

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS


The management of **Mapfre Insular Insurance Corporation** (the Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

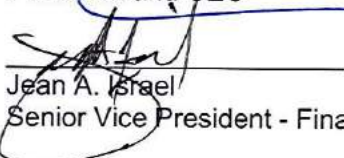
The Board of Directors (the Board) is responsible for overseeing the Company's financial reporting process.

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

R.G. Manabat & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders of the Company, has expressed its opinion on the fairness of presentation upon completion of such audit.


Silverio Benny J. Tan
Chairman of the Board


Tirso C. Abad
President and CEO


Jean A. Israel
Senior Vice President - Finance and Administration Division

Signed this 4th day of April 2018



R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 885 7000
Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
Email ph-inquiry@kpmg.com.ph

**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING
WITH THE BUREAU OF INTERNAL REVENUE**

The Board of Directors and Stockholders
Mapfre Insular Insurance Corporation
Mapfre Insular Corporate Center
Acacia Avenue, Madrigal Business Park
Ayala Alabang, Muntinlupa City

We have audited the accompanying financial statements of Mapfre Insular Insurance Corporation (the "Company") as at and for the year ended December 31, 2017, on which we have rendered our report dated April 4, 2018.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholder of the Company.

R.G. MANABAT & CO.

DENNIS I. ILAN

Partner

CPA License No. 039564

IC Accreditation No. SP-2017/015-R, Group A, valid until August 26, 2020

SEC Accreditation No. 1182-AR-1, Group A, valid until April 30, 2018

Tax Identification No. 161-313-405

BIR Accreditation No. 08-001987-28-2017

Issued September 5, 2017; valid until September 4, 2020

PTR No. 6615137MD

Issued January 3, 2018 at Makati City



April 4, 2018
Makati City, Metro Manila



R.G. Manabat & Co.
The KPMG Center, 9/F
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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Mapfre Insular Insurance Corporation
Mapfre Insular Corporate Center
Acacia Avenue, Madrigal Business Park
Ayala Alabang, Muntinlupa City



Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Mapfre Insular Insurance Corporation (the "Company"), which comprise the statements of financial position as at December 31, 2017 and 2016, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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



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

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

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

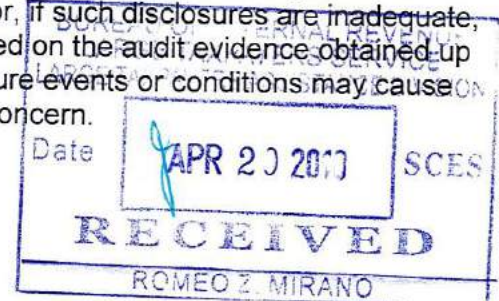
Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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





- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 35 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

DENNIS I. ILAN

Partner

CPA License No. 089564

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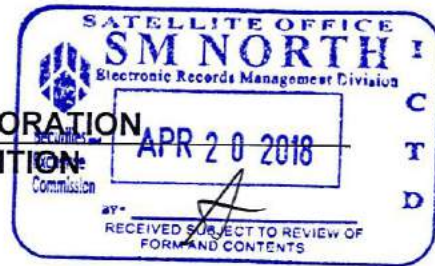
Issued January 3, 2018 at Makati City

April 4, 2018

Makati City, Metro Manila



MAPFRE INSULAR INSURANCE CORPORATION
STATEMENTS OF FINANCIAL POSITION



	Note	December 31		January 1,
		2017	2016 (As restated - Note 34)	2016 (As restated - Note 34)
ASSETS				
Cash and cash equivalents	7	P195,348,862	P172,368,327	P179,977,463
Insurance receivables - net	8	1,054,743,942	574,409,042	655,679,274
Available-for-sale (AFS) financial assets	9	1,347,692,874	1,477,135,351	1,464,822,023
Loans and receivables - net	10	100,953,030	148,517,981	222,309,818
Accrued income	11	15,429,575	30,309,988	24,739,440
Reinsurance assets	12	1,523,306,416	2,396,105,053	2,295,220,818
Deferred acquisition costs	13	228,062,270	234,333,039	233,747,708
Property and equipment - net	14	217,367,082	246,505,744	293,116,272
Investment properties - net	15	15,281,346	15,716,192	16,078,555
Intangible assets - net	16	117,722,928	102,059,925	45,144,455
Goodwill	17	33,794,284	33,794,284	33,794,284
Net pension asset	22	13,781,427	-	-
Deferred tax assets - net	28	170,746,733	185,133,315	84,410,780
Other assets	18	176,300,158	171,234,796	148,121,275
		P5,210,530,927	P5,787,623,037	P5,697,162,165
LIABILITIES AND EQUITY				
Liabilities				
Insurance contract liabilities	19	P2,885,691,509	P3,829,634,038	P3,632,294,274
Insurance payables	20	733,970,956	318,683,006	213,900,983
Trade and other liabilities	21	463,961,913	456,040,384	498,688,159
Deferred reinsurance commission	13	38,636,577	31,066,198	29,531,572
Net pension obligation	22	-	14,460,167	37,667,903
		4,122,260,955	4,649,883,793	4,412,082,891
Equity				
Capital stock	30	500,000,000	500,000,000	500,000,000
Additional paid-in capital		200,446,070	200,446,070	200,446,070
Contributed surplus		100,000,000	100,000,000	100,000,000
Retirement benefit reserve	22	(23,602,900)	(30,996,303)	(44,220,795)
Revaluation reserve on AFS financial assets	9	(6,565,525)	69,650,082	95,237,313
Retained earnings		317,992,327	298,639,395	433,616,686
		1,088,269,972	1,137,739,244	1,285,079,274
		P5,210,530,927	P5,787,623,037	P5,697,162,165

See Notes to the Financial Statements



MAPFRE INSULAR INSURANCE CORPORATION
STATEMENTS OF INCOME

		Years Ended December 31	
	Note	2017	2016 (As restated - Note 34)
UNDERWRITING INCOME			
Gross premiums written		P2,213,971,313	P2,184,436,548
Reinsurance premium assumed		24,471,262	30,384,187
Gross premium on insurance contracts	19, 23	2,238,442,575	2,214,820,735
Reinsurance premium ceded	19, 23	(921,271,462)	(712,118,091)
Premium retained		1,317,171,113	1,502,702,644
Net change in reserve for unearned premiums		46,252,682	17,684,405
Net premiums earned	19, 23	1,363,423,795	1,520,387,049
Commission income	13	84,271,551	76,139,132
GROSS UNDERWRITING INCOME		1,447,695,346	1,596,526,181
UNDERWRITING EXPENSES			
Gross insurance contract benefits and claims paid	19	1,396,982,173	1,680,447,340
Reinsurer's share of gross insurance contract benefits and claims paid	19	(761,303,761)	(1,072,591,138)
Gross change in insurance contract liabilities		(1,217,687,553)	225,820,449
Reinsurer's share of gross change in insurance contract liabilities		1,192,796,342	(111,680,515)
Net insurance benefits and claims	24	610,787,201	721,996,136
Commission expense	13	440,912,406	454,675,838
TOTAL UNDERWRITING EXPENSES		1,051,699,607	1,176,671,974
NET UNDERWRITING INCOME		395,995,739	419,854,207
OTHER INCOME - Net			
Investment income	25	126,201,964	118,297,945
Foreign exchange gain - net		7,497,506	2,544,847
Loss on sale of property and equipment	14	(66,649)	(1,442,456)
Other income		5,546,541	7,760,288
		139,179,362	127,160,624
NET UNDERWRITING AND OTHER INCOME		535,175,101	547,014,831
OTHER OPERATING EXPENSES			
General and administrative expenses - net	26	459,745,357	719,983,242
Service fees	27	28,315,874	48,434,785
		488,061,231	768,418,027
INCOME (LOSS) BEFORE TAXES		47,113,870	(221,403,196)
TAXES			
Current income tax	28	3,800,871	5,188,470
Deferred income tax		11,442,901	(106,423,000)
Final tax		12,517,166	14,808,625
		27,760,938	(86,425,905)
NET INCOME (LOSS)		P19,352,932	(P134,977,291)

See Notes to the Financial Statements.



MAPFRE INSULAR INSURANCE CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31	
		2017	2016 (As restated - Note 34)
		Note	
NET INCOME (LOSS)		P19,352,932	(P134,977,291)
OTHER COMPREHENSIVE LOSS			
Items to be reclassified to profit or loss in subsequent periods			
Net change in fair value of AFS financial assets		(26,341,817)	(2,510,296)
Net change in fair value of AFS financial assets reclassified to profit or loss		(50,098,711)	(23,044,109)
Income tax effect		224,921	(32,826)
	9	(76,215,607)	(25,587,231)
Items not to be reclassified to profit or loss in subsequent periods			
Remeasurements of the net pension obligation	22	10,562,004	18,892,131
Income tax effect		(3,168,601)	(5,667,639)
		7,393,403	13,224,492
		(68,822,204)	(12,362,739)
TOTAL COMPREHENSIVE LOSS		(P49,469,272)	(P147,340,030)

See Notes to the Financial Statements.



MAPFRE INSULAR INSURANCE CORPORATION
STATEMENTS OF CHANGES IN EQUITY

	Years Ended December 31						
	Capital Stock (Note 30)	Additional Paid-in Capital	Contributed Surplus	Retirement Benefit Reserves (Note 22)	Revaluation Reserves on AFS Financial Assets (Note 9)	Retained Earnings	Total
Balance at January 1, 2017	P500,000,000	P200,446,070	P100,000,000	(P30,996,303)	P69,650,082	P298,639,395	P1,137,739,244
Net income for the year	-	-	-	-	-	19,352,932	19,352,932
Other comprehensive income (loss) - net of tax effect	-	-	-	7,393,403	(76,215,607)	-	(68,822,204)
Total comprehensive loss for the year	-	-	-	7,393,403	(76,215,607)	19,352,932	(49,469,272)
Balance at December 31, 2017	P500,000,000	P200,446,070	P100,000,000	(P23,602,900)	(P6,565,525)	P317,992,327	P1,088,269,972
Balance at January 1, 2016, as previously reported	P500,000,000	P200,446,070	P100,000,000	(P44,220,795)	P95,237,313	P493,047,511	P1,344,510,099
Effect of restatement (Note 34)	-	-	-	-	-	(59,430,825)	(59,430,825)
Balance at January 1, 2016, as restated	500,000,000	200,446,070	100,000,000	(44,220,795)	95,237,313	433,616,686	1,285,079,274
Net loss for the year, as previously reported	-	-	-	-	-	(153,577,661)	(153,577,661)
Effect of restatement (Note 34)	-	-	-	-	-	18,600,370	18,600,370
Net loss for the year, as restated	-	-	-	-	-	(134,977,291)	(134,977,291)
Other comprehensive income (loss) - net of tax effect	-	-	-	13,224,492	(25,587,231)	-	(12,362,739)
Total comprehensive loss for the year	-	-	-	13,224,492	(25,587,231)	-	(12,362,739)
Balance at December 31, 2016	P500,000,000	P200,446,070	P100,000,000	(P30,996,303)	P69,650,082	P298,639,395	P1,137,739,244

See Notes to the Financial Statements.

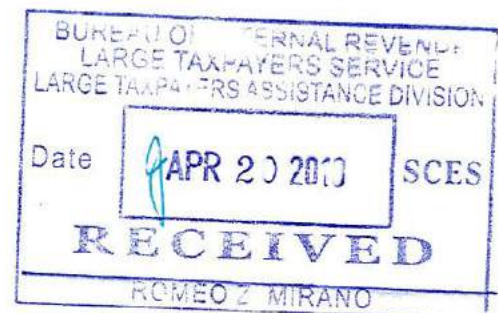


MAPFRE INSULAR INSURANCE CORPORATION
STATEMENTS OF CASH FLOWS

Years Ended December 31

	Note	2017	2016 (As restated - Note 34)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before taxes		P47,113,870	(P221,403,196)
Adjustments for:			
Change in:			
Reserve for unearned premiums - net of reinsurance premium reserved	19, 23	(46,252,682)	(17,684,405)
Deferred acquisition costs	13	6,270,769	(585,331)
Deferred reinsurance commissions	13	7,570,379	1,534,626
Depreciation and amortization	14, 15, 16, 26	59,823,207	61,521,429
Retirement expense	22, 26	14,720,739	21,184,395
Loss on sale of property and equipment	14	66,649	1,442,456
Rent income		-	(199,575)
Dividend income	11, 25	(8,252,900)	(9,255,125)
Provision for (reversal of) impairment losses	8, 10, 26	(18,233,893)	80,443,451
Gain on sale of AFS financial assets	9, 25	(50,098,711)	(23,044,109)
Interest income	25	(65,230,760)	(83,508,502)
Operating loss before changes in working capital		(52,503,333)	(189,553,886)
Decrease (increase) in:			
Insurance receivables		(466,681,331)	22,066,763
Loans and receivables		52,145,275	52,551,855
Reinsurance assets		1,192,796,343	(111,680,515)
Other assets		(5,065,362)	(23,113,521)
Increase (decrease) in:			
Insurance contract liabilities		(1,217,687,553)	225,820,449
Insurance payables		415,287,950	104,782,023
Trade and other liabilities		7,921,529	(42,647,775)
Net cash provided by (used in) operations		(73,786,482)	38,225,393
Income tax paid		(16,542,957)	(19,997,095)
Net cash provided by (used in) operating activities		(90,329,439)	18,228,298

Forward



Years Ended December 31

	Note	2017	2016 (As restated - Note 34)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale/maturities of:			
AFS financial assets		P259,081,092	P316,660,290
Property and equipment		2,155,992	5,563,265
Intangible assets		-	1,757,946
Interest received		80,111,173	78,137,528
Dividends received		8,252,900	9,255,126
Acquisitions of:			
Property and equipment	14	(13,726,704)	(29,637,262)
Intangible assets	16	(34,408,639)	(50,590,413)
AFS financial assets	9	(155,755,511)	(331,483,914)
Contributions to the Retirement Plan	22	(32,400,329)	(25,500,000)
Net cash provided by (used in) investing activities		113,309,974	(25,837,434)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		22,980,535	(7,609,136)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		172,368,327	179,977,463
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	P195,348,862	P172,368,327

See Notes to the Financial Statements.



MAPFRE INSULAR INSURANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

Mapfre Insular Insurance Corporation (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on September 1, 1934. On September 1, 1978, the Company amended its Articles of Incorporation to extend the corporate life of the Company for another fifty (50) years up to September 1, 2034.

The Company is engaged in the business of motor car, fire, marine, fidelity and surety insurance, and on all other forms of non-life insurance authorized by law. On December 15, 2015, Certificate of Authority was granted to the Company by the Insurance Commission (IC) effective January 1, 2016 to December 31, 2018.

The Company is 74.94% owned by Mapfre Internacional of Spain ("Mapfre Internacional" or the "Parent Company") and 24.99% owned by Insular Life Assurance Company, Ltd. ("Insular Life").

The Company's registered office address is at Mapfre Insular Corporate Center, Acacia Avenue, Madrigal Business Park, Ayala Alabang, Muntinlupa City.

2. Basis of Preparation

Statement of Compliance

The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRSs which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations.

The financial statements of the Company as at and for the year ended December 31, 2017 have been reviewed, approved and authorized for issue by the Board of Directors (BOD) of the Company on April 4, 2018.

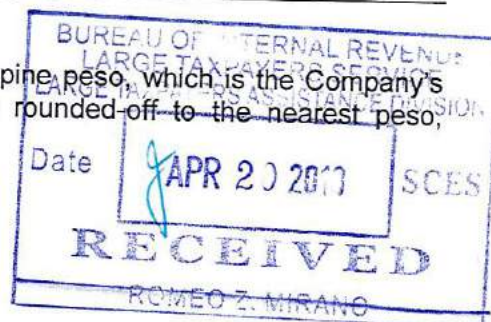
Basis of Measurement

The financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis on each reporting date:

Items	Measurement Bases
Available-for-sale (AFS) financial assets	Fair value
Net pension asset obligation (asset)	Present value of the defined benefit obligation (DBO) less fair value of plan assets

Functional and Presentation Currency

The financial statements are presented in Philippine peso, which is the Company's functional currency. All financial information is rounded off to the nearest peso, except when otherwise indicated.



3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements, except for the changes in accounting policies as explained below.

Adoption of New or Revised Standards, Amendments to Standards and Interpretations

The Company has adopted the following amendments to standards starting January 1, 2017 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Company's financial statements.

- *Disclosure initiative (Amendments to PAS 7, Statement of Cash Flows).* The amended PAS 7 now requires entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.
- *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to PAS 12, Income Taxes).* The amended PAS 12 provides clarifications on the following:
 - deductible temporary differences depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period;
 - the calculation of future taxable profit excludes tax deductions resulting from the reversal of the deductible temporary differences;
 - the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and
 - an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.

Insurance Contract

Insurance contract is an agreement whereby one party called the insurer undertakes, for a consideration paid by the other party called the insured, promises to pay money, or its equivalent or to do some act valuable to the latter, upon happening of a loss, liability or disability arising from an unknown or contingent event.

Classification of Insurance and Investment Contracts

The Company issues contracts that transfer insurance or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such risk includes the possibility of having to pay benefits on the occurrence of an insured event. The Company may also transfer insurance risk in insurance contracts through its reinsurance arrangements to hedge a greater possibility of claims occurring than expected. As a general guideline, the Company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10.00% more than the benefits payable if the insured event did not occur. Insurance contracts can also expose the insurer to financial risks. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index, or other variable.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or have expired.

Investment contracts can however be reclassified as insurance contracts after inception if the insurance risk becomes significant. Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

Gross Premium on Insurance Contracts

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

Commission Expense and Deferred Acquisition Costs

Commissions are recognized as expense over the period of the contracts using the 24th method. The portion of the commissions that relates to the unexpired periods of the policies at the end of the reporting period is accounted for as "Deferred acquisition costs" in the assets section of the statements of financial position. The net changes in deferred acquisition costs at the end of each reporting periods are recognized as "Commission expense" in the statements of income.

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

An impairment review is performed at the end of each reporting periods or more frequently when an indication of impairment arises. The carrying value is written down to the recoverable amount. The impairment loss is charged to profit or loss.

Deferred acquisition costs is derecognized when the related contracts are settled or disposed of.

Reinsurance

The Company cedes insurance risk in the normal course of business

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

The Company also assumes reinsurance risk in the normal course of business. Premiums and claims on assumed reinsurance are recognized in profit or loss as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the assumed business. Insurance payables represent balances due to reinsurers and funds held for reinsurers. Amounts due to reinsurers are estimated in a manner consistent with the associated reinsurance contract.

Gains and losses on buying reinsurance, if any, are recognized in profit or loss immediately at the date of purchase and are not amortized.

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

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

Reinsurance Contracts Held

Contracts entered into by the Company with reinsurers which compensate the Company for losses on one or more contracts insured by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets.

Premiums payable for reinsurance contracts are recognized as a contra-income account upon recognition of related premiums. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

The benefits unpaid recoverable to which the Company is entitled under its reinsurance contracts held are recognized as reinsurance recoverable on unpaid losses classified under "Reinsurance assets" account in the statements of financial position. Reinsurance recoverable on unpaid losses are estimated in a manner consistent with the associated reinsured policies and in accordance with the reinsurance contracts.

When the Company enters into a proportional treaty reinsurance agreement for ceding out its insurance business, the Company recognizes due to reinsurers under "Insurance payables" account in the statements of financial position at transaction price. Reinsurance premium ceded out will be withheld at 25% for marine and 40% for non-marine policies and recognized as funds held for reinsurers under "Insurance payables" account in the statements of financial position. The amount withheld is generally released after a year.

Impairment of Reinsurance Assets

The Company assesses its reinsurance assets for impairment at least annually. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance assets to its recoverable amount and recognize that impairment loss in the statements of income. The Company gathers the objective evidence that a reinsurance asset is impaired using specific assessment. The Company identifies individually which accounts should be provided with impairment loss.

Commission Income and Deferred Reinsurance Commissions

Commissions earned from reinsurance 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 end of the reporting period are accounted for as "Deferred reinsurance commissions" in the statements of financial position. The net changes in deferred reinsurance commissions between each end of reporting period are recognized as "Commission income" in the statements of income.

Insurance Contract Liabilities

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

Provision for Claims Reported and Incurred but Not Reported (IBNR) Claims

These liabilities are based on the estimated ultimate cost of all claims incurred but not reported at the end of the reporting period together with related claims handling costs and reduction for the expected value of salvage and other recoveries.

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. Significant delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of which cannot be known with certainty at the end of the reporting period. The liability is not discounted for the time value of money and includes provision for IBNR claims. The liability is derecognized when the contract is discharged, cancelled or has expired.

Reserve 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 reserve for unearned premiums as part of "Insurance contract liabilities" account in the statements of financial position. Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method. "Net change in the reserve for unearned premiums" account is taken to statements of income in order that revenue is recognized over the period of risk.

The related reinsurance premium ceded that pertains to the unexpired periods at end of the reporting period are accounted for as Reinsurance premiums reserve and shown as part of "Reinsurance assets" account in the statements of financial position. The net changes in reinsurance premiums reserve between each end of reporting period are recognized as part of "Net change in provision for unearned premium" account in the statements of income.

Liability Adequacy Test

At the end of each reporting period, liability adequacy test is performed to ensure the adequacy of insurance contract liabilities, net of the related deferred acquisition cost. The test considers current best estimates of future cash flows, claims handling cost and policy administrative expenses. 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 arising from the test is immediately charged to profit or loss by establishing an unexpired risk provision for losses.

Net Insurance Benefits and Claims

Underwriting expenses consists of benefits and claims paid to policy holders, and changes in the valuation of insurance contract liabilities, except for changes in the reserve for unearned premiums. 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.

Financial Instruments

Date of Recognition

Financial instruments are recognized in the statements of financial position when the Company becomes a party to the contractual provisions of the instrument. The purchase or sale of a non-derivative financial asset that will be delivered within the timeframe generally established by regulation or convention in the market concerned, except for equity securities, are recognized on the date on which the instrument is actually transferred (the settlement date).

Initial Recognition

On initial recognition, a financial asset or financial liability is measured at fair value plus directly attributable transaction costs, unless the instrument is classified at fair value through profit or loss (FVPL). Normally, the fair value on initial recognition is the transaction price - i.e., the fair value of the consideration given (in case of an asset) or received (in case of a liability) for the financial instrument.

Classification

The Company classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, loans and receivables, and AFS financial assets. The Company classifies its financial liabilities as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at the end of each reporting period.

As at December 31, 2017 and 2016, the Company has no financial instruments at FVPL and HTM investments.

Financial instruments issued by the Company are classified as a financial liability or equity in accordance with the substance of the contractual arrangement. Any interest, dividends, and realized and unrealized gains and losses from financial instruments or component considered as a financial liability are recognized in profit or loss for the period. On the other hand, distributions to holders of financial instruments classified as equity are treated as owner-related and thus charged directly to equity.

As at December 31, 2017 and 2016, financial instruments issued by the Company are classified as equity.

Reclassification

Financial instruments are reclassified at its fair value on the date of reclassification. For financial assets at FVPL, any gain or loss already recognized in profit or loss shall not be reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortized cost, as applicable. For debt instruments reclassified out of the AFS financial assets category, the gain or loss shall be amortized to profit or loss over the remaining life of instruments using the effective interest method. Any difference between the new amortized cost and maturity amount shall also be amortized over the remaining life of the financial asset using the effective interest method, similar to the amortization of a premium and a discount. As for equity instruments reclassified out of the AFS financial assets category, the gain or loss shall be recognized in profit or loss when the financial asset is sold or otherwise disposed.

AFS Financial Assets

AFS financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other financial asset categories. These financial assets are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. These include debt and equity securities.

Subsequent to initial recognition, AFS financial assets are measured at fair value. Fair value changes are recognized in OCI. Interest income is recognized under the effective interest method, with the effective interest rate (EIR) being calculated on the instrument's initial recognition. The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. Impairment losses and foreign exchange gains and losses on AFS debt instruments are recognized in profit or loss as they arise.

When the relevant asset is derecognized, on sale or other disposal, or is impaired, the cumulative fair value changes recognized in OCI are reclassified from equity to profit or loss. For a partial disposal, a proportionate share of the fair value gains and losses previously recognized in OCI is reclassified from equity to profit or loss. Such gains and losses include all fair value changes until the date of disposal.

The Company's government and private debt securities and quoted and unquoted equity securities are classified under this category (see Note 9).

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and 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 financial assets at FVPL, AFS financial assets or HTM investments.

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on the acquisition and fees that are integral part of the EIR. Loans and receivables that are perpetual and that have either a fixed or a market-based variable rate of interest are measured at cost.

Any interest earned on loans and receivables is recognized in profit or loss on an accrual basis. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired.

Included in this category are: (a) cash and cash equivalents; (b) insurance receivables; (c) loans and receivables; (d) accrued income; and (e) security deposits presented under "Other assets" account in the statements of financial position (see Notes 7, 8, 10, 11 and 18).

Cash includes cash in banks which are stated at face amount. 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 and are subject to an insignificant risk of changes in value.

Financial Liabilities at Amortized Cost

Issued financial instruments or their components, which are not classified as FVPL, are classified as financial liabilities at amortized cost, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial instrument to the holder or lender, 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 the Company's own equity instruments.

Subsequent to initial measurement, these financial liabilities are carried at amortized cost using the effective interest method, less any impairment losses. Amortized cost is calculated by taking into account any discount or premium on the acquisition and fees and costs that are an integral part of the EIR of the liability. The amortization is recognized in profit or loss.

Included in this category are: (1) provision for claims reported under "insurance contract liabilities"; (2) insurance payables; and (3) trade and other liabilities but excludes payable to government agencies (see Notes 19, 20 and 21).

Fair Value Measurements

Determination of Fair Values

The fair values of financial instruments traded in active markets at reporting date are based on their quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair values are determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flows method, price comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

Fair Value Hierarchy

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 prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices); and

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

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

"Day 1" Profit

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" profit) in profit or loss, unless it qualifies for recognition as some other type of asset. In cases where data used as inputs in a valuation model are not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" profit.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements 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 financial asset and settle the financial liability simultaneously. This is not generally the case with master netting agreements, thus the related financial assets and financial liabilities are presented on a gross basis in the statements of financial position.

Impairment of Financial Assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or group of financial assets may be impaired. A financial asset or a group of financial assets is impaired and impairment loss is incurred if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (loss event) and that loss event(s) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

AFS financial Assets Carried at Fair Value

In case of equity securities classified as AFS financial assets, impairment indicators would include a significant or prolonged decline in the fair value of the investments below cost. Where there is objective evidence of impairment, the cumulative loss lodged under equity, measured as the difference between the acquisition cost and the current fair value, less any allowance for impairment previously recognized in OCI, is transferred to profit or loss. Impairment loss on equity securities is not reversed through profit or loss but directly to equity as part of OCI.

In the case of AFS debt securities, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Interest continues to be accrued at the EIR on the reduced carrying amount of the asset and is recognized in profit or loss. If, in a subsequent year, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss to the extent that the resulting carrying amount of the security does not exceed its carrying amount had no impairment loss been recognized.

For a partial disposal, a proportionate share of the fair value gains and losses previously recognized in OCI is reclassified from equity to profit or loss. Such gains and losses include all fair value changes until the date of disposal.

AFS financial Assets Carried at Cost

If there is an objective evidence of 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, 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 security.

Loans and Receivables

For financial assets carried at amortized cost such as loans and receivables, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If no objective evidence of impairment has been identified for a particular financial asset that was individually assessed, the Company includes the asset as part of a group of financial assets with similar credit risk characteristics and collectively assesses the group 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 the collective impairment assessment.

Evidence of impairment for specific impairment purposes may include indications that a borrower or a group of borrowers is experiencing financial difficulty, default or delinquency in principal or interest payments, or may enter into bankruptcy or other form of financial reorganization intended to alleviate the financial condition of the borrower. For collective impairment purposes, evidence of impairment may include observable data on existing economic conditions or industry-wide developments indicating that there is a measurable decrease in the estimated future cash flows of the related assets.

If there is objective evidence of impairment, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original EIR (i.e., the EIR computed at initial recognition). Time value is generally not considered when the effect of discounting the cash flows is not material. If an asset has a variable rate, the discount rate for measuring any impairment loss is the current EIR, adjusted for the original credit risk premium. For collective impairment purposes, impairment losses is computed based on their respective default and historical loss experience.

The carrying amount of the loans and receivables shall be reduced either directly or through the use of an allowance account. The impairment losses for the period shall be recognized in profit or loss. If, in a subsequent period, the amount of the impairment losses decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of impairment losses is recognized in profit or loss, to the extent that the carrying amount of the loans and receivables does not exceed its amortized cost at the reversal date.

Where loans and receivables have been ascertained to be worthless, the related amount is written-off against the corresponding allowance for impairment.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

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

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

When the Company has transferred its rights 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 but transferred control of the asset, the Company continues to recognize the asset to the extent of the Company’s continuing involvement. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be acquired to pay.

Financial Liabilities

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

Property and Equipment

The initial cost of property and equipment comprises of its construction cost or purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost also includes any related asset retirement obligation.

Subsequent to initial measurement, property and equipment are measured at cost less accumulated depreciation and amortization and any impairment in value. Such cost includes the cost of replacing part of the property and equipment at the time that cost is incurred, if the recognition criteria are met, and excludes the cost of day-to-day servicing. Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period these costs are incurred. Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the items will flow to the Company and the cost of the items can be measured reliably.

Construction in progress (CIP) represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property and equipment are capitalized during the construction period. CIP is not depreciated until such time that the relevant assets are ready for use.

Depreciation and amortization, which commences when the assets are available for their intended use, are computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
Building and building improvements	50
Office furniture and equipment	5
Transportation equipment	5
Leasehold improvements	5 or lease term whichever is shorter

The remaining useful lives, residual values and depreciation and amortization method are reviewed and adjusted periodically, if appropriate, to ensure that such periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property and equipment.

The carrying amounts of the property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use.

An item of property and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period of retirement or disposal.

Investment Properties

Properties held for long-term rental yields and/or capital appreciation are classified as investment properties.

These properties are initially measured at cost, which includes transaction cost, but excludes day-to-day service cost. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. Replacement cost is capitalized if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

Subsequent to the initial measurement, investment properties are measured at cost less accumulated depreciation and impairment in value, if any.

Depreciation is computed using the straight-line method over the estimated useful life of fifty (50) years.

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

Transfers are made to investment properties 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 ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner occupation or of development with a view to sell.

Investment properties are derecognized when it has either been disposed of or the investment properties are permanently withdrawn from use and no future benefit is expected from its disposal. Any gain or loss arising from the retirement and disposal of an item of investment properties (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period of retirement or disposal.

Rental income from investment properties is in profit or loss on a straight-line basis over the term of the lease. Lease incentives are recognized as an integral part of the total rental income.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any impairment in value.

The Company's intangible assets comprise of computer software. Amortization is computed using the straight-line method over the estimated useful life of five to ten (5 - 10) years.

Intangible assets with definite useful lives are amortized on a straight-line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at reporting date. Changes in the expected useful life or the expected pattern of consumption of the future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets are derecognized upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of intangible assets (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period of retirement or disposal.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity at the date of acquisition.

Following initial recognition, goodwill is measured at cost less any impairment in value. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of the cash generating unit (CGU) to which the goodwill relates. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognized. A previously recorded impairment loss for goodwill can never be reversed.

Determination of Fair Value of Nonfinancial Assets

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 nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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.

External valuers are involved for valuation of significant assets, such as investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

Impairment of Nonfinancial Assets

The carrying amounts of nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or CGU are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs of disposal and value in use. The fair value less costs of disposal is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. Value in use is the present value of future cash flows expected to be derived from an asset. 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment loss is recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment loss 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. The reversal can be made only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

As at December 31, 2017 and 2016, no impairment loss has been recognized on the Company's property and equipment, investment properties, intangible assets and goodwill.

Equity

Capital Stock

Capital stock is recognized as issued when the stock is paid for or subscribed under a binding subscription agreement and is measured at par value.

Additional Paid-in Capital (APIC)

APIC represents any premiums received in excess of par value on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from APIC. In the event that the APIC balance is exhausted as a result of redemption, the retained earnings account is reduced by redemptions in excess of par value.

Contributed Surplus

Contributed surplus represents the original contribution of the stockholders of the Parent Company, in addition to the APIC, in order to comply with the pre-licensing requirements as provided under the Insurance Code which is carried at cost.

Retained Earnings

Retained earnings includes the accumulated results of the Company's operation, as reported in the statements of income less any amount of dividends declared. Retained earnings may also include effect of changes in accounting policy as may be required by the transitional provision of the standards.

Dividends distribution to the Company's shareholders is recognized in the year in which the dividends are approved by the Company's BOD. The Company intends to declare dividends subject to availability of retained earnings and operational requirements.

Revenue and Expenses Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and revenue can be reliably measured. Costs and expenses are recognized when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Revenue and expenses are measured at the fair value of the consideration received or receivable or given, respectively, excluding taxes. The following specific criteria must also be met before revenue is recognized.

Determining whether the Company is Acting as Principal or an Agent

The Company assesses its revenue arrangements against the following criteria to determine whether it is acting as a principal or an agent:

- whether the Company has primary responsibility for providing the services;
- whether the Company has discretion in establishing prices; and
- whether the Company bears the credit risk.

If the Company has determined it is acting as a principal, the Company recognizes revenue on gross basis with the amount remitted to the other party being accounted as part of cost and expenses. If the Company has determined it is acting as an agent, only the net amount retained is recognized as revenue.

The Company has determined that it is acting as principal in its revenue from direct business arrangements.

Investment Income

Interest Income

Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.

Dividend Income

Dividend income is recognized when the Company's right to receive the payment is established. This is the ex-dividend date for listed equity securities, and usually the date when shareholders have approved the dividend for unlisted equity shares.

Other Income

Income from other sources is recognized when earned or incurred.

General and Administrative Expenses

General and administrative expenses, except for lease agreements, are recognized as expense as they are incurred.

Service Fees

Service fees are recognized when incurred.

Employee Benefits

Short-term Employee Benefits

Short-term employee benefits are those expected to be settled wholly before 12 months after the end of the annual reporting period during which employee services are rendered, excluding termination benefits. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits

The Company's net pension obligation is the aggregate of the present value of the DBO less fair value of plan assets at the end of the reporting period, adjusted for any effect of limiting a net defined benefit retirement 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 calculation of the net pension obligation is performed annually by a qualified actuary using the projected unit credit method.

Retirement costs comprise of current service cost, net interest cost and remeasurements of the net pension obligation.

Net interest cost on the net pension obligation is determined by applying the discount rate based on the government bonds at the beginning of the annual period to the net pension obligation, taking into account any changes in the net pension obligation during the period as a result of contributions and benefit payments. Net interest cost is recognized in profit or loss.

Remeasurements of the net pension obligation, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (excluding interest) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods but are closed in equity every reporting period.

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 DBO, the measurement of the resulting net pension obligation 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 net pension obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

The Company recognizes gains and losses on the settlement of a DBO when the settlement occurs.

Leases

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

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

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

Operating Lease

Company as a Lessee

Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognized as rent expense in profit or loss on a straight-line basis over the lease term.

Company as a Lessor

Leases where the Company does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Rent income from operating leases is recognized as income in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rent income. Contingent rents are recognized as revenue in the period in which they are earned.

Foreign Currency Transactions and Translation

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rates at reporting date; income and expenses are translated using the average rate for the year. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognized in profit or loss, except for differences arising on the translation of AFS financial assets, a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognized in OCI.

Taxes

Current Income Tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred Income Tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - excess of Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of excess of MCIT over RCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year 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 reporting date.

In determining the amount of current, final and deferred taxes, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Current income tax and deferred income tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

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

Final Tax

Interest income from cash in banks, debt securities, funds held by ceding companies and dividend income, which is subject to final withholding tax, is presented at gross amounts while taxes paid or withheld are recognized as final tax under "Taxes" account in the statements of income.

Creditable Withholding Taxes (CWT)

CWT pertains to the indirect tax paid by the Company that is withheld by its counterparty for the payment of its expenses and other purchases. CWT is initially recorded at cost under "Other current assets" account in the statements of financial position.

At each end of the tax reporting deadline, CWT may either be offset against future tax income payable or be claimed as a refund from the taxation authorities at the option of the Company. If CWT is claimed as a refund, these will be recorded in the statements of financial position.

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

Value-added Tax (VAT)

Revenues, expenses and assets are recognized net of the amount of VAT, except:

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

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

Related Parties

Related party relationships exist when one party has the ability to control or influence the other party, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and its key management personnel, directors, or its stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Provisions

Provisions are recognized when the Company has: (a) a present obligation (legal or constructive) as a result of past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies

Contingent liabilities are not recognized in the financial statements. They 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 financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date

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

New or Revised Standards, Amendments to Standards and Interpretations Issued but Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2017. However, the Company has not applied the following new or amended standards in preparing these financial statements. Unless otherwise stated, none of these are expected to have a significant effect on the Company's financial statements.

Effective January 1, 2018

- *PFRS 9, Financial Instruments (2014)*. PFRS 9 (2014) replaces PAS 39, *Financial Instruments: Recognition and Measurement* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted.

The Company is assessing the potential impact on its financial statements resulting from the application of PFRS 9.

- *PFRS 15, Revenue from Contracts with Customers* replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue*, International Financial Reporting Interpretations Committee (IFRIC) 13, *Customer Loyalty Programmes*, IFRIC 18, *Transfer of Assets from Customers* and Standard Interpretations Committee -31, *Revenue - Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another PFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

The Company intend to apply the temporary exemption from PFRS 9 and will therefore continue to apply PAS 39 to its financial assets and liabilities until the Company applies the new standard on insurance contracts.

- *Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts (Amendments to PFRS 4)*. The amendments provide a temporary exemption from PFRS 9, where an entity is permitted to defer application of PFRS 9 in 2018 and continue to apply PAS 39 if it has not applied PFRS 9 before and its activities are predominantly connected with insurance. A qualified entity is permitted to apply the temporary exemption for annual reporting periods beginning before January 1, 2021. The amendments also provide an overlay approach to presentation when applying PFRS 9 where an entity is permitted to reclassify between profit or loss and other comprehensive income the difference between the amounts recognized in profit or loss under PFRS 9 and those that would have been reported under PAS 39, for designated financial assets. A financial asset is eligible for designation if it is not held for an activity that is unconnected with contracts in the scope of PFRS 4, and if it is measured at fair value through profit or loss under PFRS 9, but would not have been under PAS 39. An entity is generally permitted to start applying the overlay approach only when it first applies PFRS 9, including after previously applying the temporary exemption.

The amendments permitting the temporary exemption is for annual periods beginning on or after January 1, 2018 and the amendments allowing the overlay approach are applicable when an entity first applies PFRS 9.

The Company is assessing the potential impact on its financial statements resulting from the application of PFRS 9 and PFRS 4.

- *Transfers of Investment Property (Amendments to PAS 40, Investment Property)* amends the requirements on when an entity should transfer a property asset to, or from, investment property. A transfer is made when and only when there is an actual change in use - i.e. an asset meets or ceases to meet the definition of investment property and there is evidence of the change in use. A change in management intention alone does not support a transfer.

The amendments are effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. An entity may apply the amendments to transfers that occur after the date of initial application and also reassess the classification of property assets held at that date or apply the amendments retrospectively, but only if it does not involve the use of hindsight.

- *Philippine Interpretation IFRIC-22, Foreign Currency Transactions and Advance Consideration*. The interpretation clarifies that the transaction date to be used for translation for foreign currency transactions involving an advance payment or receipt is the date on which the entity initially recognizes the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation applies when an entity pays or receives consideration in a foreign currency and recognizes a non-monetary asset or liability before recognizing the related item.

The interpretation is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

Effective January 1, 2019

- *PFRS 16, Leases* supersedes PAS 17, *Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases and low-value items, as well as the permission of *portfolio-level accounting instead of applying the requirements to individual leases*.

The Company shall apply this standard for annual periods beginning on or after January 1, 2019. Earlier application is not permitted until the Financial Reporting Standards Council has adopted International Financial Reporting Standard 15, the new revenue recognition standard. Once adopted, earlier application of PFRS 16 is permitted if the entity has adopted the new revenue recognition standard.

The Company is assessing the potential impact on its financial statements resulting from the application of PFRS 16.

- *Philippine Interpretation IFRIC-23, Uncertainty over Income Tax Treatments* clarifies how to apply the recognition and measurement requirements in PAS 12, *Income Taxes* when there is uncertainty over income tax treatments. Under the interpretation, whether the amounts recorded in the financial statements will differ to that in the tax return, and whether the uncertainty is disclosed or reflected in the measurement, depends on whether it is probable that the tax authority will accept the Company's chosen tax treatment. If it is not probable that the tax authority will accept the Company's chosen tax treatment, the uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty – either the most likely amount or the expected value. The interpretation also requires the reassessment of judgements and estimates applied if facts and circumstances change – e.g. as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires.

The interpretation is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted.

New Accounting Standard Issued by IASB which is Effective After the Reporting Period but not yet Adopted by the FRSC and Philippine SEC

- *IFRS 17, Insurance Contracts*. In May 2017, the IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces IFRS 4, *Insurance Contracts*.

In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies for measurement purposes, IFRS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short duration which typically applies to certain non-life insurance contracts.

The main features of the new accounting model for insurance contracts are, as follows:

- Portfolios are required to be divided, at a minimum, into three groups, namely: (1) contracts that are onerous at inception (i.e., initial recognition), (2) contracts that have no significant possibility of becoming onerous subsequently, and (3) all remaining contracts in the portfolio. Losses arising from the net outflow of the group of onerous contracts are recognized immediately in profit or loss at initial recognition;
- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows);
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognized in profit or loss over the service period (i.e., coverage period);
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognized in profit or loss over the remaining contractual service period;
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice;
- The recognition of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period;
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (nondistinct investment components) are not presented in the income statement, but are recognized directly in the statements of financial position;
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense; and
- Extensive disclosures to provide information on the recognized amounts from insurance contracts and the nature and extent of risks arising from these contracts.

IFRS 17 is effective for annual reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

The Company will adopt IFRS 17 on its effectivity date once adopted by the FRSC and Philippine SEC.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the financial statements in accordance with PFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments, estimates and assumptions are revised and in any future period affected.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations and assumptions, which have the most significant effect on the amounts recognized in the financial statements:

(a) *Determination of Functional Currency*

Based on the economic substance of the underlying circumstance relevant to the Company, the functional currency of the Company has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences the income and costs arising from the Company's operations.

(b) *Fair Value of Financial Assets and Liabilities*

Where the fair values of financial assets and liabilities recorded in the statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The Company uses judgment to select from variety of valuation models and makes assumptions regarding considerations of liquidity and model inputs such as correlation and volatility for longer dated financial instruments. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair value.

(c) *Impairment of AFS Financial Assets*

The Company considers that AFS financial assets are impaired when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is significant or prolonged decline requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share/market price and the future cash flows and the discount factors for unquoted equity securities. The Company generally regards fair value decline as being significant when decline exceeds 20.00% of the original cost of investment and prolonged when it persists for six (6) months. 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.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Claims Liability Arising from Insurance Contracts

Estimates have to be made for the expected ultimate costs of claims reported at the reporting date. It can take a significant period of time before the ultimate costs of claims can be established with certainty. The primary technique adopted by Management in estimating the cost of notified claims is that of using past claims settlement trends to predict future claims settlement trends. At each reporting date, prior year claims estimates are assessed for adequacy and changes made are charged to provision. Insurance claims provisions are not discounted for the time value of money.

The main assumption underlying the estimation of the insurance claims provision is that a Company's past claims development experience can be used to project future claims development and hence, ultimate costs of claims. Historical claims development is mainly analyzed by accident years, but can also be further analyzed by geographical area, as well as by significant business lines and claim types. Large claims are usually addressed separately, either by being reserved at the face value of loss adjuster estimates or projected separately in order to reflect their future development.

Additional qualitative judgment is used to assess the extent to which past trends may not apply in the future (i.e., to reflect one-off occurrences, changes in external or market factors such as public's attitude to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures) in order to arrive at the estimated ultimate costs of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

As at December 31, 2017 and 2016, provision for claims reported amounted to P1.54 billion and P1.61 billion, respectively (see Note 19).

(b) Valuation of IBNR

Estimates have to be made both for the expected ultimate costs of claims reported and for the expected ultimate cost of IBNR at the reporting date. It can take a significant period of time before the ultimate costs of claims can be established with certainty.

The primary technique adopted by the management in estimating the ultimate cost of IBNR is using the Expected Loss Ratio and Incurred Chain Ladder Method to predict the future claims settlement. At each reporting date, prior year claims estimates are assessed for adequacy and changes made are charged to provision for claims reported and IBNR claims. Insurance contract liabilities are not discounted for the time value of money.

In 2017, there is a change in accounting estimate to predict the future claims settlement from purely Chain Ladder Method including one-off and large claims in 2016 to a combination of Expected Loss Ratio and Chain Ladder Method excluding one-off and large claims in 2017. Both actuarial projection techniques are acceptable as per IC CL No. 2016-67, *Valuation Standards for Non-Life Insurance Policy Reserves*. This resulted to change in provision for IBNR claims amounting to P1.14 billion and P23.42 million at gross amount and at net amount, respectively (see Note 24).

As at December 31, 2017 and 2016, the carrying values of provision for IBNR claims amounted to P115.94 million and P1.26 billion, respectively (see Note 19).

(c) *Estimation of Allowance for Impairment Losses of Receivables*

The Company maintains the 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 percentage of collectibility of the accounts.

Provisions are made for specific and groups of accounts, where objective evidence of impairment exists. The Company evaluates these accounts on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Company's relationship with the customers and counterparties, the customers' current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience.

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

In 2017, there is a change in accounting estimate for collective provisioning of premiums receivable and due to brokers based on management's assessment of their current collection patterns. This resulted to reversal of impairment losses on premiums receivable and due from brokers amounting to P14.61 million and P0.04 million, respectively, in 2017.

As at December 31, 2017 and 2016, the carrying amount of insurance receivables amounted to P1.05 billion and P574.41 million, respectively, while the carrying amount of loans and receivables amounted to P100.95 million and P148.52 million, respectively (see Notes 8 and 10).

(d) *Estimation of Allowance for Impairment Losses of AFS Financial Assets*

The Company carries AFS financial assets at fair value, which requires the extensive use of accounting estimates and judgment. Significant components of fair value measurement were determined using verifiable objective evidence such as foreign exchange rates, interest rates and volatility rates. However, the amount of changes in fair value would differ if the Company utilized different valuation methods and assumptions. Any change in fair value of AFS financial assets would affect OCI.

As at December 31, 2017 and 2016, the Company assessed that there are no impairment indicators for its AFS financial assets.

As at December 31, 2017 and 2016, the carrying amount of AFS financial assets amounted to P1.35 billion and P1.48 billion, respectively (see Note 9).

(e) *Impairment of Nonfinancial Assets*

The Company assesses impairment on property and equipment, investment properties, intangible assets and goodwill whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

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

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

In the case of goodwill, at a minimum, such asset is subject to an annual impairment test and more frequently whenever there is an indication that such asset may be impaired. This requires an estimation of the value in use of the CGU to which the goodwill is allocated. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the CGU and to choose a suitable discount rate in order to calculate the present value of those cash flows.

In 2017 and 2016, no impairment loss was recognized for the Company's nonfinancial assets.

	<i>Note</i>	2017	2016
Property and equipment	14	P217,367,082	P246,505,744
Investment properties	15	15,281,346	15,716,192
Intangible assets	16	117,722,928	102,059,925
Goodwill	17	33,794,284	33,794,284
		P384,165,640	P398,076,145

(f) *Realizability of Deferred Tax Assets*

Deferred tax assets are recognized for all temporary future tax benefits to the extent that it is probable that taxable profit will be available against which the losses 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 to determine the amount of deferred tax assets that can be recognized. 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 deferred tax assets will be realized.

As at December 31, 2017, management believes that it is not probable that sufficient future taxable income will be available for which the Company can utilize the benefits of its deferred tax asset on NOLCO. As such, the Company did not recognize deferred tax asset on NOLCO amounting to P102.65 million (see Note 28).

The Company has no unrecognized deferred tax assets as at December 31, 2016.

(g) *Present Value of DBO*

The determination of net pension obligation is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rate and salary increase rate. In accordance with PAS 19, *Employee Benefits*, actual results that differ from the Company's assumptions are recognized immediately as OCI in the statements of comprehensive income.

While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the net pension obligations.

As at December 31, 2017 and 2016, the Company's net pension asset and obligation amounted to P13.78 million and P14.46 million, respectively (see Note 22).

(h) *Contingencies*

The Company is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of claims have been developed in consultation and with the aid of legal counsels handling the Company's defense in these matters and based upon an analysis of potential results. Management does not believe that the outcome of these proceedings will have a material adverse effect on the Company's financial position. It is probable, however, that the future results of operations could be materially affected by changes in or in the effectiveness of the strategies relating to these proceedings.

5. Management of Capital, Insurance and Financial Risk

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 failing to exploit opportunities. The Company recognizes the importance of having efficient and effective risk management system in place.

The Company has established risk management function with clear terms of reference for the BOD, its committees and the associated executive management committees. Further, a clear organization structure with documented delegated authorities and responsibilities from the BOD to executive management committees and senior managers has been developed. Lastly, a Company policy framework which sets out the risk appetite of the Company's operations has been put in place. Each committee has a member of senior management which is charged with overseeing compliance with the policy throughout the Company.

The BOD has approved the Company's risk management policies and meets regularly to approve any commercial, regulatory and own organizational requirements in such policies. The policies define the Company's identification of risks and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, alignment of underwriting and reinsurance strategy to the corporate goals and specify reporting requirements.

Regulatory Framework

Regulators are interested in protecting the rights of the policyholders and maintain close vigil to ensure that the Company is satisfactorily managing its 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 acceptable levels of risk.

The operations of the Company are subject to the regulatory requirements of the IC. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions [e.g., net worth requirements and risk-based capital (RBC) requirements]. Such restrictive provisions minimize the risk of default and insolvency on the part of the insurance companies to meet the unforeseen liabilities as these arise.

Net Worth Requirements

Under the Amended Insurance Code (Republic Act 10607) which was approved on August 15, 2013, every insurance company doing business in the Philippines needs to comply with the following net worth requirements:

Net Worth	Compliance Date
P250,000,000	On or before June 30, 2013
550,000,000	On or before December 31, 2016
900,000,000	On or before December 31, 2019
1,300,000,000	On or before December 31, 2022

As at December 31, 2017 and 2016, the Company has complied with the net worth requirements, based on internal calculations. The final amount of net worth can be determined only after the accounts of the Company have been examined by the IC, especially as to the admitted and non-admitted assets as defined under the Insurance Code.

RBC2 Requirements

IC Circular No. 2016-68, Amended RBC2 Framework, provides for the RBC2 framework for the non-life insurance industry to establish the required amounts of capital to be maintained by the insurance companies in relation to the risks an insurance company is exposed to. Every non-life insurance company is annually required to maintain an RBC2 ratio of at least 100.00% and not to fail the trend test. Failure to meet the minimum RBC2 ratio shall subject the insurance company to regulatory intervention which could be at various levels depending on the degree of the violation.

The RBC2 ratio shall be calculated as total available capital (TAC) divided by the RBC2 requirement. TAC is the aggregate of Tier 1 and Tier 2 capital minus deductions, subject to applicable limits determined by IC. With Tier 1 Capital being the capital fully available to cover losses at all times on a going concern and winding up basis. And Tier 2 Capital as the capital that can also provide additional buffer to the insurance company, though it is not of the same high quality as Tier 1 Capital.

As at December 31, 2017 and 2016, the Company has complied with RBC2 requirements based on internal calculations.

The final RBC2 ratio can be determined only after the accounts of the Company have been examined by the IC, specifically as to admitted and non-admitted assets as defined under the Insurance Code.

Capital Management Framework

The primary objective of the Company's capital management is to ensure that it complies with the IC requirements.

The Company regularly assesses and changes its level of capital to ensure sufficient solvency margins and to adequately protect the policyholders in accordance with the regulations set by IC. The BOD, through its Executive Committee, promptly adjusts and considers strategies in order for the Company to maintain the net worth requirements.

The BOD also sees to it that the Company complies with the RBC2. The Company reports its capital and compliance with IC requirements to the Executive Committee on a monthly basis and to the BOD on a quarterly basis.

The Company regards the following as the capital it manages as at December 31:

	<i>Note</i>	2017	2016
Capital stock	30	P500,000,000	P500,000,000
Additional paid-in capital		200,446,070	200,446,070
Contributed surplus		100,000,000	100,000,000
Retirement benefit reserve	22	(23,602,900)	(30,996,303)
Revaluation reserve on AFS financial assets	9	(6,565,525)	69,650,082
Retained earnings		317,992,327	298,639,395
		P1,088,269,972	P1,137,739,244

There were no changes made to its capital base, objectives, policies and processes from previous years.

Insurance Risk

The risk under an insurance contract is the risk that an insured event will occur, including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, when actual benefits paid are greater than originally estimated and subsequent development of long-term claims.

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

	2017		
	Gross Claims Liabilities	Reinsurer's Share of Claims Liabilities	Net Claims Liabilities
Fire	P979,948,200	P922,523,083	P57,425,117
Motorcar	448,041,813	5,182,259	442,859,554
Surety	149,147,797	108,321,888	40,825,909
Accident	28,065,012	1,361,803	26,703,209
Casualty	26,308,171	19,449,448	6,858,723
Marine	15,678,003	12,174,962	3,503,041
Engineering	4,677,625	4,124,311	553,314
Aviation	1,502,023	1,502,023	-
	P1,653,368,644	P1,074,639,777	P578,728,867

	2016		
	Gross Claims Liabilities	Reinsurer's Share of Claims Liabilities	Net Claims Liabilities
Fire	P2,207,724,020	P2,090,018,264	P117,705,756
Motorcar	407,741,223	22,740,500	385,000,723
Surety	162,220,904	109,878,534	52,342,370
Accident	37,872,424	(290,004)	38,162,428
Casualty	32,942,058	27,164,561	5,777,497
Marine	16,253,198	12,281,197	3,972,001
Engineering	6,299,628	5,640,326	659,302
Aviation	2,742	2,742	-
	P2,871,056,197	P2,267,436,120	P603,620,077

For general insurance contracts, the most significant risks arise from climate changes and natural disasters. These risks vary significantly in relation to the location of the risk insured by the Company and types of risks insured.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by changes in any subset of the portfolio.

The variability of risks is also improved by careful selection and implementation of underwriting strategies, strict claims review policies to assess all new and ongoing claims, as well as the investigation of possible fraudulent claims. The Company also enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

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

The majority of reinsurance business ceded is placed on a surplus basis with retention limits varying by product line and territory. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the statements of financial position as reinsurance assets.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to the reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

Terms and Conditions

The major classes of general insurance written by the Company include fire, motor car, surety, accident, casualty, marine, engineering and aviation. Risks under these policies usually cover twelve-month duration.

For general insurance contracts, claims provisions (comprising of provisions for claims reported and IBNR claims) are established to cover the ultimate costs of claims in respect of claims that have occurred and are estimated based on known facts at the reporting date.

The provisions are refined quarterly as part of a regular ongoing process as claims experience develops, certain claims are settled and further claims are reported.

The measurement process primarily includes projections of future claims through use of actual experience data. Claims provisions are separately analyzed by geographical area and class of business. In addition, claims are usually assessed by loss adjusters.

Assumptions

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

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

Sensitivities

The general insurance claims provision is sensitive to the above key assumptions. The sensitivity of certain variables such as legislative change and uncertainty in the estimation process is not possible to quantify. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement the outstanding claim provisions are not known with certainty at the reporting date.

Consequently, the ultimate costs of claims will vary as a result of subsequent developments. Differences resulting from reassessments of the ultimate costs of claims are recognized in subsequent financial statements.

The table below indicates the impact of changes in certain key assumptions in respect of general insurance business while other assumptions remain unchanged.

2017			
	Change in Assumption	Impact on Insurance Contract Liabilities (Net of Reinsurance Assets)	Impact on Income before Income Tax
Average claim costs	12.70%	P73,498,566	(P73,498,566)
Average number of claims	15.31%	88,603,390	(88,603,390)
Period of settlement	Within 12 months	-	-

2016			
	Change in Assumption	Impact on Insurance Contract Liabilities (Net of Reinsurance Assets)	Impact on Income before Income Tax
Average claim costs	2.35%	P19,985,205	(P19,985,205)
Average number of claims	2.50%	21,190,997	(21,190,997)
Period of settlement	Within 12 months	-	-

The Company determines that the above assumptions will best represent the movement of general insurance claims provision.

Loss Development Tables

Reproduced below is an exhibit that shows the development of claims over a period of time on a gross and net reinsurance basis:

Accident Year	At Gross - 2017												Total
	2005 and Prior	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
Estimate of ultimate Costs of Claims At the end of accident year	P807,868,919	P682,536,058	P491,237,990	P555,641,559	P659,479,570	P515,391,988	P642,863,378	P728,854,274	P1,859,997,896	P1,572,774,474	P1,681,703,901	P2,144,855,583	P1,192,198,222
One year later	1,155,005,607	647,103,692	435,912,000	466,986,924	1,128,760,022	892,833,942	1,235,747,137	762,809,387	3,304,397,744	744,751,907	1,457,498,415	820,607,752	820,607,752
Two years later	1,155,765,845	611,871,129	442,286,574	473,543,194	1,136,970,687	1,802,697,282	1,205,732,592	670,064,893	5,065,549,445	712,668,312	1,505,763,834	-	1,505,763,834
Three years later	1,136,411,503	594,923,713	442,473,842	526,907,413	1,125,912,547	1,800,551,056	1,208,426,445	659,219,208	5,374,844,574	680,815,130	-	-	690,815,130
Four years later	1,110,301,218	595,056,443	422,526,881	526,885,969	1,145,511,740	1,797,587,290	1,208,954,539	658,129,426	5,371,057,929	-	-	-	5,371,057,929
Five years later	1,109,851,704	594,990,142	421,168,354	527,652,969	735,052,347	1,794,567,222	1,210,105,176	655,598,498	-	-	-	-	655,598,498
Six years later	1,100,246,748	594,925,866	421,283,185	514,874,333	1,155,468,018	1,801,574,067	1,209,776,694	-	-	-	-	-	1,209,776,694
Seven years later	1,099,010,943	595,417,149	421,158,686	588,031,847	1,161,370,810	1,801,135,995	-	-	-	-	-	-	1,801,135,995
Eight years later	1,100,132,303	594,395,375	422,047,278	587,759,402	1,158,247,585	-	-	-	-	-	-	-	1,158,247,586
Nine years later	1,096,147,095	592,754,462	420,559,647	577,423,580	-	-	-	-	-	-	-	-	577,423,580
Ten years later	1,104,886,504	590,993,037	420,383,092	-	-	-	-	-	-	-	-	-	420,383,092
Eleven years later	1,104,307,912	590,252,050	-	-	-	-	-	-	-	-	-	-	590,252,050
Twelve years later	1,111,030,868	-	-	-	-	-	-	-	-	-	-	-	1,111,030,868
Current estimate of cumulative claims	1,111,030,868	590,252,050	420,383,092	577,423,580	1,158,247,586	1,801,136,995	1,209,776,694	655,598,498	5,371,057,929	690,815,130	1,505,763,834	820,607,752	1,192,198,222
Cumulative payments to date	1,109,223,727	583,406,689	420,383,092	445,563,150	732,598,178	1,754,186,771	1,206,561,127	652,890,177	5,308,477,919	663,423,985	1,479,576,160	701,573,986	373,050,625
Gross claims liability in the statements of financial position	P1,807,141	P6,845,371	P -	P131,860,430	P425,649,408	P46,950,224	P3,215,567	P2,708,321	P62,580,010	P7,385,145	P26,185,674	P119,033,756	P819,147,597
													P1,653,366,644

At Gross - 2016

Accident Year	2004 and Prior	2005	2005	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
Estimate of ultimate														
At the end of accident year														
One year later	P530,407,090	P277,461,929	P682,638,056	P481,237,990	P555,641,569	P659,479,570	P515,391,998	P642,863,376	P728,654,274	P1,856,867,696	P1,572,774,474	P1,681,703,901	P2,144,855,583	P2,144,855,583
Two years later	785,050,193	370,865,414	647,103,692	435,912,000	466,986,924	1,128,760,022	892,893,942	1,239,747,137	732,009,387	3,304,387,744	744,751,907	1,157,498,415	2,144,855,583	1,157,498,415
Three years later	800,993,255	354,773,690	611,671,429	442,266,674	473,543,194	1,138,970,687	1,002,697,202	1,203,732,562	670,004,893	5,095,549,445	712,666,312	-	-	712,666,312
Four years later	797,819,736	338,591,767	584,923,713	442,473,542	526,907,413	1,125,912,547	1,000,951,066	1,208,429,445	659,219,208	5,374,844,574	-	-	-	5,374,844,574
Five years later	796,356,772	313,948,446	566,066,445	422,928,861	526,885,689	1,143,511,740	1,797,587,250	1,208,954,639	658,129,426	-	-	-	-	658,129,426
Six years later	795,307,623	313,944,081	564,950,142	421,168,354	527,662,988	1,135,052,347	1,794,562,722	1,210,105,178	-	-	-	-	-	1,210,105,178
Seven years later	796,145,657	304,101,091	594,925,865	421,283,185	514,874,333	1,159,466,016	1,801,674,067	-	-	-	-	-	-	1,801,674,067
Eight years later	796,821,859	302,189,085	596,417,149	421,158,696	588,093,1847	-	-	-	-	-	-	-	-	1,601,674,067
Nine years later	798,771,344	303,275,751	594,395,375	422,047,278	587,759,402	-	-	-	-	-	-	-	-	1,161,370,810
Ten years later	798,788,328	307,888,176	590,983,837	420,586,647	-	-	-	-	-	-	-	-	-	587,759,402
Eleven years later	798,788,328	307,888,176	590,983,837	-	-	-	-	-	-	-	-	-	-	420,589,647
Twelve years later	797,040,787	-	-	-	-	-	-	-	-	-	-	-	-	307,809,584
Current estimate of cumulative claims	797,040,787	307,509,594	590,683,837	420,558,647	587,759,402	1,161,370,810	1,901,674,087	1,210,105,176	658,129,426	5,374,844,574	712,666,312	1,157,498,415	2,144,855,583	16,924,997,620
Cumulative payments to date	796,709,328	292,401,905	583,343,024	420,378,954	446,227,485	731,051,555	1,253,560,299	1,204,866,048	651,859,917	5,298,478,292	658,308,810	831,360,646	385,253,434	14,053,941,423
Gross claims liability in the statements of financial position	P242,459	P15,107,679	P7,640,813	P160,693	P141,531,917	P430,319,255	P48,093,858	P5,236,328	P6,269,509	P76,366,282	P54,357,496	P326,107,769	P1,759,602,149	P2,871,056,197

AI Net - 2017

Accident Year	2005 and Prior	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
Estimate of ultimate Costs of Claims At the end of accident year	P 564,946,246	P 312,325,941	P 361,595,928	P 398,113,064	P 414,109,113	P 372,180,374	P 479,922,860	P 424,939,841	P 686,565,556	P 593,362,848	P 371,757,540	P 806,397,477	P 745,706,554	P 745,706,554
One year later	670,150,522	283,328,675	324,283,112	355,764,683	472,130,317	351,681,420	937,536,801	478,751,084	594,895,312	797,871,472	296,520,006	728,529,684	-	728,529,684
Two years later	677,024,776	277,857,678	332,700,341	363,501,880	485,945,050	353,516,766	990,902,331	440,454,474	627,622,762	778,560,811	260,287,975	-	-	260,287,975
Three years later	677,643,391	278,656,607	337,642,087	373,730,900	491,791,676	353,776,795	995,202,360	443,533,927	631,721,673	765,416,972	-	-	-	765,416,972
Four years later	672,717,075	279,648,203	338,656,291	373,853,987	487,467,157	354,021,093	996,346,727	436,967,035	629,886,528	-	-	-	-	629,886,528
Five years later	673,198,485	280,021,683	338,313,036	374,761,255	478,205,318	354,292,570	998,421,922	434,701,601	-	-	-	-	-	434,701,601
Six years later	663,680,104	279,899,638	338,356,287	374,374,830	478,557,055	361,969,215	998,637,559	-	-	-	-	-	-	998,637,559
Seven years later	663,195,389	280,482,823	337,964,645	374,415,680	482,707,457	-	-	-	-	-	-	-	-	361,969,215
Eight years later	663,772,473	280,169,862	339,008,039	374,130,554	-	-	-	-	-	-	-	-	-	482,707,457
Nine years later	663,854,897	280,174,009	337,338,428	365,196,836	-	-	-	-	-	-	-	-	-	365,196,836
Ten years later	663,746,943	278,572,054	-	-	-	-	-	-	-	-	-	-	-	337,303,378
Eleven years later	-	-	-	-	-	-	-	-	-	-	-	-	-	278,572,054
Twelve years later	-	-	-	-	-	-	-	-	-	-	-	-	-	669,974,325
Current estimate of cumulative claims	669,974,325	278,572,054	337,303,378	365,196,836	482,707,457	361,997,573	998,637,559	434,701,601	629,886,528	765,416,972	260,287,975	728,529,684	745,706,554	7,059,118,496
Cumulative payments to date	669,729,872	278,478,557	337,303,378	340,935,913	471,379,030	353,753,651	998,417,881	433,336,152	626,651,522	761,153,956	242,751,894	627,735,790	339,752,023	6,480,389,629
Net claims liability in the statements of financial position	P 1,244,453	P 93,497	P -	P 24,260,923	P 11,328,427	P 8,243,912	P 419,678	P 1,365,449	P 3,235,006	P 4,263,016	P 17,536,081	P 100,793,894	P 405,944,531	P 578,728,867

At Net - 2016

Accident Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
Estimate of ultimate Costs of Claims At the end of accident year	P315,581,555	P249,364,691	P312,325,941	P361,595,928	P388,113,064	P414,109,113	P372,190,374	P479,922,860	P424,939,841	P666,565,556	P583,362,848	P371,757,540	P806,397,477	P806,397,477
One year later	419,025,043	251,125,479	263,328,075	324,263,112	386,764,683	472,130,317	351,581,420	997,538,801	478,751,084	564,595,312	797,871,472	296,520,006	-	296,520,006
Two years later	428,307,263	251,723,513	277,937,078	332,700,341	383,501,680	485,845,050	353,518,768	990,002,331	440,452,474	627,522,762	778,560,811	-	-	778,560,811
Three years later	424,737,431	252,905,990	278,656,607	337,642,087	373,730,000	491,791,878	353,776,795	995,202,360	443,533,927	631,721,673	-	-	-	631,721,673
Four years later	424,063,690	248,053,085	279,648,203	338,655,291	373,853,697	487,467,157	354,021,093	993,346,727	438,967,035	-	-	-	-	438,967,035
Five years later	425,149,765	248,048,720	280,021,663	338,313,036	374,761,255	478,205,318	354,292,570	998,421,922	-	-	-	-	-	998,421,922
Six years later	425,485,473	238,194,631	279,998,658	338,356,287	374,374,830	478,557,055	361,969,215	-	-	-	-	-	-	361,969,215
Seven years later	425,831,300	237,355,099	280,482,823	337,064,645	374,415,960	483,092,407	-	-	-	-	-	-	-	483,092,407
Eight years later	425,951,606	237,903,277	280,169,992	338,008,039	374,138,554	-	-	-	-	-	-	-	-	374,138,554
Nine years later	425,978,590	237,876,277	280,174,509	337,338,428	-	-	-	-	-	-	-	-	-	337,338,428
Ten years later	425,978,590	237,876,277	279,318,110	-	-	-	-	-	-	-	-	-	-	279,318,110
Eleven years later	425,978,590	237,770,553	-	-	-	-	-	-	-	-	-	-	-	237,770,553
Twelve years later	426,115,303	-	-	-	-	-	-	-	-	-	-	-	-	426,115,303
Current estimate of cumulative claims Cumulative payments to date	426,115,303	237,770,553	279,318,110	337,338,428	374,138,554	483,092,407	361,969,215	998,421,922	436,967,035	631,721,673	778,560,811	296,520,006	806,397,477	6,448,331,294
	425,978,590	222,727,788	278,419,493	337,299,250	341,265,254	471,215,953	353,198,744	998,702,172	433,066,439	624,283,147	760,346,723	226,323,978	373,651,686	5,844,711,217
Net claims liability in the statements of financial position	P136,713	P15,042,565	P998,617	P96,178	P32,873,300	P11,876,454	P8,770,471	P1,719,750	P3,870,595	P7,436,526	P18,212,088	P70,169,028	P432,545,791	P603,620,077

Financial Risk

The primary objective of the Company's risk management framework is to ensure the sustainable achievement of its financial performance goals and objectives.

The Company, through the quarterly BOD and the monthly Executive Committee meetings, reviews and assesses the different financial risks it is exposed to. It promptly aligns its management strategies to properly manage these risk exposures. These normally include identification of related risks and their interpretation, and setting up of appropriate limit structures to ensure the suitable quality and diversification of assets.

The main risks arising from the use of financial instruments are credit risk, liquidity risk and market risk (consisting of foreign currency risk, interest rate risk, and price risk). The Chief Financial Officer is tasked to identify, monitor, analyze, control, and report financial risks.

Credit Risk

Credit risk is the risk that the Company will incur a loss because its customers or counterparties fail to meet its contractual obligations. The Company is exposed to credit risk on its cash in banks, short-term placements, insurance receivables, AFS financial assets, loans and receivables, accrued income and security deposits.

The Company structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparty. Such risks are subject to an annual review.

Guidelines on the level of credit risk are discussed and approved during weekly meetings of the Management Committee and/or monthly meetings of the Executive Committee.

With respect to investment securities, the Company ensures satisfactory credit quality by setting maximum limits of portfolio securities with a single issuer or group of issuers, excluding those secured on specific assets and setting the minimum ratings for the issuer.

With regard to loans and receivables, the Company transacts only with recognized, accredited and creditworthy borrowers and counterparties. The Company's Credit and Collection Unit (CCU) manages credit exposure by ensuring that borrowers and counterparties undergo credit verification procedures and by setting standard business terms that are required to be met by all counterparties. CCU also monitors the loans and receivables on a regular basis to determine the Company's appropriate exposure to impairment losses.

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.

Maximum Credit Exposure

The table below shows the maximum exposure to credit risk for the components of the statements of financial position and items such as future commitments. The maximum exposure is shown net of allowance for impairment losses, before deducting collaterals.

	Note	2017	2016
Cash and cash equivalents*	7	P195,169,084	P171,988,549
Insurance receivables	8	1,054,743,942	574,409,042
AFS financial assets**	9	1,188,178,718	1,298,261,417
Loans and receivables	10	100,953,030	148,517,981
Accrued income	11	15,429,575	30,309,988
Security deposits***	18	9,569,551	9,608,450
		P2,564,043,900	P2,233,095,427

* Excluding cash on hand

** Excluding equity securities

*** Included under "Other assets" account

Credit Quality of Financial Assets

The tables below provide information of the credit quality of the Company's financial assets that are neither past due nor impaired.

a) Cash and Cash Equivalents and AFS Financial Assets

The Company uses Philippine Rating Services Corporation (Phil Ratings) credit rating to present credit quality of cash and cash equivalents and AFS financial assets that are neither past due nor impaired as at December 31, 2017 and 2016.

PRS Aaa. This rating has a smallest degree of investment risk. Interest payments are protected by a large or by an exceptionally stable margin and principal is secured. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

PRS Ba. This rating is judged to have speculative elements. The issuer's capability to pay for such issues cannot be considered as well as assured. Often, the protection of interest and principal payments may be very moderate and thereby not well safeguarded during good and bad times over the future.

PRS B. This rating generally lacks characteristics of a desirable investment. Assurance of interest and principal payments or maintenance of other terms of contract over any long period of time may be small.

	2017				Total
	PRS Aaa	PRS Ba	PRS B	Not Rated	
Cash and cash equivalents:					
Cash in banks	P -	P -	P -	P151,127,296	P151,127,296
Short-term deposits	-	-	-	44,041,788	44,041,788
AFS financial assets:					
Government securities:					
Local currency	-	602,068,816*	-	-	602,068,816
Bonds and notes:					
Local currency	487,028,282	-	-	99,081,620	586,109,902
Total Credit Risk Exposure	P487,028,282	P602,068,816	-	P294,250,704	P1,383,347,802

*The credit ratings are the equivalent to Moody's specific issue credit rating for the same debt securities as at December 31, 2017.

	2016				Total
	PRS Aaa	PRS Ba	PRS B	Not Rated	
Cash and cash equivalents:					
Cash in banks	P -	P -	P -	P102,100,987	P102,100,987
Short-term deposits	-	-	-	69,887,562	69,887,562
AFS financial assets:					
Government securities:					
Local currency	-	663,830,585*	-	-	663,830,585
Bonds and notes:					
Local currency	500,241,785	-	-	98,552,492	598,794,277
Foreign currency	-	-	-	35,636,555	35,636,555
Total Credit Risk Exposure	P500,241,785	P663,830,585	P -	P306,177,596	P1,470,249,966

*The credit ratings are the equivalent to Moody's specific issue credit rating for the same debt securities as at December 31, 2016.

The Company's cash in banks and short-term placements are placed, invested, or deposited in foreign and local banks belonging to the top ten (10) banks in the Philippines in terms of resources and profitability.

Bonds and notes that fall under the 'Not Rated column' includes long-term debt securities issued by local and multinational corporations belonging to the top fifty (50) corporations in the Philippines in terms of resources and profitability.

b) *Insurance Receivable, Loans and Receivable, Accrued Income and Security Deposits*

The Company uses the following credit rating to provides information on the credit quality of insurance receivables, loans and receivables, accrued income and security deposits that are neither past due nor impaired as at December 31 based on the borrowers and counterparties' overall creditworthiness as follows:

Grade A - This rating class is given to borrowers and counterparties who possess strong to very strong capacity to meet its obligations.

Grade B - This rating class 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.

Grade C - This rating class is given to borrowers and counterparties who possess average capacity to meet its obligations. These borrowers and counterparties are more likely to have a significant deterioration of its capacity during adverse business and economic conditions relative to Classes A and B.

The above credit ratings are determined by considering the borrower and counterparty's credit payment history and financial condition with strong consideration given to cash flows, working capital and net worth.

	2017					
	Neither Past-Due nor Impaired			Total	Past Due and Impaired	Total
	Grade A	Grade B	Grade C			
Insurance receivables:						
Premiums receivable	P -	P -	P794,481,297	P794,481,297	P52,155,970	P846,637,267
Due from brokers	-	-	101,335,191	101,335,191	4,964,194	106,299,385
Due from ceding companies	-	-	8,763,355	8,763,355	3,238,306	12,001,661
Reinsurance recoverable on paid losses	-	-	150,164,099	150,164,099	10,542,293	160,706,392
Loans and receivables:						
Accounts receivable	-	86,516,067	-	86,516,067	20,509,186	107,025,253
Short-term investments	-	1,873,167	-	1,873,167	-	1,873,167
Car financing loans	9,168,207	-	-	9,168,207	-	9,168,207
Mortgage loans	3,395,589	-	-	3,395,589	-	3,395,589
Accrued income:						
Accrued interest income	-	12,517,132	-	12,517,132	-	12,517,132
Accrued dividend income	-	2,583,333	-	2,583,333	-	2,583,333
Accrued rent	-	-	329,110	329,110	-	329,110
Security deposits*	-	-	9,569,551	9,569,551	-	9,569,551
	P12,563,796	P103,489,699	P1,064,642,603	P1,180,696,098	P91,409,949	P1,272,106,047

*Presented under "Other assets" account

	2016					
	Neither Past-due nor Impaired			Total	Past Due and Impaired	Total
	Grade A	Grade B	Grade C			
Insurance receivables:						
Premiums receivable	P -	P -	P327,894,881	P327,894,881	P66,765,036	P394,659,917
Due from brokers	-	-	129,039,488	129,039,488	5,008,697	134,048,185
Due from ceding companies	-	-	8,819,630	8,819,630	3,376,790	12,196,420
Reinsurance recoverable on paid losses	-	-	108,655,043	108,655,043	9,403,809	118,058,852
Loans and receivables:						
Accounts receivable	-	109,053,216	-	109,053,216	25,089,510	134,142,726
Short-term investments	-	7,339,170	-	7,339,170	-	7,339,170
Car financing loans	14,680,298	-	-	14,680,298	-	14,680,298
Mortgage loans	7,445,297	-	-	7,445,297	-	7,445,297
Long-term investments	-	10,000,000	-	10,000,000	-	10,000,000
Accrued income:						
Accrued interest income	-	27,397,545	-	27,397,545	-	27,397,545
Accrued dividend income	-	2,583,333	-	2,583,333	-	2,583,333
Accrued rent	-	-	329,110	329,110	-	329,110
Security deposits*	-	-	9,608,450	9,608,450	-	9,608,450
	P22,125,595	P156,373,264	P584,346,602	P762,845,461	P109,643,842	P872,489,303

*Presented under "Other assets" account

The Company did not have any significant concentration of credit risk with a single counterparty or group of counterparties, geographical and industry segments as at December 31, 2017 and 2016.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet its contractual obligations and commitments. The major liquidity risk confronting the Company is the daily cash calls on its available cash resources with respect to claims arising from insurance contracts.

The Company monitors its cash position on a daily basis by preparing cash report wherein the disbursements and collections are monitored. This report also helps the Company in determining periods where it has excess cash or cash shortfall.

On May 28, 2015, the BOD authorized and approved the establishment and renewal of the Company's credit line facilities with the Bank of the Philippine Islands (BPI) as follows:

- Establishment of Foreign Exchange Line amounting to \$2,500,000;
- Renewal of Bills Purchase Line amounting to P50,000,000; and
- Renewal of Corporate Guarantee Line amounting P10,000,000

As at December 31, the Company's financial assets and liabilities have contractual maturities which are presented below:

	2017				Total
	On Demand	1 to 3 Years	4 to 5 Years	More than 5 Years	
Financial Assets					
Cash and cash equivalents	P195,348,862	P -	P -	P -	P195,348,862
Insurance receivables - net	1,054,743,942	-	-	-	1,054,743,942
AFS financial assets	207,675,129	111,555,669	206,166,466	822,295,610	1,347,692,874
Loans and receivables - net	90,722,932	6,104,837	2,525,506	1,599,755	100,953,030
Accrued income	15,429,575	-	-	-	15,429,575
Security deposits	9,569,551	-	-	-	9,569,551
	1,573,489,991	117,660,506	208,691,972	823,895,365	2,723,737,834
Financial Liabilities					
Provision for claims reported	1,537,425,338	-	-	-	1,537,425,338
Insurance payables	733,970,956	-	-	-	733,970,956
Trade and other liabilities*	346,065,313	-	-	-	346,065,313
	2,617,461,607	-	-	-	2,617,461,607
Net Liquidity	(P1,043,971,616)	P117,660,506	P208,691,972	P823,895,365	P106,276,227

*Excluding payable to regulatory agencies

	2016				Total
	On Demand	1 to 3 Years	4 to 5 Years	More than 5 Years	
Financial Assets					
Cash and cash equivalents	P172,368,327	P -	P -	P -	P 172,368,327
Insurance receivables - net	574,409,042	-	-	-	574,409,042
AFS financial assets	226,988,529	30,453,348	326,053,028	893,640,446	1,477,135,351
Loans and receivables - net	126,734,763	6,095,267	10,353,662	5,334,289	148,517,981
Accrued income	30,309,988	-	-	-	30,309,988
Security deposits	9,608,450	-	-	-	9,608,450
	1,140,419,099	36,548,615	336,406,690	898,974,735	2,412,349,139
Financial Liabilities					
Provision for claims reported	1,610,462,276	-	-	-	1,610,462,276
Insurance payables	318,683,006	-	-	-	318,683,006
Trade and other liabilities*	351,701,199	-	-	-	351,701,199
	2,280,846,481	-	-	-	2,280,846,481
Net Liquidity	(P1,140,427,382)	P36,548,615	P336,406,690	P898,974,735	P131,502,658

*Excluding payable to regulatory agencies

Market Risk

Market risk is the risk of change in fair value of financial instruments from fluctuation in foreign exchange rates (foreign currency risk), market interest rates (interest rate risk) and market prices (price risk), whether such change in prices is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. Increasing market fluctuations may result in significant impact on the Company's equity, cash flows and profit.

The Company manages market risk exposures by setting up limits structures and by promulgating specific investment guidelines and strategies (e.g., investing only in high grade securities and only with reputable foreign reinsurers). The Company only invests in financial institutions or corporate entities with acceptable ratings from domestic and international credit rating agencies, or is at least within the top 10 rank in case of banks. The Company also ensures that its investments shall comply with the guidelines and requirements set out by the IC.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's principal transactions are carried out in Philippine Peso (PHP) and its exposure to foreign currency risk arise primarily with respect to the Company's dealings with foreign reinsurers in its settlement of obligations and receipt of any claim reimbursements, which is denominated in US Dollars (USD).

The table below summarizes the Company's exposure to currency risk on foreign currency denominated financial assets and their PHP equivalents as follows:

	2017	
	USD	PHP
Cash and cash equivalents	\$1,010,836	P50,521,583
Accounts payable	(521,658)	(26,072,444)
	\$489,178	P24,449,139

	2016	
	USD	PHP
Cash and cash equivalents	\$188,837	P9,407,859
AFS financial assets:		
Bonds and notes	715,378	35,640,132
Accrued interest income	10,761	536,113
Accounts payable	(958,015)	(47,728,316)
	(\$43,039)	(P2,144,212)

The table below lists down the exchange rates per P1.00 from Philippine Dealing and Exchange Corporation in translating foreign currency-denominated financial assets into USD amounts as at December 31, 2017 and 2016. Translation differences are due to rounding off of foreign exchange rates used.

	2017	2016
USD	49.98	49.82

As at December 31, 2017 and 2016, the Company has no foreign currency-denominated financial liabilities.

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

	Change in USD Exchange Rate	Effect on Income Before Income Tax	Effect on Equity
2017	+5.00%	P1,222,457	P855,720
	-5.00%	(1,222,457)	(855,720)
2016	+5.00%	107,211	75,047
	-5.00%	(107,211)	(75,047)

The Company determined the reasonably possible change in foreign currency using the one year volatility of the USD and PHP as this will best represent the movement in foreign exchange rate until the next reporting date.

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

Interest Rate Risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates since its interest bearing AFS debt securities have fixed interest rates.

The management of interest rate risk involves maintenance of appropriate blend of financial instruments with consideration on the maturity profile.

The following table shows the information relating to the financial assets that are exposed to fair value interest rate risk presented by maturity profile:

	2017				
	Range of Interest Rates	1 - 3 Years	4 - 5 Years	Over 5 Years	Total
AFS Debt Securities					
Government debt securities	3.38% - 11.25%	P58,931,358	P24,579,549	P518,557,909	P602,068,816
Bonds and notes	3.92% - 6.94%	100,785,284	181,586,918	303,737,700	586,109,902
		P159,716,642	P206,166,467	P822,295,609	P1,188,178,718
	2016				
	Range of Interest Rates	1 - 3 Years	4 - 5 Years	Over 5 Years	Total
AFS Debt Securities					
Government debt securities	3.38% - 11.25%	P69,448,382	P -	P594,382,203	P663,830,585
Bonds and notes	4.47% - 6.94%	186,153,861	185,773,862	262,503,109	634,430,832
		P255,602,243	P185,773,862	P856,885,312	P1,298,261,417

Any increase by 100 basis points (1%) in interest rates, with all other variables held constant, will increase income before income tax by P11.88 million and P12.98 million for the years ended December 31, 2017 and 2016, respectively. The decrease in same basis points will reduce the income before income tax by the same amount.

In 2017 and 2016, the Company determined the reasonably possible change in interest rate based on the historical change in weighted average yield rates of outstanding investments of the Company.

Equity Price Risk

Equity price risk is the risk that future cash flows will fluctuate because of changes in market prices of individual stocks and the changes in the level of Philippine Stock Exchange index (PSEi).

The Company's equity price risk exposure relates to quoted equity shares classified as AFS financial assets.

The table below shows the income before income tax impact of reasonably possible change of PSEi as at December 31, 2017 and 2016.

	Change in Equity Prices	Effect in Equity
2017	5.00%	P7,398,308
	-5.00%	(7,398,308)
2016	5.00%	7,706,947
	-5.00%	(7,706,947)

On the assumption that an increase of 5% on the price of the investments in 2017 and in 2016, equity would increase by P7.40 million and Php7.71 million, respectively. A 5% decrease in price in 2017 and 2016, respectively, would have an equal but opposite effect. This assumes that all the variables are held constant and all the Company's equity instruments moved according to the historical correlation with the index.

6. Fair Value Measurement

Financial Instruments

The carrying amount of the Company's financial instruments such as cash and cash equivalents (excluding cash on hand), insurance receivables, loans and receivables, accrued income, provision for claims reported (included under "Insurance contract liabilities" account), insurance payable and trade and other payables (excluding government payables), approximate their fair values at each reporting date due to the relatively short-term maturities of these financial assets and financial liabilities.

The carrying amount of refundable security deposits (included under "Other assets" account) approximates fair value at year end. The management believes that the effect of discounting and future cash flows of this instrument using the prevailing market rate is not significant.

AFS financial assets is measured at fair value. The fair values of quoted equity and debt securities were determined by reference to quoted market prices published by Philippine Stock Exchange (PSE) and Philippine Dealings and Exchange Corporation (PDEX), respectively.

If the market prices are not readily available, fair values are estimated using either values obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments or using the discounted cash flow methodology. The market price reference in determining the market values of the Company's debt securities is derived from PDEX as at December 29, 2017 and 2016.

Investments in unquoted equity instruments for which no reliable basis for fair value measurement is available are carried at cost, net of any allowance for impairment losses.

Fair Value Hierarchy

Financial assets and financial liabilities measured at fair value in the statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities (see Note 3).

Financial Assets

As at December 31, AFS financial asset is the only financial asset measured at fair value in the statements of financial position. The fair value hierarchy of the Company's AFS financial asset is as follows:

	2017				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
AFS financial assets:					
Equity securities	P177,146,353	P147,966,156	P10,926,000	P622,000	P159,514,156
Debt instruments	1,177,322,849	1,137,258,072	50,920,646	-	1,188,178,718
	P1,354,469,202	P1,285,224,228	P61,846,646	P622,000	P1,347,692,874

	2016				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
AFS financial assets:					
Equity securities	P192,889,644	P154,138,934	P24,500,000	P235,000	P178,873,934
Debt instruments	1,214,562,799	1,247,823,519	50,437,898	-	1,298,261,417
	P1,407,452,443	P1,401,962,453	P74,937,898	P235,000	P1,477,135,351

During the reporting periods ended December 31, 2017 and 2016, there were no transfers between level 1 and level 2 fair value movements, and no transfers into and out of level 3 fair value measurement.

Nonfinancial Assets

As at December 31, 2017 and 2016, the fair value of the Company's investment properties amounted to P17.77 million and P17.55 million, respectively, using level 2 inputs. During the year, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurements.

The recurring fair value of nonfinancial assets under level 2 are determined using market data approach (see Note 15).

7. Cash and Cash Equivalents

As at December 31, this account consists of:

	2017	2016
Cash on hand	P179,778	P379,778
Cash in banks	151,127,296	102,100,987
Short-term placements	44,041,788	69,887,562
	P195,348,862	P172,368,327

Cash in banks consist of peso and foreign currency-denominated deposits which earn interest at the prevailing bank deposit rates. Short-term placements are made for varying periods up to three (3) months depending on the immediate cash requirement of the Company, and earn annual interest ranging from 0.75% to 2.50% in 2017 and from 0.75% to 1.75% in 2016 for peso while 0.50% for foreign currency placements in 2016.

The Company has no foreign currency placements as at December 31, 2017.

Interest income earned on cash and cash equivalents amounted to P0.40 million and P0.60 million in 2017 and 2016, respectively (see Note 25). Accrued interest income amounted to P34,750 and P111,911 as at December 31, 2017 and 2016, respectively (see Note 11).

8. Insurance Receivables - net

As at December 31, this account consists of:

	Note	2017	2016
Premiums receivable:			
Third parties		P827,019,418	P391,942,405
Related parties	31	19,617,849	2,717,512
Due from brokers		106,299,385	134,048,185
Due from ceding companies		12,001,661	12,196,420
Reinsurance recoverable on paid losses:			
Related parties	31	19,617,849	2,717,512
Third parties		141,088,543	115,341,340
		1,125,644,705	658,963,374
Less allowance for impairment losses		70,900,763	84,554,332
		P1,054,743,942	P574,409,042

Premiums receivable and due from brokers pertain to amounts receivable from agents and brokers, respectively, for policy issuances of the Company. Normal credit term of these receivables is 30-90 days.

Due from ceding companies pertains to amounts receivable from facultative and treaty reinsurance panels of the Company.

Reinsurance recoverable on paid losses pertains to amounts recoverable from the reinsurers in respect of claims already paid by the Company.

As at December 31, the aging of insurance receivables are as follows:

	2017						Total
	< 30 Days	31 to 60 Days	61 to 90 Days	91 to 180 Days	181 to 360 Days	Over 360 Days	
Premiums receivable	P636,385,497	P35,832,947	P20,336,792	P36,288,554	P41,103,950	P76,689,527	P846,637,267
Due from brokers	25,313,682	8,273,046	5,815,087	18,838,383	16,440,635	31,518,552	106,299,385
Due from ceding companies	2,048,873	389,564	274,107	1,289,591	1,457,948	6,541,578	12,001,661
Reinsurance recoverable on paid losses	136,306,797	4,167,837	4,324,305	1,761,598	913,651	13,232,204	160,706,392
	P800,054,849	P48,663,394	P30,750,291	P58,178,126	P59,916,184	P128,081,861	P1,125,644,705

	2016						Total
	< 30 Days	31 to 60 Days	61 to 90 Days	91 to 180 Days	181 to 360 Days	Over 360 Days	
Premiums receivable	P91,470,529	P62,880,787	P59,593,993	P 98,032,084	P 82,682,524	P -	P394,659,917
Due from brokers	22,675,832	29,995,208	13,826,636	34,603,980	32,946,529	-	134,048,185
Due from ceding companies	422,817	152,194	338,711	1,521,065	4,850,381	4,911,252	12,196,420
Reinsurance recoverable on paid losses	92,596,057	8,511	121,461	710,988	670,113	P23,951,722	118,058,852
	P207,165,235	P93,036,700	P73,880,801	P134,868,117	P121,149,547	P28,862,974	P658,963,374

The reconciliation of allowance for impairment losses on insurance receivables is as follows:

	Note	Premiums Receivable	Due from Brokers	Due from Ceding Companies	Reinsurance Recoverable on Paid Losses	Total
January 1, 2017		P66,765,036	P5,008,697	P3,376,790	P9,403,809	P84,554,332
Provision for (reversal of) impairment losses for the year	26	(14,609,066)	(44,503)	200,000	800,000	(13,653,569)
December 31, 2017		P52,155,970	P4,964,194	P3,576,790	P10,203,809	P70,900,763
Individually impaired		P8,315,678	P2,483,111	P3,576,790	P10,203,809	P13,780,599
Collectively impaired		43,840,292	2,481,083	-	-	57,120,164
		P52,155,970	P4,964,194	P3,576,790	P10,203,809	P70,900,763

	Note	Premiums Receivable	Due from Brokers	Due from Ceding Companies	Reinsurance Recoverable on Paid Losses	Total
January 1, 2016		P17,460,315	P1,007,687	P3,257,681	P3,625,180	P25,350,863
Provision for impairment losses for the year	26	49,304,721	4,001,010	119,109	5,778,629	59,203,469
December 31, 2016		P66,765,036	P5,008,697	P3,376,790	P9,403,809	P84,554,332
Individually impaired		P -	P -	P3,376,790	P9,403,809	P12,780,599
Collectively impaired		66,765,036	5,008,697	-	-	71,773,733
		P66,765,036	P5,008,697	P3,376,790	P9,403,809	P84,554,332

9. AFS Financial Assets

As at December 31, this account consists of:

	2017	2016
Securities at Fair Value		
Equity securities:		
Listed	P147,966,156	P154,138,934
Unlisted	11,548,000	24,735,000
	159,514,156	178,873,934
Government debt securities:		
Local currency	602,068,816	663,830,585
Bonds and notes:		
Local currency	586,109,902	598,794,277
Foreign currency	-	35,636,555
	1,188,178,718	1,298,261,417
	P1,347,692,874	P1,477,135,351

The cost or amortized cost of AFS financial assets as at December 31 is as follows:

	2017	2016
Securities at Cost or Amortized Cost		
Equity securities:		
Listed	P170,231,581	P177,004,547
Unlisted	6,914,772	15,885,097
	177,146,353	192,889,644
Government debt securities:		
Local currency	587,691,223	595,590,290
Bonds and notes:		
Local currency	589,631,626	590,652,753
Foreign currency	-	28,319,756
	1,177,322,849	1,214,562,799
	P1,354,469,202	P1,407,452,443

The breakdown of investments in bonds, government and other securities by contractual maturity dates as at December 31, classified under AFS financial assets is as follows:

	2017		Total
	Due Within One Year	Due Beyond One Year	
Government debt securities	P -	P602,068,816	P602,068,816
Bonds and notes	48,160,973	537,948,929	586,109,902
	P48,160,973	P1,140,017,745	P1,188,178,718
	2016		Total
	Due Within One Year	Due Beyond One Year	
Government debt securities	P10,279,319	P653,551,266	P663,830,585
Bonds and notes	35,636,555	598,794,277	634,430,832
	P45,915,874	P1,252,345,543	P1,298,261,417

In 2017 and 2016, the Company recognized interest income amounting to P60.36 million and P75.35 million, respectively, with annual interest rates ranging from 3.38% to 11.25% (see Note 25).

As at December 31, 2017 and 2016, government securities amounting to P137.50 million are deposited with the IC in accordance with the provisions of the Amended Insurance Code as security for the benefit of policyholders and creditors of the Company.

As at December 31, the reconciliation of AFS financial assets is as follows:

	<i>Note</i>	2017	2016
Balance at beginning of year		P1,477,135,351	P1,464,822,023
Additions		155,755,511	331,483,914
Disposals and maturities		(208,757,460)	(293,616,181)
Fair value loss:			
Reported as OCI		(26,341,817)	(2,510,296)
Transferred to profit or loss	25	(50,098,711)	(23,044,109)
Balance at end of year		P1,347,692,874	P1,477,135,351

The rollforward of revaluation reserves on AFS financial assets is as follows:

	<i>Note</i>	2017	2016
Balance at beginning of year		P69,650,082	P95,237,313
Movements:			
Net change in fair value reported in OCI		(26,341,817)	(2,510,296)
Net change in fair value reclassified to profit or loss	25	(50,098,711)	(23,044,109)
Income tax effect		224,921	(32,826)
		(76,215,607)	(25,587,231)
Balance at end of year		(P6,565,525)	P69,650,082

The effect on actual earnings of changes in fair value of equity securities will depend on the market prices of these investments at the time of sale. In 2017 and 2016, the Company's realized gain on sale of equity securities amounted to P50.10 million and P23.04 million, respectively (see Note 25).

Dividend income earned from these investments amounted to P8.25 million and P9.26 million in 2017 and 2016, respectively (see Note 25).

10. Loans and Receivables - net

Loans and receivables consists of:

	<i>Note</i>	2017	2016
Accounts receivable:			
Third parties		P90,741,376	P58,358,533
Related parties	31	16,283,877	75,784,193
Short-term investments		1,873,167	7,339,170
Car financing loans		9,168,207	14,680,298
Mortgage loans		3,395,589	7,445,297
Long-term investment		-	10,000,000
		121,462,216	173,607,491
Less allowance for impairment losses		20,509,186	25,089,510
		P100,953,030	P148,517,981

Accounts receivable are non-interest bearing and due within one year. The Company does not require collateral in respect of accounts receivable.

As at December 31, 2017 and 2016, the Company recognized receivable from Retirement Plan amounting to P13.04 million and P7.62 million, respectively, under Accounts receivable for the retirement benefits to its employees paid in advance by the Company.

Short-term investments pertain to time deposits and special savings with maturity of over 90 days but less than 1 year with interest rate of 1.00% in 2017 and from 1.00% to 1.25% in 2016.

Car financing and mortgage loans earn interest at rates ranging from 1.00% to 9.00% per annum and with maturities of two (2) to twenty five (25) years. Loans granted are subject to retention of title clauses, so that in the event of non-payment, the Company may have a secured claim.

Long-term investments pertain to time deposits with maturity of ten (10) years with interest rate of 10.00% in 2017 and 2016. Long-term investment matured on April 26, 2017.

The reconciliation of allowance for impairment losses on loans and receivables is as follows:

	Note	2017	2016
Balance at beginning of year		P25,089,510	P3,849,528
Provision for (reversal of) impairment losses for the year	26	(4,580,324)	21,239,982
Balance at end of year		P20,509,186	P25,089,510

The breakdown of loans and receivables by contractual maturity dates as at December 31 is as follows:

	2017				Total
	Up to a Year	1 - 3 Years	3 - 5 Years	Over 5 Years	
Accounts receivable	P107,025,253	P -	P -	P -	P107,025,253
Short-term investments	1,873,167	-	-	-	1,873,167
Car financing loans	1,241,417	6,104,837	1,821,953	-	9,168,207
Mortgage loans	1,092,281	-	703,553	1,599,755	3,395,589
	P111,232,118	P6,104,837	P2,525,506	P1,599,755	P121,462,216

	2016				Total
	Up to a Year	1 - 3 Years	3 - 5 Years	Over 5 Years	
Accounts receivable	P134,142,726	P -	P -	P -	P134,142,726
Short-term investments	7,339,170	-	-	-	7,339,170
Car financing loans	208,049	4,937,905	9,534,344	-	14,680,298
Mortgage loans	134,328	1,157,362	819,318	5,334,289	7,445,297
Long-term investment	10,000,000	-	-	-	10,000,000
	P151,824,273	P6,095,267	P10,353,662	P5,334,289	P173,607,491

Interest income earned from loans and receivables are as follows:

	Note	2017	2016
Accounts receivable		P1,475,038	P4,369,450
Short-term investment		974,287	1,178,577
Mortgage loans		719,202	627,631
Long-term investment		317,547	-
Car financing loans		313,954	953,940
	25	P3,800,028	P7,129,598

11. Accrued Income

As at December 31, this account consists of:

	2017	2016
Accrued interest income	P12,517,132	P27,397,545
Accrued dividends	2,583,333	2,583,333
Accrued rent	329,110	329,110
	P15,429,575	P30,309,988

Accrued interest income pertains mainly to interest accrued arising from cash equivalents, long-term investments, and debt securities under AFS financial assets.

Accrued dividends pertain to dividends accruing from its investments in preferred shares classified under "AFS financial assets" account in the statements of financial position. The preferred shares earned dividends of 8.00% in 2017 and 2016.

12. Reinsurance Assets

As at December 31, this account consists of:

	Note	2017	2016
Reinsurance recoverable on unpaid losses		P1,074,639,777	P2,267,436,120
Reinsurance premiums reserve		448,666,639	128,668,933
	19	P1,523,306,416	P2,396,105,053

Reinsurance recoverable on unpaid losses pertains to amount recoverable from reinsurers under treaty and facultative agreements as their share in unpaid losses and loss adjustments expense net of salvage or recoveries. This also includes reinsurer's share on claims in respect of claims events that have occurred but have not been reported to the Company as of the valuation date.

13. Deferred Acquisition Costs and Deferred Reinsurance Commissions

As at December 31, the reconciliation of deferred acquisition costs is as follows:

	2017	2016
Balance at beginning of year	P234,333,039	P233,747,708
Commission expense for the year	434,641,637	455,261,169
Commission incurred for the year	(440,912,406)	(454,675,838)
Balance at end of year	P228,062,270	P234,333,039

As at December 31, the reconciliation of deferred reinsurance commissions is as follows:

	2017	2016
Balance at beginning of year	P31,066,198	P29,531,572
Reinsurance commission for the year	91,841,930	77,673,758
Reinsurance commission earned for the year	(84,271,551)	(76,139,132)
Balance at end of year	P38,636,577	P31,066,198

14. Property and Equipment - net

As at December 31, the rollforward of property and equipment is as follows:

	Note	2017				Total	
		Building and Building Improvements	Office Furniture and Equipment	Transportation Equipment	Leasehold Improvements		
Cost							
January 1, 2017		P223,204,444	P100,491,033	P32,020,188	P48,873,351	P404,589,016	
Additions		-	6,487,230	6,417,635	821,839	13,726,704	
Disposals		-	(76,976)	(3,034,467)	-	(3,111,442)	
December 31, 2017		223,204,444	106,901,288	35,403,356	49,695,190	415,204,278	
Accumulated Depreciation and Amortization							
January 1, 2017		43,681,675	65,723,149	13,279,335	35,399,113	158,083,272	
Depreciation and amortization	26	10,630,345	15,434,704	6,453,262	8,124,414	40,642,725	
Disposals		-	(65,376)	(823,425)	-	(888,801)	
December 31, 2017		54,312,020	81,092,477	18,909,172	43,523,527	197,837,196	
Carrying Amount as at December 31, 2017		P168,892,424	P25,808,811	P16,494,184	P6,171,663	P217,367,082	
2016							
	Note	Construction in Progress	Building and Building Improvements	Office Furniture and Equipment	Transportation Equipment	Leasehold Improvements	Total
Cost							
January 1, 2016		P18,351,533	P228,605,518	P135,534,915	P44,203,434	P66,483,230	P493,178,630
Additions		-	3,965,114	17,607,849	6,787,138	1,277,161	29,637,262
Reclassifications	16	(18,351,533)	17,719,840	(45,679,944)	205,357	426,536	(45,679,844)
Disposals		-	(27,085,828)	(6,971,787)	(19,175,741)	(19,313,576)	(72,546,932)
December 31, 2016		-	223,204,444	100,491,033	32,020,188	48,873,351	404,589,016
Accumulated Depreciation and Amortization							
January 1, 2016		-	56,930,650	74,616,487	23,630,572	44,884,649	200,062,358
Depreciation and amortization	26	-	9,396,553	17,054,675	7,476,342	9,828,039	43,755,809
Reclassifications	16	-	-	(20,193,484)	-	-	(20,193,484)
Disposals		-	(22,645,528)	(5,754,529)	(17,827,579)	(19,313,575)	(65,541,211)
December 31, 2016		-	43,681,675	65,723,149	13,279,335	35,399,113	158,083,272
Carrying Amount as at December 31, 2016		P -	P179,522,769	P34,767,884	P18,740,853	P13,474,238	P246,505,744

As at December 31, 2017 and 2016, fully depreciated property and equipment amounted to P82.15 million and P14.00 million, respectively.

In 2017 and 2016, the Company disposed property and equipment with carrying amount of amounting to P2.22 million and P7.01 million which resulted to P0.07 million and P1.44 million net loss on sale, respectively.

Items with a carrying amount of P25.49 million and previously classified as property and equipment were reclassified in 2016 to intangible assets to properly classify costs related to the Company's new insurance production system (see Note 16).

15. Investment Properties - net

As at December 31, the rollforward of investment properties is as follows:

	<i>Note</i>	2017	2016
Cost		P21,742,307	P21,742,307
Accumulated Depreciation			
Balance at beginning of year		6,026,115	5,663,752
Depreciation for the year	26	434,846	362,363
Balance at end of year		6,460,961	6,026,115
Carrying Amount		P15,281,346	P15,716,192

The Company's investment properties represent condominium units that the Company holds for lease.

As at December 31, 2017 and 2016, the fair value of investment properties amounted to P17.77 million and P17.55 million, respectively, based on the latest appraisal report determined by independent professionally qualified appraisers dated April 5, 2018 and January 12, 2017, respectively.

The value of the properties was arrived at using the market approach. In this approach, the value of the properties was based on sales and listings of comparable property registered within the vicinity. The technique of this approach requires the adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator. This was done by establishing the differences between the subject property and those actual sales and listings regarded as comparable.

The properties used as bases of comparison are situated within the immediate vicinity of the subject properties. The comparison was premised on the factors of time, unit area or size, building age, unit improvements, building location, building age, building features or amenities, bargaining allowance, and others.

Rental income earned from investment properties amounted to P2.62 million and P2.49 million in 2017 and 2016, respectively (see Note 25 and 32).

Related direct operating expenses amounted to P0.43 million and P0.36 million in 2017 and 2016, respectively.

16. Intangible Assets - net

As at December 31, the rollforward of intangible assets is as follows:

	Note	2017	2016
Cost			
Balance at beginning of year		P132,607,331	P45,144,455
Additions		34,408,639	50,590,413
Reclassification from property, plant and equipment	14	-	45,679,944
Disposals		-	(8,807,481)
Balance at end of year		167,015,970	132,607,331
Accumulated Amortization			
Balance at beginning of year		30,547,406	-
Amortization	26	18,745,636	17,403,457
Reclassification from property, plant and equipment	14	-	20,193,484
Disposals		-	(7,049,535)
Balance at end of year		49,293,042	30,547,406
Carrying Amount		P117,722,928	P102,059,925

Intangible assets pertains to "The Real-time Operating system Nucleus" (TRON) Web, a new core insurance production system acquired by the Company and other software.

17. Goodwill

The goodwill arose from the merger of the Company with Insular General Insurance Co., Inc. (Insular General) in 2005. The recoverable amount of goodwill has been determined using the value in use approach. Value in use was based on the cash flow projections on the most recent financial forecasts approved by senior management which are management's best estimate of the ranges of economic conditions covering a five (5)-year period. The pre-tax discount rate applied to cash flow projections is 4.89% in 2016 and 2015, plus return on equity and cash flows beyond the five (5)-year period are extrapolated using a steady growth rate.

As at December 31, 2017 and 2016, the carrying amount of goodwill amounted to P33.79 million.

The recoverable amount is higher than the carrying amount of the CGU (Insular General). As such, no impairment losses is recognized in 2017 and 2016.

18. Other Assets

Others assets consists of:

	Note	2017	2016
Input VAT		P80,641,622	P69,492,117
Creditable withholding taxes (CWT)		61,408,878	49,225,999
Prepaid assets		14,071,096	15,806,847
Security deposits	32	9,569,551	9,608,450
Documentary stamps tax (DST)		3,229,085	17,205,392
Others		7,379,926	9,895,991
		P176,300,158	P171,234,796

Input VAT is applied against output VAT. The remaining balance is recoverable in the future periods.

CWT represents the taxes withheld at source by the counterparty which can be applied against future income tax liability.

Prepaid assets pertains to advance payments to various suppliers and service providers.

Significant portion of the Company's DST pertains to advance payment of DST on premiums.

Security deposits represents advance rentals on operating leases and will be refunded to the Company within thirty (30) to sixty (60) days upon termination of the corresponding lease contracts.

19. Insurance Contract Liabilities

As at December 31, insurance contract liabilities may be analyzed as follows:

	2017			2016		
	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 12)	Net	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 12)	Net
Provision for claims reported	P1,537,425,338	P981,871,913	P555,553,425	P1,610,462,276	P1,058,440,917	P552,021,359
Provision for IBNR claims	115,943,306	92,767,864	23,175,442	1,260,593,921	1,208,995,203	51,598,718
Provision for claims reported and IBNR claims	1,653,368,644	1,074,639,777	578,728,867	2,871,056,197	2,267,436,120	603,620,077
Reserve for unearned premiums	1,232,322,865	448,666,639	783,656,226	958,577,841	128,668,933	829,908,908
	P2,885,691,509	P1,523,306,416	P1,362,385,093	P3,829,634,038	P2,396,105,053	P1,433,528,985

Provision for claims reported pertains to estimated amount of reported claims that have not yet been settled as at valuation date and expenses for setting those claims.

As at December 31, provisions for claims reported and IBNR may be analyzed as follows:

	Note	2017			2016		
		Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 12)	Net	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 12)	Net
Balance at beginning of year		P2,871,056,197	P2,267,436,120	P603,620,077	P2,845,235,748	P2,155,755,605	P489,480,143
Claims incurred during the year		1,323,945,235	684,734,757	639,210,478	1,537,878,768	803,979,496	733,899,273
Claims paid - net of recoveries	24	(1,396,982,173)	(761,303,761)	(635,678,412)	(1,680,447,340)	(1,072,591,138)	(607,856,202)
Increase in IBNR	24	(1,144,650,615)	(1,116,227,339)	(28,423,276)	388,389,020	380,292,157	(11,903,137)
Balance at end of year		P1,653,368,644	P1,074,639,777	P578,728,867	P2,871,056,197	P2,267,436,120	P603,620,077

As at December 31, reserve for unearned premiums may be analyzed as follows:

	Note	2017		2016		Net
		Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 12)	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 12)	
Balance at beginning of year		P958,577,841	P128,668,933	P987,058,526	P139,465,213	P847,593,313
New policies written during the year	23	2,238,442,575	921,271,462	2,214,820,735	712,118,091	1,502,702,644
Premiums earned during the year	23	(1,964,697,551)	(601,273,756)	(2,243,301,420)	(722,914,371)	(1,520,387,049)
Balance at end of year		P1,232,322,865	P448,666,639	P958,577,841	P128,668,933	P829,908,908

20. Insurance Payables

As at December 31, this account consists of:

	Note	2017	2016
Due to reinsurers:			
Third parties		P421,069,898	P78,348,853
Related parties	31	129,175,179	117,838,562
Funds held for reinsurers:			
Related parties	31	183,656,088	122,491,223
Third parties		69,791	4,368
		P733,970,956	P318,683,006

Due to reinsurers pertains to reinsurance premiums payable by the Company to all its treaty and facultative reinsurers which is expected to be settled within one year or less.

Funds held for reinsurers pertains to a portion of reinsurance premium ceded to reinsurers withheld by the Company in accordance with the treaty agreements.

The movement of insurance payables is as follows:

	2017		
	Due to Reinsurers	Funds Held for Reinsurers	Total
Balance at beginning of year	P196,187,415	P122,495,591	P318,683,006
Arising during the year	951,392,187	183,725,879	1,135,118,066
Utilized	(597,334,525)	(122,495,591)	(719,830,116)
Balance at end of year	P550,245,077	P183,725,879	P733,970,956

	2016		
	Due to Reinsurers	Funds Held for Reinsurers	Total
Balance at beginning of year	P126,830,742	P87,070,241	P213,900,983
Arising during the year	472,600,999	122,495,591	595,096,590
Utilized	(403,244,326)	(87,070,241)	(490,314,567)
Balance at end of year	P196,187,415	P122,495,591	P318,683,006

21. Trade and Other Liabilities

As at December 31, this account consists of:

	<i>Note</i>	2017	2016
Accounts payable:			
Related parties	31	P34,997,774	P53,785,440
Third parties		141,596,098	130,187,255
Commission payable		168,365,099	166,622,162
Payable to regulatory agencies:			
Other taxes payable		43,964,639	40,270,494
Output VAT		37,536,448	30,459,889
Accrued VAT		35,360,758	32,467,535
Contributions		1,034,755	1,141,267
Accrued expenses		622,194	622,194
Dividends payable	30	484,148	484,148
		P463,961,913	P456,040,384

Accounts payable consists of collateral bonds from policyholders, rental deposits and unpaid utility bills and fees.

Payable to regulatory agencies pertain to other taxes payable which consists primarily of documentary stamp tax, expanded withholding tax and local government tax, output and accrued VAT and contributions.

Accrued expenses mainly include accrued employee benefits and rentals.

All liabilities are expected to be settled within twelve (12) months after the reporting date.

22. Net Pension Obligation

The Company has a funded, noncontributory, defined benefit retirement plan covering all of its permanent employees (the "Retirement Plan"). The Retirement Plan of the Company payout benefit is based on final pay. Contributions and costs are determined in accordance with the actuarial studies made for the Retirement Plan. Annual cost is determined using the projected unit credit method. The Company's latest actuarial valuation date is as at December 31, 2017. Valuation is obtained on an annual basis.

The Retirement Plan is registered with the BIR as a tax-qualified plan under Republic Act No. 4917, As Amended.

The Company's plan assets is managed by a trustee.

The following table shows reconciliation of the net pension obligation (asset) and its components:

	Present Value of Defined Benefit Obligation		Fair value of Plan Assets		Net Pension Obligation (Asset)	
	2017	2016	2017*	2016	2017	2016
Balance at beginning of year	P103,272,529	P168,080,675	P88,812,362	P130,412,772	P14,450,167	P37,667,903
Recognized in profit or loss						
Current service cost	13,970,257	19,323,601	-	-	13,970,257	19,323,601
Interest expense	5,359,844	8,303,185	-	-	5,359,844	8,303,185
Interest income	-	-	4,609,362	6,442,391	(4,609,362)	(6,442,391)
	19,330,101	27,626,786	4,609,362	6,442,391	14,720,739	21,184,395
Recognized in OCI						
Remeasurements:						
Actuarial loss arising from:						
Changes in financial assumptions	(570,689)	(3,847,339)	-	-	(570,689)	(3,847,339)
Experience adjustments	(10,617,942)	(19,058,972)	-	-	(10,617,942)	(19,058,972)
Return on assets (excluding amount included in net interest cost)	-	-	(626,627)	(4,024,180)	626,627	4,024,180
	(11,188,631)	(22,916,311)	(626,627)	(4,024,180)	(10,562,004)	(18,892,131)
Others						
Contributions	-	-	32,400,329	25,500,000	(32,400,329)	(25,500,000)
Benefits paid	(11,682,939)	(69,518,621)	(11,682,939)	(69,518,621)	-	-
	(11,682,939)	(69,518,621)	20,717,390	(44,018,621)	(32,400,329)	(25,500,000)
Balance at end of year	P99,731,060	P103,272,529	P113,512,487	P88,812,362	(P13,781,427)	P14,460,167

*Based on retirement fund as of November 30, 2017 and projected contributions and withdrawals for one month as presented in the 2017 Actuarial Valuation Report.

The benefits paid in advance by the Company were not reflected as liability in the plan assets report as at December 31, 2017 amounting to P11.68 million. Other differences in fair value of plan assets per actuarial valuation report and trust fund report was due to difference of actual results and projected movement in fund value.

The rollforward of retirement benefit reserves is as follows:

	2017	2016
Balance at beginning of year	P30,996,303	P44,220,795
Actuarial loss on DBO	(11,188,631)	(22,916,311)
Return on assets (excluding amount included in net interest cost)	626,627	4,024,180
Income tax effect	3,168,601	5,667,639
Balance at end of year	P23,602,900	P30,996,303

The Company's annual contribution to the Retirement Plan consists of payments covering the current service cost. The Company is expected to contribute the amount of P24.12 million to its plan assets in 2018.

The distribution of the plan assets as at December 31 is as follows:

	2017	2016
Assets		
Cash	P203	P635
Investments:		
Government securities	90,693,218	69,416,320
Mutual funds	22,939,581	13,129,328
Unit investment trust funds	7,616,258	5,135,740
Receivables	3,543,216	1,264,519
	124,792,476	88,946,542
Liability		
Trust fee payable	157,600	134,180
	P124,634,876	P88,812,362

The carrying amounts disclosed above reasonably approximate fair value.

The Retirement Plan exposes the Company to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk as follows:

Investment and Interest Rate Risks. The present value of the defined benefit retirement obligation is calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments and if the return on plan assets falls below this rate, it will create a deficit in the plan. Due to the long-term nature of the plan obligation, a level of continuing equity investments is an appropriate element of the long-term strategy of the Company to manage the plan efficiently.

Longevity and Salary Risks. The present value of the defined benefit retirement obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

The overall expected rate of return is determined based on historical performance of the investments.

The principal actuarial assumptions used to determine retirement benefits are as follows:

	2017	2016
Discount rate	5.64%	5.19%
Rate of salary increase	4.50%	4.09%

The discount rate was based on weighted average present value approach using bootstrapped-derived zero rates from PDEX PDST-R2 index.

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables. Mortality table is based on 1994 US Group Annuity Mortality Table for male and female while disability table is based on 1952 Disability Table of Society of Actuaries.

The Company has no specific matching strategy for the plan liabilities.

The average duration of the DBO at the end of the reporting period is 24 years.

As at December 31, the reasonably possible changes to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the DBO by the amounts below.

	Change in Assumption	2017	2016
Discount rate	+0.5%	(P5,992,085)	(P6,819,089)
	-0.5%	7,334,087	8,129,758
Salary increase rate	+1.00%	15,965,516	17,477,334
	-1.00%	(10,529,210)	(12,085,688)

Maturity Profile

Shown below is the maturity analysis of the undiscounted benefits payments as at December 31:

	2017	2016
Less than one (1) year	P -	P -
More than one (1) year to five (5) years	4,573,394	-
More than five (5) years to 10 years	3,242,265	4,026,434
More than 10 years to 15 years	33,098,489	59,820,044
More than 15 years to 20 years	180,006,434	110,710,583
More than 20 years	2,786,028,615	2,682,306,860
	P3,006,949,197	P2,856,863,921

23. Premiums Earned

Details of net earned premiums on insurance contracts are as follows:

	<i>Note</i>	2017	2016
Gross premium on insurance contracts			
Insurance contract premiums revenue:			
Gross premium written		P2,213,971,313	P2,184,436,548
Reinsurance premium assumed		24,471,262	30,384,187
	19	2,238,442,575	2,214,820,735
Gross change in reserve for unearned premiums		(273,745,024)	28,480,685
	19	1,964,697,551	2,243,301,420
Reinsurer's share of gross premiums on insurance contracts			
Reinsurer's share of:			
Gross premium written		908,520,359	697,033,867
Reinsurance premiums assumed		12,751,103	15,084,224
		921,271,462	712,118,091
Gross change in reinsurance premiums reserves		(319,997,706)	10,796,280
	19	601,273,756	722,914,371
		P1,363,423,795	P1,520,387,049

24. Net Insurance Benefits and Claims

Gross insurance contract benefits and claims paid are as follows:

	<i>Note</i>	2017	2016
Direct insurance		P1,378,546,914	P1,632,153,828
Assumed reinsurance		18,435,259	48,293,512
Total insurance contract benefits and claims paid	19	P1,396,982,173	P1,680,447,340

Reinsurers' share of gross insurance contract benefits and claims paid are as follows:

	<i>Note</i>	2017	2016
Direct insurance		P749,360,616	P1,036,318,256
Assumed reinsurance		11,943,145	36,272,882
Total reinsurers' share of insurance contract benefits and claims paid	19	P761,303,761	P1,072,591,138

Gross change in insurance contract liabilities are as follows:

	<i>Note</i>	2017	2016
Direct insurance		(P43,455,859)	(P90,239,718)
Assumed reinsurance		(29,581,079)	(52,328,853)
Change in provision for IBNR claims	19	(1,144,650,615)	368,389,020
Total gross change in insurance contract liabilities		(P1,217,687,553)	P225,820,449

Reinsurers' share of gross change in insurance contract liabilities are as follows:

	<i>Note</i>	2017	2016
Direct insurance		(P61,007,393)	(P148,415,689)
Assumed reinsurance		(15,561,610)	(120,195,953)
Change in provision for IBNR claims	19	(1,116,227,339)	380,292,157
Total reinsurers' share of gross change in insurance contract liabilities		(P1,192,796,342)	P111,680,515

25. Investment Income

Investment income consists of:

	<i>Note</i>	2017	2016
Interest income on:			
AFS financial assets	9	P60,361,680	P75,350,483
Loans and receivables	10	3,800,028	7,129,598
Cash and cash equivalents	7	401,901	596,466
Funds held by ceding companies		667,151	431,955
		65,230,760	83,508,502
Gain on sale of AFS financial assets	9	50,098,711	23,044,109
Dividend income	9	8,252,900	9,255,125
Rental income	15, 32	2,619,593	2,490,209
		P126,201,964	P118,297,945

26. General and Administrative Expenses - net

General and administrative expenses consists of:

	Note	2017	2016
Salaries and benefits		P262,769,892	P363,984,744
Depreciation and amortization:			
Property and equipment - net	14	40,642,725	43,755,609
Intangible assets - net	16	18,745,636	17,403,457
Investment properties - net	15	434,846	362,363
Professional and other fees		31,139,771	36,171,395
Repairs and maintenance		21,493,071	20,330,444
Communications		20,309,698	25,570,474
Rent	32	16,725,302	18,496,842
Current service cost on pension obligation	22	13,970,257	19,323,601
Transportation and travel		13,057,059	15,364,702
Stationery and supplies		8,459,936	8,961,666
Light and water		6,829,411	7,430,738
Advertising and promotions		6,197,912	9,647,395
Scholarship and training		4,658,825	3,469,384
Taxes and licenses		4,098,923	40,992,693
Bank charges	22	2,889,315	2,561,050
Insurance		2,704,612	735,536
Entertainment, amusement and recreation		1,977,754	2,024,210
Net interest cost on pension obligation	22	750,482	1,860,794
Books and periodicals		123,823	1,090,967
Provision (reversal of) for impairment losses:			
Loans receivables	10	(4,580,324)	21,239,982
Insurance receivables	8	(13,653,569)	59,203,469
Others		-	1,727
		P459,745,357	P719,983,242

Salaries and benefits consists of:

	2017	2016
Salaries and wages	P238,061,729	P335,059,323
Other benefits and allowances	24,708,163	28,925,421
	P262,769,892	P363,984,744

27. Service Fees

Service fees consists of:

	Note	2017	2016
Sales incentive fees		P7,839,508	P4,175,135
Agent convention fees		7,345,801	6,740,815
Road assistance service fees	31	6,571,203	15,764,029
Certificate of cover authentication fees		4,398,964	18,847,978
Others		2,160,398	2,906,828
		P28,315,874	48,434,785

28. Income Tax

As at December 31, the Company's net deferred tax assets consist of:

	2017	2016 (As restated - Note 34)
Deferred tax assets on:		
NOLCO	P174,406,364	P174,406,364
Allowance for impairment losses	27,422,985	32,893,153
Excess MCIT	12,188,807	14,471,388
Unamortized past service cost	12,024,035	8,597,024
Deferred reinsurance commissions	11,590,973	9,319,859
Provisions for IBNR claims	6,952,633	15,479,615
Changes in fair value AFS financial assets	413,992	189,071
Accrued rent expense	186,658	186,658
Net pension obligation	-	4,338,050
	245,186,447	259,881,182
Deferred tax liabilities on:		
Deferred acquisition costs	68,418,681	70,299,912
Net pension assets	4,134,428	-
Excess of unearned premiums per tax over per books basis	1,787,872	4,349,222
Accrued rent	98,733	98,733
	74,439,714	74,747,867
	P170,746,733	P185,133,315

Movements in net deferred tax assets - net comprises of:

	2017	2016
Balance at beginning of year	P185,133,315	P84,410,780
Recognized in profit or loss	(11,442,901)	106,423,000
Recognized in OCI	(2,943,681)	(5,700,465)
Balance at end of year	P170,746,733	P185,133,315

As at December 31, 2017, details of excess MCIT over RCIT which can be claimed as deduction from future RCIT is as follows:

Year Incurred	Year of Expiry	Additions	Expired/Used	Excess MCIT
2014	2017	P6,083,452	P6,083,452	P -
2015	2018	3,199,466	-	3,199,466
2016	2019	5,188,470	-	5,188,470
2017	2020	3,800,871	-	3,800,871

The NOLCO incurred by the Company that can be claimed as deduction from future taxable income or used as deduction against future income tax liabilities is as follows:

Year Incurred	Year of Expiry	Additions	NOLCO Written-off	NOLCO
2015	2018	P302,789,891	P102,650,407	P200,139,484
2016	2019	278,564,654	-	278,564,654
2017	2020	102,650,407	-	102,650,407

The unrecognized DTA on NOLCO pertains to 2017 amounting to P102.65 million because the management does not expect that sufficient future taxable profit will be available against which the tax benefits can be utilized.

The reconciliation of statutory income tax rate to effective income tax rate is as follows:

	2017	2016
Income (loss) before taxes	P47,113,870	(P221,403,196)
Income tax expense computed using statutory income tax rate	P14,134,161	(P66,420,959)
NOLCO written-off	30,795,122	-
Expired MCIT	6,083,452	4,338,837
Nondeductible expenses	-	11,668,224
Change in UPR due to transition adjustment	-	(18,600,370)
Dividend income	(2,475,870)	(2,776,538)
Income already subjected to final tax	(5,746,313)	(7,721,866)
Nontaxable income	(15,029,614)	(6,913,233)
Income tax expense computed using effective income tax rate	P27,760,938	(P86,425,905)

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

The reconciliation of net loss under PFRS to statutory net loss is as follows:

	2017	2016
Net income (loss) under PFRS	P19,352,932	(P134,977,291)
Add (deduct):		
Provision for IBNR	9,514,650	(11,903,137)
Difference in change in reserve for unearned premiums - net	8,537,837	30,980,842
Tax effects of PFRS differences	(5,415,745)	(5,723,312)
	P31,989,674	(P121,622,896)

30. Equity

Capital Stock

The Company has 10,000,000 shares of authorized capital stock at P50 par value, all of which are issued and outstanding as at December 31, 2017 and 2016.

Dividends payable as at December 31, 2017 and 2016 amounted to P0.48 million (see Note 21).

No dividends have been declared in 2017 and 2016.

31. Related Party Transactions

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

Affiliates are related entities of the Company by virtue of common ownership and representation to management where significant influence is apparent.

Significant related party transactions are summarized below:

- a. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including managers and executives of the Company.

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

	2017	2016
Salaries and other short-term employee benefits	P152,145,623	P222,406,280
Pension and other post-employment benefits	21,849,584	24,301,538
	P173,995,207	P246,707,818

b. Transactions with related party consist mainly of the following activities:

Category/Transaction	Note	Year	Amount of the Transaction	Outstanding Balances		Terms	Conditions
				Due from a Related Party	Due to Related Party		
Mapfre Re Compania de Reaseguros S.A.							
<i>(Entity under Common Control)</i>							
Inward commissions		2017	P61,841,168	P1,444	P -	Due and demandable;	Unsecured;
		2016	80,506,151	1,444	-	non-interest bearing	no impairment
Reinsurance premium ceded	20	2017	232,752,003	-	129,175,179	Due and demandable;	
		2016	117,838,562	-	117,838,562	non-interest bearing	Unsecured
Funds held to reinsurers	20	2017	312,195,415	-	178,250,187	Due and demandable;	
		2016	117,838,562	-	117,838,562	non-interest bearing	Unsecured
Mapfre Global Risks S.A.							
<i>(Entity under Common Control)</i>							
Reinsurance premium ceded	20	2017	530,398,562	-	-	Due and demandable;	
		2016	322,547,409	-	-	non-interest bearing	Unsecured
Premiums receivable	8	2017	19,617,849	19,617,849	-	Due and demandable;	
		2016	2,717,512	2,717,512	-	non-interest bearing	Unsecured
Mapfre Asistencia Compañia Internacional de Seguros Y Reaseguros, S.A.							
<i>(Entity under Common Control)</i>							
Reinsurance premium ceded	20	2017	10,418,779	-	-	Due and demandable;	
		2016	5,086,459	-	-	non-interest bearing	Unsecured
Funds held to reinsurers	20	2017	5,405,901	-	5,405,901	Due and demandable;	
		2016	-	-	4,652,661	non-interest bearing	Unsecured
Insular Life Assurance Company, Ltd. (Insular Life)							
<i>(Entity under Common Control)</i>							
Accounts receivables	31a	2017	59,601,247	15,304,272	-	Due and demandable;	Unsecured;
		2016	2,202,659	74,905,519	-	non-interest bearing	no impairment
Accounts payable	31b	2017	21,655,872	-	26,072,444	Due and demandable;	Unsecured
		2016	51,408,626	-	47,728,316	non-interest bearing	
Fundación Mapfre							
<i>(Entity under Common Control)</i>							
Accounts receivables	10	2017	100,931	979,605	-	Due and demandable;	Unsecured;
		2016	-	878,674	-	non-interest bearing	no impairment
Ibero Asistencia, S.A.							
<i>(Entity under Common Control)</i>							
Service fees	27	2017	6,571,203	-	700,000	Due and demandable;	Unsecured
		2016	15,764,029	-	-	non-interest bearing	
Accounts payables	21	2017	2,868,206	-	8,925,330	Due and demandable;	Unsecured
		2016	1,254,004	-	6,057,124	non-interest bearing	
Mapfre Tech, S.A							
<i>(Entity under Common Control)</i>							
Intangible assets	16	2017	1,810,469	-	-	Due and demandable;	Unsecured
		2016	1,346,380	-	-	non-interest bearing	
Total		2017		P35,903,170	P339,243,710		
Total		2016		P78,503,149	P180,641,679		

- 31a. The Company entered into a Memorandum of Agreement (MOA) with Insular Life on policies issued for migrant workers. Under the said MOA, at the end of each policy year, Insular Life and the Company shall compute for the share in net profit based on the separately-computed net profit (loss) of each entity based on the formula provided in the MOA. The amount of share in the net profit shall be the amount which will be available to provide deficit recovery to the other company if necessary. If both parties are in a net profit or net loss position, no share in net profit will be computed. However, if one of the parties has incurred a loss and the other a profit, the entity who has a profit will be the one to reimburse the entity for its deficiency. The amount to be transferred shall not exceed the net profit of the entity who will reimburse the loss. Likewise, the amount that may be received by the negative account shall only be to the extent of such deficit that may be fully recovered. The Company records accrual of profit commission under 'Accounts receivable'.
- 31b. This pertains to amount due to Insular Life for the life insurance coverage of the Company's policies for migrant workers.

32. Lease Commitments

The Company as Lessee

The Company has entered into non-cancelable operating lease agreements for several of its branch offices with terms of one (1) to five (5) years. The lease agreements include escalation clauses that allow a reasonable increase in rates. The leases are renewable under certain terms and conditions.

Future minimum rentals payable under non-cancelable operating leases as at December 31 follow:

	2017	2016
Within one year	P9,543,352	P9,267,419
After one year but not more than five (5) years	10,799,170	13,193,552
	P20,342,522	P22,460,971

In 2017 and 2016, rent expense included in the statements of income amounted to P16.73 million and P18.50 million, respectively (see Note 26 and 15).

The Company as Lessor

The Company has entered into property leases on its investment properties portfolio, consisting of the Company's surplus office spaces. These non-cancelable leases have remaining lease terms of less than five (5) years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

Security deposits pertaining to these lease contracts amounted to P9.57 million and P9.61 million as at December 31, 2017 and 2016, respectively (see Note 18).

Future minimum rentals receivable under non-cancelable operating leases as at December 31, 2017 and 2016 follow:

	2017	2016
Within one year	P2,713,778	P2,713,778
After one year but not more than five (5) years	4,070,667	6,784,446
	P6,784,445	P9,498,224

Rent income amounted to P2.62 million and P2.49 million in 2017 and 2016, respectively (see Note 25).

33. Contingencies

The Company is a defendant in several lawsuits arising from the normal course of carrying out its insurance business. Provisions have been recognized in the financial statements to cover liabilities that may arise as a result of adverse decisions that may be rendered by the courts. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the Company's position with regard to the outcome of these claims.

34. Prior Period Adjustment and Reclassification

On March 9, 2018, the IC issued CL No. 2018-18 which provides the revised valuation standards for non-life insurance policy reserves. Based on this Circular, reserve for unearned premiums shall be calculated based on 24th method for all classes of business, on both gross and net of reinsurance basis, except for policies covering migrant workers which uses the Table of Premiums for Reserve Computation stipulated in Annex A of CL No. 2015-06 dated February 11, 2015. This Circular also supersedes CL No. 2016-67 and amends CL No. 2015-06, *New Reserves Computation for the Compulsory Insurance Coverage for Migrant Workers*.

Prior to 2017, the Company has been calculating its reserve for unearned premiums using the 24th method for financial reporting purposes. For taxation purposes, reserve for unearned premium was computed at 40% of gross premiums, less returns and cancellations, received on policies or risks having no more than a year to run, except for marine cargo risks wherein the reserve was 40% of the premiums written in the policies upon yearly risks and the full amount of the premiums written during the last two months of the calendar year upon all other marine risks not terminated in accordance with Section 213 of the Presidential Decree No. 1460. Further, for tax purposes, policies for migrant workers was computed based on CL No. 2015-06.

The Company adopted CL 2018-18 retrospectively for taxation purposes. Accordingly, the Company restated its December 31, 2016 financial statements and the beginning balance of the earliest comparative period presented.

The following table summarizes the adjustments made to correct the balances previously reported as at December 31, 2016 and January 1, 2016:

	December 31, 2016		
	As Previously Reported	Adjustments	As Restated
STATEMENTS OF FINANCIAL POSITION			
Assets			
Cash and cash equivalents	P172,368,327	P -	P172,368,327
Insurance receivables - net	574,409,042	-	574,409,042
Available-for-sale (AFS) financial assets	1,477,135,351	-	1,477,135,351
Loans and receivables - net	148,517,981	-	148,517,981
Accrued income	30,309,988	-	30,309,988
Reinsurance assets	2,396,105,053	-	2,396,105,053
Deferred acquisition costs	234,333,039	-	234,333,039
Property and equipment - net	246,505,744	-	246,505,744
Investment properties - net	15,716,192	-	15,716,192
Intangible assets - net	102,059,925	-	102,059,925
Goodwill	33,794,284	-	33,794,284
Deferred tax assets - net	225,963,770	(40,830,455)	185,133,315
Other assets	171,234,796	-	171,234,796
	<u>P5,828,453,492</u>	<u>(P40,830,455)</u>	<u>P5,787,623,037</u>
LIABILITIES AND EQUITY			
Liabilities			
Insurance contract liabilities	P3,829,634,038	P -	P3,829,634,038
Insurance payables	318,683,006	-	318,683,006
Trade and other liabilities	456,040,384	-	456,040,384
Deferred reinsurance commissions	31,066,198	-	31,066,198
Net pension obligation	14,460,167	-	14,460,167
	<u>4,649,883,793</u>	<u>-</u>	<u>4,649,883,793</u>
Equity			
Capital stock	500,000,000	-	500,000,000
Additional paid-in capital	200,446,070	-	200,446,070
Contributed surplus	100,000,000	-	100,000,000
Retirement benefit reserve	(30,996,303)	-	(30,996,303)
Revaluation reserve on AFS financial assets	69,650,082	-	69,650,082
Retained earnings	339,469,850	(40,830,455)	298,639,395
	<u>1,178,569,699</u>	<u>(40,830,455)</u>	<u>1,137,739,244</u>
	<u>P5,828,453,492</u>	<u>(P40,830,455)</u>	<u>P5,787,623,037</u>

The following summarizes the adjustments made to restate the balances previously reported as at January 1, 2016:

	As Previously Reported	Adjustments	As Restated
STATEMENTS OF FINANCIAL POSITION			
Assets			
Cash and cash equivalents	P179,977,463	P -	P179,977,463
Insurance receivables - net	655,679,274	-	655,679,274
Available-for-sale (AFS) financial assets	1,464,822,023	-	1,464,822,023
Loans and receivables - net	222,309,818	-	222,309,818
Accrued income	24,739,440	-	24,739,440
Reinsurance assets	2,295,220,818	-	2,295,220,818
Deferred acquisition costs	233,747,708	-	233,747,708
Property and equipment - net	293,116,272	-	293,116,272
Investment properties - net	16,078,555	-	16,078,555
Intangible assets - net	45,144,455	-	45,144,455
Goodwill	33,794,284	-	33,794,284
Deferred tax assets - net	143,841,605	(59,430,825)	84,410,780
Other assets	148,121,275	-	148,121,275
	P5,756,592,990	(P59,430,825)	P5,697,162,165
LIABILITIES AND EQUITY			
Liabilities			
Insurance contract liabilities	P3,632,294,274	P -	P3,632,294,274
Insurance payables	213,900,983	-	213,900,983
Trade and other liabilities	498,688,159	-	498,688,159
Deferred reinsurance commissions	29,531,572	-	29,531,572
Net pension obligation	37,667,903	-	37,667,903
	4,412,082,891	-	4,412,082,891
Equity			
Capital stock	500,000,000	-	500,000,000
Additional paid-in capital	200,446,070	-	200,446,070
Contributed surplus	100,000,000	-	100,000,000
Retirement benefit reserve	(44,220,795)	-	(44,220,795)
Revaluation reserve on AFS financial assets	95,237,313	-	95,237,313
Retained earnings	493,047,511	(59,430,825)	433,616,686
	1,344,510,099	(59,430,825)	1,285,079,274
	P5,756,592,990	(P59,430,825)	P5,697,162,165

The effects of the prior period adjustments and reclassification of accounts on the statement of income for the year ended December 31, 2016 are shown below:

	As Previously Reported	Adjustments	As Restated
UNDERWRITING INCOME			
Gross premium written	P2,184,436,548	P -	P2,184,436,548
Reinsurance premium assumed	30,384,187	-	30,384,187
Gross premium on insurance contracts	2,214,820,735	-	2,214,820,735
Reinsurance premium ceded	(712,118,091)	-	(712,118,091)
Premium retained	1,502,702,644	-	1,502,702,644
Net change in reserve for unearned premiums	17,684,405	-	17,684,405
Net premiums earned	1,520,387,049	-	1,520,387,049
Commission income	76,139,132	-	76,139,132
GROSS UNDERWRITING INCOME	1,596,526,181	-	1,596,526,181
UNDERWRITING EXPENSES			
Gross insurance contract benefits and claims paid	1,680,447,340	-	1,680,447,340
Reinsurer's share of gross insurance contract benefits and claims paid	(1,072,591,138)	-	(1,072,591,138)
Gross change in insurance contract liabilities	225,820,449	-	225,820,449
Reinsurer's share of gross change in insurance contract liabilities	(111,680,515)	-	(111,680,515)
Net insurance benefits and claims	721,996,136	-	721,996,136
Commission expense	454,675,838	-	454,675,838
TOTAL UNDERWRITING EXPENSES	1,176,671,974	-	1,176,671,974
NET UNDERWRITING INCOME	419,854,207	-	419,854,207
OTHER INCOME - Net			
Investment income	118,297,945	-	118,297,945
Foreign exchange gain - net	2,544,847	-	2,544,847
Loss on sale of property and equipment	(1,442,456)	-	(1,442,456)
Other income	7,760,288	-	7,760,288
	127,160,624	-	127,160,624
	547,014,831	-	547,014,831
OTHER OPERATING EXPENSES			
General and administrative expenses - net	719,983,242	-	719,983,242
Services fees	48,434,785	-	48,434,785
	768,418,027	-	768,418,027
INCOME (LOSS) BEFORE TAXES	(221,403,196)	-	(221,403,196)
TAXES			
Current income tax	5,188,470	-	5,188,470
Deferred income tax	(87,822,630)	(18,600,370)	(106,423,000)
Final tax	14,808,625	-	14,808,625
	(67,825,535)	(18,600,370)	(86,425,905)
NET INCOME (LOSS)	(P153,577,661)	(P18,600,370)	(P134,977,291)

35. Supplementary Information Required under Revenue Regulation No. 15-2010 of the Bureau of Internal Revenue (BIR)

In addition to the disclosures mandated under PFRSs, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such supplementary information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRSs.

The following are the tax information/disclosures required for the taxable year ended December 31, 2017:

A. Value Added Tax (VAT)

1. Output VAT	P218,654,702
Basis of the Output VAT:	
Vatable sales	P2,282,149,936

The Company has premiums generated to entities that are registered in Philippine Economic Zone Authority which is subject to zero-rated and/or exempt output VAT amounting P334,652,398 in 2017.

2. Input VAT	
Beginning at beginning of year	P69,412,117
Current year's domestic purchases:	
a. Goods for resale/manufacture or further processing	
b. Goods other than for resale or manufacture	30,479,724
c. Capital goods subject to amortization	3,443,751
d. Capital goods not subject to amortization	89,578
e. Services lodged under cost of goods sold	-
f. Services lodged under other accounts	64,542,043
Claims for tax credit/refund and other adjustments	4,476,343
Balance at end of the year	P172,443,556

B. Documentary Stamp Tax

The Company paid documentary stamp tax on premiums amounting to P256 million in 2016.

C. Withholding Taxes

The Company's withholding taxes during the year are as follows:

Expanded withholding taxes	P64,256,128
Withholding taxes on compensation and benefits	56,731,068
Final withholding taxes	366,054
	P121,353,250

D. Fringe Benefit Tax

Fringe benefits tax paid by the Company in 2017 amounted to P2.46 million and is recorded under "Salaries and benefits" account in the statements of income.

E. All Other Taxes and Licenses (Local and National)

Other taxes and licenses paid during the year under "Taxes and licenses" account in the statements of income are as follows:

License and permit fees	P3,585,625
Real estate taxes	479,110
Documentary stamp taxes	29,338
Others	4,850
	P4,098,923

F. Tax Assessments and Deficiencies

In 2016, the Company settled the 2014 tax assessment with the BIR. Also, in 2016, the Company received a letter of authority to examine its books for the taxable year 2013. The Company has not been involved in any tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR.