The First Nationwide Assurance Corporation

Financial Statements
with Supplementary Information by Operation
December 31, 2015 and 2014

and

Independent Auditors' Report

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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 AUDITORS' REPORT

The Stockholders and the Board of Directors
The First Nationwide Assurance Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of The First Nationwide Assurance Corporation, which comprise the statements of financial position as at December 31, 2015 and 2014, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The First Nationwide Assurance Corporation as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

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

The supplementary information required under Revenue Regulations No. 15-2010 for the purpose of filing with the Bureau of Internal Revenue is presented by the management of The First Nationwide Assurance Corporation in a separate schedule. Revenue Regulations No. 15-2010 requires the information to be presented in the notes to financial statements. Such information is not a required part of the basic financial statements. The information is also not required by Securities Regulation Code Rule 68, As Amended (2011). Our opinion on the basic financial statements is not affected by the presentation of the information in a separate schedule.

SYCIP GORRES VELAYO & CO.

Michael C. Sabado
Partner
CPA Certificate No. 89336
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February 27, 2015, valid until February 26, 2018
PTR No. 5321688, January 4, 2016, Makati City

April 12, 2016

THE FIRST NATIONWIDE ASSURANCE CORPORATION
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2015	2014
ASSETS		
Cash and cash equivalents (Notes 4, 27 and 28)	**₱26,227,330**	₱35,516,698
Short-term investments (Notes 5, 27 and 28)	**3,649,184**	4,793,132
Insurance receivables (Notes 6, 27 and 28)	**76,875,171**	57,774,563
Financial assets (Notes 7, 27 and 28)		
Available-for-sale (AFS) financial assets	**583,218,715**	685,201,452
Loans and receivables	**55,638,140**	58,037,137
Accrued income (Notes 7, 24, 27 and 28)	**4,405,556**	4,139,608
Deferred acquisition costs (Note 8)	**9,014,995**	5,508,934
Reinsurance assets (Notes 9, 14 and 27)	**372,843,883**	387,718,610
Investment property - net (Note 10)	**–**	2,290
Property and equipment - net (Note 11)	**20,642,956**	22,795,454
Deferred tax assets - net (Note 22)	**1,923,394**	1,337,554
Other assets (Note 13)	**4,370,412**	5,966,006
	₱1,158,809,736	₱1,268,791,438

LIABILITIES AND EQUITY		
Liabilities		
Insurance contract liabilities (Notes 14 and 27)	**₱514,251,927**	₱479,398,871
Insurance payables (Notes 15, 27 and 28)	**1,928,314**	5,169,259
Accounts payable, accrued expenses and other liabilities (Notes 16, 27 and 28)	**36,434,110**	34,320,607
Deferred reinsurance commissions (Note 8)	**2,015,603**	1,405,677
Net pension obligation (Note 12)	**6,244,677**	4,554,215
Dividends payable (Note 18)	**–**	20,000,000
Income tax payable	**–**	281,365
	560,874,631	545,129,994
Equity		
Capital stock - ₱100 par value (Note 17)	**250,000,000**	250,000,000
Capital in excess of par value	**112,431**	112,431
Contributed surplus	**100,000**	100,000
Revaluation reserve on available-for-sale financial assets	**281,175,302**	422,590,316
Remeasurement loss on pension obligation	**(1,500,160)**	(2,273,573)
Retained earnings (Note 18)	**68,047,532**	53,132,234
	597,935,105	723,661,444
	₱1,158,809,736	₱1,268,791,438

See accompanying Notes to Financial Statements.

THE FIRST NATIONWIDE ASSURANCE CORPORATION
STATEMENTS OF INCOME

	Years Ended December 31	
	2015	2014
INCOME		
Gross premiums earned	**₱146,075,539**	₱151,343,853
Reinsurers' share of gross premiums earned	**(21,707,564)**	(21,442,062)
Net premiums earned (Notes 14 and 19)	**124,367,975**	129,901,791
Investment and other income - net (Note 20)	**29,304,625**	36,633,353
Foreign exchange gain - net	**4,399,403**	413,554
Commission income	**2,959,375**	2,347,673
Total income	**161,031,378**	169,296,371
BENEFITS, CLAIMS AND EXPENSES (Note 14)		
Gross insurance contract benefits and claims paid	**66,783,338**	103,153,218
Reinsurers' share of gross insurance contract benefits and claims paid	**(33,892,442)**	(37,250,628)
Gross change in insurance contract liabilities	**1,448,339**	(2,014,302)
Reinsurers' share of gross change in insurance contract liabilities	**18,645,729**	(3,746,778)
Net insurance contract benefits and claims	**52,984,964**	60,141,510
General and administrative expenses (Note 21)	**70,245,774**	70,095,933
Other underwriting expenses	**20,509,480**	20,020,480
Commission expense	**1,248,404**	1,103,524
Total benefits, claims and other expenses	**144,988,622**	151,361,447
INCOME BEFORE INCOME TAX	**16,042,756**	17,934,924
PROVISION FOR INCOME TAX (Note 22)	**1,127,458**	3,750,954
NET INCOME (Note 25)	**₱14,915,298**	₱14,183,970

See accompanying Notes to Financial Statements.

THE FIRST NATIONWIDE ASSURANCE CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2015	2014
NET INCOME	**₱14,915,298**	₱14,183,970
OTHER COMPREHENSIVE INCOME		
Item that will be reclassified to profit and loss in subsequent periods:		
Change in fair value of available-for-sale financial assets (Note 7)	**(144,472,638)**	24,912,185
Impairment loss transferred to profit and loss (Note 7)	**3,057,624**	–
Item that will be not reclassified to profit and loss in subsequent periods:		
Remeasurement losses on defined benefit obligation, net of tax effect	**773,377**	(143,641)
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱125,726,339)**	₱38,952,514

See accompanying Notes to Financial Statements.

THE FIRST NATIONWIDE ASSURANCE CORPORATION

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

				Other Comprehensive Income			
	Capital Stock (Note 17)	Capital in Excess of Par Value	Contributed Surplus	Revaluation Reserve on Available-for-sale Financial Assets (Note 7)	Remeasurement Loss on Pension Obligation	Retained Earnings (Note 18)	Total
As of January 1, 2015	**₱250,000,000**	**₱112,431**	**₱100,000**	**₱422,590,316**	**(₱2,273,537)**	**₱53,132,234**	**₱723,661,444**
Net income for the year	**–**	**–**	**–**	**–**	**–**	**14,915,298**	**14,915,298**
Other comprehensive income	**–**	**–**	**–**	**(141,415,014)**	**773,377**		**(140,641,637)**
Balance as of December 31, 2015	**₱250,000,000**	**₱112,431**	**₱100,000**	**₱281,175,302**	**(₱1,500,160)**	**₱68,047,532**	**₱597,935,105**
As of January 1, 2014	₱250,000,000	₱112,431	₱100,000	₱397,678,131	(₱2,129,896)	₱58,948,264	₱704,708,930
Net income for the year	–	–	–	–	–	14,183,970	14,183,970
Other comprehensive income	–	–	–	24,912,185	(143,641)	–	24,768,544
Total comprehensive income	–	–	–	24,912,185	(143,641)	14,183,970	38,952,514
Cash dividends	–	–	–	–	–	(20,000,000)	(20,000,000)
Balance as of December 31, 2014	₱250,000,000	₱112,431	₱100,000	₱422,590,316	(₱2,273,537)	₱53,132,234	₱723,661,444

See accompanying Notes to Financial Statements.

THE FIRST NATIONWIDE ASSURANCE CORPORATION
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱16,042,756**	₱17,934,924
Adjustments for:		
Depreciation and amortization (Note 21)	**3,718,592**	4,761,112
Net unrealized foreign exchange gain	**(4,443,458)**	(413,554)
Interest income (Note 20)	**(11,183,852)**	(13,701,614)
Dividend income (Note 20)	**(16,812,864)**	(21,118,900)
Rent income	**(1,850,943)**	(1,762,803)
Gain on sale of AFS financial assets	**(2,514,590)**	–
Impairment loss on AFS financial assets (Note 7)	**3,057,624**	–
Operating loss before working capital changes	**(13,986,735)**	(14,300,835)
Increase (decrease) in:		
Deferred acquisition costs	**(3,506,061)**	772,323
Other assets	**1,595,595**	(1,499,738)
Loans and receivables	**2,398,996**	(1,525,288)
Reinsurance assets	**14,874,726**	(7,682,403)
Insurance receivables	**(19,100,608)**	(7,815,323)
Deferred tax asset		
Increase (decrease) in:		
Accounts payable and accrued expenses	**2,113,504**	4,981,831
Insurance payables	**(3,240,944)**	3,730,243
Deferred reinsurance commissions	**609,926**	749,593
Net pension obligation	**2,463,839**	645,899
Insurance contract liabilities	**34,853,057**	(17,242,464)
Net cash generated from (used in) operations	**19,075,295**	(39,186,162)
Income tax paid	**(1,994,666)**	(2,217,538)
Net cash from (used in) operating activities	**17,080,629**	(41,403,700)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposals or maturities of:		
Long-term commercial papers	–	5,000,000
Short-term investments	**4,793,132**	4,735,861
Available-for-sale financial assets (Note 7)	**25,410,407**	–
Dividends received	**17,034,872**	20,702,372
Interest received	**6,820,984**	12,868,716
Rent Received	**1,843,419**	2,026,749
Acquisitions of:		
Property and equipment (Note 11)	**(1,563,804)**	(487,305)
Short-term investments	**(3,649,184)**	(4,793,132)
Available-for-sale financial assets	**(56,516,790)**	–
Net cash provided by (used in) investing activities	**(5,826,964)**	40,053,261

(Forward)

CASH FLOWS FROM FINANCING ACTIVITY		
Payment of dividends (Note 18)	**(₱20,000,000)**	₱–
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(543,033)**	(1,539)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(9,289,368)**	(1,351,978)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**35,516,698**	36,868,676
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱26,227,330**	₱35,516,698

See accompanying Notes to Financial Statements.

THE FIRST NATIONWIDE ASSURANCE CORPORATION
SUPPLEMENTARY INFORMATION BY OPERATION

	Years Ended December 31				
	Fire	Motorcar	Miscellaneous Casualty	2015 Total	2014
UNDERWRITING INCOME					
Net insurance premiums earned (Note 19)	**₱28,665,350**	**₱78,809,348**	**₱16,893,277**	**₱124,367,975**	₱129,901,791
Commission income	**2,271,402**	**388,461**	**299,512**	**2,959,375**	2,347,673
	30,936,752	**79,197,809**	**17,192,789**	**127,327,350**	132,249,464
UNDERWRITING DEDUCTIONS					
Commission expense	**–**	**463,111**	**785,293**	**1,248,404**	1,103,524
Net insurance benefits and claims (Notes 14)	**5,574,443**	**43,969,512**	**3,441,009**	**52,984,964**	60,141,510
Other underwriting expenses	**6,392,229**	**7,510,309**	**6,606,942**	**20,509,480**	20,020,480
	11,966,672	**51,942,932**	**10,833,244**	**74,742,848**	81,265,514
NET UNDERWRITING INCOME	**18,970,080**	**27,254,877**	**6,359,545**	**52,584,502**	50,983,950
INVESTMENT AND OTHER INCOME - Net (Note 20)				**29,304,625**	36,633,353
FOREIGN EXCHANGE GAIN - Net				**4,399,403**	413,554
NET UNDERWRITING AND INVESTMENT INCOME				**86,288,530**	88,030,857
GENERAL AND ADMINISTRATIVE EXPENSES (Note 21)				**70,245,774**	70,095,933
INCOME BEFORE INCOME TAX				**16,042,756**	17,934,924
PROVISION FOR INCOME TAX (Note 22)				**1,127,458**	3,750,954
NET INCOME (Note 25)				**₱14,915,298**	₱14,183,970

THE FIRST NATIONWIDE ASSURANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

The First Nationwide Assurance Corporation (the Company) is 54.7% owned by Malayan Insurance Co., Inc. (MICO) and 45.3% owned by MICO Equities, Inc. (MEI). The Company's ultimate parent is Pan Malayan Management and Investment Corporation (PMMIC). The Company was incorporated in the Philippines to engage in nonlife insurance business dealing with all kinds of insurance such as fire, marine, motor car, personal accident, miscellaneous casualty and bonds, except life insurance, and to act as agent of other insurance or surety companies in any of the branches of insurance, including life insurance.

The Company was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on June 11, 1965. On July 31, 2012, SEC approved the Amended Articles of Incorporation of the Company whereby the period during which the Company is to exist is fifty (50) years from and after June 11, 2015.

The registered office address of the Company is 4th Floor, Y Tower II, L. P. Leviste corner Gallardo Street, Salcedo Village, Makati City.

The accompanying financial statements were approved and authorized for issue by the Board of Directors (BOD) of the Company on April 12, 2016.

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 that have been measured at fair value. The financial statements are presented in Philippine Peso (₱), which is also the Company's functional currency. All amounts are rounded off to the nearest peso, unless otherwise indicated.

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

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial years except for the adoption of the following new and amended PFRS and Philippine Interpretations of International Financial Reporting Interpretation Committee (IFRIC) interpretations which became effective beginning January 1, 2015. Except as otherwise stated, the adoption of these new and amended standards and Philippine Interpretations did not have any impact on the financial statements.

Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)
These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The amendments must be applied retrospectively, subject to certain transition relief. The amendments had no financial impact on the Company's financial statements.

PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. The amendments affected the presentation only and had no impact on the Company's financial position or performance.

PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments had no impact as the Company had no novation of derivatives during the current or prior periods.

PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. The application of these amendments had no material impact on the disclosure in the Company's financial statements.

Philippine Interpretation IFRIC 21, *Levies*
IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation had no impact on the Company as it has applied the recognition principles under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, consistent with the requirements of IFRIC 21 in prior years.

Annual Improvements to PFRSs (2010-2012 cycle)
In the 2010 - 2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13, *Fair Value Measurement*. The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment had no impact on the Company.

Annual Improvements to PFRSs (2011-2013 cycle)
In the 2011 - 2013 annual improvements cycle, four amendments to four standards were issued, which included an amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards-First-time Adoption of PFRS*. The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment had no impact on the Company as it is not a first time PFRS adopter.

<u>Standards Issued but not yet Effective</u>
The Company has not applied the following PFRS and Philippine Interpretations which are not yet effective as of December 31, 2014. This list consists of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to

adopt those standards when they become effective. The Company does not expect the adoption of these standards to have a significant impact in the financial statements, unless otherwise stated.
Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The Securities and Exchange Commission and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Company.

Effective January 1, 2016
PFRS 10, *Consolidated Financial Statements, and PAS 28, Investments in Associates and Joint Ventures* - Investment Entities: Applying the Consolidation Exception (Amendments)
These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value and that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture), when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments are effective for annual periods beginning on or after January 1, 2016. These amendments are not applicable to the Company since it does not have investment entity associates or joint venture.

PAS 27, *Separate Financial Statements* - Equity Method in Separate Financial Statements (Amendments)
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. It is not expected that this amendment would be relevant to the Company.

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

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company.

PAS 1, *Presentation of Financial Statements* - Disclosure Initiative (Amendments)
The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following:

- That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
- That specific line items in the statement of income and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Early application is permitted and entities do not need to disclose that fact as the amendments are considered to be clarifications that do not affect an entity's accounting policies or accounting estimates. The Company is currently assessing the impact of these amendments on its financial statements.

PFRS 14, *Regulatory Deferral Accounts*
PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of income and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Company is an existing PFRS preparer, this standard would not apply.

PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture* - Bearer Plants
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS *20 Accounting for Government Grants and Disclosure of Government Assistance* will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company as it does not have any bearer plants.

PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets* - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)
The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company.

Annual Improvements to PFRSs (2012-2014 cycle)
The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual period beginning on or after January 1, 2016 and are not expected to have a material impact on the Company. They include:

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

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

PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

PAS 19, *Employee Benefits - regional market issue regarding discount rate*
This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

PAS 34, *Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report'*
The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective January 1, 2018

PFRS 9, *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments*. The new standard (renamed as 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. Early application of previous versions of PFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. The Company did not early adopt PFRS 9. 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 Company is currently assessing the impact of adopting this standard.

The following new standards issued by the IASB have not yet been adopted by the FRSC

International Financial Reporting Standard (IFRS) 15*, Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 by the International Accounting Standards Board (IASB) and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

IFRS 16, *Leases*

On January 13, 2016, the IASB issued its new standard, IFRS 16, *Leases,* which replaces International Accounting Standards (IAS) 17, the current leases standard, and the related Interpretations.

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. 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 IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15, *Revenue from Contracts with Customers*. When adopting IFRS 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 PFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

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

Foreign Currency Transactions and Translations
The functional and presentation currency of the Company is the Philippine Peso (₱). Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of the reporting period. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. All foreign exchange differences are taken to the statement of income, except where it relates to equity securities where gains or losses are recognized directly in other comprehensive income.

Product Classification
Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has a 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, financial instrument price, foreign exchange rate, index of price or rates, a credit rating or credit index, or other variable.

Investment contracts mainly transfer significant 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 instruments at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost and non-financial assets such as investment property carried at cost are disclosed in Note 28.

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

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

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

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

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 statement 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) and at the end of each reporting period.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of placements and are subject to an insignificant risk of changes in value.

Short-term Investments
Short-term investments are investments with terms of more than three months but less than one year from dates of placements.

Insurance Receivables
Premiums receivable and due from ceding companies 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 amortised cost,

using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of income.

Insurance receivables are derecognized following 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. Except for financial instruments at fair value through profit or loss (FVPL), the initial measurement of financial instruments includes transaction costs. The Company classifies its financial assets in the following categories: AFS financial assets and loans and receivables. The Company classifies its financial liabilities into 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 date.

Embedded derivatives

An embedded derivative is a component of a hybrid (combined) instrument that also includes non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to stand-alone derivative.

Embedded derivatives are bifurcated from their host contracts, when the following conditions are met:

a) the entire hybrid contracts (composed of both the host contract and the embedded derivative) are not accounted for as financial assets and liabilities at FVPL;
b) when their economic risks and characteristics are not closely related to those of their respective host contracts; and
c) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

The Company assesses whether embedded derivatives are required to be separated from the host contract when it first becomes party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

'Day 1' difference

Where the transaction price in a non-active market is different from the fair value based on other observable current market transactions on the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the statement of income unless it qualifies for recognition as some other type of asset. In cases where an unobservable data is used the difference between the transaction price and model value is recognized in the statement of income only 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.

AFS financial assets
AFS investments are those which are designated as such or do not qualify to be classified as designated at FVPL, held-to-maturity (HTM) or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS investments are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in the statement of income. Interest earned on holding AFS investments are reported as interest income using the effective interest rate.

Dividends earned on holding AFS investments are recognized in the profit and 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 the equity section of the statement of financial position. The losses arising from impairment of such investments are recognized in the statement of income. When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized as realized gains or losses in the statement of income.

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

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 designated as AFS Financial assets or Financial assets at FVPL. This accounting policy relates to the statement of financial position captions: (a) "Cash and cash equivalents", (b) "Short-term investments" (c) "Insurance Receivables", (d) "Loans and receivables" and (e) "Accrued Income".

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in Interest income in the statement of income. The losses arising from impairment of such loans and receivables are recognized in the statement of income.

Other financial liabilities
Issued financial instruments or their components, which are not designated at FVPL are classified as other financial liabilities where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the 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 income.

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

Impairment of Financial Assets
The Company assesses at each reporting date whether a financial asset or a group of financial assets is impaired. A financial asset or a group of financial asset 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 has an impact, that can be reliably estimated, on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrowers are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or the 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.

Loans and receivables
The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed 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 of impairment.

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 the defaults.

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 is charged to the statement of income. Interest income continues to be recognized based on the original effective interest rate of the asset. Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, 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 the statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

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

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any difference between loss estimates and actual loss experience.

AFS financial assets
For AFS financial assets, the Company assesses at each end of the reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

In the case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of income - is removed from other comprehensive income and recognized in the statement of income. Impairment losses on equity investments are not reversed through the statement of income. Increases in fair value after impairment are recognized directly in other comprehensive income through the statement of 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 using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss and is recorded as part of “Interest income account” in the statement of income. 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 the statement of income, the impairment loss is reversed through the statement of income.

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.

Offsetting of Financial Instruments
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.

Derecognition of Financial Assets and Liabilities

Financial assets

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

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

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

Financial liability

A financial liability is derecognized when the obligation under the liability 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 the statement of income.

Reinsurance

The Company cedes insurance risk in the normal course of business for some all of its businesses. Reinsurance assets include balances recoverable from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the claims provision and are in accordance with the reinsurance contract. Reinsurance recoverable on paid losses are included as part of Insurance receivables.

Reinsurance assets are reviewed for impairment at each end of the reporting date 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. Premiums and claims on assumed reinsurance are recognized as income and expense 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 ceding 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 has 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 cost. 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 Premiums reserve withheld 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. Loss reserve withheld by ceding company is accounted for in the same manner.

Deferred Acquisition Costs (DAC)
Commission and other acquisition costs incurred during the financial period that vary with and are related to securing new insurance contracts and or renewing existing insurance contracts, but which relates to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins. Other acquisition costs include referral fee which is classified under Other underwriting expense. 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. Amortization is charged against the statement of income. The unamortized acquisition costs are shown as Deferred acquisition costs in the Assets section of the statements of financial position.

An impairment review is performed at each end of the reporting date 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 the statement of income. DAC is also considered in the liability adequacy test for each end of the reporting period.

Investment Property
Investment property is measured initially at cost, including transaction costs. Investment property is held to earn rentals rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business.

Investment property consists of a real estate property which is stated at cost less accumulated depreciation and any impairment in value.
Depreciation is computed using the straight-line method over the estimated useful life of the building of 25 years. The estimated useful life and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of investment property.

Investment property is derecognized when either it has been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from their disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner-occupation, commencement of an operating lease to another party or completion of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

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

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

Depreciation is calculated on a straight-line basis over the estimated useful lives of the individually significant components of property and equipment. Leasehold improvements are amortized over the estimated useful lives of the improvements or the terms of the lease, whichever is shorter.

The estimated useful life of the significant components of property and equipment are:

	Years
Building and improvement	7 to 25
Office furniture, fixtures and equipment	2 to 5
Transportation equipment	5
Leasehold improvements	5

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the assets, which is calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in the statement of income in the year the asset is derecognized.

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

Computer software is carried at cost less accumulated amortization. Computer software cost is amortized over the expected useful life of the asset, but not to exceed five (5) years. All computer software components are amortized over five (5) years.

Value-added Tax (VAT)
The input value added tax pertains to the 12% indirect tax paid by the Company in the course of local purchase of goods or services.

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

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

Impairment of Nonfinancial Assets
The Company assesses at each end of the reporting date whether there is an indication that property and equipment, computer software and investment property may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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 reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in 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 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.

Real Estate Properties for Sale
Real estate properties for sale are measured at the lower of cost and net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs to sell. The cost of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property.

Insurance Contract Liabilities
Provision for unearned premiums
The proportion of written premiums, gross of commissions payable to intermediaries, attributable to subsequent periods or to risks that have not yet expired is deferred as provision for unearned premiums. Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method. The portion of the premiums written that relate to the unexpired periods of the policies at the end of reporting dates 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 the statement of income in the 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 reporting date, 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 date. The liability is not discounted for the time value of money. No provision for equalization or catastrophic reserves is recognized. The liability is derecognized when the contract is discharged or is cancelled or has expired.

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

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

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

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.

Capital in Excess of Par Value
Capital in excess of par value is recognized as additional paid-in capital (APIC) when the Company issues shares in excess of par.

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

Retained earnings
Retained earnings include all the accumulated earnings of the Company, net of dividends declared.
Revenue Recognition
Revenue is recognized to the extent that it is probable that economic benefits associated with the transaction 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
Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognized on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior periods.

Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method. The portion of the premiums written that relate to the unexpired periods of the policies at the end of the reporting date 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 related reinsurance premiums ceded that pertains to the unexpired periods at end of reporting date are accounted for as Deferred reinsurance premiums and shown as part of reinsurance assets in the statement of financial position. The net changes in these accounts between the ends of the reporting dates are recognized in the statement of income.

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

Interest income
Interest income is recognized in the statement of income as it accrues, taking into account the effective yield of the asset. Interest income includes the amortization of any discount or premium which is amortized using effective interest method.

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

Rental income
Rental income from investment property under operating leases is recognized in the statement of income on a straight-line basis over the term of the lease.

Benefits and Claims
Gross benefits and claims consist of benefits and claims paid to policyholders and changes in the gross valuation of insurance contract liabilities, except for gross changes in the provision for unearned premiums which are included in net premiums earned. 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.

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date whether the fulfillment of the arrangement is dependent on the use of a specific asset or the arrangement conveys a right to use the asset.

Lease of assets under which the lessor effectively retains all the risks and rewards of ownership is classified as operating lease. Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term.

Other Expenses
Other expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Other expenses are recognized in the statement of income in the period these are incurred.

Foreign Currency-Denominated Transactions and Translation
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 reporting date. Differences arising from translation of monetary assets and liabilities are taken to the statement of income.

Current Tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantially enacted at the end of the reporting date.

Deferred Tax

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefit of the excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward of MCIT and unused NOLCO can be utilized.

The carrying amount of deferred tax assets is reviewed at each end of reporting date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each end of reporting date and are recognized to the extent that it has become probable that future taxable profit will allow all or part of the deferred tax assets to be recovered. 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 reporting date. Movements in the deferred tax assets and liabilities arising from changes in tax rates are charged against or credited to income for the period.

Deferred tax assets and 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.

Provisions

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

Contingencies

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

Events after the Reporting Period

Post year-end events that provide additional information about the Company's position at the end of reporting period (adjusting events) are reflected in the financial statements. Post year-end events that are non-adjusting events are disclosed in the notes to 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
In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

Product classification
The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. As a general guideline, the 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 have significant insurance risks and therefore meet the definition of insurance contracts and should be accounted for as such.

Operating lease commitments - Company as lessor
The Company entered into commercial property leases on its investment property. The Company determined that it retains all the significant risks and rewards of ownership of the property, thus accounts for them as operating lease.

Operating lease commitments - Company as lessee
The Company entered into various property leases with various lessors. The Company determined that the lessors retain all the significant risks and rewards of ownership of the leased properties thus accounts for them as operating leases.

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

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

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

Valuation of insurance contract liabilities
Estimates have to be made both for the expected ultimate cost of claims reported and for the expected ultimate cost of claims IBNR at the end of reporting period. It can take a significant period of time before the ultimate claims cost can be established with certainty. The primary technique adopted by management in estimating the cost of notified and claims IBNR, is that of using past claim settlement trends to predict future claims settlement trends. At each end of the reporting date, prior year claims estimates are assessed for adequacy and changes made are charged to provision. Insurance contract liabilities 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 value of provisions for claims reported and loss adjustment expenses as of December 31, 2015 and 2014 amounted to ₱424.99 million and ₱423.54 million, respectively (Note 14).

Estimation of allowance for impairment losses
The Company maintains allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. 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, and legal opinion on recoverability in case of legal disputes. The Company reviews the age and status of receivables, and identifies accounts that are to be provided with allowances 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 the related asset accounts.

As of December 31, 2015 and 2014, the carrying value of insurance receivables amounted to ₱76.88 million and ₱57.77 million, respectively (Note 6) while the carrying value of loans and receivables amounted to ₱55.64 million and ₱58.04 million, respectively (Note 7). Allowance for impairment losses on insurance receivables amounted to nil as of December 31, 2015 and 2014, respectively (Note 6).

Fair values of financial assets
The Company carries certain financial assets at fair value, which requires extensive use of accounting estimates and judgments. Fair value determinations for financial assets are based generally on listed or quoted market prices. If prices are not readily determinable or if liquidating positions is reasonably expected to affect market prices, fair value is based on either internal valuation models or management's estimate of amounts that could be realized under current

market conditions, assuming an orderly liquidation over a reasonable period of time. While significant components of fair value were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the amount of changes in fair value of these financial assets and liabilities would affect the would affect profit or loss and equity.

The carrying value of AFS financial assets is ₱559.11 million and ₱685.20 million as of December 31, 2015 and 2014, respectively (Note 7).

Impairment of AFS equity financial assets
The Company considers AFS equity financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. The Company treats 'significant' generally as 20% or more and 'prolonged' as greater than six (6) months. In making this judgment, the Company evaluates among other factors, the normal volatility in share price for quoted securities and the future cash flows and the discount factors for unquoted securities. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

As of December 31, 2015 and 2014, the carrying value of AFS equity financial assets amounted to ₱419.10 million and ₱550.26 million, respectively (Note 7). ₱3.06 million and nil of impairment loss on AFS equity financial assets was recognized by the Company in 2015 and 2014, respectively.

Estimation of useful lives of investment property, property and equipment and computer software
The Company reviews annually the estimated useful lives of investment property, property and equipment and computer software 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 investment property, property and equipment and computer software would increase recorded depreciation and amortization expense and decrease the related asset accounts.

The carrying value of investment property as of December 31, 2015 and 2014 amounted to nil and ₱0.002 million, respectively (Note 10). The carrying value of property and equipment amounted to ₱20.64 million and ₱22.80 million, respectively (Note 11).

Impairment of nonfinancial assets
The Company assesses the impairment of its nonfinancial assets (i.e., investment property, property and equipment, and computer software) whenever events or changes in circumstances indicate that the carrying amount of the 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 assets; 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 asset or, if it is not possible, for the cash-generating unit to which the asset belongs.

In 2015 and 2014, the Company has not recognized any impairment losses on its nonfinancial assets.

Recognition of deferred tax assets
Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which these can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized. These assets are periodically reviewed for realization. Periodic reviews cover the nature and amount of deferred income and expense items, expected timing when assets will be used or liabilities will be required to be reported, reliability of historical profitability of businesses expected to provide future earnings and tax planning strategies which can be utilized to increase the likelihood that tax assets will be realized. See Note 22 for the related balances.

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

Due to the long-term nature of this plan, such estimates are subject to significant uncertainty.

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

The carrying value of net pension obligation as of December 31, 2015 and 2014 amounted to ₱6.24 million and ₱4.55 million, respectively (Note 12).

4. Cash and Cash Equivalents

This account consists of:

	2015	2014
Petty cash fund	**₱76,100**	₱76,100
Cash in banks	**26,151,230**	28,921,733
Short-term deposits	–	6,518,865
	₱26,227,330	₱35,516,698

Cash in banks earns interest at the respective bank deposit rates. Short-term deposits pertain to deposits that are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Company, and earn interest with annual rates ranging from 0.50% to 2.125% and 0.75% to 1.25% in 2015 and 2014, respectively.

Interest income earned from cash and cash equivalents amounted to ₱0.20 million and ₱0.22 million in 2015 and 2014, respectively (Note 20).

5. Short-term Investments

This account consists of time deposits with maturity of more than three months but less than one year from date of placement and earns interest with annual rates ranging from 0.85% to 1.50% in 2015 and 2014.

Interest earned on short-term investments amounted to ₱0.06 million and ₱0.03 million in 2015 and 2014, respectively (Note 20).

6. Insurance Receivables

This account consists of:

	2015	2014
Premiums receivable	**₱27,789,974**	₱20,873,092
Premium due from ceding companies - treaty	**2,812,723**	2,284,851
Reinsurance recoverable on paid losses		
Foreign treaty	**26,685,635**	31,394,105
Local facultative	**123,133**	125,713
Local treaty	**17,009,161**	3,071
Loss reserve withheld by ceding company	**2,454,545**	3,093,731
	₱76,875,171	₱57,774,563

The following table shows aging information of insurance receivables:

December 31, 2015

	< 30 days	**30 > 60 days**	**60 > 120 days**	**> 120 days**	**Total**
Premiums receivable	**₱6,333,136**	**₱2,447,238**	**₱ 3,466,024**	**₱15,543,576**	**₱27,789,974**
Due from ceding companies - treaty	**2,812,723**	–	–	–	**2,812,723**
Reinsurance recoverable on paid losses	–	–	–	**43,817,929**	**43,817,929**
Loss reserve withheld by ceding company	–	–	–	**2,454,545**	**2,454,545**
	₱9,145,859	**₱2,447,238**	**₱3,466,024**	**₱61,816,050**	**₱76,875,171**

December 31, 2014

	< 30 days	30 > 60 days	60 > 120 days	> 120 days	Total
Premiums receivable	₱2,891,093	₱3,395,323	₱1,943,505	₱12,643,171	₱20,873,092
Due from ceding companies - treaty	106,055	66,056	751,512	1,361,228	2,284,851
Reinsurance recoverable on paid losses	–	–	959,476	30,563,413	31,522,889
Loss reserve withheld by ceding company	40,060	54,079	135,198	2,864,394	3,093,731
	₱3,037,208	₱3,515,458	₱3,789,691	₱47,432,206	₱57,774,563

As of December 31, 2015 and 2014, the Company has nil allowances on its insurance receivables.

On December 31 2014, the Company has written-off receivables amounting to ₱0.23 million (Note 21).

7. Financial Assets

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

	2015	2014
AFS financial assets	**₱559,114,881**	₱685,201,452
Investment in mutual fund	**24,103,834**	–
Loans and receivables	**55,638,140**	58,037,137
	₱638,856,855	₱743,238,589

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

a) AFS financial assets

This account is detailed as follows:

	2015	2014
Quoted securities - at fair value		
Listed equity securities		
Common shares	**₱407,201,304**	₱538,905,158
Preferred shares	**5,900,000**	5,350,000
Government debt securities		
Local currency	**65,735,236**	69,606,725
Private debt securities		
Foreign currency	**74,278,341**	65,339,569
	553,114,881	679,201,452
Unlisted equity securities	**6,000,000**	6,000,000
Investment in Mutual Fund	**24,103,834**	–
Total AFS financial assets recognized in the statements of financial position	**₱583,218,715**	₱685,201,452

In accordance with the provisions of the Insurance Code (the Code), government securities with face values totaling ₱65.74 million and ₱69.61 million are deposited with the Insurance Commission (IC) as security for the benefit of policyholders and creditors of the Company as of December 31, 2015 and 2014, respectively.

As of December 31, 2015 and 2014, the revaluation reserve on AFS financial assets amounted to ₱281.18 million and ₱422.59 million, respectively.

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

	2015	2014
Balance at beginning of year	**₱685,201,452**	₱659,111,446
Acquisitions	**56,516,790**	–
Net unrealized fair value loss credited to (charged against) other comprehensive income	**(144,472,638)**	24,912,185
Impairment loss on AFS financial assets	**3,057,624**	□
Discount amortization	**3,882,436**	762,728
Net unrealized foreign exchange gains	**4,443,458**	415,093
Disposals and maturities	**(25,410,407)**	–
Balance at end of year	**₱583,218,715**	₱685,201,452

Gains on disposals of AFS financial assets amounted to ₱2.51 million and nil in 2015 and 2014, respectively. Corporate bonds with fair value ₱25.41 million matured on July 2015.

The maturity profile of investments in debt securities both government and private follows:

	2015	2014
Due within one year	**₱43,366,926**	₱–
Due after one year through five years	**53,417,478**	34,946,434
Due after five years through ten years	**43,229,173**	99,999,860
	₱140,013,577	₱134,946,294

The rollforward analysis of the revaluation reserve on AFS financial assets follow:

	2015	2014
Balance at beginning of year	**₱422,590,316**	₱397,678,131
Unrealized fair value gain (loss)	**(144,472,638)**	24,912,185
Impairment on AFS financial assets (Note 20)	**3,057,624**	–
Balance at end of year	**₱281,175,302**	₱422,590,316

b. *Loans and receivables*

This account consists of:

	2015	2014
Long-term commercial papers	**₱53,000,000**	₱53,000,000
Accounts receivable	**1,037,476**	3,574,626
Notes receivable	**1,580,183**	1,405,241
Due from a related party	–	36,789
Security fund	**20,481**	20,481
	₱55,638,140	₱58,037,137

For the terms and conditions on related party transactions, please refer to Note 24.

Interest on long term commercial papers amounted to ₱2,874,423 and ₱3,325,300 in 2015 and 2014, respectively, with annual interest ranging from 5% to 7.2%.

Accrued income consists of:

	2015	2014
Accrued interest income	**₱3,891,023**	₱3,410,591
Accrued rent income	**158,007**	150,483
Accrued dividend income	**356,526**	578,534
	₱4,405,556	₱4,139,608

8. **Deferred Acquisition Costs** - Net

The details of deferred acquisition costs net of deferred reinsurance commissions follow:

	2015	2014
Deferred acquisition costs		
Balance at beginning of year	**₱5,508,934**	₱6,281,257
Cost incurred during the year	**14,062,352**	12,573,917
Amortization during the year	**(10,556,291)**	(13,346,240)
Balance at end of year	**9,014,995**	5,508,934
Deferred reinsurance commission		
Balance at beginning of year	**1,405,677**	656,084
Cost deferred during the year	**990,865**	3,097,266
Amortization during the year	**(380,939)**	(2,347,673)
Balance at end of year	**2,015,603**	1,405,677
	₱6,999,392	₱4,103,257

9. **Reinsurance Assets**

This account consists of:

	2015	2014
Reinsurance recoverable on unpaid losses (Notes 14)	**₱361,965,411**	₱380,611,140
Deferred reinsurance premiums (Note 14)	**10,878,472**	7,107,470
	₱372,843,883	₱387,718,610

10. **Investment Property** - Net

The rollforward analysis of this account follows:

	2015	2014
Cost		
Balance at beginning and end of year	**₱9,879,585**	₱9,879,585
Accumulated depreciation		
Balance at beginning of year	**9,877,295**	9,840,864
Depreciation (Note 21)	**2,290**	36,431
Balance at end of year	**9,879,585**	9,877,295
Net book value	**₱–**	₱2,290

Rental income earned from the investment property amounted to ₱1.85 million and ₱1.76 million in 2015 and 2014, respectively (Note 20).

Depreciation and amortization expense pertaining to investment property amounted to ₱0.002 million and ₱0.04 million in 2015 and 2014, respectively (Note 21).

The investment property is fully depreciated as at December 31, 2015 but still lent out and used.

The investment property is located at Y Tower II, Gallardo cor. Leviste St., Salcedo Village, Makati City. The highest and best use of the property is a commercial space with estimated fair value of ₱74.09 million and ₱77.81 million as of December 31, 2015 and 2014, respectively.

11. **Property and Equipment** - Net

The rollforward analysis of this account follows:

	December 31, 2015				
	Building and Improvement	**Office Furniture, Fixtures and Equipment**	**Transportation Equipment**	**EDP Software**	**Total**
Cost					
Balances at beginning of year	**₱23,618,058**	**₱ 6,683,485**	**₱1,965,625**	**₱ 16,011,690**	**₱48,278,858**
Additions	**686,434**	**877,369**	**–**	**–**	**1,563,804**
Balances at end of year	**24,304,493**	**7,560,854**	**1,965,625**	**16,011,690**	**49,842,662**
Accumulated Depreciation and Amortization					
Balances at beginning of year	**5,873,013**	**4,500,147**	**989,182**	**14,121,062**	**25,483,404**
Depreciation and amortization (Note 21)	**1,135,468**	**1,664,137**	**393,125**	**523,572**	**3,716,302**
Balances at end of year	**7,008,481**	**6,164,284**	**1,382,307**	**14,644,634**	**29,199,706**
Net Book Value	**₱17,296,012**	**₱1,396,570**	**₱583,318**	**₱1,367,056**	**₱ 20,642,956**

	December 31, 2014				
	Building and Improvement	Office Furniture, Fixtures and Equipment	Transportation Equipment	EDP Software	Total
Cost					
Balances at beginning of year	₱23,618,058	₱6,226,703	₱1,965,625	₱15,981,167	₱47,791,553
Additions	–	456,782	–	30,523	487,305
Balances at end of year	23,618,058	6,683,485	1,965,625	16,011,690	48,278,858
Accumulated Depreciation and Amortization					
Balances at beginning of year	4,562,236	4,089,415	596,057	11,511,015	20,758,723
Depreciation and amortization (Note 21)	1,310,777	410,732	393,125	2,610,047	4,724,681
Balances at end of year	5,873,013	4,500,147	989,182	14,121,062	25,483,404
Net Book Value	₱17,745,045	₱2,183,338	₱976,443	₱1,890,628	₱22,795,454

The depreciation and amortization expense charged against operations amounted to ₱3.72 million and ₱4.72 million in 2015 and 2014, respectively (Note 21).

12. **Pension Obligation**

The Company has a funded, noncontributory defined benefit retirement plan covering all of its employees. The Company's trustee bank for its retirement fund is RCBC, a related party. The Company's president approves the transactions made by the retirement fund.

The following tables summarize the components of the net pension benefit expense recognized in the statements of income and the funded status and amounts recognized in the statements of financial position for the retirement plan.

Net pension benefit expense

	2015	2014
Current service cost	**₱2,587,614**	₱1,985,392
Net interest cost	**207,672**	184,901
Net benefit Expense	**₱2,795,286**	₱2,170,293
Actual return on plan assets	**₱276,057**	₱101,535

Net pension obligation

	2015	2014
Benefit obligation	**₱11,164,847**	₱9,750,442
Pension assets	**(4,920,170)**	(5,196,227)
Net pension obligation	**₱6,244,677**	₱4,554,215

The movements in the present value of defined benefit obligation follow:

	2015	2014
Balance beginning of year	**₱9,750,442**	₱7,800,084
Current service cost	**2,587,614**	1,985,392
Interest cost	**444,620**	351,991
Present value of obligation of transferred employee to MICO	–	(526,671)
Actuarial (gain) loss to be recognized in OCI	**(1,617,829)**	139,646
Balance at end of year	**₱11,164,847**	₱9,750,442

The movements in the fair value of plan assets follow:

	2015	2014
Balance at beginning of year	**₱5,196,227**	₱3,570,298
Interest income	**236,948**	167,090
Contributions paid	–	1,524,394
Remeasurement loss	**(513,005)**	(65,555)
Balance at end of year	**₱4,920,170**	₱5,196,227
Actual return on plan assets	**₱276,057**	₱101,535

The Company expects to contribute ₱4.11 million to its plan assets in 2016.

The distribution of plan assets follows:

	2015	2014
Cash in bank	**₱1,736,993**	₱2,367,900
Investments in:		
Common stocks	**560,997**	813,338
Government securities	**1,315,255**	868,917
Other securities and debt instruments	**1,118,225**	961,951
Receivables	**195,737**	191,909
Total	**4,927,207**	5,204,015
Accrued trust fees and other payables	**(7,037)**	(7,788)
	₱4,920,170	₱5,196,227

The following presents the transactions of the Company's retirement fund with related parties:

Category	2015	2014 Balance	Terms	Conditions
RCBC - Retirement Fund				
Savings deposits	**₱10,993**	₱11,900	Non-interest bearing; on demand	Unsecured; no impairment
Corporate bonds	**144,443**	91,113	Non-interest bearing; on demand	Unsecured; no impairment

The principal actuarial assumptions used for the Company's plan are as follows:

	2015	2014
Salary increase rate	**5.00%**	5.00%
Discount rate	**5.01%**	4.56%

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:

2015

	Change in variables	Impact on present value of defined benefit obligation Increase (Decrease)	Percentage change
Discount rate	**+0.5%**	**(₱1,049,717)**	**(10.37%)**
	–0.5%	**1,185,492**	**9.60%**
Salary increase rate	**+1.00%**	**2,434,119**	**17.90%**
	–1.00%	**(1,952,056)**	**21.19%**

2014

	Change in variables	Impact on present value of defined benefit obligation Increase (Decrease)	Percentage change
Discount rate	+0.5%	(₱960,199)	(9.85%)
	–0.5%	1,086,916	11.15%
Salary increase rate	+1.00%	2,226,407	22.83%
	–1.00%	(1,779,528)	(18.25%)

Maturity profiles of the undiscounted benefit payments are as follows:

	Expected Benefit Payments	
	No. of Retirees	Normal Retirement
More than one year to five years	1	₱2,006,657
More than five years to 10 years	1	1,104,470
More than 10 years to 15 years	5	10,680,032
More than 15 years to 20 years	9	29,447,644
More than 20 years	65	349,041,115

The average duration of the defined benefit obligation at the end of the reporting period is 23 years.

13. **Other Assets**

This account consists of:

	2015	2014
Prepayments	**₱3,163,784**	₱4,955,478
Real estate properties for sale	**880,000**	880,000
Input VAT	**200,701**	–
Refundable deposit	**107,686**	70,650
Deferred input VAT	–	59,878
Creditable Withholding Tax	**18,241**	–
	₱4,370,412	₱5,966,006

Real estate properties for sale consist of investments in memorial lots. There was no disposal of real estate properties in 2015 and 2014.

Prepayments include documentary stamp tax and various underwriting form supplies, car loan and software.

14. Insurance Contract Liabilities

Insurance contract liabilities net of reinsurers' share of liabilities may be analyzed as follows:

	2015			2014		
	Insurance Contract Liabilities	**Reinsurers' Share of Liabilities (Note 9)**	**Net**	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 9)	Net
Provision for claims reported and loss adjustment expenses	**₱424,991,316**	**₱361,965,411**	**₱63,025,905**	₱423,542,977	₱380,611,140	₱42,931,837
Provision for unearned premiums	**89,260,611**	**10,878,472**	**78,382,139**	55,855,894	7,107,470	48,748,424
Total insurance contract liabilities	**₱514,251,927**	**₱372,843,883**	**₱141,408,044**	₱479,398,871	₱387,718,610	₱91,680,261

Provisions for claims and loss adjustment expenses may be analyzed as follows:

	2015			2014		
	Insurance Contract Liabilities	**Reinsurers' Share of Liabilities** (Note 9)	**Net**	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 9)	Net
Balance at beginning of year	**₱423,542,977**	**₱380,611,140**	**₱42,931,837**	₱425,557,279	₱376,864,362	₱48,692,917
Claims incurred during the year	**68,231,677**	**15,246,713**	**52,984,964**	101,138,916	40,997,406	60,141,510
Claims paid during the year	**(66,783,338)**	**(33,892,442)**	**(32,890,896)**	(103,153,218)	(37,250,628)	(65,902,590)
Balance at end of year	**₱424,991,316**	**₱361,965,411**	**₱63,025,905**	₱423,542,977	₱380,611,140	₱42,931,837

Provision for unearned premiums may be analyzed as follows:

	2015			2014		
	Insurance Contract Liabilities	**Reinsurers' Share of Liabilities** (Note 9)	**Net**	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 9)	Net
Balance at beginning of year	**₱55,855,894**	**₱7,107,470**	**₱48,748,424**	₱71,084,055	₱3,171,845	₱67,912,210
New policies written during the year (Note 19)	**179,480,256**	**25,478,566**	**154,001,690**	136,115,692	25,377,687	110,738,005
Premiums earned during the year (Note 19)	**(146,075,539)**	**(21,707,564)**	**(124,367,975)**	(151,343,853)	(21,442,062)	(129,901,791)
Balance at end of year	**₱89,260,611**	**₱10,878,472**	**₱78,382,139**	₱55,855,894	₱7,107,470	₱48,748,424

15. Insurance Payables

This account consists of:

	2015	2014
Premiums due to reinsurers:		
Treaty	**₱1,884,719**	₱5,030,267
Facultative	–	95,397
Premium reserve withheld for reinsurers	**43,595**	43,595
	₱1,928,314	₱5,169,259

The rollforward analysis of insurance balances payable is as follows:

	Premiums Due to Reinsurers		Premium Reserve withheld for reinsurers	
	Treaty	Facultative		Total
At January 1, 2014	₱1,225,875	₱169,546	₱43,595	₱1,439,016
Arising during the year	26,782,505	604,451	–	27,386,956
Utilized	(22,978,113)	(678,600)	–	(23,656,713)
At December 31, 2014	**₱5,030,267**	**₱95,397**	**₱43,595**	**₱5,169,259**
Arising during the year	**9,020,999**	**373,252**	**–**	**9,394,251**
Utilized	**(12,166,547)**	**(468,649)**	**–**	**(12,635,196)**
At December 31, 2015	**₱1,884,719**	**₱–**	**₱43,595**	**₱1,928,314**

16. **Accounts Payable, Accrued Expenses and Other Liabilities**

This account consists of:

	2015	2014
Accounts payable	**₱24,350,413**	₱15,907,833
Accrued expenses	**6,755,374**	6,857,740
Deferred output VAT	**2,759,291**	4,463,899
Security deposit	**901,214**	878,642
Documentary stamps tax payable	**638,834**	1,124,959
Due to MICO (Note 24)	**563,937**	2,597,469
Commissions payable	**–**	216,871
Others	**465,047**	2,273,194
	₱36,434,110	₱34,320,607

All accounts payable and accrued expenses are due within one year.

Accrued expenses comprise of employee benefits, utilities and other expenses accrued as of the reporting date which is due within one year.

Commissions payable are unpaid commissions on the Company's direct business, payable to special agents which are due upon collection of the related premiums receivables.

17. **Capital Stock**

The details of the number of shares follow:

	Shares	**Amount**
Common stock - ₱10 par value		
Authorized	**2,500,000**	**₱250,000,000**
Issued and outstanding:		
At beginning of the of year/ end of the year	**2,500,000**	**₱250,000,000**

18. **Retained Earnings**

On August 1, 2014, the BOD approved the declaration and payment of cash dividends amounting to ₱20.00 million from unappropriated retained earnings to all issued and outstanding common shares of stockholders of record of the same date.

19. **Net Premiums Earned**

The details of gross premiums earned net of reinsurers' share follow:

	2015	2014
Gross premiums written		
Direct	**₱167,372,026**	₱124,077,416
Assumed	**12,108,230**	12,038,276
Total gross premiums on insurance contracts	**179,480,256**	136,115,692
Gross change in provision for unearned premiums	**(33,404,717)**	15,228,161
Gross premiums earned (Note 14)	**146,075,539**	151,343,853
Reinsurers' share of gross premiums written - direct	**25,478,566**	25,377,687
Reinsurers' share of gross change in provision for unearned premiums	**(3,771,002)**	(3,935,625)
Reinsurers' share of gross premiums (Note 14)	**21,707,564**	21,442,062
	₱124,367,975	₱129,901,791

20. **Investment and Other Income** - Net

This account consists of:

	2015	2014
Dividend income	**₱16,812,864**	₱21,118,900
Interest income		
AFS financial assets	**7,928,574**	10,065,592
Long-term commercial papers	**2,874,423**	3,325,300
Cash and cash equivalents (Note 4)	**203,671**	216,051
Notes receivable	**119,818**	66,637
Short-term investments (Note 5)	**57,366**	28,034
Rental income (Notes 10)	**1,850,943**	1,762,803
Gain on sale of AFS financial assets - net	**2,514,590**	–
Others	–	50,036
	32,362,249	36,633,353
Impairment loss on AFS financial asset	**(3,057,624)**	–
	₱29,304,625	₱36,633,353

21. General and Administrative Expenses

This account consists of:

	2015	2014
Salaries, wages and allowances	**₱34,290,713**	₱26,102,791
Transportation and travel	**5,670,155**	6,015,014
Marketing and sales promotion	**5,250,696**	5,029,703
Employee benefits	**5,151,366**	4,159,773
Taxes, licenses and fees	**3,857,059**	656,980
Depreciation and amortization (Notes 10 and 11)	**3,718,592**	4,761,112
Professional fees	**3,136,465**	2,603,564
Utilities	**3,811,548**	3,216,998
Entertainment, amusement and recreation	**1,451,469**	1,845,812
Printing and office supplies	**1,123,707**	1,520,376
Postage	**1,070,159**	792,808
Agency expenses	**723,888**	989,717
Repairs and maintenance	**621,313**	3,435,475
Membership and association dues	**103,668**	637,577
Advertising and promotion	**84,979**	222,045
Bad debts (Note 6)	**–**	228,211
Others	**179,997**	7,877,977
	₱70,245,774	₱70,095,933

In 2014, others consists mainly of security services, surety and property insurance, periodicals and books expense, business development expense, bank charges, merchants fee, janitorial services, payment to common expenses billed by Malayan Insurance Company (MICO) and penalties.

22. Income Tax

The provision for income tax consists of:

	2015	2014
Current	**₱454,632**	₱606,541
Final	**1,590,113**	1,717,631
Deferred	**(917,287)**	1,426,782
	₱1,127,458	₱3,750,954

The current provision for income tax represents the MCIT for 2015 and 2014.

The components of the net deferred tax assets and liabilities follow:

	2015	2014
Deferred tax assets on:		
Excess of provision for unearned premiums per books over tax basis	**₱1,867,478**	₱1,867,478
Pension obligation - OCI	**2,223,107**	974,373
Pension obligation - profit and loss	**838,586**	538,856
Deferred reinsurance commissions	**604,681**	421,703
	5,533,852	3,802,410
Deferred acquisition costs	**2,277,421**	1,652,680
Deferred reinsurance premiums	–	687,648
Unrealized foreign currency exchange gain - net	**1,333,037**	124,528
	3,610,458	2,464,856
	₱1,923,394	₱1,337,554

As of December 31, 2015 and 2014, the Company has not recognized the deferred tax assets on the following deductible temporary differences, unused NOLCO and carryforward benefits of the excess MCIT over RCIT:

	2015	2014
NOLCO	**₱63,677,484**	₱42,019,428
MCIT	**1,404,578**	1,551,056

The related tax benefits will be recognized only when reassessment demonstrates that they are realizable.

As of December 31, 2015, details of the NOLCO and MCIT, which are available for offset against future taxable income and future income tax liability, respectively, follows:

Inception Year	NOLCO	Tax Effect of NOLCO	MCIT	Expiration Year
2015	₱21,658,056	₱6,497,417	₱454,632	2018
2014	22,266,801	6,680,040	606,541	2017
2013	19,752,627	5,925,788	343,405	2016
	₱63,677,484	₱19,103,245	₱1,404,578	

The following are the movements in NOLCO and MCIT:

NOLCO	2015	2014
Balance at beginning of year	**₱42,019,428**	₱35,726,497
Addition	**21,658,056**	22,266,801
Expiration	–	(15,973,870)
Balance at end of year	**₱63,677,484**	₱42,019,428

MCIT	2015	2014
Balance at beginning of year	**₱1,551,056**	₱1,206,744
Addition	**454,632**	606,541
Expiration	**(601,110)**	(262,229)
Balance at end of year	**₱1,404,578**	₱1,551,056

The reconciliation of provision for income tax computed at the statutory corporate income tax rate to provision for income tax shown in the statements of income follows:

	2015	2014
Income tax at statutory income tax rate	**₱4,812,827**	₱5,380,477
Adjustments for:		
Change in unrecognized deferred tax assets	**4,360,249**	6,922,014
Nondeductible expenses	**1,863,343**	156,995
Nontaxable income	**(3,758,699)**	–
Income subject to final tax	**(1,106,403)**	(2,372,862)
Dividend income	**(5,043,859)**	(6,335,670)
Provision for income tax	**₱1,127,458**	₱3,750,954

23. Contingencies

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have a material effect on its results of operations and financial position.

24. Related Party Transactions

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, engages in transactions with related parties.

The table below shows the summary of significant transactions with related parties:

	2015		2014			
Category	**Amount / Volume**	**Outstanding Receivable (Payable)**	Amount / Volume	Outstanding Receivable (Payable)	Terms	Conditions
Parent						
MICO						
Reinsurer's share on premiums written	**₱18,581,315**	**(₱7,331,793)**	₱16,226,327	₱7,545,132	Non-interest bearing; on demand	Unsecured
Commission income	**3,572,291**	**1,466,357**–	3,245,552	1,474,551	Non-interest bearing; on demand	Unsecured
Dividends		–	10,944,944	(10,944,944)	Non-interest bearing; on demand	Unsecured
Shared expenses	–	**(37,265)**	3,937,228	(4,463,899)	Non-interest bearing; on demand	Unsecured
Intercompany advances	**563,937**	**(563,937)**	–	–	Non-interest bearing; on demand	Unsecured, no impairment
Recoverable on unpaid losses	–	**120,000,000**	–	120,000,000	–	–

(Forward)

Category	2015 Amount / Volume	2015 Outstanding Receivable (Payable)	2014 Amount / Volume	2014 Outstanding Receivable (Payable)	Terms	Conditions
Intermediate Parent						
MEI						
Dividends	**₱–**	**₱–**	₱9,053,840	(₱9,053,840)	Non-interest bearing; on demand	Unsecured
Other related parties - Entities under common control						
Rizal Commercial Banking Corporation						
Current and savings account	**17,336,244**	**18,326,215**	28,394,469	28,394,469	Interest rate at 0.5% p.a.	Unsecured, no impairment
Short-term deposits	**989,971**	**989,971**	6,518,865	6,518,865	4 to 7-day term; Interest rate at 1.00% p.a.	Unsecured, no impairment
Interest income	**530,709**	**530,709**	178,281	–	4 to 7-day term; Interest rate at0.5% to 1.00% p.a.	Unsecured, no impairment
Referral fee	**9,300,934**	–	7,864,398	(1,319,893)	Non-interest bearing; on demand	Unsecured
AFS in equity securities	**144,774,142**	**144,774,142**	–	178,291,824	–	Unsecured, no impairment
Dividend income	**2,228,648**	–	3,714,413	–	–	Unsecured, no impairment
Private debt securities	**26,187,808**	**26,187,808**	₱–	₱10,640,512	Maturing in 2017; Interest rate at 5.25% to 9.88% p.a	Unsecured, no impairment
Interest income	**1,493,871**	–	604,625	–	Maturing in 2017; Interest rate at 5.25% to 9.88% p.a	Unsecured, no impairment
Long term commercial papers	**10,000,000**	**10,000,000**	–	8,000,000	Maturing in 2019; Interest rate at 5.25% at 7.00% p.a	Unsecured, no impairment
Interest income	**525,000**	–	436,000	390,831	Maturing at 2019; Interest rate at 5.25% at 7.00% p.a	Unsecured, no impairment
BAC						
Reinsurance recoverable on unpaid losses	–	**40,000,000**	–	40,000,000	Non-interest bearing; on demand	Unsecured, no impairment
PIAA						
Rent income	**1,850,943**	**158,007**	1,762,803	150,483	Non-interest bearing; on demand	Unsecured, no impairment
House of Investments						
AFS in equity securities	–	**78,185,032**	–	87,266,415		Unsecured, no impairment
Dividend income	**922,328**	–	922,328	–	–	Unsecured, no impairment
iPeople Inc.						
AFS in equity securities	**₱–**	**₱29,701,100**	**₱–**	₱32,401,200		Unsecured, no impairment
Dividend income	**648,024**	**162,006**	1,026,038	216,008		Unsecured, no impairment

The outstanding receivables and payables are to be settled in cash.

The Company is 54.7% owned by MICO and 45.3% owned by MICO Equities Inc. BAC is wholly owned subsidiary of MICO. MEI, Rizal Commercial Banking Corporation (RCBC), Philippine Integrated Advertising Agency (PIAA), and iPeople Inc. are subsidiaries of PMMIC, the holding company of the Yuchengco Group of Companies.

In 2014, MICO contributed the equivalent amount of ₱563,937 into the Company's plan assets in exchange for the Company's assumption of the pension obligation to the transferred employees.

The Company has not recognized any impairment losses on amounts due from related parties for the years ended December 31, 2015 and 2014. This assessment is undertaken each financial year through review of the financial position of the related party and the market in which the related party operates.

Key management personnel of the Company include senior management.

The summary of compensation of key management personnel is as follows:

	2015	2014
Salaries and wages	**₱4,848,590**	₱4,407,809
Short-term employee benefits	**776,102**	705,547
Post-employment benefits	**1,690,463**	2,170,293
	₱7,315,155	₱7,283,649

25. Reconciliation of Net Income under PFRS to Statutory Net Income

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

	2015	2014
Net income under PFRS	**₱14,915,298**	₱14,183,970
Add (Deduct):		
Deferred acquisition costs - net	**(3,506,061)**	(772,324)
Difference in change in provision for unearned premiums - net	**–**	(7,266,116)
Tax effects of the reconciling items	**1,150,818**	2,411,532
Statutory net income	**₱12,560,055**	₱8,557,062

26. Capital Management

Governance Framework

The primary objective of the Company's risk and financial management framework is to protect the Company from events that hinder the sustainable achievement of the Company's performance objectives, including failure to exploit opportunities. The Company recognizes the importance of having efficient and effective risk management systems in place.

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

Capital Management and Regulatory Requirements
The Company maintains a certain level of capital to ensure sufficient solvency margins and to adequately protect the policyholders. The level of capital maintained is usually higher than the minimum capital requirements set by the regulators and the amount computed under the Risk-based Capital (RBC) Model.

The IC capital requirements are fixed capitalization requirements, RBC requirements, and unimpaired capital requirement.

The operations of the company are subject to the regulatory requirements of IC. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions (e.g., margin of solvency to minimize the risk of default and insolvency on the part of the insurance companies to meet the unforeseen liabilities as these arise, fixed capitalization requirements, RBC requirements).

No changes were made to its capital base, objectives, policies and processes from the previous year.

On August 15, 2013, the President of the Philippines approved Republic Act No. 10607 to be known as the "New Insurance Code" which provides the new capitalization requirements for all known insurance companies based on net worth on a staggered basis starting June 30, 2013 up to December 31, 2022.

The following presents the amount of required net worth and the schedule of compliance per Amended Insurance Code:

Net worth	**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, 2015 and 2014, the Company's estimated statutory net worth amounted to ₱574,464,652 and ₱697,721,776, respectively.

27. Insurance and Financial Risks Management

Insurance Risk
The risk under insurance contract 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 and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims and actual benefits paid greater than originally estimated.

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 statements of financial position as reinsurance assets.

Although the Company has reinsurance agreements, 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 reinsurers is unable to meet its obligations assumed under such reinsurance agreements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract.

For the year ended December 31, 2015 and 2014, the Company issued fire, motor car and personal accident insurance contracts.

The table below sets out the concentration of the claims liabilities by type of contract (Note 14).

	Gross Claims Liabilities	**Reinsurers' Share of Claims Liabilities**	**Net 2015**	Gross Claims Liabilities	Reinsurers' Share of Claims Liabilities	Net 2014
Bonds	**₱402,100,000**	**₱360,000,000**	**₱42,100,000**	₱402,100,000	₱360,000,000	₱42,100,000
Motorcar	**16,799,505**	**6,058**	**16,793,447**	10,955,998	10,338,301	617,697
Fire	**3,458,095**	**1,959,353**	**1,498,742**	10,272,839	10,272,839	–
Others	**2,633,716**	**–**	**2,633,716**	214,140	–	214,140
	₱424,991,316	**₱361,965,411**	**₱63,025,905**	₱423,542,977	₱380,611,140	₱42,931,837

The Company enforces a policy of actively managing and promptly pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

The Company also has limited its exposure level by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements. The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes to a predetermined maximum amount based on the Company's risk appetite as decided by management.

Sensitivities
In insurance, there may be claims filed in the current year that would attach policies issued in the previous years. Other unpredictable circumstances, like legislative uncertainties, make it impossible to quantify claims. Also, due to delays arising between occurrence of claims and their subsequent reporting to and settlement by the Company, the outstanding claim provisions cannot be ascertained with confidence at the end of reporting date.

The table below shows the impact of changes in certain important assumptions in general insurance business while other assumptions remain unchanged. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis.

	2015			
	Change in Assumptions %	**Impact on Gross Insurance Contract Liabilities Increase (Decrease)**	**Impact on Net Insurance Contract Liabilities Increase (Decrease)**	**Impact on Income Before Income Tax Increase (Decrease)**
Average claim costs	**5%**	**₱2,696,900**	**₱1,887,830**	**₱(1,887,830)**
Average number of claims	**5%**	**2,699,788**	**1,889,852**	**(1,889,852)**

	2014			
	Change in Assumptions %	Impact on Gross Insurance Contract Liabilities Increase (Decrease)	Impact on Net Insurance Contract Liabilities Increase (Decrease)	Impact on Income Before Income Tax Increase (Decrease)
Average claim costs	+5%	₱1,022,612	₱122,713	(₱122,713)
Average number of claims	+5%	1,073,743	128,849	(128,849)

Claims Development Table

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

The Company aims to maintain strong reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. As claims develop and the ultimate cost of claims becomes more certain, adverse claims experiences are eliminated which results in the release of reserves from earlier accident years. In order to maintain strong reserves, the Company transfers much of this release to current accident year reserves when the development of claims is less mature and there is much greater uncertainty attaching to the ultimate cost of claims.

The risks vary significantly in relation to the location of the risk insured by the Company and by type of risks insured.

	Gross insurance contract liabilities in 2015											
Accident year	**2005 and prior year**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**Total**
Estimate of ultimate claim costs												
Accident year	**₱117,821,681**	**₱174,519**	**₱178,668**	**₱1,444,758**	**₱68,309,168**	**₱28,351,417**	**₱33,080,846**	**₱48,146,968**	**₱364,254,159**	**₱99,771,817**	**₱89,674,654**	**₱89,674,654**
One year later	**115,534,543**	**174,519**	**156,654**	**1,444,758**	**68,309,168**	**28,351,417**	**33,080,846**	**48,146,968**	**364,254,159**	**99,771,816**	**–**	**99,771,817**
Two years later	**113,308,119**	**174,519**	**156,654**	**2,603,157**	**43,866,315**	**28,351,417**	**33,080,846**	**48,146,968**	**364,254,159**	**–**	**–**	**364,254,159**
Three years later	**108,027,092**	**174,519**	**156,654**	**2,603,157**	**43,866,315**	**28,351,417**	**33,080,846**	**48,146,968**	**–**	**–**	**–**	**48,146,968**
Four years later	**107,870,438**	**174,519**	**156,654**	**2,603,157**	**43,866,315**	**28,351,417**	**33,080,846**	**–**	**–**	**–**	**–**	**33,080,846**
Five years later	**107,695,919**	**174,519**	**156,654**	**2,603,157**	**43,866,315**	**28,351,417**	**–**	**–**	**–**	**–**	**–**	**28,351,417**
Six years later	**107,087,298**	**174,519**	**156,654**	**2,603,157**	**43,866,315**	**–**	**–**	**–**	**–**	**–**	**–**	**43,866,315**
Seven years later	**107,087,298**	**174,519**	**156,654**	**2,603,157**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,603,157**
Eight years later	**107,087,298**	**174,519**	**156,654**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**156,654**
Nine years later	**107,087,298**	**174,519**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**174,519**
Ten years later	**106,478,677**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**106,478,677**
Current estimate of cumulative claims	**106,478,677**	**174,519**	**156,654**	**2,603,157**	**43,866,315**	**28,351,417**	**33,080,846**	**48,146,968**	**364,254,159**	**99,771,817**	**89,674,654**	**816,559,183**
Cumulative payments to date	**5,778,677**	**174,519**	**156,654**	**2,603,157**	**43,866,315**	**28,351,417**	**33,080,846**	**48,146,968**	**62,854,159**	**99,771,817**	**66,783,338**	**391,567,867**
Total gross insurance contract liabilities in the statement of financial position	**₱100,700,000**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱ 301,400,000**	**₱–**	**₱ 22,891,316**	**₱ 424,991,316**

	Net insurance contract liabilities in 2015											
Accident year	**2005 and prior year**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**Total**
Estimate of ultimate claim costs												
Accident year	**₱ 14,682,295**	**₱174,519**	**₱134,639**	**₱1,444,758**	**₱16,764,898**	**₱21,312,132**	**₱18,309,656**	**₱29,704,629**	**₱42,664,824**	**₱60,755,882**	**₱ 53,816,801**	**₱ 53,816,801**
One year later	**14,682,295**	**174,519**	**134,639**	**1,548,542**	**23,221,268**	**21,312,132**	**18,309,656**	**29,704,629**	**42,664,824**	**60,755,882**	**–**	**60,755,882**
Two years later	**14,682,295**	**174,519**	**134,639**	**1,548,542**	**23,221,268**	**21,312,132**	**18,309,656**	**29,704,629**	**42,664,824**	**–**	**–**	**42,664,824**
Three years later	**13,791,992**	**174,519**	**134,639**	**1,548,542**	**23,221,268**	**21,312,132**	**18,309,656**	**29,704,629**	**–**	**–**	**–**	**29,704,629**
Four years later	**12,243,450**	**174,519**	**134,639**	**1,548,542**	**23,221,268**	**21,312,132**	**18,309,656**	**–**	**–**	**–**	**–**	**18,309,656**
Five years later	**12,108,811**	**174,519**	**134,639**	**1,548,542**	**23,221,268**	**21,312,132**	**–**	**–**	**–**	**–**	**–**	**21,312,132**
Six years later	**11,934,292**	**174,519**	**134,639**	**1,548,542**	**23,221,268**	**–**	**–**	**–**	**–**	**–**	**–**	**23,221,268**
Seven years later	**11,325,671**	**174,519**	**134,639**	**1,548,542**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,548,542**
Eight years later	**11,325,671**	**174,519**	**134,639**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**134,639**
Nine years later	**11,325,671**	**174,519**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**174,519**
Ten years later	**11,325,671**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**11,325,671**
Current estimate of cumulative claims	**11,325,671**	**174,519**	**134,639**	**1,548,542**	**23,221,268**	**21,312,132**	**18,309,656**	**29,704,629**	**42,664,824**	**60,755,882**	**53,816,801**	**262,968,563**
Cumulative payments to date	**890,973**	**174,519**	**134,639**	**1,548,542**	**23,221,268**	**21,312,132**	**18,309,656**	**29,704,629**	**10,999,522**	**60,755,882**	**32,890,896**	**199,942,658**
Net insurance contract liabilities in the statement of financial position	**₱10,434,698**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**–**	**₱ 31,665,302**	**₱–**	**₱ 20,925,905**	**₱ 63,025,905**

Financial Risk
The Company is exposed to financial risk through its financial assets and financial 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.

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

The Company manages the level of credit risk by setting up exposure limits for each counterparty or group of counterparties, and industry segments; right of offset where counterparties are both debtors and creditors; guidelines on obtaining collaterals and guarantees; reporting of credit risk exposures; monitoring compliance with credit risk policy and review of credit risk policy for pertinence and changing environment.

The Company sets the maximum amounts and limits that may be advanced to/placed with individual corporate counterparties which are set by reference to their long-term ratings.

Credit risk exposure in respect of all other counterparties is managed by setting standard business terms that are required to be met by all counterparties. Commissions due to intermediaries are netted off against amounts receivable from them to reduce the risk of doubtful accounts.

The table below shows the maximum exposure to credit risk for the components of the statement of financial position, net of impairment losses.

	2015	2014
AFS financial assets:		
Listed equity securities:		
Common shares	**₱407,201,304**	₱538,905,158
Preferred shares	**5,900,000**	5,350,000
Government debt securities		
Local currency	**65,735,236**	69,606,725
Private debt securities		
Foreign currency	**74,278,341**	65,339,569
Non-listed equity securities	**6,000,000**	6,000,000
Mutual Funds	**24,103,834**	
Loans and receivables:		
Cash and cash equivalents	**26,227,330**	35,516,698
Short-term investments	**3,649,184**	4,793,132
Insurance receivables:		
Premiums receivable	**27,789,974**	20,873,092
Premium due from ceding company - treaty	**2,812,723**	2,284,851
Reinsurance recoverable on paid losses:		
Foreign treaty	**26,685,635**	31,394,105
Local facultative	**123,134**	125,713
Local treaty	**17,009,161**	3,071
Loss reserve withheld by ceding company	**2,454,545**	3,093,731

(Forward)

	2015	2014
Loans and receivables:		
Long-term commercial papers	**₱53,000,000**	₱53,000,000
Accounts receivable	**1,037,476**	3,574,626
Notes receivable	**1,580,183**	1,405,241
Due from a related party	**–**	36,789
Security fund	**20,481**	20,481
Accrued income	**4,405,556**	4,139,608
	₱750,014,097	₱845,462,590

The following table provides information regarding the credit risk exposure of the Company by classifying financial assets according to credit ratings of the counterparties:

	2015			
	Neither past due nor impaired			
	High grade	**Medium grade**	**Past due but not impaired**	**Total**
AFS financial assets:				
Listed equity securities:				
Common shares	**₱407,201,304**	**₱–**	**₱–**	**407,201,304**
Preferred shares	**5,900,000**	**–**	**–**	**5,900,000**
Government debt securities				
Local currency	**65,735,236**	**–**	**–**	**65,735,236**
Private debt securities				
Foreign currency	**–**	**74,278,341**	**–**	**74,278,341**
Non-listed equity securities	**–**	**6,000,000**	**–**	**6,000,000**
Mutual Funds	**24,103,834**			**24,103,834**
Loans and receivables:				
Cash and cash equivalents	**26,227,330**	**–**	**–**	**26,227,330**
Short term investments	**3,649,184**	**–**	**–**	**3,649,184**
Insurance receivables:				
Premium receivable	**8,780,374**	**–**	**19,009,600**	**27,789,974**
Premium due from ceding companies - treaty	**2,812,723**	**–**	**–**	**2,812,723**
Reinsurance recoverable on paid losses:				
Foreign treaty	**26,685,635**	**–**	**–**	**26,685,635**
Local facultative	**123,133**	**–**	**–**	**123,133**
Local treaty	**17,009,161**	**–**	**–**	**17,009,161**
Loss reserve withheld by ceding company	**2,454,545**	**–**	**–**	**2,454,545**
Loans and receivables:				
Long-term commercial papers	**53,000,000**	**–**	**–**	**53,000,000**
Accounts receivable	**1,037,476**		**–**	**1,037,476**
Notes receivable	**1,580,183**		**–**	**1,580,183**
Due from a related party			**–**	
Security fund	**20,481**	**–**	**–**	**20,481**
Accrued income	**4,405,556**	**–**	**–**	**4,405,556**
	₱650,726,155	**₱80,278,341**	**₱19,009,600**	**₱750,014,096**

	2014			
	Neither past due nor impaired		Past due but not	
	High grade	Medium grade	impaired	Total
AFS financial assets:				
Listed equity securities:				
Common shares	₱538,905,158	₱–	₱–	₱538,905,158
Preferred shares	5,350,000	–	–	5,350,000
Government debt securities				
Local currency	69,606,725	–	–	69,606,725
Private debt securities				
Foreign currency	–	65,339,569	–	65,339,569
Non-listed equity securities	–	6,000,000	–	6,000,000
Loans and receivables:				
Cash and cash equivalents	35,516,698	–	–	35,516,698
Short term investments	4,793,132	–	–	4,793,132
Insurance receivables:				
Premium receivable	6,286,416	–	14,586,676	20,873,092
Premium due from ceding companies - treaty	172,110	–	2,112,741	2,284,851
Reinsurance recoverable on paid losses:				
Foreign treaty	31,394,105	–		31,394,105
Local facultative	125,713	–		125,713
Local treaty	3,071	–		3,071
Loss reserve withheld by ceding company	3,093,731	–		3,093,731
Loans and receivables:				
Long-term commercial papers	53,000,000	–	–	53,000,000
Accounts receivable	3,574,626	–	–	3,574,626
Notes receivable	1,405,241	–	–	1,405,241
Due from a related party	36,789	–	–	36,789
Security fund	20,481	–	–	20,481
Accrued income	4,139,608	–	–	4,139,608
	₱757,423,604	₱71,339,569	₱16,699,417	₱845,462,590

The credit rating is based on the following:

a) *Cash and cash equivalents and short-term investments and related accrued income*
These are classified as high grade. These are deposited, placed or invested in local banks belonging to the top banks in the Philippines in terms of resources and profitability.

b) *Insurance receivables and loans and receivables*
The Company uses a credit rating concept based on the borrowers and counterparties' overall creditworthiness. High grade is given to borrowers and counterparties who possess strong to very strong capacity to meet its obligations. Medium grade is given to borrowers and counterparties who possess above average capacity to meet its obligations. These counterparties are somewhat susceptible to adverse changes in business and economic conditions.

c) *Debt securities and related accrued income*
These are based on the credit ratings by the international rating agency, S&P, and by Philippine Ratings Services Corporation (Philratings), the only domestic credit rating services in the Philippines accredited by Bangko Sentral ng Pilipinas (BSP) and SEC, in cases where an S&P rating is not available. High grade pertains to investments rated by S&P as BBB- and higher, which means that the counterparties have extremely strong to adequate capacity of paying interest and repaying principal, as well as investments in securities issued by the Philippine Government. Medium grade pertains to investments rated as Baa and higher by Philratings, as well as investments rated by S&P as BB+ to B- (except Philippine Government Securities).

The Company’s holdings under this category are rated either BB- by S&P (due to sovereign credit rating ceiling) or Aaa by Philratings which is defined by Philratings to mean that the obligor's capacity to meet its financial commitment on the obligation is extremely strong.

d) *Equity securities*
Listed equity securities are classified as high grade while the unquoted securities are classified as medium grade.

The following shows the aging information of gross insurance receivables:

	2015					
	Past due but not impaired					
	<60 days	**61 to 120 days**	**More than 120 days**	**Total past due but not impaired**	**Impaired**	**Total**
Premiums receivable	**₱8,780,374**	**₱3,466,024**	**₱15,543,576**	**₱27,789,974**	**₱–**	**₱27,789,974**
Reinsurance recoverable on paid losses	**–**	**–**	**43,817,929**	**43,817,929**	**–**	**43,817,929**
Due from ceding companies - treaty	**2,812,723**		**–**	**2,812,723**	**–**	**2,812,723**
Loss reserve withheld by ceding company	**–**	**–**	**2,454,545**	**2,454,545**	**–**	**2,454,545**
	₱11,593,097	**₱3,466,024**	**₱61,816,050**	**₱76,875,171**	**₱–**	**₱76,875,171**

	2014					
	Past due but not impaired					
	<60 days	61 to 120 days	More than 120 days	Total past due but not impaired	Impaired	Total
Premiums receivable	₱6,286,416	₱1,943,505	₱12,643,171	₱20,873,092	₱–	₱20,873,092
Reinsurance recoverable on paid losses	94,139	959,476	30,563,413	31,617,028	–	31,617,028
Due from ceding companies - treaty	172,111	751,512	1,361,228	2,284,851	–	2,284,851
Loss reserve withheld by ceding company	–	135,198	2,864,394	2,999,592	–	2,999,592
	₱6,552,666	3,789,691	47,432,206	57,774,563	₱–	57,774,563

e) Mutual Funds
Investments in mutual funds are classified as high grade.

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 inability to generate cash inflows as anticipated.

The major liquidity risk confronting the Company is the potential daily call on its available cash resources in respect of claims arising from insurance contracts.

The tables below analyze financial assets and financial liabilities of the Company into their relevant maturity groups based on the remaining period at the reporting date to their contractual maturities or expected repayment dates.

	2015				
	Up to a year	**1-3 years**	**Over 3 years**	**No term**	**Total**
Cash and cash equivalents	**₱26,227,330**	**₱–**	**₱–**	**₱–**	**₱26,227,330**
Short-term investments	**3,649,184**	**–**	**–**	**–**	**3,649,184**
Insurance receivables - net	**76,875,171**	**–**	**–**	**–**	**76,875,171**
AFS financial assets	**–**	**43,366,926**	**96,646,651**	**419,101,304**	**559,114,881**
Investment in Mutual Funds	**–**	**–**	**–**	**24,103,834**	**24,103,834**
Loans and receivables	**22,617,659**	**8,020,481**	**25,000,000**		**55,638,140**
Accrued income	**4,405,556**	**–**	**–**	**–**	**4,405,556**
Reinsurance recoverable on unpaid losses	**1,208,503**	**360,756,908**	**–**	**–**	**361,965,411**
Total financial assets	**₱134,983,403**	**₱412,144,315**	**₱121,646,651**	**₱443,205,138**	**₱1,111,979,507**
Provision for claims reported and loss adjustment expenses	**₱90,251,346**	**₱21,900,581**	**₱402,100,000**	**₱–**	**₱514,251,927**
Insurance payables	**1,884,719**	**43,595**	**–**	**–**	**1,928,314**
Accounts payable, accrued expenses and other liabilities	**36,434,110**	**–**	**–**	**–**	**36,434,110**
Total financial liabilities	**₱128,570,175**	**₱21,944,176**	**₱402,100,000**	**₱–**	**₱552,614,351**

**Up to a year are all commitments which are either due within one year or are payable in demand*

	2014				
	Up to a year	1-3 years	Over 3 years	No term	Total
Cash and cash equivalents	₱35,516,698	₱–	₱–	₱–	₱35,516,698
Short-term investments	4,793,132	–	–	–	4,793,132
Insurance receivables - net	57,774,563	–	–	–	57,774,563
AFS financial assets	–	69,394,165	65,552,129	550,255,158	685,201,452
Loans and receivables	2,540,875	22,496,262	33,000,000	–	58,037,137
Accrued income	4,139,608	–	–	–	4,139,608
Reinsurance recoverable on unpaid losses	380,611,140	–	–	–	380,611,140
Total financial assets	₱485,376,016	₱91,890,427	₱98,552,129	₱550,255,158	₱1,226,073,730
Provision for claims reported and loss adjustment expenses	₱479,398,871	₱–	₱–	₱–	₱479,398,871
Insurance payables	5,169,259	–	–	–	5,169,259
Accounts payable, accrued expenses and other liabilities	34,320,607	–	–	–	34,320,607
Total financial liabilities	₱518,888,737	₱–	₱–	₱–	₱518,888,737

**Up to a year are all commitments which are either due within one year or are payable in demand*

The Company manages liquidity risk by specifying minimum proportion of funds to meet emergency calls; specifying the sources of funding and the events that would trigger the plan; determining concentration of funding sources; reporting of liquidity risk exposures; monitoring compliance with liquidity risk policy and review of liquidity risk policy for pertinence and changing environment.

Market Risk

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

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

a) Currency risk

The Company maintains United States (US) Dollar-denominated cash deposits and invests in US Dollar-denominated bonds.

The following table shows the details of the Company's exposure to currency risk.

	2015		2014	
	US Dollar	**Philippine Peso equivalent**	US Dollar	Philippine Peso equivalent
AFS financial assets				
Private debt securities	**$1,582,947**	**₱74,493,501**	$1,461,082	₱65,339,569

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar exchange rates, with all other variables held constant, of the Company's income before income tax.

		Impact on income before tax Increase (decrease)	
Currency	**Change in rate**	**2015**	2014
US Dollar	+5%	**₱3,724,675**	₱3,266,979
	–5%	**(3,724,675)**	(3,266,979)

b) Interest rate risk

Interest rate risk is the risk that the value/future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's fixed rate investments in particular are exposed to such risk.

The following table sets out the Company's financial instruments exposed to interest rate risk by maturity:

		2015				
		Maturity				
	Interest rate	**Within a year**	**More than 1 to 3 years**	**More than 3 to 5 years**	**Over 5 years**	**Total**
Cash and cash equivalents	**0.8% to 1.4%**	**₱26,227,330**	**₱–**	**₱–**	**₱–**	**₱26,227,330**
Short-term investments	**0.9% to 1.5%**	**3,649,184**	**–**	**–**	**–**	**3,649,184**
AFS debt securities						
Government debt securities	**4.4% to 9.1%**	**27,190,887**	**–**	**5,727,964**	**32,816,385**	**65,735,236**
Private debt securities	**3.4% to 9.5%**	**5,894,981**	**22,451,691**	**36,237,309**	**9,694,360**	**74,278,341**
Long-term commercial papers	**4.4% to 8.0%**	**20,000,000**	**8,000,000**	**10,000,000**	**15,000,000**	**53,000,000**
Notes receivables	**8.0% to 8.5%**	**1,580,183**	**–**	**–**	**–**	**1,580,183**
		₱84,542,565	**₱30,451,691**	**₱51,965,273**	**₱57,510,745**	**₱224,470,274**

		2014				
		Maturity				
	Interest rate	Within a year	More than 1 to 3 years	More than 3 to 5 years	Over 5 years	Total
Cash and cash equivalents	0.8% to 1.4%	₱35,516,698	₱–	₱–	₱–	₱35,516,698
Short-term investments	0.9% to 1.5%	4,793,132	–	–	–	4,793,132
AFS debt securities						
Government debt securities	4.4% to 9.1%	–	28,593,552	5,868,846	35,144,327	69,606,725
Private debt securities	5.3% to 9.5%	–	40,402,821	24,936,748	–	65,339,569
Long-term commercial papers	5.3% to 8.9%	15,000,000	10,000,000	8,000,000	20,000,000	53,000,000
Notes receivables	8.0% to 8.5%	1,405,241	–	–	–	1,405,241
		₱56,715,071	₱78,996,373	₱38,805,594	₱55,144,327	₱229,661,365

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the AFS debt securities, with all other variables held constant, of the Company's equity:

	Change in basis points	Impact on Equity Increase (decrease) **2015**	2014
Philippine Peso	+100	**₱4,885,696**	5,392,924
US Dollar	+100	**2,016,184**	1,937,440
Philippine Peso	-100	**5,158,475**	5,892,079
US Dollar	-100	**2,106,855**	2,021,737

c) *Equity Price Risk*

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

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

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

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on equity (due to changes in fair value of AFS equity financial assets). The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

The following table shows the equity impact of reasonably possible change of Philippine Stock Exchange index (PSEi):

	2015		2014	
Currency	**Change in basis points**	**Impact on Equity Increase (decrease)**	Change in basis points	Impact on Equity Increase (decrease)
Philippine Peso	**+15%**	**₱44,099,202**	+15%	₱74,656,000
	-15%	**(44,099,202)**	-15%	(74,656,000)

The equity impact is arrived at using the reasonably possible change of PSEi and the specific adjusted beta of each stock the Company holds. Adjusted beta is the forecasted measure of the volatility of a security or a portfolio in comparison to the market as a whole.

28. Financial Assets and Liabilities

The table below presents a comparison by category of carrying amounts and estimated fair values of all the Company's financial instruments as of December 31, 2015 and 2014.

	2015		2014	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
AFS financial assets:				
Listed equity securities:				
Common shares	**₱407,201,304**	**₱407,201,304**	₱538,905,158	₱538,905,158
Preferred shares	**5,900,000**	**5,900,000**	5,350,000	5,350,000
Private debt securities				
Foreign currency	**74,278,341**	**74,278,341**	69,606,725	69,606,725
Government debt securities				
Local currency	**65,735,236**	**65,735,236**	65,339,569	65,339,569
Unquoted equity securities	**6,000,000**	**6,000,000**	6,000,000	6,000,000
Mutual Fund	**24,103,834**	**24,103,834**	–	–
Loans and receivables:				
Cash and cash equivalents	**26,227,330**	**26,227,330**	35,516,698	35,516,698
Short-term investments	**3,649,184**	**3,649,184**	4,793,132	4,793,132
Insurance receivables:				
Premiums receivable	**27,789,974**	**27,789,974**	20,873,092	20,873,092
Due from ceding companies	**2,812,723**	**2,812,723**	2,284,851	2,284,851
Reinsurance recoverable on paid losses:				
Foreign treaty	**26,685,635**	**26,685,635**	31,394,105	31,394,105
Local facultative	**123,134**	**123,134**	125,713	125,713
Local treaty	**17,009,161**	**17,009,161**	3,071	3,071
Loss withheld by ceding company	**2,454,545**	**2,454,545**	3,093,731	3,093,731
Long-term commercial papers	**53,000,000**	**53,000,000**	53,000,000	55,405,200
Accounts receivable	**1,037,476**	**1,037,476**	3,574,626	3,574,626
Notes receivable	**1,580,183**	**1,580,183**	1,405,241	1,405,241
Due from a related party			36,789	36,789
Security fund	**20,481**	**20,481**	20,481	20,481
Accrued income	**4,405,556**	**4,405,556**	4,139,608	4,139,608
Total financial assets	**₱750,014,097**	**₱750,014,097**	₱845,462,590	₱847,867,790

(Forward)

	2015		2014	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Other financial liabilities:				
Insurance payables				
Due to reinsurers:				
Treaty	**₱1,884,719**	**₱1,884,719**	₱5,030,267	₱5,030,267
Facultative	–	–	95,397	95,397
Premium reserve withheld for reinsurers	**43,595**	**43,595**	43,595	43,595
Accounts payable, accrued expenses and other liabilities:				
Accounts payable	**24,350,413**	**24,350,413**	15,907,833	15,907,833
Accrued expenses	**6,755,374**	**6,755,374**	6,857,740	6,857,740
Due to MICO	**563,937**	**563,937**	4,463,899	4,463,899
Security deposit	**901,214**	**901,214**	878,642	878,642
Commissions payable	–	–	216,871	216,871
Others	**1,109,792**	**1,109,792**	1,255,517	1,255,517
Total financial liabilities	**₱35,609,044**	**₱35,609,044**	₱34,749,761	₱34,749,761

Fair values of financial assets and liabilities are estimated as follows:

Cash and cash equivalents, short-term investments, insurance receivables, short-term loans and receivables, accrued income, insurance payables, accounts payable, accrued expenses and other liabilities - the fair values approximate the carrying amount as of the end of the reporting date due to short term nature of the transactions.

Debt securities - the fair values are generally based on quoted market prices.

Equity securities - the fair values are generally based on quoted market prices. For the unquoted equity securities, these are carried at cost less allowance for impairment losses due to unpredictable nature of future cash flows and the lack of other suitable methods of arriving at a reliable fair value.

Long-term commercial papers - fair values are based on present value of future cash flows discounted using the interest rates of the instruments ranging from 5% to 8.9% in 2015 and 2014.

Fair Value Hierarchy

The Company classifies its financial assets at fair values as follows:

	2015			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Assets measured at fair value				
AFS financial assets:				
Listed equity securities:				
Common shares	**₱402,975,180**	**₱–**	**₱–**	**₱402,975,180**
Preferred shares	**5,900,000**	–	–	**5,900,000**
Mutual Funds	–	**24,103,834**		**24,103,834**
Private debt securities				
Foreign currency	**74,278,341**	–	–	**74,278,341**
Government debt securities				
Local currency	**65,735,236**	–	–	**65,735,236**
	₱548,888,757	**₱24,103,834**	–	**₱572,992,591**

(Forward)

	2015			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Assets for which fair values are disclosed:				
Loans and receivables				
Long-term commercial papers	**₱–**	**₱53,000,000**	**₱–**	**₱53,000,000**
	₱548,888,757	**₱77,103,834**		**₱625,992,591**

	2014			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value				
AFS financial assets:				
Listed equity securities:				
Common shares	₱538,905,158	₱–	₱–	₱538,905,158
Preferred shares	5,350,000	–	–	5,350,000
Private debt securities				
Foreign currency	69,606,725	–	–	69,606,725
Government debt securities				
Local currency	65,339,569	–	–	65,339,569
	679,201,452	–	–	679,201,452
Assets for which fair values are disclosed:				
Loans and receivables				
Long-term commercial papers	₱–	₱55,405,200	₱–	₱55,405,200
Investment Properties	–	–	77,809,000	77,809,000
	–	55,405,200	77,809,000	133,214,200
	₱679,201,452	₱55,405,200	₱77,809,000	₱812,415,652

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

Fair values of equity and debt instruments classified as AFS financial assets were determined using Level 1.

There have been no reclassifications from Level 1 to Level 2 category.