

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

5 1 0 8

COMPANY NAME

M A A G E N E R A L A S S U R A N C E
P H I L I P P I N E S , I N C .

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

1 0 t h F l o o r , P e a r l B a n k C e n t r e
B u i l d i n g , 1 4 6 V a l e r o S t r e e t ,
S a l c e d o V i l l a g e , M a k a t i C i t y

Form Type

A A F S

Department requiring the report

S E C

Secondary License Type, if Applicable

COMPANY INFORMATION

Company's Email Address

agaborni@maa.com.ph

Company's Telephone Number

867-2452

Mobile Number

-

No. of Stockholders

12

Annual Meeting (Month / Day)

Apr-19

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Adelaida C. Gaborni

Email Address

agaborni@maa.com.ph

Telephone Number

-

Mobile Number

-

CONTACT PERSON'S ADDRESS

10th Floor, Pearl Bank Centre Building, 146 Valero Street, Salcedo Village, Makati City

NOTE 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
MAA General Assurance Philippines, Inc.
10th Floor, Pearl Bank Centre Building
146 Valero Street, Salcedo Village
Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of MAA General Assurance Philippines, Inc. ("the Company") which comprise the statements of financial position as at December 31, 2016 and 2015, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to financial statements, including a summary of significant accounting policies.

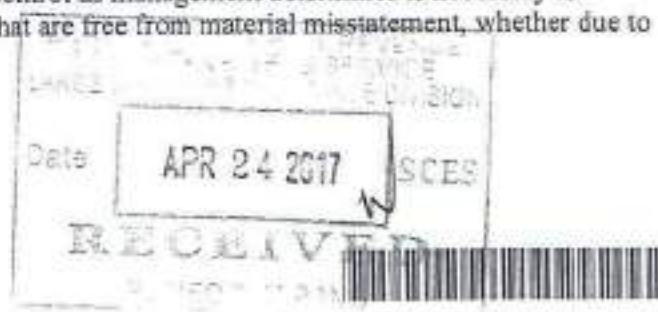
In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

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

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



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

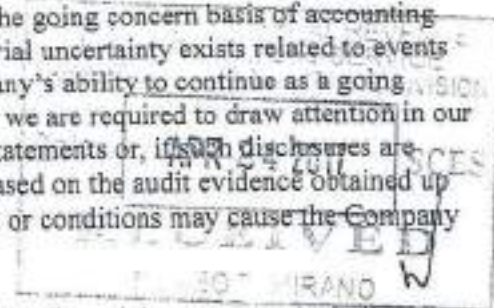
Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 28 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 MAA General Assurance Philippines, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Dyole S. Garcia

Dyole S. Garcia

Partner

CPA Certificate No. 0097907

SEC Accreditation No. 1285-AR-1 (Group A),

May 12, 2016, valid until May 12, 2019

Tax Identification No. 201-960-347

BIR Accreditation No. 08-001998-102-2015,

November 25, 2015, valid until November 24, 2018

PTR No. 5908702, January 3, 2017, Makati City

March 28, 2017



MAA GENERAL ASSURANCE PHILIPPINES, INC.
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2016	2015
ASSETS		
Cash and Cash Equivalents (Notes 4 and 24)	P584,181,595	P319,023,521
Short-term Investments (Notes 5 and 24)	54,881,781	47,861,037
Insurance Receivables - net (Notes 6 and 24)	458,493,259	398,057,165
Financial Assets (Notes 7 and 24)		
Available-for-sale financial assets	1,260,020,568	939,969,108
Loans and receivables	2,673,913	2,277,057
Accrued Income (Notes 8 and 24)	8,854,071	6,894,394
Reinsurance Assets (Notes 9, 14 and 24)	348,248,974	412,681,646
Deferred Acquisition Costs (Note 10)	174,893,820	156,750,945
Property and Equipment - net (Note 11)	18,359,247	14,911,072
Intangible Asset (Note 12)	848,676	8,114,286
Deferred Tax Assets - net (Note 23)	7,378,935	6,889,289
Other Assets (Note 13)	25,329,631	23,455,725
	P2,944,164,470	P2,336,885,245
LIABILITIES AND EQUITY		
Liabilities		
Insurance contract liabilities (Notes 14 and 24)	P1,563,261,540	P1,351,982,451
Insurance payables (Notes 15 and 24)	20,898,223	56,067,048
Accounts payable and other liabilities (Notes 16, 24 and 27)	426,180,875	328,976,577
Deferred reinsurance commissions (Note 10)	11,164,511	13,389,614
Retirement benefit liability- net (Note 22)	3,871,910	7,690,311
Income tax payable	2,071,653	-
	2,027,448,712	1,758,106,001
Equity		
Capital stock (Note 17)	300,000,000	300,000,000
Deposit for future stock subscription (Note 17)	300,000,000	-
Contributed surplus	643,832	643,832
Contingency surplus (Note 24)	82,123,738	82,123,738
Revaluation reserve on available-for-sale financial assets (Note 7)	(34,730,445)	1,492,989
Retained earnings	268,678,633	194,518,685
	916,715,758	578,779,244
	P2,944,164,470	P2,336,885,245

See accompanying Notes to Financial Statements.



MAA GENERAL ASSURANCE PHILIPPINES, INC.
STATEMENTS OF INCOME

	Years Ended December 31	
	2016	2015
Gross earned premiums on insurance contracts (Notes 14 and 18)	P1,456,366,249	P1,255,809,580
Reinsurers' share of gross earned premiums on insurance contracts (Notes 14 and 18)	(381,685,477)	(392,365,602)
Net insurance earned premiums	1,074,680,772	863,443,978
Commission income (Note 10)	29,315,439	28,158,550
Investment and other income - net (Note 19)	68,214,545	42,643,433
Other income	97,529,984	70,801,983
Total income	1,172,210,756	934,245,961
Gross insurance contract benefits and claims paid (Notes 14, 20 and 24)	466,860,349	437,008,381
Reinsurers' share of gross insurance contract benefits and claims paid (Notes 14, 20 and 24)	(107,334,486)	(175,698,361)
Gross change in insurance contract liabilities (Note 20)	86,900,817	(3,299,484)
Reinsurers' share of gross change in insurance contract liabilities (Note 20)	59,339,575	143,041,828
Net insurance benefits and claims	505,766,255	401,052,364
Commission expense (Note 10)	363,157,934	324,877,338
Other underwriting expense (Note 21)	19,790,345	13,816,142
Operating expenses (Notes 21, 22 and 25)	181,043,418	120,563,371
Interest expense	218,500	436,776
Other expenses	564,210,197	459,693,627
Total Benefits, Claims and Other Expenses	1,069,976,452	860,745,991
Income before income tax	102,234,304	73,499,970
Current	32,627,353	8,504,048
Deferred	(5,360,752)	7,833,329
Provision for income tax (Note 23)	27,266,601	16,337,377
NET INCOME (Note 26)	P74,967,703	P57,162,593

See accompanying Notes to Financial Statements



MAA GENERAL ASSURANCE PHILIPPINES, INC.
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2016	2015
NET INCOME (Note 26)	P74,967,703	P57,162,593
OTHER COMPREHENSIVE INCOME		
<i>Items that will be reclassified to profit or loss in subsequent periods:</i>		
Changes in fair value of available-for-sale financial assets (Note 7)	(25,587,824)	(22,012,648)
Realized fair value loss (gain) transferred to profit or loss (Note 7)	(13,354,874)	761,923
Impairment loss transferred to profit or loss (Note 7)	2,719,264	8,726,203
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>		
Remeasurement loss on retirement benefit liability, net of tax effect (Note 22)	(807,755)	(3,032,957)
	(37,031,189)	(15,557,479)
TOTAL COMPREHENSIVE INCOME	P37,936,514	P41,605,114

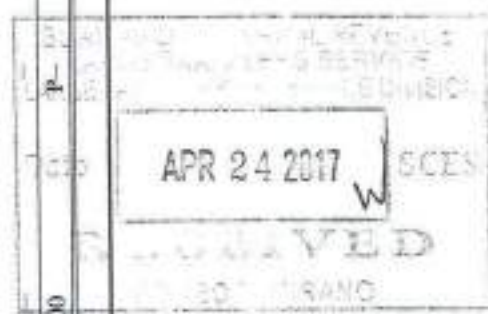
See accompanying Notes to Financial Statements



MAA GENERAL ASSURANCE PHILIPPINES, INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Capital Stock (Note 17)	Deposit for future stock subscription (Note 17)	Contributed Surplus	Contingency Surplus (Notes 17 and 24)	for-sale Financial Assets (Note 7)	Retained Earnings	Total
As of January 1, 2016	P 300,000,000	P -	P 643,832	P 82,123,738	P 1,492,989	P 194,518,685	P 578,779,244
Net income for the year	-	-	-	-	-	74,967,703	74,967,703
Other comprehensive loss	-	-	-	-	(36,223,434)	(807,755)	(37,031,189)
Total comprehensive income (loss) for the year	-	-	-	-	(36,223,434)	74,159,948	37,936,514
Deposit for future stock subscription	-	300,000,000	-	-	-	300,000,000	300,000,000
As of December 31, 2016	P 300,000,000	P 300,000,000	P 643,832	P 82,123,738	(P 34,730,445)	P 268,678,633	P 916,715,758
As of January 1, 2015	P 300,000,000	P -	P 643,832	P 82,123,738	P 14,017,511	P 140,389,049	P 537,174,130
Net income for the year	-	-	-	-	-	57,162,593	57,162,593
Other comprehensive loss	-	-	-	-	(12,524,522)	(3,032,957)	(15,557,479)
Total comprehensive income (loss) for the year	-	-	-	-	(12,524,522)	54,129,636	41,605,114
As of December 31, 2015	P 300,000,000	P -	P 643,832	P 82,123,738	P 1,492,989	P 194,518,685	P 578,779,244

See accompanying Notes to Financial Statements.



MAA GENERAL ASSURANCE PHILIPPINES, INC.
STATEMENTS OF CASH FLOWS

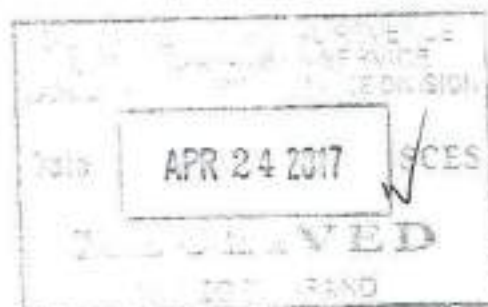
	Years Ended December 31	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	P102,234,304	P73,499,970
Adjustments for:		
Dividend income (Note 19)	(23,434,548)	(17,184,573)
Depreciation (Notes 11 and 21)	3,687,352	4,063,204
Loss (gain) on sale of:		
AFS financial assets (Note 19)	(13,354,874)	761,923
Property and equipment (Note 19)	(776,909)	(159,997)
Impairment loss	2,719,264	8,726,203
Write-off of intangible asset (Note 12)	8,114,286	-
Interest expense	218,500	436,776
Interest income (Note 19)	(31,283,144)	(21,941,833)
Net operating income before working capital changes	48,124,231	48,201,673
Decrease (increase) in:		
Insurance receivables	(60,436,094)	(47,958,417)
Short-term investments	(7,020,744)	(33,450,735)
Reinsurance recoverable on unpaid losses	59,339,575	143,041,828
Deferred reinsurance premiums	5,093,097	437,987
Loans and receivables	(396,856)	(1,604,485)
Deferred acquisition costs	(18,142,875)	(20,612,374)
Other assets	(1,203,609)	(1,865,303)
Increase (decrease) in:		
Provision for unearned premiums	124,378,272	85,038,284
Provision for claims reported and IBNR	86,900,817	(3,299,484)
Insurance payables	(35,168,825)	11,936,173
Accounts payable and other liabilities	97,204,298	66,539,291
Deferred reinsurance commissions	(2,225,103)	(1,446,757)
Retirement benefit liability	244,950	(6,662,511)
Net cash provided by operations	296,691,134	238,295,170
Income tax paid	(31,225,997)	(9,943,509)
Net cash from operating activities	265,465,137	228,351,661
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of:		
AFS financial assets (Note 7)	(2,256,005,922)	(2,135,474,725)
Property and equipment (Note 11)	(7,213,401)	(2,568,363)
Intangible assets (Note 12)	(848,676)	-
Proceeds from sale/maturities of:		
Available-for-sale financial assets (Note 7)	1,911,214,500	1,858,349,682
Property and equipment (Note 11)	854,783	306,851
Interest received	28,475,605	18,128,370
Dividend received	23,434,548	17,184,573
Net cash used in investing activities	(300,088,563)	(244,073,612)

(Forward)



	Years Ended December 31	
	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES		
Deposit for future stock subscription	₱300,000,000	P-
Interest paid	(218,500)	(436,776)
Net cash from operating activities	299,781,500	(436,776)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	265,158,074	(16,158,727)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	319,023,521	335,182,248
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱584,181,595	₱319,023,521

See accompanying Notes to Financial Statements.



MAA GENERAL ASSURANCE PHILIPPINES, INC.
NOTES TO FINANCIAL STATEMENTS

APR 24 2017

1. Corporate Information

MAA General Assurance Philippines, Inc. ("the Company"), a corporation duly organized and existing under Philippine laws, is engaged in the business of nonlife insurance, indemnifying others against loss, damage or liability arising from unknown or contingent events. It includes lines such as fire and allied perils, motor vehicle, casualty, surety, marine cargo, marine hull, comprehensive liability insurance and allied risks, and/or such other insurance coverage allied with and incident to the aforementioned lines. The Company's ultimate parent is MAA Group Berhad, which is domiciled in Malaysia.

The Company was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on May 8, 1950. In a special Board of Directors' (BOD) meeting held on August 8, 1999, it was approved that the Articles of Incorporation will be amended to extend the existence of the Company to another fifty years from its original expiry date. The Philippine SEC approved the Amended Articles of Incorporation in 2000.

The registered office address of the Company is 10th Floor, Pearl Bank Centre Building, 146 Valero Street, Salcedo Village, Makati City.

The accompanying financial statements were authorized for issue by the BOD on March 28, 2017.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying financial statements have been prepared using the historical cost basis, except for available-for-sale (AFS) financial assets which have been measured at fair value. The financial statements are measured in Philippine Peso (₱), which is also the Company's functional and presentation currency. All values are rounded off to the nearest peso values, unless otherwise indicated.

Statement of Compliance

The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies

The Company applied for the first time certain pronouncements, which are effective for annual periods beginning on or after January 1, 2016. Adoption of these pronouncements did not have a significant impact on the Company's financial position or performance unless otherwise indicated.

- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28, *Investments in Associates and Joint Ventures, Investment Entities: Applying the Consolidation Exception*

These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value. They also clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to



the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture) to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries when applying the equity method.

These amendments are not applicable to the Company since none of the entities within the Company is an investment entity nor does the Company have investment entity associates or joint ventures.

- Amendments to PFRS 11, *Joint Arrangements, Accounting for Acquisitions of Interests in Joint Operations*

The amendments to PFRS 11 require a joint operator that is accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business (as defined by PFRS 3), to apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation.

These amendments do not have any impact on the Company as there has been no interest acquired in a joint operation during the period.

- PFRS 14, *Regulatory Deferral Accounts*

PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of income and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.

Since the Company is an existing PFRS preparer, this standard would not apply.

- Amendments to PAS 1, *Presentation of Financial Statements, Disclosure Initiative*

The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRSs. They clarify the following:

- That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
- That specific line items in the statement of income and other comprehensive income and the statement of financial position may be disaggregated



- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

These amendments have an impact on presentation Company's financial statement only.

- Amendments to PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets, Clarification of Acceptable Methods of Depreciation and Amortization*

The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

These amendments are applied prospectively and do not have any impact to the Company given that the Company has not used a revenue-based method to depreciate or amortize its property, plant and equipment and intangible assets.

- Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants*

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply.

The amendments are applied retrospectively and do not have any impact on the Company as the Company does not have any bearer plants.

- Amendments to PAS 27, *Separate Financial Statements, Equity Method in Separate Financial Statements*

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

These amendments do not have any impact on the Company's financial statements.



Annual Improvements to PFRSs 2012 - 2014 Cycle

- Amendment to PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations, Changes in Methods of Disposal*

The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- Amendment to PFRS 7, *Financial Instruments: Disclosures, Servicing Contracts*

PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*

This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- Amendment to PAS 19, *Employee Benefits, Discount Rate: Regional Market Issue*

This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- Amendment to PAS 34, *Interim Financial Reporting, Disclosure of Information 'Elsewhere in the Interim Financial Report'*

The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report)

Future Changes Accounting Policies

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



Effective beginning on or after January 1, 2017

- *Amendment to PFRS 12, Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*
The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

The amendments do not have any impact on the Company's financial position and results of operation.

- *Amendments to PAS 7, Statement of Cash Flows, Disclosure Initiative*
The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

Application of amendments will result in additional disclosures in the 2017 financial statements of the Company.

- *Amendments to PAS 12, Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

These amendments are not expected to have any impact on the Company.

Effective beginning on or after January 1, 2018

- *Amendments to PFRS 2, Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.



On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

The adoption of the amendments is not expected to have any significant impact on the Company's financial statements.

- Amendments to PFRS 4, *Insurance Contracts*, Applying PFRS 9, *Financial Instruments*, with PFRS 4

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

The Company is assessing which approach it will use and the potential impact of the chosen approach in its financial statements.

- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

These amendments will not have any impact on the Company's financial statements.

- PFRS 9, *Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.



The adoption of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Company's application of hedge accounting and on the amount of its credit losses. The Company is currently assessing the impact of adopting this standard.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted. These amendments will not have any impact on the Company's financial statements.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight. These amendments will not have any impact on the Company's financial statements.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. These amendments will not have any impact on the Company's financial statements.



Effective beginning on or after January 1, 2019

- *PFRS 16, Leases*

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

The Company is currently assessing the impact of adopting PFRS 16.

Deferred effectivity

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

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Use of Estimates, Assumptions and Judgments

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



Product Classification

Insurance Contracts

Insurance contracts are defined as those contracts under which the Company (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 Company 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.

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.

Fair Value Measurement

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

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

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

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

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

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

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

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

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



Cash and Cash Equivalents

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

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. Subsequent to initial recognition, insurance receivables are measured at amortized cost. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in profit or loss.

Financial Instruments

Date of recognition

Financial instruments are recognized in the statement of financial position when the Company 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 of financial instruments

Financial instruments are initially recognized at fair value of the consideration given (in case of an asset) or received (in case of a liability). Except for financial instruments at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Company classifies its financial assets in the following categories: held-to-maturity (HTM) investments, AFS investments, FVPL investments and loans and receivables. The Company 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 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 end of the reporting period.

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 Company recognizes the difference between the transaction price and fair value (a 'Day 1' difference) 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 Company determines the appropriate method of recognizing the 'Day 1' difference 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 financial assets held for trading, designated as AFS or FVPL. This accounting policy relates to the statement of financial position captions: (a) "Cash and Cash Equivalents", (b) "Short-term Investments", (c) "Insurance Receivables", (d) "Loans and receivables" and (e) "Accrued Income".

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest rate 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 effective interest rate. The amortization is included in the Investment and other income account in profit or loss. The losses arising from impairment of such loans and receivables are recognized in profit or loss.

AFS investments

AFS investments are those which are designated as such or do not qualify to be classified as designated 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.

After initial measurement, AFS investments 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 earnings. Interest earned on holding AFS investments are reported as interest income using the effective interest rate. Dividends earned on holding AFS investments are recognized in profit or loss when the right to receive the payment has been established. The unrealized gains and losses arising from the fair valuation of AFS investments are reported as 'Revaluation reserve on available-for-sale financial assets' in other comprehensive income. The losses arising from impairment of such investments are recognized in profit or loss. When the security is disposed of, the cumulative gain or loss previously recognized in other comprehensive income is recognized as realized gains or losses in profit or loss. Where the Company holds more than one investment in the same security, the cost is determined using the weighted average method.

When the fair value of AFS investments cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost.

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 Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Any effects of restatement of foreign currency-denominated liabilities are recognized in the statement of comprehensive income.



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

Offsetting

Financial assets and financial liabilities are offset and the net amount is 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.

Impairment of Financial Assets

The Company assesses at each end of the reporting period whether there is objective evidence that a financial asset or a 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.

Financial Assets carried at amortized cost

For financial assets carried at amortized cost (e.g., loans and receivables, HTM investments), the Company first assesses whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for 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.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged against profit or loss. If, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.



The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. Time value is generally not considered when the effect of discounting is not material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of credit risk characteristics such as past-due status and term.

AFS investments carried at fair value

In case of equity investments classified as AFS, impairment indicators would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of other comprehensive income is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in other comprehensive income.

In the case of 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 based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of "Interest income" in profit or loss. If, in subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

AFS investments carried at cost

If there is an objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Derecognition of Financial Assets and Liabilities

Financial Asset

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

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



Where the Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset.

Financial Liability

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

Reinsurance

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

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

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

When the Company enters into a proportional treaty reinsurance agreement for ceding out its insurance business, the Company initially recognizes a liability at transaction price. Subsequent to initial recognition, the portion of the amount initially recognized as a liability which is presented as Insurance payables in the liabilities section of the statement of financial position will be withheld and recognized as funds held for reinsurers and included as part of the Insurance payables in the liabilities section of the statement of financial position. The amount withheld is generally released after a year. Funds held by ceding companies is accounted for in the same manner.



Deferred Acquisition Costs (DAC)

Commissions 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 expense when incurred.

Subsequent to initial recognition, these costs are amortized on a straight-line basis using the 24th method over the life of the contract except for the marine cargo where commissions for the last two months of the year are recognized as expense the following year. Amortization is charged against 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. The impairment loss is charged to profit or loss. 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, net of accumulated depreciation and any impairment in value.

The initial cost of property and 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 Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged against profit or loss during the financial period in which they are incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the properties, or the term of the lease, whichever is shorter, for leasehold improvements, as follows:

	Years
Transportation equipment	5-10
Leasehold improvements	5
Computer equipment	5
Office furniture, fixtures and equipment	5
Building	20

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

When property and equipment are retired or otherwise disposed of, the cost of the related accumulated depreciation and amortization and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against profit or loss.



Creditable Withholding Taxes (CWTs)

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

At each end of the tax reporting deadline, these CWTs may either be offset against future tax income payable or be claimed as a refund from the taxation authorities at the option of the Company. If these CWTs are claimed as a refund, these will be recorded as a receivable under "Loans and receivables" account.

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

Intangible Asset

Intangible asset pertains to the Company's computer software.

Costs associated with the acquisition of computer software are capitalized only if the asset can be reliably measured, will generate future economic benefits, and there is an ability to use or sell the asset.

Computer software is carried at cost less accumulated amortization. Computer software cost is amortized over the expected useful life of the asset, but not to exceed five (5) years. All computer software components are amortized over five (5) years. Amortization commences when the asset is available for use or when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Company.

Impairment of Nonfinancial Assets

The Company assesses at each end of the reporting period whether there is an indication that property and equipment and its intangible assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is made at each end of the reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.



Value-added Tax (VAT)

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

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

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

Insurance Contract Liabilities

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

Provision for 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 24th method except for the marine cargo where premiums for the last two months are considered earned the following year. The portion of the premiums written that relate to the unexpired periods of the policies at end of the reporting period are accounted for as Provision for unearned premiums as part of Insurance contract liabilities and presented in the liabilities section of the statement of financial position. The change in the provision for unearned premiums is taken to profit or loss in order that revenue is recognized over the period of risk. Further provisions are made to cover claims under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

Claims Provision and Incurred But Not Reported (IBNR) Losses

These liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the end of the reporting period together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of which cannot be known with certainty at the end of the reporting period. The liability is not discounted for the time value of money and includes provision for IBNR losses. The liability is derecognized when the contract is discharged, cancelled or has expired.

Liability Adequacy Test

At each end of the reporting period, liability adequacy tests are performed, to ensure the adequacy of insurance contract liabilities, net of related DAC assets. 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 the statement of comprehensive income 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.



Pension Cost

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

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

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

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

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

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

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

Equity

Capital stock represents the value of shares that have been issued at par.



Contributed surplus includes any premiums received in excess of par value on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Contingency surplus pertains to capital infusions of shareholders in order to comply with Margin of Solvency (MOS) deficiency as a result of the examination made by the Insurance Commission (IC).

Retained earnings include all the accumulated earnings of the Company.

Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Premiums revenue

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

Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method except for the marine cargo where premiums for the last two months are considered earned the following year. The portion of the premiums written that relate to the unexpired periods of the policies at end of the reporting period are accounted for as Provision for unearned premiums as part of Insurance contract liabilities and presented in the liabilities section of the statements of financial position. The related reinsurance premiums ceded that pertains to the unexpired periods at end of the reporting period are accounted for as Deferred reinsurance premiums and shown as part of reinsurance assets in the statements of financial position. The net changes in these accounts between each end of reporting periods are recognized in profit or loss.

Reinsurance commission income

Commissions earned from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method except for the marine cargo where the deferred reinsurance commissions for the last two months of the year are considered earned the following 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

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



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

Dividend income

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

Benefits and Claims

Benefits and claims consists of benefits and claims paid to policyholders, which includes changes in the valuation of Insurance contract liabilities, except for changes in the provision for unearned premiums which are recorded in insurance revenue. It further includes internal and external claims handling costs that are directly related to the processing and settlement of claims. Amounts receivable in respect of salvage and subrogation are also considered. General insurance claims are recorded on the basis of notifications received.

Other Expenses

Other underwriting expense, operating expenses and interest expense, except for lease agreements, are recognized as expense as they are incurred.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- c. There is a change in the determination of whether fulfillment is dependent on a specified asset;
or
- d. There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a, c or d above, and at the date of renewal or extension period for scenario (b).

Leases where the lessor does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Lease payments on operating leases are recognized on a straight-line basis over the lease term.

Foreign Exchange Transactions

The functional and presentation currency of the Company is the Philippine Peso (₱). Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the end of the reporting period. Differences arising from translation of monetary assets are taken to profit or loss while differences arising from foreign currency-denominated equity securities classified as AFS financial assets are included in the statement of comprehensive income.



Provisions and Contingencies

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

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

Income Tax

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular income tax, and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

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

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period. Movements in the deferred tax assets and liabilities arising from changes in tax rates are charged against or credited to income for the period.



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

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

Events after the Reporting Period

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

3. Significant Accounting Judgments and Estimates

Below are the estimates and judgments used in preparing the Company's financial statements. These estimates and judgments affect the reported amounts of assets and liabilities and contingent liabilities at the end of the reporting period as well as affecting the reported income and expenses for the year. These estimates are based on management's best knowledge based on historical experiences for future expectations and judgment of information and financial data as at the date the financial statements are approved. Although these estimates are believed to be reasonable under the circumstances, the actual outcome may differ from these estimates, possibly significantly, in future periods when subject to changes.

Estimates and judgments 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.

Judgments

Operating leases

The Company has entered into property leases for its operations. The Company has determined that the lessor retains all the significant risks and rewards of ownership of these properties which are being leased on operating leases.

Classification of financial assets

The Company classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's-length basis.

Estimates

Claims liabilities 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 end of the reporting period. It can take a significant period of time before the ultimate claims cost 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 primary technique



adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends. At each end of the reporting period, prior year claims estimates are assessed for adequacy and changes made are charged to provision. Nonlife insurance claims provisions are not discounted for the time value of money.

The main assumption underlying the estimation of the claims provision is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. Historical claims development is mainly analyzed by accident years, but can also be further analyzed 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.

As of December 31, 2016, the carrying values of provision for outstanding claims and IBNR amounted to ₱678,088,153 and ₱158,968,980, respectively. As of December 31, 2015, the carrying values of provision for outstanding claims and IBNR amounted to ₱623,452,556 and ₱126,703,760, respectively (see Note 14).

Fair Values of AFS financial assets

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

The carrying value of AFS financial assets is ₱1,260,020,568 and ₱939,969,108 as of December 31, 2016 and 2015, respectively (see Note 7).

Impairment of Financial Assets

The Company determines that AFS equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is significant or prolonged decline requires judgment. The Company treats 'significant' generally as 20% or more or 'prolonged' greater than twelve (12) months. In addition, the Company evaluates other factors, including the normal volatility in the share price for quoted equities and the future cash flows and the discount factors for unquoted equities. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, the industry and sector performance, like changes in technology, and operational and financing cash flows.

The Company reviews its loans and receivables at each end of the reporting period to assess whether an allowance for impairment should be recorded in the statement of comprehensive income. 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 collectibility 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 Company reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a regular basis.

In addition to specific allowance against individually significant loans and receivables, the Company also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted.

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

Insurance receivables, net of allowance for doubtful accounts, amounted to ₱458,493,259 and ₱398,057,165 as of December 31, 2016 and 2015, respectively (see Note 6). Loans and receivables amounted to ₱2,673,913 and ₱2,277,057 as of December 31, 2016 and 2015, respectively (see Note 7).

The Company has recognized impairment loss amounting to ₱2,719,264 in 2016 and ₱8,726,203 in 2015 on its AFS financial assets (see Note 7).

Estimated Useful Lives of Property and Equipment and Intangible Assets

The Company reviews annually the estimated useful lives of property and equipment and its intangible asset, based on the period over which the assets are expected to be available for use. It is possible that future results of operations could be materially affected by changes in these estimates. A reduction in the estimated useful lives of property and equipment and its intangible assets would increase recorded depreciation and amortization expense and decrease the related asset accounts.

As of December 31, 2016 and 2015, property and equipment amounted to ₱18,359,247 and ₱14,911,072, respectively (see Note 11). Intangible asset amounted to ₱848,676 and ₱8,114,286, respectively as of December 31, 2016 and 2015 (see Note 12).

Impairment of nonfinancial assets

The Company assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company 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 Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's-length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or investments or, if it is not possible, for the cash-generating unit to which the asset belongs.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets or holding of an investment, the Company is required to make estimates and assumptions that can materially affect the financial statements.

As of December 31, 2016 and 2015, the Company has not recognized any impairment loss on its nonfinancial assets.

Pension and Other Employee Benefits

The determination of the Company's obligation and cost for pension and other retirement benefits is dependent on selection of certain assumptions used by actuaries in calculating such amounts.

Those assumptions are described in Note 22 and include among others, discount rates and rates of salary increase. While the Company believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect retirement obligations. Please see Note 22 for the related balances.

Recognition of Deferred Tax Assets

The Company reviews the carrying amounts of deferred tax assets at each end of the reporting period and reduces it 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. The Company looks at its projected performance in assessing the sufficiency of future taxable income.

The Company recognized deferred tax assets amounting to P64,456,125 and P60,904,340 as of December 31, 2016 and 2015, respectively (see Note 23).

4. Cash and Cash Equivalents

This account consists of:

	2016	2015
Cash on hand and in banks	P169,303,733	P145,062,920
Short-term deposits	414,877,862	173,960,601
	P584,181,595	P319,023,521

Cash in banks earns interest at the respective bank deposit rates. Short-term deposits are money market placements maturing three (3) months or less from the date of acquisition, but with varying periods depending on the immediate cash requirements of the Company and earn interest at the rates ranging from 0.75% to 2.5% in 2016 and 0.75% to 1.125% in 2015.



5. Short-term Investments

Short-term investments amounted to P54,881,781 and P47,861,037 as of December 31, 2016 and 2015, respectively.

Short-term investments are money market placements made for varying periods of more than three (3) months and up to six (6) months and earn interest at the respective short-term investment rates.

6. Insurance Receivables - Net

This account consists of:

	2016	2015
Due from brokers and agents	P452,645,724	P386,946,889
Due from ceding companies	3,998,422	6,344,146
Funds held by ceding companies	5,281,913	4,961,150
Reinsurance recoverable on paid losses	19,120,923	25,876,974
	481,046,982	424,129,159
Less allowance for doubtful accounts	22,553,723	26,071,994
	P458,493,259	P398,057,165

The following table shows aging information of insurance receivables:

December 31, 2016

	1 to 30 days	31 to 90 days	91 to 180 days	181 to 240 days	241 days and above	Total
Due from brokers and agents	P72,811,732	P183,421,765	P142,732,449	P25,376,473	P28,303,305	P452,645,724
Due from ceding companies	-	1,561,267	2,412,600	24,555	-	3,998,422
Funds held by ceding companies	-	-	5,281,913	-	-	5,281,913
Reinsurance recoverable on paid losses	914,764	1,145,019	538,652	2,986,549	13,538,939	19,120,923
	P73,726,496	P186,128,051	P150,965,614	P28,387,577	P41,839,244	P481,046,982

December 31, 2015

	1 to 30 days	31 to 90 days	91 to 180 days	181 to 240 days	241 days and above	Total
Due from brokers and agents	P82,606,254	P135,281,432	P105,316,441	P30,221,003	P33,521,759	P386,946,889
Due from ceding companies	257,866	543,616	3,032,687	563,859	1,946,118	6,344,146
Funds held by ceding companies	-	-	4,961,150	-	-	4,961,150
Reinsurance recoverable on paid losses	282,507	4,413,768	2,724,639	454,439	18,001,621	25,876,974
	P83,146,627	P140,238,816	P116,034,917	P31,239,301	P53,469,498	P424,129,159



The following is a reconciliation of the changes in allowance for doubtful accounts for insurance receivables:

December 31, 2016

	Due from brokers and agents	Due from ceding Companies	Reinsurance recoverable on paid losses	Total
At January 1, 2016	P9,995,920	P1,470,292	P14,605,782	P26,071,994
Reversals during the year (Note 21)	(1,123,866)	(1,439,374)	(955,030)	(3,518,271)
At December 31, 2016	P8,872,054	P30,918	P13,650,752	P22,553,723
Individually impaired	P349,742	P-	P14,189,432	P14,539,174
Collectively impaired (recovered)	8,522,311	30,918	(538,680)	8,014,549
	P8,872,053	P30,918	P13,650,752	P22,553,723

December 31, 2015

	Due from brokers and agents	Due from ceding Companies	Reinsurance recoverable on paid losses	Total
At January 1, 2015	P9,563,406	P47,554,456	P13,712,139	P70,830,001
Impairment (reversals) during the year (Note 21)	432,514	(46,084,164)	893,643	(44,758,007)
At December 31, 2015	P9,995,920	P1,470,292	P14,605,782	P26,071,994
Individually impaired	P2,394,369	P-	P13,620,183	P16,014,552
Collectively impaired	7,601,551	1,470,292	985,599	10,057,442
	P9,995,920	P1,470,292	P14,605,782	P26,071,994

7. Financial Assets

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

	2016	2015
AFS financial assets	P1,260,020,568	P939,969,108
Loans and receivables	2,673,913	2,277,057
	P1,262,694,481	P942,246,165



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

a) *AFS financial assets*

	2016	2015
Quoted securities - at fair value		
Listed equity securities:		
Common shares	P214,771,749	P146,640,399
Preferred shares	276,095,880	247,134,100
Club shares	3,500,000	3,000,000
Government debt securities - local currency	301,503,381	355,888,412
Private debt securities	464,129,558	187,286,197
Non-quoted securities - at cost		
Unlisted equity securities:		
Common shares	20,000	20,000
Total AFS financial assets recognized in the statements of financial position	P1,260,020,568	P939,969,108
Quoted securities - at cost or amortized cost		
Listed equity securities		
Common shares - net of allowance for impairment loss of P4,337,652	P223,774,603	P148,407,317
Preferred shares	261,887,500	230,773,737
Club shares	1,600,000	1,600,000
Government debt securities - local currency	327,828,910	370,925,065
Private debt securities	479,640,000	186,770,000
Non-quoted securities - at cost		
Unlisted equity securities:		
Common shares	20,000	20,000
Total AFS financial assets at cost or amortized cost	P1,294,751,013	P938,496,119

As of December 31, 2016 and 2015, the unrealized gains (losses) in respect of AFS financial assets recorded in equity amounted to (P34,730,445) and P1,492,989, respectively.

The rollforward of revaluation reserve on AFS financial assets follows:

	2016	2015
As of January 1	P1,492,989	P14,017,511
Other comprehensive income:		
Changes in fair value of AFS financial assets	(25,587,824)	(22,012,648)
Impairment loss	2,719,264	8,726,203
Realized loss (gain) on sale of AFS financial assets	(13,354,874)	761,923
	(36,223,434)	(12,524,522)
As of December 31	(P34,730,445)	P1,492,989



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

	2016	2015
At January 1	P939,969,108	P684,329,483
Additions	2,256,005,922	2,135,474,725
Disposals/maturities	(1,911,214,500)	(1,858,349,682)
Amortization of bond	847,862	527,230
Fair value loss charged against other comprehensive income	(25,587,824)	(22,012,648)
At December 31	P1,260,020,568	P939,969,108

b) *Loans and receivables*

This account consists of the following:

	2016	2015
Accounts receivables (see Note 24)	P2,181,943	P1,582,804
Intercompany accounts receivables (see Notes 24 and 25)	-	118,877
Miscellaneous receivables (see Note 24)	491,970	575,376
	P2,673,913	P2,277,057

Miscellaneous receivables account includes employees' loans, social security system (SSS) receivables and documentary stamp tax (DST) receivables. Loans granted to employees are non-interest bearing and payable to the Company within one year through payroll deduction.

As of December 31, 2016 and 2015, the Company's outstanding loans and receivables are all due within one year.

8. Accrued Income

Accrued income consists of interest receivable amounting to P8,854,071 and P6,894,394 as of December 31, 2016 and 2015, respectively, which pertains mainly to interest accrued arising from cash and cash equivalents, AFS debt securities and contributions to the security fund.

9. Reinsurance Assets

This account consists of the following:

	2016	2015
Reinsurance recoverable on unpaid losses (see Note 14)	P255,689,309	P315,028,884
Deferred reinsurance premiums (see Note 14)	92,559,665	97,652,762
	P348,248,974	P412,681,646



10. Deferred Acquisition Costs and Deferred Reinsurance Commissions

Deferred Acquisition Costs

The rollforward analysis of this account follows:

	2016	2015
At January 1	P156,750,945	P136,138,571
Costs deferred during the year	381,300,809	345,489,712
Amortization during the year	(363,157,934)	(324,877,338)
At December 31	P174,893,820	P156,750,945

Deferred Reinsurance Commissions

The rollforward analysis of this account follows:

	2016	2015
At January 1	P13,389,614	P14,836,371
Income deferred during the year	27,090,336	26,711,793
Amortization during the year	(29,315,439)	(28,158,550)
At December 31	P11,164,511	P13,389,614

11. Property and Equipment - Net

The rollforward analysis of this account follows:

December 31, 2016

	Transportation Equipment	Leasehold Improvements	Computer Equipment	Office Furniture, Fixtures and Equipment	Building	Total
Cost						
At January 1, 2016	P13,448,524	P7,866,091	P52,922,877	P7,051,284	P9,750,000	P91,038,776
Additions	4,237,519	-	2,143,564	832,318	-	7,213,401
Disposals	(2,024,558)	-	(39,223,749)	(28,519)	-	(41,276,826)
At December 31, 2016	15,661,485	7,866,091	15,842,692	7,855,083	9,750,000	56,975,351
Accumulated depreciation and amortization						
At January 1, 2016	11,056,118	7,289,332	49,962,008	5,612,954	2,207,292	76,127,704
Depreciation	926,067	256,113	1,446,377	571,295	487,500	3,687,351
Disposals (Note 21)	(1,957,888)	-	(39,218,347)	(22,717)	-	(41,198,951)
At December 31, 2016	10,024,297	7,545,445	12,190,038	6,161,532	2,694,792	38,616,104
Net book value as of December 31, 2016	P5,637,188	P320,646	P3,652,654	P1,693,551	P7,055,208	P18,359,247



December 31, 2015

	Transportation Equipment	Leasehold Improvements	Computer Equipment	Office Furniture, Fixtures and Equipment	Building	Total
Cost						
At January 1, 2016	₱13,444,825	₱7,720,295	₱52,057,999	₱6,322,168	₱9,750,000	₱89,295,287
Additions	663,731	145,796	1,011,420	747,416	-	2,568,363
Disposals	(660,032)	-	(146,542)	(18,300)	-	(824,874)
At December 31, 2016	13,448,524	7,866,091	52,922,877	7,051,284	9,750,000	91,038,776
Accumulated depreciation and amortization						
At January 1, 2016	10,661,634	6,963,393	48,372,897	5,024,804	1,719,792	72,742,520
Depreciation	1,054,513	325,939	1,589,111	606,141	487,500	4,063,204
Disposals (Note 21)	(660,029)	-	-	(17,991)	-	(678,020)
At December 31, 2016	11,056,118	7,289,332	49,962,008	5,612,954	2,207,292	76,127,704
Net book value as of December 31, 2016	₱2,392,406	₱576,759	₱2,960,869	₱1,438,330	₱7,542,708	₱14,911,072

Depreciation expense charged against operations amounted to ₱3,687,352 and ₱4,063,204 in 2016 and 2015, respectively (see Note 21).

12. Intangible Asset

The rollforward analysis of this account follows:

	2016	2015
At January 1	₱8,114,286	₱8,114,286
Additions	848,676	-
Write-off	(8,114,286)	-
At December 31	₱848,676	₱8,114,286

At the end of 2016, the Company wrote -off the software purchased back in 2012. The management has come to this decision after assessing that the said software will not be able to support the operations of the Company, hence, no future economic benefits.

13. Other Assets

This account consists of:

	2016	2015
Creditable withholding tax	₱13,085,228	₱12,414,931
Deposits	9,966,731	8,777,916
Claims fund	2,137,162	2,137,163
Prepaid expenses	69,795	55,000
Security fund	70,715	70,715
	₱25,329,631	₱23,455,725



14. Insurance Contract Liabilities and Reinsurance Assets

Short-term nonlife insurance liabilities may be analyzed as follows:

	Insurance contract liabilities	Reinsurers' share of liabilities (see Note 9)	Net 2016	Insurance contract liabilities	Reinsurers' share of liabilities (see Note 9)	Net 2015
Provision for claims reported and loss adjustment expenses	P678,088,153	P191,952,326	P486,135,827	P623,452,556	P253,122,506	P370,330,050
Provision for IBNR losses	158,968,980	63,736,983	95,231,997	126,703,760	61,906,378	64,797,382
Total claims reported and IBNR	837,057,133	255,689,309	581,367,824	750,156,316	315,028,884	435,127,432
Provision for unearned premiums	726,204,407	92,559,665	633,644,742	601,826,135	97,652,762	504,173,373
Total insurance contract liabilities	P1,563,261,540	P348,248,974	P1,215,012,566	P1,351,982,451	P412,681,646	P939,300,805

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

	Insurance contract liabilities	Reinsurers' share of liabilities (see Note 9)	Net 2016	Insurance contract liabilities	Reinsurers' share of liabilities (see Note 9)	Net 2015
At January 1	P750,156,316	P315,828,884	P435,127,432	P753,453,800	P458,070,712	P295,383,088
Claims incurred during the year	521,495,946	46,164,306	475,331,640	422,440,678	34,028,440	388,412,238
Claims paid during the year - net of salvage and subrogation (see Note 20)	(466,860,349)	(107,334,486)	(359,525,863)	(437,008,381)	(175,698,361)	(261,310,020)
Increase in IBNR (see Note 20)	32,265,220	1,830,605	30,434,615	11,268,219	(1,571,907)	12,640,126
At December 31	P837,057,133	P255,689,309	P581,367,824	P750,156,316	P315,028,884	P435,127,432

Provision for unearned premiums may be analyzed as follows:

	Insurance contract liabilities	Reinsurers' share of liabilities (see Note 9)	Net 2016	Insurance contract liabilities	Reinsurers' share of liabilities (see Note 9)	Net 2015
At January 1	P601,826,135	P97,652,762	P504,173,373	P516,787,851	P98,090,749	P418,697,102
New policies written during the year (see Note 18)	1,580,744,521	376,592,380	1,204,152,141	1,340,847,864	391,927,615	948,920,249
Premiums earned during the year (see Note 18)	(1,456,366,249)	(381,685,477)	(1,838,051,726)	(1,255,809,580)	(392,365,602)	(863,443,978)
At December 31	P726,204,407	P92,559,665	P633,644,742	P601,826,135	P97,652,762	P504,173,373

15. Insurance Payables

This account consists of:

	2016	2015
Due to reinsurers and ceding companies (see Note 24)	P20,939,405	P55,867,244
Funds held for reinsurers (see Note 24)	(41,182)	199,804
	P20,898,223	P56,067,048



The rollforward analysis of insurance payables follows:

	Due to reinsurers and ceding companies	Funds held for reinsurers	Total
At January 1, 2015	P30,930,830	P13,200,045	P44,130,875
Arising during the year	81,228,819	(13,000,241)	68,228,578
Utilized	(56,292,405)	-	(56,292,405)
At December 31, 2015	55,867,244	199,804	56,067,048
Arising during the year	52,222,889	(240,986)	51,981,903
Utilized	(87,150,728)	-	(87,150,728)
At December 31, 2016	P20,939,405	(P41,182)	P20,898,223

16. Accounts Payable and Other Liabilities

This account consists of:

	2016	2015
Value added tax (VAT) payable	P124,832,924	P91,888,200
Commission payable	121,714,743	97,215,035
Accounts payable	83,464,193	71,312,185
Withholding taxes payable	64,276,336	50,784,503
Documentary stamp tax (DST) payable	12,351,379	817,336
Taxes payable	11,895,582	9,505,250
Accrued expenses	5,275,466	6,284,798
Others	2,370,252	1,169,270
	P426,180,875	P328,976,577

Others include loans and salary contributions payable.

17. Capital Stock

The Company's capital stock consists of:

	2016		2015	
	Shares	Amount	Shares	Amount
Authorized: Common stock				
P1,000 par value	300,000	P300,000,000	300,000	P300,000,000
Issued and outstanding:				
At beginning/end of year	300,000	P300,000,000	300,000	P300,000,000

On September 23, 2016, the Company's BOD approved the proposed increase in authorized capital stock from 300,000 shares at P1,000 par value or P300,000,000 to 1,300,000 at P1,000 par value or P1,300,000,000. In connection with the said increase in authorized capital stock, the company received cash amounting to P300,000,000 from shareholders as payment for future stock subscription of the proposed increase in capital stock. As of December 31, 2016, the Company has a pending application with SEC for the increase in authorized capital stock.



18. Net Insurance Earned Premiums

Gross earned premiums on insurance contracts and reinsurers' share of gross earned premiums on insurance contracts consist of the following:

	2016	2015
Gross premiums on insurance contracts:		
Direct insurance	P1,427,969,187	P1,169,645,791
Assumed reinsurance	152,775,334	171,202,073
Total gross premiums on insurance contracts (see Note 14)	1,580,744,521	1,340,847,864
Gross change in provision for unearned premiums	(124,378,272)	(85,038,284)
Total gross earned premiums on insurance contracts (see Note 14)	1,456,366,249	1,255,809,580
Reinsurers' share of gross premiums on insurance contracts:		
Direct insurance	217,830,040	227,519,798
Assumed reinsurance	158,762,340	164,407,817
Total reinsurers' share of gross premiums on insurance contracts (see Note 14)	376,592,380	391,927,615
Reinsurers' share of gross change in provision for unearned premiums	5,093,097	437,987
Total reinsurers' share of gross earned premiums on insurance contracts (see Note 14)	381,685,477	392,365,602
Total net insurance earned premiums (see Note 14)	P1,074,680,772	P863,443,978

19. Investment and other income (expense) - Net

This account consists of:

	2016	2015
Interest income on:		
AFS financial assets	P27,428,417	P18,667,645
Cash and cash equivalents	3,841,406	3,274,188
Security fund	13,321	-
Dividend income	23,434,548	17,184,573
Foreign exchange gain - net	2,311,200	6,734,165
Gain (loss) on sale of:		
Property and equipment (Note 11)	776,909	159,997
AFS financial assets (Note 7)	13,354,874	(761,923)
Impairment loss (Note 7)	(2,719,264)	(8,726,203)
Others	(226,866)	6,110,991
	P68,214,545	P42,643,433



20. Net Insurance Benefits and Claims

Gross insurance contract benefits and claims paid consist of the following:

	2016	2015
Insurance contract benefits and claims paid:		
Direct insurance	P437,435,859	P411,571,269
Assumed reinsurance	29,424,490	25,437,112
Total insurance contract benefits and claims paid (see Note 14)	P466,860,349	P437,008,381

Reinsurers' share of gross insurance contract benefits and claims paid consist of the following:

	2016	2015
Reinsurers' share of insurance contract benefits and claims paid:		
Direct insurance	P45,028,265	P41,371,250
Assumed reinsurance	62,306,221	134,327,111
Total reinsurers' share of insurance contract benefits and claims paid (see Note 14)	P107,334,486	P175,698,361

Gross change in insurance contract liabilities:

	2016	2015
Change in provision for claims reported (see Note 14):		
Direct insurance	P56,141,676	(P7,247,310)
Assumed reinsurance	(1,506,079)	(7,320,393)
Change in provision for IBNR	32,265,220	11,268,219
Total gross change in insurance contract liabilities	P86,900,817	(P3,299,484)

Reinsurers' share of gross change in insurance contract liabilities:

	2016	2015
Reinsurers' share of gross change in insurance contract liabilities (see Note 14):		
Direct insurance	(P61,170,180)	(P141,669,921)
Reinsurers' share of change in provision for IBNR	1,830,605	(1,371,907)
Total reinsurers' share of gross change in insurance contract liabilities	(P59,339,575)	(P143,041,828)



21. Operating Expenses and Other Underwriting Expense

This account consists of:

	2016	2015
Salaries and employee benefits (see Note 22)	P88,997,824	P78,417,935
Outside services	18,218,019	27,065,948
Rent	10,381,106	9,096,105
Advertising and promotion	8,555,471	6,422,323
Communication, light and water	6,992,943	7,120,137
Printing and office supplies	6,482,658	5,740,242
Repairs and maintenance	6,264,016	5,108,437
Taxes and licenses	5,538,572	3,063,464
Transportation and travel	4,695,960	4,007,788
Depreciation (see Note 11)	3,687,352	4,063,204
Entertainment, amusement and recreation	3,560,416	2,637,054
Agency fees	2,614,912	2,431,290
Director's fees	1,736,667	1,776,667
Insurance	1,346,271	1,151,858
Provision for allowance for doubtful accounts (see Note 6)	(3,518,271)	(44,758,007)
Write-off of software	8,114,286	-
Miscellaneous	7,375,216	7,218,926
Total Operating Expenses	P181,043,418	P120,563,371

Other underwriting expenses amounted to P19,790,345 and P13,816,142 in 2016 and 2015, respectively. These generally pertain to the Company's share of the administrative and miscellaneous expenses reported by Philippine Accident Managers, Inc. and overseas Filipino workers' accounts.

22. Retirement Plan

The Company has a funded, noncontributory, defined benefit pension plan covering substantially all of its regular employees. The plan provides a retirement benefit equal to one hundred percent (100%) of Plan Salary for every year of Credited Service plus Retirement Bonus, if any. The plan is administered by a local bank as trustee.

The following tables summarize the components of net benefit expense recognized in the statement of comprehensive income and the amounts recognized in the statement of financial position.

Pension Expense

	2016	2015
Current service cost	P4,131,639	P3,368,192
Net interest cost	155,807	245,526
Total pension expense	P4,287,446	P3,613,718
Actual return on plan assets	P746,475	P493,171



Remeasurement Effects to be recognized in OCI

	2016	2015
Actuarial loss on obligation	(P317,172)	(P3,538,974)
Remeasurement loss on plan asset	(836,764)	(537,619)
Total amount to be recognized in OCI	(P1,153,936)	(P4,076,593)

Accumulated other comprehensive income - net of deferred tax

	2016	2015
Accumulated OCI, beginning	(P7,703,567)	(P4,670,610)
Recognized during the year	(807,755)	(3,032,957)
Accumulated OCI, end	(8,511,322)	(P7,703,567)

Retirement Benefit liability - net

	2016	2015
Benefit obligation	P41,262,705	P35,274,757
Plan assets	(37,390,795)	(27,584,446)
Deficit	P3,871,910	P7,690,311

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

	2016	2015
Opening defined benefit obligation	P35,274,757	P27,330,115
Current service cost	4,131,639	3,368,192
Interest cost	1,739,046	1,276,316
Actuarial loss on obligation	317,172	3,538,974
Benefits paid	(199,909)	(238,840)
At end of year	P41,262,705	P35,274,757

Changes in fair value of plan assets are as follows:

	2016	2015
Opening fair value of plan assets	P27,584,446	P17,053,889
Interest income	1,583,239	1,030,790
Contributions	9,259,783	10,276,226
Actuarial loss	(836,764)	(537,619)
Benefits paid	(199,909)	(238,840)
At end of year	P37,390,795	P27,584,446

The following is the distribution of the Company's plan assets at fair value as of December 31:

	2016	2015
Cash in bank	P11,071,414	P12,501,271
Units investment trust fund	-	493,762
Government debt securities	26,087,558	14,352,187
Others	231,823	237,226
Total plan assets	P37,390,795	P27,584,446



The principal assumptions used to determine pension benefits for the Company are as follows:

	2016	2015
Discount rate	5.90%	4.93%
Expected salary rate increase	7.00%	6.00%

Sensitivities

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

2016

	Change in variables	Impact on present value of defined benefit obligation Increase (Decrease)	Percentage change
Discount rate	+100 bps	(P3,055,078)	(7.4%)
	-100 bps	3,487,763	8.5
Salary increase rate	+100 bps	P3,060,622	7.4%
	-100 bps	(2,750,467)	(6.7)

2015

	Change in variables	Impact on present value of defined benefit obligation Increase (Decrease)	Percentage change
Discount rate	+100 bps	(P2,806,964)	(8.0%)
	-100 bps	3,211,644	9.1
Salary increase rate	+100 bps	P2,832,236	8.0%
	-100 bps	(2,541,511)	(7.2)

The Company does not expect any contribution to the plan for next accounting period.

Weighted average duration of the defined benefit obligation is 10.3 and 10.5 years in 2016 and 2015, respectively.

Maturity profile of the expected future benefit payments are as follow:

Financial Year	Amount
Year 1	P5,003,588
Year 2	-
Year 3	343,470
Year 4	9,426,321
Year 5	1,618,833
Year 6 to Year 10	23,010,107



23. Income Tax

The components of the Company's net deferred tax asset consist of the tax effects of the following:

	2016	2015
Deferred tax assets on:		
IBNR - net	P15,647,177	P15,647,177
Excess of provision for unearned premiums per books over per tax basis	35,301,968	27,944,967
Deferred reinsurance commissions	3,349,353	4,016,884
Allowance for doubtful accounts	6,766,117	7,821,598
Pension obligation	3,391,510	3,045,329
NOLCO	-	2,428,385
Total deferred tax assets	64,456,125	60,904,340
Deferred tax liabilities on:		
Deferred acquisition costs	52,468,146	47,025,283
Excess of deferred reinsurance premiums per books over tax basis	3,915,682	4,969,519
Unrealized foreign exchange gain	693,362	2,020,249
Total deferred tax liabilities	57,077,190	54,015,051
Net deferred tax assets	P7,378,935	P6,889,289

The table below shows the temporary differences for which no deferred income tax assets have been set up because the Company believes that there will be no sufficient future taxable profit against which the benefit from these can be utilized.

	2016	2015
Provision for IBNR - net	P43,074,741	P12,640,126
NOLCO	-	6,375,646
Unamortized past service cost	13,435,870	10,506,470
Accrued expense	3,453,316	1,717,030
Excess MCIT	-	5,217,286
Pension obligation - net	(7,433,124)	(2,460,787)

As of December 31, 2016, the Company has claimed all NOLCO and MCIT as deduction from the taxable profit:

The movements of NOLCO are as follows:

	2016	2015
At January 1	P14,470,263	P85,103,739
Applied	(14,470,263)	(70,633,476)
At December 31	P-	P14,470,263



The movements of MCIT are as follows:

	2016	2015
At January 1	P5,217,286	P2,701,116
Additions	-	3,634,199
Expired	-	(1,118,029)
Applied	(5,217,286)	-
At December 31	P-	P5,217,286

The reconciliation of pretax income at statutory income tax rate to effective income tax follows:

	2016	2015
Tax at statutory income tax rate	P30,670,291	P22,049,991
Add (deduct) tax effects of:		
Dividend income	(7,030,364)	(5,155,372)
Interest income subjected to final tax	(4,865,551)	(4,249,323)
Loss (gain) on sale of AFS financial assets	(1,877,760)	228,577
Final tax paid	6,359,592	4,869,849
Nondeductible expenses	2,101,984	2,987,533
Change in unrecognized deferred tax assets	1,908,409	(4,393,878)
Effective income tax	P27,266,601	P16,337,377

24. Management of Capital, Insurance and Financial Risks

Governance Framework

The primary objective of the Company's risk and financial management framework is to ensure that the risks related to the Company are managed through a systematic and consistent risk management process. The Company recognizes the critical importance of having efficient and effective risk management systems in place.

The Company is guided by its standard operating procedures and internal control procedures designed to ensure attainment of the Company objective. More so it is strongly backed up by its strong treaty agreements, which more or less limits the risk acceptance.

The Company has already outlined its risk management manual and is for endorsement to the Risk Management Committee for approval. Said manual clearly outlines the structure of the Risk Management Organization and defines integral role of each position. It also states reportorial requirements and processes.

The Risk Management Committee is composed of not less than (3) members of the Board whereas, the Chief Underwriting Technical is appointed as the Risk Champion. To serve as member of the organization, the head of each department are automatically called the Risk Owner.

Risk Owners are task to conduct regular identification, evaluation and review of the risk factors of their respective department through semi-annual submission of risk scorecards. The same shall be used as basis of reporting to the Board of Directors.



Regulatory Framework

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

The operations of the Company are subject to the regulatory requirements of the Insurance Commission (IC). Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions (e.g. fixed capitalization requirements and risk-based capital requirements).

Capital Management Framework

The Company maintains a certain level of capital to ensure sufficient solvency margins and to adequately protect the policyholders. The level of capital maintained is usually higher than the minimum capital requirements set by the regulators as imposed under Department of Finance Order (DO) 27-06 and the amount computed under the Risk Based Capital (RBC) Model.

The Company reviews the capital requirements through monthly computation of the RBC which is regularly communicated to the major shareholders. With this procedure, shareholders are forewarned in anticipation of the IC requirements of additional capital infusion. Shareholders are well updated with these externally imposed capital requirements since these are being discussed during annual BOD meeting. Evidently they have shown their commitment to comply with this regulation, same as prior years when they willingly infused additional cash as the need arises.

Fixed Capitalization Requirements

On August 15, 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. The following presents the amount of required net worth and the schedule of compliance per New Insurance Code:

<u>Networth</u>	<u>Compliance date</u>
₱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

Based on its latest synopsis issued by the Insurance Commission as of December 31, 2015, the audited statutory networth of the Company amounted to ₱375,354,885 as of December 31, 2015.

Unimpaired capital requirement

The issuance of IC CL No. 2015-02-A, superseding IC CL No. 22-2008, is provided to ensure the compliance set in Sections 194, 197, 200 and 289 of Republic Act No. 10607 to have minimum capitalization and networth. It says that all domestic life and non-life insurance companies duly licensed by the Insurance Commission must have a networth of at least five hundred and fifty million pesos (₱550,000,000) by December 31, 2016 and the minimum networth of these companies shall remain unimpaired at all times.

In December 8, 2016, the Company's major shareholder MAA International Assurance Ltd. has infused fresh capital of ₱300,000,000. As a result, the Company's unimpaired capital as of December 31, 2016 is ₱600,000,000 with a networth of ₱675,354,885 based on its latest synopsis, exceeding the ₱550,000,000 requirement by ₱125,354,885 excluding the results of operations for 2016.



In the interim, the P300,000,000 fresh capital was booked as Deposit for Future Stock Subscription under the equity section as the Company's application for the increase in its authorized capital is still pending approval from SEC.

Financial Reporting Framework

On December 28, 2016, IC issued Circular No. 2016-65 relating to financial reporting framework under section 189 of the Republic Act No. 10607 to be known as the "New Insurance Code" to clarify the rules and regulations concerning Titles III and IV of Chapter III of the New Insurance Code and all the other accounts not discussed in the New Insurance Code but are used in accounting of insurance and reinsurance companies. The circular enumerated the list of admitted and non-admitted assets and investments. It includes the manual of accounts which enumerates certain admitted assets not specifically listed in Section 202 of the New Insurance Code. The manual of accounts discusses the nature, types and recognition and measurement of each account in the financial statement.

The circular shall take effect beginning January 1, 2017. The quarterly reports shall be submitted within two (2) months after the end of each reporting period while annual report will be due 30th April of the succeeding year.

Valuation Standards for Policy Reserves

Pursuant to Sections 219 and 220 of the Amended Insurance Code (Republic Act No. 10607) which require every insurance company other than life to maintain a reserve for unearned premiums and other special reserves, IC issued Circular No. 2016-67 which provides the new set of Valuation standards for Non-Life Insurance Policy Reserves.

The Circular sets out the valuation method to be used by Insurance Companies in determining the level of reserves that they should maintain. Premium reserve will be aligned with the current practice under PFRS. Claims reserve specifically on IBNR will now be actuarially computed and an actuarial report must be submitted to IC following the report format provided in the said Circular. The actuarial report must include the certification of the Actuary and Chief Executive Officer (CEO) or responsible officer and must be duly notarized.

The implementation requirements will be relaxed on the initial year which starts January 1, 2017. UPR shall be set up instead of the higher of UPR and URR while Margin for Adverse Deviation (MfaD) shall be set at zero. It shall be company specific instead of the proposed 10% across all classes of business. Whereas, starting 2018 the premium liabilities shall be determined in accordance with the valuation standards.

Risk-based Capital Requirements

The following table shows the RBC ratio as of December 31, 2016 and 2015 using the old RBC template under Statutory method of computation:

	2016	2015
Net worth	P396,453,054	P377,402,838
RBC requirement	662,297,805	336,414,452
RBC Ratio	167%	112%



In December 28, 2016, IC has released a new guideline thru its Circular Letter no. 2016-68, amending the Risk-Based Capital (RBC2) Framework. In the new framework, IC adopted the three (3) pillar risk-based approach to solvency which comprised the following:

- a) Pillar 1 includes the quantitative requirement in relation to the calculation of capital requirements and recognition of eligible capital. Unlike the old RBC framework whereby the networth was used to divide the RBC requirement, in the new framework it is the total available capital (TAC). It is the capital that is required to be held appropriately to the risks an insurance company is exposed to.
- b) Pillar 2 covers the governance and risk management requirement that consist of a supervisory review process which may include supervisory adjustment to capital; and
- c) Pillar 3 comprises the disclosure requirements designed to encourage market discipline.

Same as the financial reporting framework and valuation, the insurance company is required to accomplish and submit three (3) quarterly reports due two (2) months after the end of each quarter and 30th of April for the 31st December annual reporting.

All insurance companies are required to maintain the minimum RBC ratio of 100% and not fail the trend test based on their quarterly and annual submissions. Failure to meet the minimum RBC will be required to submit a report explaining the cause of failure and a management plan of actions.

Under Section 3 of the Circular, Company Action Event shall occur if the RBC ratio of the company is less than 100% but not below 75%. Should this event occur, the company shall file to the Commissioner within fifteen (15) days of the event an RBC plan that shall:

- a) Identify the conditions that contributed to the event;
- b) Contain proposals of corrective action that the company intends to take and that would be expected to result in the elimination of the event;
- c) Provide projections of the company's Annual Statements for at least two years with and without the proposed corrective actions; including but not limited to projections on the balance sheets, analysis of operations (total), surplus accounts, RBC Exhibits and lines of business information relevant to the RBC plan;
- d) Identify the key assumptions impacting the company's projections and the sensitivity of the projections to the assumptions; and
- e) Identify the quality of, and problems associated with, the company's business, including but not limited to its assets, anticipated business growth, surplus strain, extraordinary exposure to risk, mix of business and use of reinsurance, if any, in each case.

The Commissioner shall notify the company within thirty (30) days upon submission of the RBC plan whether it shall be implemented or is unsatisfactory. In the latter case the Commission shall include reasons for the determination and proposed revisions to the RBC plan, and the company shall resubmit the RBC plan within ten (10) days of notice.

The final RBC ratio can only be determined after the accounts of the Company have been examined by IC.



Insurance Risk

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company 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, when actual benefits paid are greater than originally estimated and subsequent development of long-term claims.

The Company principally issue the following types of general insurance contracts: fire, motor, health and accident, aviation/hull, marine, engineering, professional indemnity, bonds, fidelity guarantee and surety. Risks under general insurance policies usually cover twelve month duration.

For general insurance contracts, the most significant risks arise from climate changes, natural disasters and terrorist activities.

These risks vary significantly in relation to the location of the risk insured by the Company, type of risk insured and by industry. Undue concentration by amounts can have a further impact on the severity of benefit payments on a portfolio basis.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography. Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Company. The Company further enforce a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

The Company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events, for example, hurricanes, earthquakes and flood damages.

The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes to a pre-determined maximum amount based on the Company's risk appetite as decided by management.

The following table sets out the concentration of the claims liabilities by type of contract:

December 31, 2016

	Gross Claims Liabilities	Reinsurers' Share of Claims Liabilities	Net Claims Liabilities
Fire	₱350,477,871	₱136,029,913	₱214,447,958
Motor	313,959,083	47,522,201	266,436,882
Marine	65,828,453	39,252,306	26,576,147
General Accounts	16,844,697	6,527,462	10,317,235
Bonds	37,895,078	6,416,198	31,478,880
Personal Accident	34,975,472	17,606,417	17,369,055
Engineering	17,076,479	2,334,812	14,741,667
Total	₱837,057,133	₱255,689,309	₱581,367,824



December 31, 2015

	Gross Claims Liabilities	Reinsurers' Share of Claims Liabilities	Net Claims Liabilities
Fire	P372,366,642	P191,584,948	P180,781,694
Motor	229,499,287	48,891,393	180,607,894
Marine	64,063,941	35,924,465	28,139,476
Engineering	31,644,915	20,254,335	17,629,166
General Accounts	25,550,614	7,921,448	11,390,580
Bonds	22,018,323	8,193,439	2,753,738
Personal Accident	5,012,594	2,258,856	13,824,884
Total	P750,156,316	P315,028,884	P435,127,432

Terms and Conditions

The major classes of general insurance written by the Company include fire, marine, and motor insurance. Risks under these policies usually cover 12-month duration.

For general insurance contracts, claims provisions (comprising provisions for claims reported by policyholders and IBNR) are established to cover the ultimate cost of settling the liabilities in respect of claims that have occurred and are estimated based on known facts at the end of the reporting period.

The provisions are refined quarterly as part of a regular ongoing process as claims experience develops, certain claims are settled and further claims are reported. Outstanding claims provisions are not discounted for the time value of money.

Claims provisions are separately analyzed by class of business. In addition, larger claims are usually either separately assessed by loss adjusters. The claims projection assumptions are generally intended to provide a best estimate of the most likely or expected outcome.

Assumptions

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

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

Sensitivities

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



The analysis below is performed for a reasonable possible movement in key assumptions with all other assumptions held constant, on the statement of comprehensive income and equity.

December 31, 2016

	Change in assumptions	Increase on gross liabilities	Increase on net liabilities	Decrease on profit before tax	Decrease on Equity
Average claim cost	+15%	P101,713,223	P72,920,374	(P72,920,374)	(P51,044,162)
Average number of claims	+10%	67,808,815	48,613,583	(48,613,583)	(34,029,508)

December 31, 2015

	Change in assumptions	Increase on gross liabilities	Increase on net liabilities	Decrease on profit before tax	Decrease on Equity
Average claim cost	+15%	P93,517,883	P55,549,508	(P55,549,508)	(P38,884,656)
Average number of claims	+10%	62,345,256	37,033,005	(37,033,005)	(25,923,104)



Claims Development Table

Reproduced below are the tables showing the development of claims over a period of time on a gross and net reinsurance basis for fire, marine and motor lines only.

The tables reflect the cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each end of the reporting period, together with cumulative payments to date.

The Company aims to maintain strong reserves in respect of its general insurance in order to protect against adverse future claims experience and development. As claims develop and ultimate costs of claims become more certain, the absence of adverse claims experience will then result in a release of reserves from earlier accident years. In order to maintain strong reserves, the Company transfers much of this release to current accident year reserves where the development of claims is less mature and there is much greater uncertainty attaching to the ultimate cost of claims.

Accident year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
Estimate of ultimate claims (note)																
At the end of accident year	868,202,452	917,781,778	920,897,231	922,114,622	920,213,392	915,540,244	9154,020,028	9201,403,884	9531,708,179	9200,953,315	9491,480,907	9481,314,284	9478,565,147	9461,127,956	9465,559,474	9665,559,474
One year later	84,967,428	199,367,532	245,524,364	228,127,026	262,809,952	219,016,821	236,771,491	617,511,604	245,080,189	249,216,802	128,467,263	642,202,199	318,821,223	407,946,172		407,946,172
Two years later	81,496,224	205,284,852	265,692,311	240,290,190	262,908,209	295,313,446	349,209,310	644,288,613	308,215,228	346,731,015	299,567,383	605,128,001	319,894,471			319,894,471
Three years later	81,334,684	205,700,942	263,692,311	240,291,669	263,951,063	288,649,711	346,043,817	642,105,268	303,231,204	321,684,214	295,120,985	603,732,037				603,732,037
Four years later	81,142,389	205,100,542	263,692,311	240,691,855	263,901,487	238,716,986	346,594,341	642,321,602	301,252,692	229,108,867	292,330,181					292,330,181
Five years later	81,182,589	205,700,942	263,692,311	240,320,873	263,920,017	238,922,155	346,419,938	642,986,024	302,223,468	228,604,365						228,604,365
Six years later	81,222,589	206,918,897	244,005,363	250,352,018	263,291,866	238,961,983	346,688,330	631,201,359	301,898,268							301,898,268
Seven years later	81,261,474	207,072,477	244,139,631	250,352,018	263,291,866	238,961,983	346,688,330	631,201,359	301,898,268							301,898,268
Eight years later	81,295,528	207,015,323	244,139,631	250,352,018	263,291,866	238,961,983	346,688,330	631,201,359	301,898,268							301,898,268
Nine years later	81,345,528	212,107,442	244,139,631	250,352,018	263,291,866	238,961,983	346,688,330	631,201,359	301,898,268							301,898,268
Ten years later	81,395,528	212,094,245	244,139,631	250,352,018	263,291,866	238,961,983	346,688,330	631,201,359	301,898,268							301,898,268
Eleven years later	81,395,528	213,014,585	244,139,631	250,352,018	263,291,866	238,961,983	346,688,330	631,201,359	301,898,268							301,898,268
Twelve years later	81,395,528	214,353,871	244,139,631	250,352,018	263,291,866	238,961,983	346,688,330	631,201,359	301,898,268							301,898,268
Thirteen years later	81,395,528	214,353,871	244,139,631	250,352,018	263,291,866	238,961,983	346,688,330	631,201,359	301,898,268							301,898,268
Fourteen years later	81,395,528	214,353,871	244,139,631	250,352,018	263,291,866	238,961,983	346,688,330	631,201,359	301,898,268							301,898,268
Current estimate of cumulative claims	81,395,528	214,353,871	244,139,631	250,352,018	263,291,866	238,961,983	346,688,330	631,201,359	301,898,268	247,433,651	433,406,579	301,898,268	319,894,473	407,946,172	445,559,474	5,088,559,093
Cumulative payments																
To date	(81,395,528)	(184,255,871)	(244,139,631)	(250,352,018)	(263,291,866)	(238,961,983)	(346,688,330)	(631,201,359)	(301,898,268)	(27,881,678)	(200,269,137)	(595,233,078)	(273,294,243)	(319,238,248)	(166,772,436)	(2,260,629,083)
Total gross insurance liabilities included in the statement of financial position	F	F	F	F	F	F	F	F	F	F	F	F	F	F	F	F
	36,000,000								95,117,299	948,443,858	948,443,858	948,443,858	944,598,231	988,395,024	9458,787,023	9448,328,928



Financial Instruments

Due to the short-term nature of cash and cash equivalents, short-term investments, insurance receivables, loans and receivables, accrued income, insurance payables, accounts payable and commission payable, their carrying values reasonably approximate fair values as at December 31, 2016 and 2015.

The fair value of financial instruments under AFS that are actively traded in organized financial markets is determined by reference to quoted market prices within the bid-offer price range, at the close of business on the end of the reporting period or the last trading day as applicable.

Fair Value Hierarchy

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

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Company classifies its financial assets measured at fair value as follows:

	2016			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
AFS Financial Assets				
Listed equity securities				
Common shares	P214,771,749	P-	P-	P214,771,749
Preferred shares	276,095,880	-	-	276,095,880
Club shares	3,500,000	-	-	3,500,000
Government debt securities				
Local currency	301,503,381	-	-	301,503,381
Private debt securities	464,129,558	-	-	464,129,558
Total AFS financial assets	P1,260,000,568	P-	P-	P1,260,000,568

	2015			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
AFS Financial Assets				
Listed equity securities				
Common shares	P146,640,399	P-	P-	P146,640,399
Preferred shares	247,134,100	-	-	247,134,100
Club shares	3,000,000	-	-	3,000,000
Government debt securities				
Local currency	355,888,412	-	-	355,888,412
Private debt securities	187,286,197	-	-	187,286,197
Total AFS financial assets	P939,949,108	P-	P-	P939,949,108



As of December 31, 2016 and 2015, the Company classifies AFS financial assets under Level 1 of the fair value hierarchy, except for the unlisted equity securities that do not have quoted market prices in an active market which are measured at cost and hence, not included above. During the reporting period ended December 31, 2016 and 2015, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Financial Risk

The Company is exposed to financial risk through its financial assets, financial liabilities and insurance liabilities. In particular, the key financial risk that the Company is exposed to is that the proceeds from its financial assets are not sufficient to Company the obligations arising from its insurance contracts. The most important components of this financial risk are credit risk, liquidity risk and market risk.

Credit risk

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

The Company manages the level of credit risk by setting up limits of exposure. Exposure in the sense that the concentration of its businesses is widespread in scope, in terms of counterparties involved, location or geographical and industry segments. A counterparty may be subjected to a credit investigation prior to entering into a contract considering the financial condition or credit standing and character of the prospective producer, reinsurer and policy holder.

Regular review of company policies is being conducted to ensure proper monitoring of direct and reinsurance receivables versus payables. The Company reserves the right to offset where counterparties are both debtors and creditors; cancel policies which are beyond the credit-term or those with lesser probability of being collected and terminate contract which the management believes to be non-productive. Commissions and claims are likewise being used as leverage to collect from counterparty. In the event of a major loss, the Company is backed up by reinsurers with strong financial standing. Reinsurers and agents' portfolio are periodically being rated with A+ being the highest and B- the lowest.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer may be unable to meet its obligations assumed under such reinsurance agreements. The Company selects only domestic and foreign companies with strong financial standing and excellent track records which are allowed to participate in the Company's reinsurance programs.

The following table provides information regarding the credit risk exposure of the Company as of December 31, 2016 and 2015:

	2016	2015
Cash and cash equivalents	₱584,031,595	₱318,883,521
Short-term investments	54,881,781	47,861,037
Insurance receivables:		
Due from brokers and agents	452,645,724	386,946,889
Due from ceding companies	3,998,422	6,344,146
Funds held by ceding companies	5,281,913	4,961,150
Reinsurance recoverable on paid losses	19,120,923	25,876,974

(Forward)



	2016	2015
Financial assets:		
AFS		
Equity securities	P494,387,629	P396,794,499
Debt securities	765,632,939	543,174,609
Loans and receivables		
Intercompany receivable	-	118,877
Accounts receivable	2,181,943	1,582,804
Miscellaneous receivables	491,970	575,376
Accrued income	8,854,071	6,892,394
Total	P2,391,508,910	P1,740,012,276

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

December 31, 2016

	Neither past due nor impaired			Past due or impaired	Total
	High	Medium	Low		
Cash and cash equivalents	P584,031,595	P-	P-	P-	P584,031,595
Short-term investments	54,881,781	-	-	-	54,881,781
Insurance receivables:					
Due from brokers and agents	256,233,497	-	-	196,412,227	452,645,724
Due from ceding companies	1,561,267	-	-	2,437,155	3,998,422
Funds held by ceding company	5,281,913	-	-	-	5,281,913
Reinsurance recoverable on paid losses	2,059,783	-	-	17,061,140	19,120,923
Financial assets:					
AFS financial assets:					
Equity securities	206,096,098	-	-	11,136,397	217,232,495
Debt securities	765,632,939	-	-	-	765,632,939
Loans and receivables:					
Intercompany receivable	-	-	-	-	-
Accounts receivable	2,181,943	-	-	-	2,181,943
Miscellaneous receivables	491,970	-	-	-	491,970
Accrued income	8,854,071	-	-	-	8,854,071
Total	P1,887,306,857	P-	P-	P227,046,919	P2,114,353,776

December 31, 2015

	Neither past due nor impaired			Past due or impaired	Total
	High	Medium	Low		
Cash and cash equivalents	P318,883,521	P-	P-	P-	P318,883,521
Short-term investments	47,861,037	-	-	-	47,861,037
Insurance receivables:					
Due from brokers and agents	217,887,686	-	-	169,059,203	386,946,889
Due from ceding companies	801,482	-	-	5,542,664	6,344,146
Funds held by ceding company	4,961,150	-	-	-	4,961,150
Reinsurance recoverable on paid losses	4,696,275	-	-	21,180,699	25,876,974
Financial assets:					
AFS financial assets:					
Equity securities	113,485,359	-	-	47,111,473	160,596,832
Debt securities	543,174,609	-	-	-	543,174,609
Loans and receivables:					
Intercompany receivable	118,877	-	-	-	118,877
Accounts receivable	1,582,804	-	-	-	1,582,804
Miscellaneous receivables	575,376	-	-	-	575,376
Accrued income	6,894,394	-	-	-	6,894,394
Total	P1,260,922,570	P-	P-	P242,894,039	P1,503,816,609



The credit quality of the financial assets was determined as follows:

The above assets were classified by the Company as High grade, Medium grade, Low grade or Past due. High grade pertains to assets of the Company that are highly convertible to cash based on the Company's experience and those that are classified by the Insurance Commission as readily admitted assets. Accounts beyond the standard 90-day credit term are classified as Past due. Although categorized as past due, these are highly collectible accounts based on Company's experience. Normally, these are corporate accounts wherein the Company has reciprocity of business. However, it took a while for some accounts to revert to Collection department and secure their commitments. It is to be noted that bad debts provision over insurance receivable considerably decreased from 6% in 2015 to 5% this 2016.

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

December 31, 2016

	Age analysis of financial assets past-due but not impaired				Total past due but not impaired	Past-due and impaired	Total
	< 30 days	31 to 60 days	61 to 90 days	> 90 days			
Insurance receivables							
Due from brokers and agents	₱65,006,321	₱38,138,282	₱39,587,846	₱44,807,725	₱187,540,174	₱8,872,053	₱196,412,227
Due from ceding companies	-	742,337	1,663,900	-	2,406,237	30,918	2,437,155
Reinsurance recoverable on paid losses	395,365	25,646	117,641	2,871,736	3,410,388	13,650,752	17,061,140
AFS financial assets	-	-	-	-	-	11,136,397	11,136,397
Total	₱65,401,686	₱38,906,265	₱41,369,387	₱47,679,461	₱193,356,799	₱33,690,128	₱227,046,919

December 31, 2015

	Age analysis of financial assets past-due but not impaired				Total past due but not impaired	Past-due and impaired	Total
	< 30 days	31 to 60 days	61 to 90 days	> 90 days			
Insurance receivables							
Due from brokers and agents	₱46,754,713	₱30,118,966	₱28,442,762	₱53,746,842	₱159,063,283	₱9,995,920	₱169,059,203
Due from ceding companies	2,192,823	331,587	508,277	1,039,685	4,072,372	1,470,291	5,542,664
Reinsurance recoverable on paid losses	284,705	23,177	2,416,755	3,850,280	6,574,917	14,605,782	21,180,699
AFS financial assets	-	-	-	-	-	47,111,473	47,111,473
Total	₱49,232,241	₱30,473,730	₱31,367,794	₱58,636,807	₱169,710,572	₱73,183,467	₱242,894,039

The standard credit-term given by the Company is 90 days. However, accounts more than 90 days may be past due but not necessarily impaired. A 180-day credit-term may be given to those accounts with reciprocal business and those accounts involving bigger amount of sum insured or the jumbo accounts which as practiced are subject to quarterly remittance scheme.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments.

The Company holds sufficient liquid assets to enable it to continue normal operations. To achieve this objective, the Company positions its investments to match the projected cash requirements.



To strike the optimal balance between generating adequate investment returns and holding securities that can be easily sold for cash if required, the Company divides its investment portfolio into tranches with liquidity objective and benchmarks. The Company's core liquidity portfolio is invested in relatively liquid securities that can be readily sold if required. In addition to the core portfolio, the Company maintains a second tranche of liquidity that is always invested in the most highly liquid securities to cover its expected operational cash flow needs. The third tranche of liquidity are the Company's equity resources held together with a portfolio of fixed income securities which are both designated as AFS investments.

Maturity profiles

The table below summarises the maturity profile of the financial assets and liabilities of the Company using undiscounted contractual maturities based on remaining contractual obligations, or for the insurance contract liabilities, based on the estimated timing of net cash outflows.

December 31, 2016	Within a year	2-3 years	4-5 years	Over 5 years	No Term	Total
Cash and cash equivalents	P584,181,595	P-	P-	P-	P-	P584,181,595
Short-term investments	54,881,781	-	-	-	-	54,881,781
Insurance receivables	458,493,259	-	-	-	-	458,493,259
AFS securities	-	13,655,630	59,079,050	968,994,140	218,291,748	1,260,020,568
Loans and receivables	2,673,913	-	-	-	-	2,673,913
Accrued income	8,854,071	-	-	-	-	8,854,071
Reinsurance assets	255,689,309	-	-	-	-	255,689,309
Total financial assets	P1,364,773,928	P13,655,630	P59,079,050	P968,994,140	P218,291,748	P2,624,794,496
Insurance contract liabilities	P837,057,133	P-	P-	P-	P-	P837,057,133
Insurance payables	20,898,222	-	-	-	-	20,898,222
Accounts payable	83,464,193	-	-	-	-	83,464,193
Commission payable	121,714,743	-	-	-	-	121,714,743
Total other financial liabilities	P1,063,134,291	P-	P-	P-	P-	P1,063,134,291
December 31, 2015	Within a year	2-3 years	4-5 years	Over 5 years	No Term	Total
Cash and cash equivalents	P319,023,521	P-	P-	P-	P-	P319,023,521
Short-term investments	47,861,037	-	-	-	-	47,861,037
Insurance receivables	398,057,165	-	-	-	-	398,057,165
AFS securities	40,347,588	29,730,718	-	472,896,303	396,794,499	939,969,108
Loans and receivables	2,277,057	-	-	-	-	2,277,057
Accrued income	6,894,394	-	-	-	-	6,894,394
Reinsurance assets	315,028,884	-	-	-	-	315,028,884
Total financial assets	P1,129,689,646	P29,730,718	P-	P472,896,303	P396,794,499	P2,029,111,166
Insurance contract liabilities	P750,156,316	P-	P-	P-	P-	P750,156,316
Insurance payables	56,067,048	-	-	-	-	56,067,048
Accounts payable	71,312,185	-	-	-	-	71,312,185
Commission payable	97,215,035	-	-	-	-	97,215,035
Total other financial liabilities	P974,750,584	P-	P-	P-	P-	P974,750,584

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).



The Company structures levels of market risk it accepts through a market risk policy that determines what constitutes market risk for the Company; basis used to fair value financial assets and liabilities; asset allocation and portfolio limit structure; diversification benchmarks by type of instrument; sets out the net exposure limits by each counterparty or group of counterparties and industry segments; reporting of market risk exposures; monitoring compliance with market risk policy and review of market risk policy for pertinence and changing environment.

(a) Currency risk

The Company's principal transactions are carried out in Philippine peso and its foreign exchange risk arises primarily with respect to US dollars. The Company's financial assets are primarily denominated in the same currencies as its insurance contracts, which mitigate the foreign exchange rate risk. Thus, the main foreign exchange risk arises from recognized assets and liabilities denominated in currencies other than in which the insurance contracts are expected to be settled.

The following table shows the details of the Company's foreign currency denominated monetary assets and liabilities and their Philippine peso equivalents.

	2016		2015	
	USD	PHP	USD	PHP
Financial assets:				
Cash and cash equivalents	\$431,689	₱21,463,600	\$803,775	₱37,825,672
Government securities	-	-	-	-
	\$431,689	₱21,463,600	\$803,775	₱37,825,672

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax (due to changes in fair value of currency sensitive monetary assets and liabilities).

December 31, 2016

	Change in variables	Impact on profit before tax Increase (decrease)
USD	+2.660%	₱570,932
USD	-2.660%	(570,932)

December 31, 2015

	Change in variables	Impact on profit before tax Increase (decrease)
USD	+2.930%	₱1,108,292
USD	-2.930%	(1,108,292)

There is no impact on the Company's equity other than those already affecting the profit.

(b) 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.



Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value risk. The Company's fixed rate investments in particular are exposed to fair value risk.

The following table shows the information relating to the Company's financial instruments that are exposed to fair value interest rate risk presented by maturity profile.

	Interest		Maturity			Total
	Rates	Within a year	2-3 years	4-5 years	Over 5 years	
AFS debt securities						
2016	3.25%-8.00%	₱3,999,593	₱9,656,037	₱97,321,424	₱654,655,885	₱765,632,939
2015	2.99%-9.10%	40,547,588	29,730,718	-	472,896,303	543,174,609

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on equity (that reflects adjustments on revaluing fixed rate AFS financial assets).

December 31, 2016

	Change in variables	Impact on equity Increase (decrease)
Peso	+100 basis points	(₱4,769,464)
Peso	-100 basis points	43,274,211

December 31, 2015

	Change in variables	Impact on equity Increase (decrease)
Peso	+100 basis points	(₱26,890,346)
Peso	-100 basis points	55,818,677

(c) Price risk

The Company's price risk exposure at year-end relates to financial assets and liabilities whose values will fluctuate as a result of changes in market prices, principally, AFS equity securities.

Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

The Company's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plan, and limits on investment in each sector and market.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on equity (that reflects adjustments on changes in fair value of AFS financial assets).



December 31, 2016

Market Index	Change in Variable	Impact on equity Increase (decrease)
PSEi 2016	+2.73%	(P7,536,109)
PSEi 2016	-2.73%	7,536,109

December 31, 2015

Market Index	Change in Variable	Impact on equity Increase (decrease)
PSEi 2015	+9.46%	(P23,395,483)
PSEi 2015	-9.46%	(23,395,483)

25. 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, or if the parties are subject to common control or common significant influence. A related party may be an individual or a corporate entity.

In the ordinary course of business, the Company has transactions with related parties. Significant transactions with related parties follow:

December 31, 2016

	Transactions during the year	Outstanding balance	Terms	Conditions
Intercompany accounts receivable:				
MAA Corporate and Compliance Phil., Inc. (Common Control)	P-	P-	On-demand; non-interest bearing	Unsecured; no impairment
	P-	P-		
Short-term benefits				
Key Management Personnel	P23,264,129	P-	Not applicable	Not applicable

December 31, 2015

	Transactions during the year	Outstanding balance	Terms	Conditions
Intercompany accounts receivable:				
MAA Corporate and Compliance Phil., Inc. (Common Control)	P516,220	P-	On-demand; non-interest bearing	Unsecured; no impairment
	P516,220	P-		
Short-term benefits				
Key Management Personnel	P21,537,269	P-	Not applicable	Not applicable



26. Reconciliation of Net Income Under PFRS to Statutory Net Income

The reconciliation of net income under PFRS to statutory net income follows:

	2016	2015
PFRS net income	P74,967,703	P57,162,593
Adjustments for:		
Difference in change in provision for unearned premiums - net	28,036,122	81,073,910
Deferred acquisition costs - net	(20,367,978)	(22,059,131)
Change in IBNR - net	30,434,615	12,640,126
Tax effects of PFRS adjustments	(11,430,828)	(21,496,472)
Statutory net income	P101,639,634	P107,321,026

27. Contingencies

Various legal actions and claims are pending or may be assessed in the future against the Company from litigations and claims incident to the ordinary course of business. Related risks have been analyzed as to likelihood of occurrence. Although the outcome of these matters cannot always be ascertained with precision, management believes that no material liabilities are likely to result.

28. Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010

In compliance with the requirements set forth by RR No. 15-2010 hereunder are the information on taxes and license fees paid or accrued during the taxable year.

- a. The Company is a VAT-registered company with VAT output tax declaration of P104,432,544 for the year based on the amount reflected in the Direct Premiums of P870,271,200.

The Company has exempt sales amounting to P50,249,233 pursuant to the provisions of Republic Act No. 7227, RR No. 2-2005, and BIR Ruling ITAD-45-00.

- b. The amount of input VAT taxes claimed are broken down as follows:

Balance at January 1	P8,006,715
Current year's purchases/payments :	
Goods other than for resale	22,179,302
Services paid lodged under operating expenses	29,598,954
	59,784,971
Input VAT applied against Output VAT	(52,438,712)
Balance at December 31	P7,346,259

- c. Taxes relating to nonlife insurance policies that have been shifted or passed on the policyholders and are not recognized in the Statement of Comprehensive Income follow:

Details of DST for following transactions during the year are:



Transaction	Amount	DST
DS110-Policies of insurance upon property	₱743,761,185	₱92,970,148
DS114-Motor	551,793,378	68,974,172
DS109-Accident and Health	132,414,625	331,037
	₱1,427,969,188	₱162,275,357

The total unpaid DST as at December 31, 2016 amounted to ₱12,351,379.

Other taxes during year which represent the total accrued and paid follow:

Tax	Amount
Premium Taxes	₱2,762,683
Fire Service Taxes (FST)	4,241,971
Local Government Taxes (LGT)	929,109
	₱7,933,763

The total unpaid as at December 31, 2016 amounted to ₱11,895,582 which comprised of ₱48,868, ₱441,693, and ₱11,405,021 for Premium Taxes, FST, and LGT, respectively.

d. Details of other taxes, local and national, follow:

National:

Insurance Commission Fees	₱2,082,392
LTO Registration Fees	34,331
FBT	21,082
DST	9,381
Total	₱2,147,186

Local:

Mayor's Permit	₱120,509
Real Estate Taxes	30,084
Others	232,547
Total	₱383,140

e. The amount of withholding taxes for the year amounted to :

Tax on compensation and benefits	₱11,898,955
Creditable withholding taxes	32,969,450
Final withholding taxes	2,065,102
Total	₱46,933,507



The total unpaid withholding taxes as at December 31, 2016 amounted to ₱4,387,482 which comprised of ₱1,637,787, ₱2,577,775 and ₱171,920 for Tax on compensation, creditable and withholding on final taxes, respectively.

- f. As of December 31, 2016, the Company has tax assessment amounting to ₱3,008,247 for taxable year 2013.

