

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, 2024**
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:

<u>Title of Each Class</u>	<u>Number of Shares of Common Stock Outstanding</u>
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 81 of this report are filed as part of this Form 17-Q:

- a. Statements of Financial Position as at March 31, 2024 and December 31, 2023.
- b. Statements of Income for the three-month ended March 31, 2024 and 2023.
- c. Statements of Comprehensive Income for the three-month ended March 31, 2024 and 2023.
- d. Statements of Changes in Equity for the three-month ended March 31, 2024 and 2023.
- e. Statements of Cash Flows for the three-month ended March 31, 2024 and 2023.

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, 2024 and 2023

In Millions PHP	For the three-month ended		Inc(dec)	
	March 31, 2024	March 31, 2023	Amount	%
REINSURANCE PREMIUM INCOME				
Reinsurance premiums - net of returns	P1,072.1	P1,091.1	(P19.0)	-2%
Retroceded premiums	(194.8)	(211.0)	16.2	-8%
Net premiums retained	877.3	880.1	(2.8)	0%
Movement in premium reserves – net	75.9	(188.8)	264.7	-140%
	953.2	691.3	261.9	38%
UNDERWRITING DEDUCTIONS				
Claims and claims reserves – net	(612.2)	(416.5)	(195.7)	47%
Commissions – net	(189.0)	(198.5)	9.5	-5%
	(801.2)	(615.0)	(186.2)	30%
NET UNDERWRITING INCOME	152.0	76.3	75.7	99%
INVESTMENT AND OTHER INCOME AND EXPENSES – net	165.5	100.2	65.3	65%
PROFIT AFTER INVESTMENT AND OTHER INCOME AND EXPENSES	317.5	176.5	141.0	80%
GENERAL AND ADMINISTRATIVE EXPENSES	(84.9)	(69.0)	(15.9)	23%
PROFIT BEFORE TAX	232.6	107.5	125.1	116%
TAX EXPENSE	(42.8)	(19.9)	(22.9)	115%
NET PROFIT	P189.8	P87.6	P102.2	117%

Underwriting Results

Net underwriting income amounted to P152.0 million for the first quarter of 2024, higher by P75.7 million or 99% than the same period of 2023. The favorable variance resulted mainly from (1) Higher net underwriting income from the Life business due to lower claims and commission ratios; and (2) Lower underwriting losses from the Non-life domestic business mainly due to lower net provision for unexpired risk reserves. These were partially negated by lower underwriting income from the Non-life foreign business mainly due to higher claims ratio, partially negated by lower commission ratio.

Reinsurance premium income

Reinsurance premium income amounted to P953.2 million, higher by P261.9 million or 38% than the first quarter of 2023. This resulted mainly from (1) The premiums written from new Non-life foreign contracts; and (2) Higher reported premiums from the Life non-modified co-insurance business.

Claims and claims reserves – net

Claims and claims reserves – net amounted to P612.2 million, higher by P195.7 million or 47% than the first quarter of 2023 resulting to a claims ratio of 64% in 2024 versus 60% in 2023.

Higher claims ratio resulted mainly from the unfavorable impact of foreign exchange rate in claims from the Non-life foreign business. This was partially negated by the favorable loss development from past underwriting years from the Life business and the favorable impact of discount rates from the Non-life foreign business in 2024 as compared to the unfavorable loss development and unfavorable impact of discount rates in 2023 for the same line of businesses.

Commissions – net

Commissions – net amounted to P189.0 million, lower by P9.5 million or 5% than the first quarter of 2023 which resulting to commission ratios of 20% in 2024 versus 29% in 2023 relative to earned premiums. This resulted mainly from (1) Lower commission costs incurred for Life non-modified co-insurance and Non-life foreign businesses; and (2) Impact of lower net provision of unexpired risk reserves from Non-life domestic business.

Investment and other income and expenses – net amounted to P165.5 million, higher by P65.3 million or 65% than the first quarter of 2023. This resulted mainly from (1) Foreign exchange gains recognized in 2024 of P21.1 million as compared to the foreign exchange losses in 2023 of P17.7 million; (2) Net fair value gains of held-for-trading securities of P26.1 million in 2024 as compared to net fair value losses of P10.7 million in 2023; and (3) Higher interest income by P25.6 million due to the impact of increase in investment in bonds. These were partially negated by (4) Loss on sale from available-for-sale financial assets of P4.5 million in 2024 as compared to the gains recognized in 2023 of P27.2 million; and (5) Lower dividend income by P4.9 million.

General and administrative expenses amounted to P84.9 million, higher by P15.9 million or 23% than the first quarter of 2023. This resulted mainly from (1) higher manpower costs; and (2) partial costs spent in preparation for the adoption of Philippine Financial Reporting Standards (PFRS) 17 in 2025.

Tax expense amounted to P42.8 million, higher by P22.9 million or 115% than the first quarter of 2023 resulting mainly from higher net underwriting income for the current period.

II. FINANCIAL CONDITIONS

In Millions PHP	Unaudited	Audited	Inc(dec)	
	March 31, 2024	December 31, 2023	Amount	%
CASH AND CASH EQUIVALENTS	P568.5	P271.8	P296.7	109%
REINSURANCE BALANCES RECEIVABLE – net	4,575.4	4,719.5	(144.1)	-3%
HELD-FOR-TRADING (HFT) SECURITIES	752.9	532.7	220.2	41%
AVAILABLE-FOR-SALE (AFS) FINANCIAL ASSETS	5,241.8	5,300.2	(58.4)	-1%
HELD-TO-MATURITY (HTM) SECURITIES	3,816.3	3,912.1	(95.8)	-2%
OTHER INVESTMENTS	258.3	252.8	5.5	2%
LOANS AND RECEIVABLES	105.6	109.6	(4.0)	-4%
PROPERTY AND EQUIPMENT – net	42.7	42.2	0.5	1%
REINSURANCE RECOVERABLE ON REPORTED CLAIMS AND CLAIMS RESERVES – net	3,211.7	3,268.4	(56.7)	-2%
DEFERRED ACQUISITION COSTS	1,055.5	761.4	294.1	39%
DEFERRED REINSURANCE PREMIUMS	482.0	652.7	(170.7)	-26%
OTHER ASSETS – net	599.0	598.3	0.7	0%
TOTAL ASSETS	P20,709.7	P20,421.7	P288.0	1%
<u>LIABILITIES AND EQUITY</u>				
REINSURANCE BALANCES PAYABLE	P2,196.3	P2,345.4	(P149.1)	-6%
FORWARD LIABILITY	260.3	92.2	168.1	182%
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	531.1	521.7	9.4	2%
CLAIMS AND CLAIMS RESERVES	9,285.0	8,983.3	301.7	3%
PREMIUM RESERVES	1,976.1	2,222.7	(246.6)	-11%
DEFERRED REINSURANCE COMMISSIONS	2.2	3.4	(1.2)	-35%
TOTAL LIABILITIES	14,251.0	14,168.7	82.3	1%
EQUITY	6,458.7	6,253.0	205.7	3%
TOTAL LIABILITIES AND EQUITY	P20,709.7	P20,421.7	P288.0	1%

Cash and cash equivalents amounting to P568.5 million as at March 31, 2024 increased by P296.7 million or 109% from the balance as at December 31, 2023 of P271.8 million. The increase in the balance resulted mainly from the net cash provided by investing activities such as interest received from the investment in bonds and net proceeds from the net disposal of AFS financial assets and net maturities of HTM securities.

Held-for-trading (HFT) securities amounting to P752.9 million as at March 31, 2024 increased by P220.2 million or 41% from the balance as at December 31, 2023 of P532.7 million. The increase in the balance resulted mainly from the net acquisitions amounting to P214.6 million (acquisitions net of disposals).

Available-for-sale (AFS) financial assets amounting to P5,241.8 million as at March 31, 2024 decreased by P58.4 million from the balance as at December 31, 2023 of P5,300.2 million. The movement in the account balance can be explained by the following:

	2024	2023
Cost		
Balance at beginning of period	P5,318.0	P4,910.9
Acquisitions	1,000.1	1,808.4
Disposals/maturities	(1,070.9)	(1,397.5)
Impairment losses	-	(2.5)
Unrealized foreign currency gains (losses)	0.2	(1.3)
	5,247.4	5,318.0
Fair value adjustment		
Balance at beginning of period	(17.8)	(102.9)
Changes in fair value	7.7	100.7
Fair value (gains) losses on disposal	4.5	(18.1)
Impairment losses	-	2.5
	(5.6)	(17.8)
Balance at end of period	P5,241.8	P5,300.2

The decrease in the balance resulted mainly from the net disposals of fixed income and equity securities amounting to P66.3 million (acquisitions net of disposals/maturities including fair value loss on disposal).

Held-to-maturity (HTM) securities amounting to P3,816.3 million as at March 31, 2024 decreased by P95.8 million from the balance as at December 31, 2023 of P3,912.1 million. The decrease in the balance resulted mainly from the maturities of corporate bonds amounting to P192.3 million, partially negated by acquisitions amounting to P93.0 million.

Deferred acquisition costs amounting to P1,055.5 million as at March 31, 2024 increased by P294.1 million or 39% from the balance as at December 31, 2023 of P761.4 million. The increase in the balance resulted mainly from the increase in deferred acquisition costs recognized from the Life modified co-insurance business.

Deferred reinsurance premiums amounting to P482.0 million as at March 31, 2024 decreased by P170.7 million or 26% from the balance as at December 31, 2023 of P652.7 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 2023 to the first quarter of 2024.

Reinsurance balances payable amounting to P2,196.3 million as at March 31, 2024 decreased by P149.1 million or 6% from the balance as at December 31, 2023 of P2,345.4 million. The decrease in the balance resulted mainly from the settlements of retroceded premiums during the period.

Forward liability amounting to P260.3 million as at March 31, 2024 increased by P168.1 million from the balance as at December 31, 2023 of P92.2 million resulting from a forward contract entered into by the Company amounting to USD 3.00 million during the period.

Claims and claims reserves amounting to P9,285.0 million increased by P301.7 million as at March 31, 2024 from the balance as at December 31, 2023 of P8,983.3 million. The increase in the balance resulted mainly from recognizing loss reserves from the earned premiums during the period for Non-life foreign and Life businesses. These were partially negated by the settlement of claims during the period.

Premium reserves amounting to P1,976.1 million as at March 31, 2024 decreased by P246.6 million or 11% from the balance as at December 31, 2023 of P2,222.7 million. The decrease in the balance resulted mainly from the premiums earned during the period.

KEY PERFORMANCE INDICATORS:

	For the three-month ended March 31, 2024	For the three-month ended March 31, 2023	% Inc.(Dec.)
1. Net profit	P189.8 million	P87.6 million	117%
2. Earnings Per Share (EPS) ^a	P0.089	P0.041	117%
3. Retention Ratio ^b	82%	81%	1%
4. Combined Ratio ^c	93%	99%	-6%
5. Return on Average Equity (ROE)	3.0%	1.5%	100%

- (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:

	2024	2023
Loss Ratio	64%	60%
Commission Ratio	20%	29%
Expense Ratio	9%	10%
Total	93%	99%

III. FINANCIAL SOUNDNESS INDICATORS

	As at March 31, 2024	As at Dec. 31, 2023
Current Ratio	1.95 : 1.00	1.82 : 1.00
Asset to Equity Ratio	3.21 : 1.00	3.27 : 1.00
Total Liabilities/Equity	2.21 : 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, 2024 and December 31, 2023

(Amounts in thousands)

	<i>Notes</i>	March 31, 2024	December 31, 2023
ASSETS			
Cash and cash equivalents	4	P568,515	P271,803
Reinsurance balances receivable – net	5	4,575,385	4,719,497
Held-for-trading (HFT) securities	6	752,885	532,670
Available-for-sale (AFS) financial assets	7	5,241,840	5,300,222
Held-to-maturity (HTM) securities	8	3,816,303	3,912,145
Other investments	9	258,330	252,829
Loans and receivables	10	105,575	109,567
Property and equipment – net	11	42,709	42,164
Reinsurance recoverable on reported claims and claims reserves – net	12	3,211,724	3,268,414
Deferred acquisition costs	13	1,055,464	761,412
Deferred reinsurance premiums	14	482,001	652,736
Other assets – net	15	598,975	598,281
TOTAL ASSETS		P20,709,706	P20,421,740
LIABILITIES AND EQUITY			
Liabilities			
Reinsurance balances payable	16	P2,196,337	P2,345,350
Forward liability	6	260,305	92,211
Accounts payable and accrued expenses	17	531,078	521,714
Claims and claims reserves	18	9,284,999	8,983,282
Premium reserves	19	1,976,048	2,222,665
Deferred reinsurance commissions	20	2,238	3,491
Total Liabilities		14,251,005	14,168,713
Equity	25	6,458,701	6,253,027
TOTAL LIABILITIES AND EQUITY		P20,709,706	P20,421,740

See Notes to the Financial Statements

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

STATEMENTS OF INCOME

For the three months ended March 31, 2024 and 2023

(Amounts in thousands, except Earnings Per Share)

	<i>Notes</i>	March 31, 2024	March 31, 2023
Reinsurance premium income			
Reinsurance premiums – net of returns	<i>19</i>	P1,072,137	P1,091,117
Retroceded premiums	<i>14</i>	(194,801)	(211,005)
Net premiums retained		877,336	880,112
Movement in premium reserves – net	<i>14, 19</i>	75,883	(188,835)
		953,219	691,277
Underwriting deductions			
Claims and claims reserves – net	<i>22.1,22.2</i>	612,237	416,500
Commissions – net	<i>22.3</i>	188,996	198,451
		801,233	614,951
Net underwriting income		151,986	76,326
Investment and other income and expenses – net	<i>21</i>	165,532	100,181
Profit after investment and other income and expenses		317,518	176,507
General and administrative expenses	<i>23</i>	84,901	68,987
Profit before tax		232,617	107,520
Tax expense		42,790	19,933
Net profit		P189,827	P87,587
Earnings per share – basic and diluted			
	<i>28</i>	P0.089	P0.041

See Notes to the Financial Statements.

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

STATEMENTS OF COMPREHENSIVE INCOME

For the three months ended March 31, 2024 and 2023

(Amounts in thousands)

	<i>Notes</i>	March 31, 2024	March 31, 2023
Net profit		P189,827	P87,587
Other comprehensive income (loss)			
Items that are and will be reclassified subsequently to profit or loss			
Fair value gains on AFS financial assets during the period	7	7,747	61,498
Amortization of unrealized gains on reclassified HTM securities to profit or loss		3,668	3,517
Fair value (gains) losses on disposal of AFS financial assets reclassified to profit or loss	7, 21	4,460	(27,186)
Income tax effect		(28)	263
Total other comprehensive income		15,847	38,092
Total comprehensive income		P205,674	P125,679

See Notes to the Financial Statements.

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF CHANGES IN EQUITY
For the three months ended March 31, 2024 and 2023
(Amounts in thousands)

	Capital Stock		Additional Paid-in Capital <i>(Note 25)</i>	Treasury Shares at Cost <i>(Note 25)</i>	Revaluation Reserves			Retained Earnings		Total Equity
	No. of shares <i>(in thousands)</i>	Amount <i>(Note 25)</i>			AFS Financial Assets	HTM Securities	Defined Benefit Liability	Appropriated	Unappropriated	
Balance at January 1, 2024	2,181,955	P2,181,955	P3,019,218	(P100,525)	(P19,943)	(P28,136)	(P57,270)	P128,755	P1,128,973	P6,253,027
Net profit	-	-	-	-	-	-	-	-	189,827	189,827
Other comprehensive income: Item that are and will be reclassified subsequently to profit or loss	-	-	-	-	12,179	3,668	-	-	-	15,847
Total comprehensive income	-	-	-	-	12,179	3,668	-	-	189,827	205,674
Balance at March 31, 2024	2,181,955	P2,181,955	P3,019,218	(P100,525)	(P7,764)	(P24,468)	(P57,270)	P128,755	P1,318,800	P6,458,701
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: Item 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

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

STATEMENTS OF CASH FLOWS

For the three months ended March 31, 2024 and 2023

(Amounts in thousands)

	<i>Notes</i>	March 31, 2024	March 31, 2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		P232,617	P107,520
Adjustments for:			
Movement in premium reserves – net	<i>14, 19</i>	(75,883)	188,835
Movement in claims and claims reserves - net	<i>12, 18</i>	123,498	303,953
Commissions – net	<i>13, 20</i>	(295,305)	(16,665)
Interest income	<i>21</i>	(119,562)	(93,983)
Unrealized foreign currency (gains) losses		(12,675)	17,373
Dividend income	<i>21</i>	(7,405)	(12,268)
Fair value (gains) losses on HFT securities	<i>6, 21</i>	(5,038)	8,177
Unrealized (gains) losses from forward contract	<i>6, 21</i>	(2,014)	2,436
(Gain) loss on sale of AFS financial assets	<i>7, 21</i>	4,460	(27,186)
Movement in deposit liability	<i>17, 21</i>	693	1,737
Depreciation and amortization	<i>23</i>	2,865	3,799
Operating income (loss) before working capital changes		(153,749)	483,728
Decrease (increase) in:			
Reinsurance balances receivable – net		165,983	(198,509)
HFT securities		(214,552)	(285,319)
Loans and receivables		(1,266)	15,464
Reinsurance recoverable on reported claims and claims reserves – net		100,032	(27,207)
Other assets – net		(6,961)	(1)
Increase (decrease) in:			
Reinsurance balances payable		(151,524)	21,400
Forward liability		168,915	–
Accounts payable and accrued expenses		8,643	7,036
Claims and claims reserves		123,000	(30,540)
Cash generated from (used in) operations		38,521	(13,948)
Cash paid for income taxes		(25,069)	(21,623)
Net cash from (used in) operating activities		P13,452	(P35,571)

Forward

	<i>Notes</i>	March 31, 2024	March 31, 2023
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal/maturities of:			
AFS financial assets	7	P1,066,480	P639,889
HTM securities	8	192,339	30,500
Other investments	9	5,000	140,341
Loans and receivables	10	403	411
Property and equipment	11	–	67
Interest received		129,173	97,185
Dividends received		7,751	8,992
Acquisitions of:			
AFS financial assets	7	(1,000,139)	(560,526)
HTM securities	8	(93,013)	(119,607)
Other investments	9	(7,304)	–
Loans and receivables	10	(2,710)	–
Property and equipment	11	(3,040)	(592)
Other assets	15	(11,851)	–
Net cash provided by investing activities		283,089	236,660
NET INCREASE IN CASH AND CASH EQUIVALENTS		296,541	201,089
EFFECTS OF FOREIGN CURRENCY REVALUATION ON CASH AND CASH EQUIVALENTS		171	(12,834)
CASH AND CASH EQUIVALENTS – January 1		271,803	724,726
CASH AND CASH EQUIVALENTS – March 31		P568,515	P912,981

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 (IC) 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 MATERIAL ACCOUNTING POLICIES

The material 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, 2023, 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, 2023 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, 2023.

(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 2024 that are Relevant to the Company*

As at March 31, 2024, there are no new and amended PFRSs that are relevant to the Company.

(b) *Effective Subsequent to 2024 but not Adopted Early*

There are new and amended PFRSs effective for annual periods subsequent to 2024, which were adopted by the Philippine Financial and Sustainability Reporting Standards Council (FSRSC). The Company is still assessing the impact of the new standards on the Company's financial statements.

- 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).

PFRS 9 is effective for the annual periods beginning on or after January 1, 2018. However, the Company has met the relevant criteria and has applied the temporary exemption from PFRS 9 for annual reporting periods before January 1, 2025. Consequently, the Company will apply PFRS 9 for the first time on January 1, 2025.

The classification of financial assets under PFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. PFRS 9 includes three principal measurement categories for financial assets - measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) - and eliminates the previous PAS 39 categories of loans and receivables, AFS financial assets and HTM securities.

In accordance with the financial asset classification principle of PFRS 9, 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 to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Further, a financial asset whose objective is to both collect contractual cash flows and sell the financial assets is classified and subsequently measured at FVOCI.

All other financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Moreover, PFRS 9 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 election is made on an instrument-by-instrument basis.

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 Company has completed its initial operational gap assessment, while the review of its PFRS 9 accounting policies is currently ongoing. As of date, the Company is yet to determine the impact of its transition to PFRS 9 and expects to disclose both the qualitative and quantitative information before its adoption.

The following table provides an overview of the fair values as at March 31, 2024 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:

	Notes	Financial assets that meet the SPPI criteria*		All other financial assets	
		Fair Value	Fair value change during the reporting period	Fair Value	Fair value change during the reporting period
Cash and cash equivalents	4	P568,515	P-	P-	P-
AFS financial assets	7	-	-	5,241,840	7,747
HTM securities	8	3,775,837	(40,466)	-	-
Other investments	9	258,330	-	-	-
Loans and receivables	10	105,575	-	-	-
Funds held by ceding companies	5	250,418	-	-	-
		P4,958,675	(P40,466)	P5,241,840	P7,747

* 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, 2024 by classifying assets according to the Company's credit grading of counterparties.

	Notes	Neither Past Due nor Impaired		Past Due but not Impaired	Impaired	Total
		Investment High Grade	Non-investment Grade			
Cash and cash equivalents	4	P568,515	P-	P-	P-	P568,515
Reinsurance balances receivable	5	1,740,421	1,648,073	1,186,891	535,165	5,110,550
AFS financial assets – debt securities	7	4,748,602	-	-	-	4,748,602
HTM securities	8	3,816,303	-	-	-	3,816,303
Other investments	9	258,330	-	-	-	258,330
Loans and receivables	10	94,257	11,318	-	-	105,575
Reinsurance recoverable on reported claims	12	1,758,413	180,483	-	143,589	2,082,485
		P12,984,841	P1,839,874	P1,186,891	P678,754	P16,690,360

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* (adoption deferred to 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.

PFRS 17 introduces a new approach that:

- (a) combines current measurement of the future cash flows with the recognition of profit over the period services are provided under the contract;
- (b) presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and
- (c) requires an entity to make an accounting policy choice portfolio-by-portfolio of whether to recognize all insurance finance income or expenses for the reporting period in profit or loss or to recognize some of that income or expenses in other comprehensive income.

Under PFRS 17, groups of insurance contracts are measured based on fulfilment cash flows, which represent the risk-adjusted present value of the entity’s rights and obligations to the policy holders, and a contractual service margin, which represents the unearned profit the entity will recognize as it provides services over the coverage period. Subsequent to initial recognition, the liability of a group of insurance contracts represents the liability for remaining coverage and the liability for incurred claims, with the fulfilment cash flows remeasured at each reporting date to reflect current estimates. Simplifications or modifications to the general measurement model apply to groups of insurance contracts measured using the ‘premium allocation approach’ and reinsurance contracts held.

PFRS 17 brings greater comparability and transparency about the profitability of new and in-force business and gives users of financial statements more insight into an insurer’s or reinsurer’s financial health. Separate presentation of underwriting and financial results will give added transparency about the sources of profits and quality of earnings.

On December 15, 2021, the FSRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the International Accounting Standards Board (IASB).

Early application is permitted.

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. There is also a transition option allowing presentation of comparative information about financial assets using a classification overlay approach on a basis that is more consistent with how PFRS 9 will be applied in future reporting periods. Early application is permitted for entities that apply PFRS 9 on or before the date of initial application of PFRS 17.

The Company has completed its initial operational gap assessment. It is currently exploring its options on the changes needed to its data, systems and processes to meet the requirements of PFRS 17.

The Company has determined that its reinsurance and retrocession contracts have no distinct non-insurance components thus treated as single contracts. However, the detailed financial gap assessment arising from the application of the new standard is yet to be performed by management. As of date, the actual impact of applying the PFRS 17 on the financial statements, including the impact on the Company's net worth, in the period of initial application is not known and cannot be reasonably estimated because it will be dependent on future economic conditions as well as accounting elections and judgements that the Company will make in the future.

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 claims 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 claims represents balances due from retrocessionaires for its share on the unpaid claims and Reinsurance recoverable on claims reserves represent the retrocessionaires' share for its losses in the claims reserves are both presented under Reinsurance recoverable on reported claims and claims reserves – net in the statements of financial position. The recoverable amounts are estimated in a manner consistent with the claims payable and claims reserves and are in accordance with the retroceded contract.

Reinsurance balances receivable, Reinsurance recoverable on reported claims and 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.

Receivables and Payables Related to Reinsurance Contracts and Retrocession Contracts Held

Financial assets and financial liabilities arising from reinsurance and retrocession contracts held 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.

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 securities 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 claims and claims reserves – net, and other investments.

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, 2024 and December 31, 2023, the Company does not have any financial asset designated by management as financial instruments at FVTPL. 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 securities 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 securities*

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 securities 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 Securities*

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 Securities

For a financial asset reclassified from AFS financial assets category to HTM securities, 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 securities 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 claims, 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 claims 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 2.14(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 2.13(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 Claims and Claims Reserves

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

2.8 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.

This include intangible assets which are composed of acquired software licenses which are accounted for under the cost model. Capitalized costs are amortized on a straight-line basis over five years as the lives of these intangible assets are considered finite. The Company estimates the useful lives of intangible assets based on the period over which assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to technical or commercial obsolescence and legal or other limits on the use of the assets.

2.9 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, Claims and claims reserves (excluding Margin for Adverse Deviation (MfAD) and loss adjustment expenses) and Accounts payable and accrued expenses (excluding taxes payable, 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 Note 6).

2.10 Claims and Claims Reserves

Claims 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 claims reserves, loss adjustment expenses payable plus MfAD based on a certain percentage of the total outstanding claims 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 claims payable in the statement of financial position in the period in which they are determined.

2.11 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 2.13(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.

2.12 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 2.13(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.

2.13 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 (loss) 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:

Net underwriting income includes reinsurance premiums, retroceded premiums and commissions describe as follows:

- (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). While for specific agriculture treaty contracts where the underlying risk relates to the crops cultivated within India, the Company recognize the earned premium during the harvest period. 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 creditable withholding taxes (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 2.12). Deferred portion is presented in the statements of financial position as Deferred reinsurance commissions.
- (d) *Other underwriting income (expense)* – pertains to the net benefits received or costs incurred from a certain group life treaty participating in a pool arrangement.

Investment and other income and expenses includes interest income, dividend income, gain/loss on sale of non-financial assets and foreign currency gain/loss describe as follows:

- (e) *Interest income* – Interest income for all interest-bearing financial instruments are recognized using the effective interest rate method.
- (f) *Dividend income* – Revenue is recognized when the Company's rig
rrangements.

2.14 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 claims reserves*

Claims relating to insurance contracts are recognized 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 claims (including those for IBNR) 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.

Claims recoveries are evaluated in terms of the aggregate share of the retrocessionaire on the claims 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 related claims are incurred.

Claims paid, the change in claims payable, change in claims reserves and the corresponding share of the retrocessionaires are presented under Claims and claims reserves – net in the statements of income.

- (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. General and administrative expenses include salaries and employee benefits, taxes related expenses, professional fees and other operational expenses.

2.15 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).

2.16 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.

2.17 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.

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.

2.18 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 securities, 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 25.2).

2.19 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.

2.20 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.

2.21 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 P2.52 million is considered impairment in value as at December 31, 2023 (see Note 7). No impairment was noted as at March 31, 2024. 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, 2024 and December 31, 2023, the Company has recognized allowance for impairment loss amounting to P678.75 million and P679.37 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, 2024 and December 31, 2023, the Company classified its financial instruments as financial assets at FVTPL, AFS financial assets, HTM securities, 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. Relevant disclosures are presented in Note 29.

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 claims and the analysis of allowance for impairment on such financial assets are shown in Notes 5 and 12.

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

(b) *Fair Value Measurement of AFS financial assets*

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

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

(c) *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, 2024 and December 31, 2023 the Company recognized net deferred tax assets amounting to P503.10 million and P523.26 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 P475.25 million and P545.63 million as at March 31, 2024 and December 31, 2023, respectively.

(d) *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.

(e) *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.

(f) *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 Claims and claims reserves accounts in the statements of financial position which include outstanding claims, IBNR claims, 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 claim experience and claim 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 claims plus IBNR claims. 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 claim 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, 2024 and December 31, 2023, the carrying value of provision for claims reported and IBNR claims are recognized as Claims and claims reserves accounts in the statements of financial position (see Note 18).

4. CASH AND CASH EQUIVALENTS

This account consists of:

	March 31, 2024	December 31, 2023
Cash on hand and in banks	P103,335	P57,071
Short-term placements	465,180	214,732
	P568,515	P271,803

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

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

Interest income recognized from cash in banks and short-term placements amounting to P3.16 million in 2024 and P7.16 million in 2023 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 3.60% to 6.25% in 2024 and 4.10% to 5.95% in 2023, while U.S. dollar short-term placements earn annual interest ranging from 2.33% to 5.45% in 2024 and 1.00% to 4.95% in 2023.

The Cash and cash equivalents account includes cash and short-term placements denominated in U.S. dollar amounting to \$2.00 million (P112.80 million) and \$1.86 million (P103.19 million) as at March 31, 2024 and December 31, 2023, respectively and cash denominated in Euro amounting to €0.22 million (P13.60 million) and €0.01 million (P0.34 million) as at March 31, 2024 and December 31, 2023, respectively.

5. REINSURANCE BALANCES RECEIVABLE – NET

The details of this account are as follows:

	March 31, 2024	December 31, 2023
Due from ceding companies	P4,294,296	P4,430,805
Reinsurance recoverable on paid claims	564,776	589,932
Funds held by ceding companies	250,418	233,485
Due from reinsurers	1,060	1,060
	5,110,550	5,255,282
Allowance for impairment	(535,165)	(535,785)
	P4,575,385	P4,719,497

The movements in these accounts are as follows:

March 31, 2024					
<i>Notes</i>	Due from ceding companies	Reinsurance recoverable on paid claims	Funds held by ceding companies	Due from reinsurers	Total
Balance at beginning of period	P4,430,805	P589,932	P233,485	P1,060	P5,255,282
Claims recoveries during the period	-	115,057	-	-	115,057
Premiums written net of funds held during the period	943,348	-	-	-	943,348
Funds held during the period	-	-	128,789	-	128,789
Reclassification	(157,265)	(15,652)	(110,705)	-	(283,622)
Collections during the period	(945,466)	(124,089)	-	-	(1,069,555)
Foreign exchange revaluation	22,874	(472)	(1,151)	-	21,251
	4,294,296	564,776	250,418	1,060	5,110,550
Allowance for impairment	(151,911)	(382,169)	(25)	(1,060)	(535,165)
Balance at end of period	P4,142,385	P182,607	P250,393	P-	P4,575,385

December 31, 2023					
<i>Notes</i>	Due from ceding companies	Reinsurance recoverable on paid claims	Funds held by ceding companies	Due from reinsurers	Total
Balance at beginning of year	P2,996,839	P569,146	P294,037	P1,060	P3,861,082
Claims recoveries during the year	-	590,087	-	-	590,087
Premiums written net of funds held during the year	5,666,257	-	-	-	5,666,257
Funds held during the year	-	-	527,258	-	527,258
Reclassification	915,364	(20,784)	(592,519)	-	302,061
Collections during the year	(5,116,361)	(549,085)	-	-	(5,665,446)
Foreign exchange revaluation	(31,294)	568	4,709	-	(26,017)
	4,430,805	589,932	233,485	1,060	5,255,282
Allowance for impairment	(151,918)	(382,782)	(25)	(1,060)	(535,785)
Balance at end of year	P4,278,887	P207,150	P233,460	P-	P4,719,497

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, 2024 and December 31, 2023 is as follows.

March 31, 2024					
	Due from ceding companies	Reinsurance recoverable on paid claims	Funds held by ceding companies	Due from reinsurers	Total
Balance at beginning of period	P151,918	P382,782	P25	P1,060	P535,785
Revaluation	(7)	(613)	-	-	(620)
Balance at end of period	P151,911	P382,169	P25	P1,060	P535,165

	December 31, 2023				Total
	Due from ceding companies	Reinsurance recoverable on paid claims	Funds held by ceding companies	Due from reinsurers	
Balance at beginning of year	P163,492	P322,044	P25	P1,060	P486,621
Additions (Reversals)	(11,228)	59,853	–	–	48,625
Revaluation	(346)	885	–	–	539
Balance at end of year	P151,918	P382,782	P25	P1,060	P535,785

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, 2024	December 31, 2023
UITF	P271,292	P172,685
Forward asset	262,961	92,852
Equity securities	218,632	267,133
	P752,885	P532,670

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.

Forward asset pertains to the balances receivable from forward contract entered into by the Company. Outstanding forward contracts as at March 31, 2024 and December 31, 2023 are as follows:

March 31, 2024

in thousands			
Transaction date	Settlement date	Payable	Receivable
December 29, 2023	June 28, 2024	€1,500	\$1,671
March 22, 2024	September 24, 2024	\$3,000	₱168,915

December 31, 2023

in thousands			
Transaction date	Settlement date	Payable	Receivable
December 29, 2023	June 28, 2024	€1,500	\$1,671

As at March 31, 2024 and December 31, 2023, the Company recognized the following forward asset and liability from the forward contracts discussed above:

	March 31, 2024	December 31, 2023
Forward asset	P262,961	P92,852
Forward liability	260,305	92,211

The net fair value gains amounted to P2.01 million in 2024 and net fair value losses of P2.44 million in 2023 on forward contracts is recognized under Investment and other income and expenses – net in statements of income (see Note 21).

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

The details of the HFT securities are as follows:

	March 31, 2024	December 31, 2023
Balance at beginning of period	P532,670	P289,520
Acquisitions	1,242,018	2,420,911
Disposals	(1,027,466)	(2,176,008)
Changes in fair value	6,231	11,778
Unrealized foreign currency losses	(568)	(13,531)
Balance at end of period	P752,885	P532,670

Dividend income earned from equities classified as HFT securities amounted to P1.72 million in 2024 and P4.35 million in 2023, respectively (see Note 21).

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

This account is composed of the following:

	March 31, 2024	December 31, 2023
Debt securities	P4,748,602	P4,837,283
Equity securities - net	456,206	426,376
Investment in ARC shares	37,032	36,563
	P5,241,840	P5,300,222

Debt securities include investments in corporate bonds and government securities.

Debt securities earn interest at annual rates ranging from 1.38% to 8.63% in 2024, and 2.38% to 8.63% in 2023. Interest income amounting to P61.75 million in 2024 and P45.91 million in 2023 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, 2024	December 31, 2023
Due within one year	P85,578	P796,988
Due after one year through five years	3,614,293	2,801,792
Due after five years through ten years	1,043,504	1,233,140
Due after ten years	5,227	5,363
	P4,748,602	P4,837,283

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

	March 31, 2024	December 31, 2023
Cost:		
Quoted in the stock exchange	P399,372	P395,422
Not quoted in the stock exchange	10,834	10,834
	410,206	406,256
Unrealized foreign currency gains	1,479	1,301
Fair value gains:		
Quoted in the stock exchange	42,465	18,013
Not quoted in the stock exchange	2,056	806
	44,521	18,819
	P456,206	P426,376

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

Dividend income from these equity securities amounting to P5.69 million in 2024 and P7.92 million in 2023 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 P37.03 million and P36.56 million as at March 31, 2024 and December 31, 2023, respectively.

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

	<i>Notes</i>	March 31, 2024	December 31, 2023
Cost			
Balance at beginning of period		P5,318,019	P4,910,901
Acquisitions		1,000,139	1,808,498
Disposals/maturities		(1,070,940)	(1,397,533)
Impairment losses	3	-	(2,515)
Unrealized foreign currency gains (losses)		212	(1,332)
		5,247,430	5,318,019
Fair value adjustment			
Balance at beginning of period		(17,797)	(102,926)
Changes in fair value		7,747	100,691
Fair value (gains) losses on disposal	21	4,460	(18,077)
Impairment losses	3	-	2,515
		(5,590)	(17,797)
Balance at end of period		P5,241,840	P5,300,222

Fair value gains recognized in the statements of comprehensive income amounted to P7.75 million and P61.50 million in 2024 and 2023, respectively.

In 2017 and 2018, the Company reclassified certain investments classified under AFS financial assets to HTM securities 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 P1,070.94 million and P612.70 million for the three (3) months ended March 31, 2024 and 2023, respectively. Accordingly, the Company recognized loss on sale of AFS financial assets amounting to P4.46 million in 2024 and gain on sale of AFS financial assets amounting to P27.19 million in 2023. These are presented as part of Investment and other income and expenses – net account in the statements of income (see Note 21).

Fair value losses of P4.46 million and fair value gains of P27.19 million, as presented in the statements of comprehensive income, were reclassified to profit or loss in 2024 and 2023, 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 31.2).

8. HELD-TO-MATURITY SECURITIES

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

	March 31, 2024	December 31, 2023
Due within one year	P534,266	P521,554
Due after one year through five years	1,919,306	1,801,209
Due after five years through ten years	1,120,441	1,371,911
More than ten years	242,290	217,471
	P3,816,303	P3,912,145

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

	March 31, 2024	December 31, 2023
Balance at beginning of period	P3,912,145	P3,058,524
Additions	93,013	1,175,516
Maturities	(192,339)	(324,062)
Amortization	1,252	3,576
Unrealized foreign currency gains (losses)	2,232	(1,409)
Balance at end of period	P3,816,303	P3,912,145

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 securities 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 securities 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, 2024 and December 31, 2023, the fair value of the reclassified debt securities amounted to P0.57 billion and P0.66 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 P6.38 million and P6.92 million for the periods ended March 31, 2024 and December 31, 2023, respectively.

The carrying amount of the reclassified debt securities amounted to P0.57 billion and P0.65 billion as at March 31, 2024 and December 31, 2023, respectively.

In 2024 and 2023, the Company recognized interest income on HTM securities amounting to P50.77 million and P36.77 million, respectively (see Note 21).

9. OTHER INVESTMENTS

As at March 31, 2024 and December 31, 2023, the Company's Other investments account amounted to P258.33 million and P252.83 million, respectively. This includes time deposits denominated in U.S. dollar amounting to \$4.59 million (P258.33 million) and \$4.46 million (P247.83 million) as at March 31, 2024 and December 31, 2023, respectively.

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 P3.57 million in 2024 and P4.07 million in 2023 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 6.00% in 2024 and 5.25% in 2023, while U.S. dollar short-term placements earn annual interest ranging from 5.15% to 5.55% in 2024 and 3.05% to 4.65% in 2023.

10. LOANS AND RECEIVABLES

This account is comprised of the following:

	March 31, 2024	December 31, 2023
Current:		
Loans and notes receivable	P18,116	P16,391
Dividend and interest receivable	81,398	88,930
	<u>99,514</u>	<u>105,321</u>
Non-current:		
Loans and notes receivable	6,061	4,246
	<u>P105,575</u>	<u>P109,567</u>

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 P0.14 million in 2024 and P0.12 million in 2023, 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 2024 and 2023.

11. PROPERTY AND EQUIPMENT – NET

A reconciliation of the carrying amount at the beginning and end of March 31, 2024 and December 31, 2023 of property and equipment is shown below.

March 31, 2024						
Note	Condominium Unit	Office Improvements	Transportation Equipment	EDP Equipment	Office Furniture and Equipment	Total
Cost						
Balance at beginning of period	P101,310	P25,285	P9,781	P20,405	P11,350	P168,131
Additions	–	–	1,673	1,367	–	3,040
Balance at end of period	101,310	25,285	11,454	21,772	11,350	171,171
Accumulated Depreciation						
Balance at beginning of period	81,611	15,287	3,458	14,460	11,151	125,967
Depreciation	23 844	631	495	517	8	2,495
Balance at end of period	82,455	15,918	3,953	14,977	11,159	128,462
Net Book Value	P18,855	P9,367	P7,501	P6,795	P191	P42,709

December 31, 2023						
	Condominium Unit	Office Improvements	Transportation Equipment	EDP Equipment	Office Furniture and Equipment	Total
Cost						
Balance at beginning of year	P101,310	P25,241	P10,233	P23,478	P11,225	P171,487
Additions	–	44	3,192	3,476	125	6,837
Disposals/retirement	–	–	(3,644)	(6,549)	–	(10,193)
Balance at end of year	101,310	25,285	9,781	20,405	11,350	168,131
Accumulated Depreciation						
Balance at beginning of year	78,234	12,721	5,150	19,115	11,104	126,324
Depreciation	3,377	2,566	1,617	1,894	47	9,501
Disposals/retirement	–	–	(3,309)	(6,549)	–	(9,858)
Balance at end of year	81,611	15,287	3,458	14,460	11,151	125,967
Net Book Value	P19,699	P9,998	P6,323	P5,945	P199	P42,164

The original cost of fully depreciated property and equipment that are still in use amounted to P23.61 million and P23.11 million as at March 31, 2024 and December 31, 2023, respectively.

ROU assets capitalized are recognized as part of EDP Equipment. As at March 31, 2024 and December 31, 2023, ROU assets and Lease liabilities amounted to P0.42 million and P0.47 million, respectively.

In 2024 and 2023, depreciation associated with ROU assets amounted to P0.05 million and P0.09 million, respectively.

12. REINSURANCE RECOVERABLE ON REPORTED CLAIMS AND CLAIMS RESERVES – NET

The Reinsurance recoverable on reported claims and claims reserves account consists of:

	March 31, 2024	December 31, 2023
Reinsurance recoverable on reported claims	P2,292,527	P2,420,243
Reinsurance recoverable on claims reserves	919,197	848,171
Balance at end of period	P3,211,724	P3,268,414

The movement in the accounts are as follows:

	<i>Notes</i>	Reinsurance recoverable on reported claims	Reinsurance recoverable on claims reserves
March 31, 2024			
Balance at beginning of period		P2,563,832	P848,171
Claims reported during the period	22.1	(13,114)	–
Transferred to reinsurance recovered on paid claims	5, 22.1	(115,057)	–
Claims incurred but not reported, net of adjustments	22.2	–	71,026
Reclassification		(364)	–
Foreign exchange revaluation		819	–
		2,436,116	919,197
Allowance for impairment		(143,589)	–
Balance at end of period		P2,292,527	P919,197
December 31, 2023			
Balance at beginning of year		P3,012,754	P923,491
Claims reported during the year		165,218	–
Transferred to reinsurance recovered on paid claims	5	(590,087)	–
Claims incurred but not reported, net of adjustments		–	(75,320)
Reclassification		(18,697)	–
Foreign exchange revaluation		(5,356)	–
		2,563,832	848,171
Allowance for impairment		(143,589)	–
Balance at end of year		P2,420,243	P848,171

All of the Company's reinsurance recoverable on reported claims and claims reserves have been reviewed for indicators of impairment. Certain reinsurance recoverable on reported claims 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 claims during the period is as follows:

	March 31, 2024	December 31, 2023
Balance at beginning of period	P143,589	P135,238
Additions (reversals)	-	9,845
Foreign exchange revaluation	-	(1,494)
Balance at end of period	P143,589	P143,589

13. DEFERRED ACQUISITION COSTS

The movements in this account are as follows:

	<i>Note</i>	March 31, 2024	December 31, 2023
Balance at beginning of period		P761,412	P701,341
Cost deferred during the period		487,103	936,967
Cost recognized during the period	22.3	(193,051)	(876,896)
Balance at end of period		P1,055,464	P761,412

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, 2024	December 31, 2023
Balance at beginning of period	P652,736	P606,068
Premiums retroceded during the period	194,801	1,428,420
Premiums amortized during the period	(365,536)	(1,381,752)
Balance at end of period	P482,001	P652,736

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, 2024	December 31, 2023
Deferred tax assets – net	P503,096	P523,259
Input VAT	198,010	198,583
Receivable from BIR	53,065	53,065
Prepayments	13,029	5,722
Deferred creditable tax	12,332	12,077
Intangible assets – net	12,126	645
Deferred withholding VAT	9,203	9,203
Investment properties – net	3,705	3,705
Creditable withholding tax	2,413	–
Deposit	720	720
Security fund	644	644
Deferred input VAT	129	155
Others	136	136
	808,608	807,914
Allowance for impairment	(209,633)	(209,633)
	P598,975	P598,281

As at March 31, 2024 and December 31, 2023, there is no change in the amount of allowance for impairment with respect to the balances disclosed above.

Input VAT

The input VAT pertains to the 12% tax paid by the Company on commissions and local purchase of goods or services. The input VAT is recorded at cost. It is used to offset against output VAT due to the Bureau of Internal Revenue (BIR).

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.

Prepayments

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

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, 2024 and December 31, 2023 are as follows:

	March 31, 2024	December 31, 2023
Cost	P175,140	P163,289
Accumulated amortization	(163,014)	(162,644)
Balance at end of period	P12,126	P645

A reconciliation of the carrying amount at the beginning and end of March 31, 2024 and December 31, 2023 of intangible assets is shown below.

	<i>Note</i>	March 31, 2024	December 31, 2023
Balance at beginning of period, net of accumulated amortization		P645	P4,733
Additions		11,851	-
Amortization	<i>23</i>	(370)	(4,088)
Balance at end of period, net of accumulated amortization		P12,126	P645

Investment Properties – net

Investment properties consist of land which are owned for capital appreciation. The carrying amount of investment properties as at March 31, 2024 and December 31, 2023 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 P34.21 million as at March 31, 2024 and December 31, 2023 (see Note 31.4).

Creditable withholding tax

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

It can either be used to offset against future income tax liabilities or be claimed as tax refund from the BIR.

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, 2024	December 31, 2023
Due to retrocessionaires	P2,121,071	P2,233,117
Due to cedant	66,011	93,370
Funds held for retrocessionaires	9,255	18,863
	P2,196,337	P2,345,350

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 claims paid.

The movements in these accounts are shown below.

	March 31, 2024			
	Due to retrocessionaires	Due to cedant	Funds held for retrocessionaires	Total
Balance at beginning of period	P2,233,117	P93,370	P18,863	P2,345,350
Retroceded premiums net of funds held during the period	192,810	-	-	192,810
Funds held during the period	-	-	1,991	1,991
Funds released during the period	3,484	-	(3,484)	-
Reclassification	(53,110)	(27,350)	(8,115)	(88,575)
Payments made during the period	(257,750)	-	-	(257,750)
Foreign exchange revaluation	2,520	(9)	-	2,511
Balance at end of period	P2,121,071	P66,011	P9,255	P2,196,337

	December 31, 2023			
	Due to retrocessionaires	Due to cedant	Funds held for retrocessionaires	Total
Balance at beginning of year	P1,977,981	P97,606	P21,636	P2,097,223
Retroceded premiums net of funds held during the year	1,385,724	-	-	1,385,724
Funds held during the year	-	-	42,696	42,696
Funds released during the year	45,464	-	(45,464)	-
Reclassification	14,992	(4,078)	35	10,949
Payments made during the year	(1,187,621)	-	-	(1,187,621)
Foreign exchange revaluation	(3,423)	(158)	(40)	(3,621)
Balance at end of year	P2,233,117	P93,370	P18,863	P2,345,350

17. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

This account includes the following:

	<i>Note</i>	March 31, 2024	December 31, 2023
Income tax payable		P260,277	P260,277
Accounts payable and accrued expenses		162,339	159,685
Deposit liability		63,956	65,116
Deferred output VAT		25,602	25,655
Withholding taxes payable		9,417	5,044
Defined benefit liability		7,817	4,260
Dividends payable	<i>25.3</i>	1,670	1,677
		P531,078	P521,714

Income tax payable pertains to amount due by the Company as a result of taxable income for 2023 using tax rates enacted at the reporting date, after deducting the creditable withholding taxes and prepaid income taxes.

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, 2024 and December 31, 2023, the statutory reserves amounted to P63.96 million and P65.12 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. CLAIMS AND CLAIMS RESERVES

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

The claims and claims reserves account consist of:

	March 31, 2024	December 31, 2023
Claims	P5,101,461	P4,969,054
Claims reserves	4,183,538	4,014,228
Balance at end of period	P9,284,999	P8,983,282

March 31, 2024	<i>Notes</i>	Claims	Claims reserves
Balance at beginning of period		P4,969,054	P4,014,228
Claims incurred during the period – net	22.1	500,839	–
Claims incurred but not reported, net of adjustments	22.2	–	169,310
Reclassification		(195,411)	–
Claims paid during the period	22.1	(185,717)	–
Foreign exchange revaluation		12,696	–
Balance at end of period		P5,101,461	P4,183,538

December 31, 2023		Claims	Claims reserves
Balance at beginning of year		P5,689,766	P2,825,811
Claims incurred during the year – net		1,823,340	–
Claims incurred but not reported, net of adjustments		–	1,188,417
Reclassification		272,415	–
Claims paid during the year		(2,757,931)	–
Foreign exchange revaluation		(58,536)	–
Balance at end of year		P4,969,054	P4,014,228

19. PREMIUM RESERVES

The movements in Premium reserves are as follows:

	March 31, 2024	December 31, 2023
Balance at beginning of period	P2,222,665	P1,692,288
Premium written during the period	1,072,137	6,193,515
Premiums earned during the period	(1,318,754)	(5,663,138)
Balance at end of period	P1,976,048	P2,222,665

The movements in premium 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:

	<i>Note</i>	March 31, 2024	December 31, 2023
Balance at beginning of period		P3,491	P12,536
Income deferred during the period		2,802	33,227
Income recognized during the period	22.3	(4,055)	(42,272)
Balance at end of period		P2,238	P3,491

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:

	<i>Notes</i>	March 31, 2024	March 31, 2023
Interest income (expense):			
Cash and cash equivalents	4	P3,157	P7,163
AFS financial assets	7	61,754	45,905
HTM securities	8	50,769	36,771
Other investments	9	3,567	4,066
Loans and receivables	10	141	123
Others		174	(45)
Fair value gains (losses) on HFT securities		24,129	(8,177)
Foreign currency gains (losses)		21,068	(17,719)
Dividend income	6, 7	7,405	12,268
Fair value gains (losses) from forward contract	6	2,014	(2,436)
Gain (loss) on sale of AFS	7	(4,460)	27,186
Movement in deposit liability	17	(693)	(1,737)
Other charges		(3,493)	(3,187)
		P165,532	P100,181

22. UNDERWRITING DEDUCTIONS

The Claims and claims reserves – net account consists of:

	<i>Notes</i>	March 31, 2024	March 31, 2023
Change in reported claims – net	22.1	P513,953	P115,530
Change in claims reserves – net	22.2	98,284	300,970
		P612,237	P416,500

22.1 Change in Reported Claims – Net

	<i>Notes</i>	March 31, 2024	March 31, 2023
Gross claims paid	18	P185,717	P159,019
Retrocessionaires' share in claims paid	5, 12	(115,057)	(35,725)
Gross change in reported claims	18	315,122	10,637
Retrocessionaires' share in change in reported claims	12	128,171	(18,401)
		P513,953	P115,530

22.2 Change in Claims Reserves – Net

	<i>Notes</i>	March 31, 2024	March 31, 2023
Gross change in provision for IBNR	18	P169,310	P353,186
Retrocessionaires' share in change in provision for IBNR	12	(71,026)	(52,216)
		P98,284	P300,970

22.3 Commissions – Net

This account consists of the following:

	<i>Notes</i>	March 31, 2024	March 31, 2023
Commission expense	13	P193,051	P208,388
Commission income	20	(4,055)	(9,937)
		P188,996	P198,451

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:

	<i>Notes</i>	March 31, 2024	March 31, 2023
Salaries and employee benefits	23.1	P53,204	P44,826
Data, licenses and subscriptions		6,478	4,493
Professional fees		6,160	5,258
Repairs and maintenance		4,747	1,644
Depreciation and amortization	11, 15	2,865	3,799
Taxes, licenses and fees		2,243	2,646
Outsourced functions		1,604	1,582
Dues and fees		1,479	1,470
Meetings, conferences and conventions		686	119
Communication and postages		629	694
Light and water		317	363
Advertising and publicity		302	340
Insurance		245	263
Printing and office supplies		166	132
Representation and entertainment		135	72
Rentals	29.1	106	45
Miscellaneous		3,535	1,241
		P84,901	P68,987

23.1 Salaries and Employee Benefit Expense

The details of salaries and employee benefits are presented below.

	March 31, 2024	March 31, 2023
Short-term employee benefits	P49,711	P41,823
Post-employment defined benefits	3,493	3,003
	P53,204	P44,826

Data, Licenses and Subscriptions

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

Professional Fees

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

Taxes, Licenses and Fees

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

24. RECLASSIFICATION

In 2024, the Company reclassified certain income and expense accounts in the statement of income for the three months ended March 31, 2023 to conform with the current year's presentation.

The table shows the impact of reclassification adjustments in the statement of income and statement of cash flows for the three months ended March 31, 2023:

Statement of income	As previously presented	Reclassification adjustment	As reclassified
Share in reported losses – net	P115,530	(P115,530)	P–
Share in unreported loss reserves – net	300,970	(300,970)	–
Claims and claims reserves – net	–	416,500	416,500
Net Profit	P416,500	–	P416,500

Statement of cash flows	As previously presented	Reclassification adjustment	As reclassified
Movement in share in reported losses – net	P2,983	(P2,983)	P–
Movement in share in unreported loss reserves – net	300,970	(300,970)	–
Movement in claims and claims reserves – net	–	303,953	303,953
Operating loss before working capital changes	P303,953	P–	P303,953

In 2024, the Company presented the share in reported losses – net and share in unreported loss reserves – net as a single line item under Claims and claims reserves – net in the statement of income.

The above reclassification has no material effect on the statement of financial position, statement of income, statement of comprehensive income, statement of cash flows and income tax for the three months ended. Accordingly, management did not need to present the statement of financial position at the beginning of the earliest comparative period.

25. EQUITY

The Company's equity is composed of the following:

	<i>Note</i>	March 31, 2024	December 31, 2023
Capital stocks		P2,181,955	P2,181,955
Additional paid-in capital		3,019,218	3,019,218
Treasury shares	25.1	(100,525)	(100,525)
Revaluation reserves		(89,502)	(105,349)
Retained earnings		1,447,555	1,257,728
		P6,458,701	P6,253,027

25.1 Capital Stock

As at March 31, 2024 and December 31, 2023, 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, 2024 and December 31, 2023, there are 268 holders of the listed shares. Such listed shares closed at P0.45 and P0.385 per share as at those dates, respectively.

As at March 31, 2024 and December 31, 2023, total treasury shares amounted to P100.53 million representing 58,349,000 shares. There were no treasury stock transactions in 2024 and 2023.

25.2 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, 2024, and December 31, 2023, the Company appropriated nil and P53.62 million, respectively, for special reserve.

25.3 Retained Earnings

There was no declaration of cash dividends in 2024 and 2023. The total outstanding dividends payable amounted to P1.67 million and P1.68 million as at March 31, 2024 and December 31, 2023, 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.

26. 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.

26.1 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, 2024		March 31, 2023	
	Stockholders	Related Parties Under Common Ownership	Stockholders	Related Parties Under Common Ownership
Premiums	P-	P34,276	P-	P61,817
Commission expense	-	1,656	-	5,064
Claims incurred (reversal)	(245)	-	1,491	9,175
Loss recoveries (reversal)	(3,113)	-	(4,235)	-

The outstanding balance of the Reinsurance balances receivable from and payable to related parties as at March 31, 2024 and December 31, 2023 are presented as follows:

	March 31, 2024		December 31, 2023	
	Stockholders	Related Parties Under Common Ownership	Stockholders	Related Parties Under Common Ownership
Due from ceding companies	P-	P92,858	P-	P133,321
Funds held for retrocessionaires	1	-	1	-
Reinsurance recoverable on reported claims	519	-	3,632	-
Claims	144,788	704,611	145,033	706,857
Due to retrocessionaires	88	18,203	3	18,266

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 claim 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 P65.34 million and P65.36 million as at March 31, 2024 and December 31, 2023, respectively.

26.2 Other Transactions

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

		March 31, 2024		December 31, 2023	
		Amount of Transactions	Outstanding Balance	Amount of Transactions	Outstanding Balance
Stockholder:					
Cash and cash equivalents	(a)	P1,229	P10,778	(P94,849)	P9,549
HFT securities	(b)	43,526	132,445	(12,183)	90,852
AFS financial assets	(b)	633	25,624	(19,072)	21,967
Interest income – cash and cash equivalents	(a)	27	–	49	–
Dividend income – HFT securities	(b)	–	–	148	–
Dividend income – AFS financial assets	(b)	–	–	741	–
Other expenses	(c)	18	–	117	–
Related Party Under Common Ownership:					
Cash and cash equivalents	(a)	156,725	361,258	(163,332)	204,533
HFT securities	(b)	216,729	320,637	29,808	107,465
AFS financial assets	(b)	1,844	84,138	(42,679)	79,655
HTM securities	(b)	(482)	488,988	(118,778)	489,470
Other investments	(a)	75,516	258,330	83,642	182,814
Forward liability	(b)	168,915	260,305	3,158	92,211
Interest income – cash and cash equivalents	(a)	5,349	–	5,075	–
Interest income – bonds	(b)	–	–	13,336	–

(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 securities and Forward liability. Relative to these transactions, the Company recognized dividend income, interest income, Gain (loss) on sale of AFS, Fair value gains (losses) on HFT securities, and Fair value gains (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 securities 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).

26.3 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, 2024 and December 31, 2023.

26.4 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, 2024	March 31, 2023
Short-term benefits	P14,739	P12,171
Post-employment defined benefit	1,279	1,066
	P16,018	P13,237

27. 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.

28. EARNINGS PER SHARE

The earnings per share are presented as follows:

	March 31, 2024	March 31, 2023
Net profit available to common shareholders	P189,827	P87,587
Divided by the average number of outstanding common shares (in thousands)	2,123,606	2,123,606
	P0.089	P0.041

Diluted earnings per share is not determined since the Company does not have dilutive shares as at March 31, 2024 and 2023.

29. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Company:

29.1 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, 2024 and December 31, 2023 is P0.86 million and P1.02 million, respectively, which is payable not later than one year.

Rental expense recognized amounted to P0.11 million and P0.05 million in 2024 and 2023, respectively, and is presented in the statements of income as Rentals under General and administrative expenses (see Note 23).

29.2 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, 2024 and December 31, 2023 will not have a material adverse effect on the Company's financial position.

29.3 Deficiency Tax Assessments

The Company received the Final Decision on Disputed Assessment (FDDA) for the taxable period July 1, 2012 to December 31, 2012 and taxable years 2016, 2017 and 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, 2024 and December 31, 2023, 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.

29.4 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, 2024 and December 31, 2023, if any, that may arise from these commitments and contingencies will not have any material effect on the financial statements.

30. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

30.1 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, 2024		December 31, 2023	
		Carrying Values	Fair Values	Carrying Values	Fair Values
Financial assets:					
Loans and receivables:					
Cash and cash equivalents	4	P568,515	P568,515	P271,803	P271,803
Reinsurance balances receivable - net	5	4,575,385	4,575,385	4,719,497	4,719,497
Loans and receivables	10	105,575	105,575	109,567	109,567
Reinsurance recoverable on reported claims and claims reserves - net	12	1,938,896	1,938,896	2,058,068	2,058,068
		P7,188,371	P7,188,371	P7,158,935	P7,158,935
HFT securities:					
UITF		P271,292	P271,292	P172,685	P172,685
Forward asset		262,961	262,961	92,852	92,852
Equity securities		218,632	218,632	267,133	267,133
	6	P752,885	P752,885	P532,670	P532,670
AFS financial assets:					
Debt securities		P4,748,602	P4,748,602	P4,837,283	P4,837,283
Equity securities – net		456,206	456,206	426,376	426,376
Investment in ARC shares		37,032	37,032	36,563	36,563
	7	P5,241,840	P5,241,840	P5,300,222	P5,300,222
HTM securities	8	P3,816,303	P3,775,837	P3,912,145	P3,882,930
Other investments	9	P258,330	P258,330	P252,829	P252,829
Financial liabilities:					
Reinsurance balances payable	16	P2,196,337	P2,196,337	P2,345,350	P2,345,350
Forward liability	6	260,305	260,305	92,211	92,211
Accounts payable and other accrued expenses*	17	227,965	227,965	226,478	226,478
Claims and claims reserves	18	4,496,837	4,496,837	4,381,799	4,381,799
		P7,181,444	P7,181,444	P7,045,838	P7,045,838

* 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.

See Notes 2.4 and 2.9 for a description of the accounting policies for each category of financial instrument including the determination of fair value.

30.2 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.

31. FAIR VALUE MEASUREMENT AND DISCLOSURES

31.1 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.

31.2 Financial Instruments Measured at Fair Value

The table below shows the fair value hierarchy of the Company's financial assets measured at fair value in the statements of financial position on a recurring basis (amounts in thousands).

	<i>Notes</i>	Level 1	Level 2	Level 3	Total
March 31, 2024					
HFT securities	6	P489,924	P262,961	P-	P752,885
AFS financial assets	7	5,191,918	7,000	42,922	5,241,840
Forward liability	6	-	260,305	-	260,305
December 31, 2023					
HFT securities	6	P439,818	P92,852	P-	P532,670
AFS financial assets	7	5,252,019	5,750	42,453	5,300,222
Forward liability	6	-	92,211	-	92,211

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

	March 31, 2024	December 31, 2023
Balance at beginning of period	P42,453	P45,574
Fair value gains	112	1,067
Disposals	-	(3,911)
Foreign currency gains (losses)	357	(277)
Balance at end of period	P42,922	P42,453

There has been no transfer between levels in 2024 and 2023.

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, 2024 and December 31, 2023, 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.

31.3 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.

	<u>Notes</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
March 31, 2024					
Financial assets:					
Cash and cash equivalents	4	P568,515	P-	P-	P568,515
Reinsurance balances receivable - net	5	-	-	4,575,385	4,575,385
HTM securities	8	3,775,837	-	-	3,775,837
Other investments	9	258,330	-	-	258,330
Loans and receivables	10	-	-	105,575	105,575
Reinsurance recoverable on reported claims and claims reserves - net	12	-	-	1,938,896	1,938,896
		P4,602,682	P-	P6,619,856	P11,222,538
Financial liabilities:					
Reinsurance balances payable	16	P-	P-	P2,196,337	P2,196,337
Accounts payable and other accrued expenses*	17	-	-	227,965	227,965
Claims and claims reserves	18	-	-	4,496,837	4,496,837
		P-	P-	P6,921,139	P6,921,139

* Excluding taxes payable and defined benefit liability

	<u>Notes</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2023					
Financial assets:					
Cash and cash equivalents	4	P271,803	P-	P-	P271,803
Reinsurance balances receivable - net	5	-	-	4,719,497	4,719,497
HTM securities	8	3,882,930	-	-	3,882,930
Other investments	9	252,829	-	-	252,829
Loans and receivables	10	-	-	109,567	109,567
Reinsurance recoverable on reported claims and claims reserves - net	12	-	-	2,058,068	2,058,068
		P4,407,562	P-	P6,887,132	P11,294,694
Financial liabilities:					
Reinsurance balances payable	16	P-	P-	P2,345,350	P2,345,350
Accounts payable and other accrued expenses*	17	-	-	226,478	226,478
Claims and claims reserves	18	-	-	4,381,799	4,381,799
		P-	P-	P6,953,627	P6,953,627

* Excluding taxes payable and defined benefit liability

For financial assets other than HTM securities, management considers that the carrying amount of those short-term financial instruments approximate their fair value.

31.4 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, 2024 and December 31, 2023, the fair value of the investment properties is P34.21 million 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.

32. 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:

32.1 Minimum Capitalization

Under Section 289 of the Republic Act (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 increase 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, 2024 and December 31, 2023, the Company has complied with the minimum capital requirements.

32.2 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, 2024 and December 31, 2023, the Company has complied with the risk-based capital requirements.

32.3 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.

The SEC, through its Memorandum Circular 16 dated September 19, 2023, has set the revised guidelines in determining the appropriate amount of Retained Earnings available for dividend distribution. Based on the circular, dividends shall be declared out of unrestricted retained earnings of the corporation. Accordingly, a corporation cannot declare dividends when it has zero or negative retained earnings otherwise known as Retained Earnings Deficit. For such purpose, the surplus profits or income must be a bona fide income founded upon actual earnings or profits. The existence, therefore, of surplus profits arising from the operation of corporate business is a condition precedent to the declaration of dividends.

The phrase "actual earnings or profits" shall be the net income for the year based on the audited financial statements, adjusted for the following unrealized items:

- Equity in net income of associate/ joint venture, net of dividends declared;
- Unrealized foreign exchange gain, except those attributable to cash and cash equivalents;
- Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL);
- Unrealized fair value gain of investment property;
- Deferred tax asset; and other unrealized gains and adjustments that the SEC may prescribe.

33. SELECTED FINANCIAL PERFORMANCE INDICATORS

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

	March 31, 2024	December 31, 2023
Asset-to-equity	3.21 : 1.00	3.27 : 1.00
Liability-to-equity	2.21 : 1.00	2.27 : 1.00

34. 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:

<ul style="list-style-type: none"> • Explanatory comments about the seasonality or cyclical nature of interim operations 	<ul style="list-style-type: none"> • Nothing to report.
<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Nothing to report.
<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Refer to Note 3 for the development of claims liabilities.
<ul style="list-style-type: none"> • Issuances, repurchases, and repayments of debt and equity securities 	<ul style="list-style-type: none"> • Nothing to report.
<ul style="list-style-type: none"> • Dividends paid (aggregate or per share) separately for ordinary shares and other shares 	<ul style="list-style-type: none"> • Nothing to report.
<ul style="list-style-type: none"> • 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) 	<ul style="list-style-type: none"> • Nothing to report.
<ul style="list-style-type: none"> • Material events subsequent to the end of the interim year that have not been reflected in the financial statements for the interim year 	<ul style="list-style-type: none"> • Nothing to report.
<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Nothing to report.
<ul style="list-style-type: none"> • Changes in contingent liabilities or contingent assets since the last annual balance sheet date 	<ul style="list-style-type: none"> • Nothing to report.

<ul style="list-style-type: none">• Existence of material contingencies and any other events or transactions that are material to an understanding of the current interim year.	<ul style="list-style-type: none">• Nothing to report.
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AGING OF REINSURANCE BALANCES RECEIVABLE

As at March 31, 2024

(In million pesos)

	Total	Below 360 days	Over 360 days	Not due
Due from ceding companies	P4,294	P472	P472	P3,350
Reinsurance recoverable on paid claims	565	76	451	38
Funds held by ceding companies	250	250	–	–
Due from reinsurers	1	–	1	–
	<u>P5,110</u>	<u>P798</u>	<u>P924</u>	<u>P3,388</u>
Allowance for impairment*	<u>(535)</u>			
	<u><u>P4,575</u></u>			

*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.