



# THE PREMIER INSURANCE & SURETY CORPORATION

In God we Trust / Like the Hand that Protects



## 2021 Annual Report

Ang *Segurong* may *Puso*



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# The Premier Insurance & Surety Corporation

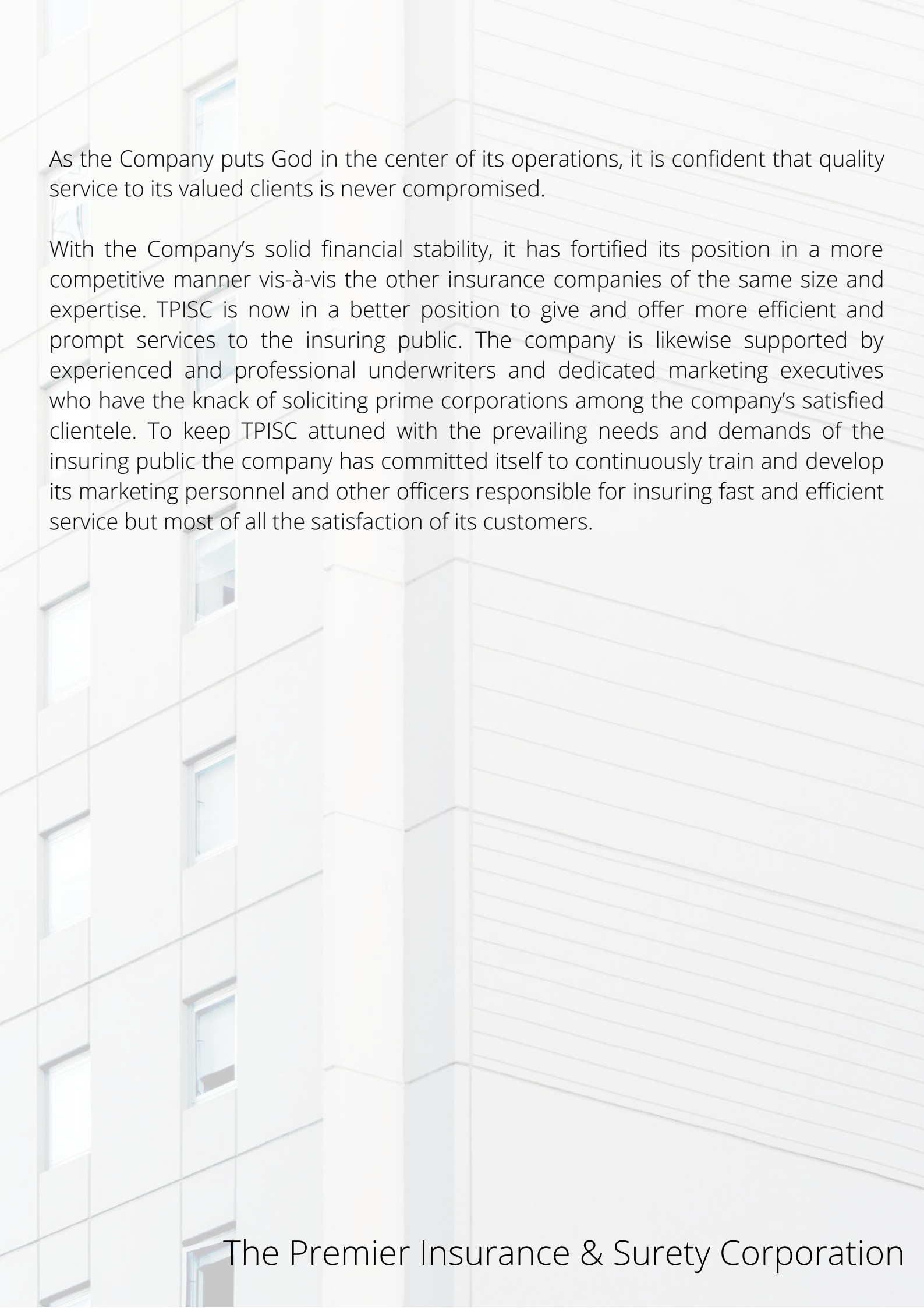
TPISC was organized under the laws of the Republic of the Philippines on 20th of October 1964 as a 100% Filipino Owned domestic non-life insurance company. Its original Certificate of Authority to operate was issued on 22 December 1964 by the Insurance Commission. The Company had been authorized to deal in various lines of insurance business when it started writing policies in February 1965. It was licensed as a Surety company on the 9th of August 1965, having secured Administrative Order No. 131 upon approval of the President of the Philippines. Like the hand that protects, the Corporation has gained the elusive trust and confidence of the insuring public since then.

The present owners invested in the company and formally operated the business in January 2020. The entry of the new owners paved the way for an increase in paid-up capital. Moreover, due to the significant improvement in underwriting results and substantial rise in investment income, the company is geared towards making a big leap with the end-in-view of obtaining a remarkable share in the local market.

With the Company's solid financial stability, it has fortified its position in a more competitive manner vis-à-vis the other insurance companies of the same size and expertise. TPISC is now in a better position to give and offer more efficient and prompt services to the insuring public, having strategically positioned three (3) branches in key cities. The Company is likewise supported by experienced and professional underwriters and dedicated marketing executives who have the knack of soliciting prime corporations among the company's satisfied clientele. To keep TPISC attuned with the prevailing needs and demands of the insuring public the company has committed itself to continuously train and develop its marketing personnel and other officers responsible for insuring fast and efficient service but most of all the satisfaction of its customers.

The Company enjoys full and all-out support from its reinsurers. It has arranged its treaty contracts and automatic facilities with some of the impeccable reinsurers both on property and casualty lines, on proportional and non-proportional basis as well





As the Company puts God in the center of its operations, it is confident that quality service to its valued clients is never compromised.

With the Company's solid financial stability, it has fortified its position in a more competitive manner vis-à-vis the other insurance companies of the same size and expertise. TPISC is now in a better position to give and offer more efficient and prompt services to the insuring public. The company is likewise supported by experienced and professional underwriters and dedicated marketing executives who have the knack of soliciting prime corporations among the company's satisfied clientele. To keep TPISC attuned with the prevailing needs and demands of the insuring public the company has committed itself to continuously train and develop its marketing personnel and other officers responsible for insuring fast and efficient service but most of all the satisfaction of its customers.



# **Vision**

**To explore and pioneer in new trends and specialty lines in the insurance industry, expand its market base and capitalize its extensive experience to assert its foothold as a leading insurance company.**

# **Mission**

**To maintain and further enhance its almost five decades of being a stellar provider of dependable, quality and affordable insurance and surety coverage to its vast clientele, share its technical expertise and experience and deliver excellent services through prudent, effective and efficient business practices guided by the highest ideals of integrity and professionalism**

# THE BOARD OF DIRECTORS

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**Samuel U. Lee**  
**Chairman/CEO**



**58, Filipino, is the present Chairman of The Premier Insurance and Surety Corporation, he serves as the Chairman, CEO, CFO and/or Director of various sister companies and affiliates of TPISC. A licensed Mechanical Engineer and a graduate of De La Salle University Manila, he brings to the board his varied expertise in insurance, finance and logistics.**

**Maybelle L. Lim**  
**President/COO**

**63, Filipino, currently she is the President and CEO of TPISC. She holds a degree in Elementary Education from University of the East Manila.**





**Atty. Florence B. Carandang,  
VP Legal/Corporate Secretary**

**43, Filipino is a graduate of Political Science at San Sebastian College Recoletos-Manila and subsequently earned her Bachelor of Laws degree in 2001 from the same University and was admitted to the Philippine Bar. She attended various significant trainings on corporate governance, insurance, continuing legal education and human resources policies which made her qualified of being Corporate Board Secretary of The Premier Insurance & Surety Corporation.**

**Atty. Carandang also holds the position of VP-Legal of Premier, VP-Legal & Admin and Corporate Secretary of Travellers Insurance & Surety Corporation. Prior to such appointment, she worked as a Legal Assistant and Legal Researcher of different law firms**

**Florinda R. Callo  
VP-Finance/ Treasury**

**55, Filipino, was elected Director of TPISC last 2019. She is currently the VP- Finance/ Treasury of The Premier Insurance and Surety Corporation. Ms. Callo holds the degree of Bachelor in Accountancy from Polytechnic University of the Philippines**





**Edgardo P. David**  
**Director**



**73, Filipino, was elected as Director of TPISC last 2019. He is a member of the following organizations: Rotary Club of Makati Poblacion; Philippine Institute of Certified Accountant; Philippine Insurers Club; Insurance Institute of Asia and the Pacific; Philippine Insurance & Reinsurance Association; Collection Assistance of Surety & Insurance Companies; PCA Gold Association; U.P. Tee Jots; Amateur Golfers & Associates; and Philippine Association of Surety Underwriters, Inc. Mr. David has over 46 years of experience in the insurance industry, of which the past 30 years held senior management positions and in those positions he was exposed to corporate business across all sectors. A CPA and Non-Life Company Underwriter (All Lines), Mr. David holds a Bachelor's Degree in Accounting from Philippine College of Commerce (now Polytechnic University of the Philippines) and MBA from Ateneo De Manila University, and a Special Course from Asian Institute of Management.**

**Marianito G. Faral**  
**Director**

**70, Filipino, was elected Director of TPISC last 2019. He is a member of Philippine Institute of Certified Accountant and Association of Insurance Accountants of the Philippines. Having been with the insurance industry for over 41 years, Mr. Faral's accounting expertise and financial auditing played a big role in the company. Mr. Faral, a CPA, earned his Bachelor's degree in Accounting from Golden Gate Colleges.**



**Sandra L. Ang**  
**Director**

**56, Filipino, was elected Director of TPISC last 2019. A licensed Doctor of Dentistry, she obtained her Bachelor of Science in Dentistry at University of the East Manila.**



**Normita C. Tee**  
**Director**

**62, Filipino, was elected Director of TPISC in 2020. She presently heads the Audit of the group of companies owned by Mr. Samuel U. Lee. Ms. Tee is a Certified Public Accountant and a cum laude graduate of Bachelor of Science in Commerce Major in Accounting from University of Sto. Tomas and Masteral Units in Business Administration from Ateneo de Manila University.**



**Evangeline P. De Leon**  
**Director**

**67, Filipino, was elected Director of TPISC last 2019. Ms. De Leon holds the degree of Bachelor of Arts Major in Psychology from Far Eastern University. Her Masters in Psychology at Pamantasan ng Lungsod ng Maynila and Masters in Business Administration at Dela Salle University.**



# THE CORPORATE SECRETARY

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**Atty. Florence B. Carandang, is a graduate of Political Science at San Sebastian College Recoletos-Manila and subsequently earned her Bachelor of Law degree in 2001 from the same collegiate institute, and eventually admitted to the Philippine Bar. She is an alumna of the Insurance School (Non-Life) of Japan, having completed the “39th Session of the ISJ General Course 2012 Program. She likewise participated as one of the Philippine delegates in the “25th session of the ISJ Advance Course 2015 Program” held in Tokyo, Japan.**

**Atty. Carandang attended various significant trainings in corporate governance, insurance, continuing legal education and best practices in human resources which made her qualified as The Premier Insurance & Surety Corporation’s Corporate Board Secretary. She was a catalyst to the 2012 Best in Corporate Governance Award of TRISCO, a sister company, awarded by the Philippine Insurers and Reinsurers Association (PIRA).**

**Atty. Carandang also spearheads TPISC’s Legal Department as its Vice President for Legal. She was likewise appointed as VP-Legal and Corporate Secretary of TRISCO. Atty. Carandang is a corporate and labor law practitioner. She is also commissioned as Notary Public in the City of Manila since 2009.**



# Executive and Key Officers

Samuel U. Lee	Chairman and CEO
Maybelle L. Lim	President and COO
Atty. Florence B. Carandang	VP Legal / Corp. Secretary
Florinda R. Callo	VP Finance / Treasury
Carlos N. Bautista Jr.	AVP Operations
Katherine D. Cortes	Jr. Sales Operation Manager
Ruben P. Anonuevo	AVP Bonds Underwriting/RI
Antonio B. Quianzon	AVP Underwriting Properties and Casualties/RI
Eugenio R. Hermosa Jr.	Comptroller
Valentine A. Ocampo	Marketing Manager
Herman S. Serranilla	Claims Manager

# President's Report

## Introduction

Covid-19 made an enormous impact on business in the entire country since it began in 2020. Come 2021, another variant came – Omicron, which is faster to transmit than the regular Covid-19 and doubled the number of positive cases which contributed for the downfall of economy in the Philippines. With the impact of the pandemic, business establishments faced severe difficulties due to the quarantine measures that restricted the movement of workers and consumers and business operations. Like other countries around the world, the Philippines continue to face very difficult decisions in balancing these health and economic imperatives.

For the economic recovery, the country depended on its vaccination programme. To attain herd immunity threshold, the government vaccinated 70% of the country's 100 million people. The virus was contained both domestically and globally, and that domestic activity was strengthened by increased consumers and corporate confidence and public investment momentum.

For the company's operation, posted an increase in production compared from previous year as presented below:

	2021 (in PhP)	2020 (in PhP)	Increase (Decrease)	% Change
Gross Premiums Earned	151,773,457	95,145,841	56,627,616	59.52 %
Net Premiums Earned 1	41,881,612	92,988,971	48,892,641	52.58 %
Gross Underwriting Income	144,868,680	93,725,879	51,142,801	54.57 %
Total Underwriting Expenses	96,020,941	63,800,657	32,220,284	50.50 %
Losses Incurred	23,496,583	31,654,186	(8,157,603)	(25.77 %)
Commission Expense	46,600,190	25,150,403	21,449,787	85.29 %
General and Administrative Expenses	48,363,560	44,199,572	4,163,988	9.42 %
Net Income	11,513,957	9,358,707	2,155,250	23.03 %
Total Assets	2,501,313,604	1,766,404,625	734,908,979	41.60 %
Total Liabilities	354,830,709	174,205,839	180,624,870	103.68 %
Total Stockholders' Equity	2,146,482,895	1,592,198,787	554,284,108	34.81 %

# Milestones

The P2.1 billion net worth of the company by the end of 2021 is in compliance of the P900 million minimum net worth requirements as of December 31, 2019, per Section 194 of Republic Act No. 10607 (Amended Insurance Code) and Insurance Commission Circular Letter No. 2015-15-A dated January 15, 2015. With the P2.1 billion net worth, the company is placed on the top eleven (11) position, and with the P2 billion paid-up capital by the end of 2021, the company is placed on the top two (2) position surpassing other non-life insurance companies of the Philippines.

The Securities and Exchange Commission (SEC) approved on May 20, 2021 the company's application for increase in authorized capital stock from P1.3 billion divided into 13 million shares at P100 par value per share into P 2 billion divided into 20 million shares at P 100 par value per share.

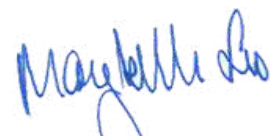
With the approval of the company's Board of Directors in 2019, the conversion of receivables from agents amounting to P150 million to loans receivable covered by promissory notes with 7% interest per annum, the company collected the amount of P53.8 million on the principal and P17.5 million on the interest as of December 31, 2021.

On the year 2021, the company acquired real properties located in President Quirino, Pandacan, Manila amounting to P242.46 million, Pio del Pilar, Makati City amounting to P51 million, Bucal, Silang, Cavite amounting to P40.51 million and in Taysan Batangas amounting to P110.54 million.. These properties were acquired for the establishment of branches on the areas.

We take this opportunity to thank our Board of Directors and our shareholders for their trust and confidence in us despite the challenges in 2021. We also thank and express appreciation to our customers and business partners for their support and patronage and of course our officers and employees for their dedication and hard work in pursuit of our company's objectives.

We are looking forward into engaging in many more years of fruitful insurance business.

Thank you.



**MAYBELLE L. LIM**  
**President and COO**



# Sustainability Report



The Premier Insurance & Surety Corporation kept up its involvement in UN efforts aimed at long-term sustainable growth for the year 2021.

In order to create the seventeen (17) Sustainable Development Goals (SDG), which are individually focused on every social, economic, and environmental issue without compromising the capacity of future generations to meet their own needs, "Leaving No One Behind" became the organization's guiding principle.

Although TPISC realized that reaching the SDGs required extensive planning and work, it still thinks that every contribution it can make will help find a solution.

Currently, TPISC makes its corporate social responsibilities, which are related to specific SDGs, available on its website.

<https://sdg.neda.gov.ph/about-sustainable-development-goals/>

# Sustainability Report

## Hermosa Bataan Gift Giving



ANG SEGURONG MAY PUSO this is what TPISC embodies, We take care not only of our stakeholders but even our communities which welcomed and embraced TPISC as their own, being grateful for what we are and what we do. In 2020, TPISC went to Hermosa, Bataan: a total of 165 families benefited from our grocery packages and 63 students were handed with school supplies as well.

This year, The Premier Insurance and Surety Corporation team revisited our community in Hermosa, Bataan because it was placed under state of calamity due to the heavy rainfall or habagat on July 29 and they really need help. As we travelled during the gift giving, you can see the extent damage that had hit the town. Many lost their homes, livelihood, and even some of their loved ones. Although TPISC's business is still affected by the COVID-19 pandemic, it still generously aimed to give back to our adopted community by providing 400 grocery packages for families and 75 school gift packs to help the children for their education.



# Services Offered

**FIRE**

**ENGINEERING**

**MARINE CARGO**

**BONDS**

**MOTOR VEHICLE**

**CASUALTY**

**CTPL**

**PERSONAL ACCIDENT**



# **2021 Audited Financial Statements**





# I.T. SABADO & ASSOCIATES

## Certified Public Accountants

9-A-2-A Saint John St.  
New Era, Quezon City  
Tel: (632) 8290 8192

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### INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
**THE PREMIER INSURANCE AND SURETY CORPORATION**  
Room 301 Travellers Life Building, 490 T.M. Kalaw St.  
Ermita, Manila

#### Report on the Audit of the Financial Statements

##### *Opinion*

We have audited the financial statements of The Premier Insurance and Surety Corporation, which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (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 PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operation, 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 procedure 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 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 date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



## Report on the Supplementary Information Required Under Revenue Regulations No. 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 No. 15-2010 in Notes 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 The Premier Insurance and Surety Corporation. The information has been subjected to the auditing procedures applied in our audits 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.

### **I.T. SABADO & ASSOCIATES, CPAs**

PRC/BOA Registration No. 1324

Until April 13, 2024


BIR Accreditation No. 07-000400-003-2020

Until May 26, 2023

IC Accreditation No. 1324-IC (Group A)

Until 2025 audit period

By:

  
**MARIA NITA ESMERALDA A. BALDONIDO**  
Partner  
CPA Reg. No. 0113018  
Until June 11, 2023  
IC Accreditation No. 113018-IC (Group A)  
Until 2021 audit period  
TIN 235-702-931  
PTR No. 2543277  
January 29, 2022  
Quezon City

May 24, 2022

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR  
ANNUAL INCOME TAX RETURN**

The Management of THE PREMIER INSURANCE & SURETY CORPORATION is responsible for all information and representations contained in the Annual Income Tax for the year ended December 31, 2021. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2021 and the accompanying Annual Income Tax Return are in accordance with the books and records of THE PREMIER INSURANCE & SURETY CORPORATION, complete and correct in all material respects. Management likewise affirms that:

- (a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- (b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the Income Tax Return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
- (c) THE PREMIER INSURANCE & SURETY CORPORATION has filed all applicable tax returns, reports and statements required to be filled under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

Signed this 24 day of May, 2022

  
**SAMUEL U. LEE**  
Chairman & CEO

  
**MAYBELLE L. LIM**  
President & COO



# **I.T. SABADO & ASSOCIATES**

## **Certified Public Accountants**

9-A-2-A Saint John St.  
New Era, Quezon City  
Tel: (632) 8290 8192

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### **INDEPENDENT AUDITORS' REPORT TO ACCOMPANY INCOME TAX RETURN**

The Board of Directors and Shareholders  
**THE PREMIER INSURANCE AND SURETY CORPORATION**  
Room 301 Travellers Life Building, 490 T.M. Kalaw St.  
Ermita, Manila

We have audited the accompanying financial statements of The Premier Insurance and Surety Corporation, as of and for the years ended December 31, 2021 and 2020, on which we have rendered the attached report dated May 24, 2022.

In compliance with Revenue Regulations V-20, we are stating the following:

1. The taxes paid or accrued by the above Company for the year ended December 31, 2021 are shown in the Schedule of Taxes and Licenses attached to the Annual Income Tax Return.
2. No partner of our Firm is related by consanguinity or affinity to the president, manager or principal shareholders of the Company.

**I.T. SABADO & ASSOCIATES, CPAs**  
PRC/BOA Registration No. 1324  
Until April 13, 2024  
BIR Accreditation No. 07-000400-003-2020  
Until May 26, 2023  
IC Accreditation No. 1324-IC (Group A)  
Until 2025 audit period

By:



**MARIA NITA ESMERALDA A. BALDONIDO**  
Partner  
CPA Reg. No. 0113018  
Until June 11, 2023  
IC Accreditation No. 113018-IC (Group A)  
Until 2021 audit period  
TIN 235-702-931  
PTR No. 2543277  
January 29, 2022  
Quezon City

May 24, 2022

# I.T. SABADO & ASSOCIATES

## Certified Public Accountants

9-A-2-A Saint John St.  
New Era, Quezon City  
Tel: (632) 8290 8192

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### SUPPLEMENTAL WRITTEN STATEMENT


The Board of Directors and Shareholders  
**THE PREMIER INSURANCE AND SURETY CORPORATION**  
Room 301 Travellers Life Building, 490 T.M. Kalaw St.  
Ermita, Manila

We have examined the Financial Statements of The Premier Insurance and Surety Corporation for the years ended December 31, 2021 and 2020, on which we have rendered the attached report dated May 24, 2022.

In compliance with SRC Rule 68, We are stating that the said company has a total number of **sixteen (16)** shareholders owning one hundred (100) or more shares each.

**I.T. SABADO & ASSOCIATES, CPAs**  
PRC/BOA Registration No. 1324  
Until April 13, 2024  
BIR Accreditation No. 07-000400-003-2020  
Until May 26, 2023  
IC Accreditation No. 1324-IC (Group A)  
Until 2025 audit period

By:

  
**MARIA N. ESMERALDA A. BALDONIDO**  
Partner  
CPA Reg. No. 0113018  
Until June 11, 2023  
IC Accreditation No. 113018-IC (Group A)  
Until 2021 audit period  
TIN 235-702-931  
PTR No. 2543277  
January 29, 2022  
Quezon City

May 24, 2022

# THE PREMIER INSURANCE & SURETY CORPORATION

## STATEMENT OF FINANCIAL POSITION

December 31, 2021

(With comparative figures for 2020)

ASSETS				
	Notes		2021	2020
Cash	4	P	96,216,335	P 107,380,050
Insurance balances receivable	5		368,864,157	287,433,115
Financial assets at fair value through other comprehensive income	6		2,370,295	2,502,144
Financial assets at amortized costs	7		109,257,172	16,567,612
Other investments	8		27,166	124,666
Loans and other receivables	9		243,518,224	142,483,539
Reinsurance Assets	10		4,092,181	2,498,141
Deferred acquisition cost	11		23,571,195	10,449,892
Deferred reinsurance premium	12		7,863,128	1,014,841
Deferred tax asset	13		-	1,548,788
Investment properties	14		604,725,004	604,725,004
Investment in subsidiaries	15		7,873,261	7,893,109
Property and equipment - net	16		1,013,206,957	567,775,930
Other assets	17		19,728,529	14,007,796
<b>TOTAL ASSETS</b>		<b>P</b>	<b>2,501,313,604</b>	<b>P 1,766,404,625</b>
LIABILITIES AND SHAREHOLDERS' EQUITY				
<b>LIABILITIES</b>				
Insurance contract liabilities	18	P	202,218,733	P 123,000,653
Reinsurance payable	19		32,194,696	23,516,214
Commission payable			20,127,903	5,359,471
Deferred commission income	20		1,918,371	358,598
Accounts and other payables	21		98,371,007	21,970,903
<b>Total Liabilities</b>			<b>354,830,709</b>	<b>174,205,839</b>
<b>SHAREHOLDERS' EQUITY</b>				
Share capital	22		1,910,310,500	1,300,000,000
Subscribed share capital	23		89,689,500	-
Additional paid-in capital	24		40,327,055	40,327,055
Deposit for future subscription	25		16,235,773	173,236,273
Contingency surplus	26		26,067,795	26,067,795
Fluctuation reserve	27		1,042,728	1,272,077
Accumulated profits			62,809,543	51,295,586
<b>Total Shareholders' Equity</b>			<b>2,146,482,895</b>	<b>1,592,198,787</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>P</b>	<b>2,501,313,604</b>	<b>P 1,766,404,625</b>

See accompanying Notes to Financial Statements.



# THE PREMIER INSURANCE & SURETY CORPORATION

## INCOME STATEMENT

For the year ended December 31, 2021

(With comparative figures for 2020)

	Notes	2021		2020
<b>REVENUE</b>				
Gross premiums earned on insurance contracts	28	151,773,457	P	95,145,841
Reinsurers' share on insurance contracts	29	9,891,845		2,156,869
<b>Net Earned Premiums</b>		<b>141,881,612</b>		92,988,971
Commission income	30	2,987,067		736,908
<b>TOTAL REVENUE</b>		<b>144,868,680</b>		93,725,879
<b>DIRECT COSTS</b>				
Net insurance benefits and claims	31	23,496,583		31,654,186
Commission expense	32	46,600,190		25,150,403
Other underwriting expense	33	25,924,168		6,996,069
<b>Total Direct Costs</b>		<b>96,020,941</b>		63,800,657
<b>GROSS INCOME</b>		<b>48,847,739</b>		29,925,222
<b>OTHER INCOME</b>				
Investment and other income	34	15,012,757		27,217,332
Share in subsidiaries' net loss	15	(19,848)		(106,891)
<b>Total Other Income</b>		<b>14,992,909</b>		27,110,440
<b>TOTAL INCOME</b>		<b>63,840,648</b>		57,035,663
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	35	<b>48,363,560</b>		44,199,572
<b>INCOME BEFORE INCOME TAX</b>		<b>15,477,088</b>		12,836,091
<b>INCOME TAX EXPENSE</b>	37	<b>3,963,131</b>		3,477,384
<b>NET INCOME</b>		<b>11,513,957</b>	P	9,358,707

See accompanying Notes to Financial Statements.



# THE PREMIER INSURANCE & SURETY CORPORATION

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2021

(With comparative figures for 2020)

	Note	2021		2020
Net Income	P	11,513,957	P	9,358,707
<b>Other Comprehensive Income:</b>				
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	6, 36	(229,349)		(558,161)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>P</b>	<b>11,284,608</b>	<b>P</b>	<b>8,800,546</b>

See accompanying Notes to Financial Statements.

**THE PREMIER INSURANCE & SURETY CORPORATION**  
**STATEMENT OF CHANGES IN EQUITY**  
For the year ended December 31, 2021  
(With comparative figures for 2020)

	Notes	<b>2021</b>	2020
<b>SHARE CAPITAL</b>			
	22		
Balance at beginning of year		P 1,300,000,000	P 1,166,450,000
Issued during the year		610,310,500	133,550,000
<b>Balance at end of year</b>		<b>1,910,310,500</b>	<b>1,300,000,000</b>
<b>SUBSCRIBED SHARE CAPITAL</b>			
	23		
Balance at beginning of year		-	133,550,000
Addition (Paid) during the year		89,689,500	(133,550,000)
<b>Balance at end of year</b>		<b>89,689,500</b>	<b>-</b>
<b>ADDITIONAL PAID IN CAPITAL</b>			
	24	<b>40,327,055</b>	40,327,055
<b>DEPOSIT FOR FUTURE SUBSCRIPTION</b>			
	25		
Balance at beginning of year		173,236,273	341,235,773
Applied to paid-up capital		(157,000,500)	-
Addition during the year		-	19,500,000
Withdrawal during the year		-	(187,499,500)
<b>Balance at end of year</b>		<b>16,235,773</b>	<b>173,236,273</b>
<b>CONTINGENCY SURPLUS</b>			
	26	<b>26,067,795</b>	26,067,795
<b>FLUCTUATION RESERVE ON STOCKS</b>			
	27		
Balance at beginning of year		1,272,077	1,830,238
Increase (Decrease) in fair value		(229,349)	(558,161)
<b>Balance at end of year</b>		<b>1,042,728</b>	<b>1,272,077</b>
<b>ACCUMULATED PROFITS</b>			
Balance at beginning of year		51,295,586	41,936,880
Net income for the year		11,513,957	9,358,707
<b>Balance at end of year</b>		<b>62,809,543</b>	<b>51,295,587</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>P 2,146,482,894</b>	<b>P 1,592,198,788</b>

See accompanying Notes to Financial Statements.

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## THE PREMIER INSURANCE AND SURETY CORPORATION

### NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

(With comparative figures as at and for the year ended December 31, 2020)

(All amounts are shown in Philippine Peso unless otherwise stated)

#### Note 1 - Organization and operation

##### 1.1 Corporate Information

THE PREMIER INSURANCE & SURETY CORPORATION was incorporated in the Philippines on October 29, 1964. The Company is presently engaged in insuring real and personal properties against loss or damages by fire, storm, and earthquake, accidental or otherwise, including insurance against marine risk.

The registered office address of the Company is Room 301 Travellers Life Building, 490 T.M. Kalaw St., Ermita, Manila.

##### 1.2 Approval of Financial Statement

The accompanying financial statements of the Company were approved and authorized for issue by the Board of Directors (BOD) on May 24, 2022.

#### Note 2 - Significant accounting policies

##### Basis of Preparation

The accompanying financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities at fair value through profit and loss (FVTPL) and financial assets at fair value through other comprehensive income (FVOCI) investments that have been measured at fair value. The financial statements are measured in Philippine Peso (P), which is also the Company's functional and presentation currency. All values are rounded off to the nearest peso values, unless otherwise indicated.

The financial statements have been prepared in accordance with the financial framework set by the Company as fully discussed in the Significant Accounting Policies.

##### Changes in Accounting Policies and Disclosures

The following are the new standards, amendments and interpretation effective as of January 1, 2021 adopted by the Company. The adoption of the following accounting pronouncements did not have any impact on the financial statements unless otherwise indicated. The Company did not early adopt any other standard, amendment or interpretation that has been issued but is not yet effective.

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

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.



- Amendments to *PFRS 7, Financial Instruments: Disclosures and PFRS 9, Financial Instruments, Interest Rate Benchmark Reform*

The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark- based cash flows of the hedged item or the hedging instrument.

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

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to *PFRS 16, COVID-19-related Rent Concessions*

The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted. The adoption of these amendments does not have a significant impact on the Company’s financial statements.

#### Future Changes in Accounting Policies

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, 2021*

- Amendments to PFRS 9, *Financial Instruments*, PFRS 7, *Financial Instruments: Disclosures*, PFRS 4, *Insurance Contracts*, and PFRS 16, *Leases: Interest Rate Benchmark Reform – Phase 2*

*Effective beginning on or after January 1, 2022*

- Amendments to PFRS 3, *Business Combinations: Reference to the Conceptual Framework*
- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds Before Intended Use*
- Amendments to PAS 37, *Onerous Contracts: Cost of Fulfilling a Contract*
- Annual Improvements to PFRS Standards 2018-2020 Cycle
  - Amendments to PFRS 1, *Subsidiary as a first-time adopter*
  - Amendments to PFRS 9, *Fees in the '10 per cent' test for derecognition of financial liabilities*
  - Amendments to PFRS 16, *Lease incentives*
  - Amendments to PAS 41, *Taxation in fair value measurements*

*Effective beginning on or after January 1, 2023*

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- 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

PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

Assessment is currently being made by the Company. The Company has established a project team, with assistance from Actuarial, Finance, Risk, IT departments and various business sectors to study the implication and to evaluate the potential impact of adopting this standard on the required effective date.

*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*



### Product Classification

Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

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

### Use of Estimates, Assumptions and Judgments

The preparation of the financial statements necessitates the use of estimates, assumptions and judgments. These estimates and assumptions affect the reported amounts of assets and liabilities at the end of the reporting period as well as affecting the reported income and expenses for the period. Although the estimates are based on management's best knowledge and judgment of current facts as at the end of the reporting period, the actual outcome may differ from these estimates, possibly significantly. For further information on critical estimates and judgments, refer to Note 3.

### 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 months or less from dates of placements and are subject to an insignificant risk of changes in value.

### Short-term Investments

Short-term investments pertain to time deposits with terms exceeding three months but not more than one year and earns interest at the respective short-term investment rates.

### Reinsurance assumed

The Company also assumes reinsurance risk in the normal course of business for non-life insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognized as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to insurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

### Insurance Receivables

Premium receivables are recognized on policy inception dates and measured on initial recognition at the fair value of the consideration for the period of coverage. Subsequent to initial recognition, insurance receivables are measured at amortized cost. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in statement of income.

### Financial Instruments

#### *Date of recognition*

The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.



#### *Initial recognition and subsequent measurement of financial instruments*

Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in the case of a liability). Except for financial instruments at fair value through profit or loss (FVTPL), the initial measurement of financial assets includes transaction costs. The Company classifies its financial assets in the following categories: FVTPL, fair value through other comprehensive income (FVOCI), investment securities at amortized cost and loans and receivables.

Financial assets are measured at FVTPL unless these are measured at FVOCI or at amortized cost. Financial liabilities are classified as either financial liabilities at FVTPL or financial liabilities at amortized cost. The classification of financial assets depends on the contractual terms and the business model for managing the financial assets. Subsequent to initial recognition, the Company may reclassify its financial assets only when there is a change in its business model for managing these financial assets. Reclassification of financial liabilities is not allowed.

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. As a second step of its classification process, the Company assesses the contractual terms of financial assets to identify whether they pass the contractual cash flows test (solely payments of principal and interest (SPPI) test).

#### *Determination of Fair Value*

The Company measures financial instrument at fair value at each reporting period.

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.

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.

#### *Fair value hierarchy*

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 re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.



#### *'Day 1' difference*

Where the transaction price in a non-active market is different from the fair value based on other observable current market transactions on the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the statement of income unless it qualifies for recognition as some other type of asset or liability. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in the statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' profit amount.

#### *Financial Assets at FVOCI*

Financial assets at FVOCI include debt and equity securities. After initial measurement, investment securities at FVOCI are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of financial assets at FVOCI are excluded, net of tax as applicable, from the reported earnings and are included in the statements of comprehensive income as 'Fair value reserves on financial assets at FVOCI'.

Debt securities at FVOCI are those that meet both of the following conditions: (i) the asset is held within a business model whose objective is to hold the financial assets in order to both collect contractual cash flows and sell financial assets; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the outstanding principal amount. The effective yield component of debt securities at FVOCI, as well as the impact of restatements on foreign currency- denominated debt securities at FVOCI, is reported in the statements of income. Interest earned on holding debt securities at FVOCI are reported as 'Interest income' using the effective interest method. When the debt securities at FVOCI are disposed of, the cumulative gain or loss previously recognized in the statements of comprehensive income is recognized as 'Investment and other income' in the statements of income. The ECL arising from impairment of such investments are recognized in OCI with a corresponding charge to 'Provision for impairment losses' in the statements of income.

Equity securities designated at FVOCI are those that the Company made an irrevocable election to present in OCI the subsequent changes in fair value. Dividends earned on holding equity securities at FVOCI are recognized in the statements of income as 'Investment and other income' when the right of the payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Gains and losses on disposal of these equity securities are never recycled to profit or loss, but the cumulative gain or loss previously recognized in the statements of comprehensive income is reclassified to 'Retained Earnings' or any other appropriate equity account upon disposal. Equity securities at FVOCI are not subject to impairment assessment.

#### *Financial assets at amortized cost*

Financial assets at amortized cost are debt financial assets that meet both of the following conditions:

(i) these are held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows; and (ii) the contractual terms give rise on specified dates to cash flows that are SPPI on the outstanding principal amount. This accounting policy relates to the statements of financial position captions 'Cash and cash equivalents' (excluding cash on hand), 'Short-term investments', 'Insurance receivables', 'Investment securities at amortized cost' and 'Loans and receivables'. After initial measurement, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization is included in 'Investment and other income' in the statements of income. Gains and losses are recognized in statements of income when these investments are derecognized or impaired, as well as through the amortization process. The ECL are recognized in the statements of income under



'General and administrative expenses'. The effects of revaluation on foreign currency denominated investments are recognized in the statements of income.

#### *Other financial liabilities*

Issued financial instruments or their components, which are not designated as at FVPL 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 asset to the holder, 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 own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument a whole amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other 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 effective interest rate. Any effects of restatement of foreign currency-denominated liabilities are recognized in the statement of income.

This accounting policy applies primarily to insurance payables, accounts payable and accrued expenses and other liabilities that meet the above definition (other than liabilities covered by other accounting standards, such as retirement benefit liability and income tax payable).

#### Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Company assesses that it has a currently enforceable right to offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

#### Impairment of Financial Assets

##### *Expected credit loss methodology (ECL)*

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 objective is to record lifetime losses on all financial instruments which have experienced a significant increase in credit risk (SICR) since their initial recognition. As a result, ECL allowances are now measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a SICR since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that result from all possible default events over the expected life of a financial instrument. In comparison, the previous incurred loss model recognizes lifetime credit losses only when there is objective evidence of impairment.

PFRS 9 also allows the use of the loss rate approach in estimating ECL in cases where no complex portfolio is present for an entity. As a result, the Company applies the simplified approach wherein ECL allowances will be measured at an amount equal to lifetime ECL. The assessment of SICR that is solely based on the change in the risk of default is not applied under the loss rate approach and the loss rate based on historical trend is adjusted for current conditions and expectations over the future using the overlay.



The Company applies the simplified approach in its 'Insurance receivables' and applies general approach for the related debt investment securities which include 'Financial assets at FVOCI', 'Investment securities at amortized cost' and 'Loans and receivables'.

#### *Staging assessment*

For non-credit-impaired financial instruments:

- Stage 1 is comprised of all non-impaired financial instruments which have not experienced a SICR since initial recognition. The Company recognizes a 12-month ECL for Stage 1 financial instruments.
- Stage 2 is comprised of all non-impaired financial instruments which have experienced a SICR since initial recognition. The Company recognizes a lifetime ECL for Stage 2 financial instruments.

For credit-impaired financial instruments:

- Financial instruments are classified as Stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. The ECL model requires that lifetime ECL be recognized for impaired financial instruments.

#### *Significant increase in credit risk (SICR)*

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in probabilities of default and qualitative factors, including a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if the security's credit rating, by any international or local rating agencies has deteriorated. In such event, lifetime ECL of the security involved will be measured

#### *ECL parameters and methodologies*

ECL is a function of the probability of default (PD), exposure at default (EAD) and loss given default (LGD) with each of the parameter independently modelled.

The PD represents the likelihood that a credit exposure will not be repaid and will go into default in either a 12-month horizon for Stage 1 or lifetime horizon for Stage 2. The PD for each individual instrument is based on issuers' external credit rating and apply forecasting techniques using historical data to estimate the average cumulative default rates at a given point in time and workout forward- looking PD curve per rating grade projected using economic forecasts.

EAD is modelled on historical data and represents an estimate of the outstanding amount of credit exposure at the time a default may occur. For the Company's financial assets, EAD represents their carrying values.

LGD is the amount that may not be recovered in the event of default and is modelled based on issuers' external credit rating. For issuers without internal nor external credit rating, LGD estimation is modeled using benchmarking approach where comparable companies having the same industry and similar financial characteristics as that of the issuer are considered.

#### *Economic overlays*

The Company incorporates economic overlays into the measurement of ECL to add a forward- looking risk measure parallel to the expected future macroeconomic atmosphere. A broad range of economic indicators were considered for the economic inputs. The economic indicators considered were categorized into two sub-groups: global and local. For the global economic indicators, the following were considered: inflation rate, real gross domestic product (GDP), unemployment rate, US dollar index, and 10- and 2-year treasury yield. For the local economic indicators, the following were considered:



Philippine composite index, Philippine inflation rate, Philippine real GDP, Asian to US dollar index, 10- and 2-year R2 benchmark rate, and USD/PHP exchange rate. 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 address this, quantitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Overlay factors are modeled using Regression Analysis (backward elimination method).

#### Derecognition of Financial Assets and Liabilities

##### *Financial asset*

A financial asset (or where applicable a part of financial asset or a part of a group of financial asset) is derecognized when:

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

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

##### *Financial liability*

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

#### Reinsurance

The Company cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies for its share on the unpaid losses incurred by the Company. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract. Reinsurance recoverable on paid losses are included as part of "Insurance receivables".

Reinsurance assets are reviewed for impairment at each end of the reporting period or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the statement of income.

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

The Company also assumes reinsurance risk in the normal course of business for insurance contracts. Premiums and claims on assumed reinsurance are recognized in profit or loss as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to



The initial cost of property and equipment comprises its purchase price, including nonrefundable taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the statement of income during the financial period these are incurred.

Depreciation are computed using the straight-line method over the estimated useful lives of the properties as follows:

	Number of Years
Building and improvements	50
Computer equipment	5
Leasehold improvements	3
Transportation equipment	5
Office furniture, fixtures and equipment	5

Leasehold improvements are amortized over the term of the lease or estimated useful life of 3 years, whichever is shorter.

The estimated useful lives and depreciation method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

When property and equipment are retired or otherwise disposed of, the cost and the related accumulated depreciation and accumulated provision for impairment losses, if any, are removed from the accounts. Any gain or loss arising on derecognition of the assets, which is calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in the statement of income in the year the asset is derecognized.

Construction-in-progress is stated at cost less any impairment in value. The initial cost comprises its construction cost and any directly attributable costs of bringing the asset to its working condition and location for its intended use, including borrowing costs. Construction-in-progress is not depreciated until such time that the relevant assets are completed and put into operational use. Construction-in-progress is recognized under 'Other assets.'

When property and equipment are retired or otherwise disposed of, the cost and the related accumulated depreciation and accumulated provision for impairment losses, if any, are removed from the accounts. Any gain or loss arising on derecognition of the assets, which is calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in the statement of income in the year the asset is derecognized.

#### Creditable Withholding Taxes (CWTs)

Creditable withholding taxes pertain to the indirect taxes paid by the Company that are withheld by its counterparty for the payment of its expenses and other purchases. These CWTs are initially recorded at cost as an asset under "Other assets" account.

At each end of the tax reporting deadline, these CWTs may either be offset against future tax income payable or be claimed as a refund from the taxation authorities at the option of the Company.

At each end of the reporting period, an assessment for impairment is performed as to the recoverability of these CWTs.



### Impairment of Nonfinancial Assets

The Company assesses at each end of the reporting period whether there is an indication that investments in subsidiaries, investment properties and property and equipment may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. 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 assessments of the time value of money and the risks specific to the asset.

An assessment is made at each end of the reporting period 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. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

### Value-added Tax (VAT)

The input value added tax pertains to the 12% indirect tax paid by the Company in the course of the Company's trade or business on local purchase of goods or services.

Output VAT pertains to the 12% tax due on the sale of insurance policies and other goods or services by the Company.

If at the end of any taxable month, the output VAT exceeds the input VAT, the outstanding balance is included under "Accounts payable and accrued expenses and other liabilities" account. If the input VAT exceeds the output VAT, the excess shall be carried over to the succeeding months and included under "Other assets" account.

### Insurance Contract Liabilities

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

#### *Provision for Claims Reported and Incurred But Not Reported (IBNR) Losses*

Provision for claims reported and IBNR losses are based on the estimated ultimate cost of all claims incurred but not settled at the end of the reporting period, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of which cannot be known with certainty at the reporting date. The IBNR is calculated based on standard actuarial projection techniques or combination of such techniques, such as but not limited to the chain ladder method, the expected loss ratio approach, the Bornhuetter - Ferguson method. At each reporting date, prior year claims estimates are reassessed for adequacy and changes made are charged to provision.

#### *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. This is 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. Premiums from short-duration



insurance contracts are recognized as revenue over the period of the contracts using the 24th method. 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.

#### Insurance Payables

Insurance payables are recognized when due and measured on initial recognition at the fair value of the consideration received less attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using the effective interest rate method.

Insurance payables are derecognized when the obligation under the liability is settled, cancelled or expired.

#### Pension Cost

Benefits that are payable after the completion of employment by the qualified employees for their retirement. The Company has no formal retirement plan duly registered with the Bureau of Internal Revenue as of the reporting date. The Company accrues the estimated retirement benefits based on the minimum requirements under Republic Act No. 7641, Retirement Pay Law, which provides for retirement pay to qualified employees in the absence of any retirement plan. The Company provides for the minimum guarantee benefits in compliance with RA 7641.

The Company's retirement benefit obligation is measured using the accrual approach, if any. Accrual approach is applied by calculating the expected liability as at reporting date using the current salary of the entitled employees and the employees' years of service, without consideration of future changes in salary rates and service periods.

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

#### Equity

Paid-up share capital is recognized as issued when the stock is paid for or subscribed under a binding subscription agreement and is measured at par value.

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

Fluctuation reserves to the appraisal increment on building relating and changes in fair market value of financial assets at FVOCI. The balance of the fluctuation reserves will be transferred to accumulated profits when the building and financial assets at FVOCI are disposed or derecognized.

Accumulated profits include all the accumulated earnings of the Company, net of dividends declared.

#### 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 a principal or agent. The Company concluded that it is acting as a principal in all of its revenue arrangements.



### *Premiums Revenue*

Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognized on the date on 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 24th 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 statements of financial position. The related reinsurance premiums ceded that pertains to the unexpired periods at end of the reporting period are accounted for as "Deferred reinsurance premiums" and shown as part of reinsurance assets in the statements of financial position. The net changes in these accounts between each end of reporting periods are recognized in profit or loss.

### *Reinsurance Commissions*

Commissions earned from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method. The portion of the commissions that relates to the unexpired periods of the policies at end of the reporting period are accounted for as "Deferred reinsurance commissions" and presented in the liabilities section of the statement of financial position.

### *Dividend income*

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

### *Interest income*

For all financial instruments measured at amortized cost and interest-bearing financial instruments, interest income is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The adjusted carrying amount is calculated based on the original effective interest rate. The change in carrying amount is recorded as interest income.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original effective interest rate applied to the new carrying amount.

### *Rental income*

Rental income from investment properties are recognized on a straight-line basis over the term of the lease.

### *Other income*

Income from other sources is recognized when earned.

### Expense Recognition

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

### *Benefits and Claims*

Benefits and claims consist of benefits and claims paid to policyholders, and changes in the valuation of Insurance contract liabilities, including IBNR. The IBNR shall be calculated based on standard actuarial projection techniques or combination of such techniques, such as but not limited to the chain ladder



method, the expected loss ratio approach, the Bornhuetter - Ferguson method. At each reporting date, prior year claims estimates are reassessed for adequacy and changes made are charged to provision.

#### *Commission Expense*

Commissions are recognized as expense over the period of the contracts using the 24th method. The portion of the commissions that relates to the unexpired periods of the policies at the end of the reporting period is accounted for as "Deferred acquisition cost" in the assets section of the statement of financial position.

#### *Other underwriting expense*

Other underwriting expense pertains to the costs incurred by the Company prior to the issuance of policies to its policyholders. These costs include expenses for technical inspections, actuarial reviews and other work that is deemed necessary to determine whether or not to accept the risks to be written. These costs are recognized as expense as they are incurred.

#### *Expenses*

General and administrative expense, investments and other expense, except for lease agreements, are recognized as expense as they are incurred.

#### Interest expense

Interest expense is charged against operations as they are incurred, and they are derived from Funds held for reinsurers, and Lease Liabilities.

#### Foreign Exchange Transactions

The functional and presentation currency of the Company is the Philippine Peso (P). Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the end of the reporting period. 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 rate at the date when the fair value was determined. All foreign exchange differences are taken to profit or loss, except where it relates to equity securities where gains or losses are recognized directly in other comprehensive income.

#### Provisions and Contingencies

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

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



## 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 taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

### *Deferred tax*

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

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular income tax, and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences and carryforward 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 each end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each end of the reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset 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 at the end of the reporting period. Movements in the deferred tax assets and liabilities arising from changes in tax rates are charged against or credited to income for the period.

Current tax and deferred tax relating to items recognized as other comprehensive income is also recognized in the Company statement of other comprehensive income.

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 deferred taxes related to the same taxable entity and the same taxation authority.

### Events after End of the Reporting Period

Any post period-end events that provide additional information about the Company's position at the end of the reporting period (adjusting event) are reflected in the financial statements. Post period-end events that are not adjusting events, if any, are disclosed in the financial statements when material.

### **Note 3 - Significant accounting estimates and judgments**

The preparation of the financial statements in accordance with PFRS requires the Company to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the financial statements as they become reasonably determinable.



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

### Judgments

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

#### *a. Contingencies*

The Company is currently involved in various legal proceedings. The estimate of probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Company currently does not believe that these proceedings, if any, will have a material effect on the Company's financial position.

#### *b. Product classification*

The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 5% more than the benefits payable if the insured event did not occur.

The Company has determined that the insurance policies it issues have significant insurance risks and therefore meet the definition of insurance contracts and should be accounted for as such.

#### *c. Evaluation of business model in managing financial assets*

The Company manages its financial assets based on business models that maintain adequate level of financial assets to match its expected cash outflows, largely arising from payments of customers' claims, while maintaining a strategic portfolio of financial assets for investment and trading activities consistent with its risk appetite.

In determining the classification of a financial instrument, the Company developed business models which reflect how it manages its portfolio of financial instruments. The Company's business models need not be assessed at entity level or as a whole but applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Company) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument). The Company evaluates in which business model financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Company.

In addition, PFRS 9 emphasizes that if more than an infrequent and more than an insignificant sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Company considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a held-to-collect business model if the Company can explain the reasons for those sales and why those sales do not reflect a change in the Company's objective for the business model.

#### *d. Operating lease commitments - Company as lessor*

The Company has entered into commercial property leases on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the



commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

*e. Distinction between investment properties and owner-occupied properties*

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

When properties comprise a portion that is held to earn rentals or for capital appreciation and another portion is held for use in the production or supply of goods or services or for administrative purpose, and these portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Company considers each property separately in making this judgment.

Management's Use of Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at each reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

*a. ECL of financial assets*

The Company's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Significant factors affecting the estimates on the ECL model include:

- Segmentation of the portfolio, where the appropriate model or ECL approach is used
- The criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and economic inputs and the effect on PDs, EADs and LGDs
- Determination of associations between macroeconomic scenarios and economic inputs and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

*b. Valuation of insurance contract liabilities*

For nonlife 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 IBNR provision of the Company has been calculated using standard actuarial projection techniques using past development patterns to determine the expected future development and project the claim amounts for each accident year to its ultimate value. A number of different valuation methodologies have been adopted, each with their own strengths and blended them together which include: (a) paid chain ladder method (with and without Bornhuetter-Ferguson (BF) adjustments); (b) reported chain ladder method (with and without BF adjustments); and (c) expected loss ratio method. At



each reporting date, prior year claims estimates are reassessed for adequacy and changes made are charged to provision.

The main assumptions underlying the estimation of the claims provision is that an entity's past claims development experience can be used to project future claims development and hence, ultimate claims costs. Historical claims development is mainly analyzed by accident years, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historic claims development data on which the projections are based.

The carrying values of provision for claims reported and IBNR amounted are disclosed in Note 18.

*c. Fair values of financial assets*

The Company carries certain financial assets at fair value, which requires extensive use of accounting estimates and judgments. Fair value determinations for financial assets are based generally on listed or quoted market prices. If prices are not readily determinable or if liquidating positions is reasonably expected to affect market prices, fair value is based on either internal valuation models or management's estimate of amounts that could be realized under current market conditions, assuming an orderly liquidation over a reasonable period of time. While significant components of fair value were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the amount of changes in fair value of these financial assets and liabilities would affect the statement of comprehensive income.

*d. Recognition of deferred tax assets*

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which these can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized. These assets are periodically reviewed for realization. Periodic reviews cover the nature and amount of deferred income and expense items, expected timing when assets will be used or liabilities will be required to be reported, reliability of historical profitability of businesses expected to provide future earnings and tax planning strategies which can be utilized to increase the likelihood that tax assets will be realized.

*e. Estimation of pension obligation and other retirement benefits*

The determination of pension obligation and cost of pension is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rates and salary increase rates.

Due to the long-term nature of this plan, such estimates are subject to significant uncertainty. The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of the reporting date. In accordance with PAS 19, actual results that differ from the Company's assumptions are recognized immediately in other comprehensive income in the period in which they arise. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension obligations.

The carrying value of pension liability amounted to are disclosed in Note 21.

*f. Leases - Estimating the incremental borrowing rate*

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The



Company estimates the IBR using observable inputs (by reference to prevailing risk-free rates) adjusted to take into account the entity's credit risk (i.e., credit spread).

*g. COVID-19 Pandemic*

The COVID-19 pandemic did not have a significant impact on the Company's business operations. The Company remain fully operational with no major disruptions recorded to date.

To ensure ongoing impacts of COVID-19 have been appropriately reflected in the Company's financial statements, the Company has assessed the impact of COVID-19 as follows:

- Collectability of accounts with customers continues to be closely monitored. A material change in the provision for impairment of insurance receivables has not been identified.
- The market data used by the Company in other estimates (such as risk free borrowing rates and data of comparable companies) are the latest available data, which already include the economic effects of the pandemic.
- The Company has also considered the increase uncertainty in determining key assumptions within the assessment of future taxable income of the Company upon which recognition of the deferred tax assets is assessed, including forecast of revenue and expenses, among others.
  - The Company continues to monitor the risks and the ongoing impacts of COVID-19 on its business.

**Note 4 - Cash on hand and in banks**

This account consists of:

	<b>2021</b>	2020
Cash on hand	5,886,472	4,393,416
Cash in banks	90,329,863	102,986,634
	<b>96,216,335</b>	107,380,050

Cash in banks earn interest at the respective bank deposit rates.

**Note 5 - Insurance balances receivable**

This account consists of:

	<b>2021</b>	2020
Premium receivables	239,172,112	154,462,600
Reinsurance recoverable on paid losses	90,273,533	89,954,105
Due from ceding companies	31,132,690	34,596,331
Other reinsurance accounts	13,248,901	13,383,158
Total	373,827,236	292,396,194
Less: Allowance for uncollectible accounts	4,963,079	4,963,079
	<b>368,864,157</b>	287,433,115



Details of premium receivable for the year 2021 follows:

	Amount
Within 180 days	69,534,931
Beyond 180 days	169,637,181
	<b>239,172,112</b>

Premiums receivable are usually due within 30-180 days without interest. Management believes that the carrying amount of its insurance balances receivables approximates its net realizable value, hence, no allowance for impairment was provided.

Following the currently effective statutory solvency measurement, these over 180 days receivables are considered non-admitted and may be deducted from the audited net worth to arrive at the statutory net worth which is based on the synopsis following the IC procedures.

**NOTE 6 - Financial assets at fair value through other comprehensive income**

The carrying values of financial assets at fair value through other comprehensive income have been determined as follows:

	2021	2020
At January 1	2,502,144	3,143,805
Adjustments	97,500	(85,000)
Fair value adjustments	(229,349)	(556,661)
At December 31	<b>2,370,295</b>	2,502,144

Fair value adjustment for the year is presented as unrealized gain (loss) on financial assets at fair value through other comprehensive income in the statement of comprehensive income while its accumulated balance is presented as part of equity in the statement of financial position.

**NOTE 7 - Financial assets at amortized cost**

The carrying values of financial assets at amortized costs have been determined as follows:

	2021	2020
At January 1	16,567,612	155,097,747
Additions	117,410,499	6,527,604
Disposals	(25,630,000)	(148,420,000)
Amortization of discount	909,061	3,362,261
At December 31	<b>109,257,172</b>	16,567,612

Financial assets at amortized costs consist of Investment in government securities which are deposited with the Insurance Commission (IC) in accordance with the provisions of the Insurance Code for the benefit and security of policy holders and creditor of the Company.

The Company fell short of the investment requirement provided by Section 209 of the Insurance Code (RA 10607) which states that "Every domestic insurance company shall, to the extent of an amount equal in value to twenty-five percent (25%) of the minimum net worth required under Section 194, invest its funds only in securities, satisfactory to the Commissioner, consisting of bonds or other instruments of debt of

the Government of the Philippines or its political subdivisions or instrumentalities, or of government-owned or controlled corporations and entities, including the Bangko Sentral ng Pilipinas”

Section 194 of the Insurance Code provides that the minimum networth requirement as of December 31, 2019 is P900 million. Therefore, an insurance company should maintain an investment as specified in the Code of at least P225 million.

The Company’s deficiency in the minimum investment requirement amounted to P115,742,828 and P208,432,388 as of December 31, 2021 and 2020, respectively.

The Company requested the approval of the Insurance Commission to allow it to gradually cover the deficiency until December 31, 2022 which the latter denied. Nevertheless, the Company made subsequent investment placements from January to May 2022 totaling P62.2 million.

#### **NOTE 8 - Other investments**

This account consists of:

	<b>2021</b>	2020
Security fund	27,166	27,166
Investment in stocks	-	97,500
	<b>27,166</b>	124,666

#### **NOTE 9 - Loans and other receivables**

This account consists of:

	<b>2021</b>	2020
Notes receivable	97,339,637	124,860,845
Subscription receivable	89,689,500	-
Other account receivables	56,489,087	17,570,475
Accrued interest income	-	52,219
	<b>243,518,224</b>	142,483,539

The Company, through its Board of Directors, approved the conversion of receivables from agents amounting to P150 million to loans receivable covered by promissory notes with 7% interest per annum. The payment of these loans commenced in January 2020.

#### **Note 10 - Reinsurance assets**

This account consists of:

	<b>2021</b>	2020
Reinsurers' share on IBNR losses	2,660,731	1,066,691
Reinsurance recoverable on unpaid losses - treaty	1,431,450	1,427,099
Reinsurance recoverable on unpaid expenses	-	4,351
	<b>4,092,181</b>	2,498,141



**Note 11 - Deferred acquisition cost**

The details of this account follow:

	<b>2021</b>	2020
Balance at the beginning of year	10,449,892	7,298,110
Commission paid and accrued during the year	59,721,493	28,302,185
Amortized during the year	(46,600,190)	(25,150,403)
Balance at end of year	<b>23,571,195</b>	10,449,892

**Note 12 - Deferred reinsurance premium**

The details of this account follow:

	<b>2021</b>	2020
Balance at the beginning of year	1,014,841	697,147
Premiums ceded during the year	16,740,132	2,474,563
Amortized during the year	(9,891,845)	(2,156,869)
Balance at end of year	<b>7,863,128</b>	1,014,841

**Note 13 - Deferred tax assets**

This account consists of:

	<b>2021</b>	2020
Net operating loss carry-over	-	1,548,788
Minimum corporate income tax	-	-
	-	1,548,788

The following shows the movement in Net Operating Loss Carry-Over (NOLCO):

Year incurred	Available until	Amount	Applied in prior years	Expired	Applied in current year	Unapplied NOLCO	Deferred tax assets
2019	2022	7,453,590	2,499,232	-	6,195,152	(1,240,794)	(372,238)
Difference on tax rate			(208,270)		(1,032,524)	1,240,794	372,238
		7,453,590	2,290,962	-	5,162,628	-	-

**Note 34 - Investment and other income**

This account consists of:

	<b>2021</b>	<b>2020</b>
Other interest income	8,150,097	9,416,765
Rent income	4,667,433	13,108,893
Investment and interest income	2,043,264	5,029,148
Miscellaneous income	132,507	134,064
Forex gain (loss)	19,456	(471,538)
	<b>15,012,757</b>	<b>27,217,332</b>

**Note 35 - General and administrative expenses**

This account consists of:

	<b>2021</b>	<b>2020</b>
Salaries, wages and bonuses	13,029,119	7,480,806
Taxes, licenses and fees	12,382,653	7,791,664
Transportation and travel	4,556,008	2,175,584
Professional fees	2,488,082	1,002,824
Rental expense	2,144,067	1,737,687
Other employee benefits	2,033,822	457,407
Printing and office supplies	1,762,137	2,279,252
Depreciation	1,745,809	1,093,869
Association Dues And Fees	1,331,487	3,091,409
SSS, PHIC and PAG-IBIG fund contributions	1,076,687	548,430
Meetings and conferences	1,012,797	192,313
Advertising and promotions	816,737	178,594
Retirement expense	764,240	514,598
Entertainment,amusement and recreation expense	639,846	1,179,965
Communication and postage	503,629	356,796
Light and water	356,310	148,985
Repairs and maintenance	99,707	113,225
Litigation expense	10,089	49,154
Marketing expense	-	12,157,594
Provision for uncollectible accounts	-	560,026
Others	1,610,334	1,089,390
	<b>48,363,560</b>	<b>44,199,572</b>



**Note 16 - Property and equipment, net**

Details of property and equipment as at December 31, are as follows:

	Furniture, Fixtures & Equipment	Transportation Equipment	Electronics Data Processing	Land, Building and Improvement	Total
<b>Cost</b>					
At January 1, 2020	525,484	-	375,941	141,313,551	142,214,976
Additions	1,640,881	40,804	697,720	229,589,955	231,969,360
Reclassification	-	-	-	195,280,049	195,280,049
At December 31, 2020	2,166,365	40,804	1,073,661	566,183,555	569,464,385
Additions	191,412	1,792,004	543,675	444,685,600	447,212,690
Disposal	(43,250)	-	-	-	(43,250)
At December 31, 2021	2,314,527	1,832,808	1,617,336	1,010,869,155	1,016,633,825
<b>Accumulated depreciation</b>					
At January 1, 2020	225,456	-	241,872	127,258	594,587
Charges	340,672	604	71,871	680,722	1,093,869
Disposal	-	-	-	-	-
At December 31, 2020	566,128	604	313,743	807,980	1,688,456
Charges	409,552	309,611	239,558	787,087	1,745,809
Disposal	(7,396)	-	-	-	(7,396)
At December 31, 2021	968,285	310,215	313,743	1,595,067	3,426,869
<b>Net book values</b>					
December 31, 2020	1,600,237	40,120	759,918	565,375,575	567,775,930
December 31, 2021	1,346,242	1,522,593	1,064,034	1,009,274,087	1,013,206,957

Depreciation and amortization for the years ended December 31, 2021 and 2020 amounting to **P1,745,809** and P1,093,869 are presented under general and administrative expenses.

**Note 17 - Other assets**

This account consists of:

	2021	2020
Excess input VAT	7,589,102	5,968,942
Deposits	9,825,998	5,799,663
Supplies inventory	2,121,174	1,856,932
Prepayments	192,255	382,259
	<b>19,728,529</b>	<b>14,007,796</b>

**Note 18 - Insurance contract liabilities**

This account consists of:

	2021	2020
Reserve for unearned premium	125,680,362	53,520,043
Claims payable	76,538,371	69,480,610
	<b>202,218,733</b>	<b>123,000,653</b>

The details of reserve for unearned premium follow:

	<b>2021</b>	2020
Balance at the beginning of the year	53,520,043	22,988,545
Policies written during the year	182,714,309	89,703,457
Policies assumed during the year	41,219,467	35,973,882
Premiums earned during the year	(151,773,457)	(95,145,841)
<b>Balance at the end of year</b>	<b>125,680,362</b>	<b>53,520,043</b>

The details of claims payable follow:

	<b>2021</b>	2020
Outstanding claims payable	54,429,930	50,152,646
MFAD and handling expense	17,482,307	16,514,964
Provision for IBNR	4,626,134	2,813,000
<b>Total</b>	<b>76,538,371</b>	<b>69,480,610</b>

#### **Note 19 - Reinsurance payable**

This account consists of:

	<b>2021</b>	2020
Due to Reinsurers - Facultative	11,360,213	12,921,662
Due to Reinsurers - Treaty	20,834,483	10,594,552
<b>Total</b>	<b>32,194,696</b>	<b>23,516,214</b>

#### **Note 20 - Deferred commission income**

The details of deferred commission income follow:

	<b>2021</b>	2020
Balance at the beginning of year	358,598	226,062
Income collected and earned during the year	4,546,840	869,444
Amortized during the year	(2,987,067)	(736,908)
<b>Balance at end of year</b>	<b>1,918,371</b>	<b>358,598</b>



**Note 21 - Accounts and other payables**

This account consists of:

	2021	2020
Accounts payable	60,137,005	9,047,736
Taxes payable	33,317,609	11,567,353
Other payables	2,559,249	383,022
Retirement payable	1,278,838	514,598
Accrued expenses	1,078,306	458,194
	<b>98,371,007</b>	<b>21,970,903</b>

**Note 22 - Share capital**

Details of the Company's share capital are as follows:

	2021		2020	
	No. of Shares	Amount	No. of Shares	Amount
<b>Authorized share capital – P100 par value</b>				
Balance at beginning of year	13,000,000	1,300,000,000	13,000,000	1,300,000,000
Increase during the year	7,000,000	700,000,000	-	-
<b>Balance at end of year</b>	<b>20,000,000</b>	<b>2,000,000,000</b>	13,000,000	1,300,000,000
<b>Paid up</b>				
Balance at beginning of year	13,000,000	1,300,000,000	11,664,500	1,166,450,000
Issued during the year	6,103,105	610,310,500	1,335,500	133,550,000
<b>Balance at end of year</b>	<b>19,103,105</b>	<b>1,910,310,500</b>	13,000,000	1,300,000,000

The Securities and Exchange Commission (SEC) approved on May 20, 2021 the company's application for increase in authorized capital stock from P1.3 billion divided into 13 million shares at P100 par value per share into P2 billion divided into 20 million shares at P100 par value per share.

**Note 23 - Subscribed share capital**

The Board of Directors approved the subscription of a shareholder payable until December 23, 2022 amounting to P89,689,500. The details of the Company's subscribed share capital are as follows:

	2021		2020	
	No. of Shares	Amount	No. of Shares	Amount
<b>Ordinary shares</b>				
Balance at beginning of year	-	-	1,335,500	133,550,000
Subscribed during the year	7,000,000	700,000,000	-	-
Issued during the year	(6,103,105)	(610,310,500)	(1,335,500)	(133,550,000)
<b>Balance at end of year</b>	<b>896,895</b>	<b>89,689,500</b>	-	-

**Note 24 - Additional paid in capital**

This account represents excess of net assets acquired over par value of Company's shares issued. This account had a balance of **P40,327,055** as at December 31, 2021 and 2020.

**Note 25 - Deposit for future subscription**

On October 5, 2019, the shareholders and the Board of Directors of the Corporation approved the resolution increasing the Company's authorized capital from P1.3 billion divided into 13 million shares at P100 par value per share into P2 billion divided into 20 million shares at P100 par value per share. The application for increase was approved by the Securities and Exchange Commission on May 20, 2021.

The deposits made by the shareholders were recorded as deposit for future subscription and considered as equity instruments since all the elements for such recognition were present.

The deposits consist of the following:

	2021	2020
Cash	16,235,773	52,000,500
Investment property	-	121,235,773
	<b>16,235,773</b>	<b>173,236,273</b>

**Note 26 - Contingency surplus**

Contingency surplus serves as a reserve to cover unexpected losses as well as to cover the short fall if the earned surplus is not adequate. As at December 31, 2021 and 2020, contingency surplus amounted to **P26,067,795**.

**Note 27 - Fluctuation reserve**

This account is the cumulative increase (decrease) in value of financial assets at FVOCI, details of which are as follow:

	2021	2020
Fair value	2,370,295	2,599,644
Cost	1,327,567	1,327,567
	<b>1,042,728</b>	<b>1,272,077</b>

**Note 28 - Gross premiums earned on insurance contracts**

The details of this account for the years ended December 31 follow:

	2021	2020
Gross premiums written		
Direct	182,714,309	89,703,457
Assumed	41,219,466	35,973,882
Total gross premiums on insurance contracts	223,933,775	125,677,339
Gross change in reserve for unearned premium	(72,160,318)	(30,531,498)
Gross premiums earned on insurance contracts	<b>151,773,457</b>	<b>95,145,841</b>



**Note 29 - Reinsurers' share on insurance contracts**

The details of this account for the years ended December 31 follow:

	2021	2020
Premiums ceded	16,740,132	2,474,563
Gross change in deferred reinsurance premium	(6,848,287)	(317,694)
	<b>9,891,845</b>	<b>2,156,869</b>

**Note 30 - Commission income**

The details of this account for the years ended December 31 follow:

	2021	2020
Collected and earned during the year	4,546,840	869,444
Gross change in deferred commission income	(1,559,773)	(132,536)
	<b>2,987,067</b>	<b>736,908</b>

**Note 31 - Net insurance benefits and claims**

The details of this account for the years ended December 31 follow:

	2021	2020
Insurance contract benefits and claims paid	16,438,822	14,901,160
Gross change in claims payable	7,057,761	16,753,026
	<b>23,496,583</b>	<b>31,654,186</b>

**Note 32 - Commission expense**

The details if this account for the years ended December 31, are as follows:

	2021	2020
Paid and accrued during the year	59,721,493	28,302,186
Gross change on deferred acquisition cost	(13,121,303)	(3,151,783)
	<b>46,600,190</b>	<b>25,150,403</b>

**Note 33 - Other underwriting expense**

The account represents authentication verification fees and other expenses related to compulsory third-party liability (CTPL) insurance coverage.

**Note 34 - Investment and other income**

This account consists of:

	<b>2021</b>	<b>2020</b>
Other interest income	8,150,097	9,416,765
Rent income	4,667,433	13,108,893
Investment and interest income	2,043,264	5,029,148
Miscellaneous income	132,507	134,064
Forex gain (loss)	19,456	(471,538)
	<b>15,012,757</b>	<b>27,217,332</b>

**Note 35 - General and administrative expenses**

This account consists of:

	<b>2021</b>	<b>2020</b>
Salaries, wages and bonuses	13,029,119	7,480,806
Taxes, licenses and fees	12,382,653	7,791,664
Transportation and travel	4,556,008	2,175,584
Professional fees	2,488,082	1,002,824
Rental expense	2,144,067	1,737,687
Other employee benefits	2,033,822	457,407
Printing and office supplies	1,762,137	2,279,252
Depreciation	1,745,809	1,093,869
Association Dues And Fees	1,331,487	3,091,409
SSS, PHIC and PAG-IBIG fund contributions	1,076,687	548,430
Meetings and conferences	1,012,797	192,313
Advertising and promotions	816,737	178,594
Retirement expense	764,240	514,598
Entertainment,amusement and recreation expense	639,846	1,179,965
Communication and postage	503,629	356,796
Light and water	356,310	148,985
Repairs and maintenance	99,707	113,225
Litigation expense	10,089	49,154
Marketing expense	-	12,157,594
Provision for uncollectible accounts	-	560,026
Others	1,610,334	1,089,390
	<b>48,363,560</b>	<b>44,199,572</b>



**Note 36 - Unrealized loss on financial assets at fair value through other comprehensive income**

This account consists of:

	<b>2021</b>	<b>2020</b>
Fair market value, ending	2,370,295	2,502,144
Adjustments	(97,500)	83,500
Fair market value, beginning	(2,502,144)	(3,143,805)
	<b>(229,349)</b>	<b>(558,161)</b>

**Note 37 - Current and deferred taxes**

Income tax expense for the years ended December 31 is composed of:

	<b>2021</b>	<b>2020</b>
Regular corporate income tax	3,554,478	2,471,616
Final tax	408,653	1,005,768
Tax expense reported in the income statement	<b>3,963,131</b>	<b>3,477,384</b>

The reconciliation of the tax on pretax income (loss) computed at the statutory rate to tax expense is shown below:

	<b>2021</b>	<b>2020</b>
Tax on pretax income	3,869,272	3,529,925
Add (deduct) tax effects of:		
Nondeductible expense	191,060	295,522
Non-taxable loss	4,962	29,395
Income subject to lower income tax rate	(102,163)	(377,458)
	<b>3,963,131</b>	<b>3,477,384</b>

**Note 38 - Supplementary information required by the Bureau of Internal Revenue**

On October 10, 2007, Revenue Regulations (R.R.) No 12 was signed, amending certain provisions of R.R.No.9-98 relative to the due date within which to pay MCIT imposed on domestic corporation and resident foreign corporations. These revenue regulations require the quarterly payment of MCIT. The quarterly MCIT payments shall be creditable against the tax that will be due at the end of the taxable year whether it be RCIT or MCIT. The regulations took effect beginning on the income tax return for fiscal quarter ending September 30, 2007.

In compliance with the requirements set forth by RR15-2010 hereunder are the information on taxes and license fees paid or accrued during the taxable year.

#### Output Value Added Tax (VAT)

The Company is a VAT-registered company with VAT output tax declaration as follows:

	<b>Gross receipts</b>	<b>Output VAT</b>
Subject to 12%	97,532,159	11,703,859
Subject to 0%	1,945,202	-
	<b>99,477,361</b>	<b>11,703,859</b>

#### Input VAT

The amount of input taxes claimed comprise of the following:

	<b>Amount</b>
Balance, beginning of year	5,968,942
Current year's domestic purchases/paynebt for:	
Capital goods	-
Services	4,589,491
Input VAT claimed	(2,969,331)
Balance, end of year	<b>7,589,102</b>

#### Documentary Stamp Tax (DST)

The Company paid/accrued DST amounting to P15,624,538 during the year.

#### Fire Service Tax (FST)

The Company paid/accrued FST amounting to P143,946 during the year.

#### Percentage Tax (PT)

The Company paid/accrued PT amounting to P5,575 during the year.

#### Withholding Taxes

The amount of withholding taxes paid/accrued for the year amounted to:

	<b>Amount</b>
Expanded	2,535,701
Compensation	530,284
	<b>3,065,985</b>

#### Taxes and Licenses

This account consists of:

	<b>Amount</b>
Other taxes and licenses	12,363,653
Community tax certificate	10,500
Registration fee	8,500
	<b>12,382,653</b>



**THE PREMIER INSURANCE & SURETY CORPORATION**  
**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended December 31, 2021

(With comparative figures for 2020)

	Note	2021		2020
<b>Net Income</b>	P	11,513,957	P	9,358,707
<b>Other Comprehensive Income:</b>				
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	6, 36	(229,349)		(558,161)
<b>TOTAL COMPREHENSIVE INCOME</b>	P	<b>11,284,608</b>	P	8,800,546

See accompanying Notes to Financial Statements.

# THE PREMIER INSURANCE & SURETY CORPORATION

## STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2021

(With comparative figures for 2020)

	Notes	2021	2020
<b>SHARE CAPITAL</b>			
	22		
Balance at beginning of year		P 1,300,000,000	P 1,166,450,000
Issued during the year		610,310,500	133,550,000
<b>Balance at end of year</b>		<b>1,910,310,500</b>	<b>1,300,000,000</b>
<b>SUBSCRIBED SHARE CAPITAL</b>			
	23		
Balance at beginning of year		-	133,550,000
Addition (Paid) during the year		89,689,500	(133,550,000)
<b>Balance at end of year</b>		<b>89,689,500</b>	-
<b>ADDITIONAL PAID IN CAPITAL</b>			
	24	<b>40,327,055</b>	40,327,055
<b>DEPOSIT FOR FUTURE SUBSCRIPTION</b>			
	25		
Balance at beginning of year		173,236,273	341,235,773
Applied to paid-up capital		(157,000,500)	-
Addition during the year		-	19,500,000
Withdrawal during the year		-	(187,499,500)
<b>Balance at end of year</b>		<b>16,235,773</b>	173,236,273
<b>CONTINGENCY SURPLUS</b>			
	26	<b>26,067,795</b>	26,067,795
<b>FLUCTUATION RESERVE ON STOCKS</b>			
	27		
Balance at beginning of year		1,272,077	1,830,238
Increase (Decrease) in fair value		(229,349)	(558,161)
<b>Balance at end of year</b>		<b>1,042,728</b>	1,272,077
<b>ACCUMULATED PROFITS</b>			
Balance at beginning of year		51,295,586	41,936,880
Net income for the year		11,513,957	9,358,707
<b>Balance at end of year</b>		<b>62,809,543</b>	51,295,587
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>P 2,146,482,894</b>	<b>P 1,592,198,788</b>

See accompanying Notes to Financial Statements.



# THE PREMIER INSURANCE & SURETY CORPORATION

## STATEMENT OF CASH FLOWS

For the year ended December 31, 2021

(With comparative figures for 2020)

	Notes	2021		2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES :</b>				
Income before income tax	P	15,477,088	P	12,836,091
Adjustment for :				
Investment and interest income	7	(10,193,362)		(14,445,913)
Amortized discount	7	(909,061)		(3,362,261)
Depreciation and amortization	16, 35	1,745,809		1,093,869
Retirement expense	21, 35	764,240		514,598
Provision for uncollectible accounts	5, 35	-		560,026
Share in subsidiaries' net loss	15	19,848		106,891
<b>OPERATING INCOME (LOSS) BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES</b>		<b>6,904,562</b>		<b>(2,696,700)</b>
Changes in Operating Assets and Liabilities				
Decrease (Increase) in:				
Insurance balances receivable	5	(81,431,042)		(47,093,370)
Loans and other receivables	8	(11,345,186)		202,082,184
Reinsurance assets	10	(1,594,041)		1,200,421
Deferred acquisition cost	11	(13,121,303)		(3,151,783)
Deferred reinsurance premium	12	(6,848,287)		(317,694)
Other assets	17	(6,213,884)		(4,775,082)
Increase (Decrease) in:				
Insurance contract liabilities	18	79,218,080		47,284,524
Reinsurance payable	19	8,678,482		119,777
Commission payable		14,768,432		3,680,205
Deferred commission income	20	1,559,773		132,536
Accounts and other payables	21	75,635,863		(41,755,725)
Net cash provided by operations		66,211,450		154,709,294
Income tax paid		(1,512,539)		-
<b>NET CASH PROVIDED (USED) IN OPERATING ACTIVITIES</b>		<b>64,698,911</b>		<b>154,709,294</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES :</b>				
Disposal of financial assets at amortized costs	7	25,630,000		148,420,000
Acquisition of financial assets at amortized costs	7	(117,410,499)		(6,527,604)
Disposal of property & equipment	16	35,854		-
Acquisition of property & equipment	16	(447,212,690)		(231,969,360)
Acquisition of investment properties	14	-		-
Investment in subsidiaries	15	-		(8,000,000)
Interest received		9,784,709		13,440,145
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(529,172,626)</b>		<b>(84,636,819)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES :</b>				
Paid-up capital	22	610,310,500		-
Addition to deposit for future subscription	25	(157,000,500)		19,500,000
Withdrawal of deposit for future subscription	25	-		(187,499,500)
<b>NET CASH PROVIDED (USED) IN FINANCING ACTIVITIES</b>		<b>453,310,000</b>		<b>(167,999,500)</b>
<b>NET INCREASE (DECREASE) IN CASH</b>		<b>(11,163,715)</b>		<b>(97,927,025)</b>
<b>CASH AT BEGINNING OF YEAR</b>		<b>107,380,050</b>		<b>205,307,075</b>
<b>CASH AT END OF YEAR</b>		<b>P 96,216,334</b>	P	<b>107,380,050</b>

See accompanying Notes to Financial Statements.



**Ang *Segurong* may *Puso***