Transforming through Insuretech

Etiqa Philippines
2022 Annual Report

Why the name Etiqa?

Etiqa is derived from ‘etika’ the Malay word for ethics.

It is defined as a system of moral principle and standard practice.

Behaving in an ethical manner is to behave in a more considerate and humane way. This is how the company attempts to humanize insurance for everyone and outside the organization.

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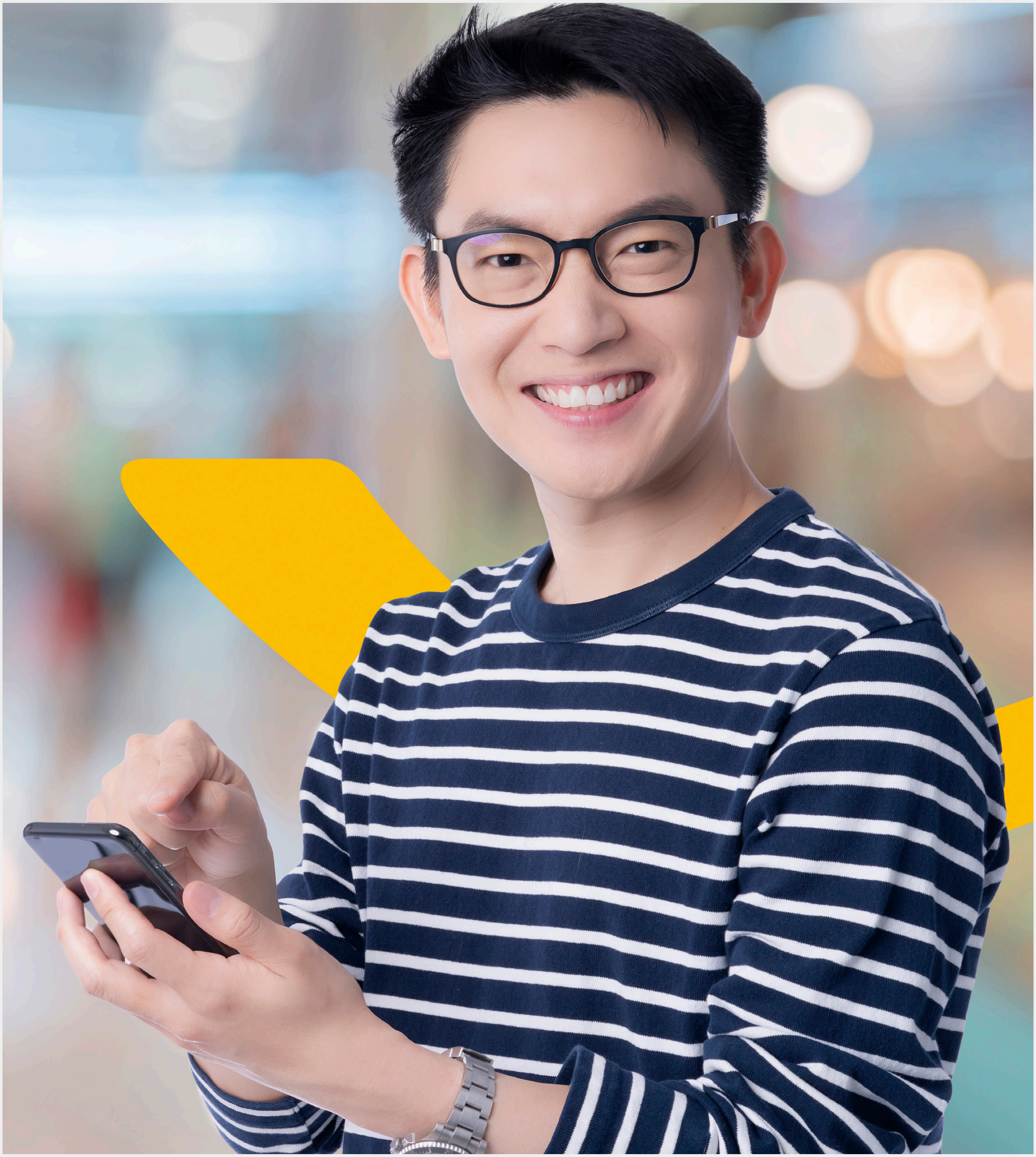
About Etiqa Philippines



OUR COMPANY

Etiqa Life and General Assurance Philippines, Inc. has over 60 years in the group medical space that started in 1958 as Star Life Insurance until it became AsianLife. In 2015, Maybank, one of Asia's leading bank groups, purchased shares of AsianLife and rebranded it in 2019 naming it Etiqa Philippines to align it with its parent organization Etiqa International Holdings Malaysia, an investment holding company of Maybank. Our headquarters is located in Kuala Lumpur, Malaysia with regional presence Singapore, Indonesia, Philippines and Cambodia.

We now offer various Personal Life & General Insurance products through our bancassurance partnership with Maybank Philippines.

Today, Etiqa Philippines offers a broad product range of both Group Life and General Insurance, Group Medical Benefits, Individual Life and Non-Life that cover protection, savings and investment needs under one unified brand, making it a composite licensed company.

Staying strong in our commitment to bring accessible and affordable insurance to Filipinos, we continually bring innovation in our products and services.

Etiqa is a leading Insurance and Takaful business in ASEAN, offering a full range of Life and General conventional insurance policies as well as Family and General Takaful plans via more than 10,000 agents, 46 branches and 17 offices. It also has a bancassurance network comprising over 490 branches, cooperatives, brokers and online platforms across Malaysia, Singapore, Indonesia, the Philippines and Cambodia.

Did you know?

Within the Etiqa logo, the letters "T", "I", and "Q" form a face, with the yellow stroke forming a smile, thus symbolizing the human aspect of the brand. Additionally, the smile begins and ends with the letters "T" and "Q" respectively, with the "I" in the middle, signalling the shortened form of "I Thank You".

Our Year in Review

With a growing market and remaining firm as the leading Group Health Insurer in the country, Etiqa Philippines has over 1,900 accredited hospitals and clinics nationwide, with 32,000 doctors, and a 24/7 in-house call center catering to several multinational and local organizations.

2022 HIGHLIGHTS

- Philippine Life Insurance Association, Inc. (PLIA) has named Etiqa Philippines head, Rico T. Bautista, as its new president. He heads the nonprofit organization representing life insurance companies operating in the Philippines.
- Enhanced our Employee Benefits with an improved Group Medical Benefit. We gave better medical, dental and optical reimbursement coverage. Mobile Workforce Arrangement (MWFA) was offered as an option to all employees.
- Etiqa PH seals partnership with Southeast Asian insuretech company Igloo to bring simplified mobile insurance. Mobile insurance plans are designed to be cost-effective while giving premium value to the wide demographic range of smartphone users,
- Launched Letter of Guarantee (LOG) Portal that allows customers to request a LOG without having to call Etiqa's hotline.The portal can be accessed by scanning the QR code on Etiqa Philippines' website and Facebook page.
- Etiqa Philippines became a major participant in the Point Zero Forum in Zurich as the leading advocate in insurance technology or insurtech. The inaugural focused on the implications of digital financial technology or FinTech on global market structure and public policy.
- Flex Cover, our Term Insurance Plan, was introduced. It is a 5-year term that can be renewed and upgraded to a permanent insurance plan. Exclusively offered through Maybank Philippines, our bancassurance partner.
- Our Gadget and Electronics insurance became available in Shopee and GCash in the form of embedded insurance
- Etiqa Philippines' LOG Portal wins the 2022 Insurance Asia Awards for Customer Service Initiative - Philippines.
- The Etiqa Philippines' Sportsfest, our first face-to-face post pandemic company-wide activity. Sports activities such as basketball, volleyball and spelling contests were chosen to foster camaraderie and teamwork, and stimulate overall wellness among our leaders and employees.
- Etiqa Philippines' President and CEO, Rico T. Bautista, represented the insurance industry and spoke at the Philippine FinTech Festival about Insuretech and how insurance is adapting to new technologies making it easily accessible and the world a better place.
- The Unified Smile PH app version 3 was launched and now features two tabs on its landing page. The Group Health Insurance and the Individual Life Insurance policies are now both accessible.
- Etiqa Philippines' new health plan, ER Protect, was introduced. ER Protect is a yearly renewable individual health insurance plan for outpatient emergency care/ Emergency Room (ER) management.
- Launched the Portable Referral Facility that allows easy referral of non-life insurance products among employees and non-agents.
- The 2022 Annual Maybank Group Employee Engagement Events , a regional event, was spearheaded this year by Etiqa Philippines. It gave us the opportunity to recognize each other's achievements and contributions through the Long Service and Best Employee Awards while having fun together. Each region presented performances to covet for the Best Dressed and Best Staff Performances, raffle prizes were also given away.

Becoming Digital

We entered 2022 as a Unified Etiqa, and closed the year on a high note by bringing the human factor in insurance through our "HUMANIZING INSURANCE" campaign.

Adapting to a post-pandemic normal, we made insurance acclimated to the realities of a new technological world. Innovation became a byword to us in developing insuretech products and services to make security and protection more accessible and affordable. Our products became available not only through a person-to-person engagement but through an expanded omni channel as well.

We launched a newer version of our digital servicing app, the Smile PH version 3, that now features both Group Insurance and Individual Life Insurance tabs providing our customers a more seamless experience. Our LOG Portal is our client's all-in-one gateway to their policy where they can view their policy benefits, file Letters of Guarantee requests, manage their dependent's policy, find accredited hospitals and doctors, and file medical reimbursement claims.

We innovate products that meet the demand of the times.

OUR SHARED VALUE

We are driven by our relentless aspirations, dynamic set of values and compelling core beliefs that are deeply embedded in our organization.

We are committed to doing the right thing. How we conduct ourselves inside and outside our organization is a responsibility that we take seriously. We know how important it is to maintain the trust and respect of all our stakeholders who we regard as our partners in providing solutions.

VISION

To be a leading ASEAN insurer in the Philippines.

PURPOSE STATEMENT

A Life, Health, and Non-Life Insurance company that makes the Philippines a better place.

CORE BELIEFS

E - Ethical
We strive to make profits from work that benefits humanity.

T - Trustworthy
We provide fast and easy service with the best advice.

I - Inclusive
We want our business partners to grow with us.

Q - Questing
We don't stop learning.

A - Authentic
We practice candor.

N - Nurturing
We treat customers like family.

Focus Areas

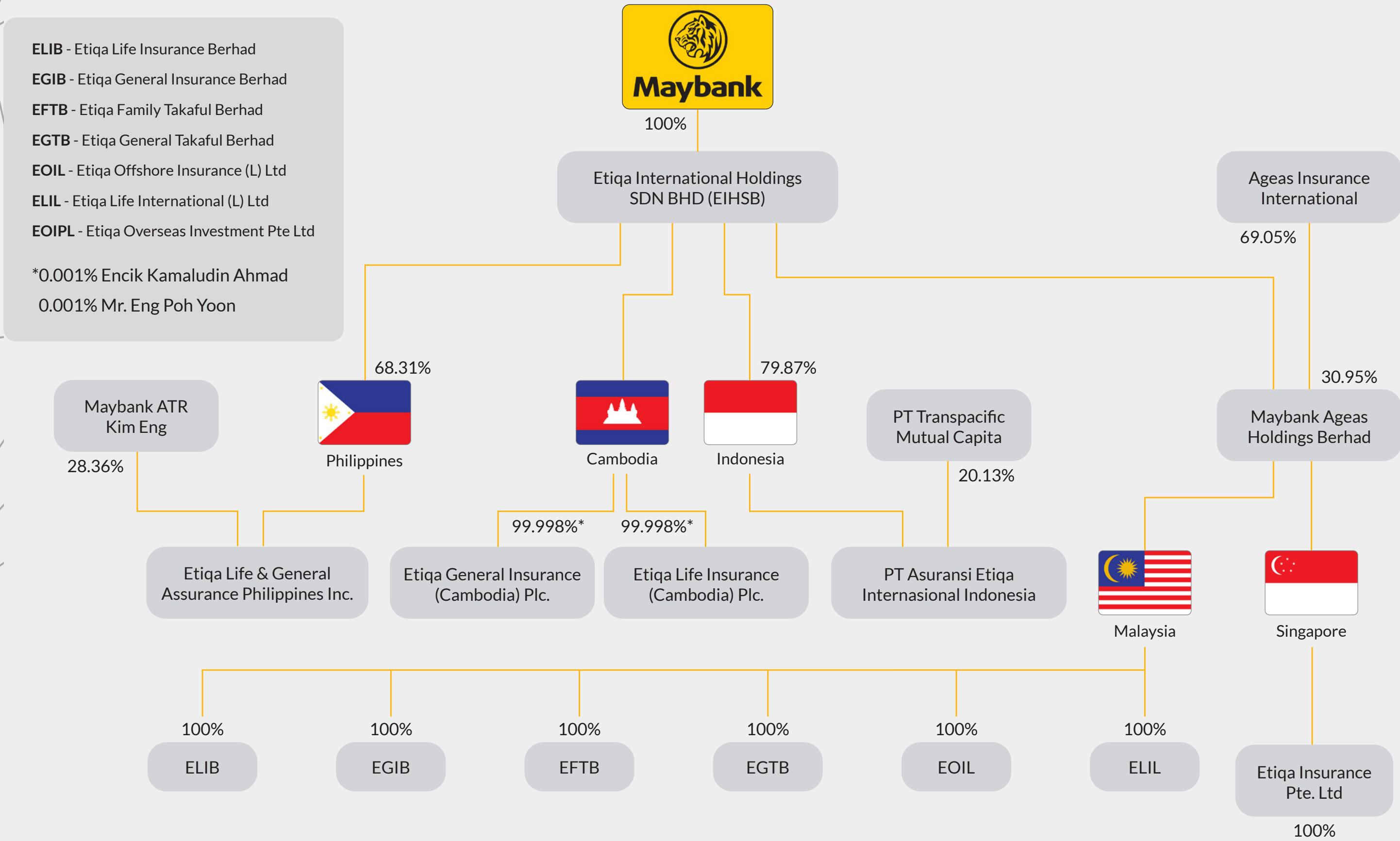
CREATING A FAST AND EASY CUSTOMER EXPERIENCE

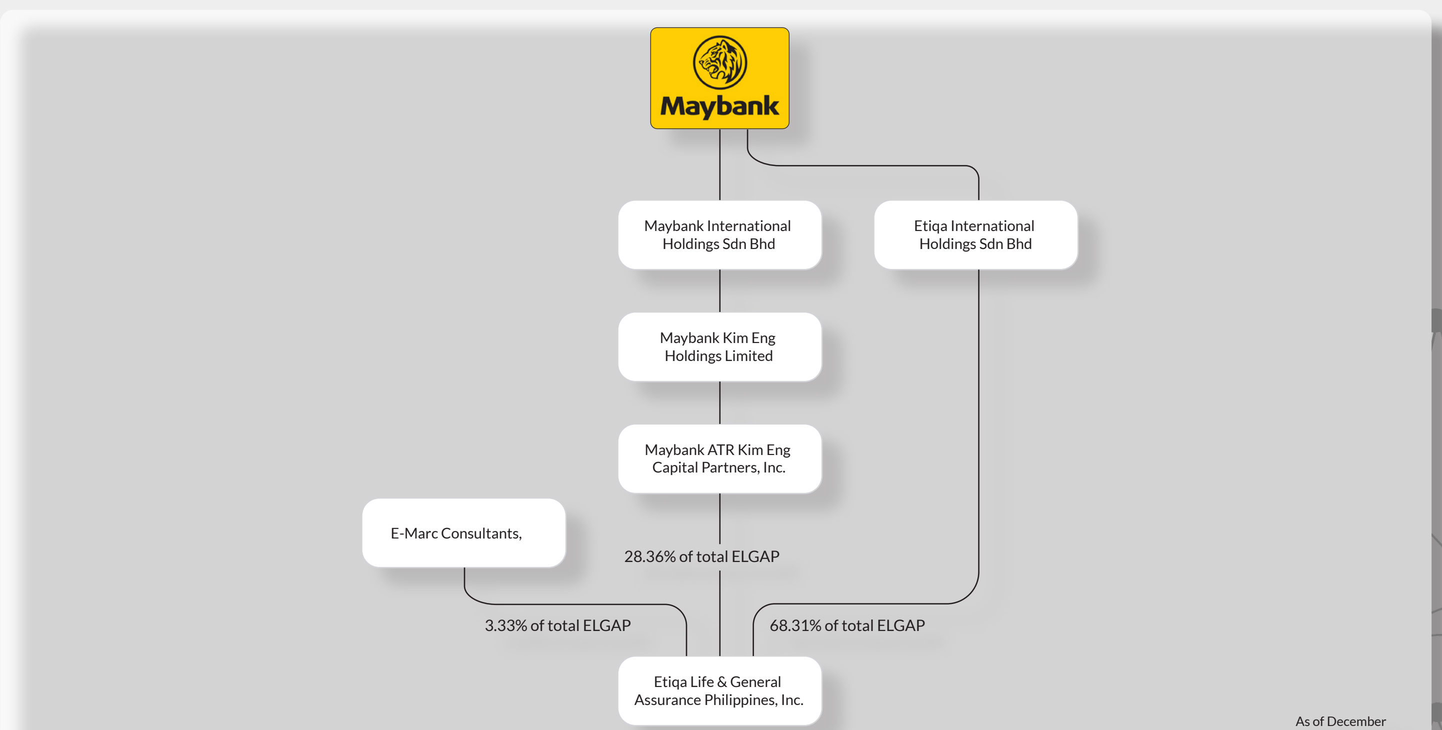
DRIVING TECHNOLOGY ACROSS THE ORGANISATION

PROVIDING ADVICE THAT PUTS THE COSTUMER'S INTEREST FIRST

KEEPING OUR HIGHLY EFFECTIVE PEOPLE

Group Organizational Structure





Messages

Message from the Chairman

"Everything that we plan, strategize, and implement is framed by our purpose to Make the World a Better Place"

Dear Shareholders,

2022 welcomed the ASEAN Community with a disrupted economic growth trajectory mostly from the Covid19 pandemic, the increased trade tensions among leading economies and the ongoing conflict in Ukraine and Russia.

When faced with challenges, we know and have learned that there is strength in adversity that can lead us to positive outcomes. Insurance becomes a source of security in times of crisis and risks anywhere in the world. Our regional symbiosis and collective resilience have deepened as we work on progress. By all odds, we have soundly acclimated with changing global developments. The world is moving towards digital connectivity and more sustainable actions. That is fully aligned with our direction.

As we take care of our business, we also focus on our environment and the communities that we serve. A strong financial foundation is our base to innovate products and services so we can help more people with sustainable processes and ethical performances. The goal of our Chairmanship is to effectively implement business growth strategies that align with Etiqa's vision to be a leading ASEAN insurer guided by our purpose to make the world a better place.

ROBUST REGIONAL GROWTH PATH

In Malaysia, Etiqa maintained its position as the Number 1 Bancassurance player and in General Business with a market share of 15.3% in 2022. By retaining market competitiveness, we are further strengthening our presence in the insurance industry in the region.

A record Net Adjusted Premium of PhP75.7Billion (RM6.2Billion) has placed us Number 1 in Bancassurance, Takaful and General Insurance. Maintaining our record-breaking position gives us reason to be optimistic about the future. Etiqa's General business grew by 22% YoY, higher than the industry's 13% average.

We have exceeded our sustainability targets with our Sustainability Ambition 2 to improve the lives of 400,000 households by 2025. We are Scope 2 Carbon Neutral for 2022 fully offset by the 13,465 tCO2e covered under the-Renewable Energy (mREC) carbon credits. Our ESG policies are working in alignment with our campaign to Make the World a Better Place.

In 2022, we improved the livelihood of 441,087 households. By February 2023 we added another 20,252 households bringing the total to 461,339 households, which is 52% of the 2025 target. We have therefore set a new aspirational target of improving the livelihood of 889,387 households by 2025.

We are advancing our goal to achieve Carbon Neutral status for Scope 1 & 2 emissions by 2030 as part of our ESG Program. From the pandemic lockdown of the two previous years, the return of mobility and our employees to the office with the associated increase in emissions was mitigated with environment-conscious actions.

All that means that our sustainable growth trajectory is on the right track.

A FRAMEWORK THAT WORKS

By having our purpose crystal clear to us, we were able to focus on creating and sharing value. It lets us put people first before technology. Everything that we plan, strategize, and implement is framed by that purpose, "To Make the World a Better Place". With that in mind, we are able to innovate our products and services with our customers' benefit in the forefront of all our undertakings.

Our digital transformation in Etiqa Philippines is in keeping with our intent and goal to make people's lives better through our products and services. Our customers are now able to connect with us through different channels in faster and easier ways. And that is what we want. We want our customers to know that they are not just demographic numbers, that we understand their concerns and needs. They are primarily the reason why we humanized insurance while leading them towards the future of insurance.

We heavily invested in technology to modernize our infrastructure and core systems to allow us to scale more for faster business growth. And more are coming. We have been attending conventions and training so we can leverage on newer technologies while aligning with our ESG policies.

We commit to tech-up more strongly in the future to modernize our omnichannel contact center and put in place CRM systems for data analytics. Our PR and brand awareness programs will be given a harder push by leading in the insuretech space. Our digitization efforts with workforce skills will enable a bionic workforce. And importantly, we will strengthen our Risk and Compliance culture.

On Sustainability, our micro-level insurance will provide protection coverage to the low income segment . We will launch sustainable solutions for the social, health and education needs of underprivileged communities.

More has to be done but I am confident that your President, Rico Bautista, and his team, and all the Etiqa Philippines staff and employees will be able to implement all our strategic initiatives in a way that will benefit our customers, employees, stakeholders and shareholders.

Thank you for your support as we all move towards our vision and purpose - to be the leading ASEAN insurer as we work together to Make this World a Better Place. Yes, we are taking this personally.

STRENGTHENED FOCUS

Looking forward, we are reinforcing our focus areas on Business Growth, Digitalization, Customer Experience, People and Culture, and Sustainability.

We will create and introduce new products, digital tools and portals to better serve our customers and partners. We will invest in insuretech collaborations that embed modern infrastructures and IFRS 17 systems, and aim for end-to-end automation and Straight Through Processing or STP for critical operational processes.

Mohd

MOHD DIN BIN MERICAN

Independent Director
Chairman of the Board

Statement of the President & Chief Executive Officer

"We will continue to see Etiqa Philippines leading the advocacy for Insuretech to close the gap between our clients and their need for secure and protected coverage"

Dear Fellow Shareholders,

Etiqa Philippines' 2022 is a celebration of milestones. It was a year of innovation, far beyond what we had envisioned more than 60 years ago. Our long history prepared us for the direction where we want to take insurance in the future. With our genuine concern for people's lives, we quickly adapted to new realities of a fast-changing post pandemic world.

Our extensive experience in securing lives has served us well in the recent past going through COVID19, change in government leadership, and the threat of global inflation due to war, which was thousands of miles from us but affecting us just as well.

With our culture of resiliency and strength we were able to face challenges head on, aptly preparing us for the future. It is our strong financial and business management foundation and ethics, with our solid risk management in place that allowed us to innovate our products and services utilizing technological advances.

CUSTOMER-DRIVEN INNOVATION

We entered January of 2022 with the Omicron virus, a COVID19 variant, at its peak. But we came into the new year with a renewed vision and purpose, a seedbed of strength for Etiqa Philippines. Our invigorated vision is to be the Philippines' foremost insurer in Life, Health and Non Life, and our enlivened purpose in MAKING THE PHILIPPINES A BETTER PLACE is what we have been exactly doing. We brought our products and services leveraging on technology making us faster to communicate with and expedite deliverables. Our commitment in making it all possible brought us to where we are now, the leading advocate of Insuretech in the Philippines.

Smile PH app enabled our members to file and reimburse medical claims and allowed us to issue Letter of Guarantees or LOG in 2022. The enhanced Version 3 has an expanded focus featuring two tabs for our two businesses, so both our Group Health plan members and Retail market policyholders can manage their individual plans while enjoying its common features such as sending inquiries, personalizing their profiles, updating their contact info and discovering more Etiqa products.

With the latest version, the Group Health Insurance plan members can view their schedule of benefits, manage their dependents, request for Letter of Guarantee, file and monitor medical reimbursement claims and find nearby accredited hospitals and clinics.

Meanwhile, the Individual Life insurance policyholders can access their policy details, manage their insurance plan, request for e-policy and check their fund values.

Almost simultaneously, we introduced our LOG Portal for our customers to have easier access to the issuance of their Letter of Guarantees. Through this digital platform, 90,000 LOGs with an average Turn Around Time of 4 hours -- coming from a 24-hour TAT, were issued. We further contemporized it with a ticketing system that enables our customers to have their requests handled efficiently.

We also opened the LOG Portal to our Providers to serve our customers better. And we received good feedback about it.

As a bonus for our commitment to make insurance people-centric through technology, the LOG Portal has earned us the Insurance Asia Awards for Customer Service Initiative in the Philippines for 2022.

Also aligned with our adherence to offer products and services that will make our customers' lives easier, we introduced Gadget Insurance. Together with Igloo, a regional insuretech company, Etiqa Philippines offered mobile and electronics insurance in the e-commerce platforms such as Shopee and Gcash where we have successfully embedded insurance for a seamless digital shopping experience for our customers. With over 7 million sold policies in 10 months, Gadget Insurance is the most well-executed insuretech partnership in the ASEAN, winning us the Best Insuretech Initiative in the Philippines for 2022 from International Finance Awards.

Taking advantage of technology, we are maximizing the use of online platforms as an exceptional way for us to reach each other, internally and externally. To add, we now have a Digital Service Team to serve the needs of our customers who are interacting with our alternative points of contact.

NUMBERS THAT MATTER

The year 2022 brought us 1 million lives protected under our Group and Retail business. We are now also responsible for 7 million new customers on our Non-life through our travel and gadget insurance. And, over PhP 3 Billion in paid claims.

Overall, 2022 brought in new businesses with more than 700 million annualized premium for more than 170,000 individuals or headcounts with majority of plans coming from both the small to medium enterprises (SMEs) and corporate accounts. Our Renewal business was able to bring us over 2.6 billion annualized premiums with over 500,000 headcounts retaining key clients from major conglomerates in various categories. What does this mean to us? Numbers are showing that we are on the right track covering our target markets at all levels.

As the world opened up again, we saw the resurgence of travel and with that the need for travel insurance. 2022 was a banner year for our travel insurance as we grew 11k% more versus last year.

Our focus to invest in people and technology so we can continually improve our products and services has been a purposeful action plan. Our goal to make the Philippines a better place, not only for our business, but primarily for our customers and partners, had always been the grease on our wheels.

WHAT IS IN THE FUTURE FOR US

You will continue to see Etiqa Philippines leading the advocacy for insurance technology or Insuretech. We will work with technology to close the gap between our clients and their need for secure and protected coverage through a more agile and straightforward way.

You will see impactful and positive changes in how we will handle customer service. Soon, you will meet Eriqa, our Virtual Assistant to support customers in filing their LOGs, benefits inquiry, claim follow-ups and even in comment and feedback sharing.

Our Doctor's App will soon be launched for our providers too, so doctors can have a smoother and faster way to file and monitor billings and have quick access to LOGs.

A Provider Portal which offers our accredited hospitals an online facility to file billings efficiently is in the works already.

We will advance our communication tools with the launch of a monthly newsletter, an enhanced social media presence and a responsive customer feedback mechanism or Net Promoter Score across key touchpoints.

As a first touch-base point, our website where people learn more about us and digitally connect with us will have a makeover with a better interface to make it more user-friendly. It will have new features where our customers can buy our products on the spot and do simple online transactions.

By continually expanding our medical network, more Filipinos will have access to health, financial security and protection wherever in the Philippines they may be. Our vision propelled us to reach wider and farther.

GETTING INVOLVED IN THE COMMUNITY

In an aim to brace our core beliefs, we thought of different ways to help, reach out and immerse ourselves both in our internal and external environments. As such, we are able to fully align our strategies and action plans in nation-building to make it a better place for everyone.

In 2021, our direction to support the government's Department of Education (DepEd) initiatives was spilled on to 2022. We opened our doors in aid of our teachers, the pandemic's unsung heroes, through our lending facility.

The first half of the year saw us collecting loan amortizations allowing us to refinance our lending operations for the teachers. By the 2nd half, we were able to re-contract sales and marketing consultants, credit evaluators, and 39 experienced DepEd sales associates as Managing Directors, Unit Managers and Financial Officers, to jump start the process. Through this, we were able to roll-out new loans to the country's educators.

TOUCHING BASE WITH OUR PEOPLE

In 2022 when the world started to open up we also did, primarily to and for each other. And as we put a premium on technology and innovation, we also ensured that the people in our organization receive the same accord, them being at the core of our business.

We have continually offered training programs to ensure employee development. Concurrent to this, we have been upgrading our employee benefits as we transitioned from a work-from-home to a hybrid system. We strictly implemented health and safety protocols as part of our culture of respect for each other. And as we came face-to-face, we reinforced our employee engagement with organization-wide activities such as the sportsfest and Christmas party, and honestly, it was touching to see everyone in person again.

OPENING PATHWAYS

We have taken important steps in our digital transformation changing the way we look at insurance. Capitalizing on our access to technological advancements, we were able to "Humanize Insurance" and take it to another level. The groundwork that we have been doing to give every Filipino an access to secure and protect their lives and properties through uncomplicated processes has brought us to innovate.

Behind the scenes, we rolled up our sleeves from planning and strategizing to actual implementation to bring insurance closer to people through technology. Our awards and recognitions did not come easy but were worth it. Despite the hurdles and threats from our external environment, our 2022 results were commendable. It was another excellent year for us and this is not something that we will take for granted. We will effectuate the necessary investment leeway to make insurance more viable in the future with our customers' benefit on top of our minds.

All this will not be possible without the steadfast partnership and encouragement of our Board, the indefatigable commitment of our Senior Management, the vigorous hard work of our colleagues and the staunch loyalty of our customers and partners.

Our goal remains unchanged, it is to make insurance understandable, accessible and affordable to all Filipinos. With a renewed vision and purpose, we will continue to base our strategies on our Core Beliefs. We are future-ready. Fellow shareholders, it is an honor to help lead this organization.

Best regards,

RICO BAUTISTA

Executive Director (2022-2023)
President and Chief Executive Officer

Products & Services

Group Insurance Product

Group Personal Accident

This plan provides a life insurance coverage renewable every year. The insurance is payable in case of death of the insured from any cause. The amount of insurance may vary according to either position/rank or salary.

Any of the following benefits can be attached to the Group Protect Plan:

1. Accidental Death & Dismemberment
2. Benefit Total & Permanent Disability Benefit Rider.

Group Protect

This plan provides a life insurance coverage renewable every year. The insurance is payable in case of death of the insured from any cause. The amount of insurance may vary according to either position/rank or salary.

Any of the following benefits can be attached to the Group Protect Plan:

1. Accidental Death & Dismemberment
2. Benefit Total & Permanent Disability Benefit Rider.

MedProtect

This plan is offered to executives, employees and staff designed to reimburse expenses incurred by the client if confined in a hospital or clinic. Room and board, hospital services, physician's fees and medicines are all covered in the Group MedProtect Plan.

Hospital Daily Income Benefit Rider

The client is provided a daily income during confinement due to sickness or injury.
The benefit is paid to a specified number of days.

Superior Hospitalization Benefit of Group MedProtect

1. Over 1600+ accredited hospitals and clinics nationwide including Makati Medical Center, St. Luke's Medical Center, Cardinal Santos Medical Center, Asian Hospital, UST Hospital, Medical City General Hospital & other major hospitals in key cities Nationwide.

2. Not limited to accredited hospitals & physicians. The planholder can opt to choose their own health practitioner.

3. No-Cash-Out Availment.

Group Credit Protect

The Group Credit Protect is a life insurance plan that gives creditors protection where the outstanding balance of a loan is paid in case of death of a debtor. This is normally procured by financial loan institutions. The amount of insurance is equivalent to the amount of the loan.

Individual Insurance Product

Our Gift
Our Endowment Plan

Our Gift is an endowment plan that provides a guaranteed education fund for your child's college tuition fee and other expenses at the same time provides you an insurance coverage for any unforeseen events.

Prosperity Plus
Our Peso Single Pay Variable Life Insurance Plan

The Prosperity Plus is a single pay variable life insurance plan that allows you to invest in a broad array of professionally managed funds by top-level fund managers paid in Philippine currency. This plan comes with a guaranteed life insurance policy as well.

Prosperity Shield
Our Peso Regular Pay Variable Life Insurance Plan

The Prosperity Shield is a regular pay variable life insurance plan in Philippine currency that prepares you for the future by building a significant amount of funds. Pay in as short as 5 or 7 years and you can increase investment anytime through top-ups.

Prosperity Spring
Our 10-Pay Variable Life Insurance Plan

The Prosperity Spring is a 10-pay variable life insurance plan in Philippine currency which provides insurance protection and coverage over the insured's life. It also allows them to participate in a broad array of professionally managed portfolios handled by top-level fund managers.

Prosperity Tiger
Our Dollar Single Pay Variable Life Insurance Plan

Prosperity Tiger is a single pay variable life insurance plan in US Dollars that allows you to invest in a broad array of professionally managed portfolios. This plan preserves your wealth so you can provide substantial inheritance for your loved ones.

Prosperity Tree
Our 10-Pay Variable Life Insurance Plan

The Prosperity Tree is a 3-pay variable life insurance plan in Philippine Currency with a short-term premium payment but with greater flexibility in your future benefits.

Variable Universal Life Riders
Our Regular Pay Policy Supplementary Plan

The Rider Plan is an additional benefit on your Prosperity Shield, Tree, and Spring . It provides you protection against any uncertainties. The plan is a specially tailored insurance benefit that can be added to your regular pay policy to provide extra coverage based on your needs.

Non-Life Insurance Product

Travel Assistance Plan

Our Travel Assistance Plan is designed to protect you against unforeseen events while traveling. It protects you against flight cancellation, medical emergency, emergency accommodations or vehicle accidents.

Comprehensive Car Insurance

Etiqa's Comprehensive Car Insurance is designed to protect and provide you with the financial assistance to pay for accidental loss and damage to the vehicle caused by accidental collisions, fire and lightning, theft and damage caused by natural catastrophes. It also provides assistance to cover liabilities that arise from damage to third-party vehicles, property, bodily injuries and death. The plan has an easy Claim and convenient Pay methods, and a 24/7 Road Assistance.

Vehicle Fleet Management

The Vehicle Fleet Management Insurance protects your fleet of motor vehicles against loss in the event of an accident, theft, or damage caused by natural occurrences so you can keep running your business. The plan comes with a 24/7 Road Assistance.

Residential Fire Insurance

Residential Fire Insurance's basic coverage is for fire and lightning. It also protects you against financial loss from property damages caused by earthquake, typhoon, flood, smoke, falling aircraft, vehicle impact, explosion, riot, strike and malicious damage.

Commercial Fire Insurance

The Commercial Fire Insurance protects you against financial loss from commercial property damages caused by earthquake, typhoon, flood, smoke, falling aircraft, vehicle impact, explosion, riot, strike and malicious damage. The basic coverage is fire and lightning.

eChannel Products

E-ZY Pneumonia
Our Pneumonia Financial Protection Plan

The E-ZY Pneumonia Plan offers financial assistance to cover the high-cost of confinement due to Community-Acquired-Pneumonia (CAP) with Accidental Death and Dismemberment Benefit for you and your family members. Pneumonia due to COVID-19 is covered in this plan.

E-ZY Dengue
Our Dengue Financial Protection Plan

The E-ZY Dengue Plan offers financial assistance to cover the high-cost of Dengue-related hospital confinement with Accidental Death and Dismemberment Benefit for you and your family members.

MyLife+ Plan
Our Health, Life and Accident Plan

The MyLife+ Plan covers health, life and accident protection for the whole family.

Regardless of the package that you choose, you and your family will have access to Etiqa's extensive network of 30,000+ doctors, 1,600+ hospitals and clinics including the country's top 6 hospitals: Asian Hospital Medical Center, St. Luke's Global City, St. Luke's QC, Makati Medical Center, The Medical City, and Cardinal Santos Medical Center.

To know more about any of Etiqa PH's products, please visit **www.etiqa.com.ph**

Board of Directors & Board of Committees

Board of Directors

The Board of Etiqa Philippines comprises Seven (7) members as of 31 December 2022, of whom Four (4) are Independent Non-Executive Directors, Two (2) are Non-Independent Non-Executive Directors and One (1) Executive Director. Director Kamaludin Bin Ahmad served as the Chairman of the Board until his resignation on 16 June 2022. He was replaced by Director Mohd Din Bin Merican after his appointment and election in June 2022 as Independent Director and Chairman of the ELGAP Board. Director Ma. Victoria C. Viñas served as a Member of the Board until the end of her 9-year term as Independent Director on 14 March 2022. The membership composition of the ELGAP Board as of 31 December 2022 is as follows:

Chairman: Mohd Din Bin Merican (INED)
Vice Chairman: Loh Lee Soon (INED)
Members:
Rico T. Bautista (ED)
Manuel N. Tordesillas (NINED)
Eulogio A. Mendoza (NINED)
Ricardo Nicanor N. Jacinto (INED)
Helen T. De Guzman (INED)

ELGAP's Board held Six (6) board meetings during the financial year that ended on 31 December 2021. All the directors, including the President and Chief Executive Officer, attended all Board meetings. All of the Directors were also present in the Annual Shareholders' Meeting held on 15 March 2022.

Directors	02/18/2022	03/15/2022	06/16/2022	08/03/2022	09/12/2022	11/28/2022	Total no. of meetings
Mohd Din Bin Merican				✓	✓	✓	3
Loh Lee Soon	✓	✓	✓	✓	✓	✓	6
Rico T. Bautista	✓	✓	✓	✓	✓	✓	6
Manuel N. Tordesillas	✓	✓	✓	✓	✓	✓	6
Eulogio A. Mendoza	✓	✓	✓	✓	✓	✓	6
Ricardo Nicanor N. Jacinto	✓	✓	✓	✓	✓	✓	6
Helen T. De Guzman	✓	✓	✓	✓	✓	✓	6
Kamaludin Bin Ahmad	✓	✓	✓				3
Ma. Victoria C. Vinas	✓						1
TOTAL	8	7	7	7	7	7	

Atty. Raul Hebron
Corporate Secretary

Atty. John James Tamares
Assistant Corporate Secretary

Profile of the Board of Directors

MOHD DIN BIN MERICAN

Independent Director
Chairman of the Board (June 2022 - 2023)

Date of Election	**16 June 2022**
Board Meeting Attendance	**3/3 (100%)**
Citizenship	**Malaysian**

Currently, En. Din Merican is an Independent Non-Executive Director of Etiqa Family Takaful Berhad (EFTB) and Etiqa General Insurance Cambodia (EGIC). En. Din Merican has over 35 years of experience in the insurance industry.

He started his insurance career in August 1985 after graduation and since then has held various management positions in the industry, including as Principal Officer of Scor Switzerland Ltd. (formerly known as Converium Ltd.), Labuan branch from 2000 to 2008.

Thereafter, En. Din Merican joined Etiqa as Chief Operating Officer of MAHB and Chief Executive Officer ("CEO") of Etiqa Insurance Berhad from November 2008 to December 2011. He subsequently left Etiqa to become the President & Group CEO of MNRB Holdings Berhad from January 2012 until November 2020. En. Din Merican holds a Bachelor of Commerce (Honours) degree from Carleton University, Ottawa, Canada. He has been an Associate of the Malaysian Insurance Institute since 1991.

LOH LEE SOON

Independent Director
Vice Chairman of the Board (2022-2023)

Date of Re-Election	**15 March 2022**
Board Meeting Attendance	**6/6 (100%)**
Citizenship	**Malaysian**

Mr. Loh Lee Soon has over 35 years of experience in the professional accounting, finance, and management consulting fields in the United Kingdom ("UK") and South East Asia. He started his career with Peat Marwick Mitchell & Co. in the UK from 1974 until 1982. Thereafter, he established his auditing and information technology consultancy firm in Malaysia in 1984. He has worked for several major Malaysian corporations, like KPMG Consulting, Oracle Corporation Malaysia, and UEM Group, specializing in information technology and management consulting.

Mr. Loh's experience in technology includes providing banking front office solutions; technology strategy consulting services in association with Stanford Research Institute (SRI) International; as Director of IT Consulting for KPMG Consulting in Malaysia and Asia Pacific; Director for e-Business Solutions for Oracle Malaysia; and IT project management for major Malaysian corporations involved in property development, gaming, and expressway operations. Mr. Loh is also a freelance Consultant with a Training Facilitator, the key clients include large Malaysian corporates such as Magnum Corporation Berhad, Magnum 4D, Bandar Raya Developments Bhd, Guocoland Berhad, Malaysian Venture Capital Management, Juris Technologies Sdn Bhd, Microsoft Malaysia, Ship'n'Track Sdn Bhd.

Amongst his notable achievement, he wrote a novel on organizational politics entitled "Daggers in the Shadows".Mr. Loh received his Malaysia Certificate of Education at SMJK St. George, Taiping, Perak, Malaysia, in 1971, and his "A" Levels at National Junior College in Singapore in 1973. In 1976, he obtained Foundation in Accountancy at John Moores University in Liverpool.

He is also a Member of the Malaysian Institute of Accountants and the Institute of Chartered Accountants in England and Wales.

RICO T. BAUTISTA

Executive Director (2022-2023)
President and Chief Executive Officer

Date of Re-Election	**15 March 2022**
Board Meeting Attendance	**6/6 (100%)**
Citizenship	**Filipino**

Mr. Rico T. Bautista is a veteran in the insurance industry in the Philippines and an accomplished Senior Executive who has 20 years of successful general management, business operations, sales management, and business building experience. He is highly skilled in growing the business with an emphasis on increasing new business accounts and decreasing the operational expense ratios. He has experience in coming up with business strategies for the company to execute and implement improvements in business processes, particularly in sales and operations processes.

He is a visionary, goal-oriented, and passionate person. He comes forth as a people-oriented, assertive, as well as results and teamwork-oriented individual. He is naturally driven and proactive and demonstrates strong planning and follow-up skills. His strengths include leadership, relationship building, and strong experience in insurance and bancassurance. As a leader, he is inclusive and believes in the importance of teamwork, cohesiveness, mentoring, and coaching.

He was previously connected as Vice President for Segment Strategy and Customer Management of BPI-Philam, Vice President and Director of Agencies of Philam Life, Vice President and Sales Director of PruLife UK, Senior Assistant Vice President and Division Head of Insular Life, Area Director for the Philippines and Indonesia of Regus Business Center and Vice President in Sales of Philam Plans. He is a registered financial planner and a fellow of the Life Management Institute (LOMA). He completed his Bachelor of Arts major in Philosophy at the University of Santo Tomas (UST).

MANUEL N. TORDESILLAS

Non-Executive Director (2022-2023)

Date of Re-Election	**15 March 2022**
Board Meeting Attendance	**6/6 (100%)**
Citizenship	**Filipino**

Mr. Manuel N. Tordesillas has over 35 years of experience in international and local investment banking. Over the last 13 years, he has led all of ATR KimEng's engagements in initial public offerings, private equity, debt placements, and financial advisory services, including mergers and acquisitions, asset buybacks, and corporate restructurings. Under his leadership, ATR KimEng was awarded "Best Domestic Equity House" by Finance Asia in 2008 and 2011, "Best Domestic Equity House" by The Asset in 2009, and "Best Domestic Equity House" by AsiaMoney in 2009.

His membership in Professional Societies include: President, Investment House Association of the Philippines (IHAP); Member of the Board of Advisors of De La Salle University College of Business and Economics. His professional record includes: President and Chief Executive Officer, ATR KimEng Financial Corp., Manila, Philippines. (1998 to Present); President and Chief Executive Officer, Peregrine Capital Philippines, Inc. (1995 to 1998); Executive Director – Corporate Finance, Head of Equity Capital Markets, Peregrine Capital Limited, Hong Kong. (1991 to 1995); Executive Director – Cross-Border Corporate Finance, Citicorp International Limited, Hong Kong. (1985-1991); Assistant Vice President, BPI International Finance Ltd., Hong Kong. (1982-1985); Senior Assistant Treasurer, Head of Equities and Bond Origination, Bancom Development Corp., Manila, Philippines. (1976-1980).

He completed his Masters of Business Administration at Harvard Business School in 1982) and his Bachelor of Science in Industrial Management Engineering (with Honors) at De La Salle University in 1975.

EULOGIO A. MENDOZA

Non-Executive Director (2022-2023)

Date of Re-Election	**15 March 2022**
Board Meeting Attendance	**6/6 (100%)**
Citizenship	**Filipino**

Mr. Eulogio A. Mendoza is currently the Chairman and President of the following companies: ATRKE Philippine Balanced Fund, Inc., ATRKE Equity Opportunity Fund, Inc., ATRKE Alpha Opportunity Fund, Inc., ATR KimEng AsiaPlus Recovery Fund, Inc., and ATR KimEng Total Return Bond Fund, Inc.

His professional record includes: President of Asianlife and General Assurance Corporation (now Etiqa Life and General Assurance Philippines, Inc.); Incorporator of PhilamCare Health Systems, Inc. (an AIG HMO), and member of the Board of Directors; Incorporator of Philam Plans, Inc. (an AIG Pre-need Company), and member of the Board of Directors; President and CEO of The Pan Philippine Life Insurance Corporation (now Philippine AXA Life); Vice-President of the Philippine American Life Insurance Company, Inc. (an AIG company) and President and CEO of GE Life Insurance Company and then ATR Professional Life Assurance Corporation.

He earned the title Fellow, Life Management Institute (FLMI) from the Life Office Management Administration (LOMA) and obtained his Master of Arts in Business Administration from the Ateneo Graduate School of Business and both his Master of Arts in Philosophy cum laude and Bachelor of Science in Philosophy cum laude from the University of Santo Tomas. He was formerly President of Philippine Life Insurance Association (PLIA), an association of all life insurance companies in the Philippines.

RICARDO NICANOR N. JACINTO

Independent Director (2022-2023)

Date of Re-Election	**15 March 2022**
Board Meeting Attendance	**6/6 (100%)**
Citizenship	**Filipino**

Mr. Ricardo N. Jacinto is the Vice-Chairman of SBS Philippines Corporation (a publicly-listed corporation) and also acts as a director of its subsidiary, SBS Holdings and Enterprise Corporation. He is likewise an independent director of the Metro Retail Stores Group, Inc. and an executive director of the Torre Lorenzo Development Corporation. His previous directorships were at the Manila Water Corporation and the Socialized Housing Finance Corporation, a government owned and controlled corporation (GOCC). Apart from his private sector directorships, Ricky also serves as a Trustee of the Institute of Corporate Directors where he is also a highly-rated lecturer and facilitator for the organization's director training seminars and strategic planning workshops that cater to the needs of publicly-listed companies, privately-held family firms and GOCCs. Ricky also serves as the Treasurer and Trustee of the Judicial Reform Initiative, a not-for-profit corporation which advocates reforms in the judiciary with particular emphasis on its impact on business and the economy.

He also recently joined the faculty of the MBA program of the University of the Philippines Virata School of Business in Bonifacio Global City as a lecturer. His work experience spans over 26 years. From 1997-2011, he worked in various capacities at Ayala Corporation. From 1997-2004, he was seconded to Ayala Land, Inc. as Vice President for the Land and Community Development Group where he was responsible for leading several expansion projects, overseeing the land acquisition and development of various high-end subdivisions such as Nuvali, Westgrove Heights, Paseo de Magallanes, Ayala Southvale and Ayala Heights. Prior to joining Ayala, he worked at Bankers Trust Company (Manila OBU) and AB Capital and Investment Corporation. Ricky received a degree in Business Economics (magna cum laude) from the University of the Philippines in 1982. In 1986 he obtained his Master's degree in Business Administration from the Harvard Business School. Ricky has continued his professional development by attending executive education courses at Harvard and IESE in Barcelona.

HELEN T. DE GUZMAN

Independent Director (2022-2023)

Date of Re-Election	**15 March 2022**
Board Meeting Attendance	**6/6 (100%)**
Citizenship	**Filipino**

Ms. Helen T. De Guzman has more than 30 years of experience in managing risk-based internal audit activities and overseeing accounting, tax management, and risk management functions. She has held various directorship positions in Miescor Builders, Inc., Customer Frontline Solutions, Inc., and the Philippine Institute of Certified Public Accountants, Institute of Internal Auditors, Philippines, and the Asian Confederation of Institutes of Internal Auditors. Ms. De Guzman is a seasoned chief audit executive and a former external auditor. In addition, she has work experience in senior executive positions in comptrollership, treasury, and general management in various companies, which include Metro, Inc., Computer Information System, Inc., and the Manila Electric Company ("Meralco").

Ms. De Guzman is currently an Independent Member of the Audit Committee of the Peace and Equity Foundation Inc., Treasurer of Couples for Christ Global Mission Foundation, Inc., and a teaching Fellow and Chairperson of the Board Diversity and Inclusion Committee of the Institute of Corporate Directors. She is also an independent director of SBS Philippines Corporations and Chairperson of the Audit and Risk Oversight Committee. From 1986-2018, she worked in various capacities at Meralco in particular in Treasury Operations, Internal Audit, and Comptrollership. From 2000-2008 and 2011-2018, she was appointed as Chief Audit Executive (CAE) where she was responsible for the performance of the audit activity in the Meralco group. Prior to joining Meralco, she worked at Metro, Inc. and Carlos J. Valdes & Co. CPAs. Ms. De Guzman received a degree in Commerce, majoring in Accountancy, from the University of Santo Tomas in 1979. In 2001, she obtained her Executive Master's degree in Business Administration from the Asian Institute of Management and in 2017, undertook the certificate program on "Women on Boards: Succeeding as Corporate Director" from the Harvard Business School. Ms. De Guzman is a certified public accountant, certified internal auditor and has global certification on risk management assurance.

KAMALUDIN BIN AHMAD

Chairman of the Board (until June 2022)
Non-Independent Non-Executive Director (NINED)

Date of Re-Election	**15 March 2022**
Date of Resignation	**16 June 2022**
Board Meeting Attendance	**3/3 (100%)**
Citizenship	**Malaysian**

Mr. Kamaludin Ahmad was appointed as Chief Executive Officer (CEO) of Maybank Ageas Holdings Berhad and Group Chief Executive Officer of Insurance & Takaful, Maybank Group effective 1 December 2013.

He is responsible for driving and managing the overall strategy, profitability, and growth of the Group's Insurance and Takaful business represented by Etiqa Group in Malaysia and the ASEAN region. Aside from managing the life/family and general businesses, his teams also oversee the investment, commercial, corporate planning, risk management, and IT decisions pertaining to the Insurance & Takaful operations. Etiqa aspires to be the leading ASEAN insurer driven by its 2023 purpose statement, which is "To Make the World a Better Place," focusing in four focus areas: (i) Providing advice that puts the customer's interest first; (ii) Creating a Fast and Easy customer experience; (iii) Driving technology across the organization; and (iv) Keep only highly effective people. Mr. Kamaludin joined Maybank Group as CEO of Etiqa Insurance Berhad on 4 June 2012 to drive Etiqa's conventional insurance business. Prior to joining Etiqa, he was with UEM Group as Head of Corporate Strategy and Performance. He was with AIG for 15 years, where he left as Regional VP, Asia Pacific. He has also served with Bank Negara Malaysia, Securities Commission Malaysia, and Am Investment Bank. Currently, he is also a Director of Etiqa Insurance Pte. Ltd. (incorporated in Singapore), Chairman of the Board of Commissioners of PT Asuransi Etiqa Internasional Indonesia, Director for Etiqa General Insurance (Cambodia) Plc., and Chairman of Etiqa Life and General Assurance Philippines, Inc. (incorporated in the Philippines).

He holds a Bachelor of Science (Hons) in Actuarial Science from the University of Kent, Canterbury, England, and is a member of the Institute of Actuaries of England.

MA. VICTORIA C. VIÑAS

Independent Non-Executive Director (INED)

Date of Last Re-Election	**16 March 2021**
End of 9-year Term as ID	**14 March 2022**
Board Meeting Attendance	**1/1 (100%)**
Citizenship	**Filipino**

Ms. Ma. Victoria C. Viñas held directorships in Maybank ATR KE Capital and ATRKE Asset Management, Inc. An independent fund manager, she manages and advises various trust funds of high net worth individuals, institutions, foundations, nongovernment organizations, religious orders, congregations, dioceses, and corporations. She is currently the Director & President of Anita Realty & Dev. Corp.; Director & Corporate Secretary of Quorum Int'l., Inc. (Toby's Sports); Director of Sports Resource, Inc.; Trustee of De La Salle Santiago Zobel School; Trustee of La Consolacion College Manila; and a Member of the Finance & Investments Committee of De La Salle Brothers, Inc.

She was formerly from San Miguel Corporation, where she was Senior Vice President for Corporate Finance/Retirement Funds. Ms. Viñas earned her Bachelor of Arts degree in Economics, cum laude, from Maryknoll College. She attended Investment Management and Pension Funds & Money Management programs at the University of Pennsylvania Wharton Business School and Stock Market Dynamics at the University of California-Berkley.

The Board Committees

To aid in complying with the principles of good corporate governance, the Board constituted the following Committees:

Audit Committee of the Board (ACB)

The ACB exercises oversight over the company's financial reporting, internal control system, and internal and external audit processes. The ACB is responsible for overseeing the senior management in establishing and maintaining an adequate, effective and efficient internal control framework. It ensures that systems and processes are designed to provide assurance in areas including reporting, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets.

The Committee is composed of Three (3) Members, all are Independent Non-Executive Directors including the Chairperson. All members of the Committee have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance. Director Ma. Victoria C. Viñas served as the Chairperson of the ACB until the end of her 9-year term as Independent Director on 14 March 2022. Membership composition of ACB as of 31 December 2022 is as follows:

Chairperson: Loh Lee Soon (INED)
Members:
Ricardo Nicanor N. Jacinto (INED)
Helen T. De Guzman (INED)

ELGAP's Audit Committee held five (5) meetings via videoconferencing in 2022. The Chairperson of the Committee and the Committee Members were all present on the dates of board committee meetings.

Directors	02/11/2022	03/08/2022	06/07/2022	08/25/2022	11/17/2022	Total no. of meetings
Loh Lee Soon (Chairperson)	✓	✓	✓	✓	✓	5
Ricardo Nicanor Jacinto	✓	✓	✓	✓	✓	5
Helen T. De Guzman			✓	✓	✓	3
Ma. Victoria C. Vinas	✓	✓				2
TOTAL	3	3	3	3	3	

Corporate Governance Committee (CGC)

The CGC is tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee. The CGC is likewise tasked to ensure compliance with and proper observance of corporate governance principles and practices.

The Committee is composed of Three (3) Members, all are Independent Non-Executive Directors including the Chairperson. Director Ma. Victoria C. Viñas served as a Member of the CGC until the end of her 9-year term as Independent Director on 14 March 2022. Membership composition of CGC as of 31 December 2022 is as follows:

Chairperson: Ricardo Nicanor N. Jacinto (INED)
Members:
Loh Lee Soon (INED)
Helen T. De Guzman (INED)

ELGAP's Corporate Governance Committee held three (3) meetings via videoconferencing in 2022. The Chairperson of the Committee and the Committee Members were all present on the dates of board committee meetings.

Directors	03/07/ 2022	06/09/ 2022	08/015/ 2022	Total no. of meetings
Ricardo Nicanor Jacinto (Chairperson)	✓	✓	✓	3
Loh Lee Soon	✓	✓	✓	3
Helen T. De Guzman		✓	✓	2
Ma. Victoria C. Vinas	✓			1
TOTAL	3	3	3	

Related Party Transactions Committee (RPTC)

Related Party Transactions Committee (RPTC)

The RPTC is primarily tasked with reviewing all material related party transactions of the company. The Committee is composed of Three (3) Members, all are Independent Non-Executive Directors including the Chairperson. Membership composition of RPTC as of 31 December 2022 is as follows:

Chairperson: Ricardo Nicanor N. Jacinto (INED)
Members:
Loh Lee Soon (INED)
Helen T. De Guzman (INED)

ELGAP's Related Party Transactions Committee held one (1) meeting via videoconferencing in 2022. The Chairperson of the Committee and the Committee Members were all present on the date of board committee meeting.

Directors	11/14/ 2022	Total no. of meetings
Ricardo Nicanor Jacinto (Chairperson)	✓	1
Loh Lee Soon	✓	1
Helen T. De Guzman	✓	1
TOTAL	3	

Board Risk and Compliance Oversight Committee

The BRCOC is primarily responsible for the oversight of a company's Enterprise Risk Management system to ensure its functionality and effectiveness, and compliance with applicable laws and regulations.

Enterprise risk management is integral to an effective corporate governance process and the achievement of a company's value creation objectives. Thus, the BRCOC has the responsibility to assist the Board in ensuring that there is an effective and integrated risk management process in place. With an integrated approach, the Board and top management will be in a confident position to make well-informed decisions, having taken into consideration risks related to significant business activities, plans and opportunities.

The Committee is composed of Three (3) Members, all are Independent Non-Executive Directors including the Chairperson. Membership composition of BRCOC as of 31 December 2022 is as follows:

Chairperson: Helen T. De Guzman (INED)
Members:
Loh Lee Soon (INED)
Ricardo Nicanor N. Jacinto (INED)

ELGAP's Board Risk and Compliance Oversight Committee held five (5) meetings via videoconferencing in 2022. The Chairperson of the Committee and the Committee Members were all present on the dates of board committee meetings.

Directors	03/07/ 2022	06/03/ 2022	08/12/ 2022	09/06/ 2022	11/16/ 2022	Total no. of meetings
Helen T. De Guzman (Chairperson)	✓	✓	✓	✓	✓	5
Loh Lee Soon	✓	✓	✓	✓	✓	5
Ricardo Nicanor Jacinto	✓	✓	✓	✓	✓	5
TOTAL	3	3	3	3	3	

Management Committee

Our Management Team

Working together behind and on the scene, our Management Team effectively plans, executes and manages Etiqa Philippines' business strategies. Through the combined thinking, skills, and oversight of these expert individuals, we are able to take positive actions that are aligned with our regional head office in Malaysia towards our common vision and purpose.

Rico T. Bautista
President and CEO

Howard B. Laurente
Chief Financial Officer

Atty. Raul M. Hebron
Corporate Secretary and General Counsel

Glenn Warren B. Navea
Head, Group and General Insurance

Marcelino V. Dailo Jr.
Head, Retail Insurance

Rogelio M. Sotelo
Head, Group Sales

Ariel S. Meneses
Head, Operations and Service Excellence and Chief Actuary

Hazel Francisca R. Don
Head, Human Capital

Gladys G. Pascual
Head, Strategy and Transformation

Christian Joseph M. Legaspi
Head, Digital and Technological Services

Ma. Luisa C. Mamaril, MD
Head, Medical Operations

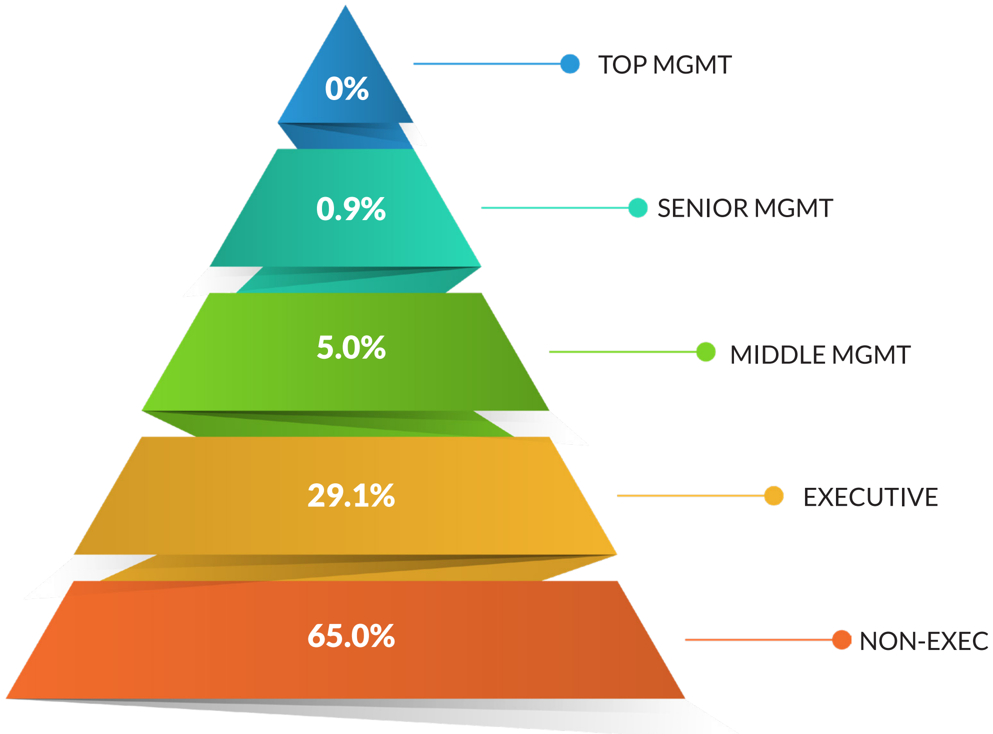
Manuel Jose M. Tordesillas II
Head, E-Channel

Snapshot of Etiqa Workforce

Job Type Distribution

Front Office	Middle Office	Back Office
15%	42%	43%

Work from Home	Work on Site
177	146



Overall Etiqa Philippines

Our Employees Overview

Etiqa Philippines' employees are the core of our business. We recognize the importance of their contribution to the overall growth of our organization. As we empower our staff so they are able to direct their individual careers for the collective good, we also enhance our internal leadership pipeline.

We believe that learning never stops that is why training is offered at every level focusing on technical, personal, managerial and leadership competencies. Integrated in our employee upskilling programs are certifications and training, workshops and eLearning courses. We support our employees so they can skillfully navigate their work enabling them to help our customers to do the same.

Our learning tools are extended to our staff and employees for overall development all year round. Empowering them with the right tools, resources and processes will create a more productive environment enabling us to assist their career growth through lateral or vertical moves.

Trainings for executives

The value we place on our coaching, mentoring, senior management engagement, special projects and International Assignment programs keeps us learning from each other.

Maybank's M25 Unlimited Potential (M25UP) – a COMPULSORY Upskilling & Uptooling programme for Maybank Leaders & Managers. This programme, a collaboration with the Asia School of Business, is a progressive leadership developmental journey which combines classroom experiential activities, industry insights and action learning assignments. The strategic intent for this programme is to ensure our Leaders & Managers are fully up to the task to deliver our M25 strategic plan, in addition to acquiring a strong digital, customer-focused and sustainability mind-set. The programme aims:

- To enhance and retool our Leaders & amp; Managers' capabilities to be more digitally inclusive, dynamic and solution-oriented.
- To equip our Leaders & amp; Managers with the ability to course-correct in an agile manner in their thinking and behaviour in response to changing circumstances and overcome many ambiguous situations via hybrid work environment, using new tools now available.

Trainings for employees

We integrated various learning tools to accommodate different employee educational needs particularly 35% of our staff were still working from home until the end of 2022.

Our learning programmes are:

- Compliance Webinars – Data Privacy, ABC Policy and Procedures, Revised Anti-Bribery and Corruption Policy and Procedures, Data Encryption Trainings, etc.
- Weekly Sharing Sessions
- E-Learning Series – Embracing our purpose and core beliefs
- Harvard ManageMentor
- Sustainability

Health, Safety and Employee Welfare Policy

We recognize that people is our most valuable asset. Our investment in their health and safety, and overall welfare remains to be at the forefront of our business strategies.

Employee experience and wellness is a vital part of our Human Capital structure that are essential to drive satisfaction and overall well-being giving us better leaders, more effective managers, smarter decisions, and a greater return on investment.

Health, Safety

- Saliva Tests are distributed every two weeks to ensure safety in the office.
- Webinars are offered on topics about mental health and other medical issues.
- Vaccination on flu and pneumonia, COVID-19 vaccine and booster shots are provided for the employees and their dependents.
- Annual Physical Examinations

Employee Welfare

- Enhanced Group Medical Benefit
- Enhanced Medical, Dental and Optical Reimbursement Benefit
- Block Leaves
- Emergency Leaves
- No Zoom Fridays have been effected for work-life balance.
- Mobile Workforce Arrangement (MWFA) or Work-From-Home

Employee Engagements

- Sportsfest
- Christmas party
- BEA 2022
- MGEE 2022

Our Rewards and Compensation Policy

We are aligned with Maybank Group's "Reward Right" principles for our Total Rewards framework to drive positive outcomes and deliver business targets.

- **Base Pay + Guaranteed Bonuses**

  We give guaranteed bonuses on top of their base pay.

- **Variable Bonus**

  We compensate achievements with a non-fixed monetary reward.

- **Long Term Incentive Plan**

  We honor loyalty through our Employees' Share Grant Program for people who have stayed with us long-term and contributed to the company's growth.

- **Benefits and Allowances**

  We provide our employees with financial protection, Group Life, Group Hospitalization, medical and dental reimbursement, Retirement Benefit, annual leaves, paid-time-off, long term service awards, work life balance, and more.

- **Development, Mentoring, Cross Postings, Career Opportunities and International**

  We offer opportunities for employees to grow in their careers across our different businesses and geography.

Corporate Governance

CORPORATE GOVERNANCE PRACTICES UNDER THE CODE

This Corporate Governance Overview Statement sets out a summary of Etiqa Philippines' corporate governance practices during FY2022. As at 31 December 2022, Etiqa Philippines has applied all recommended practices in the Revised Code of Corporate Governance for Insurance Commission Regulated Companies (IC-Circular Letter No. 2020-71) save for Recommendation 8.4 with regard to disclosure of individual remuneration of directors and executives, and Recommendation 13.4 with regard to alternative dispute mechanism to resolve intra-corporate disputes.

The application of each practice in the Revised Code of Corporate Governance is disclosed in Etiqa Philippines' Annual Corporate Governance Report (ACGR) which is available on Etiqa Philippines' corporate website at www.etiqa.com.ph/corporate-governance.aspx.

BOARD LEADERSHIP AND EFFECTIVENESS

THE ROLE OF THE BOARD

The business and affairs of the Company are managed under the direction and oversight of its Board which also has the responsibility to periodically review and approve the overall strategies, business, organization and significant policies of the Company. The Board also sets the Company's core values and adopts proper standards to ensure that the Company operates with integrity and complies with the relevant rules and regulations. The Board has the responsibility to approve and periodically review the overall business strategies and significant policies of the Company, premised on sustainability and promoting ethical conduct in business dealings, understanding the major risks faced by the Company, setting acceptable levels of risk taking and ensuring that senior management takes the steps necessary to identify, measure, monitor and control these risks. The Board also approves the organizational structure and ensures that senior management is monitoring the effectiveness of the internal control system. A description of the roles and responsibilities of the Board can be found in our Board Charter which is available on Etiqa Philippines' corporate website at www.etiqa.com.ph/corporate-governance.aspx.

The Company has a Code of Ethics and Conduct Policy that sets out sound principles and standards of good practice in the insurance industry that will guide all its employees in discharging their duties. Aside from the standards, the Code also includes certain clauses which will continue to apply to the employees even after they have ceased employment with the Company.

The Board also has a formal schedule of matters specifically reserved for its decision, details of which can also be found in our Board Charter which is available on Etiqa Philippines' corporate website at www.etiqa.com.ph/corporate-governance.aspx.

BOARD SIZE, COMPOSITION AND DIVERSITY

As at 01 January 2022, Etiqa Philippines' Board is composed of eight (8) members, four (4) of who are independent and non-executive, three (3) are non-independent and non-executive, and one (1) is non-independent and executive of the Company. Each Director holds one common share. In March 2022, Ms. Ma. Victoria C. Vinas reached the 9-year term limit for independent directors. The stockholders of the Company then reelected the remaining seven (7) directors as members of Etiqa Philippines Board for 2022-2023 during the Annual Shareholders' Meeting held on 15 March 2022.

In line with the Group's objective to have a majority of independent non-executive directors in the boards of its subsidiaries, the members of the Board elected Encik Mohd Din Bin Merican as new Independent Director. He also replaced Encik Kamaludin Bin Ahmad as the new Chairman of the Board following the latter's resignation. With this appointment, the Board of Etiqa Philippines comprises the following: (i) Executive Director (ED) – 14.3% (1 out of 7), (ii) Independent Non-Executive Directors (INEDs) – 57.1% (4 out of 7), and (iii) Non-Independent Non-Executive Directors (NINEDs) – 28.6% (2 out of 7) as at 31 December 2022.

The Company's President and Chief Executive Officer (PCEO) is the only ED on the Board, while the two (2) NINEDs, in addition to the President, are nominees of Maybank Capital Inc. (formerly Maybank ATR Kim Eng Capital Partners, Inc.) and Etiqa International Holdings Sdn Bhd. The Board is committed in maintaining diversity and inclusion in its composition and decision-making process. In this regard, the Board considers diversity from a number of different aspects, including gender, age, cultural and educational background, nationality, professional experience, skills, knowledge and length of service.

As at 01 January 2022, women directors represented 25% of members of the Board. There are two foreign nationals on the Board (28.6%), Encik Mohd Din Bin Merican and Mr. Loh Lee Soon, both Malaysians by end of December 2022.

SEPARATION OF ROLES OF THE CHAIRMAN AND PCEO

The roles and responsibilities of the Chairman and the PCEO are separated by a clear division of responsibilities which are defined and approved by the Board in line with best practices to ensure the appropriate supervision of management. This distinction allows for better understanding and distribution of jurisdictional responsibilities and accountabilities. The clear hierarchical structure with its focused approach, facilitates efficiency and expedites informed decision-making.

Board Effectiveness Evaluation (BEE)

The effectiveness of the Board is vital to the success of the Company. The Board conducts its rigorous evaluation process for FY2022 to assess the performance of the Board, Board Committees and each individual Board member. In compliance with the IC-issued Revised Code of Corporate Governance, the BEE will be conducted by an independent firm of consultants once every three years starting 2023. The BEE for FY2022 was conducted internally (with the assistance of the local Corporate Secretarial Department) via questionnaires to evaluate the effectiveness of the Board and Board Committees and the performance, personality and quality aspects of individual directors as well as independence of INEDs.

Taking into consideration the M25 Plan of the Maybank Group, the questionnaire was supplemented with assessments on conflict of interest, ESG priority topics and trainings.

The overall results of the BEE conducted for FY2022 were positive with all evaluated areas rated as either "strong" or "satisfactory" reflecting strong performance by the Board and Board Committees.

Among the key strengths identified were as follows:

- Collegiality in decision making and openness to ideas
- Diversity in age, background, skills and experience of directors
- Benefit of a regional perspective and the access to best practices from other countries
- Financial and non-financial reporting
- Communication between ELGAP and regulators
- Managing Conflict of Interest
- Board interaction and communication with Management
- Business Conduct
- Effectiveness in Managing Group Medical Business

Apart from the above, the Board has also identified the following key areas for further enhancement in the future:

- Technology and Digitalization
- ESG Training
- Sustainability Strategies, priorities and targets
- Progress against the achievement of sustainability targets
- Setting KPI's for the Management
- Communication with ELGAP's stakeholders
- Directors Learning and Development Programme
- Driving culture of compliance and ethics
- Crisis and business continuity management
- Board meeting documents
- Manual Processes

DIRECTORS' TRAINING

The Board acknowledges the importance of continuing education for the Directors to ensure that they are well equipped with the necessary skills and knowledge to perform their duties and meet the challenges facing the Board. During FY2022, all the Board members attended various training programmes and workshops on issues relevant to the Maybank Group, including a tailor-made ESG programme conducted by an international independent academic institution.

Apart from the above, the Board has also identified the following key areas for further enhancement in the future:

- Global Financial Markets
- Trends & Developments
- Managing External Fund Managers
- Deep-dive on Risk Management Metrics
- ESG Initiatives

REMUNERATION OF THE BOARD OF DIRECTORS AND OFFICERS

The Maybank Group NRC is authorized by the Maybank Board to develop and implement formal and transparent procedures in developing Maybank and all subsidiaries' remuneration policy for its Directors by ensuring that their compensation is competitive and consistent with industry standards. The Group NRC has established a remuneration framework for the NEDs (NED Remuneration Framework) which is subject to periodic review.

In line with this principle, a Board Remuneration Review (BRR) is conducted annually, and periodically with the assistance of an independent international firm of consultants. Since the Maybank Board had appointed an independent firm of consultants to conduct the BRR, the BRR for FY2022 was conducted internally (with the assistance of the local Corporate Secretarial Department). The main objective of the internal BRR was to verify and refresh the data provided by said consultants and to assess whether the NEDs' remuneration is still competitive.

Pursuant to the BRR undertaken, the Maybank Board found that the structure and level of fees and benefits accorded to the Chairman and NEDs of Etiqa Philippines are found to be aligned to lower quartile of the market. After reviewing the findings of the BRR, the Maybank Board has recommended to increase the board and board committee fees by 30% to align with the market median. The recommendation was approved by the stockholders of Etiqa Philippines during the Annual Shareholder's Meeting held on 15 March 2022.

In accordance to Etiqa Philippines' By-Laws, each Director shall receive a reasonable per diem allowance for his actual attendance at each meeting of the Board of Directors. An additional compensation or allowance shall be given should a director serve as a member of a committee or committees of the Company. In addition to their regular per-diems the transportation and hotel accommodations of non-Filipino Directors are paid or reimbursed by the Company.

Total annual compensation of directors for FY2022 amounted to PhP3,970,002.00.

ONBOARDING PROGRAMME

A comprehensive induction programme has been established to ease new Directors into their role and to assist them in their understanding of the Company's business strategy and operations. New Directors are required to attend the onboarding programme as soon as possible once they have been appointed. Typically, the programme includes intensive sessions with the PCEO, wherein new Directors will be briefed and updated on business operations, as well as challenges and issues faced by the Company. During FY2022, Encik Mohd Din Bin Merican participated in the induction programme via video-conferencing.

DIVIDEND POLICY

Dividends may be declared from the surplus profits arising from the business of the Company at such time and in such percentage as the Board may deem proper. No dividends may be declared that will impair the Company's capital. Dividends shall be declared in accordance with the law.

Remuneration Policy for the CEO:
An annual review of the remuneration of the PCEO, both fixed and variable, is submitted to the Corporate Governance Committee for the board's recommendation and approval.

EFFECTIVE AUDIT AND RISK MANAGEMENT

INTERNAL CONTROL AND RISK MANAGEMENT

The Company has a comprehensive system of internal controls in place, designed to ensure that risks are mitigated and that the Company's objectives are attained. The Board recognizes its responsibility to present a fair, balanced and understandable assessment of the Company's position and prospects. It is accountable for reviewing and approving the effectiveness of internal controls operated by the Company, including financial, operational and compliance controls, and risk management.

The Board recognizes its responsibility in respect of the Company's risk management process and system of internal control, and oversees the activities of the Company's external auditors and the Company's risk management function which have been delegated to the Audit Committee of the Board (ACB), and Board Risk and Compliance Oversight Committee (BRCOC).

STAKEHOLDER ENGAGEMENTS

ANNUAL STOCKHOLDERS' MEETING

The ASM is a primary platform for two-way interaction between shareholders and the Board with the support of its senior management. In view of the prolonged COVID-19 pandemic and the restrictions issued by the Government of the Philippines, the FY2022 Annual Stockholders' Meeting was conducted virtually on 15 March 2022. The meeting was attended by 10 out of 13 shareholders, through videoconferencing.

During the 2022 ASM, the PCEO gave separate presentations to shareholders on various topics, including the Company's FY2021 financial and business performance. All the questions raised by the shareholders prior to and during the meeting were shared with the shareholders during the virtual ASM.

The Notice of the 2022 ASM was dispatched to shareholders not less than twenty one (21) days before the ASM. At that ASM, voting on each resolution was undertaken through e-polling and the poll results were immediately announced, and have since been made available on Etiqa Philippines' corporate website. The minutes the Minutes of the ASM were published on Etiqa Philippines' corporate website at www.etiqa.com.ph/corporate-governance.aspx.

WEBSITE

Etiqa Philippines' corporate website provides a brief description of its history, current operations and strategy, as well as an archive of news and historical financial information of the Company.

www.etiqa.com.ph

COMPLIANCE POLICIES

ANTI- BRIBERY AND CORRUPTION POLICY

Etiqa Philippines strongly advocates international trade and investment, and the growth of local and global economies. We have in place a Compliance Department that mitigates the occurrence of reputational and financial risks that may arise from supporting our advocacies.

We are committed to comply with RA 3019 "Anti-Graft and Corrupt Practices Act" in the country and the other anti- bribery and corruption laws in countries where Etiqa is present. It establishes the principles that govern our conduct and strengthens our obligation to act honestly in all business dealings.

Our Compliance Department created a policy that reprehends the giving and receiving of gifts, money or anything of value that might directly or indirectly influence decisions and actions in favor of the giver or receiver whether they are agents, employees or in the management level.

WHISTLEBLOWING POLICY

Our organization is committed to the highest standard of ethics and integrity in conducting its business and operations. We encourage our people to act honestly and fairly fostering respect and safety.

The policy we have established ensures that a secured avenue for our employees and the public is available for disclosures on any misconduct by our members or representatives. By immediately escalating breaches in conduct we are able to deliver fair and exceptional service to all our stakeholders. We assure that concerns of this nature are handled with utmost respect for privacy, confidentiality and professionalism.

Get in touch with us through the following hotlines:

Whistleblowing
Call: 0915-1634147

Decorum and Investigation of Sexual Harassment
Email: rpbariuan@etiqa.com.ph
Call: 09153784343

Atty. Roselle Pasinos Perez
Head, Compliance

Risk Management and Internal Controls

EMBEDDING RISK MANAGEMENT IN OUR VALUES

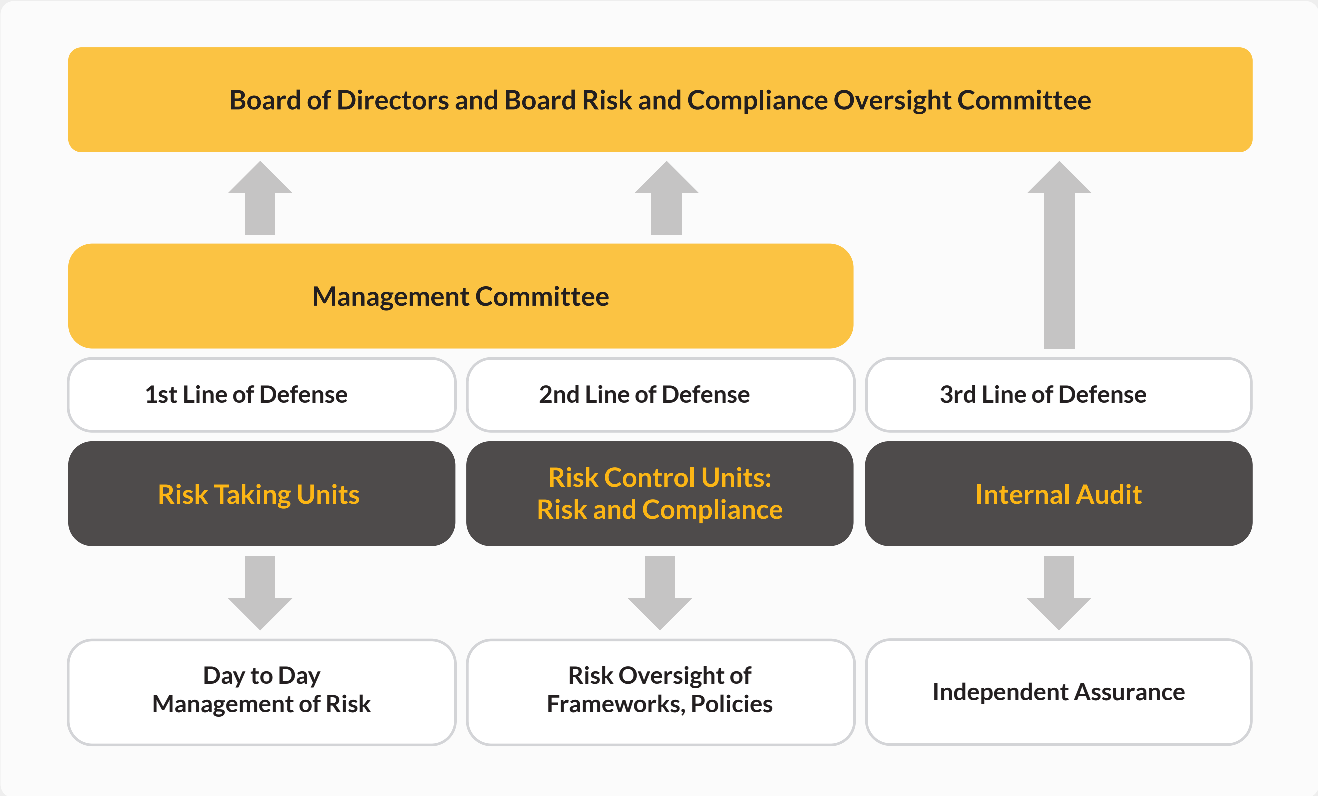
Risk is a component inherent in all aspects of ELGAP's business. We define risk as the possibility of incurring losses arising from uncertainty that negatively impacts the business objectives of our organization.

To enhance shareholder value, Etiqa Philippines's Risk Management Team evaluates and manages risks with a structured and disciplined approach to align strategies, policies, processes, people and technology. The management of risk is an important driver in making strategic decisions based on balances between the level of risk and the management processes involved to achieve our desired level of reward while maintaining sound financial position and adequate capital.

OUR RISK MANAGEMENT FRAMEWORK

Etiqa Life and General Assurance Philippines's (ELGAP) management of risk is an important driver for strategic decisions in support of business strategies, balancing the appropriate level of risk taken to the desired level of reward while maintaining the sound financial position and adequate capital. The Enterprise Risk Management (ERM) Framework is intended to institutionalize vigilance and awareness of the management of risk within ELGAP. Beyond compliance to policies, core values, code of ethics and conduct, we instill in our belief, emotion and behavior that "risk is everyone's business" to strengthen our risk culture.

Our governance model places accountability and ownership based on the ERM Framework:



The Risk Taking Units or the 1st line of defense ensure that the business operated within the established strategies, risk policies and procedures. To uphold the ERM Framework, the Risk Control Units or the 2nd line of defense provide effective risk oversight and guidance in the day-to-day management of risk. As important as the first two lines of defense, the Internal Audit or the 3rd line of defense provide reasonable assurance via regular and independent assessment and validation of the effectiveness of the ERM Framework.

Identified Key Risks in 2022:

1. Optimizing the management of resources and selecting the right partners for the adoption of digital technologies
2. Shifting customer expectations and behaviours with the return of travel and mobility, and renewed perceptions towards healthcare
3. Evolving cyber threats and ensuring data security and privacy
4. Adaptability to business disruptions and maintaining overall business continuity
5. Regulatory enhancements that may substantially impact our strategic priorities

OUR RISK CONTROL MEASURE

ENTERPRISE ANALYTICS, REPORTING AND GOVERNANCE

Risk Landscape and Appetite are refreshed annually to reflect the company's strategies and business objectives. Data-driven assessments on the enterprise key risk indicators are reviewed on a continuous basis to ensure that it remains relevant and reflects any changes. Monthly data analytics is done to study cause and effect of the various initiatives implemented in the business to support the Risk Taking Units. Analytics is reported to Management Committee for Risk and Compliance (MCRC) and Board Risk and Compliance Oversight Committee (BRCOC).

The MCRC is responsible for the supervision, internal control and monitoring of our risk profile and risk appetite. BRCOC advises on risk topics that include limits, exposures and methodologies. In addition, Management level committees monitor the different risk categories so that preventive actions are executed in a timely manner. Moreover, the MCRC assists the Board of Directors (BOD) who governs the overall risk oversight of the company.

ENHANCED OPERATIONAL RISK MANAGEMENT

ELGAP ensures continuous efforts to identify root causes of failures in the organization's day to day operations, assessing the risk of loss and taking appropriate actions to minimize impact of such loss. We consistently facilitate and implement ways to make risk management practices easy to understand and apply by business units.

Risk & Control Self-Assessment (RCSA) is implemented to set out an organized process for the identification and assessment of inherent risks and controls effectiveness in the business operations, leveraging on the knowledge, experience and expert opinions of business process/risk owners. The RCSA is reviewed on a continuous basis or whenever there is a change in the internal business environment, external environment and other elements that affect the operational risk exposure of a business.

The Incident Management and Data Collection Procedure (IMDC) is a structured process to collate reports on operational risk episodes from detection to resolution. For learning purposes, the procedures and reporting tools can be accessed anytime. This process has set turnaround times for reporting and resolution that highly improves effectiveness in control mitigations to minimize future operational losses.

TRAINING PRO-ACTIVENESS AND RISK AWARENESS

We facilitate webinars and regular meetings to strengthen the risk culture of the company. These include Risk Awareness on modern risks namely Digitalization, Cyber Security, ESG, Third Party and Outsourcing. Also, trainings are organized to discuss about the existing policies on Enterprise Risk, BCP, Data Classification and Ethics and Anti-Fraud and Market Conduct.

Soleil G. Baria
Head, Risk

ENHANCEMENT TO BUSINESS CONTINUITY STRATEGY

A Business Continuity Plan (BCP) test is always conducted on schedule to guarantee that our systems are able to respond and recover from a crisis. An enhanced BCP was created in view of unique risks from digital adoption and alignment with ELGAP's strategic vision. The enhanced policy outlines empowering continuous improvement of business continuity activities to achieve agile business disruption identification and recovery.

ZERO TOLERANCE TO DATA BREACHES AND CYBER ATTEMPTS

As part of our enterprise-wide cyber security testing and backend controls, our employees undergo regular training on correct cyber and digital practices. Our cyber risk management is owned by all functional units across the organization. We have successfully rolled out multiple security controls, Data Loss Prevention (DLP) and Endpoint Detection and Response (EDR) to name a few, to increase the posture and maturity level of cyber defense capabilities.

INTERNAL AUDIT

Upholding a commitment to integrity and accountability, Internal Audit provides value to ELGAP Senior Management and stakeholders as an objective source of independent advice. The Head of Internal Audit (HIA) reports functionally to the Audit Committee of the Board ("ACB") and administratively to the President & Chief Executive Officer ("PCEO"). It provides assurance and a systematic, disciplined approach to evaluate and improve effectiveness of risk management, internal control, and governance processes.

Jelly Riza H. Ala
Head, Internal Audit

It adheres to the principles required by the International Standard for the Professional Practice of Internal Auditing, COSO Internal Control-Integrated Framework, COBITS (Control Objectives for Information and Related Technology), the Internal Audit Definition and Code of Ethics. It seeks ACB approval for the Annual Audit Plan ("AAP"), provides updates on accomplishments and deliverables, reports results of audit conducted and tracks resolution of audit findings.

To promote excellence, Internal Audit provides for continuing professional and personal development for internal auditors to equip them in the conduct of reviews, with focus on acquiring expertise on ELGAP's business processes, network and IT systems, internal controls, new accounting and auditing standards, data analytics and regulatory updates.

Environment, Social and Governance

Clean Water Project

As the country navigates toward a post-pandemic environment, Etiqa Philippines together with Gotuaco Del Rosario Insurance Brokers, Inc. geared up to address one of its critical resources, life-giving water.

Through the Etiqa Cares Program we went to the community of Katutubo Village Elementary School in Porac, Pampanga to provide clean water supply through the construction of water pumps benefitting 300 Aeta school children and about 1000 families. Today they have access to clean and safe water which is essential to their health and everyday living.

This is aligned with our Clean Water for Rural Villages projects and remains true to our commitment to humanize insurance and in "Making the Philippines a better place".

Etiqa Cares, Our Corporate Social Responsibility

It has been an integral part of Etiqa Cares to continuously give back to society and help those in need. Since 2007, our projects and initiatives are aimed at uplifting the lives of underprivileged individuals, families, and communities across the region.

We, at Etiqa Philippines have been proactively getting involved in civic, social and environmental relevant activities that will leave a significant, positive and long-term footprint to the lives of the people we touch.

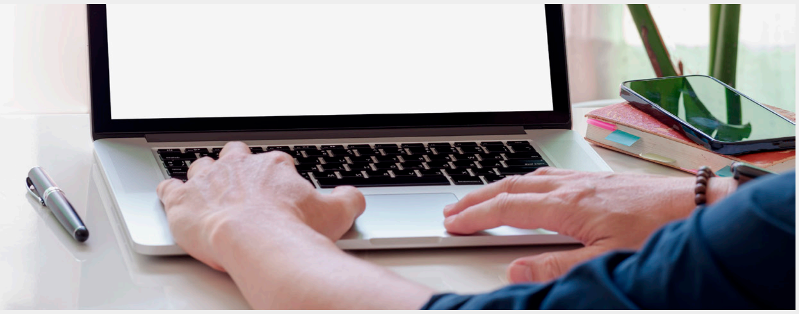
Our Corporate Social Responsibility Programme (CSR) initiatives support the UN Sustainable Development Goal (SDG) across four pillars.

1- Quality Education
2- Clean Water & Sanitation
3- Good Health & Well-being
4- Sustainable Cities & Communities

Key Business Highlights FY 2022

FINANCIAL HIGHLIGHTS

Etiqa Philippines, as approved by its shareholders and management, engaged the services of SGV & Co., a member of Ernst and Young International, as its External Auditor for the audit year 2022. For the past few years and for the year 2022, the Company has not received a qualified, adverse or disclaimer of opinion in the audit of SGV & Co. Php 2.15 million in audit fees were paid in 2022, exclusive of out-of-pocket expenses and 12% value added tax. There were no payments made in 2022 for non-audit activities.



Line of Business	2017	2018	2019	2020	2021	2022
Variable Life	60.37	111.06	1,210.94	1,103.01	1,153.65	694.94
Ordinary & Group Life	219.90	323.10	339.64	353.47	443.33	586.71
Health & Accident	2,433.13	2,600.92	3,147.19	3,188.66	3,483.77	4,129.93
Non-Life	11.85	56.57	77.24	143.41	184.40	242.99
TOTAL PREMIUM INCOME*	**2,725.25**	**3,091.66**	**4,775.01**	**4,788.55**	**5,265.15**	**5,654.57**

Direct, excluding reinsurance. Based on Annual Statements submitted to the Insurance Commission

	2018	2019	2020	2021	2022
Risk Based Capital 2 (Capital Adequacy Ratio) - Composite	636%	505%	476%	353%	340%
LIFE	429%	353%	344%	281%	284%
NONLIFE	1816%	1689%	886%	594%	623%

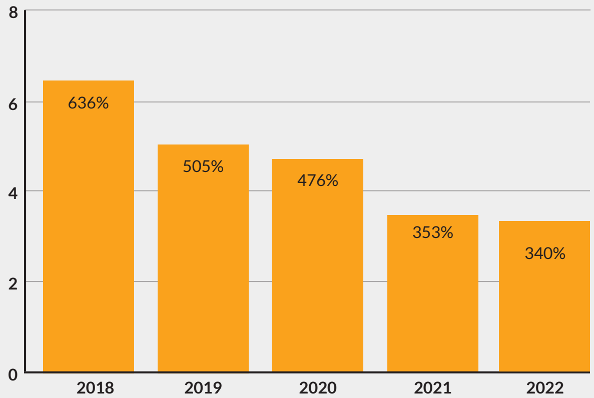
	2017	2018	2019	2020	2021	2022
TOTAL ASSETS	**2,778.64**	**3,477.70**	**5,295.40**	**7,428.07**	**8,779.43**	**9,834.54**

	2017	2018	2019	2020	2021	2022
TOTAL EQUITY	**1,499.61**	**1,677.78**	**1,938.22**	**2,359.87**	**2,560.32**	**2,716.72**

	2017	2018	2019	2020	2021	2022
NET INCOME	**175.63**	**225.26**	**217.06**	**425.13**	**218.17**	**193.11**

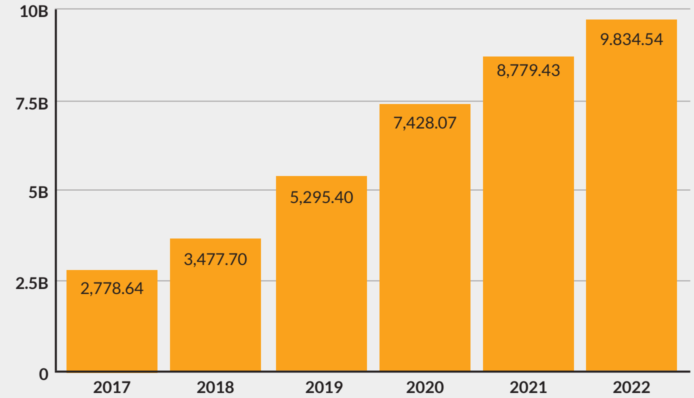
Based on audited financial statements

Capital Adequacy Ratio

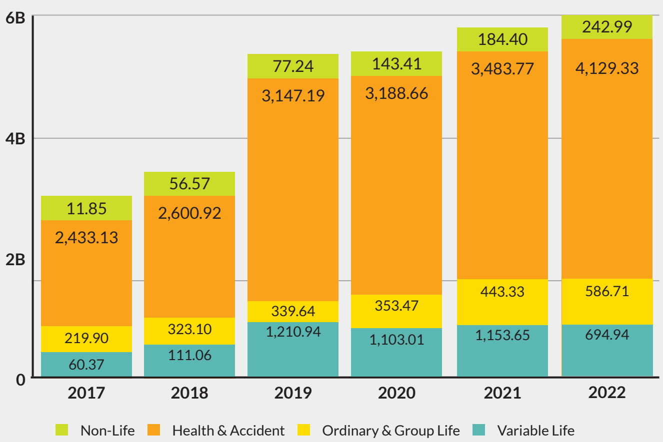


The declining Capital Adequacy Ratio is due to an increase in Risk-Based Capital (RBC) requirements, mainly driven by higher insurance Liability Risk from the growing retail insurance business of Etiqa Philippines.

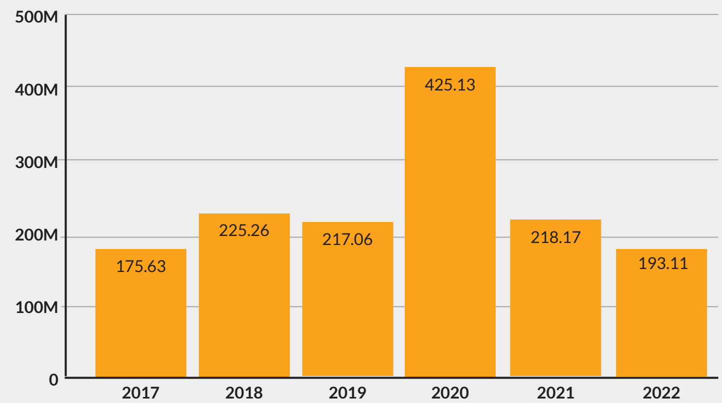
Total Assets (PhP Million)



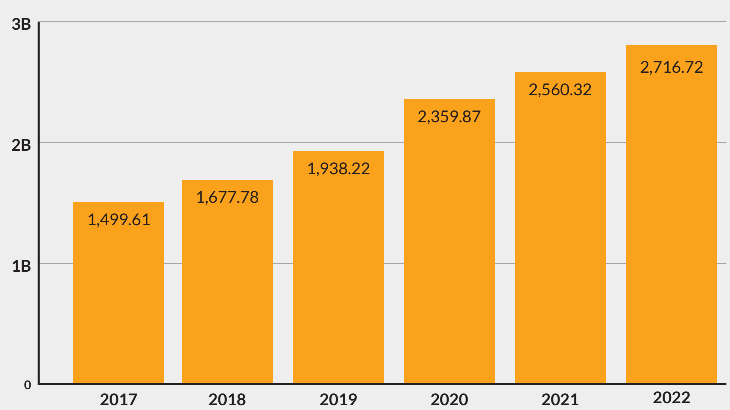
Premium Income (PhP Million)



Net Income (PhP Million)



Total Net Worth (PhP Million)



2022 Audited Financial Statements

Etiqa Life and General Assurance Philippines, Inc.

Financial Statements
December 31, 2022 and 2021

and

Independent Auditor's Report

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Etiqa Life and General Assurance Philippines, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Etiqa Life and General Assurance Philippines, Inc. (the Company), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 32 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Etiqa Life and General Assurance Philippines, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Glenda C. Anisco-Niño

Glenda C. Anisco-Niño
Partner
CPA Certificate No. 114462
Tax Identification No. 225-158-629
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 114462-SEC (Group A)
Valid to cover audit of 2022 to 2026 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-151-2022, November 7, 2022, valid until November 6, 2025
PTR No. 9369771, January 3, 2023, Makati City

March 13, 2023

ETIQA LIFE AND GENERAL ASSURANCE PHILIPPINES, INC.
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2022	2021
ASSETS		
Cash and cash equivalents (Notes 6 and 27)	**₱674,919,452**	₱1,380,809,068
Insurance receivables (Note 7)	**1,779,761,699**	872,401,840
Reinsurance assets (Note 7)	**142,074,288**	162,813,410
Financial assets (Notes 8 and 28)		
At fair value through profit or loss (FVTPL)	**425,826,589**	431,600,125
At fair value through other comprehensive income (FVOCI)	**2,185,900,349**	1,553,300,399
Loans and receivables - net (Notes 8 and 28)	**688,374,329**	620,238,119
Accrued interest receivable (Notes 6 and 8)	**22,848,621**	9,734,760
Due from related parties (Note 27)	**701,607**	–
Segregated fund assets (Note 14)	**2,985,781,057**	2,870,307,183
Right-of-use assets - net (Note 10)	**6,086,693**	16,665,724
Property and equipment - net (Note 9)	**26,768,608**	31,669,134
Intangible assets - net (Note 9)	**441,198,508**	476,499,245
Deferred acquisition costs (Note 11)	**232,622,612**	160,064,591
Deferred tax assets - net (Note 26)	**60,304,156**	72,718,503
Pension asset - net (Note 24)	**11,675,366**	8,242,775
Other assets (Notes 12 and 28)	**149,699,631**	112,361,197
	₱9,834,543,565	₱8,779,426,073
LIABILITIES AND EQUITY		
Liabilities		
Segregated fund liabilities (Note 14)	**₱2,985,781,057**	₱2,870,307,183
Insurance contract liabilities (Note 13)	**2,643,864,274**	2,223,419,851
Accounts payable and other liabilities (Notes 15 and 27)	**1,056,944,415**	772,698,142
Insurance payables (Note 16)	**413,043,542**	320,632,629
Lease liabilities (Note 10)	**6,421,725**	19,576,937
Due to related parties (Note 27)	**11,768,854**	12,473,986
Total Liabilities	**7,117,823,867**	6,219,108,728
Equity		
Capital Stock - Issued and outstanding (Note 17)		
Common stock	**1,161,720,830**	1,161,720,830
Preferred stock	**5,005,960**	5,005,960
Contributed surplus (Note 17)	**39,784,362**	39,784,362
Other comprehensive income (loss)		
Unrealized losses on financial assets at FVOCI (Note 8)	**(73,275,078)**	(13,691,440)
Actuarial gains (losses) on net pension liability (Note 24)	**3,673,993**	(5,057,934)
Remeasurement of legal policy reserves (Note 13)	**5,898,717**	(8,547,216)
Retained earnings	**1,573,910,914**	1,381,102,783
Total Equity	**2,716,719,698**	2,560,317,345
	₱9,834,543,565	₱8,779,426,073

See accompanying Notes to Financial Statements.

ETIQA LIFE AND GENERAL ASSURANCE PHILIPPINES, INC.
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2022	2021
INCOME		
Gross earned premiums on insurance contracts	**₱5,134,549,997**	₱5,411,675,224
Reinsurers' share of gross earned premiums on insurance contracts	**(249,162,923)**	(287,291,909)
Net insurance premiums (Note 18)	**4,885,387,074**	5,124,383,315
Interest income (Note 19)	**116,769,904**	92,713,305
Service and network fees (Note 19)	**102,832,215**	157,680,614
Third party administration fees (Note 19)	**28,855,496**	20,853,737
Fair value gains (losses) on financial assets at FVTPL - net (Note 8)	**(22,535,429)**	417,956
Loss on sale of financial assets at FVOCI (Note 8)	**(15,862,330)**	(11,666,337)
Others (Note 19)	**48,629,818**	18,080,967
	258,689,674	278,080,242
	5,144,076,748	5,402,463,557
EXPENSES		
Underwriting Expenses - Net		
Net benefits and claims incurred on insurance contracts (Note 20)	**2,876,990,133**	2,647,051,838
Expenses for the acquisition of insurance contracts (Note 21)	**758,411,018**	780,265,001
Transfer to segregated funds (Note 14)	**664,331,396**	1,120,003,982
Net change in legal policy reserves (Note 13)	**29,508,893**	29,916,521
	4,329,241,440	4,577,237,342
Other Expenses		
General and administrative expenses (Note 22)	**542,099,985**	458,756,998
Interest expense (Notes 10 and 13)	**1,749,344**	2,198,255
	543,849,329	460,955,253
	4,873,090,769	5,038,192,595
INCOME BEFORE INCOME TAX	**270,985,979**	364,270,962
PROVISION FOR INCOME TAX (Note 26)	**77,877,490**	146,102,029
NET INCOME	**193,108,489**	218,168,933
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Changes in fair value of debt financial assets at FVOCI during the year (Note 8)	**(59,583,638)**	(33,867,377)
Other comprehensive gain not to be reclassified to profit or loss in subsequent periods:		
Actuarial gain on pension liability - net of tax effect (Note 24)	**8,731,927**	5,904,306
Remeasurement gain on life insurance reserves (Note 13)	**14,445,933**	10,540,154
	(36,405,778)	(17,422,917)
TOTAL COMPREHENSIVE INCOME	**₱156,702,711**	₱200,746,016

See accompanying Notes to Financial Statements.

ETIQA LIFE AND GENERAL ASSURANCE PHILIPPINES, INC.
STATEMENTS OF CHANGES IN EQUITY

	Capital Stock - Issued and Outstanding (Note 17)			Other Comprehensive Income (Loss)				
	Common Stock	**Preferred Stock**	**Contributed Surplus** (Note 17)	**Unrealized Gains (Losses) on Financial Assets at FVOCI** (Note 8)	**Actuarial Gains (Losses) on Pension Liability** (Note 24)	**Remeasurement loss on legal policy reserves** (Note 13)	**Retained Earnings** (Note 17)	**Total**
As at January 1, 2022	**₱1,161,720,830**	**₱5,005,960**	**₱39,784,362**	**(₱13,691,440)**	**(₱5,057,934)**	**(₱8,547,216)**	**₱1,381,102,783**	**₱2,560,317,345**
Net income	**–**	**–**	**–**	**–**	**–**	**–**	**193,108,489**	**193,108,489**
Other comprehensive income (loss)	**–**	**–**	**–**	**(59,583,638)**	**8,731,927**	**14,445,933**	**–**	**(36,405,778)**
Total comprehensive income (loss)	**–**	**–**	**–**	**(59,583,638)**	**8,731,927**	**14,445,933**	**193,108,489**	**156,702,711**
Cumulative preferred stock dividends	**–**	**–**	**–**	**–**	**–**	**–**	**(300,358)**	**(300,358)**
As at December 31, 2022	**₱1,161,720,830**	**₱5,005,960**	**₱39,784,362**	**(₱73,275,078)**	**₱3,673,993**	**₱5,898,717**	**₱1,573,910,914**	**₱2,716,719,698**
As at January 1, 2021	₱1,161,720,830	₱5,005,960	₱39,784,362	₱20,175,937	(₱10,962,240)	(₱19,087,370)	₱1,163,234,208	₱2,359,871,687
Net income	–	–	–	–		–	218,168,933	218,168,933
Other comprehensive income (loss)	–	–	–	(33,867,377)	5,904,306	10,540,154	–	(17,422,917)
Total comprehensive income (loss)	–	–	–	(33,867,377)	5,904,306	10,540,154	218,168,933	200,746,016
Cumulative preferred stock dividends	–	–	–	–	–	–	(300,358)	(300,358)
As at December 31, 2021	₱1,161,720,830	₱5,005,960	₱39,784,362	(₱13,691,440)	(₱5,057,934)	(₱8,547,216)	₱1,381,102,783	₱2,560,317,345

See accompanying Notes to Financial Statements.

ETIQA LIFE AND GENERAL ASSURANCE PHILIPPINES, INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱270,985,979**	₱364,270,962
Adjustments for:		
Decrease in provision for IBNR (Note 13)	**(205,291,867)**	(175,818,265)
Interest income (Note 19)	**(116,769,904)**	(92,713,305)
Depreciation and amortization (Notes 9, 10 and 25)	**66,624,471**	71,980,766
Net change in legal policy reserves (Note 13)	**29,508,893**	29,916,521
Loss on sale of financial assets at FVOCI (Note 8)	**15,862,330**	11,666,337
Pension expense (Notes 23 and 24)	**8,209,978**	9,684,470
Interest expense (Notes 10 and 13)	**1,749,344**	2,198,255
Recovery from impairment of financial assets at FVOCI (Note 8)	**(1,116,094)**	(266,373)
Gain on pre-termination of lease (Notes 10 and 19)	**–**	(26,066)
Operating income before working capital changes	**69,763,130**	220,893,302
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Insurance receivables	**(907,359,859)**	(146,024,193)
Reinsurance assets	**20,739,122**	(88,428,567)
Financial assets at FVTPL	**(16,761,895)**	(115,316,694)
Loans and receivables	**(130,467,966)**	(132,801,546)
Due from related parties	**(701,607)**	32,335
Deferred acquisition costs	**(72,558,021)**	(6,938,974)
Other assets	**(37,338,434)**	(72,646,217)
Increase (decrease) in:		
Insurance contract liabilities	**610,673,330**	217,880,808
Insurance payables	**92,410,913**	132,396,097
Accounts payable and other liabilities	**283,945,915**	174,309,826
Due to related parties	**(705,132)**	(4,759,016)
Net cash generated from (used in) operations	**(88,360,504)**	178,597,161
Income taxes paid	**(65,936,968)**	(204,286,140)
Fair value losses (gains) on financial assets at FVTPL (Note 8)	**22,535,431**	(417,957)
Interest paid	**(1,098,549)**	(16)
Contribution to the retirement fund (Note 24)	**–**	(20,696,971)
Net cash used in operating activities	**(132,860,590)**	(46,803,923)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**107,681,478**	96,140,843
Proceeds from:		
Disposal and maturities of financial assets at FVOCI (Note 8)	**3,637,068,118**	7,022,097,730
Collections of salary loans (Note 8)	**216,766,608**	131,155,513
Acquisitions of:		
Financial assets at FVOCI (Note 8)	**(4,350,460,194)**	(6,847,027,378)

	Years Ended December 31	
	2022	2021
Salary loans (Note 8)	**(₱154,434,852)**	(₱222,929,220)
Property and equipment (Note 9)	**(9,149,723)**	(13,933,521)
Intangible assets (Note 9)	**(182,263)**	(500,865,181)
Net cash used in investing activities	**(552,710,828)**	(335,361,214)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liabilities (Note 10)	**(20,318,198)**	(28,864,281)
Cash used in financing activities	**(20,318,198)**	(28,864,281)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(705,889,616)**	(411,029,418)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,380,809,068**	1,791,838,486
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱674,919,452**	₱1,380,809,068

See accompanying Notes to Financial Statements.

1. Corporate Information

Etiqa Life and General Assurance Philippines, Inc. (ELGAP or the "Company") was incorporated on October 4, 2010 as AsianLife and General Insurance Corporation (ALGA), the successor-in-interest of a corporate entity which also bears the same name (the "Old ALGA" - with Securities Exchange Commission No. 14341), the corporate term of which expired on August 22, 2008.

The Company's primary purpose is to carry on the business of insurance upon lives of individuals and the business of non-life insurance; to grant contract of insurance and reinsurance providing for all risks, hazards, guarantees and contingencies to which life, accidents or health insurance is applicable and to grant or effect assurance of all kinds of payment of money by way of single payment or by several payments, or by any person of immediate or referred annuities upon the death of or upon reaching a given age by any person or persons subject or not such death or age requirement or happening of any contingency or event dependent upon human life or upon a fixed or given date.

On September 25, 2013, Maybank ATR KimEng Financial Corporation (formerly ATR KimEng Financial Corporation) which owned 95.24% of the outstanding common stock and was deemed the parent company of the Company sold all its 95.24% ownership interest over ALGA shares to its affiliate, Maybank ATR KimEng Capital Partners, Inc. (MATRKECP). MATRKECP, an investment house with trust license, is a domestic corporation owned by Maybank KimEng Holdings Limited (MAKEHL) and ATR Holdings, Inc. (ATRH). ATRH is a domestic corporation, while MAKEHL is a conglomerate whose shares are listed in the Singapore Stock Exchange. The Insurance Commission (IC) approved the sale on October 17, 2013.

On December 1, 2014, ATRH sold the Company's preferred shares representing 50.30% voting interest of the latter to Etiqa International Holdings Sdn. Bhd (EIHSB or the Parent Company), a subsidiary of Maybank in Malaysia.

On the same date, MATRKECP and EIHSB executed a Joint Voting Agreement (JVA), which provided that EIHSB shall vote all of its shares in the Company on any and all matters requiring the resolution of the shareholders of the Company in such manner as MATRKECP. The JVA shall be effective unless terminated by mutual agreement by MATRKECP and EIHSB. The IC approved the transfer of shares on April 10, 2015. This JVA was terminated in 2016.

On December 20, 2016, the Board of Directors (BOD) and Stockholders of the Company approved a resolution approving the amendment of the Articles of Incorporation to increase the authorized common stock from 49,499,404 common shares with par value of ₱10 per share to 124,499,404 common shares with par value of ₱10 per share (see Note 17). This resulted to an increase in authorized capital stock from ₱500,000,000 to ₱1,250,000,000. The increase in capital stock was endorsed by IC last January 3, 2017 and was approved by the Securities and Exchange Commission (SEC) last August 31, 2017.

On June 1 and June 8, 2017, EIHSB infused additional capital amounting to ₱330,000,000 and ₱305,000,000, respectively, totaling ₱635,000,000 corresponding to 63,500,000 common shares.

On June 14, 2017, E-MARC Consultants, Inc. infused additional capital amounting to ₱31,726,790 corresponding to 3,172,679 common shares

In 2019, the Company underwent a rebranding campaign and changed its corporate name from AsianLife and General Assurance Corporation to Etiqa Life and General Assurance Philippines, Inc., in a drive to establish a more unified visual identity for the Etiqa Group in Southeast Asia and to strengthen the "Etiqa" brand and its ability to gain greater recognition regionally. The change in corporate name was approved by the BOD on June 17, 2019 and by the SEC on June 19, 2019.

As of December 31, 2022 and 2021, EIHSB owns 68.31% of the total outstanding and issued shares of ELGAP, MATRKECP owns 28.36%, and the remaining 3.33% is owned by E-MARC Consultants, Inc.

The Company's ultimate Parent Company is Malayan Banking Berhad of Malaysia.

The Company's registered office address, which is also its principal place of business, is 3rd Floor, Morning Star Center, Sen. Gil J. Puyat Avenue, Makati City.

2. Basis of Preparation

The financial statements of the Company have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVTPL) and financial assets at fair value through other comprehensive income (FVOCI) and segregated fund assets which are carried at fair value.

The financial statements are presented in Philippine Peso (₱) which is the Company's functional currency. All values are rounded to the nearest peso, unless otherwise indicated.

Statement of Compliance
The Company's financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

3. Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2022. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Company.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

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

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

- *Annual Improvements to PFRSs 2018-2020 Cycle*

  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

  - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*

    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

    The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2023

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Effective beginning on or after January 1, 2024

- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16*, Lease Liability in a Sale and Leaseback*

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  On December 15, 2021, the Financial Reporting Standards Council (FRSC) 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).

  To date, the Company is assessing the impact of the new standard and is beginning to craft technical papers to address the requirements of PFRS 17.

Deferred effectivity

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

4. **Summary of Significant Accounting Policies**

Revenue Recognition
Revenue from contracts with customers is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services.

The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has assessed its revenue arrangements against these criteria and concluded that it is acting as a principal in all direct business arrangements and as an agent in all its ceded-out businesses. The following specific recognition criteria must also be met before revenue is recognized within the scope of PFRS 15:

Fees from variable insurance
Fees from variable insurance are recognized when earned normally upon performance of the service and fulfillment of the Company's obligation of issuance of the policy (policy fees), and administration of the policyholder's fund (administrative fees). Surrender fees are also charged to policyholders who wish to terminate their policy earlier than the holding period.

Service and network fees
Service and network fees are recognized when earned normally upon performance of the service and fulfillment of the Company's obligation for the issuance of health cards to give network access to the policyholders.

Third party administration fee
Revenue is recognized when earned, which is upon the performance of the obligation for administration (based on the terms of the contract) of policyholder's medical and health expenses. This is satisfied upon actual processing of the client's utilization.

Revenue outside the scope of PFRS 15
Premiums revenue - life
Premiums arising from life insurance contracts are generally recognized as income when received and on the issue date which coincides with the effective date of the insurance policies for the first-year premiums. Premiums from short-duration insurance contracts, such as from group health and group life are recognized as revenue over the period of the contracts using the 365th method.

For the renewal business, premiums are recognized as income when still in-force and in the process of collection. Renewal premiums from life insurance contracts are recognized as revenue by the Company and payable by the policyholder. Receivables are recorded at the date when payments are due. Premiums are shown before deduction of commissions and reinsurers' share on gross premiums.

The Company cedes insurance risk in the normal course of business as part of its risk management policy. Ceded premiums are presented in "Reinsurers' share of gross earned premiums on insurance contracts" portion of the statement of comprehensive income.

Premiums revenue - nonlife
Gross insurance written premiums from non-life insurance comprise the total premiums receivable for the whole covered period provided by contracts entered into during the accounting period and are recognized on the date which the policy incepts. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior periods.

Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 365th method.

The portion of the premiums written that relate to the unexpired periods of the policies at end of the reporting period is accounted for as Provision for unearned premiums as part of "Insurance Contract Liabilities" in the statement of financial position. The net changes in these accounts between each end of reporting periods are recognized in profit or loss.

The Company assumes and cedes insurance risk in the normal course of business. Premiums on reinsurance assumed are recognized as revenue in the same manner as they would be if the reinsurance were considered as direct business, taking into account the product classification of the reinsured business. Ceded premiums are presented in "Reinsurers' share of gross earned premiums on insurance contracts" portion of the statement of comprehensive income.

Interest income
For all interest-bearing financial assets measured at amortized cost, interest income is recognized using the effective interest method. The effective interest rate (EIR) exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or a shorter period, where appropriate, to the net carrying amount of the financial asset. The change in carrying amount is recorded as interest income for the period.

Once the recorded value of a financial asset or group of similar financial assets has been reduced due to an impairment loss, future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss.

Dividend income
Dividend income is recognized when the Company's right to receive the payment is established.

Other income
Income from other sources is recognized when earned.

<u>Benefits, Claims and Expenses Recognition</u>
Benefits and claims - Life
Benefits and claims consist of benefits and claims paid to policyholders as well as changes in the valuation of insurance contract liabilities and reserve for policyholders' dividends. These are recorded when notices of claims have been received and dividends have been incurred or when policies reach maturity. For unpaid benefits, a liability is recognized for the estimated cost of all claims made but not settled as of reporting date less reinsurance recoveries. Provision is also made for the cost of claims incurred as of reporting date but not reported (IBNR) until after the reporting date based on the Company's experience and historical data. Differences between the provision for outstanding claims at the reporting date and subsequent revisions and settlements are included in profit or loss in the statement of comprehensive income of subsequent years. Unpaid benefits to life policies form part of policy and contract claims payable included in "Insurance Contract Liabilities" in the statement of financial position.

Benefits and claims - Non-life
Benefits and claims for non-life include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Direct costs and expenses - Life and Non-life
Commissions and other expenses for the acquisition of insurance contracts are expensed as incurred. The portion of acquisition costs for group life, group health and non-life businesses incurred during the financial period but relate to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins.

Deferred acquisition costs (DAC)
Commissions and other acquisition costs incurred during the financial period, pertaining to the group health and life, as well as for non-life businesses, that vary with and are related to securing new insurance contracts and or renewing existing insurance contracts, but which relates to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins. All other acquisition costs are recognized as expense when incurred.

Subsequent to initial recognition, these costs are amortized on a straight-line basis using the 365th method over the life of the contract. Amortization is charged against profit or loss. The unamortized acquisition costs are shown as 'Deferred acquisition costs' in the statement of financial position.

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

General and administrative expenses
General and administrative expenses constitute costs of administering the business. These are recognized when incurred.

Interest expense
Interest expense on accumulated policyholders' dividends and premium deposit fund is recognized in profit or loss in the statement of comprehensive income as it accrues and is calculated using the effective interest method. Accrued interest is credited to the liability account every policy anniversary date.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less and that are subject to an insignificant risk of change in value.

Insurance Receivables
Insurance receivables are recognized when due and measured on initial recognition at the fair value of the consideration to be received. The carrying value of premiums due and uncollected is reviewed for impairment whenever events or circumstances indicate the carrying amount may not be recoverable, with the impairment loss recorded in profit or loss in the statements of comprehensive income.

Insurance receivables are derecognized following the derecognition criteria for financial instruments.

Classification and Measurement of Financial Instruments
Financial assets
Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Company's business model for managing financial assets. The Company classifies its financial assets into the following categories: financial assets at FVTPL, financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments), financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity

instruments) and financial assets measured at amortized cost. Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

Classification and measurement
Under PFRS 9, the classification and measurement of financial assets is driven by the entity's contractual cash flow characteristics of the financial assets and business model for managing the financial assets.

As part of its classification process, the Company assesses the contractual terms of financial assets to identify whether they meet the 'solely payments of principal and interest' (SPPI) test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (e.g. if there are repayments of principal or amortization of the premium or discount).

Business model assessment
The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- The expected frequency, value and timing of sales are also important aspects of the Company's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The Company’s measurement categories are described below:

Financial assets at fair value through OCI
The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, and;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Financial assets included within the FVOCI category are initially recognized and subsequently measured at fair value. Movements in the carrying amount should be recorded through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit and loss. Where the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss.

The Company's debt instruments at fair value through OCI are composed of investments in government and corporate debt securities. It includes both those directly held by the Company and those under investment management agreement (IMA) with ATRAM Trust Corporation.

Financial assets at amortized cost
The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost includes Salary loans, Mortgage loans, Accounts receivable, Policy loans, Due from policyholders, Receivable from third party administration, Receivable from unit-linked funds, and Other receivables.

Financial assets at fair value through profit or loss
Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes government and corporate debt securities, listed equity securities and proprietary shares, as well as investments in Mutual Funds and Unit Investment Trust Funds (UITFs) both held by the Company and those under its 02-IM-01 account (IMA account) managed by ATRAM Trust Corporation and BPI AMTC.

Other Financial Liabilities
Issued financial instruments or their components, which are not classified as FVTPL, are classified as other financial liabilities, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial instrument to the holder or lender, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments.

After initial measurement, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR. The amortization is included as part of interest expense for the period. This category includes the Company's accounts payable and other liabilities (except government and statutory liabilities), due to related parties, life insurance deposit, premium deposit fund, and "claims payable and policyholders' dividends" (included under "Insurance Contract Liabilities" account in the statements of financial position).

Reclassifications
The Company reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Company and any previously recognized gains, losses or interest shall not be restated. The Company does not reclassify its financial liabilities.

The Company is required to reclassify the following financial assets:

- from amortized cost to FVTPL if the objective of the business model changes so that the amortized cost criteria are no longer met;
- from FVTPL to amortized cost if the objective of the business model changes so that the amortized cost criteria start to be met and the instrument's contractual cash flows meet the amortized cost criteria; and
- from FVOCI to amortized cost if the objective of the business model changes so that the fair value criteria are no longer met but the amortized cost criteria is still met and the instrument's contractual cash flows meet the amortized cost criteria

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

Impairment of Financial Instruments
Expected credit loss (ECL) represents credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions.

The Company records ECL for all loans and receivables and other debt financial assets not classified as FVTPL, together with loan commitments and financial guarantee contracts using general approach.

The ECL allowance is based on the credit losses expected to arise on 12-month duration if there was no significant increase in the credit risk (SICR) of the financial asset since origination. Otherwise if a SICR is observed, then the ECL estimation is extended until the end of the life of the financial asset. The 12-month ECL represents the losses that result from default events on a financial asset which may happen within 12 months after the reporting date. The lifetime ECL on the other hand represents the losses that result from default events on a financial asset which may happen over its life. Both lifetime ECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

For insurance receivables (excluding reinsurance assets), the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk (SICR) since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposures, irrespective of the timing of the default (a lifetime ECL).

Definition of "default"
The Company defines a financial instrument as in default when it is credit impaired or becomes past due on its contractual payments for more than 90 days. As part of a qualitative assessment of whether a customer is in default, the Company considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Company carefully considers whether the event should result in treating the customer as defaulted.

SICR
The credit risk of a particular exposure is deemed to have increased significantly since initial recognition, if based on the Company's aging information, the customer becomes past due over 30 days. In subsequent periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the Company shall revert to recognizing a 12-month ECL.

For debt securities, the Company uses the ratings from the external credit rating agencies to determine whether the debt instrument has significantly increased in credit risk.

ECL parameters and methodologies
ECL is a function of the probability of default (PD), loss given default (LGD) and exposure at default (EAD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgment.

The PD is an estimate of the likelihood of default over a 12-month horizon for Stage I or lifetime horizon for Stage 2. The PD for each individual instrument is modelled based on historical data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Company segmented its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behavior of the accounts and materiality of the segment as compared to the total portfolio.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

Forward-looking information
The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. A broad range of forward-looking information are considered as economic inputs, such as unemployment rate, interest payment growth and interest rates. A regression analysis is also performed to determine which of the variables best reflect the behavior of the Company's loan portfolio. However, the inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Write-off
The Company writes-off its financial assets when it has been established that all efforts to collect and/or recover the loss has been exhausted. This may include the other party being insolvent, deceased or the obligation being unenforceable.

Derecognition of Financial Assets and Liabilities
Financial asset
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

Where the Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to pay.

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

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

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

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

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

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

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

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

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

Reinsurance
Contracts entered into by the Company with reinsurers which compensate the Company for losses on one or more contracts insured by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Insurance contracts entered into by the Company under which the contract holder is another insurer (inward reinsurance) are classified as insurance contracts. Income from reinsurance contracts are classified within “Gross premiums on insurance contracts” in the statements of comprehensive income. Contracts that do not meet these classification requirements are classified as financial assets.

The benefits recoverable by the Company under its reinsurance contracts are recognized as reinsurance assets. These assets consist of amounts due from reinsurers classified as “Financial assets at amortized cost”. Due to reinsurers for reinsurance contracts are recognized as an expense upon recognition of premiums on the related insurance contract, classified as “Insurance payables”. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with terms of each reinsurance contract.

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

Related Party Transactions
Related party relationships exist when one party has the ability to control or influence the other party, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and its key management personnel, directors, or its stockholders. In

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

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation, amortization and any impairment loss. The initial cost of property and equipment comprises its purchase price and other costs directly attributable to bringing the asset to its working condition and location for its intended use.

Depreciation and amortization are computed using the straight-line method over the estimated useful life (EUL) of the assets. Leasehold improvements are amortized over the EUL of the improvements or the term of the related lease, whichever is shorter. The EUL of the different categories of property and equipment are as follows:

	Years
Office furniture, fixtures and equipment	3 - 5
Leasehold improvements	5
Transportation equipment	5

Subsequent costs are included in the asset's carrying amount or are recognized as asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance are charged to current operations when incurred.

The asset's residual values, useful lives, and depreciation and amortization method are reviewed at each reporting date and adjusted, if appropriate, to ensure that these factors and assumptions are consistent with the expected pattern of consumption of future economic benefits embodied in the asset.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in statement of comprehensive income in the period when the asset is derecognized.

Intangible Assets

Intangible assets are stated at cost less accumulated amortization and any impairment loss. The initial cost of intangible assets comprises its purchase price and other costs directly attributable to bringing the asset to its working condition and location for its intended use.

Amortization is computed using the straight-line method over the estimated useful life (EUL) of the assets. The EUL of the different categories of intangible assets are as follows:

	Years
Software	10
Exclusive access fee	15

Subsequent costs are included in the asset's carrying amount or are recognized as asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the item can be measured reliably.

The asset's residual values, useful lives, and amortization method are reviewed at each reporting date and adjusted, if appropriate, to ensure that these factors and assumptions are consistent with the expected pattern of consumption of future economic benefits embodied in the asset. An item of intangible asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

Leases

Right-of-use assets (ROU)

At inception of a contract, the Company assesses whether a contract is, or contains, a lease arrangement based on whether the contract that conveys to the user ("the lessee") the right to control the use of an identified asset for a period of time in exchange for consideration. If a contract contains more than one lease component, or a combination of leasing and services transactions, the consideration is allocated to each of these lease and non-lease components on conclusion and on each subsequent re-measurement of the contract on the basis of their relative stand-alone selling prices. The Company combines lease and non-lease components, in cases where splitting the non-lease component is not possible.

The Company recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option.

The recognized ROU assets are depreciated on a straight-line basis over the lease term of the related contract.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below ₱0.3 million). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Impairment of Non-financial Assets

The Company assesses whether there is any indication that its nonfinancial assets such as its ROU asset, property and equipment and intangible assets may be impaired. When an indicator of impairment exists (or when an annual impairment testing for an asset is required), the Company estimates the recoverable amount of the impaired asset. The recoverable amount is the higher of fair value less costs to sell and value in use and is determined for an individual asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

An impairment loss is charged to profit or loss in the period when it arises, consistent within the function of impaired assets.

For non-financial assets, an assessment is made at every reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The reversal can be made only to the extent that the resulting carrying value does not exceed the carrying value that would have been determined, net of depreciation and amortization, had no impairment loss been recognized. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization are adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Insurance Contract Liabilities - Life

Legal policy reserves represent the accumulated total liability for policies in-force at the reporting date. Such reserves are established at amounts adequate to meet the estimated future obligations of all insurance policies in-force as of reporting date.

For life insurance, the reserves are calculated using actuarial methods and assumptions as approved by the IC. As of December 31, 2021, the insurance contract liabilities for traditional life policies are measured using GPV method, and variable life policies are measured using unearned cost of insurance and present value of loyalty bonus methods.

For group life and group health insurance, unearned premium reserves are calculated using the 365^{th} method.

A number of life insurance contracts issued by the Company include discretionary participation feature. This feature entitles policyholders to policy dividends whose amounts and timing of payments are under the discretion of the Company. The Company's policy dividends are computed using actuarial methods and assumptions, and are included under "Net benefits and claims incurred on insurance contracts" account in the statements of comprehensive income with the corresponding liability recognized under the "Insurance contract liabilities" account in the statements of financial position.

Provision is also made for the cost of claims incurred but not reported (IBNR) as of the reporting date based on the Company's experience. Differences between the provision for outstanding claims at the reporting date and subsequent revisions and settlements are included in the statement of income in later years. Policy and contract claims payable forms part of the insurance contract liability section of the statement of financial position.

Insurance Contract Liabilities - Non-Life

Insurance contract liabilities are recognized when contracts are entered into and premiums are charged.

Provisions for claims reported, provision for claims Incurred But Not Reported (IBNR) losses, claims handling expense (CHE) and Margin for Adverse Deviation (MfAD)

Provisions for claims reported are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of which cannot be known with certainty at the end of each reporting date. The liability is not discounted for the time value of money.

Provision for claims IBNR pertains to amount provided for claim events that have occurred but have not been reported to the Company as of the reporting date. The provision for claims IBNR at each reporting date is calculated by using standard actuarial projection techniques (or combination of such techniques), including but not limited to the chain ladder method, the expected loss ratio approach, and the Bornhuetter-Fergusion method. The method used is determined by its appropriateness by considering the characteristics of the Company's claims data and other factors such as maturity of the business, large losses arising from significant past events, operational changes in claims and underwriting processes and external conditions.

The Company shall include an MfAD to allow for inherent uncertainty of the best estimate of the policy reserves which shall be determined at least on an annual basis based on standard projection techniques or combination of such techniques such as, but not limited to, the Mack Method, Bootstrapping Method, Stochastic Chain Ladder Method to bring the actuarial estimate of the policy liabilities at the 75% level of sufficiency.

Provision for claims handling expense (CHE) is also calculated to cover estimated expenses of settling all claims, both reported and unreported, outstanding as of the reporting date.

Quarterly, an actuarial valuation is performed on the gross and net claims and premium liabilities to ensure that the reserves are in compliance with the Valuation Standards for Non-Life Insurance Policy Reserves as required by the IC guided by Sections 219 and 220 of the Amended Insurance Code (Republic Act (RA) No. 10607) along with Circular Letters No. 2018-18 and No. 2018-19. Additional reserves are set up if the result of the actuarial investigation shows that the existing balances are not in accordance with the mandate of IC.

Premium liabilities

Premium liabilities is equal to the provision for unearned premiums plus the difference between the provision for unexpired risk and the provision for unearned premiums, net of deferred acquisition costs, if the provision for unexpired risk is greater than the provision for unearned premiums net of deferred acquisition costs. Otherwise, it is equal to the provision for unearned premiums.

Provision for unearned premiums
The proportion of written premiums, gross of commissions payable to intermediaries, attributable to subsequent periods or to risks that have not yet expired is deferred as provision for unearned premiums. Premiums from policy contracts with a term of exactly one year are recognized as revenue over the period of the contracts using the 365th method. The portion of the premiums written that relate to the unexpired periods of the policies at the reporting date are accounted for as provision for unearned premiums and presented as part of "Insurance contract liabilities" in statement of financial position. The change in the provision for unearned premiums is taken to profit or loss in the order that revenue is recognized over the period of risk. Further, provisions are made to cover claims under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

Provision for unexpired risk
Provision for unexpired risk (URR) is the best estimate that relates to expected future claim payments and related expenses to be incurred after the valuation date, arising from future events. This shall be calculated as the best estimate of future claims and expenses for all classes of business, with MfAD.

Unit Linked Insurance Contracts
The Company issues unit-linked insurance contracts. In addition to providing life insurance coverage, unit-linked contracts link payments to insurance investment funds set-up by the Company with the consideration received from the policyholders. As allowed by PFRS 4, *Insurance Contracts*, the Company chose not to unbundle the investment portion of its unit-linked products. Premiums received from the issuance of unit-linked insurance contracts pertaining to the insurance portion are recognized as premium revenue.

The Company withdraws from the consideration received from the policyholders administrative and cost of insurance charges in accordance with the provisions of the unit-linked insurance contracts.

After deduction of these charges, the remaining amounts in fund assets are equal to the surrender value of the unit-linked policies and can be withdrawn anytime.

The investment returns on the insurance investment funds belong to policyholders and the Company does not bear the risk associated with these assets (outside of guarantees offered). Accordingly, investment income earned and expenses incurred by these funds and payments to policyholders are reflected directly in the "Segregated fund assets and Segregated fund liabilities" accounts in the statements of financial position. Such changes have no effect on the Company's results of operations.

The equity of each unit-linked policyholder in the fund is monitored through the designation of outstanding units for each policy. Hence, the equity of each unit-linked insurance contract in the fund is equal to its total number of outstanding units multiplied by the net asset value per unit (NAVPU). The NAVPU is the market value of the fund divided by its total number of outstanding units.

Product Classification
The Company issues contracts that transfer insurance or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such risk includes having to pay benefits on the occurrence of an insured event such as death, accident or disability. The Company may also transfer insurance risk on insurance contracts through its reinsurance arrangements to hedge a greater possibility of claims occurring than expected. Such contracts may also transfer financial risk. As a general guideline, the Company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that is at least 10% more than the benefits payable if the insured event did not occur.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

Insurance contracts may contain a premium and capital fund rider that entitles the policyholder to receive additional benefits based on the Company's investment performance. These contracts are recorded as financial liabilities under "Premium deposit fund" account in the statements of financial position. Local statutory regulation sets out a limitation on the accumulation of fund deposits and contributions.

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

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

Defined benefit costs comprise the following:

(a) Service cost;
(b) Net interest on the net defined benefit liability or asset; and
(c) Remeasurements of net defined benefit liability or asset.

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

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

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

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

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

Bonus plans
The Company recognizes a liability and an expense for 13th month and mid-year bonus based on a formula that takes into consideration the employee's current monthly salary. The Company recognizes a provision when contractually obligated.

Income Tax
Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute this amount are those that are enacted or substantively enacted as at the reporting date.

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

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and carry forward of unused tax credits from MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

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

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

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

Equity
Capital stock consists of common and preferred shares classified as equity. When the Company issues shares in excess of par, the excess is recognized as contributed surplus. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of any tax effects.

Contributed surplus represents the contribution of the stockholders of the Company in addition to the paid-up capital stock in order to comply with the pre-licensing and capital requirements as provided under the Code.

Retained earnings represent accumulated earnings of the Company less dividends declared.

Foreign Currency Transactions and Translation
The functional and presentation currency of the Company is the Philippine Peso. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the Company's profit or loss.

Provisions
Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessment of the time value of money and the risk specific to the obligation. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized only when the reimbursement is virtually certain. The expense relating to any provision is presented in statement of comprehensive income net of any reimbursement.

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

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

5. **Significant Accounting Judgments, Estimates and Assumptions**

The Company makes judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income, expenses, and disclosures of contingent assets and liabilities, if any, within the next financial year. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

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

Judgments

Product classification

The Company has determined that the policies it issues have significant insurance risk and therefore meets the definition of an insurance contract and are accounted for as such.

Classification of financial instruments

The Company exercises judgment in classifying a financial instrument, or its component parts, on the initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of the financial instrument, rather than its legal form, governs its classification in the statements of financial position.

In addition, the Company classifies financial assets by evaluating, among other, 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 of whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

Estimates and Assumptions

Life

Estimate of the ultimate liability arising from claims made under insurance contracts

Estimate of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liability that the Company will ultimately pay for such claims. The primary sources of uncertainties are the frequency of claims due to contingencies covered and the timing of benefit payments.

Estimation of claims takes into account several factors such as industry average mortality experience, with adjustments to reflect Company's historical experience.

Estimate of future benefit payments and premiums arising from long-term insurance contracts

Estimates of future benefit payments depend on the expectations of future benefit payments for contingencies covered, the major ones being death and endowment benefits. The Company based these estimates on mortality and other contingency tables approved by the Insurance Commission as well as future investment earnings rate of the assets backing up these liabilities, subject to the maximum rate provided under the Insurance Code of the Philippines (Insurance Code).

Source of uncertainty in the estimation of future claim payments

Although the Company has taken necessary steps to mitigate the uncertainty in the estimation of future benefit payments and premium receipts, it is still subject to the unpredictability of changes in mortality levels. The Company adopts the standard mortality table in assessing future benefit payments and premium receipts as approved by the Insurance Commission.

The liability under the insurance contracts includes provisions for IBNR claims and provisions for claims in course of settlement as of reporting date. The IBNR provision is based on historical experience and is subject to a high degree of uncertainty. In 2021 and 2022, the Company used the development method using completion factors for the Medical - Direct IBNR portfolio, and used the expected loss ratio method for the most recent two (2) incurred months.

Reinsurance - assumptions and methods
The Company limits its exposure to loss within insurance operations through participation in reinsurance arrangements. Amounts receivable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented under loans and receivables.

Even though the Company may have reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and, thus, a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Company is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent on any reinsurance contract.

Non-life
Estimate of the ultimate liability arising from claims made under insurance contracts
For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the end of the reporting period and for the expected ultimate cost of the IBNR claims at the reporting date. It can take a significant period of time before the ultimate claim costs can be established with certainty and for some type of policies, IBNR claims form the majority of the statement of financial position claims provision.

The method of determining such estimates and establishing reserve are continually reviewed and updated. Changes in estimates of claims cost resulting from the continuous review process and differences between estimates and payments for claims are recognized as income or expense in the period the estimates are made.

The principal assumption underlying the estimates is the Company's past claims development experience. This includes assumptions in respect of average claim costs, claims handling costs, claims inflation factors and claim numbers for each accident year. Additional qualitative judgment is used to assess the extent to which past trends may not apply in the future, for example, one-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Legal policy reserves
The proportion of written premiums, gross of commissions payable to intermediaries, attributable to subsequent periods or to risks that have not yet expired is deferred as provision for unearned premiums. Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 365th method. The portion of the premiums written that relate to the unexpired periods of the policies at end of the reporting period are accounted for as Provision for unearned premiums as part of Insurance contract liabilities and presented in the liabilities section of the statement of financial position. The change in the provision for unearned premiums is taken to profit or loss in order that revenue is recognized over the period of risk. Further provisions are made to cover claims under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

Claims provision and Incurred but not reported (IBNR) losses
These liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the end of the reporting period together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of which cannot be known with certainty at the end of the reporting period. In estimating the ultimate cost of the claims incurred, we used the following

methods: claims development method; Bornhuetter-Ferguson method; and expected claims method. The liability is not discounted for the time value of money and includes a provision for margin for adverse deviation. The liability is derecognized when the contract is discharged, cancelled or has expired.

Impairment of financial assets

(i) *Debt instruments measured at fair value through OCI*

Impairment for financial assets at FVOCI follows the general model (considering PD, LGD, and EAD) in computing for the required allowance based on the increase in credit risk which in turn is dependent on the “staging” of the debt instrument.

In accordance to the "three stage" approach, all newly purchased financial assets shall be classified in Stage 1, except for credit impaired financial assets. It will move from Stage 1 to Stage 2 when there is significant increase in credit risk ("SICR"), and Stage 2 to Stage 3 when there is an objective evidence of impairment. The Company also considered the impact of COVID-19 pandemic on the staging assessment and recognition of impairment for debt instruments.

The carrying values of financial assets at FVOCI amounted to ₱2,185.9 million and ₱1,553.3 million as of December 31, 2022 and 2021, respectively (see Note 8). The allowance for impairment on financial assets at FVOCI amounted to ₱0.3 million and ₱1.5 million as of December 31, 2022 and 2021, respectively (see Note 8).

(ii) *Financial assets at amortized cost*

For financial assets at amortized cost, specifically for loans to DepEd employees, a simplified approach was used until 2021, through a provision matrix. Historical aging data is considered to estimate the loss rates to be used in calculating for ECL.

In 2022, the Company switched its ECL computation into one based on the general approach (PD x LGD x EAD), with the following components:

- PD: It is defined as the chances that an account would turn into a Non-Performing Account (NPA) or default on its obligation.
- LGD: It is the percentage of exposure that would be the final loss to the FI on the defaulted account. It is the proportion of the exposure that would be lost.
- EAD: It is the estimated exposure that would be outstanding for the counterparty at the time of turning non-performing assets (NPA).

(iii) *Premiums due and uncollected*

No impairment allowance is provided for premiums due and uncollected for group life and group health insurance as the Company has a policy to suspend and lapse the accounts which remain unpaid over 90 days. The lapsed account can still be reinstated provided that unpaid premiums are settled.

As of December 31, 2022 and 2021, the carrying value of non-financial assets amounted to ₱474.05 million and ₱524.83 million, respectively (see Notes 9 and 10).

Recognition of deferred tax assets
The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available against which all or part of the tax benefits can be utilized. However, there is no absolute assurance that sufficient taxable income will be generated in the near foreseeable future to allow all or part of the recognized deferred tax assets to be utilized.

As of December 31, 2022 and 2021, deferred tax assets amounted to ₱60.3 million and ₱72.7 million, respectively (see Note 26).

Pension and other retirement benefits
The cost of defined benefit pension plans and other post-employment medical benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

As of December 31, 2022 and 2021, net pension asset amounted to ₱11.7 million and ₱8.2 million, respectively (see Note 24).

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

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

Further details about the assumptions used are provided in Note 24.

Contingencies
The Company is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with external and internal legal counsels and based upon an analysis of potential results. The Company currently does not believe these proceedings will have a material adverse effect on the Company's financial position as of reporting date.

6. Cash and Cash Equivalents

This account consists of:

	2022	2021
Cash on hand	**₱146,834**	₱133,800
Cash in banks	**473,365,208**	437,269,430
Cash equivalents	**201,407,559**	944,793,167
	674,919,601	1,382,196,397
Less: Allowance for impairment	**149**	1,387,329
	₱674,919,452	₱1,380,809,068

Cash in banks and cash equivalents earn annual interest ranging from 0.25% to 3.87% in 2022 and from 0.1% to 0.5% in 2021. Cash equivalents are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Company and earn interest at the prevailing short-term deposit rates.

Interest income from cash in banks and cash equivalents amounted to ₱18.1 million and ₱5.5 million in 2022 and 2021, respectively (see Note 18). Accrued interest income amounted to ₱0.5 million and ₱0.2 million as of December 31, 2022 and 2021, respectively.

Based on management's assessment, an allowance for impairment has been recognized for the Company's cash equivalents. The rollforward analysis of the impairment allowance follows:

	2022	2021
At January 1	**₱1,387,329**	**₱1,315,836**
Provision for (reversal of) impairment losses (Note 20)	**(1,387,180)**	**71,493**
At December 31	**₱149**	**₱1,387,329**

7. Insurance Receivables and Reinsurance Assets

Insurance Receivables

This account consists of:

	2022	2021
Premiums due and uncollected	**₱1,200,161,309**	₱664,298,826
Reinsurance recoverable on paid losses	**584,419,982**	215,990,061
	1,784,581,291	880,288,887
Less: Allowance for impairment	**4,819,592**	7,887,047
	₱1,779,761,699	₱872,401,840

Premiums due and uncollected consist of premiums already billed by the Company to its clients but remain unpaid at the end of the reporting period.

Reinsurance recoverable on paid losses pertains to the amount of claims paid in excess of the retention limit of the Company and is recoverable from the reinsurers.

As of December 31, 2022 and 2021, the management assessed that no allowance for impairment is required for premiums due and uncollected for the life insurance business, since the Company has a policy to suspend and lapse the policies with premiums receivable which remain unpaid for over 90 days. For non-life, the company considers the aging of the receivables in determining for the loss rates.

The rollforward analysis of the impairment allowance follows:

	2022	2021
At January 1	**₱7,887,047**	₱35,673,080
Recovery from impairment losses (Note 22)	**(3,067,455)**	(27,786,033)
At December 31	**₱4,819,592**	₱7,887,047

Reinsurance Assets
This account consists of:

	2022	2021
Reinsurance recoverable for unpaid losses	**₱105,205,986**	₱126,003,181
Deferred reinsurance premiums	**36,868,302**	36,810,229
	₱142,074,288	₱162,813,410

Reinsurance recoverable on unpaid losses pertains to the amount of claims incurred in excess of the retention limit of the Company and is recoverable from the reinsurer.

Deferred reinsurance premiums pertain to deposit premiums for the excess of loss treaty for the Company's non-life business.

8. Financial Assets

The Company's financial assets are summarized as follows:

	2022	2021
Financial assets at FVTPL	**₱425,826,589**	₱431,600,125
Financial assets at FVOCI	**2,185,900,349**	1,553,300,399
Loans and receivables	**688,374,329**	620,238,119
	₱3,300,101,267	₱2,605,138,643

The assets included in each of the categories above are detailed below:

(a) Financial assets at FVTPL

	2022	2021
Unit investment trust fund	**₱293,563,842**	₱239,206,605
Mutual funds	**109,872,039**	169,188,016
Seed capital on unit-linked investment funds (Note 13)	**12,000,000**	12,000,000
Listed equity securities	**6,020,428**	6,835,224
Proprietary shares	**4,370,280**	4,370,280
	₱425,826,589	₱431,600,125

A portion of the investments in unit investment trust fund, mutual funds and the Company's seed capital on its unit-linked investment funds are managed by ATRAM Trust Corporation and BPI Asset Management and Trust Corporation under an investment management agreement (IMA), with no guaranteed rate of return. These investments under IMA amounted to ₱397.9 million and ₱383.2 million as of December 31, 2022 and 2021, respectively.

The movements in financial assets at FVTPL follows:

	2022	2021
At January 1	**₱431,600,125**	₱315,865,475
Additions	**1,062,635,337**	264,705,233
Disposals	**(1,045,873,442)**	(149,388,539)
Fair value gains (losses) on financial assets at FVTPL	**(22,535,431)**	417,956
At December 31	**₱425,826,589**	₱431,600,125

(b) Financial assets at FVOCI

	2022	2021
Government debt securities	**₱1,861,746,922**	₱1,292,598,573
Corporate debt securities	**324,502,849**	262,167,342
	2,186,249,771	1,554,765,915
Less: Allowance for impairment	**349,422**	1,465,516
	₱2,185,900,349	₱1,553,300,399

Significant portion of the investments in government and corporate debt securities are managed by ATRAM Trust Corporation under an IMA, with no guaranteed rate of return. These investments under IMA amounted to ₱1.8 billion and ₱1.2 billion as of December 31, 2022 and 2021, respectively.

An analysis of the cost and market value of financial assets at FVOCI follow:

	2022	2021
Market value, net of impairment	**₱2,185,900,349**	₱1,553,300,399
Amortized cost	**2,260,599,006**	1,565,978,601
Unrealized losses on financial assets at FVOCI	**(74,698,657)**	(12,678,202)
Deferred income tax	**1,423,579**	(1,013,238)
Unrealized losses on financial assets at FVOCI recognized in equity	**(₱73,275,078)**	(₱13,691,440)

The "Unrealized gains (losses) on financial assets at FVOCI" is recognized in the equity section of the statements of financial position while the movements thereof are shown as part of "Other comprehensive income" in the statements of comprehensive income.

The roll forward analysis of unrealized gains (losses) on financial assets at FVOCI follow:

	2022	2021
At January 1	**(₱13,691,440)**	₱20,175,937
Fair value losses recognized in OCI	**(46,158,125)**	(24,134,968)
Transferred to profit or loss	**(15,862,330)**	(11,666,337)
Deferred tax	**2,436,817**	1,933,928
At December 31	**(₱73,275,078)**	(₱13,691,440)

Interest income earned from financial assets at FVOCI including the amortization of discount amounted to ₱68.2 million and ₱57.4 million in 2022 and 2021, respectively (see Note 19).

Accrued interest income amounted to ₱22.3 million and ₱9.6 million as of December 31, 2022 and 2021, respectively.

An allowance for impairment has been recognized for financial assets at FVOCI. The rollforward analysis follows:

	2022	2021
At January 1	**₱1,465,516**	₱1,731,889
Reversal of impairment losses	**(1,116,094)**	(266,373)
At December 31	**₱349,422**	₱1,465,516

As of December 31, government and corporate debt securities amounting to ₱342.8 million in 2022 and ₱319.6 million in 2021 were designated as restricted investments and maintained with the Bureau of Treasury in accordance with the provisions of the Insurance Commission as security for the benefit of the Company's policyholders and creditors. Security fund is maintained in accordance with Chapter V Sections 378 to 385 of the Insurance Code. The amount of such fund is determined by and deposited with the Insurance Commission and its purpose is to pay valid claims against insolvent insurance companies.

(c) Loans and receivables

This account consists of:

	2022	2021
Salary loans	**₱230,884,239**	₱293,215,995
Receivable from unit-linked funds	**232,969,521**	166,284,542
Receivable from third party administration arrangements	**89,295,540**	108,629,297
Due from policyholders	**84,352,246**	40,758,281
Accounts receivable	**23,771,480**	21,466,364
Policy loans	**12,273,044**	14,677,031
Mortgage loans	**7,578,063**	11,971,228
Other receivables	**49,730,984**	13,947,971
	730,855,117	670,950,709
Less: Allowance for impairment losses	**42,480,788**	50,712,590
	₱688,374,329	₱620,238,119

Salary loans
Salary loans represent loans to Company's employees, DepEd teachers and private institution employees with annual interest rates ranging from 5.7% to 9.7% in 2022 and 2021, respectively. These loans have terms ranging from six (6) to thirty-six (36) months and are collected through salary deductions. The noncurrent portion of the salary loans amounted to ₱183.5 million and ₱194.2 million as of December 31, 2022 and 2021, respectively. Interest income earned from salary loans amounted to ₱32.6 million and ₱29.0 million in 2022 and 2021, respectively (see Note 19).

The Company has an existing Memorandum of Agreement (MOA) on Automatic Payroll Deduction System with the Department of Education (DepEd) that allows it to engage in lending operations with DepEd teachers and personnel as borrowers. The Company's DepEd Teacher's Salary Loan accreditation for lending has been renewed last August 26, 2021 which shall be effective until December 31, 2025.

The rollforward analysis of salary loans follow:

	2022							
	Outstanding Balance				**ECL**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
At January 1	**₱270,736,652**	**₱10,233,491**	**₱12,245,852**	**₱293,215,995**	**₱4,814,960**	**₱6,001,586**	**₱12,245,854**	**₱23,062,400**
Loan releases	**154,434,852**	**–**	**–**	**154,434,852**	**14,582,247**	**–**	**–**	**14,582,247**
Collections	**(206,733,675)**	**(6,407,707)**	**(3,625,226)**	**(216,766,608)**	**(19,520,473)**	**(3,330,365)**	**(1,631,352)**	**(24,482,190)**
Other movement	**(11,775,752)**	**3,912,391**	**7,863,361**	**–**	**19,884,573**	**1,350,645**	**(3,196,707)**	**18,038,511**
At December 31	**₱206,662,077**	**₱7,738,175**	**₱16,483,987**	**₱230,884,239**	**₱19,761,306**	**₱4,021,866**	**₱7,417,795**	**₱31,200,968**

	2021							
	Outstanding Balance				ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
At January 1	₱288,684,302	₱8,152,949	₱10,553,316	₱307,390,567	₱5,132,528	₱5,831,632	₱31,538,574	₱42,502,734
Loan releases	242,816,564	–	–	242,816,564	1,505,669	–	–	1,505,669
Collections	(250,799,674)	(2,477,991)	(3,713,471)	(256,991,136)	(1,823,237)	(1,210,712)	(3,713,470)	(6,479,354)
Other movement	(9,964,540)	4,558,533	5,406,007	–	–	1,380,666	(15,579,250)	(14,466,649)
At December 31	₱270,736,652	₱10,233,491	₱12,245,852	₱293,215,995	₱4,814,960	₱6,001,586	₱12,245,854	₱23,062,400

Receivables from unit-linked funds
Receivable from unit-linked funds pertains to amounts payable by fund manager (ATRAM) to the Company coming from the redemption of units of the Company's VUL products.

Receivable from third party administration arrangements
Receivable from third party administration clients represent amounts initially paid by the Company for billings made by medical providers for availments of covered employees under TPA arrangement. This is normally due within fifteen (15) days from date billed to TPA clients.

Due from policyholders
Due from policyholders pertains to the excess of the amount paid by the Company over the benefits of the claimant. The Company pays the entire amount incurred by the claimant during hospitalization and bills the claimant for the excess.

Accounts receivable
Accounts receivable consist mostly of receivables from employees, brokers, and SSS.

Policy loans
Policy loans pertain to loans issued to insurance policyholders. These loans are collateralized with the cash surrender value of the policyholders' insurance policy. The annual interest rate on policy loans in 2022 and 2021 is fixed at 10.0%. The policyholders may repay the policy loans any time during the effectivity of the policy and if unpaid upon surrender or maturity, the policy loan will be deducted from the surrender or maturity benefits.

Mortgage loans
Mortgage loans consist of:

	2022	2021
Chattel mortgage (car loans) (Note 26)	**₱6,924,097**	₱11,317,262
Real estate mortgage (housing loans)	**653,966**	653,966
	₱7,578,063	₱11,971,228

Housing and car loans to officers and employees are collectible over a period of five (5) to fifteen (15) years through salary deduction. These loans bear annual interest ranging from 0% to 8.4% depending on the position of the employee. Interest income earned amounted to ₱0.03 million and ₱0.1 million in 2022 and 2021, respectively (see Note 19). The noncurrent portion of the mortgage loans amounted to ₱2.5 million and ₱7.5 million as of December 31, 2022 and 2021, respectively.

Other receivables
Other receivables consist of advances to officers, employees and agents.

Allowance for impairment losses
The changes in allowance for impairment losses on loans and receivables are as follows:

	2022			
	Salary loans	**Accounts and Other Receivable**	**Mortgage Loans**	**Total**
At January 1	**₱23,062,400**	**₱26,996,224**	**₱653,966**	**₱50,712,590**
Impairment (Note 22)	**8,243,866**	**–**	**–**	**8,243,866**
Recovery (Note 22)	**–**	**(16,370,370)**	**–**	**(16,370,370)**
Write-off	**(105,298)**	**–**	**–**	**(105,298)**
At December 31	**₱31,200,968**	**₱10,625,854**	**₱653,966**	**₱42,480,788**

	2021			
	Salary loans	Accounts and Other Receivable	Mortgage Loans	Total
At January 1	₱42,502,734	₱7,491,661	₱653,966	₱50,648,361
Impairment (Note 22)	–	19,504,563	–	19,504,563
Recovery (Note 22)	(19,029,195)	–	–	(19,029,195)
Write-off	(411,139)	–	–	(411,139)
At December 31	₱23,062,400	₱26,996,224	₱653,966	₱50,712,590

9. Property and Equipment and Intangible Assets

The rollforward analyses of property and equipment follow:

	2022			
	Office Furniture, Fixtures and Equipment	**Leasehold Improvements**	**Transportation Equipment**	**Total**
Cost				
At January 1	**₱83,815,724**	**₱32,732,875**	**₱7,562,697**	**₱124,111,296**
Additions	**9,027,783**	**–**	**–**	**9,027,783**
Retirement	**(60,807)**	**–**	**–**	**(60,807)**
At December 31	**92,782,700**	**32,732,875**	**7,562,697**	**133,078,272**
Accumulated Depreciation				
At January 1	**63,504,546**	**21,374,920**	**7,562,697**	**92,442,163**
Depreciation (Note 25)	**9,548,678**	**4,342,352**	**–**	**13,891,030**
Retirement	**(23,529)**	**–**	**–**	**(23,529)**
At December 31	**73,029,695**	**25,717,272**	**7,562,697**	**106,309,664**
Net Book Value	**₱19,753,005**	**₱7,015,603**	**₱–**	**₱26,768,608**

	2021			
	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Transportation Equipment	Total
Cost				
At January 1	₱73,123,434	₱32,668,875	₱7,562,697	₱113,355,006
Additions	13,869,522	64,000	–	13,933,522
Retirement	(3,177,231)	–	–	(3,177,231)
At December 31	83,815,725	32,732,875	7,562,697	124,111,297
Accumulated Depreciation				
At January 1	58,874,490	17,001,614	7,562,697	83,438,801
Depreciation (Note 25)	7,807,287	4,373,306	–	12,180,593
Retirement	(3,177,231)	–	–	(3,177,231)
At December 31	63,504,546	21,374,920	7,562,697	92,442,163
Net Book Value	₱20,311,179	₱11,357,955	₱–	₱31,669,134

The rollforward analysis of intangible assets follows:

	2022	2021
Cost		
At January 1	**₱528,940,624**	₱28,075,443
Additions	**341,483**	500,865,181
At December 31	**529,282,107**	528,940,624
Accumulated Amortization		
At January 1	**52,441,379**	17,126,995
Amortization (Note 25)	**35,642,220**	35,314,384
At December 31	**88,083,598**	52,441,379
Net Book Value	**₱441,198,508**	₱476,499,245

Intangible assets consist of exclusive access fee and computer software used in the Company's operations. The exclusive access fee amounting to ₱500.0 million is relative to the Bancassurance agreement signed by the Company and a related party (see Note 27). The agreement took effect on January 1, 2021 for 15 years and shall automatically extinguish upon achievement of New Business Annualized Premium Equivalent even before the expiration of the term.

Fully depreciated assets still in use amounted to ₱27.0 million and ₱21.5 million as of December 31, 2022 and 2021, respectively. There are no temporary idle property and equipment items.

Non-cash additions to intangible assets
The additions to intangible assets amounting to ₱500.0 in 2021 million has unpaid balance amounting to ₱150.0 million which is treated as a non-cash item in the statements of cash flow (see Note 15).

10. Right-of-Use Assets and Lease Liabilities

The rollforward analysis of right-of-use assets follow:

	2022	2021
Cost		
At January 1	**₱81,001,396**	₱82,190,061
Additions	**3,529,674**	–
Contract renewals	**2,982,516**	–
Retirement	**(69,216,632)**	(1,188,664)
At December 31	**18,296,954**	81,001,397

(Forward)

	2022	2021
Accumulated Depreciation		
At January 1	**₱64,335,672**	₱40,788,562
Depreciation charge (Note 24)	**17,091,221**	24,485,790
Retirement	**(69,216,632)**	(938,679)
At December 31	**12,210,261**	64,335,673
Net Book Value	**₱6,086,693**	₱16,665,724

Right-of-use assets pertain to leasing agreements that the Company entered into for its head office and servicing branches.

- In January 2022, the Company renewed the non-cancellable lease contract for its branch office located in Cebu for another three (3) years until January 2025.

- In December 2022, the Company's lease contract for its office space at Oppen building (unit 203B) has expired in which the Company did not renew the contract.

- On August 24, 2020, the Company renewed the lease for its office space at Oppen building (unit 204) for another three (3) years until May 2023.

- In November 2021, the Company entered into a lease contract for its clinic at the Medical City for five (5) years, expiring in October 2026.

Rental deposits amounting to ₱8.7 million and ₱7.0 million as of December 31, 2022 and 2021, respectively are included under the "Other assets" account in the statements of financial position (see Note 12). Gain on termination of ROU assets amounted to nil and ₱0.02 million in 2022 and 2021, respectively (see Note 19).

The rollforward analysis of lease liabilities follow:

	2022	2021
At January 1	**₱19,576,937**	₱46,519,030
Additions	**6,512,190**	–
Accretion of interest	**650,795**	2,198,239
Termination	–	(276,051)
Payments	**(20,318,197)**	(28,864,281)
At December 31	**₱6,421,725**	₱19,576,937

Interest expense incurred for the lease liabilities amounted to ₱0.7 million and ₱2.2 million in 2022 and 2021, respectively.

Shown below is the maturity analysis of the undiscounted lease payments as of December 31, 2022, and 2021.

	2022	2021
Within one year	**₱3,131,260**	₱18,094,457
More than one year to two years	**1,758,141**	1,482,480
More than two years to three years	**838,682**	–
More than three years	**693,642**	–
Total	**₱6,421,725**	₱19,576,937

Non-cash additions to ROU assets
The Company has additions to ROU assets amounting to ₱6.5 million and nil in 2022 and 2021, respectively. This represents additions to lease liabilities during the year which are treated as non-cash in the statements of cash flow.

11. Deferred Acquisition Costs

This account consists of:

	2022	2021
Group life and group health insurance	**₱202,180,862**	₱132,741,845
Non-life - motor policies	**13,897,207**	16,448,868
Non-life - fire policies	**11,388,238**	6,890,127
Group credit life insurance	**5,013,396**	3,830,604
Individual medical policies	**73,199**	77,512
Non-life - personal accident policies	**69,710**	75,635
Total	**₱232,622,612**	₱160,064,591

Deferred acquisition costs pertain to commissions and other direct acquisition costs incurred within the year relative to the Company's group life and non-life insurance business and deferred based on the inception and expiry of the related insurance contracts.

The rollforward analysis of deferred acquisition costs follow:

	2022	2021
At January 1	**₱160,064,591**	₱153,125,617
Costs deferred during the year	**598,210,936**	539,734,660
Amortization during the year	**(525,652,915)**	(532,795,686)
At December 31	**₱232,622,612**	₱160,064,591

12. Other Assets

This account consists of:

	2022	2021
Creditable withholding taxes	**₱123,525,756**	₱73,318,900
Prepayments	**21,220,308**	22,736,203
Performance bond	**8,796,295**	8,696,276
Rental deposits (Notes 10 and 25)	**8,666,648**	7,037,819
Reserve fund	**572,311**	572,311
Security fund	**221,082**	221,082
Miscellaneous	**2,077,958**	1,690,543
	165,080,328	114,273,134
Allowance for impairment losses	**(15,380,697)**	(1,911,937)
	₱149,699,631	₱112,361,197

Creditable withholding taxes consists of the amount withheld arising from premium collections to be claimed as a deduction from income tax liability. These are available for offset against income tax due. The Company has written off CWTs amounting to ₱13.5 million in 2022 (Note 23).

Prepayments include advance payments made by the Company relative to documentary stamps as well as for computer maintenance contracts.

Performance bond consists of amounts paid by the Company to hospital network providers in compliance with certain group insurance policy contracts. These bonds will be recovered upon termination of the policy contracts and after all claims and benefits accruing to the contracts have been settled.

Rental deposits pertain to refundable deposits relating to the Company's various lease contracts for its home office and branches. The deposits are refundable at the end of the lease term.

Reserve fund consists of contingency funds which are maintained to defray claims of the insurance pools business of the Company.

Security fund is maintained in accordance with Chapter V Sections 378 to 385 of the Insurance Code. The amount of such fund is determined by and deposited with the Insurance Commission and its purpose is to pay valid claims against insolvent insurance companies.

Miscellaneous assets mainly include advance payments to suppliers for ongoing projects.

13. Insurance Contract Liabilities

The breakdown of this account follows:

	2022	2021
Life insurance contracts	**₱2,336,883,844**	₱1,948,761,472
Non-life insurance contracts	**306,980,430**	274,658,379
	₱2,643,864,274	₱2,223,419,851

Life insurance liabilities
Life insurance contract liabilities may be analyzed as follows:

	2022	2021
Group insurance premium reserves	**₱1,575,083,608**	₱994,258,509
Claims and benefits payable	**595,211,646**	802,868,080
Legal policy reserves	**162,576,671**	147,494,492
Policyholders' dividends	**3,595,724**	3,697,461
Individual medical premium reserves	**416,195**	442,930
	₱2,336,883,844	₱1,948,761,472

The movements in group insurance premium reserves may be analyzed as follows:

	2022	2021
At January 1	**₱994,258,509**	₱991,974,992
New policies issued during the year	**4,740,723,081**	4,061,608,762
Premiums earned during the year (Note 18)	**(4,159,897,982)**	(4,059,325,245)
At December 31	**₱1,575,083,608**	₱994,258,509

Claims and benefits payable includes provision for IBNR as follows:

	2022	2021
Claims and benefits payable	**₱305,313,272**	₱306,529,659
Provision for IBNR	**289,898,374**	496,338,421
At December 31	**₱595,211,646**	₱802,868,080

The movements in claims and benefits payable follow:

	2022	2021
At January 1	**₱802,868,080**	₱835,395,489
Arising during the year (Note 20)	**2,914,042,545**	2,677,365,881
Decrease in IBNR (Note 20)	**(206,440,047)**	(213,545,249
Paid during the year	**(2,915,258,932)**	(2,496,348,041)
At December 31	**₱595,211,646**	₱802,868,080

The movements in legal policy reserves for ordinary life policies during the year follow:

	2022	2021
At January 1	**₱147,494,492**	₱128,035,701
Net change in legal policy reserves:		
New business, reinstatement and change in policy year	**37,904,771**	32,577,524
Released by death and other terminations and supplementary contracts	**(8,376,659)**	(2,578,579)
Due to change in discount rates	**(14,445,933)**	(10,540,154)
	15,082,179	19,458,791
At December 31	**₱162,576,671**	₱147,494,492

Policyholders' dividends may be broken down as follows:

	2022	2021
Dividends payable on participating policies	**₱3,053,859**	₱3,697,461
Dividends payable on variable unit-linked policies	**541,865**	–
	₱3,595,724	₱3,697,461

Dividends payable on variable unit-linked policies are the amounts received by the Company from the fund manager and were released subsequently to VUL policyholders.

The movements in policyholders’ dividends for participating policies follow:

	2022	2021
At January 1	**₱3,697,461**	₱3,121,028
Policyholder's dividends	**342,297**	885,525
Payments during the year	**(985,899)**	(309,092)
At December 31	**₱3,053,859**	₱3,697,461

Non-life insurance liabilities
Non-life insurance liabilities may be analyzed as follows:

	2022	2021
Provision for claims reported and loss adjustment expenses	**₱74,025,470**	₱95,044,097
Provision for IBNR	**58,485,024**	57,336,844
Total claims reported and IBNR	**132,510,494**	152,380,941
Reserve for unearned premiums	**174,469,936**	122,277,438
Total insurance contract liabilities	**₱306,980,430**	₱274,658,379

Provisions for claims reported by policyholders and IBNR may be analyzed as follows:

	2022	2021
At January 1	**₱152,380,941**	₱93,293,563
Claims incurred (Note 20)	**97,928,419**	103,217,512
Increase in IBNR (Note 20)	**1,148,180**	37,726,984
Claims paid	**(118,947,046)**	(81,857,118)
At December 31	**₱132,510,494**	₱152,380,941

Reserve for unearned premiums may be analyzed as follows:

	2022	2021
At January 1	**₱122,277,438**	₱98,389,961
New policies written during the year (Note 18)	**239,010,939**	198,970,770
Premiums earned during the year (Note 18)	**(186,818,441)**	(175,083,293)
At December 31	**₱174,469,936**	₱122,277,438

14. **Segregated Funds**

In 2016, the Company started commercial issuance of unit-linked insurance contracts where the payments to policyholders are linked to investment funds set up by the Company. As of December 31, 2022 and 2021, the Company has eight (8) PHP and four (4) USD insurance investment funds (IIFs), namely: Philippine Balanced Fund (PHP), Equity Opportunity Fund (PHP), Fixed Income Fund (PHP), Global Technology Feeder Fund (PHP), Asia Equity Opportunity Feeder Fund (PHP), Global Total Return Bond Feeder Fund – Peso Denominated (PHP), GI Consumer Trends Feeder Fund (PHP), Peso Multi-Asset Dividend Paying Fund A (PHP), Global Equity Opportunity Feeder Fund (USD), Global Allocation Feeder Fund (USD), Global Total Return Bond Feeder Fund (USD) and Dollar Multi-Asset Dividend |Paying Fund A (USD).

The details of this account are as follows:

	2022	2021
Peso funds	**₱1,633,333,551**	₱1,471,723,666
Dollar funds	**1,352,447,506**	1,398,583,517
	₱2,985,781,057	₱2,870,307,183

The breakdown of net assets in segregated funds as of December 31 2021 and 2022 follow:

	2022		
	Peso funds	**Dollar funds**	**Total**
Cash and cash equivalents	**₱15,243,606**	**₱30,136,864**	**₱45,380,470**
Mutual funds	**310,482,848**	**–**	**310,482,848**
Accumulated market losses - mutual funds	**(30,499,278)**	**–**	**(30,499,278)**
Unit investment trust fund (UITF)	**1,486,930,504**	**1,568,211,013**	**3,055,141,517**
Accumulated market losses - UITF	**(7,481,686)**	**(287,710,732)**	**(295,192,418)**
Accumulated foreign exchange gains - UITF	**–**	**157,402,524**	**157,402,524**
Accounts receivable	**302**	**278,936**	**279,238**
Accrued trust fee payable	**(3,508,543)**	**(3,121,546)**	**(6,630,089)**
Accounts payable	**(5,446,535)**	**(167,700)**	**(5,614,235)**
Net assets	**1,765,721,218**	**1,465,029,359**	**3,230,750,577**
Less: Seed capital (Note 8)	**8,000,000**	**4,000,000**	**12,000,000**
Amounts payable on redemption of units (Note 8)	**124,387,667**	**108,581,853**	**232,969,520**
Segregated fund liabilities	**₱1,633,333,551**	**₱1,352,447,506**	**₱2,985,781,057**

	2021		
	Peso funds	Dollar funds	Total
Cash and cash equivalents	₱12,896,325	₱–	₱12,896,325
Mutual funds	249,286,001	–	249,286,001
Accumulated market losses - mutual funds	(13,584,199)	–	(13,584,199)
Unit investment trust fund (UITF)	1,233,228,640	44,105,481	1,277,334,121
Accumulated market gains - UITF	80,727,281	1,523,652,721	1,604,380,002
Accumulated foreign exchange losses - UITF	–	(72,049,477)	(72,049,477)
Accounts receivable	37,563	(283,114)	(245,551)
Accrued trust fee payable	(4,084,954)	(2,822,216)	(6,907,170)
Accounts payable	(2,518,327)	–	(2,518,327)
Net assets	1,555,988,330	1,492,603,394	3,048,591,724
Less: Seed capital (Note 8)	8,000,000	4,000,000	12,000,000
Amounts payable on redemption of units (Note 8)	76,264,665	90,019,877	166,284,542
Segregated fund liabilities	₱1,471,723,665	₱1,398,583,518	₱2,870,307,183

Amounts payable by fund manager (ATRAM) to the Company on redemption of units are presented as "Receivable from unit-linked funds" as part of loans and receivables - net (Note 8). The seed capital is presented as part of financial assets at FVTPL (Note 8).

The rollforward analyses of net assets in segregated funds follow:

Segregated Fund Assets / Segregated Fund Liabilities

	2022					
	At January 1	**Subscriptions**	**Redemptions/ Surrenders/ Withdrawals**	**Change in fair value**	**Charges and Fees**	**At December 31**
Peso funds	**₱1,471,723,666**	**₱393,440,968**	**(₱78,584,035)**	**(₱105,124,044)**	**(₱48,123,003)**	**₱1,633,333,552**
Dollar funds	**1,398,583,517**	**270,890,428**	**(240,205,734)**	**(58,258,730)**	**(18,561,976)**	**1,352,447,505**
	₱2,870,307,183	**₱664,331,396**	**(₱318,789,769)**	**(₱163,382,774)**	**(₱66,684,979)**	**₱2,985,781,057**

	2021					
	At January 1	Subscriptions	Redemptions/ Surrenders/ Withdrawals	Change in fair value	Charges and Fees	At December 31
Peso funds	₱836,549,881	₱687,015,602	(₱93,272,426)	₱83,489,395	(₱42,058,786)	₱1,471,723,666
Dollar funds	1,119,762,026	432,988,380	(162,937,188)	56,369,112	(47,598,813)	1,398,583,517
	₱1,956,311,907	₱1,120,003,982	(₱256,209,614)	₱139,858,507	(₱89,657,599)	₱2,870,307,183

<u>Peso Funds</u>

Asia equity opportunity feeder fund
The fund seeks to achieve long-term capital appreciation by investing all or substantially all of its assets in a collective investment scheme that invests principally in equity securities of companies in the Asia Pacific region (excluding Japan).

Global total return bond feed fund - Peso
The fund aims to maximize total investment return consisting of a combination of interest income, capital appreciation, and currency gains by investing all or substantially all of its assets in a fixed income collective investment scheme that invests principally in a portfolio of fixed and/or floating rate debt securities and debt obligations issued by government and government-related issuers or corporate entities nationwide.

Equity opportunity fund
The fund is designed to seek total return through current income and long-term capital growth through investment in listed and non-listed fixed income and equity securities of Philippine companies and debt obligations of the Government of the Republic of the Philippines and its instrumentalities. It is an equity fund invested primarily in Philippine equity securities. Investments in securities issued abroad shall be limited to 100% of the fund's net asset value.

Philippine balanced fund
The fund is designed to seek total return through current income and long-term capital growth through investment in listed and non-listed fixed income and equity securities of Philippine companies and debt obligations of the Government of the Republic of the Philippines and its instrumentalities. It is a balanced fund invested in Philippine fixed income and equity securities.

Global technology feeder fund
The fund seeks to achieve long-term capital appreciation by investing all or substantially all of its assets in a collective investment scheme that invests principally in equity securities of companies throughout the world that derive or benefit significantly from technological advances and improvements. It is structured as a feeder fund which invests at least 90% of its assets in a single collective investment scheme called the "Target Fund". Target Fund invests in small or mid cap companies and aims to capture the best stock ideas that are long-term structural winners, opportunistic, and, in special situations, discounted or mispriced.

Fixed income fund
The fund is designed to seek total return through current income and long-term capital growth through investment in listed and non-listed fixed income and equity securities of Philippine companies and debt obligations of the Government of the Republic of the Philippines and its instrumentalities. The objective of the fund is to maximize total return of a fixed income portfolio, that is, to achieve capital gains while maintaining a level of current income consistent with the maintenance of principal and meeting of liquidity requirements. It is invested in a portfolio of liquid Philippine fixed income securities.

GI consumer trends feeder fund
The fund seeks to achieve long-term capital appreciation by investing all or substantially all of its assets in a collective investment scheme that invests principally in equity securities of companies throughout the world that derive or benefit significantly from technological advances and improvements.

Peso multi-asset dividend paying fund A
The fund seeks to achieve income and long-term capital growth by investing all or substantially all of its assets in a collective investment scheme that invests primarily in global debt securities and equities. It is structured as a feeder fund which invests at least 90% of its assets in the Target Multi-Asset Fund, which is currently the JPMorgan Multi Income Fund.

Dollar Funds
Global total return bond feed fund - USD
The fund aims to maximize total investment return consisting of a combination of interest income, capital appreciation, and currency gains by investing all or substantially all of its assets in a fixed income collective investment scheme that invests principally in a portfolio of fixed and/or floating rate debt securities and debt obligations issued by government and government-related issuers or corporate entities worldwide.

Global allocation feeder fund
The fund is designed to seek total return through current income and long-term capital growth through investment in listed and non-listed fixed income and equity securities of Philippine companies and debt obligations of the Government of the Republic of the Philippines and its instrumentalities. The fund seeks to maximize total return by investing all or substantially all of its assets in a balanced collective investment scheme that invests globally in equity, debt and short-term securities, of both corporate and government issuers.

Global equity opportunity fund
The fund is designed to seek total return through current income and long-term capital growth through investment in listed and non-listed fixed income and equity securities of Philippine companies and debt obligations of the Government of the Republic of the Philippines and its instrumentalities. The fund seeks to achieve long-term capital appreciation by investing all or substantially all of its assets in an equity collective investment scheme that invests principally in equity securities in markets throughout the world including major markets and smaller emerging markets.

Dollar multi-asset dividend paying fund A
The fund seeks to achieve income and long-term capital growth by investing all or substantially all of its assets in a collective investment scheme that invests primarily in global debt securities and equities. It is structured as a feeder fund which invests at least 90% of its assets in the Target Multi-Asset Fund, which is currently the JPMorgan Multi Income Fund.

Sensitivity Analysis
Life insurance contracts
The analysis below is performed for a reasonable possible movement in key assumptions, related to mortality and discount rate, with all other assumptions held constant, on the statement of comprehensive income and statement of changes in equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumption changes had to be done on an individual basis.

The assumptions that have the greatest effect on the 2022 and 2021 statements of financial position, statements of comprehensive income and statements of changes in equity are listed below:

Mortality

	Change in Assumptions	**2022** **Increase/ (Decrease) in Net Liabilities**	**Increase/ (Decrease) in Profit Before Tax**	**Increase/ (Decrease) in Equity**
Mortality	**10.00%**	**₱1,065,430**	**(₱1,065,430)**	**(₱799,072)**
	-10.00%	**(1,068,874)**	**1,068,874**	**801,656**
Discount rate	**1.00%**	**(4,651,624)**	**4,651,624**	**3,488,718**
	-1.00%	**6,281,947**	**(6,281,947)**	**(4,711,460)**
Lapse	**10.00%**	**(460,362)**	**460,362**	**345,271**
	-10.00%	**484,703**	**(484,703)**	**(363,527)**
Expense	**10.00%**	**578,636**	**(578,636)**	**(433,977)**
	-10.00%	**(572,787)**	**572,787**	**429,590**

	Change in Assumptions	2021 Increase/ (Decrease) in Net Liabilities	Increase/ (Decrease) in Profit Before Tax	Increase/ (Decrease) in Equity
Mortality	10.00%	₱1,596,720	(₱1,596,720)	(₱1,197,540)
	-10.00%	(1,684,053)	1,684,053	1,263,040
Discount rate	1.00%	(8,473,115)	8,473,115	6,354,836
	-1.00%	11,990,588	(11,990,588)	(8,992,941)
Lapse	10.00%	(438,321)	438,321	328,740
	-10.00%	448,864	(448,864)	(336,648)
Expense	10.00%	1,479,053	(1,479,053)	(1,109,290)
	-10.00%	(1,465,641)	1,465,641	1,099,231

MfAD

	MfAD	**2022** **Increase in Net Liabilities (from Unpadded eserves)**	**Decrease in Profit Before Tax**	**Decrease in Equity**
Lapse	**-50.00%**	**₱1,064,920**	**(₱1,064,920)**	**(₱798,690)**
Mortality	**10.00%**	**710,575**	**(710,575)**	**(532,931)**
Interest	**-10.00%**	**2,565,255**	**(2,565,255)**	**(1,923,941)**
Expense	**50.00%**	**2,095,821**	**(2,095,821)**	**(1,571,866)**
Total MfAD		**₱6,436,571**	**(₱6,436,571)**	**(₱4,827,428)**

	MfAD	2021 Increase in Net Liabilities (from Unpadded Reserves)	Decrease in Profit Before Tax	Decrease in Equity
Lapse	-50.00%	₱3,955,838	(₱3,955,838)	(₱2,966,879)
Mortality	10.00%	1,419,881	(1,419,881)	(1,064,911)
Interest	-10.00%	4,097,393	(4,097,393)	(3,073,045)
Expense	50.00%	4,028,731	(4,028,731)	(3,021,548)
Total MfAD		₱13,501,843	(₱13,501,843)	(₱10,126,383)

15. Accounts Payable and Other Liabilities

This account consists of:

	2022	2021
Accounts payable	**₱537,101,929**	₱375,561,227
Commissions payable	**199,327,348**	144,014,916
Accrued expenses	**110,997,638**	92,732,106
Client deposits	**107,829,063**	85,990,851
Taxes payable	**38,755,439**	32,368,138
Due to policyholders	**28,881,249**	15,787,294
Life insurance deposit	**23,325,670**	19,258,106
Premium deposit fund	**1,492,881**	1,473,809
Miscellaneous	**9,233,198**	5,511,695
	₱1,056,944,415	₱772,698,142

Accounts payable represent billings for medical fees, dental fees, annual physical examination, and third-party administration which are payable on demand. This account also includes unreleased and outstanding checks and the unpaid portion of the exclusive access fees.

Commissions payable refer to accrual for obligations to brokers, referrers and agents arising from commissions, overrides and service fees.

Accrued expenses include accruals for employee bonuses which are payable the following year, accruals for other employee benefits, professional and legal fees and utilities.

Client deposits pertain to unidentified bank credits as of the reporting date and are subject for clearing the following period.

Taxes payable include withholding tax and premium tax payable which are remitted within one month subsequent to reporting date.

Due to policyholders represent the PhilHealth benefits due to insured members who were hospitalized or who availed of laboratory procedures from PhilHealth accredited hospitals or clinics. PhilHealth issues the Benefit Payment Notice (BPN) direct to the insured to claim the benefit. The Company will then require the submission of this BPN as a supporting document prior to paying the related claims on due to policyholders.

Life insurance deposits represent deposits paid by policyholders in advance which are applied to premiums or other policyholder obligations when these fall due.

Due to policyholders represent the PhilHealth benefits due to insured members who were hospitalized or who availed of laboratory procedures from PhilHealth accredited hospitals or clinics. PhilHealth issues the Benefit Payment Notice (BPN) direct to the insured to claim the benefit. The Company will then require the submission of this BPN as a supporting document prior to paying the related claims on due to policyholders.

Premium deposit fund pertains to funds held for policyholders with annual interest ranging from 4.0% to 6.0%.

Miscellaneous includes unearned interest from policy loans and due to Insurope, a multinational pooling facilitator who administers the Company's group life policy pooling arrangements.

16. Insurance Payables

Insurance payables pertain to unpaid reinsurance premiums of the Company to insurers. As of December 31, 2022, and 2021, insurance payables amounted to ₱413.0 million and ₱320.6 million, respectively.

17. Equity

Capital stock

Details of the Company's capital stock for both 2022 and 2021 follows:

Common	Shares	Amount
Authorized (₱10.00 - par value)	124,499,404	₱1,244,994,040
Issued and outstanding:		
Balance at the beginning and end of the year	116,172,083	1,161,720,830

Preferred	Shares	Amount
Authorized (₱0.10 - par value)	50,059,600	₱5,005,960
Issued and outstanding:		
Balance at the beginning and ending of the year	50,059,600	5,005,960

The preferred shares have the following features:

a) Entitled to receive cash dividends at six percent (6.0%) per annum;
b) Voting rights;
c) Convertible at any time into common shares at the sole option of the Company;
d) Redeemable at any time at the sole option of the Company;
e) Priority to receive the guaranteed dividends, including dividends in arrears, over the common stockholders;
f) Not entitled to any participation or share in the retained earnings remaining after all cumulative dividends thereon have been paid; and
g) In the event of liquidation, dissolution, bankruptcy or winding up of the affairs of the Company, holders of preferred shares shall enjoy preferences in the payment, in full or pro-rata basis as the

assets of the Corporation will permit, of the value of their shares plus all unpaid cumulative dividends, before any assets of the Company shall be paid or distributed to holders of common shares.

h) Accrued payable for preferred share dividends in arrears amounted to ₱2.9 million in 2022 and ₱2.6 million in 2021.

Contributed surplus
Contributed surplus amounted to ₱39.8 million as of December 31, 2022 and 2021. This represents original contributions of the stockholders as provided under the Amended Insurance Code.

Retained earnings
This represents the accumulated earnings of the Company reduced by any losses the Company may incur during a certain accounting period or by dividend declarations.

18. Net Insurance Premiums

Life and Non-life insurance contracts
Gross premiums on insurance contracts and reinsurers' share of gross premiums on insurance contract consists of the following:

	2022	2021
Life insurance contract premiums:		
Group accident and health insurance	**₱4,143,447,478**	₱3,595,609,298
Group life insurance	**597,312,425**	466,081,888
Change in provision for unearned premiums	**(580,861,921)**	(2,365,941)
Gross premiums earned on group life insurance contracts	**4,159,897,982**	4,059,325,245
Ordinary life insurance	**56,503,553**	49,818,587
Unit-linked	**664,331,376**	1,120,003,983
Change in provision for unearned premiums	**26,736**	(442,930)
Gross premiums earned on individual life insurance contracts	**720,861,665**	1,169,379,640
Total life insurance contract premiums earned	**4,880,759,647**	5,228,704,885
Reinsurers' share on life insurance contracts:		
Group life insurance	**(144,726,799)**	(183,432,399)
Ordinary life insurance	**(14,331,133)**	713,060
Total reinsurers' share on gross premiums earned on life insurance contracts	**(159,057,932)**	(182,719,339)
Net premiums earned on life insurance contracts	**4,721,701,715**	5,045,985,546
Non-life insurance contracts premiums:		
Motor	**91,071,623**	76,666,950
Fire	**122,433,249**	129,000,734
Personal accident	**13,642,557**	928,535
Travel insurance	**1,025,478**	261,598
Gadget insurance (Property floater)	**77,809,941**	–
Gross premiums written on nonlife insurance contracts	**305,982,848**	206,857,817
Change in unearned premium reserves	**(52,192,498)**	(23,887,478)
Gross earned premiums on nonlife insurance contracts	**253,790,350**	182,970,339
Reinsurers' share on gross premiums written on non-life insurance contracts	**(90,104,991)**	(104,572,570)
Net premiums earned on non-life insurance contracts	**163,685,359**	78,397,769
Net insurance premiums earned	**₱4,885,387,074**	₱5,124,383,315

19. Interest and Other Income

Interest income
Interest income consists of interest arising from:

	2022	2021
Financial assets at FVOCI (Note 8)	**₱68,284,034**	₱57,359,546
Loans and receivables (Note 8)		
Salary and policy loans	**30,315,208**	29,790,290
Mortgage loans	**35,619**	93,291
Cash and cash equivalents (Note 6)	**18,135,043**	5,470,178
	₱116,769,904	₱92,713,305

Service and network fees
Service fees consist of income from:

	2022	2021
Fees from variable life insurance	**₱97,576,666**	₱148,983,169
Network fees	**5,255,549**	8,697,445
	₱102,832,215	₱157,680,614

Fees from variable life insurance pertain to charges to the policyholders holding investments in variable unit-linked products for fund management, as well as policy issue fees.

Network fees are membership fees paid by the policyholders for the use of accredited hospitals, clinics and doctors' network for a no cash-out arrangement in case of in-patient and out-patient availments. These membership fees cover the insured members with health cards issued by the Company.

Third party administration fees
Third party administration fees pertain to fees paid by third parties to the Company for handling medical and health expenses of the said third parties which amounted to ₱28.9 million and ₱20.9 million in 2022 and 2021, respectively.

Others
Other income (loss) consists of:

	2022	2021
Gain (loss) on foreign currency transactions	**₱14,884,943**	(₱821,938)
Processing and handling fees	**12,427,930**	9,064,546
Reinsurance commission income	**11,103,838**	5,910,053
Dividend income	**10,226,704**	3,902,239
Loss on sale of assets	**(13,597)**	–
Gain on pre-termination of lease (Note 10)	–	26,067
	₱48,629,818	₱18,080,967

Processing and handling fees pertain to non-finance charges to cover cost of processing salary loans to DepEd teachers and private institution employees and delivery charge for non-life policies printed and delivered in hard copy.

20. Net Benefits and Claims Incurred on Insurance Contracts

This account consists of:

	2022	2021
Life	**₱2,777,913,533**	₱2,519,690,557
Non-life	**99,076,600**	127,361,281
	₱2876,990,133	₱2,647,051,838

Life insurance contracts
Net insurance contract benefits and claims incurred follow:

	2022	2021
Claims (Note 13)	**₱2,707,602,498**	₱2,463,820,632
Surrenders	**69,953,725**	54,463,518
Policyholders' dividends (Note 13)	**342,297**	885,525
Maturities	**15,013**	520,882
	₱2,777,913,533	₱2,519,690,557

Non-life insurance contracts
Insurance contract benefits and claims incurred follow:

	2022	2021
Motor car insurance	**₱94,613,325**	₱39,311,505
Fire insurance	**1,852,572**	50,287,793
Personal accident insurance	**1,310,042**	34,999
Gadget insurance claims	**152,481**	–
Claims incurred	**97,928,420**	89,634,297
Increase in IBNR	**1,148,180**	37,726,984
	₱99,076,600	₱127,361,281

21. Expenses for the Acquisition of Insurance Contracts

This account consists of:

	2022	2021
Commissions	**₱351,058,461**	₱286,725,495
Service fees	**174,594,454**	246,070,191
Salaries, wages and employees' benefits (Notes 22 and 26)	**117,950,641**	141,348,374
Insurance taxes	**90,043,453**	80,690,483
Others	**24,764,009**	25,430,458
	₱758,411,018	₱780,265,001

Commissions represent amounts that are given to agents and brokers. This account includes overriding expenses that are in excess of 10.0% of commissions.

Service fees represent amounts paid to intermediaries of group policyholders for collecting the premiums from the assured.

Salaries, wages and employees' benefits pertain to personnel costs of the departments directly involved in the marketing, selling and processing the Company's insurance products.

Insurance taxes include documentary stamp tax and premium tax.

Others include medical fees, inspection fees and other direct costs.

22. General and Administrative Expenses

This account consists of:

	2022	2021
Salaries, wages and employees' benefits (Note 23)	**₱223,975,212**	₱190,986,698
Occupancy (Note 25)	**118,871,407**	110,973,504
Management and professional fees (Note 27)	**81,555,917**	81,158,022
Taxes and licenses	**48,909,051**	37,219,683
Postage and communication	**13,675,769**	13,840,502
Provision for impairment of other assets (Note 12)	**13,468,760**	–
Office supplies	**10,571,427**	12,485,823
Transportation and travel	**3,592,723**	2,816,151
Representation and entertainment	**2,141,223**	1,163,263
Insurance	**913,265**	931,646
Recovery from impairment of insurance receivables (Note 7)	**(3,067,455)**	(27,786,033)
Provision for (recovery from) impairment of financial assets (Notes 6 and 8)	**(10,629,779)**	280,488
Others	**38,122,465**	34,687,251
	₱542,099,985	₱458,756,998

Management and professional fees pertain to expenses incurred for management and other professional services received by the Company such as consulting fee, IMA fees, audit fees, directors' fees, legal fees, temporary staff expenses and miscellaneous services.

Taxes and licenses consist of license and permit fees, LGU Taxes, fringe benefit tax, and input VAT.

Others consists mainly of membership dues, prizes and awards, trainings and seminars and bank charges.

23. Salaries, Wages and Employees' Benefits

This account consists of:

	2022	2021
Salaries and wages and other benefits	**₱322,062,302**	₱312,777,873
SSS, Medicare and PAG-IBIG contributions	**11,653,573**	9,872,729
Pension expense (Note 24)	**8,209,978**	9,684,470
	₱341,925,853	₱332,335,072

Salaries, wages and employees' benefits are charged as follows:

	2022	2021
Expenses for the acquisition of insurance contracts (Note 21)	**₱117,950,641**	₱141,348,374
General and administrative expenses (Note 22)	**223,975,212**	190,986,698
	₱341,925,853	₱332,335,072

24. **Pension Plan**

The Company has a funded, non-contributory defined benefit plan (the Plan) which is managed by ATRAM Trust Corporation providing death, disability and retirement benefits for all of its employees. Under the Plan, the normal retirement age is sixty (60) and the employee should have completed at least ten (10) years of service. Normal retirement benefit consists of a lump-sum benefit equivalent to 100.00% of the employee's final monthly pay for every year of service.

The most recent actuarial valuation was carried out for the retirement plan of the Company as of December 31, 2022.

Based on the actuarial valuation as of December 31, 2022 and 2021 computed using the Projected Unit Credit (PUC) method, the Company's pension liabilities and expenses are summarized as follows:

	2022	2021
Net pension asset	**₱11,675,366**	₱8,242,775
Pension expense (Note 23)	**8,209,978**	9,684,470

The amounts recognized in the statements of comprehensive income are as follow:

	2022	2021
Current service cost	**₱8,608,104**	₱9,290,711
Net interest cost	**(398,126)**	393,759
Pension expense	**₱8,209,978**	₱9,684,470

The amounts of net pension asset recognized in the statements of financial position are as follows:

	2022	2021
Fair value of plan assets	**₱109,158,522**	₱115,661,844
Present value of defined benefit obligation	**(97,483,156)**	(107,419,069)
Net pension asset	**₱11,675,366**	₱8,242,775

The movements in the net pension asset (liability) recognized in the statements of financial position are as follows:

	2022	2021
At January 1	**₱8,242,775**	(₱10,642,134)
Pension expense (Note 23)	**(8,209,978)**	(9,684,470)
Contributions	–	20,696,971
Amount to be recognized in OCI	**11,642,569**	7,872,408
At December 31	**₱11,675,366**	₱8,242,775

Changes in the present value of the defined benefit obligation are as follows:

	2022	2021
At January 1	**₱107,419,069**	₱119,167,548
Current service cost	**8,608,104**	9,290,711
Interest cost on benefit obligation	**5,188,341**	4,409,199
Benefits paid from retirement fund	**(7,285,326)**	(14,034,829)
Actuarial losses (gains):		
Experience adjustments	**4,491,120**	126,865
Changes in financial assumptions	**(20,938,152)**	(11,540,425)
At December 31	**₱97,483,156**	₱107,419,069

Changes in fair value of the plan assets are as follow:

	2022	2021
At January 1	**₱115,661,844**	₱108,525,414
Expected return on plan assets	**5,586,467**	4,015,440
Remeasurement losses	**(4,804,463)**	(3,541,152)
Benefits paid	**(7,285,326)**	(14,034,829)
Contributions	**–**	20,696,971
At December 31	**₱109,158,522**	₱115,661,844

Remeasurement gains (losses) recognized in OCI:

	2022	2021
Remeasurement losses on plan assets	**(₱4,804,463)**	(₱3,541,152)
Actuarial gains from benefit obligation	**16,447,032**	11,413,560
	11,642,569	7,872,408
Deferred tax on remeasurement on net plan assets (Note 24)	**(2,910,642)**	(1,968,102)
	₱8,731,927	₱5,904,306

Movement of cumulative remeasurement effect recognized in OCI under equity section of the statements of financial position:

	2022	2021
At January 1	**(₱5,057,934)**	(₱10,962,240)
Remeasurement losses on plan assets	**(4,804,463)**	(3,541,152)
Actuarial gains from benefit obligation	**16,447,032**	11,413,560
At December 31	**6,584,635**	(3,089,832)
Deferred tax asset on remeasurement gain during the year	**(2,910,642)**	(1,968,102)
Actuarial gains (losses) on net pension asset	**₱3,673,993**	(₱5,057,934)

Plan assets consist of:

	2022		2021	
	Amount	**%**	Amount	%
Cash and cash equivalents	**₱21,418,980**	**19.62%**	₱13,058,258	11.29%
Government debt securities	**29,878,528**	**27.37%**	24,418,978	21.11%
Corporate debt securities	**–**	**0.00%**	–	0.00%
Equity securities	**20,810,973**	**19.06%**	10,557,060	9.13%
Mutual Funds/UITFs	**28,056,893**	**25.70%**	60,231,896	52.08%
Loans and receivables	**9,110,585**	**8.35%**	7,517,354	6.50%
Accounts payable	**(117,437)**	**-0.11%**	(121,702)	-0.11%
	₱109,158,522	**100.00%**	₱115,661,844	100.00%

The expected return on plan assets is determined by considering the expected return available on the assets underlying the current investment policy. Expected yields on fixed income investments are based on gross redemption yields as of reporting dates.

The carrying amounts disclosed above reasonably approximate fair value at the reporting date. Accounts payable pertain to projected benefit payable and accrued trust fees.

Net unrealized gains (losses) on investments follow:

	2022	2021
Government debt securities	**₱161,983**	(₱110,560)
Mutual funds	**23,603**	(2,875,301)
Equity securities	**(949,981)**	(410,687)
Unit investment trust funds	**(4,495,105)**	(2,027,634)
	(₱5,259,500)	(₱5,424,182)

Actual return on plan assets amounted to ₱0.8 million and ₱0.4 million in 2022 and 2021, respectively.

The principal actuarial assumptions used are as follows:

	2022	2021
Discount rate	**7.13%**	4.83%
Expected return on plan assets	**0.70%**	0.42%
Salary increase rate	**5%**	5%
Average remaining working lives	**15 years**	10 years

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

	2022		2021	
Discount rate	**+0.50%**	**(₱3,615,818)**	+0.50%	(₱4,428,382)
	-0.50%	**3,896,383**	-0.50%	5,050,489
Salary increase rate	**+0.50%**	**4,048,647**	+0.50%	4,847,428
	-0.50%	**(4,006,294)**	-0.50%	(4,560,325)

Each year, an Asset-Liability Matching Study (ALM) is performed with the result being analyzed in terms of risk-and-return profiles. It is the policy of the Trustee that immediate and near-term retirement liabilities of the Company's Retirement Fund are adequately covered by its assets. As such, due considerations are given that portfolio maturities are matched in accordance with due benefit payments. The Retirement Fund's expected benefits payments are determined through the latest actuarial reports.

25. Occupancy Expenses

This account consists of:

	2022	2021
Depreciation and amortization - property and equipment and intangible assets (Note 9)	**₱49,533,250**	₱47,494,977
Repairs and maintenance	**32,821,696**	30,242,094
Amortization - right of use assets (Note 10)	**17,091,221**	24,485,790
Rent	**12,043,995**	1,633,191
Light and water	**7,086,360**	6,912,442
Others	**294,885**	205,010
	₱118,871,407	₱110,973,504

Rent expenses are related to short-term leasing agreements that the Company entered into for its servicing branches and clinics.

- The lease contract for the Company's head office was renewed on July 1, 2022 for 1 year ending on June 30, 2023. This covers the 2nd and 3rd floors of Morning Star Center (MSC). The rental rate and maintenance charges are subject to an annual escalation of 7.5%.

- The Company renewed its lease agreement. for its clinic in Makati Medical Center for a period of one year from March 16, 2022 to March 15, 2023.

- The Company renewed its lease contract for its branch office located in Lipa City for another one (1) year, expiring on June 30, 2023.

Rental deposits as of December 31, 2022 and 2021 amounted to ₱8.7 million and ₱7.0 million respectively.

26. Income Taxes

Provision for income tax consists of:

	2022	2021
Current	**₱48,875,157**	₱100,302,602
Final	**17,061,811**	12,823,097
Deferred	**11,940,522**	32,976,330
	₱77,877,490	₱146,102,029

Current tax regulations also provide the ceiling on the amount of entertainment, amusement and recreation (EAR) expense that can be claimed as deduction against taxable income. Under the regulation, EAR expense allowed as deductible expense for service company like the Parent Company and its subsidiaries is limited to the actual EAR paid or incurred but not to exceed 1.0% of net revenue. The regulations also provide for MCIT of 2.0% on modified gross income and allow a NOLCO. The MCIT and NOLCO may be applied against the Company's income tax liability and taxable income, respectively, over a three-year period from the year of inception

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30.0% to 25.0% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5.0 million and with total assets not exceeding ₱100.0 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20.0%.
- Minimum corporate income tax (MCIT) rate reduced from 2.00% to 1.00% of gross income effective July 1, 2020 to June 30, 2023.

Applying the provisions of the CREATE Act, the Company is subjected to lower regular corporate income tax rate effective July 1, 2020.

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

	2022	2021
At statutory tax rate	**₱67,746,495**	₱91,067,741
Tax effects:		
Nondeductible expenses	**10,715,489**	76,089,147
Income subjected to final tax	**(4,542,958)**	(2,884,334)
Unrealized losses (gains) on financial assets at FVTPL	**3,627,240**	(2,300,418)
Non-taxable income	**331,224**	4,027,423
Impact of 2020 tax reduction from CREATE	**–**	(19,897,530)
At effective tax rate	**₱77,877,490**	₱146,102,029

Deferred tax assets are recognized to the extent that the realization of the related tax benefit through future taxable profits is probable. The details of the Company's deferred tax assets as at December 31, 2022 and 2021 are as follows:

	2022	2021
Deferred tax assets on:		
Affecting profit or loss:		
Provision for IBNR	**₱33,039,960**	₱37,745,481
Allowance for impairment losses	**12,369,072**	15,841,104
Accrued expenses	**8,861,537**	11,013,104
Unamortized contribution of past service cost	**5,114,979**	5,868,232
Affecting other comprehensive income:		
Tax effect of actuarial loss on pension liability	**2,413,871**	5,324,514
Net unrealized losses on financial assets at FVOCI	**1,423,579**	–
	63,222,997	75,792,435

(Forward)

	2022	2021
Deferred tax liabilities on:		
Affecting profit or loss:		
Post-employment benefit obligation	**₱2,918,842**	₱2,060,694
Affecting other comprehensive income:		
Net unrealized gains on financial assets at FVOCI	–	1,013,238
	2,918,842	3,073,932
Deferred tax assets - net	**₱60,304,156**	₱72,718,503

The movements of the Company's net deferred tax assets (liabilities) are as follow:

	2022	2021
At January 1	**₱72,718,503**	₱103,757,243
Provision	**(11,940,521)**	(31,004,566)
Tax effect of actuarial loss on pension liability (Note 24)	**(2,910,643)**	(1,968,102)
Tax effect on unrealized gains on financial assets at FVOCI	**2,436,817**	1,933,928
At December 31	**₱60,304,156**	₱72,718,503

27. **Related Party Transactions**

Transactions between related parties are based on terms similar to those offered to nonrelated parties. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

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

a. Loans to officers consist of car loans which earn interest ranging from 0%-6% per annum depending on the position of the employee. Total loans outstanding amounted to ₱6.9 million and ₱11.3 million as of December 31, 2022 and 2021, respectively. The related interest income on the car loans amounted to nil and ₱0.1 million for the years ended December 31, 2022 and 2021, respectively (see Note 18).

b. In 2022 and 2021, directors' remuneration included in management and professional fees under "General and administrative expenses" amounted to ₱4.0 million and ₱3.2 million, respectively (Note 22).

Details of key management compensation follows:

	2022	2021
Salaries and other short-term benefits	**₱93,579,022**	₱80,810,647
Post-employment benefits	**10,767,345**	9,770,007
Fringe benefits	**2,762,923**	3,919,874
Social security cost	**544,100**	387,300
	₱107,653,390	₱94,887,828

Key management includes officers with positions of Vice President and up.

c. Outstanding balances with related parties as of December 31 are as follow:

	2022					
	Relationship	**Nature of Transaction**	**Amount/ Volume**	**Outstanding Receivable (Payable) Balance**	**Terms**	**Conditions**
Maybank ATR KE Securities	**Entity under common control**	**Common expenses / premium refund**	**₱–**	**(₱4,106,262)**	**Interest free, payable on demand**	**Unsecured**
Maybank ATR KE Capital	**Shareholder**	**Common expenses**	**–**	**(7,656,161)**	**Interest free, payable on demand**	**Unsecured**
Etiqa Insurance Pte. Ltd.	**Entity under common control**	**Chargeback for software maintenance and service fees**	**(25,371,455)**	**–**	**Interest free, payable on demand**	**Unsecured**
Maybank Shared Services	**Entity under common control**	**Chargeback for shared services**	**(196)**	**(196)**	**Interest free, payable on demand**	**Unsecured**
Etiqa Life Insurance Berhad	**Entity under common control**	**Chargeback for shared services**	**654,414**	**639,828**	**Interest free, payable on demand**	**Unsecured**
Etiqa International Holdings Sdn. Bhd.	**Parent company**	**Chargeback for shared services**	**(6,235)**	**(6,235)**	**Interest free, payable on demand**	**Unsecured**
Malayan Banking Berhad	**Parent company**	**Chargeback for shared services**	**61,779**	**61,779**	**Interest free, payable on demand**	**Unsecured**
A.V. Ocampo	**Entity under common control**	**Commissions**	**(628,714)**	**(41,701)**	**Interest free, payable on demand**	**Unsecured**
			(₱25,290,407)	**(₱11,108,948)**		

	2021					
	Relationship	Nature of Transaction	Amount/ Volume	Outstanding Receivable (Payable) Balance	Terms	Conditions
Maybank ATR KE Securities	Entity under common control	Common expenses / premium refund	₱–	(₱4,106,262)	Interest free, payable on demand	Unsecured
Maybank ATR KE Capital	Shareholder	Common expenses	–	(7,656,161)	Interest free, payable on demand	Unsecured
Maybank Ageas Holdings, Berhad	Entity under common control	Chargeback for shared services	(696,976)	(696,976)	Interest free, payable on demand	Unsecured
Etiqa Life Insurance Berhad	Entity under common control	Chargeback for shared services	(14,587)	(14,587)	Interest free, payable on demand	Unsecured
Etiqa International Holdings Sdn. Bhd.	Parent company	Chargeback for software costs	(328,034)	–	Interest free, payable on demand	Unsecured
			(₱1,039,597)	(₱12,473,986)		

e. The Company also maintains accounts with Maybank Philippines Inc. (MPI), details as of December 31 follow:

	2022	2021
Cash in bank	**₱381,840,793**	274,763,842
Time deposits	**201,407,559**	292,148,106
	₱583,248,352	566,911,948

Interest income earned from cash in bank and time deposits amounted to ₱7.14 million and 2.56 million as of December 31, 2022 and 2021, respectively.

The Company also provides hospitalization and life cover for employees of MPI, as well as Group Credit Life (GCL) insurance cover for borrowers from its lending business. Premium earned in 2022 and 2021 relative to these insurance covers amounted to ₱32.9 million and ₱76.6 million, respectively.

In November 2020, the Company and MPI signed a Bancassurance Agreement (the Agreement), effective January 1, 2021 for a period of fifteen (15) years. This supersedes the previous Bancassurance agreement expiring in 2025. The Company will pay service fees for clients referred by MPI availing of its insurance products. For 2022 and 2021, service fees paid to MPI amounted to ₱46.3 million and ₱102.5 million, respectively.

f. The Company has an Investment Management Agreement (IMA) with ATRAM Trust Corporation (ATRAM) formerly ATR KimEng Asset Management, Inc. (ATRKE AMI) which monitors and manages a portion of the Company's investments. The IMA provides that the Company retains legal title to the invested funds and properties and will be charged IMA fees based on the market value of the portfolio. As of December 31, 2022 and 2021, investments under IMA measured at FVOCI amounted to ₱1.5 billion and ₱1.2 billion, respectively, while investments measured at FVTPL amounted to ₱211.1 million and ₱383.2 million, respectively (Note 8).

   The Company has also entrusted the management of the fund assets of its policyholders availing of variable unit-linked products to ATRAM. As of December 31, 2022 and 2021, segregated fund assets amounted to ₱3.0 billion and ₱2.9 billion, respectively (Note 13).

   Total IMA fees paid to ATRAM included in management and professional fees under "General and administrative expenses" amounted to ₱20.0 million in 2022 and ₱18.0 million in 2021 (Note 21).

g. The Company also maintains its retirement fund with ATRAM, with plan assets as of December 31, 2022 and 2021 amounting to ₱109.2 million and ₱115.7 million, respectively (Note 23). The Company has no other transactions with the retirement plan.

Terms and conditions of transactions with related parties
The Company has not recognized any impairment losses on amounts due from related parties for the years ended December 31, 2022 and 2021. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates. Outstanding balances will be settled in cash.

28. Management of Capital and Insurance Risk

The Company's activities expose it to a variety of risks such as capital, financial and insurance risks. The overall objective of risk management is to focus on the unpredictability of financial markets and insurance contingencies to minimize potential adverse effects on the financial position of the Company.

The Company has established risk management functions with clear cut responsibilities and with the mandate to develop company-wide policies on market, credit, liquidity, insurance and operational risk management. It also supports the effective implementation of risk management policies at the individual business unit and process levels.

The risk management policies define the Company's identification of risk and its interpretation, limit structure ensuring the appropriate quality and diversification of assets, alignment of underwriting and reinsurance strategies to the corporate goals and specify reporting requirements.

Regulatory Framework

Regulators are interested in protecting the rights of the policyholders and maintain close monitoring to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Company maintains appropriate liquidity and solvency positions to meet maturing liabilities arising from claims and acceptable levels of risk.

The operations of the Company are subject to the regulatory requirements of the Insurance Commission. The Insurance Commission does not only prescribe approval and monitoring of activities but also imposes certain restrictive provisions [e.g. fixed capitalization requirements and risk-based capital (RBC) requirements]. Such restrictive provisions minimize the risk of default and insolvency on the part of the insurance companies to meet the unforeseen liabilities as these arise.

Capital Management

The Company's capital includes the common and preferred stock and contributed surplus.

The Company has established the following capital management objectives in managing the risks that affect its capital position:

- To maintain the required level of net worth thereby providing a degree of security to policyholders.
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders.
- To retain financial flexibility by maintaining strong liquidity and access to a range of credit facilities.
- To align the profile of assets and liabilities taking account into the risks inherent in the business.
- To maintain healthy capital and liquidity ratios in order to support its business objectives and maximize shareholders value.

The Company manages its capital through its compliance with the statutory requirements on minimum net worth. The Company is also complying with the statutory regulations on RBC to measure the adequacy of its statutory surplus in relation to the risks inherent in its business. The RBC method involves developing a risk-adjusted target level of statutory surplus by applying certain factors to various asset, premium and reserve items. Higher factors are applied to more risky items and lower factors are applied to less risky items. The target level of statutory surplus varies not only as a result of the insurer's size, but also on the risk profile of the insurer's operations.

The Company's policy to address the situations where the capital level maintained is lower than minimum is to require the shareholders to add more capital. The Company currently holds net worth in excess of the minimum regulatory requirement.

To ensure compliance with these externally-imposed capital requirements, it is the Company's policy to monitor the net worth and related requirements on a quarterly basis as part of Company's internal financial reporting process.

Fixed capitalization requirements

Under the new Insurance Code, the required net worth which is defined as the sum of paid-up capital, retained earnings, unimpaired surplus, and revalued assets is set as follows:

Required Net Worth	Compliance Date
₱250.0 million	June 30, 2013
550.0 million	December 31, 2016
900.0 million	December 31, 2019
1.3 billion	December 31, 2022

As of December 31, 2022, and 2021, the Company's estimated statutory net worth amounted to ₱1.8 billion and ₱1.7 billion, respectively.

Insurance Commission Circular Letter (CL) No. 2018-45 issued in September 5, 2018 sets the net worth requirements for composite insurers at ₱1.1 billion by December 31, 2016, ₱1.8 billion by December 31, 2019 and ₱2.6 billion by December 31, 2022. However, on October 25, 2019, the Insurance Commission issued Circular Letter No. 2019-55 revoking CL No. 2018-45, citing the need for a clear basis to seek and wait for appropriate legislation that will provide greater clarity on the minimum capitalization and net worth requirements.

RBC requirements

Insurance Memorandum Circular (IMC) No. 6-2006 provides for the RBC framework for the life insurance industry which establishes the required amounts of capital to be maintained by the insurance companies in relation to their investment and insurance risks. Subsequently, Insurance Circular 2016-68 amended the RBC framework (dubbed 'RBC2') as part of a new three (3) pillar risk-based approach to solvency regulation. The Risk Based Capital Ratio and Risk Based Capital Requirement are the key requirements under Pillar 1. The RBC2 framework became effective on January 1, 2017.

Every life insurance company is annually required to maintain an RBC ratio of at least 100.0% and not to fail the trend test. Failure to meet the minimum RBC ratio shall subject the insurance company to regulatory intervention which could be at various levels depending on the degree of the violation.

The RBC2 ratio shall be computed as the Total Available Capital divided by the RBC requirement. The Total Available Capital is the aggregate of the Tier 1 and Tier 2 capital minus deductions, subject to applicable limits and determinations. Tier 1 Capital represents capital that is fully available to cover the losses of the insurer at all times on a going concern and winding up basis. The Tier 2 Capital does not have the same high-quality characteristics as Tier 1 but can provide additional buffer to the insurer. The RBC requirement on the other hand is the capital that is required to be held appropriately to the risks and insurance company is exposed to such as Credit Risk, Insurance Risk, Market Risk, Operational Risk, Catastrophe Risk and Surrender Risk.

The following table shows how the RBC ratios at December 31, 2022 and 2021 were determined by the Company based on its internal calculations:

	2022	2021
Total Available Capital (TAC)	**₱2,158,537,499**	₱2,032,886,666
RBC2 requirement	**602,641,716**	578,973,757
RBC2 ratio	**358.18%**	351.12%

The final amount of the RBC ratio for 2022 can be determined only after the accounts of the Company have been examined by the Insurance Commission specifically for the determination of admitted and non-admitted assets as defined under the Insurance Code. The RBC ratio for 2020 was approved by the Insurance Commission in February 2022.

Unimpaired capital requirement
IMC 22-2008 provided that for purposes of determining compliance with the law, rules and regulations requiring that the paid-up capital should remain intact and unimpaired at all times, the statement of financial position should show that the net worth or stockholders' equity is at least equal to the actual paid-up capital.

The Company has complied with the unimpaired capital requirement as of December 31, 2022 and 2021.

Insurance Risk
Nature of risk
The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

Life insurance contracts
Insurance risk includes premium/benefits risk, actuarial reserve risk and reinsurance risk. Premium/benefits risk is the risk of having to pay, from a premium that may be fixed for a specific term, benefits that can be affected by uncontrollable event when they become due. Adequacy of the actuarial reserves is monitored by an in-house actuary on a regular basis in accordance with local regulations. Reinsurance risk arises from underwriting direct business or reinsurance business in relation to reinsurers and brokers.

Monitoring and controlling
The Company regularly assesses the reserving methodology in accordance with local regulations. Underwriting guidelines and limits for insurance and reinsurance contracts have been well established to clearly regulate responsibility and accountability.

The main underwriting strategy of the Company in managing insurance risk is the use of reinsurance. The Company maintains surplus-type reinsurance treaties for both individual and group life business.

Frequency and severity of claims
The frequency and severity of claims is dependent on the type of contracts as follows:

a. For contracts where death is the insured risk, the most significant factor would be epidemics that result in earlier or more claims than expected;
b. For contracts with fixed and guaranteed benefits and fixed future premiums, there are no mitigating terms and conditions that reduce the insurance risk accepted;
c. For contracts with discretionary participating feature, the participating nature of these insurance contracts results in a portion of the insurance risk being shared with the insured party; and
d. For medical insurance contracts where illness incurred by the insured is the considered risk, the most significant factor would be epidemics and communicable diseases, that may result in earlier or more claims than expected.

The Company manages these risks through its underwriting strategy and reinsurance program. However, the risk is also dependent on the policyholders' right to pay reduced or no future premiums, or to terminate the contract completely.

The following represents the Company's concentration of insurance risk per product as of December 31, 2022 and 2021:

	2022			
	Exposure, Gross of Reinsurance ('000)	**Concentration (%)**	**Exposure, Net of Reinsurance ('000)**	**Concentration (%)**
Group life	**₱251,924,860**	**93.10%**	**₱92,339,765**	**86.85%**
Group health	**13,530,756**	**5.00%**	**11,709,974**	**11.01%**
Unit-linked policies	**4,474,096**	**1.65%**	**1,723,052**	**1.62%**
Ordinary life	**336,620**	**0.12%**	**311,024**	**0.29%**
Group accident	**323,000**	**0.13%**	**243,000**	**0.23%**
	₱270,589,332	**100.00%**	**₱106,326,815**	**100.00%**

	2021			
	Exposure, Gross of Reinsurance ('000)	Concentration (%)	Exposure, Net of Reinsurance ('000)	Concentration (%)
Group life	₱212,046,288	94.36%	₱94,579,062	91.25%
Group health	7,790,169	3.47%	323,214	0.31%
Unit-linked policies	3,583,811	1.59%	1,452,355	1.40%
Group accident	1,003,440	0.45%	7,029,739	6.78%
Ordinary life	294,041	0.13%	264,445	0.26%
	₱224,717,749	100.00%	₱103,648,815	100.00%

Summary of claims analysis

	2022	2021
Mortality Ratio		
Aggregate individual	**16.91%**	17.18%
Aggregate group	**143.27%**	129.82%

Non-life Insurance Contracts
The Company principally issues different types of general insurance such as fire and motor. Risk under general insurance policies usually cover a twelve-month duration.

For general insurance contracts, the significant risks arise from climate changes and natural disasters. These risks vary significantly in relation to the location of risk insured, type of risk insured and by industry. Undue concentration by amount can have a further impact on the severity of benefit payments on a portfolio basis.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography.

Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

The Company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit the exposure to catastrophes to a pre-determined maximum amount based on the Company's risk appetite as decided by management.

The following tables set out the concentration of the claims liabilities by type of contract:

	2022	2021
Fire	**₱89,792,874**	₱108,455,150
Motor car	**40,855,863**	43,815,847
Property floater	**1,522,394**	–
Travel insurance	**323,442**	36,522
Personal accident	**15,921**	73,423
	₱132,510,494	₱152,380,942

Assumptions
The principal assumption underlying the estimates is the Company's past claims development experience or in case of first year non-life business, average industry experience is used. This includes assumptions in respect of average claims costs, claim handling costs, claims inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example once off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures.

Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. Other key assumptions include variation in interest rate, delays in settlement and changes in foreign currency rates.

Sensitivities
The general insurance claims provision is sensitive to the above key assumptions. The sensitivity of the certain assumptions such as legislative change, uncertainty in the estimation process, etc., is not possible to quantify.

Claims development table
The following tables reflect the cumulative incurred claims for each successive accident year at each reporting date, together with cumulative payments to date.

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

2022

Accident year	Prior to 2019	2019	2020	2021	2022	Total
Estimate of ultimate claims costs:						
At the end of accident year	**₱–**	**₱49,807,152**	**₱57,290,543**	**₱103,101,088**	**₱140,043,863**	**₱140,043,863**
One year later	**–**	**46,868,163**	**90,298,151**	**117,158,997**	**–**	**117,158,997**
Two years later	**–**	**57,071,906**	**87,527,434**	**–**	**–**	**87,527,434**
Three years later	**–**	**51,994,835**	**–**			**51,994,835**
More than three years later	**37,623,259**	**–**	**–**	**–**	**–**	37,623,259
Current estimate of cumulative claims	**37,623,259**	**51,994,835**	**87,527,434**	**117,158,997**	**140,043,863**	**434,348,388**
Estimate of gross cumulative payments:						
At the end of accident year		**17,983,106**	**10,153,611**	**40,474,958**	**73,520,568**	**73,520,568**
One year later		**26,446,148**	**56,599,816**	**86,707,110**	**–**	**86,707,110**
Two years later		**40,094,981**	**82,516,207**	**–**	**–**	**82,516,207**
Three years later		**49,079,681**	**–**	**–**	**–**	**49,079,681**
More than three years later	**32,065,016**	**–**	**–**	**–**	**–**	**32,065,016**
Cumulative payments to date	**32,065,016**	**49,079,681**	**82,516,207**	**86,707,110**	**73,520,568**	**323,888,582**
Gross insurance liabilities	**5,558,243**	**2,915,154**	**5,011,227**	**30,451,887**	**66,523,295**	**110,459,806**
Unallocated Loss Adjustment Expenses						**–**
Best Estimate of Gross Claims Liabilities						**110,459,806**
Margin for Adverse Development						**22,050,688**
Gross Insurance Claims Liabilities at December 31, 2022						**₱132,510,494**

2021

Accident year	2019	2020	2021	Total
Estimate of ultimate claims costs:				
At the end of accident year	₱–	₱–	₱103,101,088	₱103,101,088
One year later	–	90,298,151	–	90,298,151
Two years later	57,071,906	–	–	57,071,906
Current estimate of cumulative claims	57,071,906	90,298,151	103,101,088	250,471,145
Estimate of gross cumulative payments:				
At the end of accident year	–	–	40,474,958	40,474,958
One year later	–	56,599,816	–	56,599,816
Two years later	40,094,981	–	–	40,094,981
Cumulative payments to date	40,094,981	56,599,816	40,474,958	137,169,755
Gross insurance liabilities	16,976,925	33,698,335	62,626,130	113,301,390
Unallocated Loss Adjustment Expenses				–
Best Estimate of Gross Claims Liabilities				113,301,390
Margin for Adverse Development				–
Gross Insurance Claims Liabilities at December 31, 2021				₱113,301,390

Source of Uncertainty in the Estimation of Future Claim Payments

Estimation of future payments and premium receipts is subject to unpredictability of changes in mortality and morbidity levels. The Company adopts standard industry data in assessing future benefit payments and premium receipts as approved by the Insurance Commission. Adjustments are made, if necessary, according to the experience of the Company.

For individual life insurance, no adjustment is made by the Company to the standard mortality table. For group life, accident and health insurance, the mortality table is adjusted to reflect the Company's actual and projected experiences which are given weights or credibility depending on the amount and length of exposure under consideration. The Company currently monitors its actual experience on individual business on a per policy basis and on an aggregate basis and reports the same to management.

The liability for these contracts comprises the incurred IBNR provision, a provision for reported claims not yet paid and a provision for unexpired risk at reporting dates. The IBNR provision is based on historical experience and is subject to a degree of uncertainty.

Financial Instruments

Due to the short-term nature of cash and cash equivalents, premiums due and uncollected, due from policyholders, receivable from third party administration arrangement, accounts receivable, other receivables, accrued interest receivable, performance bond, reserve and security funds, rental deposits, accounts payable and other liabilities, claims payable, policyholders' dividends due to related parties, premium deposit fund, their carrying values approximate their fair values at reporting dates.

The fair values of salary loans and mortgage loans are determined by computing the present value of the expected future cash flows of the loans using the predetermined market rate for similar instrument as of reporting date as discount rate.

The fair values of financial instruments classified as financial assets at FVTPL and at FVOCI that are actively traded in an organized exchange or active markets are determined by reference to quoted market or broker bid prices at the close of business as of reporting dates. For shares in an open-ended investment company, fair value is established by reference to published Net Asset Value (NAV) per share. For proprietary shares, as these instruments are not quoted in an active market, the Company uses the most recent price at which the instruments were sold, are being sold to third parties.

The Company classifies its non-linked financial assets at fair value as follows:

	2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL:				
Unit investment trust funds	**₱293,563,842**	**₱–**	**₱–**	**₱293,563,842**
Mutual funds	**121,872,039**	**–**	**–**	**121,872,039**
Listed equity securities	**6,020,428**	**–**	**–**	**6,020,428**
Proprietary shares	**–**	**–**	**4,370,280**	**4,370,280**
Financial assets at FVOCI:				
Government debt securities	**1500,316,018**	**361,117,924**	**–**	**1,861,433,942**
Corporate debt securities	**324,466,407**	**–**	**–**	**324,466,407**
	₱2,246,238,734	**₱361,117,924**	**₱4,370,280**	**₱2,611,726,938**

	2021			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL:				
Unit investment trust funds	₱239,206,605	₱–	₱–	₱239,206,605
Mutual funds	181,188,016	–	–	181,188,016
Listed equity securities	6,835,224	–	–	4,370,280
Proprietary shares	–	–	4,370,280	6,835,224
Financial assets at FVOCI:				
Government debt securities	585,129,525	706,268,903	–	1,291,398,428
Corporate debt securities	261,901,971	–	–	261,901,971
	₱1,274,261,341	₱706,268,903	₱4,370,280	₱1,984,900,524

The Company classifies its unit-linked financial assets at fair value as follows:

	2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Unit investment trust funds	**₱2,917,351,623**	**₱–**	**₱–**	**₱2,917,351,623**
Mutual funds	**279,983,570**	**–**	**–**	**279,983,570**

	2021			
	Level 1	Level 2	Level 3	Total
Unit investment trust funds	₱2,809,664,646	₱–	₱–	₱2,809,664,646
Mutual funds	235,701,802	–	–	235,701,802

Financial Risks
The Company is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. The relevant financial risks faced by the Company in its day-to-day operations are market risk, credit risk and liquidity risk.

The BOD is the ultimate governing body with overall risk oversight. Risk Management Committee (RMC) assists the Board in fulfilling its supervision and monitoring responsibilities in respect of internal control, including monitoring the risk profile of the legal entities and combined and compared to the targeted level of risk appetite as set by the Board. Management Risk Committee (MRC) is the advisor to the RMC concerning all Risk related topics, including limits, exposures and methodologies.

Credit risk
The Company has a significant exposure to credit risk, defined as the risk of financial loss resulting from the failure of counterparty to meet its contractual obligations to the Company. In particular, the Company is exposed to credit risk in the following accounts:

- Amounts due from Department of Education (DepEd) teachers and private institution employees;
- Amounts due from related parties and employees;
- Reinsurers' share in insurance liabilities;
- Obligations of companies issuing Mutual Fund shares and equity securities;
- Amounts due from reinsurers in respect of claims already paid;
- Amounts due from insurance policyholders;
- Amounts due from insurance intermediaries; and
- Amounts due from banks.

The Company structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty. Such counterparty limits are subject to an annual or more frequent review. Limits are approved regularly as the need arises at the BOD level. A Credit Committee, which reports to the Management Committee (ManCom), has been established by the BOD to monitor the credit management and exposure of the Company.

The Company fully complies with the guidelines issued by the DepEd in granting loans to teachers which are monitored by DepEd on a regular basis. Any violation shall result to the revocation of the Company's license to extend loans to public school teachers. The Company's credit evaluation policies are anchored on the DepEd guidelines on net take home pay of the teachers and authenticity of documents submitted by the borrowers.

The ManCom has also created a special committee (DepEd Committee), tasked to monitor the DepEd loans business. The DepEd Committee meets on a monthly basis to discuss developments and status of past due accounts, action plans for collecting unpaid accounts and other pertinent issues relative to the loans operations. The DepEd Committee, in turn, reports to the ManCom the status of the loans business on a regular basis.

Loans to policyholders granted against the cash surrender value of policies carry substantially minimal credit risk.

A significant credit exposure arises with respect to reinsurance ceded, to the extent that any reinsurer may be unable to meet its obligations assumed under such reinsurance agreements. The Company selects only domestic and foreign companies with strong financial standing and excellent track records which are allowed to participate in the Company's reinsurance programs. Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract.

In respect of investments securities, the Company secures satisfactory credit quality by setting maximum limits of portfolio securities with a single or group of issuers, excluding those secured on specific assets and setting the minimum ratings for the issuer. The Company sets the maximum amounts and limits that may be advanced to/placed with individual corporate counterparties which are set by reference to their long term ratings.

The table below shows the maximum exposure to credit risk as of December 31, 2022 and 2021:

Non-linked

	2022	2021
Cash and cash equivalents (excluding cash on hand)	**₱674,772,767**	₱1,382,062,597
Premiums due and uncollected	**1,200,161,309**	664,298,826
Reinsurance recoverable on paid losses	**584,419,982**	215,990,061
Reinsurance recoverable on unpaid losses	**105,205,986**	126,003,181
Financial assets at FVTPL	**425,826,589**	431,600,125
Financial assets at FVOCI	**2,186,249,771**	1,554,765,915
Loans and receivables	**730,855,117**	670,950,709
Accrued interest receivable	**22,848,621**	9,734,760
Other assets*	**18,256,336**	16,527,488
	₱5,948,596,478	₱5,071,933,662

**excluding prepayments and miscellaneous*

Unit-linked

	2022	2021
Cash and cash equivalents	**₱45,380,470**	₱12,896,325
Mutual funds	**279,983,570**	235,701,802
Unit investment trust funds	**2,917,351,623**	2,809,664,645
Accounts receivable	**279,237**	37,590
	₱3,242,994,900	₱3,058,300,362

The Company uses an external credit grading system from various rating agencies based on the borrowers and counterparties overall credit worthiness, as described below:

Investment 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 the public markets and/or 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, for individuals into business or for corporate entities. 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.

The Company assessed that its cash and cash equivalents, premiums due and uncollected, reinsurance recoverable on paid and unpaid losses, financial assets at FVTPL, financial assets at FVOCI, accrued interest receivable, and other assets have investment grade and ECL recognized under stage 1. There were no transfers during the year.

The table below provides information regarding the credit risk exposure of the Company's loans and receivables by classifying as to the counterparties' credit grading and staging assessment of the outstanding allowance for ECL.

	2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Investment grade	**₱232,969,521**	**₱–**	**₱–**	**₱232,969,521**
Non-investment grade - satisfactory	**455,404,808**	**23,783,173**	**–**	**479,187,981**
Past due or impaired	**–**	**–**	**18,697,615**	**18,697,615**
	₱688,374,329	**₱23,783,173**	**₱18,697,615**	**₱730,855,117**

	2021			
	Stage 1	Stage 2	Stage 3	Total
Investment grade	₱166,284,542	₱–	₱–	₱166,284,542
Non-investment grade - satisfactory	453,953,577	4,814,961	–	458,768,538
Past due or impaired	–	–	45,897,629	45,897,629
	₱620,238,119	₱4,814,961	₱45,897,629	₱670,950,709

Liquidity risk

The Company is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Company maintains minimum proportion of sufficient funds available to meet such calls to cover maturities, claims and surrenders at unexpected levels of demand.

The BOD has formed an Asset and Liability Committee (ALCO) which meets on a quarterly basis to ensure the adequacy of reserves and liquid assets and complies with the regulatory reserve and liquidity requirements. Cash forecasts are prepared and reviewed by the ALCO, DepEd Committee and Investment Committee to ensure that the operational funding requirements are adequately met.

The table below summarizes the maturity profile of the Company's liabilities as at December 31, 2022 and 2021 based on contractual undiscounted payments except for the legal policy reserves of the life and non-life insurance contracts (included in the "Insurance contract liabilities" account) which shows the maturity analysis based on the estimated timing of the net cash outflows using the recognized insurance liability amounts:

	2022					
	On Demand	**Up to a Year**	**1 -2 Years**	**2 -3 Years**	**Over 3 Years**	**Total**
Insurance contract liabilities:						
Premium reserves and legal policy reserves	**₱–**	**₱1,560,898,522**	**₱6,996,993**	**₱4,303,401**	**₱340,347,493**	**₱1,912,546,410**
Claims payable	**–**	**727,722,140**	**–**	**–**	**–**	**727,722,140**
Policyholders' dividends	**3,595,724**	**–**	**–**	**–**	**–**	**3,595,724**
Premium deposit fund	**1,492,881**	**–**	**–**	**–**	**–**	**1,492,881**
Accounts payable and other liabilities:						
Accounts payable	**–**	**537,101,929**	**–**	**–**	**–**	**537,101,929**
Life insurance deposits	**–**	**23,325,670**	**–**	**–**	**–**	**23,325,670**
Accrued expenses	**–**	**110,997,638**	**–**	**–**	**–**	**110,997,638**
Due to policyholders	**–**	**28,881,249**	**–**	**–**	**–**	**28,881,249**
Lease liabilities	**–**	**3,131,260**	**1,758,141**	**838,682**	**693,641**	**6,421,725**
Insurance payables	**–**	**413,043,542**	**–**	**–**	**–**	**413,043,542**
Others	**–**	**355,145,049**	**–**	**–**	**–**	**355,145,049**
	₱5,088,605	**₱3,760,246,999**	**₱8,755,135**	**₱5,142,084**	**₱341,041,134**	**₱4,120,273,956**

	2021					
	On Demand	Up to a Year	1 -2 Years	2 -3 Years	Over 3 Years	Total
Insurance contract liabilities:						
Premium reserves and legal policy reserves	₱–	₱1,031,621,107	₱4,624,417	₱2,844,182	₱224,940,733	₱1,264,030,439
Claims payable		955,249,021	–	–	–	955,249,021
Policyholders' dividends	3,697,461	–	–	–	–	3,697,461
Premium deposit fund	1,473,809	–	–	–	–	1,473,809
Accounts payable and other liabilities:						
Accounts payable	–	375,561,227	-	-	-	375,561,227
Life insurance deposits	–	19,258,106	–	–	–	19,258,106
Accrued expenses	–	92,732,106	–	–	–	92,732,106
Due to policyholders	–	15,787,294	–	–	–	15,787,294
Lease liabilities	–	18,094,457	1,482,480	–	–	19,576,937
Insurance payables	–	320,632,629	–	–	–	320,632,629
Others	–	267,885,601		–	–	267,885,601
	₱5,171,270	₱3,096,821,548	₱6,106,897	₱2,844,182	₱224,940,733	₱3,335,884,630

Market risk
Market risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of adverse changes in market prices. Market risk relevant to the Company comprises market rate (fair value interest rate risk) and market price (equity price risk) risks.

Fair value interest rate risk
Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of adverse changes in market interest rates. Fixed rate securities and receivables, in particular, are exposed to such risk.

The Company's investment policy is to maintain an adequate yield to match the interest necessary to support future policy liabilities. Management's focus is to reinvest the proceeds of the maturing securities and to invest the future premium receipts while continuing to maintain satisfactory investment quality.

The Company has an Investment Committee which approves all investment undertaking of the Company and meets on a monthly basis. The Company adopts an investment strategy to invest primarily in high quality securities while maintaining diversification to avoid significant exposure to issuer and/or industry concentrations.

The following table shows the information relating to the Company's financial instruments as of December 31, 2022 and 2021 that are exposed to fair value interest rate risk presented by maturity profile:

	2022						
	Range of Interest Rate	**On Demand**	**Less than 1 Year**	**1 -2 Years**	**2 -3 Years**	**More than 3 Years**	**Total**
Cash and cash equivalents (excluding cash on hand)	**0.25% - 3.875%**	**₱473,365,208**	**₱201,407,559**	**₱–**	**₱–**	**₱–**	**₱674,772,767**
Financial assets at FVOCI							
Government debt securities	**3.63% - 9.25%**	**–**	**14,014,513**	**82,062,553**	**89,583,092**	**1,676,086,763**	**1,861,746,921**
Corporate debt securities	**2.79% - 8.03%**	**–**	**1,004,263**	**135,395,055**	**8,729,948**	**179,373,583**	**324,502,849**
Loans and receivables							
Salary loans	**5.70% - 6.00%**	**–**	**47,381,707**	**62,881,438**	**120,621,094**	**–**	**230,884,239**
Mortgage loans	**6.00%**	**–**	**5,044,720**	**1,452,798**	**798,293**	**282,253**	**7,578,064**
Policy loans	**10.00%**	**12,273,044**	**–**	**–**	**–**	**–**	**12,273,044**
		₱485,638,252	**₱268,852,762**	**₱281,791,844**	**₱219,732,427**	**₱1,855,742,599**	**₱3,111,757,884**
Policyholders' dividends	**4.00%**	**₱3,595,724**	**₱–**	**₱–**	**₱–**	**₱–**	**₱3,595,724**
Premium deposit fund	**4.00-6.00%**	**1,492,881**	**–**	**–**	**–**	**–**	**1,492,881**
		₱5,088,605	**₱–**	**₱–**	**₱–**	**₱–**	**₱5,088,605**

	2021						
	Range of Interest Rate	On Demand	Less than 1 Year	1 -2 Years	2 -3 Years	More than 3 Years	Total
Cash and cash equivalents							
(excluding cash on hand)	0.10%-0.50%	₱351,913,372	₱1,030,149,225	₱–	₱–	₱–	₱1,382,062,597
Financial assets at FVOCI							
Government debt securities	2.370% - 5.620%	–	395,746,432	53,295,364	42,148,019	801,408,758	1,292,598,573
Corporate debt securities	2.7885% - 6.660%	–	53,898,355	1,013,863	23,730,079	183,525,046	262,167,343
Loans and receivables							
Salary loans	5.70% - 6.00%	–	98,239,508	177,513,972	17,462,515	–	293,215,995
Mortgage loans	6.00%	–	4,474,986	7,496,242	–	–	11,971,228
Policy loans	10.00%	14,671,031	–	–	–	–	14,671,031
		₱366,584,403	₱1,582,508,506	₱239,319,441	₱83,340,613	₱984,933,804	₱3,256,686,767
Policyholders' dividends	4.00%	₱3,697,461	₱–	₱–	₱–	₱–	₱3,697,461
Premium deposit fund	4.00-6.00%	1,473,809	–	–	–	–	1,473,809
		₱5,171,270	₱–	₱–	₱–	₱–	₱5,171,270

The sensitivity analysis below is presented for reasonably possible movements in interest rates with all other variables held constant, showing the impact on equity (that reflects adjustments due to changes in fair value of FVOCI financial assets):

	Change in Interest Rate	**Impact on Equity**
2022	**1.00%**	**(₱4,702,843)**
	-1.00%	**3,277,231**
2021	+1.00%	(283,258)
	-1.00%	283,700

In 2022 and 2021, the Company determined the reasonably possible change in interest rate using the historical percentage changes in weighted average yield rates of outstanding securities for the past three years.

Equity price risk

The Company's equity price risk exposure relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, equity securities and investment in mutual funds classified as financial assets at FVTPL. Such securities are subject to price risk due to possible adverse changes in market values of instruments arising from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market. The Company invests in equity securities for various reasons, including reducing its overall exposure to interest rate risk.

The Company has an IMA with ATRAM Trust Corp. which monitors and manages a portion of the Company's investments. The Investment Committee of the Company oversees its investment undertaking.

The analysis below is performed for reasonably possible movements in PSE index with all other variables held constant, showing the impact on equity and profit before tax:

	Change in PSE Index	**Impact on Profit Before Tax**	**Impact on Equity**
2022	**5.00%**	**₱301,021**	**₱225,766**
	-5.00%	**(301,021)**	**(225,766)**
2021	+5.00%	341,761	256,321
	-5.00%	(341,761)	(256,321)

In 2022 and 2021, the Company determined the reasonably possible change in PSE index using the specific adjusted data for each equity security the Company holds as of the reporting dates. The adjusted data is the forecasted measure of the volatility of security or a portfolio in comparison to the market as a whole.

The analysis below is performed for reasonably possible movements in NAV per share with all other variables held constant, showing the impact on equity and Profit before tax:

	Change in NAV per Share	Impact on Profit Before Tax	Impact on Equity
2022	**5.00%**	**₱1,174,053**	**₱880,540**
	-5.00%	**(1,174,053)**	**(880,540)**
2021	+5.00%	1,259,005	944,254
	-5.00%	(1,259,005)	(944,254)

Foreign currency risk
The Company's foreign exchange risk arises primarily from any transaction denominated in a foreign currency such as the US Dollar. In 2022 and 2021, the Company's transactions are primarily denominated in Philippine Peso, thus, reducing the Company's exposure to currency risk to an insignificant amount.

29. Contingencies and Subsequent Events

The Company is currently involved in various legal proceedings and the Company currently does not believe these proceedings will have a material adverse effect on the Company's financial position as of reporting date.

The Company has also entered into an exclusive Insurance Distribution Agreement with Philippine Bank of Communications (PBCOM). The pilot phase of the distribution partnership is expected to commence upon securing the relevant regulatory approvals.

30. Approval of the Financial Statements

The accompanying financial statements of the Company were authorized for issue by BOD on March 13, 2023.

31. Current and Non-current Classification

The following tables present the assets and liabilities by contractual maturity and settlement dates:

	2022			2021		
	Current	**Non-current**	**Total**	Current	Non-current	Total
Cash and cash equivalents	**₱674,919,452**	**₱–**	**₱674,919,452**	₱1,380,809,068	₱–	₱1,380,809,068
Insurance receivables	**1,779,761,699**	**–**	**1,779,761,699**	872,401,840	–	872,401,840
Reinsurance assets	**142,074,288**	**–**	**142,074,288**	162,813,410	–	162,813,410
Financial assets:						
At Fair value through profit or loss	**425,826,589**	**–**	**425,826,589**	431,600,125	–	431,600,125
At Fair value through other	**15,007,707**	**2,170,892,642**	**2,185,900,349**			
comprehensive				449,331,426	1,103,968,973	
incomecomprehensive income						1,553,300,399
Loans and receivables	**502,338,454**	**186,035,875**	**688,374,329**	417,765,390	202,472,729	620,238,119
Accrued interest receivable	**22,848,621**	**–**	**22,848,621**	9,734,760	–	9,734,760
Due from related parties	**701,607**	**–**	**701,607**	–	–	–
Segregated fund assets	**2,985,781,057**	**–**	**2,985,781,057**	2,870,307,183	–	2,870,307,183
Right-of-use assets	**–**	**6,086,693**	**6,086,693**	–	16,665,724	16,665,724
Property and equipment	**–**	**26,768,608**	**26,768,608**	–	31,669,134	31,669,134
Intangible assets	**–**	**441,198,508**	**441,198,508**	–	476,499,245	476,499,245

(Forward)

Deferred acquisition cots	**₱232,622,612**	**₱–**	**₱232,622,612**	₱160,064,591	₱–	₱160,064,591
Net pension asset	**–**	**11,675,366**	**11,675,366**	–	8,242,775	8,242,775
Other assets	**149,699,631**	**–**	**149,699,631**	112,361,197	–	112,361,197
Deferred tax asset - net	**–**	**60,304,156**	**60,304,156**	–	72,718,503	72,718,503
Total Assets	**₱6,931,581,717**	**₱2,902,961,848**	**₱9,834,543,565**	₱6,867,188,990	₱1,912,237,083	₱8,779,426,073
Liabilities						
Insurance contract liabilities	₱2,292,216,386	₱351,647,888	₱2,643,864,274	₱1,991,010,519	₱232,409,332	₱2,223,419,851
Accounts payable and other liabilities	1,056,944,415	–	1,056,944,415	772,698,142	–	772,698,142
Insurance payables	413,043,542	–	413,043,542	320,632,629	–	320,632,629
Lease liabilities	3,131,261	3,290,464	6,421,725	18,094,457	1,482,480	19,576,937
Due to related parties	11,768,854	–	11,768,854	12,473,986	–	12,473,986
Segregated fund liabilities	2,985,781,057	–	2,985,781,057	2,870,307,183	–	2,870,307,183
Total Liabilities	**₱6,762,885,515**	**₱354,938,352**	**₱7,117,823,867**	₱5,985,216,916	₱233,891,812	₱6,219,108,728

32. Supplementary Tax Information Required Under Revenue Regulations (RR) 15-2010

The Company reported and/or paid the following taxes in 2022:

Value-added tax (VAT)
The NIRC of 1997 provides for the imposition of VAT on sales of goods and services. The Company, however, as a domestic corporation doing life insurance business, is a non-VAT registered Company. Sales or receipts of life insurance premiums are subject to percentage tax called premium tax.

The premium tax rate was reduced from 5.0% to 2.0% pursuant to Republic Act 10001. The Company paid premium taxes amounting to ₱87.0 million in 2022.

An analysis of the Company's VAT transactions is presented below:

Transactions subject to VAT	₱393,191,636
VAT rate	12%
VAT on sales / receipts	47,182,996
Less allowable input tax	14,323,479
Output VAT declared in returns	₱32,859,517

The rollforward of Input VAT is presented below:

As of January 1, 2022	₱–
Input VAT on domestic purchase of services	149,021,900
Input VAT on domestic purchases of goods other than capital goods	1,182,731
Total available input VAT	150,204,631
Input VAT allocable to exempt sales, treated as part of Company costs	135,881,152
Allowable input VAT claimed as offset against output VAT	₱14,323,479

Information on the Company's Importations
The Company has not undertaken any importation activity in 2022.

Excise taxes
The Company is neither involved in the local production nor in the importation of excisable items, therefore, has not paid excise taxes.

Documentary Stamp Tax

On others - policy issuance	₱32,893,306
On loan instruments	1,377,179
On shares of stocks	2
	₱34,270,487

Other Taxes and Licenses
This includes all other taxes, local and national, including real estate taxes, license and permit fees. Details of other taxes and licenses in 2022 follow:

License and permit fees	₱9,921,476
Fringe benefit tax	1,644,851
	₱11,566,327

Withholding Taxes
Details of taxes withheld in 2022 follow:

Creditable withholding taxes	₱168,386,724
Withholding taxes on compensation and benefits	39,071,484
Final withholding tax	613,640
	₱208,071,848

Tax Assessments and Cases
The Company received Preliminary Assessment Notice (PAN) from the Bureau of Internal Revenue (BIR) covering different types of taxes for calendar years 2017 and 2018 deficiency taxes.

Within thirty (30) days after receipt of PAN for taxable year 2017, the Company filed a protest letter with the Office of the Commissioner of Internal Revenue on the findings noted by the BIR and requested reconsideration and reinvestigation based on legal and factual grounds.

On August 31, 2022, the Company paid the assessment for taxable year 2018 and BIR issued termination letter on September 7, 2022.

Humanizing Insurance

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