUISITION COSTS	**711.3**	701.3	10.0	1%
DEFERRED REINSURANCE PREMIUMS	**463.6**	606.1	(142.5)	-24%
OTHER ASSETS – net	**373.7**	373.1	0.6	0%
TOTAL ASSETS	**P18,815.2**	P18,338.0	P477.2	3%
LIABILITIES AND EQUITY				
REINSURANCE BALANCES PAYABLE	**P2,114.6**	P2,097.2	P17.4	1%
FORWARD LIABILITY	**89.0**	89.3	(0.3)	-0%
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	**311.8**	303.0	8.8	3%
LOSSES AND CLAIMS PAYABLE	**5,650.2**	5,717.4	(67.2)	-1%
CLAIMS RESERVES	**3,179.0**	2,825.9	353.1	12%
PREMIUM RESERVES	**1,738.6**	1,692.3	46.3	3%
DEFERRED REINSURANCE COMMISSIONS	**5.9**	12.5	(6.6)	-53%
TOTAL LIABILITIES	**13,089.1**	12,737.6	351.5	3%
EQUITY	**5,726.1**	5,600.4	125.7	2%
TOTAL LIABILITIES AND EQUITY	**P18,815.2**	P18,338.0	P477.2	3%

Cash and cash equivalents amounting to P913.0 million increased by P188.3 million or 26% from the balance as at December 31, 2022 of P724.7 million. The increase in the balance resulted mainly from the maturities of short-term time deposits as discussed in Other Investments below. This was partially negated by the net cash used in operating activities amounting to P35.6 million and foreign currency losses amounting to P12.8 million.

Reinsurance balances receivable - net amounting to P3,534.5 million increased by P160.0 million or 5% from the balance as at December 31, 2022 of P3,374.5 million. The increase in the balance resulted mainly from the accrual of reinsurance premiums, net of the related commissions from the Non-life business, partially negated by the collections during the period.

Held-for-trading (HFT) securities amounting to P561.5 million increased by P272.0 million or 94% from the balance as at December 31, 2022 of P289.5 million. The increase in the balance resulted mainly from the acquisitions amounting to P779.6 million. This was partially negated by (a) Disposals amounting to P494.3 million; and (b) Fair value and foreign currency losses amounting to P13.3 million.

Held-to-maturity (HTM) investments amounting to P3,148.4 million increased by P89.9 million from the balance as at December 31, 2022 of P3,058.5 million. The increase in the balance resulted mainly from the purchase of corporate bonds amounting to P119.6 million, partially negated by maturities amounting to P29.7 million.

Other investments amounting to P293.0 million decreased by P149.3 million or 34% from the balance as at December 31, 2022 of P442.3 million. The decrease in the balance resulted mainly from the maturities of short-term time deposits during the period amounting to P140.3 million and foreign currency losses amounting to P9.0 million.

Loans and receivables amounting to P73.2 million, decreased by P13.0 million or 15% from the balance as at December 31, 2022 of P86.2 million. The decrease in the balance resulted mainly from the collection of receivables from the sale of HFT securities, partially negated by the increase in dividend receivable during the period.

Reinsurance recoverable on reported losses and Reinsurance recoverable on claims reserves amounting to P3,920.1 million increased by P91.5 million from the balance as at December 31, 2022 of P3,828.6 million. The increase in the balance is aligned with the increase in Losses and claims payable and Claims reserves.

Deferred reinsurance premiums amounting to P463.6 million decreased by P142.5 million or 24% from the balance as at December 31, 2022 of P606.1 million. The decrease in the balance is expected as it is mainly comprised of reinsurance premiums from the Company's excess of loss facility which runs from the second quarter of 2022 to the first quarter of 2023. Further, the decrease in the balance can also be attributed to the reduction of business retroceded through our proportional treaty with foreign reinsurers.

Losses and claims payable and Claims reserves amounting to P8,829.2 million increased by P285.9 million from the balance as at December 31, 2022 of P8,543.3 billion. The increase in the balance resulted mainly from recognizing loss reserves from the earned premiums during the period for Life and Non-life businesses and the unfavorable loss development for past underwriting years for Life business. These were partially negated by the settlement of claims during the period.

Deferred reinsurance commission amounting to P5.9 million decreased by P6.6 million or 53% from the balance as at December 31, 2022 of P12.5 million resulting mainly from lower commissions deferred related to the proportional retrocession treaty with foreign reinsurers as discussed in Deferred reinsurance premiums.

KEY PERFORMANCE INDICATORS:

	For the three-month ended March 31, 2023	For the three-month ended March 31, 2022	% Inc.(Dec.)
1. Net income (loss)	**P87.6 million**	P81.2 million	8%
2. Earnings Per Share (EPS) [a]	**P0.041**	P0.038	8%
3. Retention Ratio[b]	**81%**	75%	8%
4. Combined Ratio[c]	**99%**	99%	0%
5. Return on Average Equity (ROE)	**1.5%**	1.4%	7%

(a) Net income divided by weighted average number of shares issued.
(b) Net premium written (NPW) divided by gross premiums written (GPW).
(c) Sum of following:

	2023	2022
Loss Ratio	**60%**	58%
Commission Ratio	**29%**	31%
Expense Ratio	**10%**	10%
Total	**99%**	99%

III. FINANCIAL SOUNDNESS INDICATORS

	As at March 31, 2023	As at Dec. 31, 2022
Current Ratio	1.96 : 1.00	1.90 : 1.00
Asset to Equity Ratio	3.29 : 1.00	3.27 : 1.00
Total Liabilities/Equity	2.29 : 1.00	2.27 : 1.00

IV. MATERIAL EVENT/S AND UNCERTAINTIES:

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

1. Any known trends, demands, commitments, events or uncertainties that will have a material impact on its liquidity.

2. Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

3. 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.

4. Any material commitments for capital expenditures.

5. 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.

6. Any significant elements of income or loss that did not arise from the issuer's continuing operations.

7. Any seasonal aspects that had a material effect on the financial condition or results of operations.

V. FINANCIAL RISK DISCLOSURE

The Company's investments are regulated under the pertinent provisions of the Amended Insurance Code, otherwise known as Republic Act (R.A.) 10607. The Amended Insurance Code generally requires all insurance companies to obtain prior approval of the Insurance Commission (IC) for any and all investments. Further, the Company reports all investments made and sold during the previous month to the IC. The IC reviews these investment reports and may require the immediate sale or disposal of any investment found to be too risky.

A portion of the Company's funds is invested in equities. Section 207 of the Amended Insurance Code provides that insurance companies may invest in listed equities of other financial institutions without need of prior approval by the Commissioner. Beyond the provisions of the Amended Insurance Code, the Company, through its Investment Committee, has established additional guidelines to manage the risk inherent in equity investments. The Company's own investment policy requires that the Company invest only in shares of common stock of companies that are listed on the Philippine Stock Exchange. Furthermore, these listed companies must have profitable business operations and market capitalization are on a scale that would qualify them as blue chips.

The Company also invests in fixed income securities in which it attempts to manage interest rate risk by managing the duration and average maturity of its fixed income portfolio. Asset-liability duration mismatches are evaluated based on the team's outlook on interest rates vis-a-vis the duration of the Company's liabilities. The fixed income portfolio is structured such that maturity profiles align with funding needs. Moreover, investments in fixed income securities are limited only to securities issued by entities of undisputedly strong creditworthiness and to those instruments have active secondary markets to allow transparent valuation and easier liquidation as needed.

A certain portion of the Company's investments is in foreign currencies, particularly the U.S. Dollar. These investments are monitored closely and are limited largely to dollar-denominated obligations backed by the full faith and credit of the Republic of the Philippines (ROP's). Foreign currency denominated investments are reported to the BSP on a monthly basis for monitoring.

VI. OTHER DISCLOSURE

Pursuant to SEC Memorandum Circular No. 8 (Series of 2016) provides guidance to non-bank financial institutions that are covered by Foreign Account Tax Compliance Act (FATCA) regulations, the Company is still evaluating/assessing the potential effects of FATCA to its business. Based on the regulation, the Company is a 'Non-financial foreign Entity' (NFFE) may either be an "exempt NFFE" or "non-exempt NFFE". Under the regulations also, excepted NFFEs such as publicly traded corporations are generally exempt from withholding tax as required by FATCA if a proper FATCA certification is provided to the payor.

The Bureau of Internal Revenue (BIR) advised all concerned Philippine Financial Institutions to take necessary steps to prepare for full implementation of the Inter-Governmental Agreement (IGA) on FATCA between the Philippines and the United States of America was signed on July 13, 2015. On December 01, 2016 President Duterte ratified the FATCA agreement and its transmitted to the Senate on December 06, 2016 for concurrence.

II. – OTHER INFORMATION

B. No other material information.

NATIONAL REINSURANCE CORPORATION
OF THE PHILIPPINES
(Registrant)

(original signed)
SANTINO U. SONTILLANO
Vice President & Head of Finance

(original signed)
ALLAN R. SANTOS
President & Chief Executive Officer

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF FINANCIAL POSITION
March 31, 2023 and December 31, 2022
(Amounts in thousands)

	Notes	March 31, 2023	December 31, 2022
ASSETS			
Cash and cash equivalents	4	**P912,981**	P724,726
Reinsurance balances receivable – net	5	**3,534,529**	3,374,461
Held-for-trading (HFT) securities	6	**561,475**	289,520
Available-for-sale (AFS) financial assets	7	**4,779,595**	4,807,975
Held-to-maturity (HTM) investments	8	**3,148,359**	3,058,524
Other investments	9	**293,006**	442,292
Loans and receivables	10	**73,240**	86,209
Property and equipment – net	11	**43,287**	45,163
Reinsurance recoverable on reported losses – net	12	**2,944,405**	2,905,130
Reinsurance recoverable on claims reserves	12	**975,707**	923,491
Deferred acquisition costs	13	**711,334**	701,341
Deferred reinsurance premiums	14	**463,574**	606,068
Other assets – net	15	**373,672**	373,116
TOTAL ASSETS		**P18,815,164**	P18,338,016
LIABILITIES AND EQUITY			
Liabilities			
Reinsurance balances payable	16	**P2,114,571**	P2,097,223
Forward liability	6	**89,049**	89,332
Accounts payable and accrued expenses	17	**311,787**	303,032
Losses and claims payable	18	**5,650,174**	5,717,380
Claims reserves	18	**3,178,997**	2,825,811
Premium reserves	19	**1,738,629**	1,692,288
Deferred reinsurance commissions	20	**5,864**	12,536
Total Liabilities		**13,089,071**	12,737,602
Equity	24	**5,726,093**	5,600,414
TOTAL LIABILITIES AND EQUITY		**P18,815,164**	P18,338,016

See Notes to the Financial Statements.

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF INCOME
For the three months ended March 31, 2023 and 2022
(Amounts in thousands, except Earnings Per Share)

	Notes	**March 31, 2023**	March 31, 2022
Reinsurance premium income			
Reinsurance premiums – net of returns	*19*	**P1,091,117**	P1,042,574
Retroceded premiums	*14*	**(211,005)**	(261,618)
Net premiums retained		**880,112**	780,956
Movement in premium reserves – net	*14, 19*	**(188,835)**	(137,019)
		691,277	643,937
Underwriting deductions			
Share in reported losses – net	*22.1*	**115,530**	850,153
Share in unreported loss reserves – net	*22.2*	**300,970**	(475,843)
Commissions – net	*22.3*	**198,451**	199,179
		614,951	573,489
Net underwriting income		**76,326**	70,448
Investment and other income and expenses – net	*21*	**100,181**	92,422
Profit after investment and other income and expenses		**176,507**	162,870
General and administrative expenses	*23*	**68,987**	64,202
Profit before tax		**107,520**	98,668
Tax expense		**19,933**	17,464
Net profit		**P87,587**	P81,204
Earnings Per Share – Basic and Diluted	*27*	**P0.041**	P0.038

See Notes to the Financial Statements.

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF COMPREHENSIVE INCOME
For the three months ended March 31, 2023 and 2022
(Amounts in thousands)

	Notes	March 31, 2023	March 31, 2022
Net profit		**P87,587**	P81,204
Other comprehensive income (loss)			
Items that are and will be reclassified subsequently to profit or loss			
Fair value gains (losses) on AFS financial assets during the period	*7*	**61,498**	(20,860)
Amortization of unrealized gains on reclassified HTM securities to profit or loss		**3,517**	3,628
Fair value gains on disposal of AFS financial assets reclassified to profit or loss	*7, 21*	**(27,186)**	(10,151)
Income tax effect		**263**	363
Total other comprehensive income (loss)		**38,092**	(27,020)
Total comprehensive income		**P125,679**	P54,184

See Notes to the Financial Statements.

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF CHANGES IN EQUITY
For the three months ended March 31, 2023 and 2022
(Amounts in thousands)

	Capital Stock		Additional Paid-in Capital	Treasury Shares at Cost	Revaluation Reserves			Retained Earnings		
	No. of shares *(in thousands)*	Amount *(Note 24)*	*(Note 24)*	*(Note 24)*	AFS Financial Assets	HTM Investments	Defined Benefit Liability	Appropriated	Unappropriated	Total Equity
Balance at January 1, 2023	**2,181,955**	**P2,181,955**	**P3,019,218**	**(P100,525)**	**(P105,348)**	**(P42,220)**	**(P74,247)**	**P75,140**	**P646,441**	**P5,600,414**
Net profit	–	–	–	–	–	–	–	–	**87,587**	**87,587**
Other comprehensive income:										
Items that are and will be reclassified subsequently to profit or loss	–	–	–	–	**34,575**	**3,517**	–	–	–	**38,092**
Total comprehensive income	–	–	–	–	**34,575**	**3,517**	–	–	**87,587**	**125,679**
Balance at March 31, 2023	**2,181,955**	**P2,181,955**	**P3,019,218**	**(P100,525)**	**(P70,773)**	**(P38,703)**	**(P74,247)**	**P75,140**	**P734,028**	**P5,726,093**
Balance at January 1, 2022	2,181,955	P2,181,955	P3,019,218	(P100,525)	P26,626	(P55,578)	(P73,366)	P69,570	P596,310	P5,664,210
Net profit	–	–	–	–	–	–	–	–	81,204	81,204
Other comprehensive income (loss):										
Items that are and will be reclassified subsequently to profit or loss	–	–	–	–	(30,648)	3,628	–	–	–	(27,020)
Total comprehensive income (loss)	–	–	–	–	(30,648)	3,628	–	–	81,204	54,184
Balance at March 31, 2022	2,181,955	P2,181,955	P3,019,218	(P100,525)	(P4,022)	(P51,950)	(P73,366)	P69,570	P677,514	P5,718,394

See Notes to the Financial Statements.

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

STATEMENTS OF CASH FLOWS

For the three months ended March 31, 2022 and 2021

(Amounts in thousands)

	Notes	March 31, 2023	March 31, 2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**P107,520**	P98,668
Adjustments for:			
Movement in premium reserves – net	*14, 19*	**188,835**	137,019
Movement in share in reported losses - net		**2,983**	5,555
Movement in share in unreported loss reserves – net	*12, 18*	**300,970**	(475,843)
Commissions – net	*13, 20*	**(16,665)**	(16,655)
Interest income	*21*	**(93,983)**	(64,040)
Gain on sale of AFS financial assets	*7, 21*	**(27,186)**	(10,151)
Dividend income	*21*	**(12,268)**	(12,789)
Unrealized foreign currency (gains) losses		**17,373**	(5,274)
Fair value (gains) losses on HFT securities	*6, 21*	**8,177**	(3,195)
Unrealized losses from forward contract	*6, 21*	**2,436**	–
Movement in deposit liability	*17, 21*	**1,737**	(1,407)
Depreciation and amortization	*23*	**3,799**	3,944
Operating income (loss) before working capital changes		**483,728**	(344,168)
Decrease (increase) in:			
Reinsurance balances receivable – net		**(198,509)**	215,027
HFT securities		**(285,319)**	(214,290)
Loans and receivables		**15,464**	(447)
Reinsurance recoverable on reported losses – net		**(27,207)**	(257,777)
Other assets – net		**(1)**	(60,552)
Increase (decrease) in:			
Reinsurance balances payable		**21,400**	(69,899)
Accounts payable and accrued expenses		**7,036**	47,781
Losses and claims payable		**(30,540)**	655,762
Cash used in operations		**(13,948)**	(28,563)
Cash paid for income taxes		**(21,623)**	(16,278)
Net cash used in operating activities		**(P35,571)**	(P44,841)

Forward

	Notes	**March 31, 2023**	March 31, 2022
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal/maturities of:			
AFS financial assets	*7*	**P639,889**	P278,650
HTM investments	*8*	**30,500**	–
Other investments	*9*	**140,341**	–
Loans and receivables	*10*	**411**	7,745
Property and equipment	*11*	**67**	1,285
Interest received		**97,185**	71,233
Dividends received		**8,992**	9,786
Acquisitions of:			
AFS financial assets	*7*	**(560,526)**	(97,691)
HTM investments	*8*	**(119,607)**	(170,429)
Loans and receivables	*10*	**–**	(1,148)
Property and equipment	*11*	**(592)**	(1,661)
Net cash provided by investing activities		**236,660**	97,770
NET INCREASE IN CASH AND CASH EQUIVALENTS		**201,089**	52,929
EFFECTS OF FOREIGN CURRENCY REVALUATION ON CASH AND CASH EQUIVALENTS		**(12,834)**	4,115
CASH AND CASH EQUIVALENTS – January 1		**724,726**	658,187
CASH AND CASH EQUIVALENTS – March 31		**P912,981**	P715,231

See Notes to the Financial Statements.

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
NOTES TO FINANCIAL STATEMENTS
(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are consistent with those followed in the preparation of the Company's financial statements as at and for the year ended December 31, 2022, as summarized below and in the succeeding pages.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The accompanying interim condensed financial statements of the Company have been prepared in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*. Accordingly, the condensed financial statements do not include all the information and disclosures required in the December 31, 2022 audited financial statements and should be read in conjunction with the Company's audited financial statements as at and for the year ended December 31, 2022.

(b) Basis of Measurement

The interim condensed financial statements have been prepared using the measurement bases specified by Philippine Financial Reporting Standards (PFRSs) for each type of asset, liability, income, and expense. The measurement bases are more fully described in the accounting policies that follow.

(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.

(d) Functional and Presentation Currency

These interim condensed 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 interim condensed 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 2023 that are Relevant to the Company

The Company has adopted the below amendments starting January 1, 2023. The adoption of these pronouncements did not have any significant impact on the Company's financial statements.

- 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 to PFRSs Practice Statements 2 includes guidance and additional examples on the application of materiality to accounting policy disclosures.

- 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 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.

(b) Effective Subsequent to 2023 but not Adopted Early

There are new and amended PFRSs effective for annual periods subsequent to 2023, which were adopted by the FRSC. The Company is still assessing the impact of the new standards on the Company's financial statements.

- Classification of Liabilities as Current or Noncurrent – 2020 Amendments and Noncurrent Liabilities with Covenants – 2022 Amendments (Amendments to PAS 1) (effective January 1, 2024). To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, 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 only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or noncurrent and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;

  - provided additional disclosure requirements for noncurrent liabilities subject to conditions within twelve months after the reporting period to enable the assessment of the risk that the liability could become repayable within twelve months; and

  - clarified that settlement of a liability includes transferring an entity'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 noncurrent.

  The amendments will apply retrospectively for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted.

Entities that have early applied the 2020 amendments may retain application until the 2022 amendments are applied. Entities that will early apply the 2020 amendments after issue of the 2022 amendments must apply both amendments at the same time.

- PFRS 9, *Financial Instruments* (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.

The following table provides an overview of the fair values as at March 31, 2023 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 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:

		Financial assets that meet the SPPI criteria*		**All other financial assets**	
	Notes	**Fair Value**	**Fair value change during the reporting period**	**Fair Value**	**Fair value change during the reporting period**
Cash and cash equivalents	*4*	**P912,981**	**P–**	**P–**	**P–**
AFS financial assets	*7*	**–**	**–**	**4,779,595**	**61,498**
HTM investments	*8*	**3,108,268**	**(40,091)**	**–**	**–**
Other investments	*9*	**293,006**	**–**	**–**	**–**
Loans and receivables	*10*	**73,240**	**–**	**–**	**–**
Funds held by ceding companies	*5*	**298,117**	**–**	**–**	**–**
		P4,685,612	**(P40,091)**	**P4,779,595**	**P61,498**

* *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.*

The table below provides information regarding the credit risk exposure of the Company's financial assets as at March 31, 2023 by classifying assets according to the Company's credit grading of counterparties.

		Neither Past Due nor Impaired				
	Notes	**Investment High Grade**	**Non-investment Grade**	**Past Due but not Impaired**	**Impaired**	**Total**
Cash and cash equivalents	*4*	**P912,981**	**P–**	**P–**	**P–**	**P912,981**
Reinsurance balances receivable	*5*	**2,010,999**	**298,145**	**1,225,385**	**504,511**	**4,039,040**
AFS financial assets - debt securities	*7*	**4,241,481**	**–**	**–**	**–**	**4,241,481**
HTM investments	*8*	**3,148,359**	**–**	**–**	**–**	**3,148,359**
Other investments	*9*	**293,006**	**–**	**–**	**–**	**293,006**
Loans and receivables	*10*	**63,821**	**9,419**	**–**	**–**	**73,240**
Reinsurance recoverable on reported losses	*12*	**2,197,332**	**313,882**	**–**	**115,104**	**2,626,318**
		P12,867,979	**P621,446**	**P1,225,385**	**P619,615**	**P15,334,425**

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.

- 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, 2025. 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 and effective 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.

(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.

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 other investments.

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) Financial assets at FVTPL

This category consists of financial instruments that are held-for-trading or designated by management on initial recognition. Financial assets at FVTPL are recorded in the statements of financial position at fair value, with changes recorded in the Investment and other income and expenses - net account in the statements of income.

HFT securities are not reclassified subsequent to their initial recognition, unless they are no longer held for the purpose of being sold or repurchased in the near term and the following conditions are met:

- if the financial asset would have met the definition of loans and receivables (if the financial asset had not been required to be classified as held-for-trading at initial recognition), then it may be reclassified if the Company has the intention and the ability to hold the financial asset in the foreseeable future or until maturity; and

- the financial asset may be reclassified out of the held-for-trading securities category only under "rare circumstances".

As at March 31, 2023 and December 31, 2022, the Company does not have any financial asset designated by management as financial instruments at FVTPL. In 2023 and 2022, the Company's HFT securities consist of Unit Investment Trust Fund (UITF), forward assets, and equity securities listed in the PSE.

(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 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.

(iv) 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.

(b) Impairment of Financial Assets

The Company assesses at the end of each reporting period whether there is 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 contracts 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 represent tangible items that are held for use in the Company's business operations or for administrative purposes and are expected to be used for 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 purchases 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.

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, defined benefit liability 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 and financial liabilities at FVTPL when there is an agreement to settle both assets and liabilities independently. Derivative financial instruments are classified under financial assets or financial liabilities when there is an agreement to settle at net. 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 21). The Company's outstanding derivative asset and liability arising from forward contracts are presented under HFT securities and Forward liability accounts, respectively, in the statement of financial position (see Notes 6).

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 contracts 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 contracts 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 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 statements 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 assesses 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 a 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 period 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 21).

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/liability 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 on 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 below and 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 P124.00 million is considered impairment in value as at December 31, 2022 (see Note 7). No impairment was noted as at March 31, 2023. 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 March 31, 2023 and December 31, 2022, the Company has recognized allowance for impairment loss amounting to P619.62 million and P621.86 million, respectively (see Notes 5 and 12).

(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 March 31, 2023 and December 31, 2022, the Company classified its financial instruments as financial assets at FVTPL, AFS financial assets, HTM investments, loans and receivables, financial liabilities at FVTPL 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 5 and 12.

The carrying values of HTM investments and loans and receivables are shown in Notes 8 and 10, respectively.

(b) Fair Value Measurement of HFT securities and 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 and the amounts of fair value changes recognized from the Company's HFT securities and AFS financial assets are disclosed in Notes 6 and 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 11, and of investment properties and intangible assets in Note 15. Based on management's assessment as at March 31, 2023 and December 31, 2022, 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 March 31, 2023 and December 31, 2022.

(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 remeasured if it might result to derecognition where the expected tax law to be enacted has a possible risk on the realization.

As at March 31, 2023 and December 31, 2022, the Company recognized net deferred tax assets amounting to P267.59 million and P264.79 million, respectively, 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 P556.95 million and P548.02 million as at March 31, 2023 and December 31, 2022, respectively.

(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.

(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's accrued reinsurance premiums were recognized 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's accrued retroceded premiums were recognized 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 March 31, 2023 and December 31, 2022, 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 18).

The following tables show the estimates of cumulative incurred claims, gross of retrocession, for each underwriting year at each reporting date, together with cumulative claims paid at March 31, 2023 and December 31, 2022.

March 31, 2023

Underwriting Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
At the end of the financial year	P1,483,681	P272,473	P717,719	P897,480	P1,138,057	P1,165,821	P1,290,466	P1,183,374	P2,040,812	P1,339,414	P100,258	P100,258
One year later	2,440,547	686,645	1,283,413	1,656,564	1,937,270	2,289,258	2,772,517	2,312,647	4,802,950	1,642,136	–	1,642,136
Two years later	2,722,125	658,019	1,236,790	1,535,032	2,064,256	2,362,725	2,629,680	2,466,579	4,826,102	–	–	4,826,102
Three years later	2,609,786	599,759	1,218,140	1,343,396	1,975,410	2,239,296	2,515,554	2,553,785	–	–	–	2,553,785
Four years later	2,524,978	533,459	1,164,234	1,233,461	1,843,450	2,200,841	2,521,822	–	–	–	–	2,521,822
Five years later	2,363,561	567,326	1,172,752	1,229,371	1,845,777	2,206,506	–	–	–	–	–	2,206,506
Six years later	2,365,157	568,638	1,169,573	1,240,047	1,846,196	–	–	–	–	–	–	1,846,196
Seven years later	2,364,975	574,163	1,165,370	1,239,885	–	–	–	–	–	–	–	1,239,885
Eight years later	2,016,071	567,299	1,165,299	–	–	–	–	–	–	–	–	1,165,299
Nine years later	2,020,924	566,889	–	–	–	–	–	–	–	–	–	566,889
Ten years later	2,007,105	–	–	–	–	–	–	–	–	–	–	2,007,105
Estimate of cumulative claims	2,007,105	566,889	1,165,299	1,239,885	1,846,196	2,206,506	2,521,822	2,553,785	4,826,102	1,642,136	100,258	20,675,983
Cumulative payments to date	(1,894,601)	(506,101)	(1,144,150)	(868,040)	(1,733,180)	(2,040,095)	(2,052,456)	(1,696,657)	(1,421,268)	(198,081)	(244)	(13,554,873)
Total current estimate of loss reserves (2013-2023)	P112,504	P60,788	P21,149	P371,845	P113,016	P166,411	P469,366	P857,128	P3,404,834	P1,444,055	P100,014	7,121,110
Beginning balance of 2012 and prior underwriting years												1,482,240
Movement of 2012 and prior underwriting years, gross of settlement												11,614
Payments made during the year for 2012 and prior underwriting years												(314)
Foreign exchange revaluation and other adjustments												214,521
Total current estimate of loss reserves (Note 18)												P8,829,171

December 31, 2022

Underwriting Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
At the end of the financial year	P743,734	P1,483,681	P272,473	P717,719	P897,480	P1,138,057	P1,165,821	P1,290,466	P1,183,374	P2,040,812	P1,339,414	P1,339,414
One year later	1,377,174	2,440,547	686,645	1,283,413	1,656,564	1,937,270	2,289,258	2,772,517	2,312,647	4,802,950	–	4,802,950
Two years later	1,451,510	2,722,125	658,019	1,236,790	1,535,032	2,064,256	2,362,725	2,629,680	2,466,579	–	–	2,466,579
Three years later	1,574,077	2,609,786	599,759	1,218,140	1,343,396	1,975,410	2,239,296	2,515,554	–	–	–	2,515,554
Four years later	1,598,624	2,524,978	533,459	1,164,234	1,233,461	1,843,450	2,200,841	–	–	–	–	2,200,841
Five years later	1,551,803	2,363,561	567,326	1,172,752	1,229,371	1,845,777	–	–	–	–	–	1,845,777
Six years later	1,506,742	2,365,157	568,638	1,169,573	1,240,047	–	–	–	–	–	–	1,240,047
Seven years later	1,506,713	2,364,975	574,163	1,165,370	–	–	–	–	–	–	–	1,165,370
Eight years later	1,502,290	2,016,071	567,299	–	–	–	–	–	–	–	–	567,299
Nine years later	1,511,306	2,020,924	–	–	–	–	–	–	–	–	–	2,020,924
Ten years later	1,582,054	–	–	–	–	–	–	–	–	–	–	1,582,054
Estimate of cumulative claims	1,582,054	2,020,924	567,299	1,165,370	1,240,047	1,845,777	2,200,841	2,515,554	2,466,579	4,802,950	1,339,414	21,746,809
Cumulative payments to date	(1,407,748)	(1,894,614)	(505,990)	(1,144,109)	(867,931)	(1,730,033)	(2,037,251)	(2,049,375)	(1,586,087)	(1,358,997)	(221,781)	(14,803,916)
Total current estimate of loss reserves (2012-2022)	P174,306	P126,310	P61,309	P21,261	P372,116	P115,744	P163,590	P466,179	P880,492	P3,443,953	P1,117,633	6,942,893
Beginning balance of 2011 and prior underwriting years												1,629,546
Movement of 2011 and prior underwriting years, gross of settlement												(193,334)
Payments made during the year for 2011 and prior underwriting years												(128,278)
Foreign exchange revaluation and other adjustments												292,364
Total current estimate of loss reserves (Note 18)												P8,543,191

The following tables show the estimates of cumulative incurred claims, net of retrocession, for each underwriting year at each reporting date, together with cumulative claims paid as at March 31, 2023 and December 31, 2022.

March 31, 2023

Underwriting Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
At the end of the financial year	P871,508	P213,369	P408,903	P611,372	P1,019,477	P1,070,831	P1,104,462	P993,096	P1,371,731	P1,028,085	P63,042	P63,042
One year later	1,316,239	530,461	633,978	1,300,749	1,858,551	2,026,991	2,230,141	1,955,794	2,412,503	1,229,672	–	1,229,672
Two years later	1,058,624	540,712	609,307	1,297,926	1,939,580	2,009,116	2,124,286	2,033,028	2,453,175	–	–	2,453,175
Three years later	1,083,323	517,872	602,343	1,275,113	1,907,942	1,911,154	2,056,128	2,139,198	–	–	–	2,139,198
Four years later	1,162,020	485,300	567,379	1,222,112	1,776,201	1,880,224	2,063,079	–	–	–	–	2,063,079
Five years later	1,145,255	507,988	569,312	1,220,092	1,776,254	1,888,122	–	–	–	–	–	1,888,122
Six years later	1,136,074	510,739	564,351	1,218,216	1,775,556	–	–	–	–	–	–	1,775,556
Seven years later	1,098,621	510,815	561,318	1,217,756	–	–	–	–	–	–	–	1,217,756
Eight years later	1,090,661	499,855	561,220	–	–	–	–	–	–	–	–	561,220
Nine years later	1,089,233	499,751	–	–	–	–	–	–	–	–	–	499,751
Ten years later	1,091,069	–	–	–	–	–	–	–	–	–	–	1,091,069
Estimate of cumulative claims	1,091,069	499,751	561,220	1,217,756	1,775,556	1,888,122	2,063,079	2,139,198	2,453,175	1,229,672	63,042	14,981,640
Cumulative payments to date	(1,060,612)	(449,436)	(550,189)	(1,138,743)	(1,669,579)	(1,750,708)	(1,691,410)	(1,458,852)	(1,096,852)	(130,729)	(244)	(10,997,354)
Total current estimate of loss reserves (2013-2023)	P30,457	P50,315	P11,031	P79,013	P105,977	P137,414	P371,669	P680,346	P1,356,323	P1,098,943	P62,798	3,984,286
Beginning balance of 2012 and prior underwriting years												650,102
Movement of 2012 and prior underwriting years, gross of settlement												(10,296)
Reversals (payment) made during the year for 2012 and prior underwriting years												(314)
Allowance for impairment *(see Note 12)*												115,104
Foreign exchange revaluation and other adjustments												170,177
Total current estimate of loss reserves, net												P4,909,059

December 31, 2022

Underwriting Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
At the end of the financial year	P752,041	P871,508	P213,369	P408,903	P611,372	P1,019,477	P1,070,831	P1,104,462	P993,096	P1,371,731	P1,028,085	P1,028,085
One year later	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	2,412,503	–	2,412,503
Two years later	1,233,206	1,058,624	540,712	609,307	1,297,926	1,939,580	2,009,116	2,124,286	2,033,028	–	–	2,033,028
Three years later	1,127,832	1,083,323	517,872	602,343	1,275,113	1,907,942	1,911,154	2,056,128	–	–	–	2,056,128
Four years later	1,149,516	1,162,020	485,300	567,379	1,222,112	1,776,201	1,880,224	–	–	–	–	1,880,224
Five years later	1,088,884	1,145,255	507,988	569,312	1,220,092	1,776,254	–	–	–	–	–	1,776,254
Six years later	1,067,718	1,136,074	510,739	564,351	1,218,216	–	–	–	–	–	–	1,218,216
Seven years later	1,079,424	1,098,621	510,815	561,318	–	–	–	–	–	–	–	561,318
Eight years later	1,107,050	1,090,661	499,855	–	–	–	–	–	–	–	–	499,855
Nine years later	1,109,625	1,089,233	–	–	–	–	–	–	–	–	–	1,089,233
Ten years later	1,112,027	–	–	–	–	–	–	–	–	–	–	1,112,027
Estimate of cumulative claims	1,112,027	1,089,233	499,855	561,318	1,218,216	1,776,254	1,880,224	2,056,128	2,033,028	2,412,503	1,028,085	15,666,871
Cumulative payments to date	(1,073,184)	(1,060,625)	(449,325)	(550,148)	(1,138,636)	(1,666,434)	(1,747,908)	(1,689,013)	(1,349,919)	(1,049,038)	(173,328)	(11,947,558)
Total current estimate of loss reserves (2012-2022)	P38,843	P28,608	P50,530	P11,170	P79,580	P109,820	P132,316	P367,115	P683,109	P1,363,465	P854,757	3,719,313
Beginning balance of 2011 and prior underwriting years												738,995
Movement of 2011 and prior underwriting years, gross of settlement												(95,315)
Reversals (payment) made during the year for 2011 and prior underwriting years												(32,421)
Allowance for impairment *(see Note 12)*												135,238
Foreign exchange revaluation and other adjustments												248,760
Total current estimate of loss reserves, net												P4,714,570

4. CASH AND CASH EQUIVALENTS

This account consists of:

	March 31, 2023	December 31, 2022
Cash on hand and in banks	**P57,562**	P86,866
Short-term placements	**855,419**	637,860
	P912,981	P724,726

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 P7.16 million in 2023 and P0.45 million in 2022 is presented as part of the Investment and other income and expenses – net account in the statements of income (see Note 21).

Peso short-term placements earn annual interest ranging from 4.10% to 5.95% in 2023 and 0.23% to 1.30% in 2022, while U.S. dollar short-term placements earn annual interest ranging from 1.00% to 4.95% in 2023 and 0.05% to 0.50% in 2022.

The Cash and cash equivalents account includes cash and short-term placements denominated in U.S. dollar amounting to $6.09 million (P331.58 million) and $3.63 million (P203.58 million) as at March 31, 2023 and December 31, 2022, respectively.

5. REINSURANCE BALANCES RECEIVABLE – NET

The details of this account are as follows:

	March 31, 2023	December 31, 2022
Due from ceding companies	**P3,200,404**	P2,996,839
Reinsurance recoverable on paid losses	**539,459**	569,146
Funds held by ceding companies	**298,117**	294,037
Due from reinsurers	**1,060**	1,060
	4,039,040	3,861,082
Allowance for impairment	**(504,511)**	(486,621)
	P3,534,529	P3,374,461

The movements in these accounts are as follows:

		March 31, 2023				
	Notes	Due from ceding Companies	Reinsurance recoverable on paid losses	Funds held by ceding companies	Due from reinsurers	Total
Balance at beginning of period		**P2,996,839**	**P569,146**	**P294,037**	**P1,060**	**P3,861,082**
Loss recoveries during the period	12, 22.1	**–**	**35,725**	**–**	**–**	**35,725**
Premiums written net of funds held during the period		**1,079,434**	**–**	**–**	**–**	**1,079,434**
Funds held during the period		**–**	**–**	**11,683**	**–**	**11,683**
Reclassification		**68,222**	**(12,831)**	**(5,374)**	**–**	**50,017**
Collections during the period		**(928,111)**	**(50,239)**	**–**	**–**	**(978,350)**
Foreign exchange revaluation		**(15,980)**	**(2,342)**	**(2,229)**	**–**	**(20,551)**
		3,200,404	**539,459**	**298,117**	**1,060**	**4,039,040**
Allowance for impairment		**(158,185)**	**(345,241)**	**(25)**	**(1,060)**	**(504,511)**
Balance at end of period		**P3,042,219**	**P194,218**	**P298,092**	**P–**	**P3,534,529**

		December 31, 2022				
	Notes	Due from ceding companies	Reinsurance recoverable on paid losses	Funds held by ceding companies	Due from reinsurers	Total
Balance at beginning of year		P3,331,369	P376,040	P224,901	P1,060	P3,933,370
Loss recoveries during the year	12	–	661,366	–	–	661,366
Premiums written net of funds held during the year		3,958,436	–	–	–	3,958,436
Funds held during the year		–	–	750,208	–	750,208
Reclassification		857,883	9,348	(693,470)	–	173,761
Collections during the year		(5,129,422)	(485,155)	–	–	(5,614,577)
Foreign exchange revaluation		(21,427)	7,547	12,398	–	(1,482)
		2,996,839	569,146	294,037	1,060	3,861,082
Allowance for impairment		(163,492)	(322,044)	(25)	(1,060)	(486,621)
Balance at end of year		P2,833,347	P247,102	P294,012	P–	P3,374,461

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 March 31, 2023 and December 31, 2022 is as follows.

	March 31, 2023				
	Due from ceding companies	Reinsurance recoverable on paid losses	Funds held by ceding companies	Due from reinsurers	Total
Balance at beginning of period	**P163,492**	**P322,044**	**P25**	**P1,060**	**P486,621**
Additions (Reversals)	**(5,190)**	**24,997**	**–**	**–**	**19,807**
Revaluation	**(117)**	**(1,800)**	**–**	**–**	**(1,917)**
Balance at end of period	**P158,185**	**P345,241**	**P25**	**P1,060**	**P504,511**

	December 31, 2022				
	Due from ceding companies	Reinsurance recoverable on paid losses	Funds held by ceding companies	Due from reinsurers	Total
Balance at beginning of year	P198,570	P311,557	P25	P1,060	P511,212
Additions (Reversals)	(35,451)	2,940	–	–	(32,511)
Revaluation	373	7,547	–	–	7,920
Balance at end of year	P163,492	P322,044	P25	P1,060	P486,621

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.

6. HELD-FOR-TRADING SECURITIES

This account is composed of the following:

	March 31, 2023	December 31, 2022
Equity securities	**P256,105**	P98,635
UITF	**217,832**	100,627
Forward asset	**87,538**	90,258
	P561,475	P289,520

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

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.

In December 29, 2022, the Company entered into a forward contract where the Company agreed to pay EUR 1.50 million in exchange for USD 1.61 million on June 27, 2023 to manage its exposure to foreign currency exchange rate fluctuations. As at March 31, 2023 and December 31, 2022, the Company recognized the following forward asset and liability:

	March 31, 2023	December 31, 2022
Forward asset	**P87,538**	P90,258
Forward liability	**89,049**	89,332

The net fair value losses on this forward contract amounted to P2.44 million in 2023 (nil in 2022) is recognized under Investment and other income and expenses – net in statements of income.

The details of the HFT securities are as follows:

	Note	**March 31, 2023**	December 31, 2022
Balance at beginning of period		**P289,520**	P–
Acquisitions		**779,634**	2,226,564
Disposals		**(494,315)**	(1,944,545)
Changes in fair value	*21*	**(8,177)**	(8,115)
Unrealized foreign currency gains (losses)		**(5,187)**	15,616
Balance at end of period		**P561,475**	P289,520

Dividend income earned from equities classified as HFT securities amounted to P4.35 million in 2023 and P1.15 million in 2022, respectively (see Note 21).

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

This account is composed of the following:

	March 31, 2023	December 31, 2022
Debt securities	**P4,241,481**	P4,032,724
Equity securities - net	**502,069**	737,309
Investment in ARC shares	**36,045**	37,942
	P4,779,595	P4,807,975

Debt securities include investments in corporate bonds and government securities.

Debt securities earn interest at annual rates ranging from 2.38% to 8.63% in 2023, and 1.10% to 8.00% in 2022. Interest income amounting to P45.91 million in 2023 and P36.03 million in 2022 is presented as part of Investment and other income and expenses – net account in the statements of income (see Note 21).

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

	March 31, 2023	December 31, 2022
Due within one year	**P1,196,374**	P268,926
Due after one year through five years	**2,191,082**	2,764,361
Due after five years through ten years	**854,025**	999,437
	P4,241,481	P4,032,724

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

	March 31, 2023	December 31, 2022
Cost:		
Quoted in the stock exchange	**P472,560**	P681,592
Not quoted in the stock exchange	**10,834**	14,745
	483,394	696,337
Unrealized foreign currency gains	**1,016**	1,438
Fair value gains (losses):		
Quoted in the stock exchange	**20,003**	43,997
Not quoted in the stock exchange	**(2,344)**	(4,463)
	17,659	39,534
	P502,069	P737,309

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

Dividend income from these equity securities amounting to P7.92 million in 2023 and P11.64 million in 2022 is presented under the Investment and other income and expenses – net account in the statements of income (see Note 21).

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 P36.05 million and P37.94 million as at March 31, 2023 and December 31, 2022, respectively.

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

	Notes	**March 31, 2023**	December 31, 2022
Cost			
Balance at beginning of period		**P4,910,901**	P5,923,442
Acquisitions		**560,526**	2,316,303
Disposals/maturities		**(612,703)**	(3,213,267)
Impairment losses	*3*	**–**	(123,998)
Unrealized foreign currency gains (losses)		**(10,515)**	8,421
		4,848,209	4,910,901
Fair value adjustment			
Balance at beginning of period		**(102,926)**	29,228
Changes in fair value		**61,498**	(232,505)
Fair value gains on disposal	*21*	**(27,186)**	(23,647)
Impairment losses	*3*	**–**	123,998
		(68,614)	(102,926)
Balance at end of period		**P4,779,595**	P4,807,975

Fair value gains or losses recognized in the statements of comprehensive income amounted to fair value gains of P61.50 million in 2023 and fair value losses P20.86 million in 2022.

In 2017 and 2018, the Company reclassified certain investments classified under AFS financial assets to HTM investments amounting to P1.56 billion (see Note 8) and to Other assets amounting to P0.88 million.

The Company sold AFS financial assets with carrying amount of P612.70 million and P268.50 million for the three (3) months ended March 31, 2023 and 2022, respectively. Accordingly, the Company recognized gain on sale of AFS financial assets amounting to P27.19 million and P10.15 million in 2023 and 2022, respectively. These are presented as part of Investment and other income and expenses – net account in the statements of income (see Note 21).

Fair value gains reclassified to profit or loss, as presented in the statements of comprehensive income, amounted to P27.19 million and P10.15 million in 2023 and 2022, respectively (see Note 21).

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 bonds and government securities by contractual maturity dates:

	March 31, 2023	December 31, 2022
Due within one year	**P376,722**	P264,222
Due after one year through five years	**1,899,354**	2,041,053
Due after five years through ten years	**797,520**	695,454
More than ten years	**74,763**	57,795
	P3,148,359	P3,058,524

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

	March 31, 2023	December 31, 2022
Balance at beginning of period	**P3,058,524**	P2,390,758
Additions	**119,607**	949,056
Maturities	**(30,500)**	(284,449)
Amortization	**765**	3,159
Unrealized foreign currency losses	**(37)**	–
Balance at end of period	**P3,148,359**	P3,058,524

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 March 31, 2023 and December 31, 2022, the fair value of the reclassified debt securities amounted to P0.68 billion and P0.67 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 P9.95 million and P9.68 million for the periods ended March 31, 2023 and December 31, 2022, respectively.

The carrying amount of the reclassified debt securities amounted to P0.67 billion and P0.66 billion as at March 31, 2023 and December 31, 2022, respectively.

In 2023 and 2022, the Company recognized interest income on HTM investments amounting to P36.77 million and P27.02 million, respectively (see Note 21).

9. OTHER INVESTMENTS

As at March 31, 2023 and December 31, 2022, the Company's Other investments account amounted to P293.01 million and P442.29 million, respectively. This includes time deposits denominated in U.S. dollar amounting to $5.31 million (P289.24 million) and $7.81 million (P438.52 million).

Other investments consist of short-term placements with maturity periods of more than three (3) months but less than one (1) year.

Interest income recognized from other investments amounting to P4.07 million in 2023 and nil in 2022 is presented as part of the Investment and other income and expenses – net account in the statements of income (see Note 21).

Peso short-term placements earn annual interest of 5.25% in 2023 and 2022, while U.S. dollar short-term placements earn annual interest ranging from 3.05% to 4.65% in 2023 and 2022.

10. LOANS AND RECEIVABLES

This account is comprised of the following:

	March 31, 2023	December 31, 2022
Current:		
Loans and notes receivable	**P5,203**	P20,587
Dividend and interest receivable	**63,821**	60,957
	69,024	81,544
Non-current:		
Loans and notes receivable	**4,216**	4,665
	P73,240	P86,209

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 P0.12 million in 2023 and P0.08 million in 2022, is presented as part of Investment and other income and expenses – net account in the statements of income (see Note 21).

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 recorded for loans and receivables in 2023 and 2022.

11. PROPERTY AND EQUIPMENT – NET

A reconciliation of the carrying amount at the beginning and end of March 31, 2023 and December 31, 2022 of property and equipment is shown below.

	Note	March 31, 2023					
		Condominium Unit	**Office Improvements**	**Transportation Equipment**	**EDP Equipment**	**Office Furniture and Equipment**	**Total**
Cost							
Balance at beginning of period		**P101,310**	**P25,241**	**P10,233**	**P23,478**	**P11,225**	**P171,487**
Additions		**–**	**–**	**–**	**592**	**–**	**592**
Disposals/retirement		**–**	**–**	**(286)**	**–**	**–**	**(286)**
Balance at end of period		**101,310**	**25,241**	**9,947**	**24,070**	**11,225**	**171,793**
Accumulated Depreciation							
Balance at beginning of period		**78,234**	**12,721**	**5,150**	**19,115**	**11,104**	**126,324**
Depreciation	*23*	**844**	**630**	**418**	**499**	**10**	**2,401**
Disposals/retirement		**–**	**–**	**(219)**	**–**	**–**	**(219)**
Balance at end of period		**79,078**	**13,351**	**5,349**	**19,614**	**11,114**	**128,506**
Net Book Value		**P22,232**	**P11,890**	**P4,598**	**P4,456**	**P111**	**P43,287**

	December 31, 2022					
	Condominium Unit	Office Improvements	Transportation Equipment	EDP Equipment	Office Furniture and Equipment	Total
Cost						
Balance at beginning of year	P101,310	P25,241	P12,000	P21,247	P11,225	P171,023
Additions	–	–	3,072	2,298	–	5,370
Disposals/retirement	–	–	(4,839)	(67)	–	(4,906)
Balance at end of year	101,310	25,241	10,233	23,478	11,225	171,487
Accumulated Depreciation						
Balance at beginning of year	74,857	10,198	7,073	17,008	9,846	118,982
Depreciation	3,377	2,523	1,402	2,127	1,258	10,687
Disposals/retirement	–	–	(3,325)	(20)		(3,345)
Balance at end of year	78,234	12,721	5,150	19,115	11,104	126,324
Net Book Value	P23,076	P12,520	P5,083	P4,363	P121	P45,163

The Company retired certain assets with book value of P0.07 million and P1.29 million for the three (3) months ended March 31, 2023 and 2022, respectively.

The original cost of fully depreciated property and equipment that are still in use amounted to P28.78 million and P25.06 million as at March 31, 2023 and December 31, 2022, respectively.

ROU assets capitalized are recognized as part of EDP Equipment. As at March 31, 2023 and December 31, 2022, ROU assets and Lease liabilities amounted to P0.16 million and P0.25 million, respectively.

In 2023 and 2022, depreciation associated with ROU assets amounted to P0.09 million.

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

The movement in the accounts are as follows:

	Notes	**Reinsurance recoverable on reported losses**	**Reinsurance recoverable on claims reserves**
March 31, 2023			
Balance at beginning of period		**P3,040,368**	**P923,491**
Claims reported during the period	*22.1*	**54,126**	**–**
Transferred to reinsurance recovered on paid losses	*5, 22.1*	**(35,725)**	**–**
Claims incurred but not reported, net of adjustments	*22.2*	**–**	**52,216**
Reclassification		**4,805**	**–**
Foreign exchange revaluation		**(4,065)**	**–**
		3,059,509	**975,707**
Allowance for impairment		**(115,104)**	**–**
Balance at end of period		**P2,944,405**	**P975,707**

	Reinsurance recoverable on reported losses	Reinsurance recoverable on claims reserves
December 31, 2022		
Balance at beginning of year	P1,676,737	P912,031
Claims reported during the year	2,038,800	–
Transferred to reinsurance recovered on paid losses	(661,366)	–
Claims incurred but not reported, net of adjustments	–	11,460
Reclassification	(2,008)	–
Foreign exchange revaluation	(11,795)	–
	3,040,368	923,491
Allowance for impairment	(135,238)	–
Balance at end of year	P2,905,130	P923,491

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:

	March 31, 2023	December 31, 2022
Balance at beginning of period	**P135,238**	P99,444
Additions (reversals)	**(19,807)**	34,300
Foreign exchange revaluation	**(327)**	1,494
Balance at end of period	**P115,104**	P135,238

13. DEFERRED ACQUISITION COSTS

The movements in this account are as follows:

	Note	**March 31, 2023**	December 31, 2022
Balance at beginning of period		**P701,341**	P658,344
Cost deferred during the period		**218,381**	926,221
Cost recognized during the period	*22.3*	**(208,388)**	(883,224)
Balance at end of period		**P711,334**	P701,341

The amortization of deferred acquisition costs for the period is presented as part of Commissions – net under Underwriting deductions in the statements of income (see Note 22.3).

14. DEFERRED REINSURANCE PREMIUMS

The movements in this account are as follows:

	March 31, 2023	December 31, 2022
Balance at beginning of period	**P606,068**	P434,511
Premiums retroceded during the period	**211,005**	1,721,490
Premiums amortized during the period	**(353,499)**	(1,549,933)
Balance at end of period	**P463,574**	P606,068

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

15. OTHER ASSETS – NET

This account is composed of the following:

	March 31, 2023	December 31, 2022
Deferred tax assets – net	**P267,591**	P264,788
Input VAT	**199,047**	200,889
Receivable from BIR	**53,065**	53,065
Prepaid income tax	**26,512**	27,364
Deferred creditable tax	**10,286**	9,195
Deferred withholding VAT	**9,203**	9,203
Prepayments	**8,844**	8,046
Investment properties – net	**3,705**	3,705
Intangible assets – net	**3,335**	4,733
Deposit	**687**	687
Security fund	**644**	644
Deferred input VAT	**248**	292
Others	**138**	138
	583,305	582,749
Allowance for impairment	**(209,633)**	(209,633)
	P373,672	P373,116

As at March 31, 2023 and December 31, 2022, there is no change in the amount of allowance for impairment with respect to the balances disclosed above.

Receivable from BIR

Receivable from BIR account pertains to the amount collected by the BIR on April 20, 2022 in relation to the Final Decision on Disputed Assessment (FDDA) for VAT deficiency issued for the taxable year 2016.

Prepaid income tax

Prepaid income tax pertains to the overpayment of income tax from taxable year 2021 and creditable withholding taxes claimed in taxable years 2023 and 2022.

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 investment properties as at March 31, 2023 and December 31, 2022 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 P29.05 million and P29.00 million as at March 31, 2023 and December 31, 2022, respectively (see Note 30.4).

Intangible Assets

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 March 31, 2023 and December 31, 2022 are as follows:

	March 31, 2023	December 31, 2022
Cost	**P163,289**	P163,289
Accumulated amortization	**(159,954)**	(158,556)
Balance at end of period	**P3,335**	P4,733

A reconciliation of the carrying amount at the beginning and end of March 31, 2023 and December 31, 2022 of intangible assets is shown below.

	March 31, 2023	December 31, 2022
Balance at beginning of period, net of accumulated amortization	**P4,733**	P10,501
Amortization	**(1,398)**	(5,768)
Balance at end of period, net of accumulated amortization	**P3,335**	P4,733

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.

16. REINSURANCE BALANCES PAYABLE

The details of this account are as follows:

	March 31, 2023	December 31, 2022
Due to retrocessionaires	**P2,068,887**	P1,977,981
Funds held for retrocessionaires	**23,430**	21,636
Due to cedant	**22,254**	97,606
	P2,114,571	P2,097,223

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.

	March 31, 2023			
	Due to retrocessionaires	**Funds held for Retrocessionaires**	**Due to cedant**	**Total**
Balance at beginning of period	**P1,977,981**	**P21,636**	**P97,606**	**P2,097,223**
Retroceded premiums net of funds held during the period	**192,327**	**–**	**–**	**192,327**
Funds held during the period	**–**	**18,678**	**–**	**18,678**
Funds released during the period	**19,018**	**(19,018)**	**–**	**–**
Reclassification	**119,877**	**2,136**	**(75,302)**	**46,711**
Payments made during the period	**(236,316)**	**–**	**–**	**(236,316)**
Foreign exchange revaluation	**(4,000)**	**(2)**	**(50)**	**(4,052)**
Balance at end of period	**P2,068,887**	**P23,430**	**P22,254**	**P2,114,571**

	December 31, 2022			
	Due to retrocessionaires	Funds held for retrocessionaires	Due to cedant	Total
Balance at beginning of year	P1,554,687	P20,460	P21,927	P1,597,074
Retroceded premiums net of funds held during the year	1,690,093	–	–	1,690,093
Funds held during the year	–	31,397	–	31,397
Funds released during the year	30,243	(30,243)	–	–
Reclassification	30,063	–	75,513	105,576
Payments made during the year	(1,336,014)	–	–	(1,336,014)
Foreign exchange revaluation	8,909	22	166	9,097
Balance at end of year	P1,977,981	P21,636	P97,606	P2,097,223

17. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

This account includes the following:

	Note	**March 31, 2023**	December 31, 2022
Accounts payable and accrued expenses		**P179,979**	P169,570
Deposit liability		**96,653**	96,742
Deferred output VAT		**25,612**	27,441
Defined benefit liability		**5,045**	2,006
Withholding taxes payable		**2,802**	4,730
Dividends payable	*24.3*	**1,696**	2,543
		P311,787	P303,032

Accounts payable represent balances due to suppliers or for the purchase of goods or services. This includes accrued expenses pertaining to accruals of professional fees, 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 are recognized as Movement in deposit liability as reported under Investment and other income and expenses – net account (see Note 21). As at March 31, 2023 and December 31, 2022, the statutory reserves amounted to P96.65 million and P96.74 million, respectively.

Deferred output VAT pertains to VAT from the sale of goods and services that are still outstanding as at end of period. 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.

18. 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.

March 31, 2023	*Notes*	**Losses and Claims Payable**	**Claims Reserves**
Balance at beginning of period		**P5,717,380**	**P2,825,811**
Claims incurred during the period – net	*22.1*	**169,656**	**–**
Claims incurred but not reported, net of adjustments	*22.2*	**–**	**353,186**
Reclassification		**(42,195)**	**–**
Claims paid during the period	*22.1*	**(159,019)**	**–**
Foreign exchange revaluation		**(35,648)**	**–**
Balance at end of period		**P5,650,174**	**P3,178,997**

December 31, 2022	Losses and Claims Payable	Claims Reserves
Balance at beginning of year	P4,214,836	P3,102,939
Claims incurred during the year – net	4,264,234	–
Claims incurred but not reported, net of adjustments	–	(277,128)
Reclassification	66,177	–
Claims paid during the year	(2,893,475)	–
Foreign exchange revaluation	65,608	–
Balance at end of year	P5,717,380	P2,825,811

19. PREMIUM RESERVES

The movements in Premium reserves are as follows:

	March 31, 2023	December 31, 2022
Balance at beginning of period	**P1,692,288**	P1,533,329
Premium written during the period	**1,091,117**	4,708,644
Premiums earned during the period	**(1,044,776)**	(4,549,685)
Balance at end of period	**P1,738,629**	P1,692,288

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

20. DEFERRED REINSURANCE COMMISSIONS

The movements in Deferred reinsurance commissions are as follows:

	Note	**March 31, 2023**	December 31, 2022
Balance at beginning of period		**P12,536**	P9,242
Income deferred during the period		**3,265**	59,808
Income recognized during the period	*22.3*	**(9,937)**	(56,514)
Balance at end of period		**P5,864**	P12,536

The amortization of deferred reinsurance commissions for the period is presented as part of Commissions – net under Underwriting deductions in the statements of income (see Note 22.3).

21. INVESTMENT AND OTHER INCOME AND EXPENSES – NET

The details of this account are as follows:

	Notes	**March 31, 2023**	March 31, 2022
Interest income (expense):			
Cash and cash equivalents	*4*	**P7,163**	P450
AFS financial assets	*7*	**45,905**	36,034
HTM investments	*8*	**36,771**	27,023
Other investments	*9*	**4,066**	–
Loans and receivables	*10*	**123**	84
Others		**(45)**	449
Gain on sale of AFS	*7*	**27,186**	10,151
Dividend income	*6, 7*	**12,268**	12,789
Foreign currency gains (losses)		**(17,719)**	4,543
Fair value gains (losses) on HFT securities	*6*	**(8,177)**	3,195
Fair value losses from forward contract	*6*	**(2,436)**	–
Movement in deposit liability	*17*	**(1,737)**	1,407
Other charges		**(3,187)**	(3,703)
		P100,181	P92,422

22. 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.

22.1 Share in Reported Losses – Net

	Notes	**March 31, 2023**	March 31, 2022
Gross claims paid	*18*	**P159,019**	P600,725
Retrocessionaires' share in losses paid	*5, 12*	**(35,725)**	(148,888)
Gross change in provision for claims reported	*18*	**10,637**	679,281
Retrocessionaires' share in change in provision for claims reported	*12*	**(18,401)**	(280,965)
		P115,530	P850,153

22.2 Share in Loss Reserves – Net

	Notes	**March 31, 2023**	March 31, 2022
Gross change in provision for IBNR	*18*	**P353,186**	(P63,458)
Retrocessionaires' share in change in provision for IBNR	*12*	**(52,216)**	(412,385)
		P300,970	(P475,843)

22.3 Commissions – Net

This account consists of the following:

	Notes	**March 31, 2023**	March 31, 2022
Commission expense	*13*	**P208,388**	P208,313
Commission income	*20*	**(9,937)**	(9,134)
		P198,451	P199,179

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 period of the fees charged by the Company related to reinsurance premiums retroceded under retrocession agreements.

23. GENERAL AND ADMINISTRATIVE EXPENSES

The details of this account are as follows:

	Notes	**March 31, 2023**	March 31, 2022
Salaries and employee benefits	*23.1*	**P44,826**	P40,405
Professional fees		**5,258**	2,958
Data, licenses and subscriptions		**4,493**	5,946
Depreciation and amortization	*11, 15*	**3,799**	3,944
Taxes, licenses and fees		**2,646**	2,385
Repairs and maintenance		**1,644**	2,364
Outsourced functions		**1,582**	1,653
Dues and fees		**1,470**	805
Communication and postages		**694**	922
Light and water		**363**	317
Advertising and publicity		**340**	298
Insurance		**263**	193
Printing and office supplies		**132**	40
Meetings, conferences and conventions		**119**	28
Representation and entertainment		**72**	14
Rentals	*28.1*	**45**	43
Miscellaneous		**1,241**	1,887
		P68,987	P64,202

Professional Fees

Professional fees are the expenses charged for external services engaged such as consultancy, external audit, legal and actuarial services.

Data, Licenses and Subscriptions

Data, licenses and subscriptions are the amortized portion of subscriptions paid for the use of various computer licensed software.

Taxes, Licenses and Fees

Taxes, licenses and fees consists of payments made for the local and national taxes, business permits and licenses.

23.1 Salaries and Employee Benefit Expense

The details of salaries and employee benefits are presented below.

	March 31, 2023	March 31, 2022
Short-term employee benefits	**P41,823**	P37,453
Post-employment defined benefits	**3,003**	2,952
	P44,826	P40,405

24. EQUITY

The Company's equity is composed of the following:

	Note	**March 31, 2023**	December 31, 2022
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		**(183,723)**	(221,815)
Retained earnings		**809,168**	721,581
		P5,726,093	P5,600,414

24.1 Capital Stock

As at March 31, 2023 and December 31, 2022, 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 March 31, 2023 and December 31, 2022, there are 268 and 269 holders of the listed shares, respectively. Such listed shares closed at P0.56 and P0.58 per share as at those dates, respectively.

As at March 31, 2023 and December 31, 2022, total treasury shares amounted to P100.53 million representing 58,349,000 shares. There were no treasury stock transactions in 2023 and 2022.

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 periods ended March 31, 2023 and December 31, 2022, the Company appropriated nil and P5.57 million, respectively, for special reserve.

24.3 Retained Earnings

There was no declaration of cash dividends in 2023 and 2022. The total outstanding dividends payable amounted to P1.70 million and P2.54 million as at March 31, 2023 and December 31, 2022, respectively. These are presented as Dividends payable under Accounts payable and accrued expenses account in the statements of financial position (see Note 17).

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:

	March 31, 2023		March 31, 2022	
	Stockholders	**Related Parties Under Common Ownership**	Stockholders	Related Parties Under Common Ownership
Premiums	**P–**	**P61,817**	P–	P70,521
Retroceded premiums	**–**	**–**	–	–
Commission expense	**–**	**5,064**	–	8,191
Losses incurred	**1,491**	**9,175**	44	85,721
Loss recoveries (reversal)	**(4,235)**	**–**	2	–

The outstanding balance of the Reinsurance balances receivable from and payable to related parties as at March 31, 2023 and December 31, 2022 are presented as follows:

	March 31, 2023		December 31, 2022	
	Stockholders	**Related Parties Under Common Ownership**	Stockholders	Related Parties Under Common Ownership
Due from ceding companies	**P194**	**P148,528**	P113	P147,806
Funds held by ceding companies	**–**	**6,504**	–	–
Funds held for retrocessionaires	**1**	**–**	1	–
Reinsurance recoverable on reported losses	**2,095**	**–**	6,331	–
Losses and claims payable	**146,761**	**782,198**	145,545	782,312
Due to (from) retrocessionaires	**(1,164)**	**6,977**	3	7,235

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 P70.39 million and P74.75 million as at March 31, 2023 and December 31, 2022, respectively.

25.2 *Other Transactions*

The Company's other transactions with related parties are presented as follows:

		March 31, 2023		December 31, 2022	
		Amount of Transactions	**Outstanding Balance**	Amount of Transactions	Outstanding Balance
Stockholder:					
Cash and cash equivalents	(a)	**(P91,524)**	**P12,874**	P62,290	P104,398
HFT securities	(b)	**86,278**	**186,708**	85,923	102,397
AFS financial assets	(b)	**(16,131)**	**23,551**	(38,289)	44,399
HTM investments	(b)	**–**	**–**	(50,000)	–
Interest income – cash and cash equivalents	(a)	**42**	**–**	79	36
Interest income – bonds	(b)	**–**	**–**	534	–
Dividend income – HFT securities	(b)	**381**	**381**	67	–
Dividend income - AFS financial assets	(b)	**1,611**	**1,611**	1,144	–
Other expenses	(c)	**5**	**–**	63	–
Related Party Under Common Ownership:					
Cash and cash equivalents	(a)	**(91,802)**	**276,063**	51,679	367,865
HFT securities	(b)	**42,003**	**138,969**	96,058	100,210
AFS financial assets	(b)	**(44,000)**	**126,502**	(55,102)	185,308
HTM investments	(b)	**(584)**	**607,664**	444,241	608,248
Other investments	(a)	**(30,089)**	**69,083**	99,172	99,172
Forward liability	(b)	**–**	**89,049**	89,695	89,332
Interest income – cash and cash equivalents	(a)	**5,075**	**–**	–	–
Interest income – bonds	(b)	**5,403**	**6,864**	5,405	–

(a) Cash and Cash Equivalents

The Company maintains several savings, time deposits (including those with original maturity of more than three (3) months but less than one year and are classified as Other investments) 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 21).

(b) Investments

The Company has investment in shares of stock with a stockholder, and fixed income securities, forward contracts, and UITF investments with related parties under common ownership classified as HFT securities, AFS financial assets, HTM investments and Forward liability. Relative to these transactions, the Company recognized dividend income, interest income, Gain on sale of AFS, Fair value losses on HFT securities, and Fair value losses from forward contract which are presented as part of Investment and other income and expenses – net account in the statements of income (see Note 21), while accrued interest on HTM investments is presented as part of Loans and receivables in the statements of financial position (see Note 10).

(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 21).

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. The retirement fund does not hold any security issued by the Company as at March 31, 2023 and December 31, 2022.

25.4 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:

	March 31, 2023	March 31, 2022
Short-term benefits	**P12,171**	P7,291
Post-employment defined benefit	**1,066**	762
	P13,237	P8,053

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:

	March 31, 2023	March 31, 2022
Net profit available to common shareholders	**P87,587**	P81,204
Divided by the average number of outstanding common shares (in thousands)	**2,123,606**	2,123,606
	P0.041	P0.038

Diluted earnings per share is not determined since the Company does not have dilutive shares as at March 31, 2023 and 2022.

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 March 31, 2023 and December 31, 2022 is P0.65 million and P0.26 million, respectively, which is payable not later than one year.

Rental expense recognized amounted to P0.05 million and P0.04 million in 2023 and 2022, respectively, and is presented in the statements of income as Rentals under General and administrative expenses (see Note 23).

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 March 31, 2023 and December 31, 2022 will not have a material adverse effect on the Company's financial position.

28.3 Deficiency Tax Assessments

The Company received the FDDA and Formal Letter of Demand (FLD) for the following taxable periods:

FDDA:
a. July 1, 2012 to December 31, 2012
b. January 1, 2016 to December 31, 2016
c. January 1, 2017 to December 31, 2017

FLD:
a. January 1, 2018 to December 31, 2018

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 March 31, 2023 and December 31, 2022, management believes that there is no probable reason that a material outflow of resources will be required, in excess of what has already been provided as provision, 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.

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 March 31, 2023 and December 31, 2022, 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	**March 31, 2023** Carrying Values	**March 31, 2023** Fair Values	December 31, 2022 Carrying Values	December 31, 2022 Fair Values
Financial assets:					
Loans and receivables:					
Cash and cash equivalents	*4*	**P912,981**	**P912,981**	P724,726	P724,726
Reinsurance balances receivable - net	*5*	**3,534,529**	**3,534,529**	3,374,461	3,374,461
Other investments	*9*	**293,006**	**293,006**	442,292	442,292
Loans and receivables	*10*	**73,240**	**73,240**	86,209	86,209
Reinsurance recoverable on reported losses - net	*12*	**2,511,214**	**2,511,214**	2,477,807	2,477,807
		P7,324,970	**P7,324,970**	P7,105,495	P7,105,495
HFT securities:					
Equity securities		**P256,105**	**P256,105**	**P98,635**	**P98,635**
UITF		**217,832**	**217,832**	**100,627**	**100,627**
Forward assets		**87,538**	**87,538**	**90,258**	**90,258**
	6	**P561,475**	**P561,475**	**P289,520**	**P289,520**
AFS financial assets:					
Debt securities		**P4,241,481**	**P4,241,481**	P4,032,724	P4,032,724
Equity securities – net		**502,069**	**502,069**	737,309	737,309
Investment in ARC shares		**36,045**	**36,045**	37,942	37,942
	7	**P4,779,595**	**P4,779,595**	P4,807,975	P4,807,975
HTM investments	*8*	**P3,148,359**	**P3,108,268**	P3,058,524	P2,971,539
Financial liabilities:					
Reinsurance balances payable	*16*	**P2,114,571**	**P2,114,571**	P2,097,223	P2,097,223
Forward liability	*6*	**89,049**	**89,049**	89,332	89,332
Accounts payable and other accrued expenses*	*17*	**278,328**	**278,328**	268,855	268,855
Losses and claims payable	*18*	**4,988,067**	**4,988,067**	5,056,541	5,056,541
		P7,470,015	**P7,470,015**	P7,511,951	P7,511,951

** Excluding taxes payable and defined benefit liability.*

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.

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).

	Notes	**Level 1**	**Level 2**	**Level 3**	**Total**
March 31, 2023					
HFT securities	*6*	**P473,937**	**P87,538**	**P–**	**P561,475**
AFS financial assets	*7*	**4,735,060**	**2,600**	**41,935**	**4,779,595**
Forward liability	*6*	**–**	**89,049**	**–**	**89,049**
December 31, 2022					
HFT securities	*6*	P199,262	P90,258	P–	P289,520
AFS financial assets	*7*	4,759,752	2,649	45,574	4,807,975
Forward liability	*6*	–	89,332	–	89,332

The movements of the AFS financial assets classified under Level 3 in the fair value hierarchy is shown below:

	March 31, 2023	December 31, 2022
Balance at beginning of period	**P45,574**	P41,960
Fair value gains	**1,118**	941
Disposals	**(3,911)**	–
Foreign currency gains (losses)	**(846)**	2,673
Balance at end of period	**P41,935**	P45,574

There has been no transfer between levels in 2023 and 2022.

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 March 31, 2023 and December 31, 2022, instruments included in Level 1 comprise equity securities classified as HFT securities and 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.

d) Forward asset and liability

The fair value of the Company's forward asset and liability is estimated by reference to the foreign exchange rate published by the Bangko Sentral ng Pilipinas at the end of the reporting period and is categorized within Level 2.

30.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The tables below summarize 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.

	Notes	Level 1	Level 2	Level 3	Total
March 31, 2023					
Financial assets:					
Cash and cash equivalents	*4*	**P912,981**	**P–**	**P–**	**P912,981**
Reinsurance balances receivable - net	*5*	**–**	**–**	**3,534,529**	**3,534,529**
HTM investments	*8*	**3,108,268**	**–**		**3,108,268**
Other investments	*9*	**293,006**	**–**		**293,006**
Loans and receivables	*10*	**–**	**–**	**73,240**	**73,240**
Reinsurance recoverable on reported losses - net	*12*	**–**	**–**	**2,511,214**	**2,511,214**
		P4,314,255	**–**	**P6,118,983**	**P10,433,238**
Financial liabilities:					
Reinsurance balances payable	*16*	**P–**	**P–**	**P2,114,571**	**P2,114,571**
Accounts payable and other accrued expenses*	*17*	**–**	**–**	**278,328**	**278,328**
Losses and claims payable	*18*	**–**	**–**	**4,988,067**	**4,988,067**
		P–	**P–**	**P7,380,966**	**P7,380,966**

** Excluding taxes payable and defined benefit liability*

	Notes	Level 1	Level 2	Level 3	Total
December 31, 2022					
Financial assets:					
Cash and cash equivalents	*4*	P724,726	P–	P–	P724,726
Reinsurance balances receivable - net	*5*	–	–	3,374,461	3,374,461
HTM investments	*8*	2,971,539	–	–	2,971,539
Other investments	*9*	442,292	–	–	442,292
Loans and receivables	*10*	–	–	86,209	86,209
Reinsurance recoverable on reported losses - net	*12*	–	–	2,477,807	2,477,807
		P4,138,557	P–	P5,938,477	P10,077,034
Financial liabilities:					
Reinsurance balances payable	*16*	P–	P–	P2,097,223	P2,097,223
Accounts payable and other accrued expenses*	*17*	–	–	268,855	268,855
Losses and claims payable	*18*	–	–	5,056,541	5,056,541
		P–	P–	P7,422,619	P7,422,619

** Excluding taxes payable and defined benefit liability*

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 March 31, 2023 and December 31, 2022, the fair value of the investment properties is P29.05 million and P29.00 million, respectively, and is classified under Level 3 of the fair value hierarchy (see Note 15). 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.

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 and shall increases to P3.0 billion by December 31, 2022. The minimum net worth of the said companies shall remain unimpaired at all times.

As at March 31, 2023 and December 31, 2022, 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 March 31, 2023 and December 31, 2022, 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.

The Insurance Commission, under Circular Letter No. 2021-02, dated January 7, 2021, provides that all regulated entities authorized to do business in the Philippines shall meet the following regulatory measures at all times, without regulatory relief, and which shall be duly attested by the President and Treasurer of the company, before declaration and/or distribution of dividends out of the unrestricted retained earnings:

- unimpaired paid-up capital stock;
- the net worth requirements as prescribed by Circular Letter (CL) No. 2015- 02-A and Section 194 of the Amended Insurance Code;
- the solvency requirements defined by Section 200 of the Amended Insurance Code;
- in the case of life insurance companies, the legal reserve fund required by Section 217;
- in the case of corporations other than life, 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.

32. SELECTED FINANCIAL PERFORMANCE INDICATORS

The following basic ratios measure the financial performance of the Company:

	March 31, 2023	December 31, 2022
Asset-to-equity	**3.29 : 1.00**	3.27 : 1.00
Liability-to-equity	**2.29 : 1.00**	2.27 : 1.00

33. OTHER SEC REQUIREMENTS

The following information, as a minimum, should be disclosed in the notes to financial statements, if material and if not disclosed elsewhere in the interim financial report:

• Explanatory comments about the seasonality or cyclicality of interim operations	• Nothing to report.
• The nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidents	• Nothing to report.
• The nature and amount of changes in estimates of amounts reported in prior interim years of the current fiscal year or changes in estimates of amounts reported prior financial years, if those changes have a material effect in the current interim year	• Refer to Note 3 for the development of claims liabilities.
• Issuances, repurchases, and repayments of debt and equity securities	• Nothing to report.
• Dividends paid (aggregate or per share) separately for ordinary shares and other shares	• Nothing to report.
• Segment revenue and segment result for business segments or geographical segments, whichever is the issuer's primary basis of segment reporting. (This shall be provided only if the issuer is required to disclose segment information in its annual financial statements)	• Nothing to report.
• Material events subsequent to the end of the interim year that have not been reflected in the financial statements for the interim year	• Nothing to report.
• The effect of changes in the composition of the issuer during the interim year, including business combinations, acquisitions or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations	• Nothing to report.
• Changes in contingent liabilities or contingent assets since the last annual balance sheet date	• Nothing to report.

• Existence of material contingencies and any other events or transactions that are material to an understanding of the current interim year.	• Nothing to report.

AGING OF REINSURANCE BALANCES RECEIVABLE
As at March 31, 2023
(In million pesos)

	Total	Below 360 days	Over 360 days	Not due
Due from ceding companies	P3,200	P482	P481	P2,237
Reinsurance recoverable on paid losses	540	61	407	72
Funds held by ceding companies	298	298	–	–
Due from reinsurers	1	–	1	–
	P4,039	P841	P889	P2,309
Allowance for impairment*	(505)			
	P3,534			

*The Company's policy on providing allowance for impairment is primarily based on specific identification of accounts, which are deemed uncollectible after taking into consideration the result of collection efforts, age of receivables and company status or perceived degree of financial capacity.