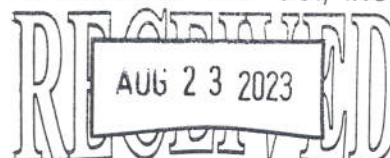




04 August 2023
MERCANTILE INS. CO., INC.



MR. JUSTIN T. LIU
President
THE MERCANTILE INSURANCE CO., INC.
Mercantile Insurance Building
General Luna cor. Beaterio Sts.
Intramuros, Manila
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SUBJECT: Approval of the 2021 Annual Statement

Dear **Mr. Liu**:

This refers to your letter dated 18 January 2023 and electronic mail dated 3 February 2023 of Ms. Joselina U. Villamejor, Assistant Manager, requesting for reconsideration on various accounts amounting to **₱768,804,625.00**.

Upon evaluation of the documents submitted, the Company's Net Worth increased to **₱599,210,075.08** from **₱296,701,857.34**. As such, the Net Worth deficiency was reduced to **₱300,789,924.92** from **₱603,298,142.66** and the Risk-Based Capital ("RBC2") ratio increased to **203%** from **133%**, after reconsideration of the following accounts:

<u>As Admitted Assets:</u>	AMOUNT	
Premiums Receivable	₱	137,298,090.73
Due from Ceding Companies		28,011.03
Amounts Recoverable from Reinsurers		122,740,404.17
Surety Losses Recoverable		9,248,541.97
Other Asset-Creditable Withholding Tax-Current		14,949,810.70
<u>As Reduction to Non-Ledger Liabilities:</u>		
Taxes Payable		67,592,359.14
<u>As Additional Non-Admitted Asset:</u>		
Investment Properties – Foreclosed Properties		(49,349,000.00)
Total Reconsiderations	₱	302,508,217.74

Additionally, the remaining Net Worth deficiency of **₱300,789,924.92** was deemed covered up as of the date of this letter, after considering as after-date transactions, the following accounts:

As After-date Transactions:		Amount
Cash infusion made on 17 April 2023	₱	300,000,000.00
Creditable Withholding Tax- Prior Years per CL No. 2020-89		13,138,120.30
Total	₱	313,138,120.30

On the other hand, we regret to inform you that your request for reconsideration of the following accounts were not given due course for reasons stated below:

ACCOUNTS NOT RECONSIDERED	AMOUNT	REASONS FOR NON-RECONSIDERATION
<i>As Additional Admitted Assets</i>		
Amounts Recoverable	₱ 50,467,306.08	Non-submission of reconciliation statement/certification from the reinsurer.
Amounts Recoverable	10,238,878.00	Considered as admitted asset in the initial verification
Financial Assets at Fair Value Through Profit or Loss	100,980,000.00	No approval for the investment in foreign currency denominated bonds, as required under CL 2018-71. ¹
Property and Equipment	116,024,348.22	Excess of twenty percent (20%) limit as prescribed under Section 206 of the Amended Insurance Code.
Non-current Asset Held for Sale	4,908,036.00	Non-admitted under Section 203 of the Amended Insurance Code.
Creditable Withholding Tax (CWT)	4,268,312.00	Difference per Income Tax Return and per Company's claim for reconsideration.
Premium Receivable, Due from Ceding Companies and Taxes payable (net difference)	25,415,468.56	Differences per Commission's verification/computation vs per company balances.

¹ Entitled, "Amendment to Circular Letter No. 2014-19 Re: Amended Guidelines for Foreign Currency Denominated Investments and Insurance Policies."

<u>As Reduction to Non-ledger Liability</u>		
Taxes Payable – DST	34,533,692.10	No documents to support the additional claim for the reduction of non-ledger liability.
<u>As After-date Transaction to Reduce Net Worth Deficiency</u>		
After-date collection of Premiums Receivable	56,973,246.00	Non-submission of supporting documents.
TOTAL AMOUNT NOT RECONSIDERED	<u>₱ 403,809,286.96</u>	

In view of the Company's compliance with the minimum Net Worth and RBC2 ratio requirements, the 2021 AS of **THE MERCANTILE INSURANCE CO., INC.** adjusted in accordance with the verification made by this Commission, is hereby **APPROVED**.

Enclosed is the synopsis of the Company's 2021 AS for publication in a newspaper of general circulation in compliance with the provision of Section 231 of the Amended Insurance Code. Please make the publication in accordance with Circular Letter No. 2016-34² within thirty (30) days from receipt hereof and furnish this Commission with the pertinent newspaper clipping within five (5) days after publication.

Thank you.

Very truly yours,


REYNALDO A. REGALADO
Insurance Commissioner



² Entitled, "Newspaper Publication Requirement."

THE MERCANTILE INSURANCE CO., INC.
SYNOPSIS OF ANNUAL STATEMENT
DECEMBER 31, 2021

ADMITTED ASSETS

Cash and Cash Items	P 656,077,255.52
Premiums Receivable	963,099,296.01
Due From Ceding Companies	66,626,266.34
Loss Reserve Withheld by Ceding Companies	1,202,147.62
Amounts Recoverable from Reinsurers	633,321,805.67
Surety Losses Recoverable	9,248,541.97
Financial Assets at Fair Value Through Profit or Loss	102,000,000.00
Held-to-Maturity (HTM) Investments	87,668,831.47
Available-For-Sale (AFS) Financial Assets	799,784,903.02
Investments Income Due and Accrued	3,152,375.62
Property and Equipment	177,358,448.94
Investment Property	65,451,580.25
Security Fund Contribution	8,127.00
Deferred Acquisition Costs	290,791,370.48
Deferred Reinsurance Premiums	82,153,837.71
Other Assets	14,949,810.71
TOTAL ASSETS	P 3,952,894,598.33

LIABILITIES

Claims Liabilities	P 1,252,117,382.75
Premium Liabilities	1,296,607,399.38
Due To Reinsurers	83,337,047.87
Commissions Payable	241,051,705.94
Deferred Reinsurance Commissions	17,882,604.49
Taxes Payable	238,492,069.34
Accounts Payable	101,069,433.17
Pension Obligation	15,650,774.00
Deferred Tax Liability	35,920,546.69
Accrued Expenses	18,175,384.08
Other Liabilities	53,380,175.56
TOTAL LIABILITIES	P 3,353,684,523.25

NET WORTH

Capital Stock	P 331,442,200.00
Deposit for Future Subscription	350,000,000.00
Contributed Surplus	16,380,940.00
Contingency Surplus	22,659,244.32
Reserve Accounts	
Reserve for AFS Securities	6,569,420.92
Reserve For Appraisal Increment	
Reserve For Appraisal Increment - Property and Equipment	214,633,560.98
Remeasurement Gains (Losses) On Retirement Pension Asset (Obligation)	(370,711.50)
Retained Earnings	(342,104,579.64)
TOTAL NET WORTH	P 599,210,075.08 *
TOTAL LIABILITIES AND NET WORTH	P 3,952,894,598.33

ADDITIONAL INFORMATION

Capital Adequacy Ratio, as prescribed under existing regulations	<u>203%</u>
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* Net Worth deficiency subsequently covered up in full.

This synopsis, prepared from the 2021 Annual Statement, approved by the Insurance Commissioner is published pursuant to Section 231 of the Amended Insurance Code (RA 10607).