STARR International Insurance Philippines Branch

Financial Statements
December 31, 2023 and 2022

and

Independent Auditor's Report

SGV

Building a better working world

A member firm of Ernst & Young Global Limited

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

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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
STARR International Insurance Philippines Branch

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of STARR International Insurance Philippines Branch (the Branch), which comprise the statements of financial position as at December 31, 2023 and 2022, and statements of comprehensive income, statements of changes in home office account and statements of cash flows for the years then ended, and notes to the financial statements, including summary of material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Branch as at December 31, 2023 and 2022, 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 Branch 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 Branch'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 Branch or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Branch's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Branch 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 34-2020 and 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 34-2020 and 15-2010 in Note 27 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 STARR International Insurance Philippines Branch. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Ray Francis C. Balagtas

Ray Francis C. Balagtas
Partner
CPA Certificate No. 108795
Tax Identification No. 216-950-288
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-107-2023, September 12, 2023, valid until September 11, 2026
PTR No. 10079900, January 5, 2024, Makati City

April 29, 2024

STARR INTERNATIONAL INSURANCE PHILIPPINES BRANCH
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2023	2022
ASSETS		
Cash and cash equivalents (Notes 4 and 25)	**₱1,279,334,748**	₱890,216,786
Insurance receivables (Notes 5 and 25)	**1,848,819,578**	1,893,648,922
Financial assets (Notes 6 and 25)		
Available-for-sale financial assets	**1,217,443,479**	861,184,967
Held-to-maturity investments	**765,941,477**	787,485,081
Loans and receivables	**412,138**	150,776
Accrued income (Notes 7 and 25)	**30,042,775**	15,144,140
Deferred acquisition costs (Note 8)	**165,503,813**	141,698,141
Reinsurance assets (Notes 9 and 13)	**2,903,588,464**	2,604,196,501
Property and equipment - net (Note 10)	**11,090,199**	3,484,354
Intangible asset (Note 11)	**2,568,563**	3,358,890
Right-of-use assets (Note 21)	**12,885,228**	17,795,326
Deferred tax assets – net (Note 24)	**50,047,966**	9,153,411
Other assets (Note 12)	**37,954,979**	15,249,745
	₱8,325,633,407	₱7,242,767,040
LIABILITIES AND HOME OFFICE ACCOUNT		
Liabilities		
Insurance contract liabilities (Notes 13 and 25)	**₱3,330,020,789**	₱2,921,183,095
Insurance payables (Notes 14, 23, and 25)	**2,005,274,142**	1,698,413,258
Deferred reinsurance commissions (Note 8)	**416,630,149**	337,918,849
Accounts payable and accrued expenses (Notes 15 and 25)	**377,341,084**	318,430,849
Pension benefit obligation (Note 22)	**21,334,430**	14,177,117
Lease liabilities (Note 21)	**12,149,087**	16,992,607
Income tax payable	**42,235,842**	53,960,280
	6,204,985,523	5,361,076,055
Home Office Account		
Assigned capital (Note 16)	**₱1,000,000,000**	1,000,000,000
Contributed surplus (Note 16)	**35,574,928**	35,574,928
Revaluation loss on available-for-sale financial assets (Note 6)	**(22,876,739)**	(43,077,456)
Actuarial gain (loss) on pension obligation (Note 22)	**(2,355,382)**	446,672
Retained earnings	**1,110,305,077**	888,746,841
	2,120,647,884	1,881,690,985
	₱8,325,633,407	₱7,242,767,040

See accompanying Notes to Financial Statements.

STARR INTERNATIONAL INSURANCE PHILIPPINES BRANCH
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2023	2022
REVENUE (Notes 13 and 17)		
Gross earned premiums on insurance contracts	**₱2,760,416,736**	₱2,084,135,688
Reinsurers' share of gross earned premiums on insurance contracts	**(2,220,182,489)**	(1,678,800,854)
Net earned premiums	**540,234,247**	405,334,834
OTHER INCOME – net		
Commission income (Note 8)	**420,361,474**	449,461,757
Interest income (Notes 4, 6 and 18)	**96,499,007**	51,076,615
Foreign exchange gain (loss) - net (Notes 4,5,6,7,9,13,14 and 15)	**(33,722,444)**	107,298,207
Survey fee income	**9,133,304**	11,701,821
Other income	**492,271,341**	619,538,400
Total revenue and other income	**1,032,505,588**	1,024,873,234
BENEFITS AND CLAIMS EXPENSE (Notes 13 and 19)		
Gross change in insurance contract liabilities	**417,348,870**	343,750,002
Reinsurers' share in gross change in insurance contract liabilities	**(341,361,771)**	(292,481,231)
Gross insurance benefits and claims paid	**454,381,316**	426,756,192
Reinsurers' share of gross insurance benefits and claims paid	**(375,414,373)**	(355,413,645)
Net insurance benefits and claims	**154,954,042**	122,611,318
OPERATING EXPENSES		
General and administrative expenses (Note 20)	**309,089,293**	218,970,613
Commission expense (Note 8)	**267,931,250**	249,121,634
Interest expense (Note 21 and 22)	**1,222,871**	717,662
Operating expenses	**578,243,414**	468,809,909
Total benefits, claims and expenses	**733,197,456**	591,421,227
INCOME BEFORE INCOME TAX	**299,308,132**	433,452,007
PROVISION FOR INCOME TAX (Note 24)	**(77,749,896)**	(108,809,488)
NET INCOME	**221,558,236**	324,642,519
OTHER COMPREHENSIVE INCOME (LOSS)		
Item that will not be reclassified to profit and loss in subsequent periods:		
Actuarial gain (loss) on pension obligation (Note 22)	**(2,802,054)**	996,825
Item that will be reclassified to profit and loss in subsequent periods:		
Changes in revaluation gain (losses) on available-for-sale financial assets (Note 6)	**20,200,717**	(77,765,932)
TOTAL COMPREHENSIVE INCOME	**₱238,956,899**	₱247,873,412

See accompanying Notes to Financial Statements.

STARR INTERNATIONAL INSURANCE PHILIPPINES BRANCH

STATEMENTS OF CHANGES IN HOME OFFICE ACCOUNT

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	Assigned Capital (Note 16)	Contributed Surplus (Note 16)	Revaluation Gain (Loss) on Available-for-sale Financial Assets (Note 6)	Actuarial Gain (Loss) on Pension Obligation (Note 22)	Retained Earnings	Total
Balance at January 1, 2023	**₱1,000,000,000**	**₱35,574,928**	**(₱43,077,456)**	**₱446,672**	**₱888,746,841**	**₱1,881,690,985**
Net income	–	–	–	–	**221,558,236**	**221,558,236**
Other comprehensive income (loss)	–	–	**20,200,717**	**(2,802,054)**	–	**17,398,663**
Total comprehensive income (loss)			**20,200,717**	**(2,802,054)**	**221,558,236**	**238,956,899**
Balance at December 31, 2023	**₱1,000,000,000**	**₱35,574,928**	**(₱22,876,739)**	**(₱2,355,382)**	**₱1,110,305,077**	**₱2,120,647,884**
Balance at January 1, 2022	₱1,000,000,000	₱35,574,928	₱34,688,476	(₱550,153)	₱564,104,322	₱1,633,817,573
Net income	–	–	–	–	324,642,519	324,642,519
Other comprehensive income (loss)	–	–	(77,765,932)	996,825	–	(76,769,107)
Total comprehensive income (loss)	–	–	(77,765,932)	996,825	324,642,519	247,873,412
Balance at December 31, 2022	₱1,000,000,000	₱35,574,928	(₱43,077,456)	₱446,672	₱888,746,841	₱1,881,690,985

See accompanying Notes to Financial Statements.

STARR INTERNATIONAL INSURANCE PHILIPPINES BRANCH
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱299,308,132**	₱433,452,007
Adjustments for:		
Unrealized foreign exchange (gain) loss – net	**29,559,641**	(114,797,941)
Provision for claims IBNR and MfAD (Note 13)	**49,705,408**	35,308,946
Interest income (Notes 4, 6 and 18)	**(96,499,007)**	(51,076,615)
Depreciation and amortization (Notes 10, 11, 20 and 21)	**12,709,554**	8,532,603
Pension obligation expense (Note 22)	**3,384,126**	2,436,359
Interest expense (Notes 21 and 22)	**1,222,871**	717,662
Operating income before changes in working capital	**299,390,725**	314,573,021
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Insurance receivables	**17,071,546**	(671,354,171)
Loans and receivables	**(261,362)**	(139,342)
Deferred acquisition costs	**(23,805,672)**	(15,589,962)
Reinsurance assets	**(313,186,719)**	(586,220,694)
Other assets	**(23,309,081)**	2,044,978
Increase in:		
Insurance contract liabilities	**374,330,536**	630,577,075
Insurance payables	**322,039,951**	728,367,424
Deferred reinsurance commissions	**78,711,300**	63,845,045
Accounts payable and accrued expenses	**63,728,680**	131,908,951
Net cash flows generated from operations	**794,709,904**	598,012,325
Income taxes paid	**(130,368,889)**	(72,649,229)
Net cash flows provided by operating activities	**664,341,015**	525,363,096
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Available-for-sale investments (Note 6)	**(497,805,791)**	(291,703,573)
Held-to-maturity investments (Note 6)	**–**	(379,819,472)
Property and equipment (Note 10)	**(11,551,072)**	(2,080,946)
Intangible asset (Note 11)	**–**	(702,500)
Proceeds from maturities/sale of:		
Available-for-sale investments (Note 6)	**152,936,829**	168,028,203
Held-to-maturity investments (Note 6)	**20,935,641**	121,489,251
Interest received	**81,535,836**	45,088,688
Net cash flows used in investing activities	**(253,948,557)**	(339,700,349)
CASH FLOWS FROM FINANCING ACTIVITY		
Payments of lease liabilities (Note 21)	**(8,159,160)**	(4,451,963)
NET EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH	**(13,115,337)**	103,522,100
NET INCREASE IN CASH	**389,117,962**	284,732,884
CASH AT BEGINNING OF THE YEAR	**890,216,786**	605,483,902
CASH AT END OF THE YEAR (Note 4)	**₱1,279,334,748**	₱890,216,786

See accompanying Notes to Financial Statements.

1. **Corporate Information**

STARR International Insurance Philippines Branch (the Branch) is the established branch office in the Philippines of Starr International Insurance (Asia) Limited (the Home Office). The Home Office is a subsidiary of Starr Insurance & Reinsurance Limited which is a Bermuda-based insurance and reinsurance company with a portfolio of insurance and reinsurance products and clients throughout North America, Europe and Latin/South America.

The Home Office was licensed by the Philippine Securities and Exchange Commission (SEC) on April 19, 2013 to establish its branch office in the Philippines under the name of STARR International Insurance Philippines Branch. Its objective is to engage in non-life insurance business by providing non-life insurance products, to include both commercial and personal product lines. The Home Office was duly licensed by the Insurance Commission (IC) on May 8, 2013 after complying with the minimum requirements set by IC.

The principal office address of the Branch is Unit 5, 23rd Floor, Tower 2, The Enterprise Center, 6766 Ayala Ave. cor. Paseo de Roxas Ave., Makati.

The accompanying financial statements were approved and authorized for issuance by the Board of Directors (BOD) on April 29, 2024.

2. **Basis of Preparation and Statement of Compliance**

<u>Basis of Preparation</u>
The financial statements of the Branch have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

The accompanying financial statements have been prepared on a historical cost basis, except for debt financial assets that have been measured at fair value.

The financial statements provide comparative information in respect of the previous period.

<u>Statement of Compliance</u>
The financial statements of the Branch have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

<u>Presentation of Financial Statements</u>
The Branch presents its statements of financial position in order of liquidity. An analysis regarding recovery of assets or settlement of liabilities within twelve (12) months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in Note 26.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. The Branch assesses that it has a currently enforceable right of 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 solvency or bankruptcy of the Branch and all of the counterparties.

Income and expenses are not offset in the statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Branch.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amendments and improvements to PFRSs which became effective on January 1, 2023. The Branch did not early adopt any other standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, these new and revised accounting standards did not have an impact on the Branch's financial statements.

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

Standards issued but not yet effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, adoption of these pronouncements is not expected to have a significant impact on the Branch's financial statements. The Branch intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*
- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

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

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

  The core of PFRS 17 is the general model, which is based on the following building blocks for each group of insurance contracts: (a) fulfilment cash flows and (b) a contractual service margin or CSM (i.e., unearned profit). This is supplemented by:

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

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

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with full retrospective application from the transition date is required. The transition date is the beginning of the annual reporting period immediately preceding the date of initial application. If it is impracticable to apply PFRS 17 retrospectively for a group of insurance contracts, the Company must apply either the modified retrospective approach or the fair value approach. Early application is permitted.

The Company does not intend to early adopt PFRS 17 for local reporting. However, The Company continues its assessment of the implications of this standard. The Company is continuously assessing the potential impact of all other changes including accounting policy choices available under PFRS 17 on how insurance contract liabilities are measured and the impact on presentation and disclosure of the financial results in the financial statements.

The adoption of PFRS 17 requires significant changes to the Company's accounting and reporting processes. To ensure readiness, the Company has invested on financial and actuarial technology platforms that will enhance data capture, improve actuarial models and assumptions, among others and subsequently, produce management information for financial planning and enhance business and strategic analyses. Starr Head Office globally has acquired license to use a new system solution for IFRS 17 reporting. The system should incorporate all necessary requirement for IFRS 17 purposes.

- Amendments to PAS 21, *Lack of exchangeability*

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

Fair Value

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 by the Branch.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Fair value hierarchy
The Branch uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable in the market, either directly or indirectly
Level 3: techniques which uses inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Branch 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.

At each reporting date, management analyzes the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Branch's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents with relevant external sources to determine whether the change is reasonable.

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

Financial assets
The fair value for financial instruments traded in active markets at the end of the reporting period is based on their quoted market price or dealer price quotations (price between the bid and ask spread), without any deduction for transaction costs. When current market prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models.

Non-financial assets
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.

<u>Cash</u>
Cash includes cash on hand and in bank. Cash is carried in the statement of financial position at face amount. Cash in bank earns interest at the prevailing bank deposit rates.

Short-term Investments
Short-term investments are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of more than three months but less than one year from dates of placement. These earn interests at the respective short-term investment rates.

Insurance Receivables
Insurance receivables are recognized on policy inception dates and measured on initial recognition at the fair value of the consideration receivable for the period of coverage. 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 the profit and loss. Insurance receivables are derecognized following the derecognition criteria of financial assets.

Financial Instruments
Qualifying for temporary exemption from PFRS 9
The Branch applied the temporary exemption from PFRS 9 as permitted by the Amendments to PFRS 4 Applying PFRS 9 *Financial Instruments with PFRS 4 Insurance Contracts* issued in September 2016. The temporary exemption permits entities whose activities are predominantly connected with insurance to continue applying PAS 39 rather than PFRS 9 for annual periods beginning before January 1, 2025 in line with the effectivity of PFRS 17.

The assessment for whether a reporting entity's activities are predominantly connected with insurance is based on the liabilities connected with insurance in proportion to the entity's total liabilities. An entity may elect the temporary exemption if, and only if:

- The carrying amount of its liabilities arising from contracts within the scope of PFRS 4 is significant compared to the total carrying amount of all its liabilities; and
- The percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all of its liabilities is:

  - Greater than 90 percent; or
  - Less than or equal to 90 percent but greater than 80 percent, and the insurer does not engage in a significant activity unconnected with insurance.

The predominance assessment is performed using the carrying amounts of liabilities reported on the statement of financial position at the annual reporting date December 31, 2015 and before December 31, 2020. Applying the requirements, the Branch performed the predominance assessment using the Branch's statement of financial position as of December 31, 2015.

The Branch concluded that it qualified for the temporary exemption from PFRS 9 because its activities are predominantly connected with insurance. As at December 31, 2015, the Branch's gross liabilities arising from contracts within the scope of PFRS 4 represented 88% of the total carrying amount of all its liabilities, and the Branch did not engage into any significant activities not connected with insurance. Since December 31, 2015, there has been no change in the activities of the Branch that requires reassessment of the use of the temporary exemption.

Date of recognition
Financial instruments are recognized in the statement of financial position when the Branch 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
Financial instruments are recognized initially at fair value. Except for financial instruments at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Branch classifies its financial assets in the following categories: financial assets at FVPL, AFS financial assets, held-to-maturity (HTM) investments and loans and receivables. The Branch classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired or liabilities incurred and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As of December 31, 2023 and 2022, the Branch has no financial instruments at FVPL.

Day 1 difference
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Branch recognizes the difference between the transaction price and fair value (a 'Day 1' profit or loss) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where an unobservable data is used, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Branch determines the appropriate method of recognizing the 'Day 1' profit or loss amount.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as other financial assets held for trading, designated as AFS or financial assets designated at FVPL.

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the EIR method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR.

As of December 31, 2023 and 2022, the Branch's loans and receivables include Cash in bank, Cash equivalents, Accrued income and Loans and deposits.

AFS financial assets
AFS financial assets are those non-derivative investments which are designated as such or do not qualify to be classified as designated as financial assets or financial liabilities at FVPL, HTM or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. They include government securities, equity investments, and other debt instruments.

After initial measurement, AFS financial assets are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in profit or loss. Interest earned on holding AFS financial assets are reported as interest income using the effective interest rate (EIR). The unrealized gains and losses arising from the fair valuation of AFS financial assets are reported in OCI. The losses arising from impairment of such investments are recognized as provisions on impairment losses in profit or loss. When the security is disposed of, the cumulative gain or loss previously recognized in OCI is recognized as realized gains in profit or loss.

Held-to-maturity investments
HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which management has the positive intention and ability to hold to maturity. Where the Branch sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS financial assets. After initial measurement these investments are subsequently measured at amortized cost using the effective interest method, less any 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. Gains and losses are recognized in income when the HTM investments are derecognized and impaired, as well as through the- 7 -amortization process. The losses arising from impairment of such investments are recognized in the statement of income. The effects of restatement on foreign currency-denominated HTM investments are recognized in the statement of income.

Other financial liabilities
Issued financial instruments or their components, which are not designated at FVPL are classified as other financial liabilities where the substance of the contractual arrangement results in the Branch 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 as a whole the 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 EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR. Any effects of restatement of foreign currency-denominated liabilities are recognized in profit or loss.

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

<u>Reclassification of financial assets</u>
An investment will be reclassified as AFS assets if, as a result of the change in intention or ability, it fails to meet the requirements for classification as HTM investment. If the tainting provisions are triggered, any remaining HTM investments should also be reclassified as AFS assets. Similarly, if as a result of a change in intention or ability or because the tainting period has passed, it becomes appropriate to regard an AFS asset as HTM, it will be reclassified accordingly.

If an AFS asset is reclassified as held-to-maturity, the fair value carrying amount of the financial asset on the date becomes the new amortized cost.

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

a. the right to receive cash flow from the asset has expired;
b. the Branch 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 Branch has transferred its right to receive cash flows from the asset and either (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Branch 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 Branch'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 Branch could be required to repay.

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

Impairment of Financial Assets
The Branch assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Insurance receivables
A provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Branch will not be able to collect all of the amounts due under the terms agreed with the counterparty. The carrying amount of the receivable is reduced through the use of an allowance account.

AFS financial assets
For debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss and is recorded in the profit and loss. If, in a subsequent period, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in the profit and loss, the impairment loss is reversed through the profit and loss.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the financial asset's carrying amount and the present value of the estimated future cash flows discounted using the original EIR. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognized as "Provision for impairment loss" in the profit and loss.

Interest income continues to be accrued on the reduced carrying amount based on the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Branch.

If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is recognized in the profit and loss. Any subsequent reversal of an impairment loss is recognized in the profit and loss, to the extent that the carrying value of the asset does not exceed what would have been its amortized cost at the reversal date had there been no impairment.

Held-to-maturity investments and Loans and receivables
For financial assets carried at amortized cost, the Branch first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Branch determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized, are not included in a collective assessment for impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

<u>Offsetting Financial Instruments</u>
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.

<u>Reinsurance Assets</u>
The Branch cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Branch may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Branch will receive from the reinsurer can be measured reliably. The impairment loss is charged to profit or loss.

Ceded reinsurance arrangements do not relieve the Branch from its obligations to policyholders. The Branch also assumes reinsurance risk in the normal course of business for insurance contracts. Premiums and claims on assumed reinsurance are recognized 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 reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognized when the Branch's contractual right is extinguished or expired or when the contract is transferred to another party.

Deferred Acquisition Costs (DAC)
Commission and other acquisition costs incurred during the financial period that vary with and are related to securing new insurance contracts and or renewing existing insurance contracts, but which relates to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins. All other acquisition costs are recognized as an expense when incurred.

Subsequent to initial recognition, these costs are amortized using the 24^{th} method. Amortization is charged against the profit or loss. The unamortized acquisition costs are shown as "Deferred acquisition costs" in the assets section of the statement of financial position.

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

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and amortization, and any impairment in value.

The initial cost of equipment comprises its purchase price, including 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 Branch and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation on other property and equipment is provided on a straight-line method over the estimated useful lives (or lease term, if shorter) of each part of an item of property and equipment as follows:

	Years
Equipment	3
Leasehold improvements	3

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

Right-of-use assets
The Branch recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless

the Branch is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term of 3 years.

Right-of-use assets are subject to impairment. Refer to the accounting policies in section impairment of non-financial assets.

<u>Other Assets</u>

Prepaid Expenses

Prepaid expenses pertain to resources controlled by the Branch as a result of past events and from which future economic benefits are expected to flow to the Branch. Prepaid expenses are carried at cost and are amortized on a straight-line basis, over the period of intended usage, which is equal to or less than 12 months or within the normal operating cycle.

Value-Added Tax (VAT)

Revenue, expenses and assets are recognized net of the amount of sales tax except:

- where the tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and,
- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable or payable from the tax authority is included as part of "Other assets" or "Accounts payable and accrued expenses" in the statement of financial position.

Creditable Withholding Taxes (CWTs)

Creditable withholding taxes pertain to the tax paid by the Branch that is withheld by its counterparties 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 Branch.

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

<u>Impairment of Nonfinancial Assets</u>

At each reporting date, the Branch assesses whether there is any indication that its nonfinancial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Branch makes a formal estimate of recoverable amount.

Recoverable amount is the higher of an asset's or cash-generating unit's (CGU) 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, in which case the recoverable amount is assessed as part of the CGU to which it belongs. Where the carrying amount of an asset (or CGU) exceeds its recoverable amount, the asset (or CGU) 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 (or CGU). An impairment loss Is charged to operations in the year in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount.

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 have been enacted or substantively enacted as of the financial reporting date.

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carry forward of 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 carry forward of NOLCO can be utilized.

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

Current tax and deferred tax relating to items recognized directly in equity or OCI are likewise recognized in equity or OCI.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply 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 substantially enacted as of end of the reporting period.

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

Movements in the deferred tax assets and liabilities arising from changes in the rates are charged against or credited to operations for the period.

Product Classification

Insurance contracts are defined as those contracts under which the Branch (the insurer) accepts 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 policyholder. As a general guideline, the Branch defines significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or other variable. Investment contracts mainly transfer financial risk but can also transfer insignificant insurance 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. Investment contracts can however be reclassified as insurance contracts after inception if the insurance risk becomes significant.

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

Provision for unearned premiums
The proportion of written premiums, gross of commissions payable to intermediaries, attributable to subsequent periods or to risks that have not yet expired is deferred as provision for unearned premiums. Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 2^{4t}h method, otherwise, 365^{th} method is used. The portion of the premiums written that relate to the unexpired periods of the policies at end of the reporting period are accounted for as provision for unearned premiums as part of "Insurance contract liabilities" and presented in the liabilities section of the statement of financial position. The change in the provision for unearned premiums is taken to profit or loss in order that revenue is recognized over the period of risk. Further provisions are made to cover claims under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

Provision for claims reported and incurred but not reported (IBNR) losses
These liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the end of the reporting period together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of which cannot be known with certainty at the end of the reporting period. The liability is not discounted for the time value of money and includes provision for IBNR losses. The IBNR is calculated at the reporting date using a range of actuarial projection techniques such as but not limited to the chain ladder method, expected loss ratio method and Bornheutter-Ferguson method. The liability is derecognized when the contract is discharged, cancelled or has expired.

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

Liability adequacy test
At each reporting date, liability adequacy tests are performed, to ensure the adequacy of insurance contract liabilities, net of related DAC. In performing the test, current best estimates of future cash flows, claims handling and policy administration expenses are used. Changes in expected claims that have occurred, but which have not been settled, are reflected by adjusting the liability for claims and future benefits. Any inadequacy is immediately charged to profit or loss by establishing an unexpired risk provision for losses arising from the liability adequacy tests. The provision for unearned premiums is increased to the extent that the future claims and expenses in respect of current insurance contracts exceed future premiums plus the current provision for unearned premiums.

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

Lease liabilities

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

Short-term leases and leases of low-value assets

The Branch applies the short-term lease recognition exemption to its short-term leases (i.e., lease term ends within 12 months and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of building pylon signage that is considered of low value. (i.e., below ₱250,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Home Office Account

Assigned capital

Assigned capital represents funds transferred from the Home Office to the Branch including any investments and payments of costs and expenses of the Branch.

Contributed surplus

Contributed surplus represents funds transferred from the Home Office to the Branch in compliance with the requirement of the IC.

Retained earnings

Retained earnings represent the cumulative balance of net income or loss of the Branch, net of any dividend distribution.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Branch and the revenue can be reliably measured. The Branch assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Branch has concluded that it is acting as a principal in all of its revenue arrangements.

The Branch's revenue comprises mainly of net premiums earned, commission income and interest income which are outside the scope of PFRS 15 (scoped in under PFRS 4 and PFRS 9).

Premiums

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 insurance contracts with policy duration of exactly one year are recognized as revenue over the period of the contracts using 24th method. The 365th method was used for recognition of revenue for insurance contracts with policy duration of less than or more than one year.

The portion of the premiums written that relate to the unexpired periods of the policies at the end of the reporting period is accounted for as provision for unearned premiums and presented as part of insurance contract liabilities in the liabilities section of the statement of financial position. The related reinsurance premiums ceded that pertain to the unexpired periods at reporting date are accounted for as deferred reinsurance premiums shown as part of reinsurance assets presented in the assets section of the statement of financial position. The net changes in these accounts between reporting dates are included in the determination of net insurance revenue.

Commission income
Commissions earned from insurance contracts with policy duration of exactly one year are recognized as revenue over the period of the contracts using 24th method. The 365th method was used for recognition of revenue for insurance contracts with policy duration of less than or more than one year. The portion of the commissions that relate 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.

Interest income
Interest income is recognized as it accrues.

Survey fee income
Survey fee income is recognized upon completion of service to conduct onsite survey of the property being insured to assess the quality or risks. The Branch has available in-house survey risk engineers who may perform this service as needed.

Expense Recognition
Expenses are recognized in the profit and loss when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in the profit and loss on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the associations with income can only be broadly or indirectly determined; or immediately when an expenditure produces no economic benefit or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

Insurance benefits and claims
Benefits and claims consist of benefits and claims paid to policyholders and changes in the valuation of insurance contract liabilities, except for gross changes in the provision for unearned premiums which are included in net earned premiums. It further includes internal and external claims handling costs that are directly related to the processing and settlement of claims. Insurance claims are recorded on the basis of notifications received.

Commission expense
Commissions are recognized as expense over the period of the insurance contracts using the 2^{4t}h method for policies with a term of exactly one year, otherwise 365th method is used. 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 costs' in the statement of the financial position

General and administrative expenses
General and administrative expenses constitute costs of administering the business. These are recognized and charged to operations as incurred.

Provisions
Provisions are recognized when the Branch has a present obligation (legal or constructive) as a result of a past event, and when 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.

Foreign Currency Translation
Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated using the functional currency rate of exchange ruling at the reporting date. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. 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 OCI, the gain or loss is then recognized net of the exchange component in OCI.

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

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

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Branch's financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and related notes. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

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

Judgments
In the process of applying the Branch'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:

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 Branch defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

The Branch 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.

Determining functional currency
Based on the economic substance of the underlying circumstances relevant to the Branch, the functional currency of the Branch has been determined to be the Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Branch operates. It is the currency that mainly influences labor, material and other costs of providing services.

Impairment of financial assets
The Branch reviews its insurance receivables and loans and receivables at each end of the reporting period to assess whether an allowance for impairment should be recorded in profit or loss. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

The level of this allowance is evaluated by management on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to age of balances, financial status of counterparties, payment behavior and known market factors. The Branch reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a regular basis.

The amount and timing of recorded expenses for any period would differ if the Branch made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease net income.

The Branch did not recognize any impairment loss for the years 2023 and 2022 on its financial assets since there was no objective evidence that the financial assets are impaired and are found to be recoverable through immediate subsequent collections from policyholders, intermediaries and debtors.

Determination of lease term of contracts with renewal and termination options – Branch as a lessee
The Branch applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Branch reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate depending on the terms of the lease agreement if upon mutual agreement of both parties or solely at the option of the lessee.

Estimates and Assumptions
The Branch based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to the market changes or circumstances arising beyond the control of the Branch. Such changes are reflected in the assumptions when they occur. The key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year are discussed below.

Impairment of nonfinancial assets
The Branch assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Branch considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The Branch recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

The Branch did not recognize any impairment loss on its nonfinancial assets.

Recognition of deferred tax assets
Deferred tax assets are recognized for all future tax deductibles to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies.

The Branch reviews the carrying amount of deferred tax asset at each reporting date and reduces this to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized.

As of December 31, 2023 and 2022, the Company has recognized deferred tax assets amounting to ₱75.41 million and ₱59.43 million, respectively (see Note 24).

Claims liability arising from insurance contracts
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 ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, based on the following methods: the Incurred Chain Ladder/Development Approach (IDA), the Paid Chain Ladder/Development Method (PDA), the Bornhuetter-Ferguson Incurred Approach (BFIA), and the Bornhuetter-Ferguson Paid Approach (BFPA).

The main assumption underlying these techniques is that a Branch's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, 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 adjuster 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 historical claims development data on which the projections are based.

MfAD is estimated using Bootstrapping method to bring the actuarial best estimate of the claim liabilities at the 7^{5t}h percentile level of sufficiency.

The provision for IBNR losses net of reinsurance amounted to ₱153,950,130 and ₱104,244,722 as of December 31, 2023 and 2022, respectively (see Note 13).

4. Cash and Cash Equivalents

This account consists of:

	2023	2022
Cash on hand	**₱86,200**	₱86,200
Cash in banks	**458,765,552**	453,809,681
Cash equivalents	**820,482,996**	436,320,905
	₱1,279,334,748	₱890,216,786

Cash in banks comprise of current and savings accounts which earn interest at prevailing bank deposit rates. Cash equivalents consist of short-term US Dollar and Philippine Peso cash placements with banks which earn at rates ranging from 0.01% to 6% and 0.05% to 5.25% in 2023 and 2022, respectively.

Interest income earned on cash in banks and cash equivalents amounted to ₱23,302,651 and ₱4,778,082 in 2023 and 2022, respectively (see Note 18).

The net foreign exchange loss on cash and cash equivalents amounted to ₱13,115,337 and gain amounting to ₱103,522,100 in 2023 and 2022, respectively.

5. Insurance Receivables

This account consists of:

	2023	2022
Premiums receivable from:		
Agents and brokers	**₱1,628,315,603**	₱1,687,475,409
Policyholders	**48,134,545**	30,821,285
Reinsurance recoverable on paid losses	**172,369,430**	175,352,228
	₱1,848,819,578	₱1,893,648,922

Premiums receivable arise from unpaid premiums from intermediaries and policyholders.

Reinsurance recoverable on paid losses pertains to the share of ceding companies for the claims already paid to the policyholders by the Branch.

The Branch did not recognize impairment loss on insurance receivables as of December 31, 2023 and 2022 after considering a number of factors which include, but are not limited to age of balances, financial status of counterparties, payment behavior and known market factors.

The net foreign exchange loss on insurance receivables amounted to ₱21,208,483 and gain of ₱34,110,079 in 2023 and 2022, respectively.

6. Financial Assets

The Branch's financial assets are summarized by measurement categories as follows:

	2023	2022
AFS financial assets	**₱1,217,443,479**	₱861,184,967
Held-to-maturity investments	**765,941,477**	787,485,081
Loans and receivables	**412,138**	150,776
	₱1,983,797,094	₱1,648,820,824

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

a. AFS financial assets

This account consists of:

	2023	2022
Quoted securities		
Corporate bonds	**₱889,363,384**	₱717,293,283
Government debt securities	**328,080,095**	143,891,684
	₱1,217,443,479	₱861,184,967

The carrying values of AFS financial assets have been determined as follows:

	2023	2022
At January 1	**₱861,184,967**	₱736,508,331
Additions	**497,805,791**	291,703,573
Maturities	**(147,497,895)**	(158,378,764)
Net foreign exchange gain (loss)	**(8,811,167)**	78,767,197
Premium amortization	**(5,438,934)**	(9,649,438)
Fair value gain (loss)	**20,200,717**	(77,765,932)
At December 31	**₱1,217,443,479**	₱861,184,967

The movements of revaluation gain on available-for-sale financial assets follows:

	2023	2022
At January 1	**(₱43,077,456)**	₱34,688,476
Change in fair value of AFS financial assets	**20,200,717**	(77,765,932)
At December 31	**(₱22,876,739)**	(₱43,077,456)

AFS financial assets earned interest at rates ranging from 1.28% to 6.88% and 2.02% to 4.13% in 2023 and 2022, respectively. Interest income earned from AFS financial assets in 2023 and 2022 amounted to ₱27,764,184 and ₱18,541,275, respectively (see Note 18).

As of December 31, 2023, and 2022, the AFS financial assets denominated in foreign currency amounting to US$18,546,744 and US$15,345,420, respectively, were translated using the functional currency rate of exchange ruling at the reporting date.

b. *Held-to-maturity investments*

The following presents the breakdown of HTM investments by contractual maturity dates:

	2023	2022
Due within a year	**₱489,865,466**	₱22,049,866
Due within two (2) to three (3) years	**226,249,420**	686,772,279
More than three (3) years	**49,826,591**	78,662,936
	₱765,941,477	₱787,485,081

The rollforward analysis of HTM investments follows:

	2023	2022
At January 1	**₱787,485,081**	₱529,154,860
Additions	**–**	379,819,472
Maturities	**(22,000,000)**	(123,000,000)
Discount amortization	**1,064,359**	1,510,749
Net foreign exchange loss	**(607,963)**	–
At December 31	**₱765,941,477**	₱787,485,081

HTM investments primarily consist of investment in government securities which are deposited with the Insurance Commission in accordance with the provisions of the Insurance Code (the Code). These deposited government securities serve as security for the benefit of policyholders and creditors of the Branch.

In 2023 and 2022, interest income on these investments, net of discount amortization, amounted to ₱45,432,172 and ₱27,757,258, respectively (see Note 18).

As of December 31, 2023, and 2022, the HTM investments denominated in foreign currency amounting to US$1,301,362 and US$1,288,742, respectively, were translated using the functional currency rate of exchange ruling at the reporting date.

c. *Loans and receivables*

Loans and receivables pertain to Branch's cash advances to employees.

7. Accrued Income

This account consists of interest receivable on financial assets as follows:

	2023	2022
Available-for-sale financial assets		
Corporate bonds	**₱16,277,606**	₱6,193,483
Government securities	**4,435,616**	4,340,971
Held-to-maturity investments	**5,893,139**	3,665,854
Cash equivalents	**3,436,414**	943,832
	₱30,042,775	₱15,144,140

The net foreign exchange loss on accrued income amounted to ₱64,536 and foreign exchange gain of ₱573,752 in 2023 and 2022, respectively.

8. Deferred Acquisition Costs and Deferred Reinsurance Commissions

The rollforward analyses of these accounts follow:

Deferred acquisition costs

	2023	2022
At January 1	**₱141,698,141**	₱115,160,641
Cost deferred during the year	**291,736,922**	275,659,134
Amortization during the year recognized as "Commission expense"	**(267,931,250)**	(249,121,634)
At December 31	**₱165,503,813**	₱141,698,141

Deferred reinsurance commissions

	2023	2022
At January 1	**₱337,918,849**	₱245,899,344
Income deferred during the year	**499,072,774**	541,481,262
Amortization during the year recognized as "Commission income"	**(420,361,474)**	(449,461,757)
At December 31	**₱416,630,149**	₱337,918,849

The net foreign exchange loss on deferred acquisition cost and deferred reinsurance commission amounted to ₱16,541,870 and ₱17,226,922 in 2023 and 2022, respectively.

9. Reinsurance Assets

This account consists of:

	2023	2022
Deferred reinsurance premiums (Note 13)	**₱1,460,732,374**	₱1,502,702,181
Reinsurance recoverable on unpaid losses (Note 13)	**1,442,856,090**	1,101,494,320
	₱2,903,588,464	₱2,604,196,501

Deferred reinsurance premiums pertain to the unexpired portion of the insurance premiums ceded to reinsurers.

Reinsurance recoverable on unpaid losses represents balances due from reinsurers for their share in insurance contract liabilities in accordance with the respective reinsurance contracts.

The net foreign exchange loss on reinsurance recoverable on unpaid losses amounted to ₱6,549,312 and gain of ₱6,998,922 in 2023 and 2022, respectively.

10. Property and Equipment

The rollforward analysis of this account follow:

	2023		
	Equipment	**Leasehold Improvements**	**Total**
Cost			
At January 1	**₱9,135,987**	**₱10,895,748**	**₱20,031,735**
Additions	**7,528,911**	**4,022,161**	**11,551,072**
At December 31	**16,664,898**	**14,917,909**	**31,582,807**
Accumulated depreciation			
At January 1	**5,651,633**	**10,895,748**	**16,547,381**
Depreciation (Note 20)	**2,827,960**	**1,117,267**	**3,945,227**
At December 31	**8,479,593**	**12,013,015**	**20,492,608**
Net Book Value	**₱8,185,305**	**₱2,904,894**	**₱11,090,199**

	2022		
	Equipment	Leasehold Improvements	Total
Cost			
At January 1	₱7,055,041	₱10,895,748	₱17,950,789
Additions	2,080,946	–	2,080,946
At December 31	9,135,987	10,895,748	20,031,735
Accumulated depreciation			
At January 1	4,506,197	10,895,748	15,401,945
Depreciation (Note 20)	1,145,436	–	1,145,436
At December 31	5,651,633	10,895,748	16,547,381
Net Book Value	₱3,484,354	₱–	₱3,484,354

As of December 31, 2023 and 2022, cost of fully depreciated property and equipment still in use amounted to ₱15,057,932 for both years.

11. Intangible asset

The rollforward analysis of this account follow:

	2023	2022
Cost		
At January 1	**₱3,951,635**	₱3,249,135
Additions	**–**	702,500
At December 31	**₱3,951,635**	3,951,635
Accumulated depreciation		
At January 1	**592,745**	–
Depreciation	**790,327**	592,745
At December 31	**1,383,072**	592,745
Net Book Value	**₱2,568,563**	₱3,358,890

12. Other Assets

This account consists of:

	2023	2022
Prepaid expenses	**₱25,869,354**	₱5,727,672
Security deposit	**5,727,672**	4,976,212
Rental deposit	**4,134,444**	3,942,747
Creditable withholding tax	**1,423,554**	–
Deferred input VAT	**799,955**	603,114
	₱37,954,979	₱15,249,745

Prepaid expenses pertain to prepayments for payroll, IT services, insurance premiums, rental charges and resident agent fees.

Security deposit is the amount deposited by the Branch to the IC as required for all non-life insurance companies authorized to do business in the Philippines.

Rental deposit pertains to deposit made at the inception of the agreement that will be returned after the termination of the related lease.

13. Insurance Contract Liabilities

Insurance contract liabilities may be analyzed as follows:

	Insurance contract liabilities	**Reinsurers' share of liabilities (Note 9)**	**Net 2023**	Insurance contract liabilities	Reinsurers' share of liabilities (Note 9)	Net 2022
Provision for claims reserves	**₱717,198,494**	**₱598,849,788**	**₱118,348,706**	₱700,949,486	₱608,882,470	₱92,067,016
Provision for IBNR claims and MfAD	**997,956,434**	**844,006,302**	**153,950,132**	596,856,572	492,611,850	104,244,722
Total claims reported, IBNR claims and MfAD	**1,715,154,928**	**1,442,856,090**	**272,298,838**	1,297,806,058	1,101,494,319	196,311,739
Reserve for unearned premiums	**1,614,865,861**	**1,460,732,374**	**154,133,487**	1,623,377,037	1,502,702,181	120,674,856
Total insurance contract liabilities	**₱3,330,020,789**	**₱2,903,588,464**	**₱426,432,325**	₱2,921,183,095	₱2,604,196,500	₱316,986,595

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

	Insurance contract liabilities	**Reinsurers' share of liabilities** (Note 9)	**Net 2023**	Insurance contract liabilities	Reinsurers' share of liabilities (Note 9)	Net 2022
At January 1	**₱1,297,806,058**	**1,101,494,319**	**196,311,739**	₱954,056,056	₱809,013,088	₱145,042,968
Claims incurred during the year	**470,630,325**	**365,381,691**	**105,248,634**	528,120,734	440,818,363	87,302,371
Claims paid during the year (Note 19)	**(454,381,316)**	**(375,414,373)**	**(78,966,943)**	(426,756,192)	(355,413,645)	(71,342,547)
Increase in IBNR and MfAD	**401,099,861**	**351,394,453**	**49,705,408**	242,385,461	207,076,513	35,308,946
At December 31	**₱1,715,154,928**	**₱1,442,856,090**	**₱272,298,838**	₱1,297,806,058	₱1,101,494,320	₱196,311,738

Reserve for unearned premiums may be analyzed as follows:

	Insurance contract liabilities	**Reinsurers' share of liabilities** (Note 9)	**Net 2023**	Insurance contract liabilities	Reinsurers' share of liabilities (Note 9)	Net 2022
At January 1	**₱1,623,377,037**	**₱1,502,702,181**	**₱120,674,856**	₱1,086,820,663	₱994,887,285	₱91,933,379
New policies written during the year (Note 17)	**2,751,905,560**	**2,178,212,682**	**573,692,878**	2,620,692,062	2,186,615,750	434,076,312
Premiums earned during the year (Note 17)	**(2,760,416,736)**	**(2,220,182,489)**	**(540,234,247)**	(2,084,135,688)	(1,678,800,854)	(405,334,834)
At December 31	**₱1,614,865,861**	**₱1,460,732,374**	**₱154,133,487**	₱1,623,377,037	₱1,502,702,181	₱120,674,856

The net foreign exchange gain on insurance contract liabilities amounted to ₱15,198,250 and a loss of ₱7,343,838 in 2023 and 2022, respectively.

14. Insurance Payables

This account consists of:

	2023	2022
Due to reinsurers:		
Related parties (Note 23)	**₱490,790,312**	₱385,631,874
Other reinsurers	**1,435,806,230**	1,211,183,407
Funds held for reinsurers:		
Related parties (Note 23)	**28,471,876**	45,250,204
Other reinsurers	**50,205,724**	56,347,773
	₱2,005,274,142	₱1,698,413,258

The rollforward analysis of this account follows:

	Due to Reinsurers	Funds Held for Reinsurers	Total
At January 1, 2022	₱808,918,938	₱87,787,396	₱896,706,334
Arising during the year	2,186,615,750	373,722,398	2,560,338,148
Utilized	(1,398,719,407)	(359,911,817)	(1,758,631,224)
At December 31, 2022	**₱1,596,815,281**	**₱101,597,977**	**₱1,698,413,258**
Arising during the year	**2,178,212,682**	**327,068,119**	**2,505,280,801**
Utilized	**(1,848,431,421)**	**(349,988,496)**	**(2,198,419,917)**
At December 31, 2023	**₱1,926,596,542**	**₱78,677,600**	**₱2,005,274,142**

The net foreign exchange gain on insurance payables amounted to ₱15,179,066 and a loss of ₱73,339,498 in 2023 and 2022, respectively.

15. **Accounts Payable and Accrued Expenses**

This account consists of:

	2023	2022
Commissions payable	**₱186,170,985**	₱162,846,370
Taxes payable	**120,691,432**	79,204,931
Accrued expenses	**67,547,571**	57,427,839
Other payables	**2,931,096**	18,951,709
	₱377,341,084	₱318,430,849

Commissions payable pertain to unpaid commissions to agents, brokers and ceding companies which are payable upon the collection of the premium based on the Branch's commission disbursement schedule.

Taxes payable refer to VAT payable, documentary stamp tax payable, withholding taxes payable and other taxes and licenses due for settlement within one month after the reporting date.

Accrued expenses pertain to operating expenses of the Branch which are non-interest-bearing and are due within one year.

Other payables consist mainly of unidentified premium remittances directly deposited to the bank account of the Branch which will be reclassified to corresponding accounts once identified, unpaid salaries and wages, and advances to policyholders.

The net foreign exchange gain on accounts payable and accrued expenses amounted to ₱4,818,445 and a loss of ₱13,769,726 in 2023 and 2022, respectively.

16. Home Office Account

The details of this account follow:

	2023	2022
Statutory deposit	**₱1,000,000,000**	₱1,000,000,000
Contributed surplus	**35,574,928**	35,574,928

Assigned capital and Contributed surplus
These accounts represent funds transferred from the Home Office to the Branch including the initial contribution for the required capital of IC, additional investments and payments of pre-operating expenses of the Branch.

17. Net Earned Insurance Premiums

This account consists of:

	2023	2022
Gross written premiums on insurance contracts:		
Direct insurance	**₱968,187,153**	₱761,931,456
Assumed reinsurance	**1,783,718,407**	1,858,760,606
Total gross premiums written on insurance contracts (Note 13)	**2,751,905,560**	2,620,692,062
Gross change in reserve for unearned premiums	**8,511,176**	(536,556,374)
Total gross earned premiums on insurance contracts (Note 13)	**2,760,416,736**	2,084,135,688
Reinsurers’ share of gross earned premiums on insurance contracts (Notes 13 and 14)	**2,178,212,682**	2,186,615,750
Reinsurers’ share of gross change in deferred reinsurance premiums	**41,969,807**	(507,814,896)
Total reinsurers’ share of gross earned premiums on insurance contracts (Note 13)	**2,220,182,489**	1,678,800,854
Net earned insurance premiums	**₱540,234,247**	₱405,334,834

18. Interest Income

This account consists of interest earned on:

	2023	2022
Held-to-maturity investments (Note 6)	**₱45,432,172**	₱27,757,258
Available-for-sale financial assets (Note 6)	**27,764,184**	18,541,275
Cash and cash equivalents (Note 4)	**23,302,651**	4,778,082
	₱96,499,007	₱51,076,615

19. **Insurance Benefits and Claims**

Gross insurance benefits and claims paid:

	2023	2022
Direct insurance	**₱105,483,665**	₱101,878,764
Assumed reinsurance	**348,897,651**	324,877,428
Total insurance contracts benefits and claims paid (Note 13)	**₱454,381,316**	₱426,756,192

Reinsurers' share in gross insurance benefits and claims paid:

	2023	2022
Assumed reinsurance	**₱336,415,861**	₱312,145,122
Direct insurance	**38,998,512**	43,268,523
Total reinsurers' share of gross insurance contracts benefits and claims (Note 13)	**₱375,414,373**	₱355,413,645

Gross change in insurance contract liabilities pertaining to claims reported:

	2023	2022
Assumed reinsurance	**(₱20,352,823)**	₱66,020,883
Direct insurance	**36,601,831**	35,343,659
Total gross change in insurance contract liabilities pertaining to claims reported and IBNR claims (Note 13)	**₱16,249,009**	₱101,364,542

Reinsurers' share in gross change in insurance contract liabilities pertaining to claims reported:

	2023	2022
Assumed reinsurance	**₱21,517,551**	₱67,793,828
Direct insurance	**(11,484,869)**	17,610,890
Total reinsurer's share of gross change in insurance contract liabilities pertaining to claims reported and IBNR claims (Note 13)	**₱10,032,682**	₱85,404,718

Gross change in insurance contract liabilities pertaining to IBNR claims and MfAD:

	2023	2022
Assumed reinsurance	**₱309,163,747**	₱220,896,529
Direct insurance	**91,936,114**	21,488,932
Total gross change in insurance contract liabilities pertaining to claims reported and IBNR claims (Note 13)	**₱401,099,861**	₱242,385,461

Reinsurers' share in gross change in insurance contract liabilities pertaining to claims IBNR claims and MfAD:

	2023	2022
Assumed reinsurance	**₱292,166,018**	₱209,458,110
Direct insurance	**59,228,435**	(2,381,597)
Total reinsurer's share of gross change in insurance contract liabilities pertaining to claims reported and IBNR claims (Note 13)	**₱351,394,453**	(₱207,076,513)

20. General and Administrative Expenses

This account consists of:

	2023	2022
Salaries, allowances and benefits (Note 23)	**₱116,402,772**	₱103,354,598
Transportation and travel	**82,772,744**	56,763,643
Subscription fees	**18,232,867**	4,395,941
Professional fees	**18,011,263**	8,308,124
Taxes and licenses	**20,292,375**	9,355,026
Entertainment, amusement and recreation	**14,345,148**	5,273,979
Depreciation and amortization (Notes 10, 11 and 21)	**12,709,554**	8,532,603
Advertising and promotion	**8,536,436**	2,669,098
Communication, light and water	**5,679,240**	4,318,749
Stationery and supplies	**3,061,773**	1,063,487
Computer expenses	**2,875,563**	2,171,617
Rent (Note 21)	**1,688,154**	2,519,685
Bank charges	**1,589,840**	1,872,953
Survey fees	**1,399,207**	7,495,618
Custody charges	**509,728**	491,579
Insurance	**163,692**	51,733
Recruitment Fee	**48,000**	12,550
Miscellaneous	**770,937**	319,630
	₱309,089,293	₱218,970,613

Miscellaneous expenses consist mainly of express services charges and penalties.

21. Lease Commitments

The Branch has existing lease contracts which commenced on June 20, 2022 and November 20, 2022 that will both expire on June 19, 2025.

In addition to this, the Branch also entered into a new lease contract for its office extension that commenced in August 2023 and will expire on June 19, 2025.

The Branch has also entered a lease contract for the building pylon signage with low value. The Branch applies the 'lease of low-value assets' recognition exemption for this lease.

The rollforward analysis of right-of-use assets on office space follows:

	2023	2022
Cost		
At beginning and end of year	**₱21,311,996**	₱20,902,677
Additions	**3,063,902**	21,311,996
Termination/Expiration	**–**	(20,902,677)
At end of year	**24,375,898**	21,311,996
Accumulated Depreciation		
At beginning of year	**3,516,670**	17,624,927
Depreciation	**7,974,000**	6,794,421
Termination/Expiration	**–**	(20,902,678)
At end of year	**11,490,670**	3,516,670
Net Book Value at end of year	**₱12,885,228**	₱17,795,326

The rollforward analysis of lease liabilities follows:

	2023	2022
Balances at beginning of year	**₱16,992,607**	₱5
Additions	**3,063,902**	21,311,997
Interest expense	**251,738**	132,568
Lease payments	**(8,159,160)**	(4,451,963)
As at December 31	**₱12,149,087**	₱16,992,607

The following are the amounts recognized in the statements of comprehensive income:

	2023	2022
Depreciation expense of right-of-use assets	**₱7,974,000**	₱6,794,421
Interest expense on lease liabilities	**251,738**	132,568
Expenses relating to short term leases and leases of low-value assets (Note 20)	**1,688,154**	2,519,685
Total amount recognized in the statements of comprehensive income	**₱9,913,892**	₱9,446,674

Shown below is the maturity analysis of the undiscounted lease payments:

	2023	2022
Within 1 year	**₱ 9,515,428**	₱7,393,182
More than 1 year to 2 years	**2,820,466**	9,893,946

22. Pension Benefit Obligation

Pension benefit obligation pertains to the Branch’s actuarial estimated liabilities for the employees’ retirement plan as of December 31, 2023. The Branch accrues the minimum retirement benefit provided under Republic Act (R.A.) No. 7641 or the “Retirement Pay Law”.

Retirement benefit costs have been determined actuarially using the projected unit credit method. Under this method, retirement benefit costs include current service cost, interest cost and the amount recognized in the current period related to past service cost. Under this calculation, the normal retirement age is 60 years with the completion of at least five (5) years of service. Normal retirement benefit is equivalent to 1-month final salary of employee as at the date of retirement multiplied by years of service.

As at December 31, 2023 and 2022, retirement liability shown in the statements of financial position consists of the present value of net defined benefit obligation.

The rollforward analysis of this account follows:

	2023	2022
At January 1	**₱14,177,117**	₱12,152,488
Interest expense	**971,133**	585,094
Current service cost	**3,384,126**	2,436,359
Actuarial gain (loss) on obligation arising from changes in:		
Demographic assumptions	**(304,426)**	614,175
Financial assumptions	**961,824**	(2,311,784)
Experience adjustments	**2,144,656**	700,785
At December 31	**₱21,334,430**	₱14,177,117

The principal actuarial assumptions used to determine retirement benefit cost for the Branch as at December 31, 2023 and 2022 are shown below:

	2023	2022
	December 31	December 31
Discount rate	**5.98%**	6.85%
Salary increase rate	**4%**	3%
Mortality	**2009 - 2014 PICM**	2009 - 2014 PICM

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2023:

Plan Year	**2023**	2022
One to less than five years	**₱3,085,716**	₱2,342,155
Five to less than 10 years	**10,896,833**	9,059,416
10 to less than 15 years	**8,138,561**	5,657,897
15 years and above	**16,292,452**	10,903,296

The weighted average duration of the defined benefit obligation is 10 years as at December 31, 2023.

The defined benefit obligation exposes the Branch to actuarial risks, such as longevity risks and interest risks.

Funding Arrangements
The Branch does not have a formal retirement plan, thus benefit claims under the retirement obligation are paid directly by the Branch when they become due.

Asset-Liability Matching
The Branch does not have a formal retirement plan and therefore has no plan assets to match against the liabilities under the retirement obligation.

23. **Related Party Transactions**

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Outstanding balances as of reporting date are unsecured and settlements are made in cash. There have been no guarantees received for the related party receivables. For the years ended December 31, 2023 and 2022, the Branch has not made any provision for doubtful accounts relating to amounts owed by related parties. This assessment is undertaken each financial year through examination of the financial position of each related party and the market in which the related party operates.

2023

Related Party	**Amount of Transactions**	**Outstanding Balance**	**Terms**	**Conditions**
Insurance payables				
Due to reinsurers (a)				
Starr Insurance & Reinsurance Limited	**₱91,367,114**	**₱460,788,711**	due and demandable; non-interest-bearing	Unsecured
Starr Marine Agency	**5,012,700**	**20,616,881**	due and demandable; non-interest-bearing	Unsecured
Starr Indemnity & Liability Company - New York	**566,868**	**1,172,964**	due and demandable; non-interest-bearing	Unsecured
Starr Insurance Europe Ltd	**8,211,755**	**8,211,755**	due and demandable; non-interest-bearing	Unsecured
Assist Card Smalline	**1,758,777**	**–**	due and demandable; non-interest-bearing	Unsecured
Funds held for reinsurers (b)				
Starr Insurance & Reinsurance Limited	**(16,778,328)**	**28,471,876**	due and demandable; non-interest-bearing	Unsecured

2022

Related Party	Amount of Transactions	Outstanding Balance	Terms	Conditions
Insurance payables				
Due to reinsurers (a)				
Starr Insurance & Reinsurance Limited	₱136,546,229	₱369,421,597	due and demandable; non-interest-bearing	Unsecured
Starr Marine Agency	4,049,035	15,604,181	due and demandable; non-interest-bearing	Unsecured
Starr Indemnity & Liability Company - New York	(125,050)	606,096	due and demandable; non-interest-bearing	Unsecured
Funds held for reinsurers (b)				
Starr Insurance & Reinsurance Limited	21,565,098	45,250,204	due and demandable; non-interest-bearing	Unsecured

(a) Pertains to insurance payable for premiums ceded out by the Branch (see Note 14).
(b) Pertains to premiums withheld by the Branch (see Note 14).

Key management personnel of the Branch include all management committee officers. The remuneration of the key management personnel of the Branch amounted to ₱48,818,260 and ₱44,643,680 in 2023 and 2022, respectively.

24. Income Tax

Under Philippine tax laws, the Branch is subject to percentage and other taxes, as well as income taxes. Percentage and other taxes paid consist principally of withholding taxes and VAT.

An MCIT on gross income is computed and compared with RCIT. Any excess of the MCIT is deferred and can be used as a tax credit against future income tax liability for the next three (3) years. In addition, NOLCO, is allowed as a deduction from taxable income in the next three (3) years from the date of inception.

Provision for (benefit from) income tax consists of the following:

	2023	2022
Current	**₱109,806,236**	₱99,205,880
Final	**8,838,215**	6,916,579
Deferred	**(40,894,555)**	2,687,029
	₱77,749,896	₱108,809,488

Deferred tax assets are recognized only to the extent probable that the Branch's future taxable income will be available against which the deferred tax assets can be used. The Branch reassessed the unrecognized deferred tax assets on the deductible temporary differences and recognized deferred tax assets to the extent that it has become probable that future taxable income would allow the deferred tax assets to be recovered. The Branch has no unrecognized deferred tax assets as of December 31, 2023 and 2022.

Deferred tax assets and liabilities of the Branch follow:

	2023	2022
Through profit or loss		
Deferred tax assets:		
Provision for IBNR and MfAD	**₱38,487,533**	₱26,061,181
Pension benefit obligation	**5,333,608**	3,544,279
Accrued expenses	**4,383,078**	3,429,927
Deferred commission income	**19,677,825**	–
Straight-line adjustment on rent	–	769,945
	75,413,269	59,431,069
Deferred tax liabilities:		
Deferred acquisition cost	**5,951,418**	–
Straight-line adjustment on rent	**184,035**	–
Net unrealized foreign exchange gain	**11,641,376**	24,651,920
	25,365,303	50,277,657
Through OCI		
Pension expense- OCI portion	**57,249**	–
	57,249	–
Net deferred tax assets	**₱50,047,966**	₱9,153,412

The reconciliation of the income tax expense computed based on the pre-tax income at the statutory income tax rate to the provision for income tax in the statements of comprehensive income follows:

	2023	2022
Income tax expense at statutory income tax rate	**₱74,827,033**	₱108,363,002
Tax effects of:		
Nontaxable interest income	**(7,758,559)**	(4,411,201)
Interest income subjected to final tax	**(8,572,515)**	(3,704,917)
Nondeductible expenses	**19,253,937**	8,562,604
Provision for income tax	**₱77,749,896**	₱108,809,488

25. **Management of Capital, Insurance and Financial Risks**

Governance Framework
The Branch has established a risk management function with clear terms of reference and with the responsibility for developing policies on market, credit, liquidity, insurance and operational risk. It also supports the effective implementation of policies at the individual business unit level.

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

Capital Management Framework
The Branch maintains a certain level of capital to ensure sufficient solvency margins and to adequately protect the policyholders. The level of capital maintained is higher than the minimum net worth requirements set by the IC.

To ensure compliance with these externally imposed capital requirements, it is the Branch's policy to monitor the regulatory requirements of the IC on a quarterly basis as part of the Branch's internal financial reporting process.

As of December 31, 2022, the Branch fully complied with the externally imposed net worth requirement during the reported financial periods. These are the minimum net worth requirement and the RBC2 requirement. The final amount of net worth as of December 31, 2023 can be determined only after the accounts of the Company have been examined by the IC.

Minimum Statutory Net worth
On August 5, 2013, the President of the Philippines approved Republic Act No. 10607 to be known as the "New Insurance Code" which provides the new capitalization requirements for all existing insurance companies based on net worth on a staggered basis starting June 30, 2013 up to December 31, 2022.

On January 13, 2015, the IC issued Circular Letter No. 2015-02-A clarifying the minimum capitalization and net worth requirements of new and existing insurance companies in the Philippines. Net worth shall include the Branch's paid-up capital, retained earnings, unimpaired surplus, revaluation of assets and shall be reduced by the cost of treasury shares. For foreign branches, the trusteed surplus consists of statutory deposit, home office inward remittances and home office account.

The minimum net worth requirement must remain unimpaired for the continuance of the license and shall increase to the amounts as follows:

Networth	Compliance Date
₱250,000,000	June 30, 2013
550,000,000	December 31, 2016
900,000,000	December 31, 2019
1,300,000,000	December 31, 2022

The said circular supersedes the Department Order Nos. 27-06, *Capitalization Requirements for Life, Non-life and Reinsurance Companies* and 15-2012, *Minimum Paid-Up Capital Requirements* and CL Nos. 22-2008, *Unimpaired Capital Requirements* and 26-2008, *Implementation of Department Order No. 27-06*.

The Branch's estimated net worth in 2023 amounted to ₱2,094,201,583 and actual net worth in 2022 amounted to ₱1,865,694,330.

Risk-based capital requirements

Pursuant to CL no. 2017-15, effective January 1, 2017, non-life insurance companies are required to maintain the minimum RBC2 requirement as prescribed under CL No. 2016-68, *Amended Risk-Based Capital (RBC2) Framework.* Under the RBC2 framework, the RBC2 ratio shall be calculated as total available capital divided by the RBC2 requirement. Failure to meet the minimum RBC ratio shall subject the insurance company to corresponding regulatory intervention which has been defined at various levels. The final RBC2 ratio can be determined only after the accounts of the Branch have been examined by the IC.

The following table shows the RBC2 ratio as of December 31, 2023 and 2022 as determined by the Branch based on the RBC2 framework:

	2023 (Estimate)	2022 (Actual)
Net worth	**₱2,094,613,721**	₱1,865,694,330
RBC2 requirement	**544,991,880**	520,069,411
RBC2 Ratio	**384%**	359%

The RBC2 ratio was determined by the Branch following the requirements of IC CL 2016-68.

The final amount of the RBC2 ratio can be determined only after the accounts of the Branch have been examined by the IC, particularly with respect as to determination of admitted and non-admitted assets.

Insurance Risk

The risk under insurance contract is the possibility of occurrence of insured event and uncertainty of the amount and timing of the resulting claim. The principal risk the Branch faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims and actual benefits paid are greater than originally estimated.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio. The variability of risks can also be improved by careful selection and implementation of underwriting strategy and guidelines.

The business of the Branch mainly comprises of short-term nonlife insurance contracts, specifically accident and health and casualty insurance transactions which are incidental to nonlife insurance contracts.

Key Assumptions
The principal assumption underlying the estimates is the Head Office's past claims development experience. This includes assumptions in respect of average claim costs, claims handling costs, claims inflation factors and number of claims for each accident year. Judgment is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key assumptions include variations in interest, delays in settlement and changes in foreign currency rates.

Sensitivities
The claims reported and IBNR claims is sensitive to the above key assumptions. Because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim provisions are not known with certainty at the reporting dates.

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

	2023		
	Change in Assumptions	**Increase on Net Insurance Contract Liabilities**	**Impact on Income Before Income Tax**
Average claim cost	**-10%**	**(10,498,601)**	**10,498,601**
Average number of claims	**11%**	**11,882,805**	**(11,882,805)**

	2022		
	Change in Assumptions	Increase on Net Insurance Contract Liabilities	Impact on Income Before Income Tax
Average claim costs	-2%	(1,556,940)	1,556,940
Average number of claims	9%	7,786,956	(7,786,956)

Average claim costs and number of claims used for valuation are selected with consideration for statutory requirements, as specified in the Code.

The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

Claims development table
The following tables reflect the cumulative incurred claims, including both claims notified and claim IBNR, for each successive accident year at each statement of financial position date, together with cumulative payments to date.

			Gross Insurance Contract Liabilities for 2023				
Accident year	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**Total**
Estimate of ultimate claim costs							
at the end of accident year	**₱285,343,942**	**₱826,910,230**	**₱377,153,444**	**₱299,519,461**	**₱200,465,523**	**₱293,569,585**	**₱293,569,585**
One year later	**381,223,578**	**875,729,422**	**524,824,221**	**772,291,485**	**500,614,834**	–	**500,614,834**
Two years later	**397,292,833**	**854,301,444**	**561,628,099**	**847,732,685**	–	–	**847,732,685**
Three years later	**464,780,645**	**989,961,669**	**652,908,183**	–	–	–	**652,908,183**
Four years later	**545,061,459**	**1,052,883,811**	–	–	–	–	**1,052,883,811**
Five years later	**678,755,755**	–	–	–	–	–	**678,755,755**
Current estimate of cumulative claims	**678,755,755**	**1,052,883,811**	**652,908,183**	**847,732,685**	**500,614,834**	**293,569,585**	**4,026,464,853**
Cumulative payments to date	**(381,108,714)**	**(788,178,923)**	**(378,907,661)**	**(472,467,416)**	**(168,881,275)**	**(121,765,936)**	**(2,311,309,925)**
Liability recognized in the statements of financial position	**₱297,647,041**	**₱264,704,888**	**₱274,000,522**	**₱375,265,269**	**₱ 331,733,559**	**₱171,803,649**	**₱1,715,154,928**

			Net Insurance Contract Liabilities for 2023				
Accident year	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**Total**
Estimate of ultimate claim costs							
at the end of accident year	**₱54,909,300**	**₱81,726,422**	**₱50,994,170**	**₱40,495,733**	**₱74,518,535**	**₱106,232,652**	**₱106,232,652**
One year later	**74,937,052**	**76,937,500**	**58,253,093**	**80,396,066**	**120,808,684**	–	**120,808,684**
Two years later	**67,916,548**	**97,731,784**	**65,080,585**	**85,634,154**	–	–	**85,634,154**
Three years later	**92,049,177**	**112,263,375**	**66,625,561**	–	–	–	**66,625,561**
Four years Later	**105,300,284**	**113,642,886**	–	–	–	–	**113,642,886**
Five years later	**120,690,494**	–	–	–	–	–	**120,690,494**
Current estimate of cumulative claims	**120,690,494**	**113,642,886**	**66,625,561**	**85,634,154**	**120,808,684**	**106,232,652**	**613,634,431**
Cumulative payments to date	**(61,800,629)**	**(82,977,096)**	**(46,718,813)**	**(47,643,906)**	**(58,930,016)**	**(43,265,133)**	**(341,335,593)**
Liability recognized in the statements of financial position	**₱58,889,865**	**₱30,665,790**	**₱19,906,748**	**₱37,990,248**	**₱61,878,668**	**₱62,967,519**	**₱272,298,838**

Financial Instruments
Due to short-term nature of cash, insurance receivables, accounts receivable, accrued income, reinsurance recoverable on unpaid losses, security and rental deposits, accounts payable, accrued expenses, the carrying values approximate fair values as of reporting date.

The fair value of AFS financial assets that are actively traded in organized financial markets is determined by reference to quoted market prices, at the close of business on the end of the reporting period.

Fair Value Hierarchy
The Branch considers its quoted AFS financial assets amounting to ₱1,217,443,479 and ₱861,184,967 as of December 31, 2023 and 2022, respectively, under Level 2 classification. The Branch invests in government securities and corporate bonds which are based on observable inputs, such as quoted prices for similar assets at the measurement date. Thus, these government securities and corporate bonds were classified as Level 2. There are no AFS financial assets which have been classified under the Level 3 category. During the reporting periods ended December 31, 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurement.

Financial Risk
The Branch is exposed to financial risk through its financial assets and financial liabilities and insurance liabilities. In particular, the key financial risk that the Branch is exposed to is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are credit risk, liquidity risk and market risk. These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and case the other party to incur a financial loss.

Prior to extending credit, the Branch manages its credit risk by assessing the credit quality of its counterparty. The Branch reviews all information about the counterparty and nature of the obligation is likewise considered. Based on this analysis, the credit analyst assigns the counterparty a credit rating to determine whether or not credit may be provided.

Credit risk limit is also used to manage credit exposure which specifies credit limit for each intermediary depending on the size of its portfolio and its ability to meet its obligation based on past experience.

The Branch does not hold any collateral held as security and other credit enhancements on its financial assets as of December 31, 2023 and 2022. Therefore, the Branch's maximum exposure to credit risk is equal to the carrying amount of its financial assets as of December 31, 2023 and 2022.

The table below provides information regarding the credit risk exposure of the Branch by classifying assets according to the Branch's credit ratings of counterparties:

2023

	Investment Grade	Non-investment Grade	Total
Loans and receivables			
Cash and cash equivalents*	₱1,279,248,548	₱–	₱1,279,248,548
Insurance receivables	–	1,848,819,578	1,848,819,578
Accrued income	30,042,775	–	30,042,775
Loan and receivables	–	412,138	412,138
Reinsurance recoverable on unpaid losses	1,442,856,090	–	1,442,856,090
Deposits			
Rental deposit	–	4,134,444	4,134,444
Security deposit	–	5,727,672	5,727,672
AFS Financial Assets			
Corporate bonds	889,363,384	–	889,363,384
Government debt securities	328,080,095	–	328,080,095
HTM Investments			
Government debt securities	765,941,477	–	765,941,477
	₱4,735,532,369	₱1,859,093,832	₱6,594,626,201

**excluding cash on hand*

2022

	Investment Grade	Non-investment Grade	Total
Loans and receivables			
Cash and cash equivalents*	₱890,130,586	₱–	₱890,130,586
Insurance receivables		1,893,648,922	1,893,648,922
Accrued income	15,144,140	–	15,144,140
Loan and receivables	150,776	–	150,776
Reinsurance recoverable on unpaid losses	1,101,494,320	–	1,101,494,320
Deposits			
Rental deposit	–	3,942,747	3,942,747
Security deposit	–	5,727,672	5,727,672
AFS Financial Assets			
Corporate bonds	717,293,283	–	717,293,283
Government debt securities	143,891,684	–	143,891,684
HTM Investments			
Government debt securities	787,485,081	–	787,485,081
	₱3,655,589,870	₱1,903,319,341	₱5,558,909,211

**excluding cash on hand*

The Branch uses a credit rating concept based on the borrowers' and counterparties' overall creditworthiness, as follows:

Investment grade	-	Rating given to counterparties who possess strong to very strong capacity to meet their obligations
Non-investment grade	-	Rating given to counterparties who possess above average capacity to meet their obligations.

The tables below show the analysis of age of financial assets that are past-due but are not impaired.

2023

	Neither past due nor impaired	**Past due but not impaired**		**Past due and Impaired**	**Total**
		1 to 90 days	**More than 91 days**		
Insurance receivables	**₱1,787,069,233**	**₱46,236,803**	**₱15,513,542**	**₱–**	**1,848,819,578**

2022

	Neither past due nor impaired	Past due but not impaired		Past due and Impaired	Total
		1 to 90 days	More than 91 days		
Insurance receivables	₱1,766,797,697	₱106,183,178	₱20,668,047	₱–	₱1,893,648,922

The standard credit term given by the Branch is 90 days. However, the Branch is also extending the credit terms for accounts with reciprocal business and accounts involving bigger amount of sum insured.

Liquidity risk
Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments as they fall due. Liquidity risks may result from either the inability to sell financial assets quickly at their fair values; the counterparty failing to repay a contractual obligation; insurance liabilities falling due for payment earlier than expected; or inability to generate cash inflows as anticipated.

The Branch may suffer from a liquidity problem when its credit rating falls. The Branch is also exposed to liquidity risk if markets on which it depends on are subject to loss of liquidity. The major liquidity risk confronting the Branch is the potential daily calls on its available cash resources in respect of claims arising from insurance contracts.

The Branch manages liquidity through a liquidity risk policy identifying the following: specifies minimum proportion of funds to meet emergency calls; sets up policies on contingency funding plans; specifies the sources of funding and the events that would trigger the plan as wells as concentration of funding sources; requires reporting of liquidity risk exposures and breaches to the monitoring authority; and calls for monitoring of compliance with liquidity risk policy and review of liquidity risk policy.

Maturity Profiles
The table below analyzes assets and liabilities of the Branch into their relevant maturity group based on the remaining period at the reporting date to their contractual maturities or expected repayment dates:

2023

	On demand	Up to a year	1-3 years	More than 3 years	Total
Financial assets					
Loans and receivables					
Cash and cash equivalents	**₱1,285,290,238**	**₱–**	**₱–**	**₱–**	**₱1,285,290,238**
Insurance receivables	**1,787,069,233**	**61,750,345**	**–**	**–**	**1,848,819,578**
Accrued income	**–**	**30,042,775**	**–**	**–**	**30,042,775**
AFS financial assets					
Corporate bonds	**–**	**70,158,260**	**233,366,520**	**721,438,185**	**1,024,962,965**
Government securities	**–**	**23,224,020**	**158,673,342**	**198,970,051**	**380,867,413**
HTM securities					
Government securities	**–**	**493,409,387**	**239,257,583**	**57,539,645**	**790,206,615**
Reinsurance recoverable on unpaid losses	**–**	**1,442,856,090**	**–**	**–**	**1,442,856,090**
Deposit					
Rental	**4,134,444**	**–**	**–**	**–**	**4,134,444**
Security	**5,727,672**	**–**	**–**	**–**	**5,727,672**
Total financial assets	**₱3,082,221,587**	**₱2,121,440,877**	**₱631,297,445**	**₱977,947,881**	**₱6,812,907,790**
Financial Liabilities					
Insurance contract liabilities	**₱–**	**₱3,330,020,788**	**₱–**	**₱–**	**₱3,330,020,788**
Insurance payables	**–**	**2,005,274,142**	**–**	**–**	**2,005,274,142**
Accounts payable and accrued expenses*	**–**	**256,649,654**	**–**	**–**	**256,649,654**
Total financial liabilities	**₱–**	**₱5,591,944,584**	**₱–**	**₱–**	**₱5,591,944,584**

2022

	On demand	Up to a year	1-3 years	More than 3 years	Total
Financial assets					
Loans and receivables					
Cash and cash equivalents	₱893,316,389	₱–	₱–	₱–	₱893,316,389
Insurance receivables	1,765,395,747	126,851,226	–	–	1,892,246,973
Accrued income	–	17,740,690	–	–	17,740,690
AFS financial assets					
Corporate bonds	–	151,480,615	54,802,666	619,079,112	825,362,393
Government securities	–	–	–	169,585,215	169,585,215
HTM securities					
Government securities	–	22,284,561	729,032,739	91,984,037	843,301,337
Reinsurance recoverable on unpaid losses	–	1,101,494,320	–	–	1,101,494,320
Deposit					
Rental	3,942,747	–	–	–	3,942,747
Security	5,727,672	–	–	–	5,727,672
Total financial assets	₱2,668,382,555	₱1,419,851,412	₱786,034,162	₱880,648,364	₱5,752,717,736
Financial Liabilities					
Insurance contract liabilities	₱–	₱2,040,876,721	₱–	₱–	₱2,040,876,721
Insurance payables	–	896,706,335	–	–	896,706,335
Accounts payable and accrued expenses	–	239,225,918	–	–	239,225,918
Total financial liabilities	₱–	₱3,176,808,974	₱–	₱–	₱3,176,808,974

**Excluding taxes payable*

Market risk

Market risk is the risk of change in fair value of financial instruments from fluctuation in foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk), whether such change in price is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The Branch manages market risk by evenly distributing capital among investment instruments, sectors and geographical areas.

Currency risk

Currency risk is the risk that the value of the financial instrument will fluctuate because of changes in foreign exchange rates. The Branch's principal transactions are carried out in Philippine Peso and its exposure to foreign exchange risk arises primarily with respect to the deposits and investments denominated in US Dollar (US$).

The following table shows the Branch's exposure to currency risk as of December 31, 2023 and 2022:

	2023[1]		2022[1]	
	US$	**PHP**	US$	PHP
Assets				
Cash	**16,375,757**	**909,951,672**	10,871,690	₱610,119,243
AFS financial assets	**18,546,744**	**1,030,586,919**	15,345,420	861,184,967
HTM investments	**1,301,362**	**72,312,789**	1,288,742	72,324,201
Insurance receivables	**21,248,263**	**1,180,702,219**	25,101,980	1,408,723,118
Reinsurance recoverable on unpaid losses	**10,186,099**	**566,010,948**	10,798,616	606,018,330
	67,658,224	**3,759,564,546**	63,406,448	3,558,369,859

Forward

	2023[1]		2022[1]	
	US$	**PHP**	US$	PHP
Liabilities				
Insurance contract liabilities	**12,031,532**	**668,556,139**	12,309,800	690,825,969
Insurance payables	**25,733,710**	**1,429,945,068**	22,759,885	1,277,284,771
Accounts payable and accrued expenses	**2,098,288**	**116,595,561**	2,164,998	121,499,670
	39,863,530	**2,215,096,769**	37,234,683	2,089,610,410
Net exposure	**27,794,694**	**1,544,467,778**	26,171,765	1,468,759,449

[1] The exchange rate used was ₱55.567 and ₱56.12 to US$1 for years 2023 and 2022, respectively. Third currencies are converted to USD.

The analysis below is performed for reasonably possible movements in US$ exchange rate as of December 31, 2023 with all other variables held constant, showing the impact on income before income tax. There is no other impact on the Branch's equity other than those already affecting the profit and loss.

2023

Currency	**Change in exchange rate**	**Impact on income before tax Increase(decrease)**
US$	**+1.73%**	**26,788,824**
	-1.73%	**(26,788,824)**

2022

Currency	Change in exchange rate	Impact on income before tax Increase (decrease)
US$	+2.19%	₱32,133,770
	-2.19%	(32,133,770)

Reasonably possible movements in foreign exchange rates are computed based on average percentage changes in closing rate for twelve (12) months.

Interest rate risk

Interest rate risk is the risk that the value/future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The following table sets out the Branch's financial instruments exposed to interest rate risk by maturity as of December 31, 2023 and 2022:

2023

	Range of interest rate	**1-3 years**	**3-5 years**	**Total**
AFS financial assets				
Corporate bonds	1.281% to 5.050%	**₱309,367,130**	**₱579,996,254**	**₱889,363,384**
Government securities				
Local currency	5.750% to 6.875%	**52,871,504**	**133,985,060**	**186,856,564**
Foreign currency	5.500%		**141,223,531**	**141,223,531**
HTM investments				
Government securities				
Local currency	2.375% to 6.250%	**643,802,096**	**49,826,591**	**693,628,687**
Foreign currency	4.200%	**72,312,789**	**–**	**72,312,789**
		₱1,078,353,519	**₱905,031,436**	**₱1,983,384,955**

2022

	Range of interest rate	1-3 years	3-5 years	Total
AFS financial assets				
Corporate bonds	1.280% to 4.130%	₱203,107,186	₱514,186,096	₱717,293,282
Government securities				
Local currency				
Foreign currency	4.200%	–	143,891,680	143,891,680
HTM investments				
Government securities				
Local currency	2.375% to 6.250%	636,497,945	78,662,935	715,160,880
Foreign currency		72,324,201	–	72,324,201
		₱911,929,332	₱736,740,711	₱1,648,670,043

The analysis below is performed for reasonably possible movements in fair value interest rate as of December 31, 2023 and 2022 with all other variables held constant, showing the impact on OCI. There is no impact on the Branch's income before income tax.

2023

Currency	**Change in interest rates**	**Impact on OCI Increase(decrease)**
US$	**+100 basis points**	**(110,267,231)**
	-100 basis points	**110,267,231**

2022

Currency	Change in interest rates	Impact on OCI Increase (decrease)
US$	+100 basis points	(93,350,916)
	-100 basis points	93,350,916

In 2023 and 2022, the Branch determined the reasonably possible change in interest rates using the percentage changes in weighted average yield rates of outstanding securities for the past years.

26. Current and Non-current Classification

The tables below present the Manila Branch's assets and liabilities as of December 31, 2023 and 2022 analyzed according to when they are expected to be recovered or settled (amounts in thousands):

	2023			2022		
	Current	**Non-current**	**Total**	Current	Non-current	Total
Financial Assets						
Cash	**₱1,279,335**	**₱–**	**₱1,279,335**	₱890,217	–	₱890,217
Loans and receivables	**412**	**–**	**412**	151	–	151
Insurance receivables	**1,848,820**	**–**	**1,848, 820**	1,893,649	–	1,893,649
AFS financial assets	**121,109**	**1,096,335**	**1,217,444**	150,871	710,314	861,185
HTM investments	**489,865**	**276,076**	**765,941**	22,050	765,435	787,485
Accrued income	**30,043**	**–**	**30,043**	15,144	–	15,144
Reinsurance recoverable on unpaid losses	**1,442,856**	**–**	**1,442,856**	1,101,494	–	1,101,494
Other assets – deposits	**9,862**	**–**	**9,862**	9,670	–	9,670
	5,222,302	**1,372,411**	**6,594,713**	4,083,246	1,475,749	5,558,995
Forward	–	–	–	–	–	–

	2023			2022		
	Current	**Non-current**	**Total**	Current	Non-current	Total
Nonfinancial Assets						
Deferred acquisition costs	**₱165,504**	**₱–**	**₱165,504**	₱141,698	₱–	₱141,698
Deferred reinsurance premium	**1,460,732**	**–**	**1,460,732**	1,502,703	–	1,502,703
Property and equipment – net	**–**	**11,090**	**11,090**	–	3,484	3,484
Intangible asset	**–**	**2,569**	**2,569**	–	3,359	3,359
Right of use- net	**–**	**12,885**	**12,885**	17,795	–	17,795
Deferred tax assets – net	**–**	**50,048**	**50,048**	–	9,153	9,153
Other assets	**28,093**	**–**	**28,093**	5,580	–	5,580
	1,654,328	**76,592**	**1,730,920**	1,667,776	15,996	1,683,772
	₱6,876,630	**₱1,449,003**	**₱8,325,633**	₱5,751,022	₱1,491,745	₱7,242,767
Financial Liabilities						
Insurance contract liabilities	**₱3,330,021**	**₱–**	**₱3,330,021**	₱2,921,183	₱–	₱2,921,183
Insurance payables	**2,005,274**	**–**	**2,005,274**	1,698,413	–	1,698,413
Accounts payable and accrued expenses	**256,650**	**–**	**256,650**	239,226	–	239,226
	5,591,945	**–**	**5,591,945**	4,858,822	–	4,858,822
Nonfinancial Liabilities						
Lease liabilities	**9,340**	**2,809**	**12,149**	7,194	9,799	16,993
Deferred reinsurance commissions	**416,630**	**–**	**416,630**	337,919	–	337,919
Accounts payable and accrued expenses – taxes payable	**162,927**	**–**	**162,927**	133,152	–	133,165
Pension benefit obligation	**–**	**21,334**	**21,334**	–	14,177	14,177
	588,897	**21,134**	**613,040**	478,265	23,976	502,241
	₱6,180,842	**₱21,134**	**₱6,204,985**	₱5,337,087	₱23,976	₱5,361,063

27. Supplementary Tax Information Required Under Revenue Regulations 15-2010 and 34-2020

In compliance with the requirements set forth by RR 15-2010 hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year.

The Branch reported and/or paid the following types of taxes for the year 2023:

Value added tax (VAT)

The Branch's sales are subject to output VAT while its importations and purchases from other VAT-registered individuals or corporation are subject to input VAT. The VAT rate is 12%.

a. Net Sales/Receipts and Output VAT declared in the Branch's VAT returns

	Net Sales/ Receipts	Output VAT
Taxable Sales:		
Sale of services	₱651,154,163	₱78,138,500
Zero- rated Sales	11,926,629	–
Exempt Sales	1,313,201,241	–
	1,976,282,034	78,138,500

b. Input VAT

Balance at January 1	₱–
Current year's domestic purchases/payments for:	1,462,238
Carried Over from prior period	
On purchase of capital goods less than P1M	
On purchase of capital goods P1M and above	
On domestic purchase of non-capital goods	22,962,295
Services lodged under other accounts	
Services rendered by non-residents	
	24,520,129
Deferred Input VAT on Capital goods	38,238
Input VAT allocable to exempt sales	13,912,972
Input VAT applied to output VAT	10,568,919
Balance at December 31	₱–

The Branch's input tax allocable to exempt sales using the ratable portion base on sales amounted to ₱13,912,972. The deferred input vat on computer software being developed amounted to ₱38,238. No tax credit or refund and other adjustments were made during the year.

Information on the Branch's Importations
No branch importation was made during the year.

Premium Taxes
The Branch has accident and health insurance transactions which were subjected to premium tax. The total amount of premium tax paid for the year 2023 is ₱9,946,612.

Documentary Stamp Tax (DST)
The Branch's documentary stamp tax paid during the year amounted to ₱71,978,642 which pertain to the DST on various insurance policies.

Local Business Taxes
This pertains to all taxes imposed by the local government for all the direct business policies issued and paid upon renewal of business amounted to ₱2,190,382.

Other Taxes and Licenses
This includes all local taxes including licenses and permit fees amounting to ₱5,231,970 under the "Taxes and Licenses" account and under "General and administrative expenses" in the statement of comprehensive income.

Details consist of the following:

National	
BIR- DST Charges- Cancellations and Adjustments	₱2,831,853
BIR- EWT Charges- Cancellations and Adjustments	1,759,515
Insurance Commission and taxes	562,526
CA with Starr Insurance Europe Ltd	45,450
Business Permit Fee	14,153
Notarial Fees	9,994
BIR- DST on Lease contracts	7,279
BIR- Annual Registration	1,000
BIR- Loose Stamps and Affixing	200
	₱5,231,970

Withholding Taxes

Details of withholding taxes for the year 2023 are as follows:

	Paid	Accrued	Total
Withholding taxes on compensation and benefits	₱17,299,492	₱1,446,490	₱18,745,982
Expanded withholding taxes	23,448,819	2,724,023	26,172,842
Withholding taxes Final	387,692	–	387,692
	₱41,136,003	₱4,170,513	₱45,306,516

Tax Assessments and Cases

The Branch has pending Income Tax, Expanded Withholding Tax and Documentary Stamp Tax Audit with protest on deficiency tax assessment for the 2021 taxable year and no tax case, litigation, and/or prosecution in courts and bodies outside the BIR as of December 31, 2023.

Krisel Fatal

From:	Romulo Canoy
Sent:	Wednesday, May 1, 2024 2:13 PM
To:	Krisel Fatal
Subject:	Fwd: Your BIR AFS eSubmission uploads were received

[Internal] This email originated from Starr.

Get Outlook for iOS

From: eafs@bir.gov.ph <eafs@bir.gov.ph>
Sent: Wednesday, May 1, 2024 12:13:40 PM
To: Romulo Canoy <Romulo.Canoy@starrcompanies.com>
Cc: Romulo Canoy <Romulo.Canoy@starrcompanies.com>
Subject: Your BIR AFS eSubmission uploads were received

[External] This email originated from outside of Starr.

Hi STARR INTERNATIONAL INSURANCE PHILIPPINES BRANCH,

Valid files

- EAFS008514896AFSTY122023.pdf
- EAFS008514896RPTTY122023.pdf
- EAFS008514896ITRTY122023.pdf
- EAFS008514896TCRTY122023-03.pdf
- EAFS008514896OTHTY122023.pdf
- EAFS008514896TCRTY122023-01.pdf
- EAFS008514896TCRTY122023-02.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-TP3XYN406LH89799MQXMMWYY0B59JD6GF**
Submission Date/Time: **May 01, 2024 12:13 PM**
Company TIN: **008-514-896**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;

- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.