COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

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SEC Registration Number

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COMPANY NAME

CHARTER PING AN INSURANCE CORPORATION (A Wholly Owned Subsidiary of Philippine AXA Life Insurance Corporation)

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

Ground Floor, Skyland Plaza Building, Sen. Gil Puyat Avenue, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	SEC	

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
customer.service@charterpingan.com	580-6826	-

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
12	Every 3rd Wednesday of March	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Wendy T. Saez Co	wendy.saez-co@axa.com.ph	580-6820	–

CONTACT PERSON's ADDRESS

Ground Floor, Skyland Plaza Building, Sen. Gil Puyat Avenue, 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.*

AXA redefining / standards

渣打平安保險公司
CHARTER PING AN
INSURANCE CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Charter Ping An Insurance Corporation is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2016 and 2015. In accordance with the prescribed financial reporting framework indicated therein, 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 Charter Ping An Insurance Corporation'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 Charter Ping An Insurance Corporation or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing Charter Ping An Insurance Corporation's financial reporting process.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Charter Ping An Insurance Corporation in accordance with Philippine Standards on Auditing, and in their report to the stockholders, has expressed their opinion on the fairness of presentation upon completion of such audit.

Solomon S. Cua
Chairman of the Board

Rahul Hora
President and Chief Executive Officer

Wendy T. Saez Co
Treasurer

Signed this 21st day of February 2017

SGV
Building a better working world

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

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Charter Ping An Insurance Corporation
Ground Floor, Skyland Plaza Building,
Sen. Gil Puyat Avenue,
Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Charter Ping An Insurance Corporation (the Company), which comprise the statements of financial position as at December 31, 2016 and 2015, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 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 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 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 Charter Ping An Insurance Corporation. 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.

Bernalette L. Ramos

Bernalette L. Ramos
Partner
CPA Certificate No. 0091096
SEC Accreditation No. 0926-AR-2 (Group A),
June 16, 2016, valid until June 16, 2019
Tax Identification No. 178-486-666
BIR Accreditation No. 08-001998-81-2015,
May 12, 2015, valid until May 11, 2018
PTR No. 5908748, January 3, 2017, Makati City

February 21, 2017

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
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CHARTER PING AN INSURANCE CORPORATION
STATEMENTS OF FINANCIAL POSITION

	December 31 2016	2015
ASSETS		
Cash and cash equivalents (Notes 4, 23 and 25)	**₱1,507,028,832**	₱894,454,998
Short-term investments (Notes 4 and 25)	**2,000,000**	2,000,000
Insurance receivables - net (Notes 5 and 25)	**1,658,080,506**	1,781,562,202
Financial assets (Notes 6 and 25)		
Available-for-sale financial assets	**3,121,224,133**	1,614,036,318
Loans and receivables	**33,058,691**	42,205,882
Reinsurance assets (Notes 7, 12 and 25)	**2,578,253,068**	2,874,865,274
Deferred acquisition costs (Note 8)	**354,789,596**	358,712,921
Property and equipment - net (Note 9)	**223,279,940**	218,277,557
Assets held for sale (Note 10)	**33,514,420**	35,438,814
Net deferred tax assets (Note 22)	**98,553,851**	12,744,176
Other assets (Note 11)	**67,905,202**	38,628,779
TOTAL ASSETS	**₱9,677,688,239**	₱7,872,926,921
LIABILITIES AND EQUITY		
Liabilities		
Insurance contract liabilities (Notes 12 and 25)	**₱5,565,475,688**	₱5,051,715,854
Insurance payables (Notes 13 and 25)	**812,865,307**	361,817,213
Accounts payable and accrued expenses (Notes 14 and 25)	**914,190,650**	768,104,725
Retirement benefit obligation (Note 21)	**135,613,685**	126,972,330
Deferred reinsurance commissions (Note 8)	**106,230,458**	102,693,627
Total Liabilities	**7,534,375,788**	6,411,303,749
Equity		
Capital stock (Note 15)	**512,500,000**	512,500,000
Contingency surplus (Note 15)	**1,800,000,000**	–
Additional paid-in capital	**6,634,245**	6,634,245
Revaluation reserve on:		
Available-for-sale financial assets (Note 6)	**37,765,489**	84,218,905
Property and equipment (Notes 2 and 9)	**96,980,228**	86,868,701
Remeasurement loss on defined benefit obligation (Note 21)	**(81,804,618)**	(70,482,821)
Retained earnings (deficit)	**(228,762,893)**	841,884,142
Total Equity	**2,143,312,451**	1,461,623,172
TOTAL LIABILITIES AND EQUITY	**₱9,677,688,239**	₱7,872,926,921

See accompanying Notes to Financial Statements.

CHARTER PING AN INSURANCE CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2016	2015
Gross earned premiums on insurance contracts	**₱4,690,693,151**	₱3,999,754,568
Reinsurers' share of gross earned premiums on insurance contracts	**(2,712,590,558)**	(2,003,372,680)
Net insurance earned premiums (Notes 12 and 16)	**1,978,102,593**	1,996,381,888
Commission income (Note 8)	**165,312,234**	159,133,505
Interest income (Note 17)	**99,603,857**	78,891,684
Gain on sale of available-for-sale financial assets (Note 6)	**33,672,292**	17,679,247
Dividend income (Note 17)	**5,137,164**	4,649,379
Others (Note 17)	**37,617,962**	88,122,437
Other income	**341,343,509**	348,476,252
Total income	**2,319,446,102**	2,344,858,140
Gross insurance contract benefits and claims paid	**1,868,020,926**	2,184,773,182
Reinsurers' share of gross insurance contract benefits and claims paid	**(591,778,441)**	(1,291,554,064)
Gross change in insurance contract liabilities	**300,214,306**	(727,692,955)
Reinsurers' share of gross change in insurance contract liabilities	**139,719,854**	956,673,523
Net insurance benefits and claims (Notes 12 and 18)	**1,716,176,645**	1,122,199,686
Operating expenses (Note 19)	**1,062,525,240**	631,932,781
Commission expense (Note 8)	**669,563,912**	527,981,988
Interest expense (Notes 13 and 21)	**7,452,249**	5,990,549
Other expenses	**1,739,541,401**	1,165,905,318
Total benefits, claims and other expenses	**3,455,718,046**	2,288,105,004
Income (loss) before income tax	**(1,136,271,944)**	56,753,136
Current	**19,590,801**	24,932,231
Deferred	**(85,215,710)**	(10,531,785)
Income tax expense (benefit) (Note 22)	**(65,624,909)**	14,400,446
NET INCOME (LOSS)	**(1,070,647,035)**	42,352,690
OTHER COMPREHENSIVE INCOME (LOSS)		
Item that will be reclassified into profit or loss in subsequent periods:		
Unrealized fair value losses on available-for-sale financial (Note 6)	**(20,519,654)**	(25,074,609)
Fair value loss on available-for-sale financial assets transferred to profit or loss (Note 6 and 19)	**(25,933,762)**	(8,513,707)
Items that will not be reclassified into profit or loss in subsequent periods:		
Change in revaluation reserve on property and equipment, net of tax effect (Note 9)	**10,111,527**	8,216,835
Remeasurement losses on defined benefit obligation, net of tax effect (Note 21)	**(11,321,797)**	(9,298,356)
Total other comprehensive loss	**(47,663,686)**	(34,669,837)
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱1,118,310,721)**	₱7,682,853

See accompanying Notes to Financial Statements.

CHARTER PING AN INSURANCE CORPORATION

STATEMENTS OF CHANGES IN EQUITY

	Capital stock (Note 15)	Contingency surplus (Note 15)	Additional paid-in capital	Revaluation Reserves: Available-for-sale financial assets (Note 6)	Revaluation Reserves: Property and equipment (Note 9)	Revaluation Reserves: Remeasurement loss on defined benefit obligation (Note 21)	Retained earnings (deficit)	Total
As of January 1, 2016	**₱512,500,000**	**₱–**	**₱6,634,245**	**₱84,218,905**	**₱86,868,701**	**(₱70,482,821)**	**₱841,884,142**	**₱1,461,623,172**
Capital contribution during the year	**–**	**1,800,000,000**	**–**	**–**	**–**	**–**	**–**	**1,800,000,000**
Net income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(1,070,647,035)**	**(1,070,647,035)**
Other comprehensive income (loss)	**–**	**–**	**–**	**(46,453,416)**	**10,111,527**	**(11,321,797)**	**–**	**(47,663,686)**
Total comprehensive income (loss)	**–**	**–**	**–**	**(46,453,416)**	**10,111,527**	**(11,321,797)**	**(1,070,647,035)**	**(1,118,310,721)**
As of December 31, 2016	**₱512,500,000**	**₱1,800,000,000**	**₱6,634,245**	**₱37,765,489**	**₱96,980,228**	**(₱81,804,618)**	**(₱228,762,893)**	**₱2,143,312,451**
As of January 1, 2015	₱512,500,000	₱–	₱6,634,245	₱117,807,221	₱78,651,866	(₱61,184,465)	₱799,531,452	₱1,453,940,319
Net income for the year	–	–	–	–	–	–	42,352,690	42,352,690
Other comprehensive income (loss)	–	–	–	(33,588,316)	8,216,835	(9,298,356)	–	(34,669,837)
Total comprehensive income (loss)	–	–	–	(33,588,316)	8,216,835	(9,298,356)	42,352,690	7,682,853
As of December 31, 2015	₱512,500,000	₱–	₱6,634,245	₱84,218,905	₱86,868,701	(₱70,482,821)	₱841,884,142	₱1,461,623,172

See accompanying Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
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CHARTER PING AN INSURANCE CORPORATION
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	**(₱1,136,271,944)**	₱56,753,136
Adjustments for:		
Interest income (Note 17)	**(99,603,857)**	(78,891,684)
Depreciation and amortization (Notes 9, 11 and 19)	**37,187,447**	30,296,555
Gain on sale of available-for-sale financial assets (Note 6)	**(33,672,292)**	(17,679,247)
Impairment loss on available-for-sale financial assets (Notes 6 and 19)	**7,738,530**	9,165,540
Impairment losses on insurance receivables and reinsurance assets- net (Notes 5, 12 and 19)	**238,339,641**	10,152,231
Impairment loss on loans and receivables (Notes 6 and 19)	**1,858,102**	–
Impairment loss on other assets (Notes 11 and 19)	**2,724,982**	–
Dividend income (Note 17)	**(5,137,164)**	(4,649,379)
Interest expense on insurance payables (Note 13)	**951,266**	775,004
Loss (gain) on sale of property and equipment (Notes 9 and 17)	**101,618**	(25,339)
Operating loss before working capital changes	**(985,783,671)**	5,896,817
Decrease (increase) in:		
Reinsurance assets	**158,762,815**	1,004,534,703
Insurance receivables	**22,991,446**	234,060,181
Deferred acquisition costs	**3,923,325**	(49,907,990)
Short-term investments	**–**	22,360,000
Assets held for sale	**1,924,394**	(16,951,602)
Loans and receivables	**11,129,395**	(308,394)
Other assets	**(32,007,110)**	4,172,166
Increase (decrease) in:		
Insurance contract liabilities	**513,759,834**	(613,317,549)
Insurance payables	**451,048,094**	(71,294,389)
Deferred reinsurance commissions	**3,536,831**	10,461,923
Retirement benefit obligation	**(7,532,640)**	2,483,302
Accounts payable and accrued expenses	**146,085,925**	30,592,429
Net cash generated from operations	**287,838,638**	562,781,597
Interest paid (Note 13)	**(951,266)**	(775,004)
Income tax paid	**(19,590,801)**	(42,274,214)
Net cash from operating activities	**267,296,571**	519,732,379
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale/maturities of:		
Available-for-sale financial assets (Note 6)	**746,645,953**	270,761,581
Property and equipment (Note 9)	**373,743**	1,286,897
Acquisition of:		
Available-for-sale financial assets (Note 6)	**(2,277,887,077)**	(539,017,886)
Property and equip	**(28,214,447)**	(42,372,908)
Interest received	**99,221,927**	79,868,297
Dividends received	**5,137,164**	4,649,379
Net cash used in investing activities	**(1,454,722,737)**	(224,824,640)

(Forward)

	Years Ended December 31	
	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES		
Contingency surplus contribution (Note 15)	**₱1,800,000,000**	₱–
NET INCREASE IN CASH AND CASH EQUIVALENTS	**612,573,834**	294,907,739
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**894,454,998**	599,547,259
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱1,507,028,832**	₱894,454,998

See accompanying Notes to Financial Statements.

CHARTER PING AN INSURANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS

1. Corporate information

Charter Ping An Insurance Corporation (the Company) was incorporated in the Philippines on June 21, 1960. On September 14, 2009, the Philippine Securities and Exchange Commission (SEC) granted the Company's extension of its corporate life for another 50 years.

In October 2013, GT Capital Holdings, Inc. (GT Capital) acquired 66.67% ownership in the Company from First Metro Investment Corporation (FMIC), and accordingly, became the Company's parent company on the same date. GT Capital is primarily established as a holding company. The ultimate parent of GT Capital is Grand Titan Capital Holdings, Inc. (Grand Titan). Prior to October 2013, the parent company of the Company was FMIC, a company incorporated and domiciled in the Philippines.

On January 27, 2014, GT Capital reported that it has completed the 100% acquisition of the Company. GT Capital purchased 1.7 million common shares of the Company for ₱712 million. The acquisition represents the remaining 33.3% of the Company's outstanding capital stock, the selling shareholder of which was FMIC.

On November 5, 2015, GT Capital, Philippine AXA Life Insurance Corporation (AXA Philippines), AXA Asia, and First Metro Investment Corporation (FMIC) signed a Sale and Purchase Agreement for the full acquisition of the Company by AXA Philippines. AXA Philippines is a joint venture between GT Capital, the global AXA Group, and Metropolitan Bank and Trust Co. (a subsidiary of FMIC).

On March 29, 2016 AXA Philippines reported that it has completed the acquisition of the Company for ₱2.10 billion. With this acquisition, the operations of the two insurers will remain separate, and AXA Philippines became the parent of the Company.

The Company is presently engaged in the business of nonlife insurance which includes fire, motor car, marine hull, marine cargo, personal accident insurance and other products that are permitted to be sold by a nonlife insurance company in the Philippines.

The Company's registered office is Ground Floor, Skyland Plaza Building, Sen. Gil Puyat Avenue, Makati City.

The accompanying financial statements were approved and authorized for issue by the Board of Directors on February 21, 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 and certain property and equipment 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 and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new accounting pronouncements starting January 1, 2016. Adoption of these pronouncements did not have any significant impact on the Company's financial position or performance unless otherwise indicated. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Effective in 2016
- Amendments to PFRS 10, PFRS 12 and Philippine Accounting Standards (PAS) 28, *Investment Entities: Applying the Consolidation Exception*
- Amendments to PFRS 11, *Accounting for Acquisitions of Interests in Joint Operations*
- PFRS 14, *Regulatory Deferral Accounts*
- Amendments to PAS 1, *Disclosure Initiative*
- Amendments to PAS 16 and PAS 38, *Clarification of Acceptable Methods of Depreciation and Amortization*
- Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants*
- Amendments to PAS 27, *Equity Method in Separate Financial Statements*
- Annual Improvements to PFRSs 2012 - 2014 Cycle
  - Amendment to PFRS 5, *Changes in Methods of Disposal*
  - Amendment to PFRS 7, *Servicing Contracts*
  - Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  - Amendment to PAS 19, *Discount Rate: Regional Market Issue*
  - Amendment to PAS 34, *Disclosure of Information 'Elsewhere in the Interim Financial Report'*

Future changes in Accounting Policies
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)
- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*
- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*
- Circular Letter 2016-67, *Valuation Standards for Non-life Insurance Policy Reserves*
  The circular prescribes the new valuation methodology for the non-life insurance companies. Non-life insurance companies will be changing the basis of valuation of their non-life insurance reserves. In addition to the unearned premium reserves, the concept of unexpired risk reserves is also included in the calculation of the premium liability. The incurred but not reported (IBNR) reserves will now be computed using actuarial projection techniques such as but not limited to the chain ladder method, expected loss ratio method and Bornheutter-Ferguson method.

  A margin for adverse deviation is estimated based on standard projection techniques or combination of such techniques, such as but not limited to the Mack Method, Bootstrapping Method, Stochastic Chain Ladder Method to bring the actuarial estimate of the Policy Liabilities at the 75th percentile level of sufficiency. Discount rates to be used shall be current risk-free rates. The rates shall exactly match the duration of the policy and the currency of the cash flows and shall be prescribed by the Insurance Commission.

The Company will adopt the new valuation standard on the required effective date.

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)
- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
- PFRS 15, *Revenue from Contracts with Customers*
- 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 application of the forthcoming insurance contracts standard on 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 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 Company'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.

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*

Product Classification
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.

Investment contracts mainly transfer financial risk but can also transfer insignificant insurance risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or has expired. Investment contracts can however be reclassified as insurance contracts after inception if the insurance risk becomes significant.

Fair Value Measurement
The Company measures financial instrument and non-financial assets such as property and equipment, at fair value at each reporting period. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 25.

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

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

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

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

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

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

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

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by 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, cash in banks and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of placement and that are subject to an insignificant risk of changes in value.

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.

Insurance receivables are derecognized under the derecognition criteria of financial assets.

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 financial assets, 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.

As of December 31, 2016 and 2015, the Company's financial instruments are in the nature of AFS financial assets, loans and receivables and other financial liabilities.

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 observable 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" and (d) "Loans and receivables."

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 "Interest income" in profit or loss. The losses arising from impairment of such loans and receivables are recognized in profit or loss.

AFS financial assets

AFS financial assets 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 financial assets are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in earnings. Interest earned on holding AFS debt investments are reported as interest income using the effective interest rate. Dividends earned on holding AFS equity 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 equity. 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 equity is recognized as realized gains or losses in profit or loss. When 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 financial assets 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 provision for claims reported by policyholders and IBNR (included in insurance contract liabilities), insurance payables and accounts payable and accrued expenses that meet the above definition (other than liabilities covered by other accounting standards, such as retirement benefit obligation and income tax payable).

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), 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 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. When a decline in the fair value of an AFS financial asset has been recognized in other comprehensive income, and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized. 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 right to receive cash flows from the asset has expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Company has transferred its right to receive cash flows from the asset and either (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.

Reinsurance assets are reviewed for impairment at each end of the reporting period or more frequently when an indication of impairment arises during the reporting 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 recorded in the statement of income. Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

The Company also assumes reinsurance risk in the normal course of business for insurance contracts. Premiums and claims on assumed reinsurance are recognized in profit or loss as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to 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 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, except for condominium units, are stated at cost, net of accumulated depreciation and amortization 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 and amortization are computed using the straight-line method over the estimated useful lives of the properties as follows:

	Years
Condominium units	32 - 50
Transportation equipment	5
Office furniture, fixtures and equipment	5
Office improvements	5
Electronic Data Processing (EDP) equipment	3

The estimated useful lives, and the depreciation and amortization method are reviewed periodically to ensure that the period and the method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of income in the year the item is derecognized.

Condominium units are measured at fair value less accumulated depreciation and impairment losses recognized at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. A revaluation surplus is recorded in OCI and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in profit or loss, the increase is recognized in profit and loss. A revaluation deficit is recognized in the statement of comprehensive income, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve.

The revaluation reserve on property and equipment will be transferred directly to retained earnings when the asset is derecognized, i.e., the whole of the reserve will be transferred to retained earnings when the condominium units is retired or disposed of. Transfers from revaluation reserve to retained earnings are not made through profit or loss.

<u>Computer Software</u>
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 three (3) years. All computer software components are amortized over three (3) 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.

<u>Assets Held for Sale</u>
The Company classifies assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Impairment of Non-financial Assets

The Company assesses at each end of the reporting period whether there is an indication that an asset 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 group 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. Impairment losses of continuing operations are recognized in the statement of income in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, 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 any such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. If such 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 and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal, the depreciation and amortization 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 estimated useful life.

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 as part of "Insurance contract liabilities" and presented in the liabilities section of the statement of financial position. Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method 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 the 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 plan is actuarially determined using the projected unit credit method.

Defined benefit cost comprises the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurement of net defined benefit liability or asset

Service cost includes current service cost, past service cost and gain or loss on non-routine settlements and is recognized as expense in profit or loss. Past service cost is 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

Capital stock is recognized as issued when the stock is paid for or subscribed under a binding subscription agreement and is measured at par value. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to additional paid-in capital. Share issuance costs incurred as necessary part of completing an equity transaction are accounted for as part of that transaction and are treated as a deduction from additional paid-in capital from previous share issuance. If the additional paid-in capital account is not sufficient, the excess is deducted from retained earnings.

Contingency surplus

Contingency Surplus represents contributions of the stockholders to cover any unexpected deficiency in the Margin of Solvency (MOS) and Risk-Based Capital (RBC) as required under the Insurance Code and can be withdrawn upon the approval of the IC.

Additional paid-in capital

Additional paid-in capital 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.

Retained earnings (Deficit)

Retained earnings (deficit) include all the accumulated earnings (losses) of the Company, less any amount of dividends declared.

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 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 and shown as part of "Insurance contract liabilities" presented in the liabilities section of the statements of financial position. The related reinsurance premiums ceded that pertain 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 period are recognized in profit or loss.

Reinsurance commissions
Commissions earned from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method except for 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 consist of benefits and claims paid to policyholders, which include 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.

Operating expense
Operating expenses, except for lease expenses, are recognized as expense as they are incurred.

Interest expense
Interest expense is charged against operations and is calculated using the effective interest method.

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 and liabilities are taken to profit or loss while differences arising from dollar-denominated equity securities classified as AFS financial assets are included in other comprehensive income.

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

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

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

Deferred income tax
Deferred income 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 income tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for all deductible temporary differences, carry forward 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 carry forward of unused tax credits from MCIT and unused NOLCO can be utilized. Deferred income 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 income 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 income tax asset to be utilized. Unrecognized deferred income 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 income 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 income 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

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

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

Judgments

Operating lease commitments - Company as lessee

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

Product classification

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

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

Estimates

Claims liability arising from insurance contracts

For nonlife insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the end of the reporting period and for the expected ultimate cost of the IBNR claims at the reporting date. It can take a significant period of time before the ultimate claim costs can be established with certainty and for some type of policies, IBNR claims form the majority of the statement of financial position claims provision. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claims 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, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historic claims development data on which the projections are based.

The carrying values of provision for outstanding claims and IBNR amounted to ₱3,250,818,014 and ₱2,950,603,708 as of December 31, 2016 and 2015, respectively (see Note 12).

Fair values of financial assets

The Company carries certain financial assets at fair value, which requires extensive use of accounting estimates and judgments. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The carrying value of AFS financial assets amounted to ₱3,121,224,133 and ₱1,614,036,318 as of December 31, 2016 and 2015, respectively (see Note 6).

Impairment of financial assets
The Company treats AFS equity investments as 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' requires judgment. The Company treats 'significant' generally as 20% or more or 'prolonged' as continuous decline for more than six (6) months. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. Impairment may be appropriate also when there is evidence of deterioration in the financial health of the investee, the industry and sector performance, changes in technology and operational and financing cash flows.

The Company reviews its insurance receivables and loans and receivables at each end of the reporting period to assess whether an allowance for impairment should be recorded in the statement of 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 collectability of the accounts. These factors include, but are not limited to age of balances, financial status of counterparties, payment behavior and known market factors. The Company reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a regular basis.

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

Insurance receivables, net of allowance for doubtful accounts of ₱150,447,991 and ₱49,957,741, amounted to ₱1,658,080,506 and ₱1,781,562,202 as of December 31, 2016 and 2015, respectively (see Note 5). Loans and receivables, net of allowance for doubtful accounts amounted to ₱33,058,691 and ₱42,205,882 as of December 31, 2016 and 2015, respectively (see Note 6). In 2016 and 2015, the Company recognized impairment loss amounting to ₱7,738,530 and ₱9,165,540, respectively, on its AFS financial assets (see Note 6).

Estimated useful lives of property and equipment
The Company reviews annually the estimated useful lives of property and equipment 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 would increase recorded depreciation and amortization expense and decrease the related asset accounts.

The carrying value of property and equipment amounted to ₱223,279,940 and ₱218,277,557 as of December 31, 2016 and 2015, respectively (see Note 9).

Appraised value of property and equipment
The Company carries certain property and equipment at fair value, less accumulated depreciation. Fair value is arrived at by using the market data approach. With this approach, the value of the property is based on sales and listings of comparable properties registered in the vicinity. The

technique of this approach requires the establishment of comparable properties by reducing reasonable comparative sales and listings to a common denominator and adjustment of the differences between the subject property and those actual sales and listings regarded as comparables. The comparison was premised on the factors of location, characteristics of the lot, time element, quality and prospective use. As of December 31, 2016 and 2015, property and equipment carried at fair value amounted to ₱150,448,141 and ₱143,230,390, respectively (see Note 9).

Impairment of nonfinancial assets
The Company assesses impairment on property and equipment 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. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

The carrying value of property and equipment amounted to ₱223,279,940 and ₱218,277,557 as of December 31, 2016 and 2015, respectively (see Note 9). The carrying value of assets held for sale amounted to ₱33,514,420 and ₱35,438,814 as of December 31, 2016 and 2015, respectively (see Note 10).

Estimation of pension obligations and other retirement benefits
The determination of pension obligation and other employee benefits is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rates and salary increase rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of end of the reporting period. Refer to Note 21 for the details of assumptions used in the calculation. In accordance with PAS 19, actual results that differ from the Company's assumptions are recognized as other comprehensive income in the statement of comprehensive income. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension obligation.

The Company's net pension obligation amounted to ₱135,613,685 and ₱126,972,330 as of December 31, 2016 and 2015, respectively (see Note 21).

Contingencies
The Company is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with the legal counsels and based upon an analysis of potential results. The Company currently does not believe these proceedings will have a material adverse effect on the Company's financial position. It is possible, however, that the results of operations could be materially affected by changes in the estimates.

4. Cash, cash equivalents and short-term investments

Cash and cash equivalents
This account consists of:

	2016	2015
Cash on hand	**₱484,971**	₱448,706
Cash in banks	**164,642,517**	153,444,223
Cash equivalents	**1,341,901,344**	740,562,069
	₱1,507,028,832	₱894,454,998

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are made for varying periods of up to three months depending on the immediate cash requirements of the Company and earned interest at rates ranging from 0.80% to 2.50% in 2016 and 0.75% to 1.75% in 2015.

Interest income earned from cash equivalents and cash in banks amounted to ₱18,159,996, and ₱392,326, respectively, in 2016 and ₱11,364,959 and ₱361,815, respectively, in 2015 (Note 17).

Short-term investments
Short-term investments consist of money market placements amounting to ₱2,000,000 as of December 31, 2016 and 2015. Short-term investments are made for periods ranging more than three (3) months and up to twelve (12) months and earn interest at the respective short-term investment rates. Interest income earned from short-term investment presented under "Interest income" in the statements of the comprehensive income amounted to ₱24,653 and ₱402,692 in 2016 and 2015, respectively (Note 17).

5. Insurance receivables - net

This account consists of:

	2016	2015
Premiums receivable and agents' balances	**₱1,157,120,040**	₱1,063,148,682
Reinsurance recoverable on paid losses	**530,660,194**	651,180,925
Due from ceding companies	**76,623,697**	66,732,911
Bonds recoverable on paid losses	**29,951,572**	37,524,714
Funds held by ceding companies	**14,172,994**	12,932,711
	1,808,528,497	1,831,519,943
Less allowance for doubtful accounts	**150,447,991**	49,957,741
	₱1,658,080,506	₱1,781,562,202

Premiums receivable and agents' balances arise from unpaid premiums from policy holders and intermediaries. Reinsurance recoverable on paid losses are the share of insurance or reinsurance companies for the claims paid to the insured by the Company while due from ceding companies are premiums receivable for assumed business from other insurance and reinsurance companies.

Bonds recoverable on paid losses represent the estimated recoveries the Company may have from losses on bond policies issued.

The amount of funds held by ceding companies is a percentage of the premiums, as required by the Insurance Commission (IC). The Company's insurance receivables are all due within one year.

The following table shows aging information of insurance receivables:

December 31, 2016

	1 to 90 days	91 to 120 days	121 to 150 days	151 to 180 days	Over 180 days	Total
Premiums receivable and agents' balances	**₱843,298,111**	**₱96,717,967**	**₱62,920,768**	**₱46,779,360**	**₱107,403,834**	**₱1,157,120,040**
Reinsurance recoverable on paid losses	**385,875,788**	**7,033,825**	**18,269,446**	**16,197,959**	**103,283,176**	**530,660,194**
Due from ceding companies	**37,132,569**	**1,619,902**	**1,075,654**	**1,033,096**	**35,762,476**	**76,623,697**
Bonds recoverable on paid losses	**–**	**–**	**–**	**–**	**29,951,572**	**29,951,572**
Funds held by ceding companies	**14,172,994**	**–**	**–**	**–**	**–**	**14,172,994**
	₱1,280,479,462	**₱105,371,694**	**₱82,265,868**	**₱64,010,415**	**₱276,401,058**	**₱1,808,528,497**

December 31, 2015

	1 to 90 days	91 to 120 days	121 to 150 days	151 to 180 days	Over 180 days	Total
Premiums receivable and agents' balances	₱883,193,249	₱78,409,473	₱55,925,250	₱42,145,001	₱3,475,708	₱1,063,148,681
Reinsurance recoverable on paid losses	365,615,359	16,855,562	70,711,234	15,440,019	182,558,751	651,180,925
Due from ceding companies	41,466,740	4,045,902	3,820,484	4,307,270	13,092,515	66,732,911
Bonds recoverable on paid losses	423,829	1,415,789	566,782	–	35,118,315	37,524,715
Funds held by ceding companies	12,932,711	–	–	–	–	12,932,711
	₱1,303,631,888	₱100,726,726	₱131,023,750	₱61,892,290	₱234,245,289	₱1,831,519,943

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

December 31, 2016

	Premiums receivable and agents' balances	**Reinsurance recoverable on paid losses**	**Due from ceding companies**	**Bonds recoverable on paid losses**	**Total**
At January 1, 2016	**₱19,674,316**	**₱27,283,425**	**₱3,000,000**	**₱–**	**₱49,957,741**
Impairment during the year (Note 19)	5,434,400	52,608,713	15,345,775	27,101,362	100,490,250
At December 31, 2016	**₱25,108,716**	**₱79,892,138**	**₱18,345,775**	**₱27,101,362**	**₱150,447,991**
Individually impaired	**₱–**	**₱79,892,138**	**₱18,345,775**	**₱27,101,362**	**₱125,339,275**
Collectively impaired	**25,108,716**	**–**	**–**	**–**	**25,108,716**
	₱25,108,716	**₱79,892,138**	**₱18,345,775**	**₱27,101,362**	**₱150,447,991**

December 31, 2015

	Premiums receivable and agents' balances	Due from ceding companies	Reinsurance recoverable on paid losses	Total
At January 1, 2015	₱33,805,510	₱3,000,000	₱3,000,000	₱39,805,510
Impairment during the year (Note 19)	–	–	24,283,425	24,283,425
Reversal of impairment (Note 19)	(14,131,194)	–	–	(14,131,194)
At December 31, 2015	₱19,674,316	₱3,000,000	₱27,283,425	₱49,957,741
Individually impaired	₱–	₱–	₱24,283,425	₱24,283,425
Collectively impaired	19,674,316	3,000,000	3,000,000	25,674,316
	₱19,674,316	₱3,000,000	₱27,283,425	₱49,957,741

6. Financial assets

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

	2016	2015
AFS financial assets	**₱3,121,224,133**	₱1,614,036,318
Loans and receivables	**33,058,691**	42,205,882
	₱3,154,282,824	₱1,656,242,200

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

a. AFS financial assets

	2016	2015
Equity securities - at fair value		
Quoted:		
Common shares	**₱43,487,193**	₱174,984,530
Preferred shares	**34,596,525**	33,533,000
Club shares	**63,180,000**	58,080,000
Unquoted securities - at cost		
Common shares	**35,124**	56,650
Total equity securities	**141,298,842**	266,654,180
Mutual fund	**–**	8,932,934
Debt securities - at fair value		
Government securities:		
Local currency	**2,510,819,114**	856,406,627
Foreign currency	**43,783,085**	96,356,673
Private debt securities	**425,323,092**	385,685,904
Total debt securities	**2,979,925,291**	1,338,449,204
Total AFS financial assets recognized in the statements of financial position	**₱3,121,224,133**	₱1,614,036,318

The costs or amortized costs of AFS financial assets are as follows:

	2016	2015
Equity securities - at cost		
Quoted:		
Common shares - net of impairment loss amounting to ₱26,973,366 and ₱19,334,836 as of 2016 and 2015, respectively	**₱34,982,500**	₱158,433,240
Preferred s hares	**32,031,525**	32,000,000
Club shares - net of impairment loss amounting to ₱150,000 and ₱50,000 as of 2016 and 2015, respectively	**3,767,500**	3,867,500
Unquoted securities - at cost		
Common shares	**35,125**	56,650
Total equity securities	**70,816,650**	194,357,390
Mutual fund	–	10,000,000
Debt securities - at cost or amortized cost		
Quoted:		
Government debt securities:		
Local currency	**₱2,553,080,138**	₱854,367,674
Foreign currency	**55,952,218**	92,913,653
Private debt securities	**403,684,917**	378,263,186
Total debt securities	**3,012,717,273**	1,325,544,513
Total AFS financial assets at cost or amortized cost	**₱3,083,533,923**	₱1,529,901,903

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

	2016	2015
At January 1	**₱1,614,036,318**	₱1,374,157,339
Additions	**2,277,887,077**	539,017,886
Maturities and disposals	**(746,645,953)**	(270,761,581)
Amortization of premium	**(3,458,376)**	(3,218,227)
Fair value losses charged against other comprehensive income	**(20,594,933)**	(25,159,099)
At December 31	**₱3,121,224,133**	₱1,614,036,318

The roll forward analysis of revaluation reserve on AFS financial assets follows:

	2016	2015
At January 1	**₱84,218,905**	₱117,807,221
OCI		
Changes in fair value of AFS financial assets	**(20,594,933)**	(25,159,099)
Tax effect	**75,279**	84,490
Transferred to profit or loss:		
Realized loss on sale of AFS financial assets	**(33,672,292)**	(17,679,247)
Provision for impairment losses (Note 19)	**7,738,530**	9,165,540
At December 31	**₱37,765,489**	₱84,218,905

b. Loans and receivables

This account consists of the following:

	2016	2015
Accounts receivable	**₱16,433,948**	₱27,563,343
Less allowance for doubtful accounts (Note 19)	**(1,871,695)**	(13,593)
Accounts receivable - net	**14,562,253**	27,549,750
Accrued interest income on:		
Cash equivalents	**1,724,565**	879,606
Short-term investments	**24,653**	24,722
AFS debt securities	**16,747,220**	13,751,804
	₱33,058,691	₱42,205,882

Accounts receivable pertain to advances granted to insurance agents and salary loans granted to employees. Advances granted to insurance agents are to be settled through regular deductions from commissions while salary loans granted to employees are non-interest bearing and payable to the Company within one year through payroll deduction.

Accrued income pertains to interest and dividend income accrued arising from cash and cash equivalents, short-term investments and AFS securities.

7. Reinsurance assets

This account consists of the following:

	2016	2015
Reinsurance recoverable on unpaid losses	**₱1,973,488,496**	₱2,113,208,350
Less allowance for doubtful accounts	**(137,849,391)**	–
Reinsurance recoverable on unpaid losses - net (Note 12 and 25)	**1,835,639,105**	₱2,113,208,350
Deferred reinsurance premiums (Note 12)	**742,613,963**	761,656,924
	₱2,578,253,068	₱2,874,865,274

8. Deferred acquisition costs and deferred reinsurance commissions

<u>Deferred acquisition costs</u>

The roll forward analysis of this account follows:

	Commission Expense	**Other Acquisition Costs (Note 19)**	**Total 2016**	Commission Expense	Other Acquisition Costs (Note 19)	Total 2015
At January 1	**₱270,137,001**	**₱88,575,920**	**₱358,712,921**	₱242,676,333	₱66,128,598	₱308,804,931
Costs deferred during the year	**677,136,176**	**101,858,375**	**778,994,551**	555,442,656	122,034,964	677,477,620
Amortization during the year	**(669,563,912)**	**(113,353,964)**	**(782,917,876)**	(527,981,988)	(99,587,642)	(627,569,630)
At December 31	**₱277,709,265**	**₱77,080,329**	**₱354,789,596**	₱270,137,001	₱88,575,920	₱358,712,921

Other acquisition costs pertain to underwriting expenses, other than commissions, incurred during the financial period that vary with and are related to securing new insurance contracts and or renewing existing insurance contracts.

Deferred reinsurance commissions

The roll forward analysis of this account follows:

	2016	2015
At January 1	₱102,693,627	₱92,231,704
Income deferred during the year	168,849,065	169,595,428
Amortization during the year	(165,312,234)	(159,133,505)
At December 31	₱106,230,458	₱102,693,627

9. Property and equipment

The roll forward analysis of this account follows:

December 31, 2016

	Condominium Units	EDP Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Office Improvements	Total
Cost						
At January 1, 2016	₱333,049,936	₱95,645,939	₱64,026,826	₱39,986,659	₱77,833,408	₱610,542,768
Additions	–	12,648,738	4,159,946	2,795,604	8,610,159	28,214,447
Revaluation	43,359,068	–	–	–	–	43,359,068
Disposals	–	(1,668,159)	(3,744,940)	–	–	(5,413,099)
Write-off	–	(72,681,094)	–	–	(19,831,085)	(92,512,179)
At December 31, 2016	376,409,004	33,945,424	64,441,832	42,782,263	66,612,482	584,191,005
Accumulated depreciation and amortization						
At January 1, 2016	₱189,819,546	₱84,300,715	₱45,047,617	₱31,209,565	₱41,887,767	₱392,265,210
Depreciation and amortization (Note 19)	7,227,289	6,730,230	6,402,637	4,302,413	12,519,173	37,181,742
Revaluation	28,914,028	–	–	–	–	28,914,028
Disposals	–	(1,660,871)	(3,279,276)	–	–	(4,940,147)
Write-off	–	(72,678,946)	–	–	(19,830,822)	(92,509,768)
At December 31, 2016	225,960,863	16,691,128	48,170,978	35,511,978	34,576,118	360,911,065
Net book value as of December 31, 2016	₱150,448,141	₱17,254,296	₱16,270,854	₱7,270,285	₱32,036,364	₱223,279,940

In 2016, EDP equipment and office improvements that are obsolete and are no longer in use were written-off.

December 31, 2015

	Condominium Units	EDP Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Office Improvements	Total
Cost						
At January 1, 2015	₱302,993,269	₱85,589,902	₱57,811,786	₱33,291,550	₱61,929,829	₱541,616,336
Additions	–	10,922,087	8,362,182	7,185,060	15,903,579	42,372,908
Revaluation	30,056,667	–	–	–	–	30,056,667
Disposals	–	(866,050)	(2,147,143)	(489,951)	–	(3,503,144)
At December 31, 2015	333,049,936	95,645,939	64,026,825	39,986,659	77,833,408	610,542,767
Accumulated depreciation and amortization						
At January 1, 2015	₱165,105,963	₱80,980,758	₱39,503,831	₱27,775,987	₱32,593,823	₱345,960,362
Depreciation and amortization (Note 19)	6,395,252	4,182,668	6,441,072	3,915,167	9,293,944	30,228,103
Revaluation	18,318,331	–	–	–	–	18,318,331
Disposals	–	(862,711)	(897,286)	(481,589)	–	(2,241,586)
At December 31, 2015	189,819,546	84,300,715	45,047,617	31,209,565	41,887,767	392,265,210
Net book value as of December 31, 2015	₱143,230,390	₱11,345,224	₱18,979,208	₱8,777,094	₱35,945,641	₱218,277,557

If condominium units were carried at the cost model, the carrying amount would be as follows:

	2016	2015
Cost	**₱60,933,959**	₱60,933,959
Less accumulated depreciation	**32,910,078**	31,610,455
Net carrying amount	**₱28,023,881**	₱29,323,504

Fair value of the real estate properties was determined using the *Market Data Approach*. This means that the valuation performed by the appraiser are based on sales, listings and other market data of comparable properties registered within the vicinity of subject property. The technique requires reducing reasonably comparative sales and listings to a common denominator in order to conform to the subject property. The comparison among the subject property and the comparable units was premised on the factors of location, size and shape of the lot, highest and best use and the time element. As of January 30, 2017, the date of revaluation, the real estate properties' fair values are based on the valuations performed by Philippine Appraisal Company, Inc., an accredited independent appraiser.

Description of valuation techniques used and key inputs to valuation on revalued property and equipment are as follows:

Location	**Valuation techniques**	**Significant unobservable inputs**	**2016 Range (weighted average)**	**2015 Range (weighted average)**
Sen. Gil J. Puyat Avenue, Makati City Plaza	Market Data Approach	Estimated computed value per sqm	₱56,000 to ₱142,544 (₱95,000)	₱63,750 to ₱126,061 (₱90,000)
		Net price (₱/sq.m)	₱75,000 to ₱219,298	₱75,000 to ₱157,576
		Internal factors:		
		Location	10%	-5% to -15%
		Condition	-5% to -10%	–
		Utility	10%	–
		Size	-5% to -20%	5%
		Bargaining allowance	-15%	-15%
Lorenzo Ruiz Corner Oriente St., Binondo, Manila	Market Data Approach	Estimated computed value per sqm	₱32,454 to ₱50,000 (₱41,000)	₱32,454 to ₱50,000 (₱41,000)
		Net price (₱/sq.m)	₱25,963 to ₱52,632	₱25,963 to ₱52,632
		Internal factors:		
		Size	5%	5%
		Condition	20%	20%
		Bargaining allowance	-5%	-5%

10. Assets held for sale

Assets held for sale pertain to salvage recoverables which consists of amount recoverable on account of losses on direct business. These recoveries are available for immediate sale in its present condition and its sale are highly probable. In 2016 and 2015, management is committed to a plan to sell the assets and is actively locating a buyer.

Salvage recoverables amounted to ₱33,514,420 and ₱35,438,814 as of December 31, 2016 and 2015, respectively.

11. Other assets

This account consists of the following:

	2016	2015
Creditable withholding tax	**₱59,607,303**	₱31,951,175
Deposits and prepayments	**8,246,683**	6,620,683
Security fund	**51,216**	51,216
Computer software	**–**	5,705
	₱67,905,202	₱38,628,779

Creditable withholding tax pertains to the Company's tax withheld at source by its customers and is creditable against the income tax liability of the Company. Deposits and prepayments pertain to the rental and security deposits on rented properties, and advance payments for the electric meter and telephone. Security fund pertains to the fund set-up for payment of claims against insolvent insurance companies in compliance with Section 367 of Presidential Decree (PD) No. 612, as amended under PD No. 1640.

In 2016, deposits amounting to ₱2,724,982 have been written-off.

The roll forward of the computer software which was acquired in February 2013 follows:

	2016	2015
Cost		
At January 1	**₱205,357**	₱205,357
Accumulated Amortization		
At the beginning of the year	**199,652**	131,200
Amortization (Note 19)	**5,705**	68,452
At December 31	**205,357**	199,652
Net book value	**₱–**	₱5,705

12. Insurance contract liabilities

Insurance contract liabilities may be analyzed as follows:

	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 7)	Net 2016	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 7)	Net 2015
Provision for claims reported and loss adjustment expenses	₱3,166,250,014	₱1,973,488,496	₱1,192,761,518	₱2,907,215,313	₱2,113,208,350	₱794,006,963
Allowance for doubtful accounts (Note 19)	–	(137,849,391)	137,849,391	–	–	–
Provision for IBNR	84,568,000	–	84,568,000	43,388,395	–	43,388,395
Total claims reported and IBNR (Note 25)	3,250,818,014	1,835,639,105	1,415,178,909	2,950,603,708	2,113,208,350	837,395,358
Provision for unearned premiums (Note 16)	2,314,657,674	742,613,963	1,572,043,711	2,101,112,146	761,656,924	1,339,455,222
Total insurance contract liabilities	₱5,565,475,688	₱2,578,253,068	₱2,987,222,620	₱5,051,715,854	₱2,874,865,274	₱2,176,850,580

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

	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 7)	Net 2016	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 7)	Net 2015
At January 1	₱2,950,603,708	₱2,113,208,350	₱837,395,358	₱3,678,296,663	₱3,069,881,873	₱608,414,790
Claims incurred during the year	2,066,093,224	452,058,587	1,614,034,637	1,453,691,832	334,880,541	1,118,811,291
Increase in IBNR (Note 18)	41,179,605	–	41,179,605	3,388,395	–	3,388,395
Increase in IBNER (Note 18)	60,962,403	–	60,962,403	–	–	
Provision for impairment loss (Note 19)	–	(137,849,391)	137,849,391	–	–	–
Claims paid during the year (Note 18)	(1,868,020,926)	(591,778,441)	(1,276,242,485)	(2,184,773,182)	(1,291,554,064)	(893,219,118)
At December 31	₱3,250,818,014	₱1,835,639,105	₱1,415,178,909	₱2,950,603,708	₱2,113,208,350	₱837,395,358

Claims under litigation as of December 31, 2016 and 2015 amounted to ₱1,023,012,201 and ₱744,780,549, respectively.

Provision for unearned premiums may be analyzed as follows:

	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 7)	Net 2016	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 7)	Net 2015
At January 1	₱2,101,112,146	₱761,656,924	₱1,339,455,222	₱1,986,736,740	₱809,518,104	₱1,177,218,636
New policies written during the year (Note 16)	4,904,238,679	2,693,547,597	2,210,691,082	4,114,129,974	1,955,511,500	2,158,618,474
Premiums earned during the year (Note 16)	(4,690,693,151)	(2,712,590,558)	(1,978,102,593)	(3,999,754,568)	(2,003,372,680)	(1,996,381,888)
At December 31	₱2,314,657,674	₱742,613,963	₱1,572,043,711	₱2,101,112,146	₱761,656,924	₱1,339,455,222

13. Insurance payables

This account consists of:

	2016	2015
Due to reinsurers	**₱729,797,560**	₱270,503,261
Funds held for reinsurers	**83,067,747**	91,313,952
	₱812,865,307	₱361,817,213

The funds held for reinsurers are interest-bearing, wherein the Company recognized an amount of ₱951,266 and ₱775,004 as "Interest expense" charged against the statements of comprehensive income in 2016 and 2015, respectively.

The roll forward analysis of this account follows:

	Due to Reinsurers	Funds Held for Reinsurers	Total
At January 1, 2015	₱382,673,782	₱50,437,820	₱433,111,602
Arising during the year	861,988,100	68,295,827	930,283,927
Utilized	(974,158,621)	(27,419,695)	(1,001,578,316)
At December 31, 2015	**₱270,503,261**	**₱91,313,952**	**₱361,817,213**
Arising during the year	**1,776,301,403**	**23,116,737**	**1,799,418,140**
Utilized	**(1,317,007,104)**	**(31,362,942)**	**(1,348,370,046)**
At December 31, 2016	**₱729,797,560**	**₱83,067,747**	**₱812,865,307**

14. Accounts payable and accrued expenses

This account consists of:

	2016	2015
Accounts payable (Note 25)	**₱305,494,867**	₱266,145,028
Taxes payable	**259,983,903**	217,667,824
Commissions payable (Note 25)	**252,696,979**	265,198,980
Accrued expenses (Note 25)	**96,014,901**	19,092,893
	₱914,190,650	₱768,104,725

Accounts payable and accrued expenses are expected to be settled within twelve (12) months after the end of the reporting period.

Taxes payable consists primarily of local government taxes payable, Value-Added taxes (VAT) payable and withholding taxes payable.

15. Capital stock and contingency surplus

The Company's capital stock consists of:

	2016		2015	
	Shares	**Amount**	Shares	Amount
Common stock - ₱100 par value				
Authorized:				
At beginning of the year	**10,000,000**	**₱1,000,000,000**	10,000,000	₱1,000,000,000
Increase	**–**	**–**	–	–
At end of the year	**10,000,000**	**₱1,000,000,000**	10,000,000	₱1,000,000,000
Issued and outstanding:				
At beginning of the year	**5,125,000**	**₱512,500,000**	5,125,000	₱512,500,000
Issuances during the year	**–**	**–**	–	–
At end of the year	**5,125,000**	**₱512,500,000**	5,125,000	₱512,500,000

The Company received contingency surplus from its Parent Company amounting to ₱1.5 billion and ₱0.3 billion on November 29, 2016 and December 23, 2016, respectively.

16. Net insurance earned premiums

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

	2016	2015
Gross premiums on insurance contracts:		
Direct insurance	**₱4,682,431,013**	₱3,928,687,388
Assumed reinsurance	**221,807,666**	185,442,586
Total gross premiums on insurance contracts	**4,904,238,679**	4,114,129,974
Gross change in provision for unearned premiums	**(213,545,528)**	(114,375,406)
Total gross earned premiums on insurance contracts (Note 12)	**4,690,693,151**	3,999,754,568
Reinsurers' share of gross premiums on insurance contracts:		
Direct insurance	**₱2,591,166,443**	₱1,892,832,317
Assumed reinsurance	**102,381,154**	62,679,183
Total reinsurers' share of gross premiums on insurance contracts	**2,693,547,597**	1,955,511,500
Reinsurers' share of gross change in provision for unearned premiums	**19,042,961**	47,861,180
Total reinsurers' share of gross earned premiums on insurance contracts (Note 12)	**2,712,590,558**	2,003,372,680
Net insurance earned premiums	**₱1,978,102,593**	₱1,996,381,888

17. Interest, other underwriting, dividend and other income

Interest income consists of the following:

	2016	2015
Long-term investments	**₱80,845,179**	₱66,476,068
Cash equivalents (Note 4)	**18,159,996**	11,364,959
Cash in banks (Note 4)	**392,326**	361,815
Salary loans	**162,987**	264,915
Short-term investments (Note 4)	**24,653**	402,692
Security fund	**11,042**	–
Car loans	**7,674**	21,235
	₱99,603,857	₱78,891,684

Other income consists of:

	2016	2015
Other underwriting income	**₱28,991,611**	₱70,281,147
Foreign exchange gain:		
Unrealized	**7,754,469**	15,893,064
Realized	**826,003**	1,841,157
Gain (loss) sale of property and equipment	**(101,618)**	25,339
Others	**147,497**	81,730
	₱37,617,962	₱88,122,437

Other underwriting income pertains to the fronting fees earned by the Company for fronting arrangements made during the year with several agencies and intermediaries. It also includes recoveries from cancelled transactions.

Dividend income from AFS equity financial assets amounted to ₱5,137,164 and ₱4,649,379 in 2016 and 2015, respectively.

18. Net insurance benefits and claims

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

	2016	2015
Direct insurance	**₱1,843,854,068**	₱2,122,880,970
Assumed reinsurance	**24,166,858**	61,892,212
Total insurance contract benefits and claims paid (Note 12)	**₱1,868,020,926**	₱2,184,773,182

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

	2016	2015
Direct insurance	**₱582,984,655**	₱1,257,412,629
Assumed reinsurance	**8,793,786**	34,141,435
Total reinsurers' share of insurance contract benefits and claims paid (Note 12)	**₱591,778,441**	₱1,291,554,064

Gross change in insurance contract liabilities:

	2016	2015
Change in provision for claims reported	**₱198,072,298**	(₱731,081,350)
Change in provision for IBNR	**41,179,605**	3,388,395
Change in provision for IBNER	**60,962,403**	–
Total gross change in insurance contract liabilities (Note 12)	**300,214,306**	(₱727,692,955)

Reinsurers' share of gross change in insurance contract liabilities is ₱139,719,854 and ₱956,673,523 in 2016 and 2015, respectively.

19. Operating expenses

This account consists of:

	2016	2015
Salaries, allowances and employee benefits (Note 20)	**₱333,706,610**	₱278,989,811
Provision for doubtful accounts (Notes 5, 6 and 12)	**240,197,743**	10,152,231
Outside services	**136,006,340**	91,717,680
Other underwriting expense (Note 8)	**117,654,869**	96,974,489
Advertising and promotion	**48,846,396**	20,090,071
Depreciation and amortization of property and equipment (Note 9)	**37,181,742**	30,228,103
Rent (Note 24)	**22,048,905**	18,733,378
Communication and postage	**19,278,050**	16,047,232
Transportation and travel	**19,236,401**	14,772,452
Supplies	**13,364,282**	13,967,964
Representation and entertainment	**8,479,420**	5,879,574
Repairs and maintenance	**8,343,690**	2,580,026
Utilities	**8,128,768**	7,542,770
Loss on impairment of AFS financial assets (Note 6)	**7,738,530**	9,165,540
Taxes and licenses	**3,522,656**	5,348,619
Association and pool dues	**3,257,541**	2,578,459
Loss on impairment of other assets (Note 11)	**2,724,982**	–
Insurance	**851,127**	1,036,955
Amortization of computer software (Note 11)	**5,705**	68,452
Others	**31,951,483**	6,058,975
	₱1,062,525,240	₱631,932,781

20. Salaries, allowances and employee benefits

Expenses recognized for salaries, allowances and employee benefits are presented below.

	2016	2015
Salaries and wages	**₱180,264,970**	₱165,770,423
Other employee benefits	**64,714,199**	29,315,965
Allowances and bonuses	**46,558,408**	48,075,108
Retirement expense (Note 21)	**26,543,253**	21,694,699
Director's fees and allowances	**7,898,333**	6,950,000
Social security costs	**5,780,259**	5,410,728
PhilHealth insurance contribution	**1,456,688**	1,309,288
Pag-ibig contribution	**490,500**	463,600
	₱333,706,610	₱278,989,811

Other employee benefits pertain to the clothing and medical allowances, leave conversion, and holiday pay of the employees during the year.

21. Pension benefits

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:

Net benefit expense

	2016	2015
Current service cost	**₱26,543,253**	₱21,694,699
Net interest cost	**6,500,983**	5,215,545
Net benefit expense	**₱33,044,236**	₱26,910,244
Actual return on plan assets	**₱1,721,982**	₱1,163,815

Remeasurement losses on defined benefit obligation

	2016	2015
From Defined benefit obligation	**(₱11,909,603)**	(₱9,681,759)
From Plan assets	**(4,264,393)**	(3,601,607)
Total amount to be recognized in OCI	**(₱16,173,996)**	(₱13,283,366)

Net pension obligation

	2016	2015
From Benefit obligation	**₱273,769,614**	₱251,044,991
From Plan assets	**(138,155,929)**	(124,072,661)
Net pension obligation	**₱135,613,685**	₱126,972,330

Changes in the defined benefit obligation are as follows:

	2016	2015
Defined benefit obligation at January 1	**₱251,044,991**	₱212,813,800
Current service cost	**26,543,253**	21,694,699
Actuarial losses	**11,909,603**	9,681,759
Interest cost	**12,487,358**	9,980,967
Benefits paid from plan assets	**(19,189,135)**	(3,126,234)
Benefits paid from Company operating funds	**(9,026,456)**	–
Defined benefit obligation at December 31	**₱273,769,614**	₱251,044,991

Changes in fair value of plan assets are as follows:

	2016	2015
Fair value of plan assets at January 1	**₱124,072,661**	₱101,608,138
Interest income	**5,986,375**	4,765,422
Contributions	**31,550,421**	24,426,942
Actuarial losses	**(4,264,393)**	(3,601,607)
Benefits paid	**(19,189,135)**	(3,126,234)
Fair value of plan assets at December 31	**₱138,155,929**	₱124,072,661

The principal assumptions used in determining pension obligation for the Company's plan are shown below:

	2016	2015
Discount rate	**5.34%**	5.12%
Salary increase rate	**10.00%**	10.00%
Mortality rate	**1994 GAM**	1994 GAM
Turnover rate	**A scale ranging from 13% at age 18 to 0% at age 55**	A scale ranging from 15% at age 20 to 0% at age 50

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

	2016	2015
Government securities	**₱119,775,723**	₱105,829,662
Deposit in banks	**16,367,082**	10,721,094
Corporate bonds and debt instruments	**5,165,726**	5,333,638
Unit Investment Trust Funds (UITFs)	**2,712,618**	–
Receivables	**1,967,337**	1,760,938
Due from Bangko Sentral ng Pilipinas	**–**	510,000
Total assets	**145,988,486**	124,155,332
Liabilities	**(118,908)**	(82,671)
Benefit payable from fund	**(7,713,649)**	–
Net assets	**₱138,155,929**	₱124,072,661

The Company expects to contribute ₱35,096,636 to its retirement plan in 2017.

The roll forward analysis of remeasurement loss on retirement plan follows:

	2016	2015
At January 1	**(₱70,482,821)**	(₱61,184,465)
Recognized in OCI	**(16,173,996)**	(13,283,366)
Tax effect	**4,852,199**	3,985,010
At December 31	**(₱81,804,618)**	(₱70,482,821)

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)
Discount rate	**+1.00%**	(₱22,887,230)
	–1.00%	26,535,717
Salary increase rate	**+1.00%**	26,691,533
	–1.00%	(23,545,403)
Turnover rate	**+2.00%**	(11,897,987)
	–2.00%	13,704,951

2015

	Change in variables	Impact on present value of defined benefit obligation Increase (Decrease)
Discount rate	+1.00%	(₱22,887,537)
	–1.00%	26,717,914
Salary increase rate	+1.00%	24,090,146
	–1.00%	(21,218,974)
Turnover rate	+2.00%	(10,363,362)
	–2.00%	12,095,192

The average duration of the expected benefit payments at the end of the reporting period is 16.78 years.

The following shows the maturity profile for the undiscounted benefits payments of the Company:

		Expected Benefit	
Plan Year	Normal Retirement	Payments Other than Normal Retirement	Total
Less than one year	₱28,621,148	₱4,932,377	₱33,553,525
More than one year to five years	65,043,708	23,558,728	88,602,436
More than five years to 10 years	86,397,797	40,130,830	126,528,627
More than 10 years to 15 years	150,155,960	53,787,612	203,943,572
More than 15 years to 20 years	347,698,481	46,789,156	394,487,637
More than 20 years	478,175,429	43,089,701	521,265,130

22. **Income tax**

Current Tax

The provision for current income tax consists of:

	2016	2015
Current	**₱–**	₱10,290,304
Final	**19,590,801**	14,641,927
	₱19,590,801	₱24,932,231

Deferred Tax

The net deferred income tax assets consist of the tax effects of the following:

	2016	2015
Deferred tax assets:		
Allowance for doubtful accounts	**₱87,050,723**	₱14,991,400
Excess of provision for unearned premiums per books over tax basis	**52,777,144**	56,492,667
Retirement benefit obligation	**40,684,106**	38,091,699
Deferred reinsurance commissions	**31,869,137**	30,808,088
Provision for IBNR	**25,370,401**	13,016,519
Unamortized past service cost	**6,334,962**	5,987,049
Total deferred tax assets	**244,086,473**	159,387,422
Deferred tax liabilities:		
Deferred acquisition costs	**106,436,878**	107,613,876
Reserve for revaluation of property and equipment	**36,727,277**	34,172,066
Unrealized foreign exchange gain	**2,326,341**	4,767,919
PAS 17, *Leases* adjustment	**28,019**	–
Reserve for fluctuation on AFS	**14,107**	89,385
Total deferred tax liabilities	**145,532,622**	146,643,246
	₱98,553,851	₱12,744,176

Movements in deferred tax that were recognized in OCI and profit or loss in 2016 and 2015 follows:

	2016	2015
Recognized in OCI	**₱593,965**	₱547,999
Recognized in profit or loss	**85,215,710**	10,531,785
	₱85,809,675	₱11,079,784

A reconciliation of the statutory income tax rate to effective income tax rate in 2016 follows:

	2016	2015
Statutory income tax rate	**30.00%**	30.00%
Tax effects of:		
Interest income already subjected to (exempt from) final taxes	**0.90%**	(15.75%)
Gain on sale of AFS financial assets	**0.89%**	(9.35%)
Dividend income	**0.14%**	(2.46%)
Nondeductible expenses	**(0.23%)**	5.78%
Unrecognized deferred tax assets	**(25.92%)**	17.15%
Effective income tax rate	**5.78%**	25.37%

The Company has the following NOLCO and MCIT as of December 31, 2016 and 2015 that is available for offset against future taxable income and future income tax payable for which no deferred tax asset has been recognized:

NOLCO

Year Incurred	Amount	Expired	Balance	Expiry Year
2016	₱293,723,225	₱–	₱293,723,225	2019

MCIT

Year Incurred	Amount	Expired	Balance	Expiry Year
2015	₱9,733,802	₱–	₱9,733,802	2018

23. Related party transaction

Parties are considered to be 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. Parties are also considered to be related if they are subject to common control or common significant influence.

The Company, in its regular conduct of business, has entered into transactions with related parties principally consisting of the following:

December 31, 2016

Category	Volume/ Amount	Outstanding Balance	Terms	Condition
MBTC				
Cash in bank	₱–	₱114,539,680	On demand	Unsecured; no impairment
Cash equivalents	–	16,500,000	90 days, 1.375%	Unsecured; no impairment
AFS equity securities	–	25,332,080	Common shares	Unsecured; no impairment
Interest income	532,107	–	–	–
Dividend income	502,438	–	–	–
Metrobank Card Corporation (MCC)				
Interest income	1,429,894	–	–	–
Premiums Receivable	138,104,294	6,107,570	–	–
Commissions	2,575	96	–	–
FMIC				
AFS debt securities	–	19,826,382	5.25 to 7 years, 5.68% to 5.75%	Unsecured; no impairment
Interest income	1,142,500	–	–	–
Premiums Receivable	1,518,843	412,572	Due and demandable; non-interest bearing	Unsecured; no impairment
Commissions	3,087	9,110	–	–
PS Bank				
Cash in bank	–	10,042,174	On demand	Unsecured; no impairment
Cash equivalents	–	577,891,619	30 to 83 days, 1.25% to 1.75%	Unsecured; no impairment
AFS equity securities	–	6,362,076	Common shares	Unsecured; no impairment
AFS debt securities	–	22,032,855	10 years, 5.50% to 5.75%	Unsecured; no impairment
Interest income	6,284,132	–	–	–
Dividend income	224,982	–	–	–
Premiums Receivable	56,524,346	4,974,583	Due and demandable; non-interest bearing	Unsecured; no impairment
Commissions	41,386,942	27,405,999	–	–
Federal Land, Inc.				
Premiums Receivable	44,264,869	3,983,742	Due and demandable; non-interest bearing	–
Commissions	6,116,520	6,789,220	–	–
Metro Pacific Investments Corporation				
Premiums Receivable	1,843,604	404,311	Due and demandable; non-interest bearing	Unsecured; no impairment

(Forward)

Category	Volume/ Amount	Outstanding Balance	Terms	Condition
ORIX Metro Leasing and Finance Corporation (ORIX METRO)				
Premiums Receivable	₱26,230,581	₱12,192,972	Due and demandable; non-interest bearing	Unsecured; no impairment
Commissions	–	35,978	–	–
ORIX Auto Leasing Phils. Corporation				
Premiums Receivable	7,662,814	2,314,922	Due and demandable; non-interest bearing	Unsecured; no impairment
ORIX Rental Corporation				
Premiums Receivable	52,263,698	14,341,061	Due and demandable; non-interest bearing	Unsecured; no impairment
Philippine AXA Life Insurance Corporation				
Premiums Receivable	1,174,655	507,652	Due and demandable; non-interest bearing	Unsecured; no impairment
Toyota Financial Services Philippines Corporation				
Premiums Receivable	91,084,475	55,917,108	Due and demandable; non-interest bearing	Unsecured; no impairment
Commissions	22,708	39,187	–	–
Toyota Manila Bay Corporation (TMBC)				
Premiums Receivable	3,346,257	803,585	Due and demandable; non-interest bearing	Unsecured; no impairment
Commissions	62,171,832	2,049,197	–	–
Toyota Motor Philippines Corporation (TMPC)				
Premiums Receivable	11,227,907	3,525,150	Due and demandable; non-interest bearing	Unsecured; no impairment
Commissions	38,742,902	1,883,027	–	–
Cathay International Resources Corporation (CIRC)				
Premiums Receivable	2,363,837	549,179	Due and demandable; non-interest bearing	Unsecured; no impairment
Property Company of Friends, Inc.				
Premiums Receivable	1,723,299	1,119,711	Due and demandable; non-interest bearing	Unsecured; no impairment
Global Business Power Corporation (GBPC)				
Losses and claims payable	–	568,600	Due and demandable; non-interest bearing	–
Losses paid	1,373,116	–	–	–
GT Capital Holdings				
AFS debt securities	₱–	₱19,215,321	10 years, 5.10%	Unsecured; no impairment
Interest income	1,018,740	–	–	–
Dividend income	30,000	–	–	–

(Forward)

Category	Volume/ Amount	Outstanding Balance	Terms	Condition
Key Management Personnel				
Salaries and wages	**₱42,618,349**	**₱–**	–	–
Directors' fees and allowance	**3,815,000**	–	–	–
Other employee benefits	**18,846,440**	–	–	–

December 31, 2015

Category	Volume/ Amount	Outstanding Balance	Terms	Condition
MBTC				
Cash in bank	₱–	₱145,370,486	On demand, 0.13% to 0.25%	Unsecured; no impairment
Cash equivalents	–	40,143,800	63 to 91 days, 1% to 1.13%	Unsecured; no impairment
AFS equity securities	–	40,446,259	Common shares	Unsecured; no impairment
Interest income	731,169	–	–	–
Dividend income	510,113	–	–	–
Metrobank Card Corporation (MCC)				
Interest income	1,458,674	–		–
(Forward)				
FMIC				
AFS debt securities	–	20,601,143	5.25 to 7 years, 5.68% to 5.75%	Unsecured; no impairment
Interest income	1,142,500	–	–	–
PS Bank				
Cash in bank	–	12,645,965	On demand, 0.25% to 0.50%	Unsecured; no impairment
Cash equivalents	–	317,417,804	28 to 40 days, 0.75% to 1.75%	Unsecured; no impairment
AFS equity securities	–	7,649,388	Common shares	Unsecured; no impairment
AFS debt securities	–	22,646,855	10 years, 5.50% to 5.75%	Unsecured; no impairment
Interest income	3,389,297	–	–	–
Dividend income	281,228	–	–	–
Global Business Power Corporation (GBPC)				
Losses and claims payable	–	224,214	Due and demandable; non-interest bearing	–
Losses paid	494,479,465	–	–	–
GT Capital Holdings				
AFS equity securities	–	6,600,000	Common shares	Unsecured; no impairment
AFS debt securities	–	19,650,710	10 years, 5.10%	Unsecured; no impairment
Interest income	1,018,740	–	–	–
Dividend income	33,540	–	–	–
Key Management Personnel				
Salaries and wages	46,893,982	–	–	–
Directors' fees and allowance	5,565,833	–	–	–
Other employee benefits	3,841,897	–	–	–

24. Lease commitments

The Company is a party under various leases covering certain offices which have lease terms between one to five years for its branches. In 2016 and 2015, rent expense amounted to ₱22,048,905 and ₱18,733,378, respectively, and is included under "Operating expenses" account in the statements of comprehensive income (see Note 19).

Minimum lease payments due:

	2016	2015
Within one (1) year	**₱15,432,586**	₱13,717,039
More than one (1) year but less than five (5) years	**14,637,508**	14,364,252
	₱30,070,094	₱28,081,291

25. Management of capital, insurance and financial risks

Governance Framework

The Company has established a risk management function with clear terms of reference and with the responsibility for developing policies on market, credit, liquidity, insurance and operational risk. It also supports the effective implementation of policies at the individual business unit levels. The policies define the Company's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, alignment of underwriting and reinsurance strategy to the corporate goals and specify reporting requirements.

Regulatory Framework

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

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

On August 5, 2013, the President of the Philippines approved the Republic Act No. 10607 to be known as the "New Insurance Code" which provides the new capitalization requirements of 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 under the New Insurance Code:

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

On January 13, 2015, the IC issued Circular Letter (CL) No. 2015-02-A which provides for the clarification of minimum capital requirements under Sections 194, 197, 200 and 289 of the New Insurance Code. The said circular supersedes the Department Order Nos. 27-06 and 15-2012 and CL Nos. 22-2008 and 26-2008.

As of December 31, 2016, the Company's estimated statutory net worth amounted to ₱1,734,188,492 and the Company's net worth as of December 31, 2015 after verification of the Insurance Commission amounted to ₱501,583,496.

The premiums received by the Company from policyholders are properly invested not only to provide for policy obligations but also to serve as capital or surplus to provide margin of safety which will attract insurance buyers.

The funds invested shall produce an investment income that will be needed to pay stockholders a fair return. While part of this income are due to favorable loss experience and sound cost management, a major portion of additional profits must be earned by managing the investment portfolio to produce a higher return on investment. While there may be a wide range of investment opportunities, the investment portfolio must always reflect the safety of the funds.

Since these funds are held in fiduciary capacity, the New Insurance Code contains investment provisions that the Company should observe to protect the interest of the policyholders and of the stockholders.

The three (3) general classifications of investment requirements are:

1. Capital Investments - The Company must invest at least 25% of its minimum net worth in bonds or other evidences of debt of the Government of the Philippines or its political subdivisions or in government-owned or controlled corporations and entities, including the Bangko Sentral ng Pilipinas.

   Furthermore, investments shall at all times be maintained free from any lien or encumbrance and shall be deposited and held by the Commissioner of the IC for the benefit and security of the policyholders.

2. Reserve Investment - The Company must invest 100% of the Reserve for unearned premiums and Reserve funds withheld for authorized reinsurer in common or preferred stocks and government or private bonds, real estate and real estate loans, collateral loans, adequately secured obligations and other securities as may be approved by the Commissioner.

3. Surplus Investment - After complying with the capital and reserve investment requirements, the Company may invest any portion of its funds, representing earned surplus in stocks, bonds, real estate, equities of other financial institutions, engaged in the buying and selling of short term debt instruments, securities issued by registered enterprises under Executive Order No. 226, otherwise known as the Omnibus Investments Code of 1987.

Section 201 of the New Insurance Code provides that a domestic nonlife insurance company shall declare or distribute dividends on its outstanding capital stock only from profits remaining on hand after retaining unimpaired:

- the entire paid-up capital stock;
- the solvency requirements;

- the legal reserve fund required; and
- a sum sufficient to pay all net losses reported or in the course of settlement and all liabilities for expenses and taxes.

Unimpaired capital requirement
IC CL No. 2015-02-A says that all domestic life and non-life insurance companies duly licensed by the Insurance Commission must have a networth of at least Two hundred and fifty million pesos (₱250,000,000) by December 31, 2013 and the minimum networth of these companies shall remain unimpaired at all times.

As of December 31, 2016 and 2015, the Company has complied with the unimpaired capital requirement.

Risk-based Capital Requirements
IMC No. 7-2006 provides for the RBC framework for the non-life insurance industry to establish the required amounts of capital to be maintained by the companies in relation to their investment and insurance risks. Every non-life insurance company is annually required to maintain a minimum RBC ratio of 100% and not fail the trend test. Failure to meet the minimum RBC ratio shall subject the insurance company to the corresponding regulatory intervention which has been defined at various levels.

The RBC ratio shall be calculated as net worth divided by the RBC requirement. Net worth shall include the company's paid-up capital, contributed and contingency surplus and unassigned surplus. Revaluation and fluctuation reserve accounts shall form part of net worth only to the extent authorized by the IC.

The following table shows how the RBC ratio as of December 31, 2016 and 2015 was determined by the Company:

	2016	2015
Net worth	**₱1,734,188,492**	₱501,583,496
RBC requirement	**1,388,683,888**	1,396,656,562
RBC Ratio	**125%**	36%

The final amount of the 2016 RBC ratio can be determined only after the accounts of the Company have been examined by the IC. The 2015 RBC ratio was determined final during the examination made by the IC.

New regulatory framework
Pursuant to the powers vested in the Insurance Commissioner by Sections 189, 200, 437 and 438 of Republic Act (RA) No. 10607, otherwise known as the Insurance Code, as amended, the following regulatory requirements and actions for the new regulatory framework are hereby adopted and promulgated:

Circular Letter No. 2016-65, *Financial Reporting Framework under Section 189 of the Amended Insurance Code (Republic Act No. 10607)*, prescribes the new financial reporting framework (FRF) that will be used for the statutory quarterly and annual reporting. This also includes rules and regulations concerning Titles III and IV of Chapter III of the Amended Insurance Code and all other accounts not discussed in the Amended Insurance Code but are used in accounting of insurance and reinsurance companies.

Circular Letter 2016-67, *Valuation Standards for Non-life Insurance Policy Reserves*, prescribes the new valuation methodology for the non-life insurance companies. Non-life insurance companies will be changing the basis of valuation of their non-life insurance reserves. In addition to the unearned premium reserves, the concept of unexpired risk reserves is also included in the calculation of the premium liability. The incurred but not reported (IBNR) reserves will now be computed using actuarial projection techniques such as but not limited to the chain ladder method, expected loss ratio method and Bornheutter-Ferguson method. A margin for adverse deviation is estimated based on standard projection techniques or combination of such techniques, such as but not limited to the Mack Method, Bootstrapping Method, Stochastic Chain Ladder Method to bring the actuarial estimate of the Policy Liabilities at the 75th percentile level of sufficiency. Discount rates to be used shall be current risk-free rates. The rates shall exactly match the duration of the policy and the currency of the cash flows and shall be prescribed by the Insurance Commission.

Circular Letter No. 2016-68, *Amended Risk-Based Capital (RBC2) Framework*, prescribes that all insurance companies must satisfy the minimum statutory RBC ratio of 100% and not fail the Trend Test as stated under Section 3 of this Circular. The RBC ratio of an insurance company shall be equal to the Total Available Capital (TAC) divided by the RBC requirement.

Implementation requirements and transition accounting
Circular Letter No. 2016-69, *Implementation Requirements for Financial Reporting, Valuation Standards for Insurance Policy Reserves and Amended Risk-based Capital Framework*. The new regulatory requirements under circular letters 2016-65, 2016-67, 2016-68 and 2016-69 shall take effect beginning January 1, 2017.

Circular Letter No. 2017-15, *Regulatory Requirements and Actions for the New Regulatory Framework*. The cumulative prior year impact of the changes arising from the adoption of the New Financial Reporting Framework, including the revaluation of the reserves for Claims and Premiums Liabilities computed based on the new valuation standards for non-life insurance policy reserves as provided under CL No. 2016-67, shall be recognized in Retained Earnings – Transition Adjustments account. All changes in valuation shall be measured net of any tax effect.

Insurance Risk
The risk under insurance contracts is the possibility of occurrence of insured event and uncertainty of the amount and timing of resulting claims. The principal risk the Company faces under such contracts is that the actual claims exceed the carrying amount of insurance liabilities. This could occur due to any of the following:

Occurrence risk - the possibility that the number of insured events will differ from those expected.

Severity risk - the possibility that the cost of the events will differ from those expected.

Development risk - the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period.

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

The business of the Company comprises short-term nonlife insurance contracts. For general insurance contracts, claims are often affected by natural disasters, calamities, terrorist attacks, etc.

These risks currently do not vary significantly in relation to the location of the risk insured by the Company whilst undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

The Company has an objective to control and minimize insurance risk, to reduce volatility of operating profits. The Company manages insurance risk through the following mechanisms:

The use and maintenance of management information systems that provide up-to-date, accurate and reliable data on risk exposure at any point in time.

Guidelines are issued for concluding insurance contracts and assuming insurance risks. Pro-active claims handling procedures are followed to investigate and adjust claims thereby preventing settlement of dubious or fraudulent claims.

Reinsurance is used to limit the Company's exposure to large claims by placing risk with reinsurers providing high security.

Diversification is accomplished by achieving sufficiently large population of risks to reduce the variability of the expected outcome. The diversification strategy seeks to ensure that underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

Reinsurance

The Company limits its exposure to loss within insurance operations through participation in reinsurance arrangements. The majority of the business ceded is placed on a quota-share basis with retention limits varying by product line and territory. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the statement of financial position as reinsurance assets. Even though the Company may have reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus, a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

The Company is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any reinsurance contract.

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

	2016			2015		
	Gross Liabilities	**Reinsurers' Share of Liabilities**	**Net Liabilities**	Gross Liabilities	Reinsurers' Share of Liabilities	Net Liabilities
Fire	**₱1,849,392,606**	**₱942,896,190**	**₱906,496,416**	₱1,866,992,570	₱1,326,685,933	₱540,306,637
Engineering	**122,897,620**	**117,209,346**	**5,688,274**	63,602,820	60,644,691	2,958,129
Bonds	**366,957,206**	**340,711,451**	**26,245,755**	565,508,604	519,530,942	45,977,662
Motorcar	**430,009,940**	**8,155,391**	**421,854,549**	221,645,367	12,348,446	209,296,921
Marine	**383,237,126**	**356,861,176**	**26,375,950**	197,226,466	173,693,161	23,533,305
Accident	**20,831,347**	**3,692,211**	**17,139,136**	5,390,841	3,234,423	2,156,418
Casualty	**77,492,169**	**66,113,340**	**11,378,829**	30,237,040	17,070,754	13,166,286
	₱3,250,818,014	**₱1,835,639,105**	**₱1,415,178,909**	₱2,950,603,708	₱2,113,208,350	₱837,395,358

Terms and Conditions

The major classes of general insurance written by the Company include motor, fire and marine 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 includes 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 (decrease) in gross liabilities**	**Increase (decrease) in net liabilities**	**Increase (decrease) in profit before tax**	**Increase (decrease) in equity**
Average claim cost	**-31.89%**	**(₱1,036,601,559)**	**(₱451,263,853)**	**₱451,263,853**	**₱315,884,697**
Average number of claims	**43.21%**	**1,404,527,441**	**611,433,062**	**(611,433,062)**	**(428,003,143)**

December 31, 2015

	Change in assumptions	Increase (decrease) in gross liabilities	Increase (decrease) in net liabilities	Increase (decrease) in profit before tax	Increase (decrease) in equity
Average claim cost	-32.58%	(₱961,306,688)	(₱272,823,408)	₱272,823,408	₱190,976,386
Average number of claims	23.63%	697,227,656	197,876,523	(197,876,523)	(138,513,566)

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, engineering, bonds, motorcar, marine, personal accident and casualty lines.

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.

Gross general insurance contract liabilities for 2016

Accident year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
Estimate of ultimate claims costs:											
At the end of accident year	₱112,023,658	₱272,804,471	₱502,246,878	₱200,777,912	₱7,702,069	₱27,050,423	₱63,904,928	₱60,078,299	₱422,687,611	₱1,581,541,761	₱1,581,541,761
One year later	14,342,617	273,376,521	620,323,664	204,882,155	15,532,977	51,847,917	262,310,584	253,095,456	1,067,797,484	–	1,067,797,484
Two years later	14,350,110	272,400,068	650,005,302	201,477,320	16,715,698	105,508,279	1,258,967,585	959,132,410	–	–	959,132,410
Three years later	15,826,932	275,272,588	1,162,156,254	203,271,559	25,088,497	575,796,989	2,446,063,101	–	–	–	2,446,063,101
Four years later	7,881,057	280,538,174	721,130,242	230,955,161	301,216,457	968,258,292	–	–	–	–	968,258,292
Five years later	10,271,165	285,883,227	815,778,106	265,937,746	632,923,642	–	–	–	–	–	632,923,642
Six years later	14,155,426	468,277,786	1,061,027,006	578,719,744	–	–	–	–	–	–	578,719,744
Seven years later	149,618,176	1,370,964,318	1,814,647,121	–	–	–	–	–	–	–	1,814,647,121
Eight years later	87,940,818	1,347,299,597	–	–	–	–	–	–	–	–	1,347,299,597
Nine years later	230,594,504	–	–	–	–	–	–	–	–	–	230,594,504
Current estimate of cumulative claims	230,594,504	1,347,299,597	1,814,647,121	578,719,744	632,923,642	968,258,292	2,446,063,101	959,132,410	1,067,797,484	1,581,541,761	11,626,977,656
Cumulative payments to date	(118,570,846)	(1,074,495,126)	(1,312,400,243)	(377,941,832)	(625,221,573)	(941,207,869)	(2,382,158,173)	(899,054,111)	(645,109,869)	–	(8,376,159,642)
Total gross insurance liabilities included in the statement of financial position (Note 12)	₱112,023,658	₱272,804,471	₱502,246,878	₱200,777,912	₱7,702,069	₱27,050,423	₱63,904,928	₱60,078,299	₱422,687,615	₱1,581,541,761	₱3,250,818,014

Net general insurance contract liabilities for 2016

Accident year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
Estimate of ultimate claims costs:											
At the end of accident year	₱40,681,420	₱7,505,976	₱128,848,637	₱769,024	₱6,651,573	₱18,787,961	₱12,259,860	₱16,886,429	₱104,074,244	₱1,078,713,786	₱1,078,713,786
One year later	13,834,093	193,515	995,780	3,856,772	7,647,313	11,856,371	17,031,867	67,500,522	689,994,026	–	689,994,026
Two years later	13,841,586	215,728	1,080,029	4,350,659	4,843,933	42,318,848	77,657,448	439,456,995	–	–	439,456,995
Three years later	14,366,088	31,531,218	19,241,831	35,732,376	10,259,837	74,530,729	460,892,856	–	–	–	460,892,856
Four years later	6,407,108	33,440,209	22,953,514	55,486,923	49,894,955	344,987,064	–	–	–	–	344,987,064
Five years later	8,773,133	34,567,478	22,907,522	74,948,563	297,444,716	–	–	–	–	–	297,444,716
Six years later	10,312,037	71,970,044	92,917,938	236,023,709	–	–	–	–	–	–	236,023,709
Seven years later	22,593,286	133,743,047	322,590,560	–	–	–	–	–	–	–	322,590,560
Eight years later	39,954,236	292,486,237	–	–	–	–	–	–	–	–	292,486,237
Nine years later	398,495,481	–	–	–	–	–	–	–	–	–	398,495,481
Current estimate of cumulative claims	398,495,481	292,486,237	322,590,560	236,023,709	297,444,716	344,987,064	460,892,856	439,456,995	689,994,026	1,078,713,786	4,561,085,430
Cumulative payments to date	(357,814,061)	(284,980,262)	(193,741,924)	(235,254,685)	(290,793,143)	(326,199,103)	(448,632,996)	(422,570,566)	(585,919,781)	–	(3,145,906,521)
Total net insurance liabilities included in the statement of financial position (Note 12)	₱40,681,420	₱7,505,975	₱128,848,636	₱769,024	₱6,651,573	₱18,787,961	₱12,259,860	₱16,886,429	₱104,074,245	₱1,078,713,786	₱1,415,178,909

Gross general insurance contract liabilities for 2015

Accident year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
Estimate of ultimate claims costs:											
At the end of accident year	₱187,094,334	₱14,342,618	₱273,376,521	₱620,323,664	₱204,882,155	₱15,532,977	₱51,847,917	₱262,310,584	₱253,095,456	₱1,067,797,484	₱1,067,797,484
One year later	188,736,886	14,350,110	272,400,068	650,005,302	201,477,320	16,715,698	105,508,279	1,258,967,585	959,132,410	–	959,132,410
Two years later	220,336,966	15,826,933	275,272,588	1,162,156,254	203,271,559	25,088,497	575,796,989	2,446,063,101	–	–	2,446,063,101
Three years later	246,655,214	7,881,057	280,538,174	721,130,242	230,955,161	301,216,457	968,258,292	–	–	–	968,258,292
Four years later	251,456,114	10,271,165	285,883,227	815,778,106	265,937,746	632,923,642	–	–	–	–	632,923,642
Five years later	68,096,885	14,155,426	468,277,786	1,061,027,006	578,719,744	–	–	–	–	–	578,719,744
Six years later	91,753,579	149,618,176	1,370,964,318	1,814,647,121	–	–	–	–	–	–	1,814,647,121
Seven years later	130,680,859	87,940,818	1,347,299,597	–	–	–	–	–	–	–	1,347,299,597
Eight years later	300,585,290	230,594,504	–	–	–	–	–	–	–	–	230,594,504
Nine years later	1,439,908,480	–	–	–	–	–	–	–	–	–	1,439,908,480
Current estimate of cumulative claims	1,439,908,480	230,594,504	1,347,299,597	1,814,647,121	578,719,744	632,923,642	968,258,292	2,446,063,101	959,132,410	1,067,797,484	11,485,344,375
Cumulative payments to date	(1,252,814,146)	(216,251,886)	(1,073,923,076)	(1,194,323,457)	(373,837,589)	(617,390,664)	(916,410,376)	(2,183,752,517)	(706,036,954)	–	(8,534,740,665)
Total gross insurance liabilities included in the statement of financial position (Note 12)	₱187,094,334	₱14,342,618	₱273,376,521	₱620,323,664	₱204,882,155	₱15,532,978	₱51,847,916	₱262,310,584	₱253,095,456	₱1,067,797,484	₱2,950,603,710

Net general insurance contract liabilities for 2015

Accident year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
Estimate of ultimate claims costs:											
At the end of accident year	₱24,485,099	₱13,834,093	₱193,515	₱995,780	₱3,856,772	₱7,647,313	₱11,856,371	₱17,031,867	₱67,500,522	₱689,994,026	₱689,994,026
One year later	24,649,567	13,841,586	215,728	1,080,029	4,350,659	4,843,933	42,318,848	77,657,448	439,456,995	–	439,456,995
Two years later	54,876,075	14,366,088	31,531,218	19,241,831	35,732,376	10,259,837	74,530,729	460,892,856	–	–	460,892,856
Three years later	49,874,016	6,407,108	33,440,209	22,953,514	55,486,923	49,894,955	344,987,064	–	–	–	344,987,064
Four years later	46,806,196	8,773,133	34,567,478	22,907,522	74,948,563	297,444,716	–	–	–	–	297,444,716
Five years later	36,010,872	10,312,037	71,970,044	92,917,938	236,023,709	–	–	–	–	–	236,023,709
Six years later	40,690,447	22,593,286	133,743,047	322,590,560	–	–	–	–	–	–	322,590,560
Seven years later	44,241,855	39,954,236	292,486,237	–	–	–	–	–	–	–	292,486,237
Eight years later	96,848,854	171,481,705	–	–	–	–	–	–	–	–	171,481,705
Nine years later	442,361,268	–	–	–	–	–	–	–	–	–	442,361,268
Current estimate of cumulative claims	442,361,268	171,481,705	292,486,237	322,590,560	236,023,709	297,444,716	344,987,064	460,892,856	439,456,995	689,994,026	3,697,719,136
Cumulative payments to date	(417,876,170)	(157,647,612)	(292,292,722)	(321,594,780)	(232,166,937)	(289,797,403)	(333,130,693)	(443,860,988)	(371,956,473)	–	(2,860,323,778)
Total net insurance liabilities included in the statement of financial position (Note 12)	₱24,485,098	₱13,834,093	₱193,515	₱995,780	₱3,856,772	₱7,647,313	₱11,856,371	₱17,031,868	₱67,500,522	₱689,994,026	₱837,395,358

Financial Instruments

The table below presents the carrying amounts and fair values of the Company's non-derivative financial instruments as of December 31, 2016 and 2015.

	2016		2015	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Loans and Receivables				
Cash and cash equivalents	**₱1,507,028,832**	**₱1,507,028,832**	₱894,454,998	₱894,454,998
Short-term investments	**2,000,000**	**2,000,000**	2,000,000	2,000,000
Insurance receivables - net	**1,658,080,506**	**1,658,080,506**	1,781,562,202	1,781,562,202
Loans and receivables:				
Accounts receivable - net	**14,562,253**	**14,562,253**	27,549,750	27,549,750
Accrued income	**18,496,438**	**18,496,438**	14,656,132	14,656,132
AFS Financial Assets				
Equity securities	**141,298,842**	**141,298,842**	266,654,180	266,654,180
Mutual fund	**–**	**–**	8,932,934	8,932,934
Government debt	**2,554,602,199**	**2,554,602,199**	952,763,300	952,763,300
Private debt	**425,323,092**	**425,323,092**	385,685,904	385,685,904
Total Financial Assets	**₱6,321,392,162**	**₱6,321,392,162**	₱4,334,259,400	₱4,334,259,400
Other Financial Liabilities:				
Provision for claims reported by policyholders and IBNR	**₱3,250,818,014**	**₱3,250,818,014**	₱2,950,603,708	₱2,950,603,708
Insurance payables:				
Due to reinsurers	**729,797,560**	**729,797,560**	270,503,261	270,503,261
Funds held for reinsurers	**83,067,747**	**83,067,747**	91,313,952	91,313,952
Accounts payable and accrued expenses				
Accounts payable	**305,494,867**	**305,494,867**	266,145,028	266,145,028
Commissions payable	**252,696,979**	**252,696,979**	265,198,980	265,198,980
Accrued expenses	**96,014,901**	**96,014,901**	19,092,893	19,092,893
Total Other Financial Liabilities	**₱4,717,890,068**	**₱4,717,890,068**	₱3,862,857,822	₱3,862,857,822

Due to the short-term nature of cash and cash equivalents, short-term investments, insurance receivables, loans and receivables, insurance payables, and accounts payable and accrued expenses, their carrying values reasonably approximate fair values at year-end.

The fair value of AFS financial assets 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 reporting date or last trading day as applicable.

The fair value of unquoted equity shares where the fair value is not reasonably determinable due to the unpredictable nature of cash flows and the lack of suitable method at arriving at a reliable fair value are carried at cost.

Fair Value Hierarchy

The Company classifies its financial assets and property and equipment at fair value as follows:

December 31, 2016

	Date of valuation	Quoted in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value:					
AFS financial assets					
Government debt securities	**December 31**	**₱2,554,602,199**	**₱–**	**₱–**	**₱2,554,602,199**
Private debt securities	**December 31**	**162,371,489**	**262,951,603**	**–**	**425,323,092**
Quoted equity securities:					
Common shares	**December 31**	**43,487,192**	**–**	**–**	**43,487,192**
Preferred shares	**December 31**	**34,575,000**	**–**	**–**	**34,575,000**
Club shares	**December 31**	**63,180,000**	**–**	**–**	**63,180,000**
Property and equipment:					
Real estate properties	**January 30, 2017**	**–**	**–**	**150,448,141**	**150,448,141**
Total		**₱2,858,215,880**	**₱262,951,603**	**₱150,448,141**	**₱3,271,615,624**

December 31, 2015

	Date of valuation	Quoted in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value:					
AFS financial assets					
Government debt securities	December 31	₱508,267,169	₱444,496,131	₱–	₱952,763,300
Private debt securities	December 31	385,685,904	–	–	385,685,904
Quoted equity securities:					
Common shares	December 31	174,984,530	–	–	174,984,530
Preferred shares	December 31	33,533,000	–	–	33,533,000
Club shares	December 31	58,080,000	–	–	58,080,000
Mutual fund	December 31	8,932,934	–	–	8,932,934
Property and equipment:					
Real estate properties	January 15, 2016	–	–	143,230,390	143,230,390
Total		₱1,169,483,537	₱444,496,131	₱143,230,390	₱1,757,210,058

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

Level 1: quoted (unadjusted prices) in active markets for identical assets and liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

As of December 31, 2016 and 2015, the Company classifies AFS financial assets under Level 1 and 2 of the fair value hierarchy.

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 is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are credit risk, liquidity risk and market risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Company primarily faces due to the nature of its investments and liabilities are credit risk, liquidity risk and interest rate risk.

The Company's objectives in managing exposure to financial risks include providing financial security to policyholders, ensure prompt payment of its obligations and to provide owners with a satisfactory return on their investments.

To ensure that these objectives are met, the Company's policies and procedures require monitoring of financial risks by the Comptroller and regularly reviewed by the BOD.

Credit risk

Credit risk is a risk due to uncertainty in a counterparty's (also called an obligor) ability to meet its obligation.

Management has established a credit control policy, which provides for terms of business and credit reference criteria. The policy requires that financial references are obtained for each agent and broker when credit is given. Credit terms are set for the counterparty but these are withdrawn or restricted when these are breached. Any deviation from the policy requires justification subject to approval by the management.

The Company's procedures provide for the monitoring of the counterparty's ability to meet its obligations through regular review of each account. Statements of accounts with covering letter are regularly sent to agents and brokers reminding them of their outstanding balances and to follow up payment. Reconciliation of accounts is also done on a regular basis.

The credit control policy is regularly reviewed by the management and amended as necessary.

For cash and cash equivalents and investments, the Company considers the safety of the investment, yield or income, liquidity, diversification, capital growth and appreciation.
The following are the acceptable instruments set up by the Investment Committee in order of priority:

1. Government securities
2. Special savings accounts/ bank promissory notes
3. Commercial papers with credit rating of two (2) for short term and B for long term
4. Preferred and common stocks (blue chip stocks only)

The table below shows the maximum exposure to credit risk for the components of its statement of financial position:

	2016	2015
Cash and cash equivalents (excluding cash on hand)	**₱1,506,543,861**	₱894,006,292
Short-term investments	**2,000,000**	2,000,000
Insurance receivables	**1,658,080,506**	1,781,562,202
Financial assets:		
AFS financial assets		
Quoted equity securities	**141,242,192**	266,597,530
Unquoted equity securities	**56,650**	56,650
Mutual fund	–	8,932,934
Quoted debt securities	**2,979,925,291**	1,338,449,204
Loans and receivables	**33,058,691**	42,205,882
	₱6,320,907,191	₱4,333,810,694

The Company does not hold any collateral held as security and other credit enhancements on its financial assets as of December 31, 2016 and 2015. Therefore, the Company's maximum exposure to credit risk is equal to the carrying amount of its financial assets as of December 31, 2016 and 2015.

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	
	Investment Grade	Satisfactory	or Impaired	Total
Cash and cash equivalents	₱1,119,230,544	₱387,313,317	₱–	₱1,506,543,861
Short-term investments	2,000,000	–	–	2,000,000
Insurance receivables:				
Premiums receivable and agents' balances	–	843,298,111	313,821,929	1,157,120,040
Reinsurance recoverable on paid losses	361,610,700	14,049,218	155,000,276	530,660,194
Due from ceding companies	–	36,208,870	40,414,827	76,623,697
Bonds recoverable on paid losses	–	–	29,951,572	29,951,572
Funds held by ceding companies	–	14,172,994	–	14,172,994
Financial assets:				
AFS financial assets:				
Quoted equity securities:				
Common shares	31,694,155	7,417	11,785,620	43,487,192
Preferred shares	34,575,000	–	–	34,575,000
Club shares	–	63,000,000	180,000	63,180,000
Unquoted equity securities:				
Common shares	–	35,124	–	35,124
Preferred shares	–	21,526	–	21,526
Government debt securities:				
Local currency	2,510,819,114	–	–	2,510,819,114
Foreign currency	43,783,085	–	–	43,783,085
Private debt securities	415,436,268	9,886,824	–	425,323,092
Loans and receivables:				
Accounts receivable	–	14,562,253	1,871,695	16,433,948
Accrued income	17,866,216	630,222	–	18,496,438
Total	₱4,537,015,082	₱1,383,185,876	₱553,025,919	₱6,473,226,877

December 31, 2015

	Neither Past Due nor Impaired		Past Due	
	Investment Grade	Satisfactory	or Impaired	Total
Cash and cash equivalents	₱687,417,874	₱206,588,418	₱–	₱894,006,292
Short-term investments	–	2,000,000	–	2,000,000
Insurance receivables:				
Premiums receivable and agents' balances	–	850,796,034	212,352,647	1,063,148,681
Reinsurance recoverable on paid losses	340,265,581	15,197,547	295,717,797	651,180,925
Due from ceding companies	–	41,466,740	25,266,171	66,732,911
Bonds recoverable on paid losses	–	423,829	37,100,886	37,524,715
Funds held by ceding companies	–	12,932,711	–	12,932,711
Financial assets:				
AFS financial assets:				
Quoted equity securities:				
Common shares	101,660,384	46,525,711	35,913,975	184,100,070
Preferred shares	33,533,000	–	–	33,533,000
Club shares	–	57,930,000	150,000	58,080,000
Unquoted equity securities:				
Common shares		56,650	–	56,650
Mutual fund	–	8,932,934	–	8,932,934
Government debt securities:				
Local currency	856,406,627	–	–	856,406,627
Foreign currency	81,953,425	–	–	81,953,425
Private debt securities	375,386,162	24,702,990	–	400,089,152
Loans and receivables:				
Accounts receivable	–	27,549,750	13,593	27,563,343
Accrued income	14,227,456	428,676	–	14,656,132
Total	₱2,490,850,509	₱1,295,531,990	₱606,515,069	₱4,392,897,568

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

Investment grade - This rating class is given to borrowers and counterparties who possess strong to very strong capacity to meet its obligations. These financial assets have the smallest degree of financial risk.

Satisfactory - This rating class is given to borrowers and counterparties who possess above average capacity to meet its obligations.

The tables below show the analysis of age of financial assets that are past due or impaired:

December 31, 2016

	Age analysis of financial assets past-due but not impaired				Total past due but	Past-due	
	1 to 30 days	31 to 60 days	61 to 90 days	over 90 days	not impaired	and impaired	Total
Insurance receivables:							
Premiums receivable and agents' balances	₱96,717,967	₱62,920,768	₱46,779,360	₱82,295,118	₱288,713,213	₱25,108,716	₱313,821,929
Reinsurance recoverable on paid losses	7,033,825	18,149,780	16,197,959	33,726,574	75,108,138	79,892,138	155,000,276
Due from ceding companies	1,619,902	1,075,654	10,717,520	8,655,976	22,069,052	18,345,775	40,414,827
Bonds recoverable on paid losses	–	–	–	2,850,210	2,850,210	27,101,362	29,951,572
AFS financial assets	–	–	–	–	–	7,738,530	7,738,530
Accounts receivable	–	–	–	–	–	1,871,695	1,871,695
Total	₱105,371,694	₱82,146,202	₱73,694,839	₱127,527,878	₱388,740,613	₱160,058,216	₱548,798,829

December 31, 2015

	Age analysis of financial assets past-due but not impaired				Total past due but	Past-due	
	1 to 30 days	31 to 60 days	61 to 90 days	over 90 days	not impaired	and impaired	Total
Insurance receivables:							
Premiums receivable and agents' balances	₱78,409,473	₱55,925,250	₱42,145,001	₱16,198,607	₱192,678,331	₱19,674,316	₱212,352,647
Reinsurance recoverable on paid losses	16,855,562	70,711,234	15,440,019	165,427,557	268,434,372	27,283,425	295,717,797
Due from ceding companies	7,866,386	4,307,270	5,259,530	4,832,985	22,266,171	3,000,000	25,266,171
Bonds recoverable on paid losses	1,415,789	566,782	–	35,118,315	37,100,886	–	37,100,886
AFS financial assets	–	–	–	–	–	36,113,975	36,113,975
Accounts receivable	–	–	–	–	–	13,593	13,593
Total	₱104,547,210	₱131,510,536	₱62,844,550	₱221,577,464	₱520,479,760	₱86,085,309	₱606,565,069

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

Liquidity risk is a risk due to uncertain liquidity. An institution may suffer liquidity problem when its credit rating falls. The Company is also exposed to liquidity risk if markets on which it depends on are subject to loss of liquidity.

It is the Company's objective to develop a plan that will provide a well-balanced cash flow to ensure that enough cash is available to meet its obligations and to fund its operational requirements. A well-managed cash flow statement will yield positive cash balance in compliance to the requirement of the IC.

To meet these objectives, the Company prepares a Cash Flow Plan which entails forecasting and tabulating all significant cash inflows relating to premiums paid by policyholders, interest received from investments and others, and analyzing in detail the timing of expected payments relating to supplies, wages, other expenses, capital expenditure, dividends, tax, and others. Excess funds resulting from a positive cash flows are invested in short term placements and high yielding government securities.

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

December 31, 2016

	No term	Up to a year	1 to 3 years	3 to 5 years	Over 5 years	Total
Cash and cash equivalents	**₱–**	**₱1,507,028,832**	**₱–**	**₱–**	**₱–**	**₱1,507,028,832**
Short-term investments	–	**2,000,000**	–	–	–	**2,000,000**
Insurance receivables	–	**1,633,806,826**	–	–	–	**1,633,806,826**
Financial assets:						
AFS financial assets	**141,298,842**	**198,839,725**	**964,291,043**	**1,145,651,609**	**671,142,914**	**3,121,224,133**
Loans and receivables	–	**33,058,691**	–	–	–	**33,058,691**
Reinsurance assets	–	**2,578,253,068**	–	–	–	**2,578,253,068**
Total financial assets	**₱141,298,842**	**₱5,952,987,142**	**₱964,291,043**	**₱1,145,651,609**	**₱671,142,914**	**₱8,875,371,550**

(Forward)

	No term	Up to a year	1 to 3 years	3 to 5 years	Over 5 years	Total
Provision for claims reported by policyholders and IBNR	**₱–**	**₱3,250,818,014**	**₱–**	**₱–**	**₱–**	**₱3,250,818,014**
Insurance payables	**–**	**788,591,627**	**–**	**–**	**–**	**788,591,627**
Accounts payable and accrued expenses:						
Accounts payable	**–**	**305,494,867**	**–**	**–**	**–**	**305,494,867**
Commissions payable	**–**	**252,696,979**	**–**	**–**	**–**	**252,696,979**
Accrued expenses	**–**	**96,014,901**	**–**	**–**	**–**	**96,014,901**
Total financial liabilities	**₱–**	**₱4,693,616,388**	**₱–**	**₱–**	**₱–**	**₱4,693,616,388**

December 31, 2015

	No term	Up to a year	1 to 3 years	3 to 5 years	Over 5 years	Total
Cash and cash equivalents	₱–	₱894,454,998	₱–	₱–	₱–	₱894,454,998
Short-term investments	–	2,000,000	–	–	–	2,000,000
Insurance receivables	–	1,781,562,202	–	–	–	1,781,562,202
Financial assets:						
AFS financial assets	275,587,114	71,110,890	212,623,645	207,651,381	847,063,288	1,614,036,318
Loans and receivables	–	42,205,882	–	–	–	42,205,882
Reinsurance assets	–	2,113,208,350	–	–	–	2,113,208,350
Total financial assets	₱275,587,114	₱4,904,542,322	₱212,623,645	₱207,651,381	₱847,063,288	₱6,447,467,750
Provision for claims reported by policyholders and IBNR	₱–	₱2,950,603,708	₱–	₱–	₱–	₱2,950,603,708
Insurance payables	–	361,817,213	–	–	–	361,817,213
Accounts payable and accrued expenses:						
Accounts payable	–	266,145,028	–	–	–	266,145,028
Commissions payable	–	265,198,980	–	–	–	265,198,980
Accrued expenses	–	19,092,893	–	–	–	19,092,893
Total financial liabilities	₱–	₱3,862,857,822	₱–	₱–	₱–	₱3,862,857,822

Market risk

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

Market risk is the risk to an institution's financial condition from volatility in the price movements of the assets contained in a portfolio. Market risk represents what the Company would lose from price volatilities. Market risk can be measured as the potential gain or loss in a position or portfolio that is associated with a price movement of a given probability over a specified time horizon.

The Company manages market risk by evenly distributing capital among investment instruments.

The Company structures the levels of market risk it accepts through a sound market risk policy based on specific guidelines set by the Investment Committee. This policy constitutes certain limits on exposure of investments mostly with top-rated banks, which are selected on the basis of the bank's credit ratings, capitalization and quality servicing being rendered to the Company. Also, the said policy includes diversification benchmarks of investment portfolio to different investment types duly approved by the IC, asset allocation and portfolio limit structure.

Moreover, control of relevant market risks can be addressed through compliance reporting of market risk exposures, regular monitoring and review of the Company's investment performance and upcoming investment opportunities for pertinence and changing environment.

Currency risk
The Company's principal transactions are carried out in Philippine peso and its exposure to foreign exchange risk arises primarily with respect to the US Dollar, as it deals with foreign reinsurers in its settlement of its obligations and receipt of any claim reimbursements.

The Company's financial assets are denominated in the same currencies as its insurance liabilities which mitigate the foreign currency exchange rate risk. Thus, the main foreign exchange risk arises from recognized assets and liabilities denominated in currencies other than those in which insurance liabilities are expected to be settled.

The following table summarizes the Company's exposure to foreign currency exchange risk as of December 31, 2016 and 2015:

	2016		2015	
	US$	**PHP**	US$	PHP
Assets				
Cash and cash equivalents	**$948,968**	**₱47,182,688**	$3,681,195	₱173,237,043
AFS financial assets	**1,177,418**	**58,541,235**	2,047,528	96,356,673
Premiums receivable and agents' balances	**3,414,902**	**169,788,932**	1,158,556	54,521,661
	5,541,288	**275,512,855**	6,887,279	324,115,377
Liabilities				
Due to reinsurers	**$2,807,167**	**₱139,572,360**	$987,829	₱46,487,244
	2,807,167	**139,572,360**	987,829	46,487,244
Net exposure	**$2,734,121**	**₱135,940,495**	$5,899,450	₱277,628,133

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	**+6%**	**₱8,156,430**
USD	**-6%**	**(8,156,430)**

December 31, 2015

	Change in variables	Impact on profit before tax Increase (decrease)
USD	+4%	₱11,105,125
USD	-4%	(11,105,125)

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

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 interest rate risk. The Company's fixed rate investments in particular are exposed to fair value interest rate risk.

The Company's market risk policy requires it to manage interest rate risk by investing in fixed rate instruments.

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:

		Maturity				
	Interest Rates	**Within 1 year**	**1-3 years**	**3-5 years**	**Over 5 years**	**Total**
AFS financial assets						
2016	**2.13% - 8.13%**	**₱198,839,725**	**₱964,291,043**	**₱1,145,651,609**	**₱671,142,914**	**₱2,979,925,291**
2015	2.13% - 9.13%	₱71,110,890	₱212,623,645	₱207,651,381	₱847,063,288	₱1,338,449,204

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)**
AFS Debt securities	**+150 basis points**	**(₱131,095,292)**
	–150 basis points	**124,924,896**

December 31, 2015

	Change in variables	Impact on equity Increase (decrease)
AFS Debt securities	+150 basis points	(₱107,744,838)
	–150 basis points	103,719,504

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 investment in mutual fund and 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 investment, diversification plan and limits on investments.

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 changes in fair value of AFS financial assets).

December 31, 2016

	Change in Variable	Impact on equity Increase (decrease)
PSEi	**+2.44%**	**₱2,938,878**
PSEi	**-2.44%**	**(2,938,878)**

December 31, 2015

	Change in Variable	Impact on equity Increase (decrease)
NAVpu	+5.00%	₱446,647
NAVpu	-5.00%	(446,647)

	Change in Variable	Impact on equity Increase (decrease)
PSEi	+5.00%	₱9,330,018
PSEi	-5.00%	(9,330,018)

26. Reconciliation of net income (loss) under PFRS to statutory net income (loss)

The reconciliation of net profit under PFRS and statutory net profit follows:

	2016	2015
PFRS net income (loss)	**(₱1,070,647,035)**	₱42,352,690
Difference in change in reserve for unearned premiums	**(12,385,077)**	74,095,399
Deferred acquisition costs – net	**7,460,156**	(39,446,067)
Statutory net income	**(₱1,075,571,956)**	₱77,002,022

27. Contingent liabilities

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 15-2010

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

a. The Company is a Value-Added Tax (VAT) registered company with output VAT declaration of ₱499,679,104 for the year based on Vatable Sales/Receipts of ₱4,163,992,534. The Company has zero-rated sales amounting to ₱101,894,687.

The amount of input VAT claimed are broken down as follows:

	2016
Balance at January 1	₱–
Current year's purchases/payments :	
Goods other than for resale	40,930,598
Services paid lodged under operating expenses	91,892,357
	132,822,955
Claims for tax credit/refund and other adjustments	3,947,281
Balance at December 31	₱136,770,236

b. The Documentary Stamp Tax (DST) paid on the following transactions are:

Transaction	DST
Policy issuance	₱512,865,739
Other documents	1,921,925

c. Other taxes paid are:

Transaction	Amount	Tax
Premium tax	₱559,515,232	₱11,190,305

d. Details of other taxes, local and national, including real estate taxes, license and permit fees lodged under the "Taxes and licenses" account under "Operating expenses" in the statement of comprehensive income follow:

Local:	
Business license	₱767,093
Real estate taxes	520,345
Communicate tax certificate	11,720
Sub-total	₱1,299,158
National:	
Motor vehicle registration fees	69,467
Registration fees	11,500
Miscellaneous	220,606
Sub-total	₱301,573
Total	₱1,600,731

The Company paid fire service tax amounting to ₱15,911,467.

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

	2016
Expanded withholding taxes	₱99,515,128
Tax on compensation and benefits	47,595,827
Final withholding taxes	3,273,428
Fringe benefit tax	1,093,699
Final withholding VAT	816,121
Total	₱152,294,203

f. The Company has received Letter of Authority (LOA) nos. eLA201100086438 and eLA201200041894 to examine the Company's books of accounts and other accounting records covering the taxable years 2013 and 2014, respectively. The LOA for 2013 and 2014 were received on September 18, 2014 and September 9, 2015, respectively. Both periods are currently under audit.

Moreover, the Company received Final Decision on Disputed Assessment (FDDA) for Deficiency DST for the year 2013 amounting to ₱24,889,179 on January 6, 2017. In reference to the said FDDA, the Company sent a reply letter on January 25, 2017.

g. The Company has not been involved in any tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the Bureau of Internal Revenue.

SGV
Building a better
working world

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ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES**

The Board of Directors and Stockholders
Charter Ping An Insurance Corporation
Ground Floor, Skyland Plaza Building,
Sen. Gil Puyat Avenue,
Makati City

We have audited in accordance with Philippine Standards on Auditing the financial statements of Charter Ping An Insurance Corporation as at and for the years ended December 31, 2016 and 2015 and have issued our report thereon dated February 21, 2017. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules of all effective standards and interpretations under PFRS and reconciliation of retained earnings available for dividend declaration as of December 31, 2016 are the responsibility of the Company's management. These schedules are presented for the purpose of complying with the Securities Regulation Code Rule 68, as Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Bernalette L. Ramos

Bernalette L. Ramos
Partner
CPA Certificate No. 0091096
SEC Accreditation No. 0926-AR-2 (Group A),
June 16, 2016, valid until June 16, 2019
Tax Identification No. 178-486-666
BIR Accreditation No. 08-001998-81-2015,
May 12, 2015, valid until May 11, 2018
PTR No. 5908748, January 3, 2017, Makati City

February 21, 2017

CHARTER PING AN INSURANCE CORPORATION

SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PFRS IN COMPLIANCE WITH SRC RULE 68, AS AMENDED (2011)

DECEMBER 31, 2016

[illegible]		[illegible]	[illegible]	[illegible]
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	First-time Adoption of PFRS – Borrowing Costs			✓
	First-time Adoption of PFRS – Meaning of 'Effective PFRSs'			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Definition of Vesting Conditions			✓
PFRS 3 (Revised)	Business Combinations			✓
	Accounting for Contingent Consideration in a Business Combination			✓
	Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4, Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4	Not Early Adopted		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		

[illegible]		[illegible]	[illegible]	[illegible]
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities			✓
	Servicing Contracts			✓
	Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
	Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)	Not Early Adopted		
PFRS 8	Operating Segments			✓
	Aggregation of Operating Segments and Reconciliation of Total Reportable Segment's Assets to the Entity's Asset			✓
PFRS 9	Financial Instruments	Not Early Adopted		
PFRS 10 (Amended)	Consolidated Financial Statements			✓
	Investment Entities: Applying the Consolidation Exception			✓
	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Not Early Adopted		
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12 (Amended)	Disclosure of Interests in Other Entities			✓
	Investment Entities: Applying the Consolidation Exception			✓
PFRS 13	Fair Value Measurement	✓		
	Short-term Receivables and Payables	✓		
	Portfolio Exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	Not Early Adopted		
PFRS 16	Leases	Not Early Adopted		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Presentation of Financial Statements - Clarification of the Requirements for Comparative Information			✓
	Amendments to PAS 1, Presentation of Financial Statements, Disclosure Initiative			✓
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7, Statement of Cash Flows, Disclosure	Not Early Adopted		

[illegible]		Adopted	Not Adopted	Not Applicable
	Initiative			
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
	Amendments to PAS 12, Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses	Not Early Adopted		
PAS 16	Property, Plant and Equipment	✓		
	Classification of Servicing Equipment			✓
	Revaluation Method – Proportionate Restatement of Accumulated Depreciation			✓
	Amendments to PAS 16, Property, Plant and Equipment and PAS 38, Intangible Assets, Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits (Revised)	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓
	Amendments to PAS 19: Employee Contributions			✓
	Employee Benefits - regional market issue regarding discount rate	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	Effects of Changes in Foreign Exchange Rates	✓		
	Amendment to PAS 21: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Investment Entities			✓
	Amendment to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28, Investment			✓

	Entities: Applying the Consolidation Exception			
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)	Not Early Adopted		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Financial Instruments: Presentation – Tax Effect of Distribution to Holders of Equity Instrument			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓
PAS 33	Earnings per Share			✓
PAS 34	Interim Financial Reporting			✓
	Interim financial reporting and segment information for total assets and liabilities			✓
	Disclosure of information 'elsewhere in the interim financial report'	Not Early Adopted		
PAS 36 (Amended)	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets			✓
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Revaluation Method – Proportionate Restatement of Accumulated Amortization			✓
	Amendments to PAS 16, Property, Plant and Equipment and PAS 38, Intangible Assets, Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓

[illegible]		[illegible]	[illegible]	[illegible]
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
	Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)	Not Early Adopted		
PAS 40	Investment Property			✓
	Description of ancillary services			✓
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓
	Amendments to PAS 40, Investment Property, Transfers of Investment Property	Not Early Adopted		
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 8	*Scope of PFRS 2*			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	*Interim Financial Reporting and Impairment*			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration	Not Early Adopted		
SIC-7	Introduction of the Euro			✓

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

CHARTER PING AN INSURANCE CORPORATION
Ground Floor, Skyland Plaza
Sen. Gil J. Puyat Avenue corner Tindalo Street,
Makati City

Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration
As of December 31, 2016

(Figures based on functional currency audited financial statements)

Unappropriated Retained Earnings, beginning	₱841,884,142
Adjustment:	
Deferred tax assets in previous year's reconciliation	(159,387,422)
Unappropriated Retained Earnings, as adjusted, beginning	682,496,720
Net income based on the face of FS	(1,070,647,035)
Less: Non-actual/unrealized income net of tax	
Equity in net income of associate/joint venture	–
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	–
Unrealized actuarial gain	–
Fair value adjustment (marked-to-market gains)	–
Fair value adjustment of investment property resulting to gain	–
Adjustment due to deviation from PFRS/GAAP - gain	–
Other unrealized gains or adjustments to the Retained Earnings as a result of certain transactions accounted for under the PFRS	–
Provision for deferred tax asset - net	84,699,051
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	4,149,366
Adjustment due to deviation from PFRS/GAAP - loss	–
Fair value adjustment (marked-to-market losses)	–
Loss on fair value adjustment of investment property (after tax)	–
Net income actually earned during the year	(1,151,196,720)
Add (less):	
Dividend declarations during the year	–
Appropriations of Retained Earnings during the year	–
Reversal of appropriations	–
Effects of prior period adjustments	–
Treasury shares	–
TOTAL (DEFICIT), END AVAILABLE FOR DIVIDEND	**(₱468,700,000)**

Note: The Company is subject to the regulatory requirements of the Insurance Commission such as Fixed Capitalization Requirements and Risk-based Capital Requirements.