BREAKTHROUGH TO EXCELLENCE

ANNUAL REPORT 2017

ALLIEDBANKERS INSURANCE CORPORATION

A member of The Lucio Tan Group of Companies

Real People... Remarkable Care

CONTENTS

BREAKTHROUGH TO EXCELLENCE

From being UNLEASHED to incorporating FUSION, Alliedbankers Insurance Corporation has nowhere to go but to the top.

Through the milestones ABIC has achieved in 2017, our company is set to excel with its operations and most importantly, Client Services.

Now that ABIC has fully transformed, we have since become better, bolder, bigger and more ready to face all the changes that lie ahead.

From all the accomplishments we had done from the previous year, ABIC is set to embark on a BREAKTHROUGH TO EXCELLENCE

VISION

Alliedbankers Insurance Corporation shall be one of the most preferred, trusted, efficient, and leading, financially stable non-life insurance companies in the Philippines by providing suitable insurance risk management, innovative insurance products and high quality, responsive client service to the Lucio Tan Group of Companies (LTGC), its allied business undertakings, its business partners, associates, employees, other stakeholders and their customers, with professionalism and integrity thereby enhancing and strengthening its long term viability and profitability.

MISSION

Alliedbankers Insurance Corporation is the preferred non-life insurance arm of the LTGC, its allied business undertakings, its business partners, associates, employees, other stakeholders, and their customers. In this regard, Alliedbankers shall strive to be a dynamic company, providing and continuously developing a comprehensive range of competitively priced and innovative protection insurance and other allied or supplemental insurance products suitable to the risks and needs of our client base. We aim to develop and strengthen a synergistic and well established relationship within the LTGC and other Customers. We shall promote the welfare of our employees, meet expectations of our stakeholders, and continuously maintain mutually beneficial relationships with our business partners (agents, brokers, reinsurers) and adhere to our corporate social responsibility to our community.

PRESIDENT'S REPORT

For the year ended
DECEMBER 31, 2017

Ms. Rebecca B. Dela Cruz
President & CEO

Past Year's Operating Performance

A. Net Income Performance

Alliedbankers Insurance (ABIC) ended the year 2017 with an audited net income after tax of Php 78.4 Million as against last year's Php 40.9 Million or an increase of 160.3% versus last year. This translates into a Return on Average Equity of about 6%.

The significant growth in net income performance for 2017 can be attributed to the growth in gross earned premiums from Php 443 Million to Php 567.7 Million or 28%, a profitable underwriting income of Php 157 Million from Php 128 Million or an increase of 22%. With the implementation of the new reserving framework as required by the Insurance Commission, we booked additional reserves amounting to Php 18 Million.

Versus Budgeted net income of Php 62 Million, the audited net income of Php 78 Million is equivalent to 125.8% achievement ratio.

During the year, the country is fortunate that it was not hit by catastrophic losses. However, we had to book reserves for some fire losses. In 2016, we booked significant losses from our casualty resulting from certain aviation losses and related aviation liability losses and the fire loss for one of the group acounts. We also paid loss participation to our lead Proportional reinsurer of Php5.5 Million pertaining to losses for the 2014 treaty.

B. One of the Strongest Net worth in the Philippine non-life insurance market (Top 11)

In June 2013, the mandatory increase in capitalization, based on net worth was already implemented by the Insurance Commission, hence, the number of insurance companies went down from 71 to 62 companies by end of that year. By December 31, 2017, the net worth requirement is already at Php550 Million and based on the latest ranking, ABIC is in the 11th spot among the remaining 60 companies. Seven companies were given servicing licenses with their voluntary surrender of license while five companies were issued cease and desist orders (CDO) which was officially released in March of 2018. By 2019, there is a possibility of another 15-20 companies falling out and finally by 2023, when net worth requirement is at Php1.3 Billion, the estimated insurance companies that will remain may be reduced to just 20-25.

There have been significant changes in the regulatory and solvency environment effective January 1, 2017 and these include not only the minimum net worth requirement but also the implementation of new Risk Based Capital Framework or RBC2, the new reserving method for non-life insurance companies which includes not just the 24th reserving method but also a provision for Margin for Adverse Deviation or MFAD, additional provision of Incurred But Not Reported losses(IBNR), and Incurred but not Enough Reserves (IBNER), and the implementation of the new Financial Reporting Framework for purposes of financial reporting standards. As a reprieve, the Insurance Commission will allow provision of only 50% of the change in MFAD starting 2018 and full recognition of the actual change in MFAD by 2019. On the investments valuation, the PFRS 9 also resulted in the change of valuation and classification of investments, which necessitates reclassification of some preferred shares with call option to be recognized as Fair Value to Profit and Loss (FVPL) instead of Available for Sale or AFS.

This market and improved regulatory scenario is expected to result in retaining only the bigger, stronger, well capitalized, and well managed players of the industry. This gives ABIC an opportunity to look into possibility of mergers or acquisition of portfolio of other non-life insurance companies, development of new and innovative products, as well as expansion of its distribution channels including digital marketing.

C. Reinsurance Support and Risk Management Strategy

Alliedbankers was able to complete its proportional surplus and non-proportional treaties for the year effective April 1, 2018 under a combined treaty program with PNB GEN allowing the latter to now have a proportional treaty for this reinsurance year with a total of Php 1 Billion capacity per risk. Our proportional treaty also includes nat cat cover at P1.75 billion per event limit. The combined Whole Account Excess of Loss of Php 10 Billion has to be maintained to cover the combined expiring policies of PNB GEN under the Whole Account Excess of Loss Treaty program and the net retention excess of loss cover of ABIC of Php 1 Billion. It is important that both companies exercise due diligence in its underwriting in order to preserve the proportional treaty program, which originally has ABIC portfolio only. The reinsurers as mentioned before have been shying away from proportional surplus treaties with catastrophic risks included because of the high exposure to catastrophic events of the Philippines. In the recent news and studies, 7 out of the top 20 cities prone to cat risks, are in the Philippines. Because of this, reinsurers are willing to accept only gross excess of loss or non-proportional treaties for cat exposures.

ABIC continues to enjoy the respect and high regard of reinsurers because of the consistent profitable performance of its portfolio in the long term, the Integrity, professionalism, transparency, and fairness we have shown in our dealings with them. We strive hard to maintain this reputation as these are critical factors in maintaining the trust and confidence and long term relationship with our reinsurers. Likewise, we have to ensure that reinsurance support is available for our group assets as part of our risk management strategy for the LT Group. We should continue to leverage on the captive accounts through long term relationship and maintenance of all the group accounts and most of all, fairness in handling insurance claims.

I. STRATEGIC DIRECTION FOR ABIC

A. Challenges and Key Drivers of Change:

a. Increasing capitalization, solvency and regulatory requirement
b. Climate change and increasing catastrophic risks environment
c. The need for digitalization
d. Global competition
e. Need for increased operational efficiency
f. Imminent mergers or acquisitions
g. Need for more innovative products
h. Increasing client service demands

B. Existing Competitive Advantage:

a. Sufficient capitalization to meet minimum requirement till 2022 at Php 1.4 Billion
b. Diversified and stable distribution channels (LTG companies as backbone and Bancassurance)
c. Cost effective reinsurance treaty programs and increased and flexible capacities
d. Lead insurer for PPAI Business - leadership among certain group of insurance companies-reassurance of our pool management capability
e. Innovative Products and increasing digitalization
f. Lean and increasing pool of young talents
g. Improved Risk Management capability

C. Breakthrough to Excellence

a. First to introduce the On Line or eCTPL Platform

Last September, we introduced the first complete online eCTPL program in the market. This has been gaining mileage as we tie up with digital platforms selling online products. This is our gateway to sell also other insurance products online.

b. More Innovative Products

The other key is new and innovative products as a FOCUS, being a GAME CHANGER. This means introducing new products to reliable markets or creating the demand for our newly developed products:

- Motor Car Safe
- Home Safe
- Prepaid PA Products
- Auto Dealers Packages
- Micro Insurance product packages
- Financial Liability lines e.g. cyber liability

c. Expansion of Market Channels-both traditional, non-traditional and digital avenues

- Enhanced Bancassurance tie ups with digital marketing capabilities and improved operational efficiency
- Affinity Groups marketing
- Dealers fleet or portfolio sales
- Wholesale Sales Organizations
- Micro insurance channels
- Digital and social media marketing
- Airline tie up
- Brokers and agents
- Collaborative marketers- riders automatically attached to products where available and possible
- Pooling of risks for high value items
- OFWs and beneficiaries- in the pipeline

d. Portfolio or sales organization acquisition - a "niche "and opportunistic "strategy.

With the closure of some insurance companies, we were able to launch a partnership with the former Metropolitan Insurance. All their new and renewal businesses are now being written by ABIC effective January 2018. We are also working towards greater synergy with PNB GEN with the objective of consolidating this general insurance operations of the group and making this more cost efficient. We are also looking at another portfolio transfer from another insurance company.

PRESIDENT'S REPORT

For the year ended
DECEMBER 31, 2017

e. GROUP's Risk Manager Capacity Building

Be the "Risk Manager" for the group's assets at reasonable cost. One of the directions we would like to follow for the group is the Portfolio Optimization similar to what the Ayala and the SM groups are doing. This translates to a portfolio placement of the risks or buying security capacity on a wholesale basis. This will result in substantial savings for the premiums of the group and avoid any gaps in the risk cover

f. Technology Portal Development

A secured, efficient, revenue generating, customer friendly, flexible, agile and cost effective IT system is being developed. We have completed the front end and back end policy administration module, client services and claims processing. We are now working towards having mobile apps, an eco-system platform for claims processing and settlement, electronically issued policies, and risk cat modelling capability to improve operational efficiency while increasing our volume.

g. Talent Acquisition and Development

ABIC has embarked on a new face as an EMPLOYER - That is the EMPLOYER of CHOICE - for the young and highly trainable talents. A good mixture of experienced talents, wisdom and technology driven talents continue to be in place as our key to the sustainability of the company.

h. Excellent Client Journey

With the implementation of our "ABIC Cares" not just in acquiring sales but more so in claims settlement, we have seen a remarkable improvement and commitment to serve our clients. There are rooms for improvement in our operational servicing but we are continuously striving towards the fulfillment of the promise for more consistent and excellent customer journey. We hope to achieve this with the implementation of our online Claims Eco System supported by our ABIC Cares Client Portal.

i. Corporate Governance and Corporate Standards

The year 2017 marked the serious commitment of the company to implement good corporate governance and corporate standards. Starting from the board, an assessment is being done, company matrix or benchmarks and departmental KRAs are defined, required committees at the management and board levels had been established, appropriate disclosures and transparency are being practiced. The corporate governance score of ABIC for 2016 is at 48%, higher by 8% compared to the previous year and the industry standard of 38%. It still needs a lot of improvement, but remarkable leaps are already being achieved.

PRESIDENT'S REPORT

For the year ended
DECEMBER 31, 2017

D. Maximizing and optimizing general insurance business model for the GROUP

Size or economies of scale is a key factor to leverage and attain operational efficiency while diversification, cost effective reinsurance treaties, and good underwriting practices are keys to excellent risk management and profitability. The combination of the two non-life companies of the group will create high potential to achieve high synergy and improved profitability for the general insurance business of the group.

E.Finding Growth Opportunities and Overcoming Key Risks for 2018 and onwards

For the year 2018, ABIC on a stand alone basis is looking at a gross written premium of P 700 Million or a growth of 23% versus an industry's growth of only 7.5%.

2018 is going to be a challenging yet opportunistic and exciting year. It is a "Game Changing" but a "Breakthrough to Excellence" scenario and the more robust, creative, and innovative players will emerge as winners.

Reinforcement of Gratitude to the Board and Stockholders

Once again, we would like to thank the Board of Directors and our stakeholders and clients for the trust and confidence in the Alliedbankers Team and we are looking forward to attainment of all goals with your continued and full support.

REBECCA B. DELA CRUZ
President & CEO

ALLIEDBANKERS INSURANCE CORPORATION

BUSINESS OUTLOOK 2018

The outlook for 2018 moving forward looks bright because of the expected economic growth in the Philippines and across Asian countries. The aim is to continue the strong focus on underwriting fundamentals whilst providing growth ambitions nationwide.

The market is expected to remain competitive. The market trends, opportunities and challenges to name a few are:

- GWP increased by 11.3% at a review period CAGR in 2017.
- This growth was supported by the property and motor insurance categories, which are also the segment's largest categories in terms of gross written premium.
- Major challenges: meeting huge damages caused by natural disasters, and large tax burden.
- Increasing capital and solvency requirements for insurers challenging the growth resulting into a consolidation of the non-life insurance companies.
- Insurers' efforts to provide innovative products for middle-class and niche savers, along with encouragement to save among Filipino consumers are projected to supplement the segment's growth over the forecast period.
- Increase CAT exposure of the industry.
- Insurance penetration is still low hence, there are opportunities for Improvement.
- Digital by Default.

For 2018, ABIC is set to improve further by implementing its 6 Areas of Focus namely the following:

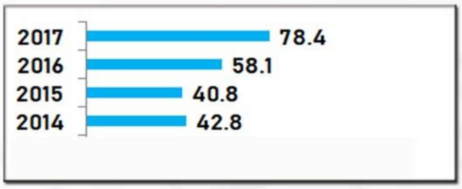
1. Customer Journey
   - Exceed Expectation and Standards to create a positive & engaging customer journey
2. Expanded Sales Distribution
   - Expand market reach and attain higher customer retention from captive and alternative market
3. Digital by Default
   - Build & maintain customer relationships and transactions online
4. Engaged and World Class Talents
   - Create a culture of excellence and be a company where anyone would be proud to work
5. Efficiency in Operation
   - Customer-centric back office
   - Comprehensive Renewal Program
   - Claims processing ecosystem
6. Viable and Sustainable Financial Partnerships
   - Continue to develop & expand cost-effective Treaty programs & modelling support/analytics from reputable & rated Reinsurers

PERFORMANCE

NET PROFIT AFTER INCOME TAX
RETURN ON AVERAGE SHAREHOLDERS' FUND
COMBINED OPERATING RATIO (COR)
EARNINGS PER SHARE (EPS)
INSURANCE PROFIT AND UNDERWRITING RESULT
DIVIDEND PER SHARE AND DIVIDEND PAYOUT
GROSS WRITTEN PREIMUM AND NET PREMIUM
GROSS EARNED PREMIUM BY LINE
INVESTMENT PORTFOLIO AS OF 31 DECEMBER 2017 (FACE VALUE)
INVESTMENT PORTFOLIO AS OF 31 DECEMBER 2017 (MARKET VALUE)

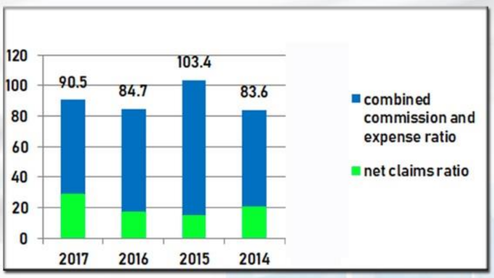
PERFORMANCE

NET PROFIT AFTER INCOME TAX



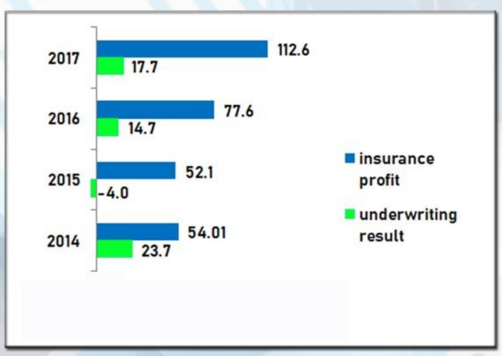
Average of 65.44 Net Profit after Income Tax for 5 years

COMBINED OPERATING RATIO (COR)



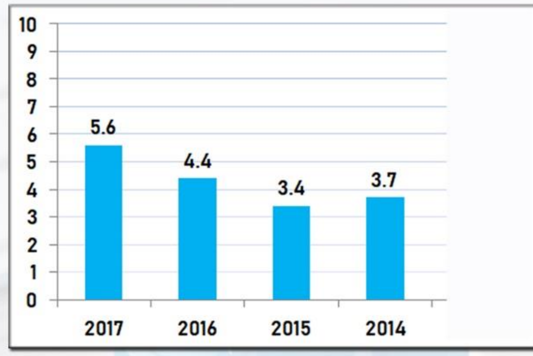
Average combined operating ratio 92.92 for 5 years generating a Net Income ratio of 7.08.

INSURANCE PROFIT AND UNDERWRITING RESULT



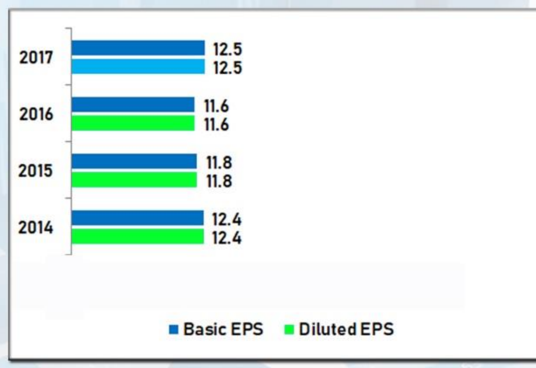
Average of 82.26 insurance profit and 9.84 underwriting result respectively for 5 years.

RETURN ON AVERAGE SHAREHOLDERS'FUND



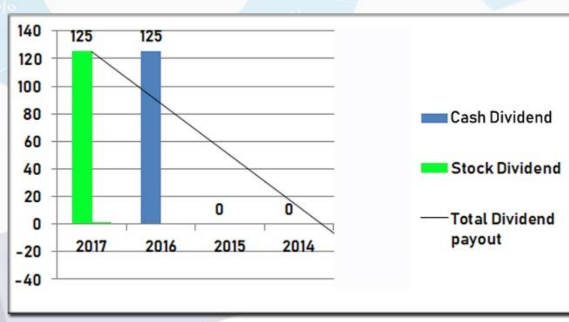
Average of 5.32% return on shareholder's fund for 5 years.

EARNINGS PER SHARE (EPS)



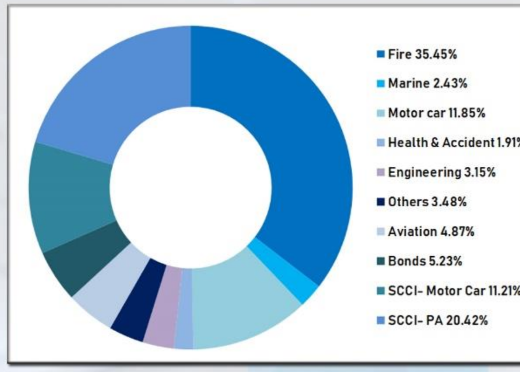
Average earnings per share for 5 years of 15.86

DIVIDEND PER SHARE AND DIVIDEND PAYOUT



For the past 2 years 2016 and 2017 ABIC declared cash and stock dividend respectively.

GROSS EARNED PREMIUM BY LINE

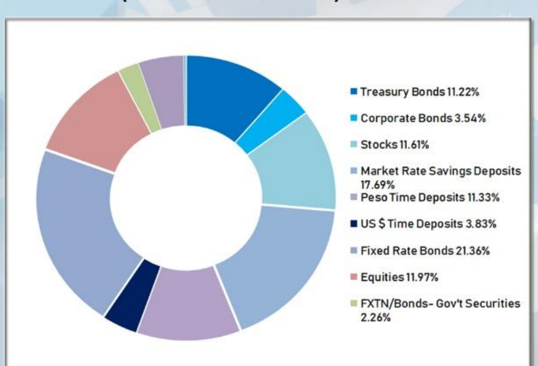


The strong showing was due to marketing alignment–designating proper sales distribution channels such as brokers and agencies, bancassurance and LTG to gain access and generate revenues, and improved work efficiencies by controlling both business acquisition costs and general expenses.

GROSS WRITTEN PREMIUM AND NET PREMIUM

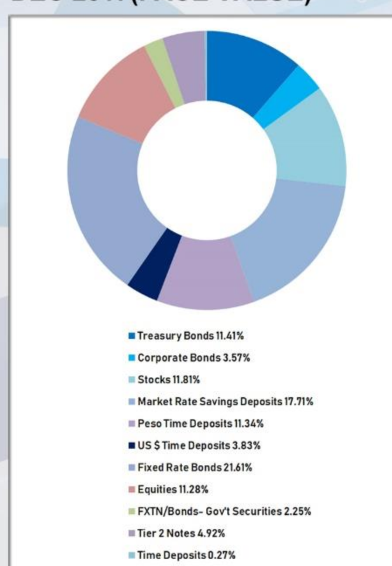
Gross written premiums reached Php 534 Million for 2017 raising figures by 37 million from 2016. For net premiums, it increased to Php 187 Million as compared to Php 150 Million.

INVESTMENT PORTFOLIO AS OF 31 DEC 2017 (MARKET VALUE)



With respect to lines of business,Property/Fire premiums amounted to 36% of total GPW, Motor Car alone has reached 12% while SCCI –Motor Car has reached 11%. Another business that we generated from SCCI is our SCCI –PA with 21%.

INVESTMENT PORTFOLIO AS OF DEC 2017(FACE VALUE)



CSR is a business approach that contributes to sustainable development by delivering economic, social and environmental benefits for all stakeholders.

ABIC believes that corporate social responsibility extends beyond monetary support. We encourage all of our employees to contribute in some way to the communities in which they work and support them through volunteer leave, matched fundraising, employee donations and grants.

Brigada Eskwela with medical mission and Free Circumcision

ABIC held its Brigada Eskwela last year in Emilio Jacinto Elementary School. There, we provided free medical check-ups as well as free circumcision not just for the students of the said school but for the residents of that area.

Kaloob sa Kabataan- Sta. Cruz Church

Kaloob sa Kabataan- Sta. Cruz Church

ABIC conducts an outreach program for the children along the Sta. Cruz, Manila area dubbed as “Kaloob Para sa Kabataan”. Its main objective is to do a feeding program and give these kids joy by providing clothes, slippers, hygiene kits and some foodstuff. We also conduct lessons on values formation along with some social games.

This program is held twice a year. The first is held in July 18 to celebrate the birthday of our dear Kapitan, Dr. Lucio Tan while the second one is during December as a Christmas celebration for the children of the said area.

Kaloob Kalusugan Program

With ABIC being the lead insurer for the PPAI members, it is only right for us to give back by providing various free medical assistance like dental check-up and tooth extractions, free consultations with volunteer doctors and check-up of blood pressure for the drivers and their beneficiaries in cooperation with SCCI, our management company and our panel members.. This was held at the Amoranto Stadium in Quezon City.

CORPORATE
SOCIAL
RESPONSIBILITY

ABIC Cares is the Customer Fullfilment arm of Alliedbankers Insurance Corporation. The Company aims to give nothing but the best client experience with ABIC's dedicated service to assure clients that all their insurance needs with ABIC are taken care of.

ABIC assures that all existing and possible claims will be attended to using our core element, "care".

ABICares is also committed when it comes to dedicating ourselves to all claims concerns, after-sales requests, responding immediately and to strive on how to serve clients better.

ABIC - *Building a Unified Team*

Last July 8 and 9 of 2017, ABIC held its annual team building.

The activities that were done were impossible to accomplish without working together and that is the main goal for the Team Building exercise. This is also to remind that all employees must go through various obstacles to achieve a certain goal. ABIC and its employees must remember that as a unit, they must practice working with each other in order to hit company targets.

During the Team Building exercise, the employees also had a trust fall activity which tested not only the endurance of its employees, but to entrust each other's safety with one another.

Another highlight of the program was the mud crawl wherein the participants did not hesitate to dive in and crawled their way to the finish line.

After all the activities, all ABIC employees walked out of the venue with one word etched in their hearts: TEAMWORK

The main goal of all the activities was to work together and not against each other.

ABIC Unleashed

Ceremonial Toast
Elements at Eton, Centris
October 18, 2017

Last October 18, 2017, Alliedbankers Insurance Corporation (ABIC) led by its President/CEO/Director Ms. Rebecca B. Dela Cruz had its eCTPL launch along with its suite of Micro Insurance Products: ABIC Mini and ABIC Mini Plus. This was held at Elements at Eton Centris.

Compulsory Third Party Liability Insurance or CTPL, is a basic motor car insurance plan that every vehicle owner needs to have before actually registering a vehicle with the Land Transportation Office (LTO).

This can cover disablement, property damage, death and/or the medical expenses of a person that was injured during a road mishap that involves your vehicle. The policy can be claimed if the damage, injury or death was caused by the operation of the insured vehicle.

But with ABIC's online eCTPL, you can easily get a compulsory third party liability insurance for your vehicle at your fingertips.

Just simply log in to the ABIC eCTPL webpage, key in your OR/CR and you'll be able to receive your policy in a matter of minutes as opposed to falling in line, waiting for a long period just to get your policy and all the hassles that comes with it.

ABIC Mini and ABIC Mini Plus on the other hand, is a line of Micro Insurance products that is tailor-made for Tanods, Security Guards, Kasambahay, Cooperative Members or any other associations or groups who need protection as well.

With products like Tanodcare, Kasambahaycare and others for an affordable price, availing insurance has never been more accessible and affordable.

Another highlight of the event was the presence of Dr. Lucio Tan along with his wife, Ms. Carmen Tan accompanied by daughter Irene Tan-Luy.

Apart from the launching of the products, it also marked new beginnings not just because ABIC started to embrace digitalization, but this was the night that the company announced their new Executive Vice-President for Business Development and Strategic Partnership, Ms. Rowena Tan-Chua, the eldest daughter of Dr. Lucio Tan.

Talent Management

ABIC is one of the corporations that is generally considered as an “employer of choice” who effectively responds to the issues in the workplace, utilizes and maximizes the “on the job training”, adapts to the work culture for employees’ satisfaction and is socially responsible.

The benefits of socially responsible behaviour include improved workplace morale, higher productivity, reduced employee turnover costs and greater identification with employers. This is thought to be a particularly important benefit as high employee identification increases the likelihood that employees will act in employers’ best interests, thus reducing risks of fraud and unethical behaviour.

Risk Management

The core business of ABIC is the underwriting of risk. The Company's performance over many years clearly establishes its substantial risk management credentials.

Risk management is a continuous process and an integral part of quality business management. Risk management shall assess the probability of each risk becoming reality and shall estimate its possible effect and cost. Priority areas of concern are those risks that are most likely to occur (high probability) and are costly when they happen (highly severity). ABIC's approach is to integrate risk management into the broader management processes of the organization. The main philosophy to be adopted is to ensure the risk management remains embedded in the business and that the risk makers or risk takers are themselves the risk managers.

Risk management develop strategies managing and controlling the major risks. It shall identify practical strategies to reduce the chance of harm and failure or minimize losses if the risk becomes real.

Risk management is tasked to communicate the management plan and loss procedures to affected parties.

Risk management evaluates the management plan to ensure its continued relevancy, comprehensiveness and effectiveness. It will continue to revisit strategies , look for emerging or changing exposures and stay abreast of developments that affect the likelihood or harm or loss.

The Company has established internal controls to manage material business risks in the key areas of exposure. The broad risks categories are the credit risks, market risks, interest rate risks, liquidity risks, operational risks, legal risks, compliance risk, strategic risks , reputational risk, technology risk and financial risk.

External Auditor Independence

Alliedbankers believes that the external auditor must be and must be seen to be, independent. The external auditor confirms its independence in relation to the 31 December financial reports and the Audit Committee confirms this by separate enquiry. The external auditor normally confers with the Audit Committee in the absence of management as part of each meeting.

The external auditor shall be selected and appointed by the stockholders upon recommendation of the Audit Committee. Alliedbankers appointed Sycip, Gorres, Velayo & Co. (SGV & Co.) as the company's external auditor for the year 2017. (Per Board Resolution No. 122-17)

Actuarial Review

The Insurance Commission issued the I.C. Memorandum Circular No. 2016-67 where it requires certification by the Actuary.

The Actuary shall provide a duly – notarized certification , that the Actuary have conducted tests necessary to verify the reasonableness and integrity of the data, confirm that the information contained in the Reports are accurate to the best of their knowledge and that they have calculated the policy reserves in accordance with the Valuation Standards prescribed by the Insurance Commission and the standards of practice of the Actuarial Society of the Philippines.

ABIC engaged the actuarial services of JP Wall Consulting Partner for the year 2017.

Internal Audit

ABIC shall continue to maintain an independent internal auditor who must be a CPA and adept in computer handling, through which the Board , the CEO, senior management and stockholders shall be provided with reasonable assurance that its key organization and procedural controls are effective, appropriate and complied with.

The Internal Auditor shall provide the CEO and Audit Committee with all major findings. Internal audit provides independent assurance that the design and operation of the controls are effective.

BOARD OF DIRECTORS- OVERSIGHT

Section VI – of Articles of Incorporation and Article III Sec. 1 of By-Laws states that the number of directors shall be composed of eleven (11) members. A majority of the directors shall be residents of the Philippines, and each director shall own at least one (1) share of stock of the corporation, and they shall be elected annually at the annual stockholders meeting and shall serve for a term of one (1) year, and until their successors shall have been elected and qualified.

The Board shall have two (2) independent directors . (Independent directors have not been an officer or employee of the Corporation, not related to an officer in senior management position in the Corporation and do not provide services and receive no significant income for other professional services to the Corporation). The Board shall disclose any relationship that could compromise a director's independence.

The independent director shall serve for a maximum cumulative term of nine (9) years per SEC Memorandum Circular No. 4. After which , the independent director shall be perpetually barred from re-election as such in the same company, but may continue to qualify as a non-independent director.

Directors are selected to achieve a broad range of skills, experience and expertise complementary to the Company's insurance activities. Details of individual directors are included on pages 23 to 37 and can also be found on the ABIC website at www.alledbankers.com.

The Chairman oversees the performance of the Board , its committees and each director. Considering that the insurance business is imbued with public interest , the roles of Chairman and the Chief Executive Officer shall, as a general rule , not be combined to ensure a balance of power and authority such that no one person has unfettered decision making powers. Accordingly, the Chairman of the Board shall be non-executive director.

CORPORATE GOVERNANCE NOMINATION AND REMUNERATION COMMITTEE

The Remuneration Committee has an overall governance responsibility for executive remuneration structures and outcomes to ensure that remuneration frameworks are aligned with robust risk management practices and strong guidance principles.

The Remuneration Committee receives information on the performance of the senior executives who have the opportunity to materially influence the integrity, strategy, operation and financial performance of Alliedbankers Insurance Corporation.

The Remuneration Committee annually reviews the remuneration policy to ensure that fixed remuneration appropriately positioned relative to the market and at risk reward linked to financial targets, investment performance targets and strategic business objectives. The Remuneration Committee includes in their proposal for compensation a system for merit increases , performance rewards , bonuses and to review all other matters pertaining to compliance on Corporate Governance issues.

Diversity Measurement

Alliedbankers is committed to creating a culture of diversity and inclusion around the Company. To ensure this expectation is consistently met , measurable objectives for fostering inclusive, diverse workgroups have been added to performance objectives to people leaders at the top levels of the organization, (i.e. Executive positions, Senior Executive positions, Non-Executive positions).

Additionally, Alliedbankers has set specific targets to ensure gender diversity amongst the members of the Board of Directors, wherein 27% represent female board of directors. A summary of women's roles as members of the board of Alliedbankers is provided below:

Composition of the Board of Directors

DIVERSITY OBJECTIVES Group Board Positions	31 December 2017	31 December 2016
Male Director	8	8
Female Director	0	1
Senior Executive Director Female	3	2
Corporate Secretary Female	1	1

GROUP BOARD Positions	31 December 2017	31 December 2016
Non- Executive Positions	7	7
Independent Directors	2	2
Executive Directors	2	2

Alliedbankers is considering restating its targets of improving the number of women in the Independent Director. When the diversity targets were initially established , the focus was on gender, as we look forward, the organization is also considering how to widen the diversity agenda throughout Alliedbankers Insurance Corporation.

Audit Committee

The membership of the Audit Committee may only comprise non-executive directors. The Audit Committee is composed of five (5) members of the Board , two (2) of whom shall be an independent director. Each member shall have an adequate understanding of the Corporation's operating environment. This committee normally meets four (4) times a year. The Chairman must be an independent director.

The role of the Audit Committee is to oversee the credibility of ABIC's financial reporting process. This includes review of:

- The financial reporting to Office of Insurance Commission, Securities & Exchange Commission, the shareholders and to other stakeholders;
- Financial reporting risks
- Accounting policies , practices and disclosures,
- The scope and outcome of external and internal audits.

The Audit Committee has a free and unfettered access to the external auditor. The external auditor and the Head of Audit & Compliance Department have free and unfettered access to this committee.

BACKGROUND ON THE BUSINESS

Alliedbankers Insurance Corporation is formerly the Sincere Insurance Company, Inc. which was incorporated in 1960. The Lucio Tan Group of Companies (LTGC) acquired 100% ownership of the company in 1980 and changed its name to Alliedbankers Insurance Corporation.

On December 22, 2010, SEC approved the Company's application to extend its corporate life to 50 more years primarily to engage in the business of non-life insurance, indemnifying other against loss, damage or liability arising from unknown or contingent events and to act as agent to other insurance or surety companies or any of its branches, including life insurance. It includes lines such as health, accident, fire and allied lines, motor vehicle, casualty, surety, marine cargo, marine hull, comprehensive liability insurance and allied risks.

As of December 31, 2017, the Company ranks 11th in terms of net worth, 20th in terms of net assets, 24th in terms of net income and 33th in terms of gross premium written.

The Company has a product mix of Php534.1M, with property insurance accounting for the major part of its portfolio, seconded by casualty and motor car. The volume of property insurance is coming from LTGC and for motor car and casualty insurance, the business are coming from SCCI. The large corporate property insurance such as Asia Brewery, Tanduay, Eton Properties, University of the East are generated through LTGC ,and related companies .The prudent underwriting and risk engineering practices of the Company have resulted in a quality portfolio, generating underwriting profit.

The Company's property, marine and general accident are supported by the proportional treaty, backed up by investment grade and highly rated local and foreign insurance such as National Reinsurance Corporation, Malayan Insurance Company and MAPFRE Reinsurance. While the catastrophe (CAT) cover for fire, marine cargo and motor car are supported by the non proportional treaty backed up by National Reinsurance Corporation, Malayan Insurance Company and thru UIB Asia Reinsurance Broker. The engineering insurance is supported by the Philippine Machinery Management.

With its reorganization in 2010 and paid up capital of Four Hundred Sixty Two Million Four Hundred Twelve Thousand Five Hundred Pesos (Php462, 412,500), the Company geared up for major growth.

Corporate Governance Statement

We , the Board of Directors and Management of Alliedbankers Insurance Corporation, do hereby commit ourselves to the principles and the best practices contained in the manual, and acknowledge the same may guide the attainment of the Company's goal and objectives.

The Board of Directors, management, employees and shareholders believe that corporate governance is the necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness within organization.

The corporate governance statement aims to disclose in summary form as clearly and objectively as possible ABIC corporate governance standards and practices so that they can be readily understood . ABIC also continues to focus on other equally important issues such as the strength of its outstanding claims provision and the quality of its reinsurance protection.

Board Functions

The Board is committed to sound practical corporate governance and has put in place a corporate governance framework including a suitably qualified and dedicated team which is focused on managing:

- Company's strategies including vision, mission and values;
- The achievement of financial objectives
- The identification and control of areas of business risk;
- The employment of quality people;
- Supervision and development of staff;
- Regulatory compliance

The Board ensures it has the information it requires to be effective including where necessary, independent professional advice. Strategic issues and management detailed budgets and three years business plans are reviewed at least annually by the Board.

COMMITTEES

The Board is supported by several committees which meet regularly to consider the audit and risk management processes, investments, nomination and remuneration and other matters. The main committees of the Board were the Audit , Compliance and Risk Management Commitee, Investment Committee, Corporate Governance, Nomination and Remuneration Committee, Related Party Transaction Committee and Non-Executive Committee.

A report of each committee's last meeting is provided to the next Board Meeting. The Corporate Secretary acts as a secretary to all committees. Details of the directors' attendance at board and committee meetings are outlined in the table of meeting attendance set out in the directors'report.

COMMITTEES OF
Alliedbankers Insurance Corp.

The following are the officers of Alliedbankers Insurance Coporation

BOARD RESOLUTIONS NO. 35-16

CHAIRMAN
Lucio C. Tan

VICE-CHAIRMAN
Willy S. Co

PRESIDENT
Rebecca B. Dela Cruz

SENIOR VICE-PRESIDENT/COMPTROLLER
Rufina T. Yu

CORPORATE SECRETARY
Arlene J. Guevarra

TREASURER
Harry C. Tan

BOARD COMMITTEES
BOARD RESOLUTION NO. 36-17

I. BOARD COMMITTEES

A. Corporate Governance, Nomination & Remuneration Committee

Lucio C. Tan	Chairman
Michael G. Tan	Vice Chairman
Harry C. Tan	Member
Lucio K. Tan, Jr.	Member
Rowena T. Chua	Member
Peter Y. Ong	Member
Rebecca Dela Cruz	Member

B. Audit & Compliance and Risk Management Committee

Alfredo B. Jimenez, Jr.	Chairman (Independent Director)
Willy S. Co	Vice Chairman
Michael G. Tan	Member
Lucio K. Tan, Jr.	Member
Peter Y. Ong	Member (Independent Director)

C. Investment Committee

Michael G. Tan	Chairman
Rowena T. Chua	Member
Manuel T. Gonzales	Member
Rebecca Dela Cruz	Member
Rufina T. Yu	Member

D. Resource Persons

Ricky Cebrero	(PNB – Treasury Group)
Manuel Antonio G. Lisbona	(PNB – Securities Corp.)
Ma. Carmela A. Pama	(PNP – Risk Management Corp.)

BOARD COMMITTEES

BOARD RESOLUTION NO. 36-17

Board Resolution No. 41-17

A. Related Party Transactions (RPT) Committee

Peter Y. Ong	Chairman
Manuel T. Gonzales	Vice Chairman
Rowena T. Chua	Member
Alfredo B. Jimenez, Jr.	Member
Michael G. Tan	Member

B. Non - Executive Committee

Lucio C. Tan	Chairman
Willy S. Co	Vice Chairman
Manuel T. Gonzales	Member
Alfredo B. Jimenez, Jr.	Member
Peter Y. Ong	Member
Harry C. Tan	Member
Lucio K. Tan, Jr.	Member
Michael G. Tan	Member

BOARD OF DIRECTORS

LUCIO C. TAN

Age: 84

Nationality: Filipino

Education

Bachelor of Science in Chemical Engineering degree from Far Eastern University and later from the University of Sto. Tomas Doctor of Philosophy, Major in Commerce, from University of Sto. Tomas.

Current Position

Chairman

Date of First Appointment

1980

Directorship in Other Listed Companies

Chairman and CEO: LT Group, Inc., Director of PAL Holdings, Inc., and MacroAsia Corporation

Other Current Positions

- Chairman and CEO of Philippine Airlines, Inc.
- Chairman/ President: Tangent Holdings Corporation and Lucky Travel Corporation
- Chairman; Eton Properties Philippines, Inc., Asia Brewery, Inc.,Tanduay Distillers, Inc., Fortune Tobacco and Finance Corporation, Allied Commercial Bank, PNB Savings Bank, and Allied Banking Corporation (HK) Ltd.
- President: Basic Holdings Corporation, Himmel Industries, Inc., and Grandspan Development Corporation
- Chairman Emeritus of the Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc.
- Founder and Vice Chairman of the Foundation for Upgrading the Standard of Education, Inc.
- Founded the Tan Yan Kee Foundation, Inc., of which he is the Chairman and President

Other Previous Positions

- Chairman: Allied Banking Corporation

Awards/Citations

- Various honorary degrees for his outstanding achievements and leadership in the Philippines and other parts of the world

HARRY C. TAN

Age: 72

Nationality: Filipino

Education	Bachelor of Science in Chemical Engineering degree from Mapua Institute of Technology
Current Position	Director
Date of First Appointment	2009
Directorship in Other Listed Companies	Director of LT Group, Inc.
Other Current Positions	• Chairman of Bulawan Mining Corporation and PNB Global Remittance and Financial Company (HK) Limited • Director of PNB Management Development Corporation and PNB Savings Bank • Chairman for Tobacco Board of Fortune Tobacco International Corporation • President of Landcom Realty Corporation and Century Park Hotel • Vice Chairman of Lucky Travel Corporation, Eton Properties Philippines, Inc., Belton Communities, Inc., and Eton City, Inc. • Managing Director/ Vice Chairman of the Charter House Inc. • Director of various private firms which include Asia Brewery, Inc., Dominium Realty and Construction Corporation, Progressive Farms, Inc., Shareholdings Inc., Himmel Industries, Inc., Basic Holdings Corporation, Asian Alcohol Corporation, Pan Asia Securities Inc., Tanduay Distillers, Inc., Manufacturing Services and Trade Corporation, Foremost Farms, Inc., Grandspan Development Corporation, Absolute Distillers, Inc., Tanduay Brands International., Allied Banking Corporation (Hong Kong)Limited, Philip Morris Fortune Tobacco Corporation, Inc., and Allied Commercial Bank
Other Previous Positions	• Director: Allied Banking Corporation • Director: MacroAsia Corporation • Director: Philippine Airlines

WILLY S. CO

Age: 86

Nationality: Filipino

Education	Bachelor of Science in Banking and Finance – University of the East
Current Position	Director / Vice Chairman
Date of First Appointment	1980
Directorship in Other Listed Companies	• Bancasia Finance & Investment Corp. • Universal Synthetic & Mfg. Corp. • Marketsource Corporation • Pan Asia Securities Corp. • Hermoza Ecozone & Dev't. Corp. • Central Textile Mills, Inc.
Other Previous Appointment	• Chairman – Oceanic Bank • Chairman – Allied Bank Phils. (UK) Plc. • Director/ Deputy Chairman – Allied Bank Corporation (HK) Ltd. • Director / Vice Chairman – Allied Banking Corporation • Director / Vice Chairman – Allied Commercial Bank • Director / Vice Chairman – Allied Leasing & Finance Corporation

REBECCA B. DELA CRUZ CPA,CMA,FLMI

Age: 59
Nationality: Filipino

Education	Bachelor of Science in Accounting from Centro Escolar University
Current Position	Director / President / CEO
Date of First Appointment	2010
Other Current Positions	Chairperson- Philippine Insurance and Reinsurers Association (PIRA)
Other Previous Positions	• Director – PNB Life Insurance Corp. • SVP & Chief Operating Officer – PNB Gen Insurers Company, Inc. • Consultant to the office of the EVP & CFO – Philippine National Bank • SVP, COO & Head – Mktg. Services, VP & Chief Financial Officer – New York Life Insurance Phils. • Head of Finance & Controllership – Prumera Life Insurance • First VP & Controller Vice President & Controller – Export and Industry Bank • VP & Investment Controller – PhilAm Insurance Corporation • Senior Asst. Vice President & Investment Controller – PhilAm Insurance Corporation • Asst. Vice President & Controller, Senior Audit Manager – Asiatrust Bank • Adviser to Chairman of the Board of Allianz PNB Life

MICHAEL G. TAN

Age: 52
Nationality: Filipino

Education	Bachelor of Applied Science in Civil Engineering. Major in Structural Engineering, from the University of British Columbia, Canada
Current Position	Director
Date of First Appointment	1993
Directorship in Other Listed Companies	● Director of LT Group, Inc. ● Director of PAL Holdings, Inc. and Victorias Milling Company, Inc.
Other Current Position	● Chairman of PNB Holdings Corporation and PNB Management and Development Corporation ● Director of PNB Forex, Inc., Bulawan Mining Corporation. PNB Savings Bank, Allied Commercial Bank, PNB Global Remittance and Financial Company (HK) Ltd. And Allied Banking Corp. (Hong Kong) Limited ● Chief Operating Officer of Asia Brewery, Inc. ● Director of the following companies: Philippine Airlines Foundation, Inc., Air Philippines Corp., Philippine Airlines, Inc., Absolut Distillers, Inc., Eton Properties Phils., Inc., Grandway Konstruct, Inc., Shareholding, Inc., Lucky Travel Corporation, Eton City, Inc., Abacus Distribution Systems Philippines, Inc., PMFTC. Inc., Tangent Holdings Corporation, and Philippine National Bank
Other Previous Positions	● Director of Allied Banking Corporation (ABC) from January 30, 2008 until Merger with PNB on February 9, 2013

LUCIO K. TAN, JR.

Age: 52
Nationality: Filipino

Education	• Bachelor of Science degree in Civil Engineering (Minors in classical Chinese Mandarin and Mathematics), • Executive Masters in Business Administration, Hong Kong Universities of Science And Technology (Business School) and J.L. Kellogg School of Management of Northwestern University, Hong Kong • Courses in Basic and Intermediate Japanese Language, Languages International, Makati and Asia Center for Foreign Languages, Ortigas • Cracking the codes & Make it happen – Corporate Governance Institute of Corporate Directors – July 2002
Current Position	Director
Date of First Appointment	1980
Other Current Position	• President/ Director of Tanduay Distillers, Inc. and Eton Properties Philippines, Inc. • Director of Bulawan Mining Corporation, PNB Capital and Investment Corporation PNB Forex, Inc., PNB Management and Development Corporation, PNB Savings bank, Allied Leasing and Finance Corporation, PNB Global Remittance and Financial Company (HK) Ltd., and Allied Banking Corporation (HK) Limited • Director of PMFTC, Inc., Philippine Airlines, Inc., Air Philippines Corporation, Foremost Farms, Inc., Manufacturing Services & Trade Corp., Grandspan Development Corporation, Absolut Distilers, Inc., Asia Brewery, Inc., Eton City, Inc., Asian Alcohol Corporation, Lucky Travel Corporation, Progressive Farms, Inc., Tanduay Brands International, Inc., The Charter House, Incorporated, Himmel Industries, Incorporated • EVP and Director of Fortune Tobacco Corporation
Other Previous Positions	• President and Chief Executive Officer of MacroAsia Corporation • Director of Tanduay Distillers, Inc • Executive Vice President of Fortune Tobacco Corporation

ROWENA TAN CHUA

Age: 57
Nationality: Filipino

Education	Bachelor of Science Finance from University of San Francisco
Current Position	Executive Vice-President/ Director Alliedbankers Insurance Corporation
Date of First Appointment	2006
Other Previous Positions	Director PNB Life Insurance Inc.

PETER Y. ONG

Age: 71

Nationality: Filipino

Education	College degree B.S. Chemical Engineering
Current Position	Director
Date of First Appointment	1997
Directorship in Other Listed Companies	Director of LT Group, Inc., Victoria Milling Corporation, Fortune Tobacco Corporation
Other Current Position	• SVP – Basic Holdings Corporation • Treasurer – Maranaw Hotel and Resorts Corporation
Oher Previous Positions	• SVP for Production, Fortune Tobacco Corporation • President – Airphil Corporation

ALFREDO B. JIMENEZ, JR.

Age: 78

Nationality: Filipino

Education	College Graduate – BSC – Management Marketing
Current Position	Independent Director
Date of First Appointment	1995
Directorship in Other Listed Companies	• Director of Bagong Bayan Corporation • Director of Development Corporation
Other Previous Positions	• Former President – Pilar Development Corporation • Former President – Realty Company • Former President – Italia Country Club • Former Director – Banco Filipino Insurance Corporation • Former Director Operation – Volkswagen – Karbayan • Former Director Sales – Century Park Sherton Hotel

MANUEL T. GONZALES

Age: 80

Nationality: Filipino

Education	• Bachelor of Science in Commerce from the De La Salle University • Master of Arts in Economics from Ateneo De Manila University
Current Position	Director
Date of First Appointment	1980
Other Current Position	• Director of Allied Leasing and Finance Corporation
Other Previous Positions	• Director of Allied Banking Corporation • Member, Management Association of the Philippines (MAP) • Member, Financial Executives of the Philippines (FINEX) • Member, European Chamber of Commerce of the Philippines (ECCP) • Member, Bankers Institute of the Philippines

RUFINA T. YU

Age: 69
Nationality: Filipino

Education	Bachelor of Science in Commerce – Accounting Major from Far Eastern University
Current Position	Director / Senior Vice President
Date of First Appointment	2001
Other Previous Positions	• Asst. Treasurer & Comptroller – Alliedbankers Insurance Corporation • Finance Manager – Foremost Farms, Inc.

ARLENE J. GUEVARRA

Age: 49
Nationality: Filipino

Education	• Bachelor of Arts Major in Journalism - University of Santo Tomas • Bachelor of Laws – University of Santo Tomas • World Banking and Finance Program (Summer) – University of Colorado – Economics Institute
Current Position	Corporate Secretary
Date of First Appointment	2006
Other Current Positions	• Vice President / Legal Division Head - PNB Savings Bank • Corporate Secretary – Pan Asia Securities Corporation • Corporate Secretary – Allied Club, Inc.
Other Previous Positions	• Assistant Vice President: Allied Banking Corporation • Corporate Secretary: Allied Banking Corporation • Bureau of the Treasury: Director III

DIRECTOR'S PERFORMANCE EVALUATION

Evaluation Form is in compliance with reference to I.C. Circular No.14 – 2013 – the Annual Corporate Governance Scorecard Report adapted to the Philippine insurance industry in 2015 by the Institute of Corporate Directors (ICD).

Part E – Responsibilities of the Board requires to conduct annual appraisal for the CEO, Board, Individual Directors, and Board Committees with disclosed processes and criteria.

Part E – Responsibilities of the Board includes questions, from E13.2 – E16.1, on the following:

(a) Questions on the Board
(b) Questions on Director's Individual Performance
(c) Questions on the Board Committee
(d) Questions on Corporate Governance Nomination and Remuneration Committee
(e) Questions on Audit, Compliance And Risk Management Committee
(f) Questions on Investment Committee
(g) Questions on Executive Committee
(h) Questions on Non-Executive Committee

	Part I	Part II	Part III	Corporate Governance, Nomination And Remuneration Committee	Audit, Compliance and Risk Management Committee	Investment Committee	Executive Committee	Non-Executive Committee	RPT Committee
TOTAL SCORE	100	240	60	30	50	30	30	30	50
Lucio C. Tan	100	234	60	30	-	-	-	30	-
Michael G. Tan	94	232	58	28	44	26	-	26	45
Lucio K. Tan, Jr.	94	219	52	26	44	-	-	26	-
Rowena T. Chua	62	198	48	21	35	24	-	-	35
Harry C. Tan	49	206	58	27	-	-	-	25	-
Willy S. Co	88	201	52	-	42	-	-	21	-
Alfredo B. Jimenez	85	219	59	30	43	26	-	24	36
Peter Y. Ong	90	219	58	28	43	-	-	26	42
Manuel T. Gonzales	89	221	57	-	41	27	-	24	41
Rebecca B. Dela Cruz	94	232	60	30	50	30	-	24	45
Rufina T. Yu	79	192	51	-	-	22	-	-	-
Weighted Ave	84.00	215.73	55.73	27.50	42.75	25.83	-	25.11	40.67

Real People... Remarkable Care

MANAGEMENT TEAM

Rebecca B. Dela Cruz	President/CEO/Director
Rowena T. Chua	Executive Vice-President for Business Development and Strategic Partnership
Rufina T. Yu	Senior Vice President/Comptroller/Director
Larry G. Ty	Vice-President for Marketing, Product Development & Support Services
Giovanni P. Miranda	Assistant Vice-President for Marketing, Product Development & Support Services
Eileen A. Sy	Assistant Vice-President/Chief Accountant
Arlene J. Guevarra	Corporate Secretary
Maurice S. Librea	AVP/Head of HR, Corporate Services, Corporate Planning & Corporate Marketing
Rodrigo N. Mangahas	Assistant Vice-President for Information Technology
Rodelio T. Samarita	Manager Information Technology
Marcellina F. Valles	Head of Audit and Compliance
Danilo J. Cabero	Head – Underwriting and Reinsurance
Engr. Jaycee Santos	Head of Risk Management
Dante A. Patungan	Assistant Claims Manger
Ruby D.L. Mercado	Policy Admin/RI Head
Coelyn J. Goco	Business Process Manager
Susan O. Regala	Subsidiaries Marketing and Agencies
Manager/OIC for	Cash and Collection
Vladimir T. Venturina	OIC for Branches
Meliton C. Caandoy, Jr.	Assistant Manager – Fire Department
Roger B. Ofalla	Assistant Manager – Motor Car

W.A.V.E

TALENT DEVELOPMENT

Recognizing that talents are its most valued resource, ABIC continues to conduct training programs aimed to enhancing skills, improving productivity and developing leadership potential. In 2018, the Human Resource Department organized seminars such as the following:

W.A.V.E.

The company holds its annual Work and Attitude Value Enhancement or W.A.V.E. program. Conducted by ABIC's Human Resources Department, the employees from different departments and posts participate through various engaging activities as well as lectures on how to improve roles within the organization as well as being a professional.

Cross-Training Program

A program where the company maximizes the capacity of its employees by re-training and re-tooling them to assume a different role within the organization. This type of training not only unleashes the ability of our employees but it also helps the company by making each department work efficiently.

FINANCIAL STATEMENT

Alliedbankers Insurance Corporation

Financial Statements
December 31, 2017 and 2016

and

Independent Auditor's Report

SGV
Building a better working world

A member firm of Ernst & Young Global Limited

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

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

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

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Alliedbankers Insurance Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Alliedbankers 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 to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

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

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

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 29 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Alliedbankers Insurance Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Djole S. Garcia

Djole S. Garcia
Partner
CPA Certificate No. 0097907
SEC Accreditation No. 1285-AR-1 (Group A),
May 12, 2016, valid until May 12, 2019
Tax Identification No. 201-960-347
BIR Accreditation No. 08-001998-102-2015,
November 25, 2015, valid until November 24, 2018
PTR No. 6621265, January 9, 2018, Makati City

April 11, 2018

SGVFS030598

ALLIEDBANKERS INSURANCE CORPORATION

STATEMENTS OF FINANCIAL POSITION

	December 31		January 1,
	2017	2016 (As Restated, Note 2)	2016 (As Restated, Note 2)
ASSETS			
Cash and Cash Equivalents (Notes 4 and 24)	**P=483,194,558**	=558,160,810P	=404,573,569P
Insurance Receivables - net (Notes 5 and 24)	**457,955,031**	282,288,484	133,983,376
Financial Assets (Notes 2 and 6)			
Available-for-sale (AFS) financial assets	**701,454,646**	657,852,824	671,756,874
Financial assets at fair value through profit or loss (FVPL)	**238,708,909**	225,345,298	210,378,468
Loans and receivables	**199,812,744**	152,550,403	16,371,346
Accrued Income (Note 7)	**7,575,006**	6,174,309	5,893,131
Reinsurance Assets (Notes 2, 8 and 13)	**288,307,014**	423,916,749	250,358,472
Deferred Acquisition Costs (Notes 2 and 9)	**22,686,781**	29,417,057	13,209,276
Property and Equipment - net (Note 10)	**21,711,457**	25,322,579	21,596,728
Deferred Income Tax Assets - net (Notes 2 and 22)	**14,835,466**	15,683,070	16,123,751
Other Assets (Note 11)	**58,094,674**	71,743,251	75,369,904
TOTAL ASSETS	**P=2,494,336,286**	=2,448,454,834P	=1,819,614,895P
LIABILITIES AND EQUITY			
Liabilities			
Insurance contract liabilities (Notes 2 and 13)	**P=455,513,503**	=568,281,535P	=351,835,260P
Accounts payable and accrued expenses (Note 12)	**243,002,408**	204,199,563	152,542,995
Insurance payables (Note 14)	**228,552,543**	188,134,771	56,394,972
Net pension liability (Note 21)	**7,496,826**	13,538,974	22,271,628
Dividends payable (Note 16)	**64,687,298**	125,000,000	–
Deferred reinsurance commissions (Notes 2 and 9)	**11,592,286**	17,536,924	8,830,351
Total Liabilities	**1,010,844,864**	1,116,691,767	591,875,206
Equity			
Capital stock (Note 16)	**470,000,000**	345,000,000	282,500,000
Subscribed capital stock (Note 16)	**165,537,500**	117,412,500	–
Contributed surplus (Note 16)	**441,615,510**	566,615,510	566,615,510
Reserve for fluctuation on AFS financial assets (Notes 2 and 6)	**26,333,442**	2,778,216	(3,083,459)
Remeasurement gains (losses) on defined benefit obligation (Note 21)	**1,576,119**	285,397	(2,428,400)
Retained earnings (Notes 2 and 16)	**378,428,851**	299,671,444	384,136,038
Total Equity	**1,483,491,422**	1,331,763,067	1,227,739,689
TOTAL LIABILITIES AND EQUITY	**P=2,494,336,286**	=2,448,454,834P	=1,819,614,895P

See accompanying Notes to Financial Statements.

ALLIEDBANKERS INSURANCE CORPORATION
STATEMENTS OF INCOME

	Years Ended December 31	
	2017	2016 (As Restated, Note 2)
Gross earned premiums	**P=567,700,477**	=443,081,523P
Reinsurers' share of gross earned premiums	**(380,880,959)**	(294,320,004)
Net Earned Premiums (Notes 2, 13, 17 and 24)	**186,819,518**	148,761,519
Investment income - net (Notes 2 and 18)	**51,014,899**	56,664,062
Commission income (Notes 2 and 9)	**37,126,564**	28,647,601
Gain on sale of AFS financial assets (Note 6)	**3,270,587**	780,899
Foreign exchange gain - net	**–**	2,697,324
Others (Note 14)	**30,812,465**	7,738,330
Other Income	**122,224,515**	96,528,216
Total Income	**309,044,033**	245,289,735
Gross insurance benefits and claims paid	**166,877,886**	35,339,982
Reinsurers' share of gross insurance benefits and claims paid	**(118,063,484)**	(1,815,976)
Gross change in insurance contract liabilities	**(79,174,487)**	130,332,296
Reinsurers' share of gross change in insurance contract liabilities	**83,989,939**	(107,430,717)
Net Insurance Benefits and Claims (Notes 2, 13 and 19)	**53,629,854**	56,425,585
General and administrative expenses (Notes 20 and 24)	**86,189,079**	88,505,163
Commission expense (Notes 2, 9 and 24)	**57,690,462**	38,578,635
Underwriting expenses	**8,260,697**	10,446,912
Interest expense (Note 14)	**452,216**	517,115
Foreign exchange loss	**419,649**	–
Expenses	**153,012,103**	138,047,825
Total Benefits, Claims and Expenses	**206,641,957**	194,473,410
INCOME BEFORE INCOME TAX	**102,402,076**	50,816,325
PROVISION FOR INCOME TAX (Notes 2 and 22)	**23,644,669**	10,280,919
NET INCOME	**P=78,757,407**	=40,535,406P

See accompanying Notes to Financial Statements.

ALLIEDBANKERS INSURANCE CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2017	2016 (As Restated, Note 2)
NET INCOME	**P=78,757,407**	=40,535,406P
OTHER COMPREHENSIVE INCOME		
To be reclassified to profit or loss in subsequent periods:		
Changes in fair value of AFS financial assets (Notes 2 and 6)	**25,125,674**	(8,706,251)
Valuation loss (gain) realized through profit or loss:		
Impairment loss (Notes 6 and 20)	**1,700,139**	15,348,825
Gain on sale on sale of AFS financial assets (Note 6)	**(3,270,587)**	(780,899)
	23,555,226	5,861,675
Not to be not reclassified to profit and loss in subsequent periods:		
Remeasurement gains on defined benefit obligation (Note 21)	**1,843,888**	3,876,853
Income tax effect (Note 22)	**(553,166)**	(1,163,056)
	1,290,722	2,713,797
TOTAL OTHER COMPREHENSIVE INCOME	**24,845,948**	8,575,472
TOTAL COMPREHENSIVE INCOME	**P=103,603,355**	=49,110,878P

See accompanying Notes to Financial Statements.

ALLIEDBANKERS INSURANCE CORPORATION

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	Capital Stock (Note 16)	Subscribed Capital Stock (Note 16)	Contributed Surplus (Note 16)	Reserve for Fluctuation on AFS Financial Assets (Notes 2 and 16)	Remeasurement Gains (Losses) on Defined Benefit Obligation (Note 21)	Retained Earnings (Notes 2 and 16)	Total
BALANCES AS AT JANUARY 1, 2016, AS PREVIOUSLY REPORTED	**P=282,500,000**	**P=–**	**P=566,615,510**	**P=3,976,839**	**(P=2,428,400)**	**P=357,389,230**	**P=1,208,053,179**
Effects of change in accounting policies (Note 2)	–	–	–	(7,060,298)	–	26,746,808	19,686,510
BALANCES AS AT JANUARY 1, 2016, AS RESTATED	**282,500,000**	**–**	**566,615,510**	**(3,083,459)**	**(2,428,400)**	**384,136,038**	**1,227,739,689**
Net income for the year, as previously reported	–	–	–	–	–	58,070,537	58,070,537
Other comprehensive income	–	–	–	10,831,005	2,713,797	–	13,544,802
Total comprehensive income, as previously reported	–	–	–	10,831,005	2,713,797	58,070,537	71,615,339
Effects of changes in accounting policies (Note 2)	–	–	–	(4,969,330)	–	(17,535,131)	(22,504,461)
Total comprehensive income, as restated	–	–	–	5,861,675	2,713,797	40,535,406	49,110,878
Cash dividend (Note 16)	–	–	–	–	–	(125,000,000)	(125,000,000)
Issued capital (Note 16)	62,500,000	–	–	–	–	–	62,500,000
Subscribed capital (Note 16)	–	117,412,500	–	–	–	–	117,412,500
BALANCES AS AT DECEMBER 31, 2016, AS RESTATED	**P=345,000,000**	**P=117,412,500**	**P=566,615,510**	**P=2,778,216**	**P=285,397**	**P=299,671,444**	**P=1,331,763,067**
BALANCES AS AT DECEMBER 31, 2016, AS PREVIOUSLY REPORTED	**P=345,000,000**	**P=117,412,500**	**P=566,615,510**	**P=14,807,844**	**P=285,397**	**P=290,459,767**	**P=1,334,581,018**
Effects of changes in accounting policies (Note 2)	–	–	–	(12,029,628)	–	9,211,677	(2,817,951)
BALANCES AS AT DECEMBER 31, 2016, AS RESTATED	**345,000,000**	**117,412,500**	**566,615,510**	**2,778,216**	**285,397**	**299,671,444**	**1,331,763,067**
Net income for the year	–	–	–	–	–	78,757,407	78,757,407
Other comprehensive income	–	–	–	23,555,226	1,290,722	–	24,845,948
Total comprehensive income	–	–	–	23,555,226	1,290,722	78,757,407	103,603,355
Subscribed capital (Note 16)	–	48,125,000	–	–	–	–	48,125,000
Stock dividend declaration (Note 16)	125,000,000	–	(125,000,000)	–	–	–	–
BALANCES AS AT DECEMBER 31, 2017	**P=470,000,000**	**P=165,537,500**	**P=441,615,510**	**P=26,333,442**	**P=1,576,119**	**P=378,428,851**	**P=1,483,491,422**

See accompanying Notes to Financial Statements.

ALLIEDBANKERS INSURANCE CORPORATION

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2017	2016 (As Restated, Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**=102,402,076P**	=50,816,325P
Adjustments for:		
Interest income (Note 18)	**(38,825,073)**	(36,571,106)
Pension expense (Notes 20 and 21)	**5,840,116**	5,182,575
Depreciation and amortization (Notes 10 and 20)	**3,613,453**	3,214,696
Gain on sale of AFS financial assets (Note 6)	**(3,270,587)**	(780,899)
Impairment loss (Notes 6 and 20)	**1,700,139**	15,348,825
Amortization of premium (Note 6)	**208,094**	197,983
Changes in fair value of financial assets at FVPL (Notes 6 and 18)	**474,187**	(4,969,330)
Unrealized foreign exchange loss (gain)	**419,649**	(2,697,324)
Interest expense (Note 14)	**452,216**	517,115
Dividend income (Note 18)	**(12,664,013)**	(15,133,626)
Operating income before changes working capital	**60,350,257**	15,125,234
Decrease (increase) in:		
Insurance receivables	**(175,666,547)**	(148,305,108)
Loans and receivables	**(47,262,341)**	(136,179,057)
Reinsurance assets	**135,609,735**	(173,558,277)
Deferred acquisition costs	**6,730,276**	(16,207,781)
Other assets	**3,162,310**	3,312,342
Increase (decrease) in:		
Insurance contract liabilities	**(112,768,032)**	216,446,275
Accounts payable and accrued expenses	**38,802,845**	51,656,569
Insurance payables	**40,080,481**	134,966,485
Deferred reinsurance commission	**(5,944,638)**	8,706,573
Net cash used in operations	**(56,905,654)**	(44,036,745)
Contributions to plan assets (Note 21)	**(10,038,376)**	(10,038,376)
Income taxes, paid including final tax and creditable withholding taxes	**(12,863,964)**	(10,688,984)
Interest paid	**(452,216)**	(517,115)
Net cash used in operating activities	**(80,260,210)**	(65,281,220)
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received	**12,664,013**	15,133,626
Interest received	**37,424,376**	36,289,928
Proceeds from disposals/maturities of AFS financial assets (Note 6)	**108,715,448**	32,702,550
Proceeds from sale of property and equipment	**606,190**	–
Acquisitions of:		
AFS financial assets (Note 6)	**(127,399,690)**	(27,702,734)
Financial assets at FVPL	**(13,837,798)**	(9,997,500)
Property and equipment (Note 10)	**(608,521)**	(6,940,547)
Net cash from investing activities	**17,564,018**	39,485,323

(Forward)

	Years Ended December 31	
	2017	2016 (As Restated, Note 2)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid (Note16)	**(P=60,312,702)**	=P–
Proceeds from subscription of stocks (Note 16)	**48,125,000**	117,412,500
Proceeds from issuance of stocks (Note 16)	–	62,500,000
Net cash from (used in) financing activities	**(12,187,702)**	179,912,500
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(82,358)**	(529,362)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(74,966,252)**	153,587,241
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**558,160,810**	404,573,569
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**=483,194,558P**	=558,160,810P

See accompanying Notes to Financial Statements.

ALLIEDBANKERS INSURANCE CORPORATION

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Alliedbankers Insurance Corporation (the Company) was registered with the Philippine Securities and Exchange Commission (SEC) on December 22, 2010 primarily to engage in the business of nonlife insurance, indemnifying others against loss, damage or liability arising from unknown or contingent events and to act as agent to other insurance or surety companies, or any of its branches, including life insurance. It includes lines such as health, accident, fire and allied lines, motor vehicle, casualty, surety, marine cargo, marine hull, comprehensive liability insurance and allied risks.

The registered office address of the Company is at 17th Floor, Federal Tower Condominium Dasmariñas corner Muelle de Binondo, Binondo, Manila.

The accompanying financial statements were authorized for issuance by the Board of Directors (BOD) on April 11, 2018.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

The accompanying financial statements have been prepared using the historical cost except for available-for-sale (AFS) financial assets and fair value through profit or loss (FVPL) which have been measured at fair value. The Company's presentation and functional currency is the Philippine peso (P=). All amounts are rounded off to the nearest peso, unless otherwise indicated.

The Company presents its statements of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within twelve (12) months after the reporting date and more than twelve (12) months after the reported date is presented in Note 28.

The financial statements provide comparative information in respect of the previous period. In addition, the Company presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement or a reclassification of items in the financial statements. An additional statement of financial position as at January 1, 2016 is presented in these financial statements due to the retrospective application of certain accounting policies (see Changes in Accounting Policies and Disclosures).

Statement of Compliance

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to existing PFRS and Philippine Accounting Standards (PAS) effective January 1, 2017. Adoption of these pronouncements did not have any significant impact to the Company's financial position and financial performance:

- Amendments to PFRS 12, *Disclosure of Interests in Other Entities*, *Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*
- Amendments to PAS 7, *Statement of Cash Flows*, *Disclosure Initiative*
- Amendments to PAS 12, *Income Taxes*, *Recognition of Deferred Tax Assets for Unrealized Losses*

New valuation standard for nonlife policy reserves
The new valuation standards for nonlife policy reserves were adopted by the Company retrospectively in accordance with Circular Letter (CL) No. 2016-67, *Valuation Standards for Non-Life Insurance Policy Reserves* issued by the Philippine Insurance Commission (IC) which became effective on January 1, 2017 pursuant to CL No. 2016-69, *Implementation Requirements for Financial Reporting, Valuation Standards for Insurance Policy Reserves, and Amended Risk-Based Capital (RBC2) Framework*.

The adoption of CL No. 2016-67 introduced, among others, changes in the valuation method for claims incurred but not reported (IBNR) and use of 24th method for the computation of policy reserves for marine cargo business. Some of the key changes relevant to the Company include the following:

a. *Premium liabilities*
   Under the new valuation standards, premium liabilities for each class of business shall be determined as the higher of unearned premium reserves (UPR) and unexpired risk reserves (URR). UPR shall be calculated based on the 24th method for all classes of business, including marine cargo. This means that for policies written with term of less than one (1) year or more than one (1) year, the UPR shall consider the actual unearned premium from the date of valuation to the date of termination of the policy. URR, on the other hand, shall be calculated as the best estimate of future claims, commissions and expenses for all classes of business, with computed Margin of Adverse Deviation (MfAD). This best estimate relates to expected future claim payments and related expenses to be incurred after the valuation date arising from future events.

   Pursuant to CL No. 2016-69, the Company is not required to compute for URR in 2017 and is allowed to set-up as premium liabilities the UPR based on 24th method for all classes of business, including marine cargo. Starting 2018, the premiums liabilities shall be determined in accordance with the new valuation standards.

   Prior to the adoption of the new valuation standards, the Company computes for UPR based on the 24th method for all classes of business. Provided that, for marine cargo business, the UPR is equal to the last two months of premiums written.

b. *Claims liabilities*
   Under the new valuation standards, claims liabilities for both direct and assumed treaty and reinsurance businesses shall be calculated as the sum of outstanding claims reserves, claims handling expense and claims IBNR, with computed MfAD. Claims IBNR shall be calculated based on standard actuarial projection techniques or combination of such techniques, such as but not limited to the chain ladder method, expected loss ratio approach and Bornhuetter-Ferguson method. Provision for claims handling expense covering the estimated expenses of settling all outstanding claims, both reported and unreported, as of valuation date shall also be computed. These valuations are to be performed by an actuarial expert duly accredited by the IC.

   MfAD considers the variability of claims experience within a class of business and allows for uncertainty of the best estimate of the policy reserves. Pursuant to CL No. 2016-69, the Company is allowed to set the MfAD to zero (0) in 2017. Starting 2018, MfAD shall also be computed based on standard actuarial projection techniques to bring the actuarial estimate of the claims liabilities at the 75th percentile level of sufficiency.

   Prior to the adoption of the new valuation standards, the Company computes for claims IBNR based on the estimated ultimate cost of claims, including claims handling costs and reduction for the expected value of salvage and other recoveries. Provision is computed using the Company's past claims development experience which is used to project future claims development after separately considering large claims.

On January 1, 2017, the Company adopted the computation of UPR based on the 24th method for all classes of business, including marine cargo, and the actuarial valuation method for the computation of provision for claims IBNR and claims handling expense, retrospectively. Pursuant to CL No. 2017-15, *Regulatory Requirements and Actions for the New Regulatory Framework*, the net effects of all transition adjustments shall be charged to retained earnings on the transition date.

The Company classified its investments in preferred shares and term notes, which were previously classified as AFS financial assets, as financial assets at FVPL at initial recognition. This classification was treated by the Company retrospectively.

The Company's transition date is January 1, 2016 and the net effects of the restatement adjustments on the affected accounts are as follows:

Statement of Financial Position as at December 31, 2016:

	As Previously Reported	Restatement Increase (Decrease)	As Restated
AFS financial assets	P=883,198,122	(P=225,345,298)	=657,852,824P
Financial assets at FVPL	–	225,345,298	225,345,298
Reinsurance assets	406,249,494	17,667,255	423,916,749
Deferred acquisition costs	30,072,358	(655,301)	29,417,057
Deferred income tax assets - net	13,981,428	1,701,642	15,683,070
Insurance contract liabilities	546,589,872	21,691,663	568,281,535
Deferred reinsurance commissions	17,697,041	(160,117)	17,536,924
Reserve for fluctuation on AFS financial assets	14,807,844	(12,029,628)	2,778,216
Retained earnings	290,459,767	9,211,677	299,671,444

Statement of Financial Position as at January 1, 2016:

	As Previously Reported	Restatement Increase (Decrease)	As Restated
AFS financial assets	=882,135,342P	(P=210,378,468)	=671,756,874P
Financial assets at FVPL	–	210,378,468	210,378,468
Reinsurance assets	250,693,127	(334,655)	250,358,472
Deferred acquisition costs	13,223,971	(14,695)	13,209,276
Deferred income tax assets - net	23,667,521	(7,543,770)	16,123,751
Insurance contract liabilities	379,538,906	(27,703,646)	351,835,260
Deferred reinsurance commissions	8,706,335	124,016	8,830,351
Reserve for fluctuation on AFS financial assets	3,976,839	(7,060,298)	(3,083,459)
Retained earnings	357,389,230	26,746,808	384,136,038

Statement of Income for the Year Ended December 31, 2016:

	As Previously Reported	Restatement Adjustments Increase (Decrease)	As Restated
Gross earned premiums	=443,824,360P	(P=742,837)	=443,081,523P
Reinsurers' share of gross earned premiums	294,131,005	188,999	294,320,004
Investment income - net	51,694,732	4,969,330	56,664,062
Commission income	28,363,468	284,133	28,647,601
Gross change in insurance contract liabilities	81,679,824	48,652,472	130,332,296
Reinsurers' share of change in insurance contract liabilities	89,239,809	18,190,908	107,430,717
Commission expense	37,938,029	640,606	38,578,635
Provision for (benefit from) deferred income tax	8,523,037	(9,245,411)	(722,375)
Net income	58,070,537	(17,535,131)	40,535,406

Impact on the Statement of Cash Flows for the Year Ended December 31, 2016:
The restatement adjustments did not have significant impact on the statement of cash flow for the year ended December 31, 2016.

Standards Issued but Not yet Effective
The Company will adopt, where applicable, the following standards, amendments to existing standards and interpretations when these become effective.

Effective beginning on or after January 1, 2018

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

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

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

The Company has assessed that the adoption of these amendments will not have any impact on the financial statements.

∂ PFRS 9, *Financial Instruments*

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

The Company is still assessing the potential impact of adopting PFRS 9 in 2018.

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

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

  The Company is still assessing the potential impact of adopting these amendments in 2018.

- PFRS 15, *Revenue from Contracts with Customers*

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

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

  The Company has assessed that the adoption of this standard will not have any impact on the financial statements.

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

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

  This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

  The Company has assessed that the adoption of these amendments will not have any impact on the financial statements.

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

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

The Company has assessed that the adoption of these amendments will not have any impact on the financial statements.

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

The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a nonmonetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or nonmonetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The Company has assessed that the adoption of these amendments will not have any impact on the financial statements.

Effective beginning on or after January 1, 2019

∂ Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

The Company is still assessing the potential impact of adopting these amendments to in 2019.

∂ PFRS 16, *Leases*

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

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

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

The Company has assessed that the adoption of these amendments will not have any impact on the financial statements.

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

The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a nonmonetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or nonmonetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The Company has assessed that the adoption of these amendments will not have any impact on the financial statements.

Effective beginning on or after January 1, 2019

∂ Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

The Company is still assessing the potential impact of adopting these amendments to in 2019.

∂ PFRS 16, *Leases*

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17. Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. The Company is currently assessing the impact of adopting PFRS 16.

The Company is currently assessing the potential impact of adopting PFRS 16 in 2019.

∂ Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

The Company has assessed that the adoption of these amendments will not have any impact on the financial statements.

∂ Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

∂ Whether an entity considers uncertain tax treatments separately
∂ The assumptions an entity makes about the examination of tax treatments by taxation authorities
∂ How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
∂ How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The Company is currently assessing the potential impact of adopting this interpretation in 2019.

Deferred effectivity

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

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

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

The Company has assessed that the adoption of these amendments will not have any impact on the financial statements.

The Company continues to assess the impact of the above new and amended accounting standards and interpretations effective subsequent to 2017 on the Company's financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the financial statements when these amendments are adopted.

Product Classification

Insurance contracts are defined as those contracts under which the Company (the insurer) accepts significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholder. As a general guideline, the Company defines significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or other variable. Investment contracts mainly transfer financial risk but can also transfer insignificant insurance risk.

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

Fair Value Measurement

The Company measures financial instruments, including AFS financial assets and financial assets at FVPL, at fair value at each reporting date.

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 by the Company.

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

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

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

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

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

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

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

Cash and Cash Equivalents
Cash and cash equivalents are carried in the statement of financial position at face amount or nominal amount. Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of placement and that are subject to an insignificant risk of changes in value and are free of any encumbrances.

Insurance Receivables
Insurance receivables are recognized on policy inception dates and measured on initial recognition at the fair value of the consideration receivable for the period of coverage. Subsequent to initial recognition, insurance receivables are measured at amortized cost. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the profit or loss.

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

Financial Instruments

Date of recognition

Financial instruments are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Initial recognition

Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in the case of a liability). The initial measurement of financial assets includes transaction costs except for financial assets at FVPL.

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

As of December 31, 2017 and 2016, the Company's financial instruments include AFS financial assets, financial assets at FVPL, loans and receivables and other financial liabilities.

"Day 1" difference

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" profit or loss) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where an unobservable data is used, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference amount.

AFS financial assets

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

After initial measurement, AFS financial assets are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in earnings. Interest earned on holding AFS debt securities are reported as interest income using the effective interest method. Dividends earned on holding AFS equity securities are recognized in the profit or loss as dividend income when the right to receive the payment has been established. Unrealized gains and losses arising from the fair valuation of AFS financial assets are reported in the equity section of the statement of financial position. Losses arising from impairment of such investments are recognized in profit or loss. When the security is disposed of, the cumulative gain or loss previously recognized in other comprehensive income is recognized in profit or loss.

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

Loans and receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held-for-trading, nor designated as AFS financial assets or at financial assets at FVPL.

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

As of December 31, 2017 and 2016, the Company's loans and receivables include cash and cash equivalents, insurance receivables and other loans and receivables, including accrued interest.

Other financial liabilities
Other financial assets pertain to issued financial instruments or their components, which are not held for trading or designated as FVPL, are classified as other financial liabilities, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. This includes investment contracts which mainly transfer financial risk and has no or insignificant insurance risk.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

As of December 31, 2017 and 2016, the Company's other financial liabilities include insurance contract liabilities, insurance payables, accounts payable and accrued expenses that meet the above definition (other than liabilities covered by other accounting standards, such as provisions, pension liability and income tax payable).

Classification of financial instruments between debt and equity
Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interests, dividends, gains and losses relating to a financial instrument or a component that is a financial liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

A financial instrument is classified as debt if it has a contractual obligation to:

∂ deliver cash or another financial asset to another entity;
∂ exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
∂ if the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability

simultaneously. The company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counter parties.

Impairment of Financial Assets

The Company assesses at every end of the reporting date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower, or a group of borrowers, is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

AFS financial assets carried at fair value

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

In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss and is recorded as part of "Investment income" in profit or loss. If, in a subsequent period, 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.

AFS financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred 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 financial asset.

Loans and receivables

For loans and receivables carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. The carrying amount of the asset shall be reduced through the use of an allowance account. The amount of loss shall be recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss 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 an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the date of reversal.

Derecognition of Financial Assets and Liabilities

Financial asset

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

∂ the right to receive cash flows from the asset have expired;

∂ the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or

∂ the Company has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Financial liability

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

Reinsurance

The Company cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract.

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

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

The Company also assumes reinsurance risk in the normal course of business. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies, which are included under “Insurance payables” in the statement of financial position. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

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

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

Deferred Acquisition Costs and Deferred Reinsurance Commission

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

Subsequent to initial recognition, these costs are amortized using the 24th method. Amortization is charged to profit or loss. The unamortized acquisition costs are shown as “Deferred acquisition costs” in the statement of financial position. Reinsurance commissions are also deferred and shown in the statement of financial position as “Deferred reinsurance commissions”, subject to the same amortization method as the related acquisition costs.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. The carrying value is written down to the recoverable amount and any impairment loss is charged to profit or loss. Deferred acquisition costs are derecognized when the related contracts are either settled or disposed of.

Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation and any impairment in value.

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

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	Years
Condominium units	50
Furniture, fixtures and equipment	10
Electronic and Data Processing (EDP) equipment	5-10
Transportation equipment	3-5
Lease Improvement	10

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

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is credited or charged against current operations.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

Impairment of Nonfinancial Assets

At each reporting period, the Company assesses whether there is any indication that nonfinancial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Company makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed for the cash generating unit to which the asset belongs. Where the carrying amount of an asset (or cash generating unit) exceeds its recoverable amount, the asset (or cash generating unit) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash generating unit). An impairment loss is charged against operations in the year in which it arises.

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

Creditable Withholding taxes

Creditable withholding pertains to the taxes paid by the Company that is withheld by its counterparty for the payment of its expenses and other purchases. Creditable withholding taxes are recorded at cost as "Other assets" in the statement of financial position.

At each end of the tax reporting deadline, creditable withholding taxes may either be offset against future income tax payable or be claimed as a refund from taxation authorities at the option of the Company. If creditable withholding taxes are claimed as a refund, these will be recorded as a receivable under “Loans and receivables” in the statement of financial position.

At each end of the reporting period, an assessment for impairment is performed as to the recoverability of creditable withholding taxes. If any indication of impairment exists, the Company makes an estimate of the asset’s recoverable amount. The Company provides for unrecoverable creditable withholding taxes through a valuation account. Factors which primarily affect the recoverability of these assets include the completeness of the supporting documentation (certificates of creditable tax withheld at source subject to rules on Philippine income taxation). A review to determine the adequacy of allowance is made by the Company on a continuing basis year on year.

Insurance Contract Liabilities

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

Claims provisions and IBNR losses

Outstanding claims provisions are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of which cannot be known with certainty at the end of each reporting date. The liability is not discounted for the time value of money.

Claims IBNR pertains to amount provided for claim events that have occurred but have not been reported to the Company as of the reporting date. The provision for claims IBNR at each reporting date is calculated by an independent actuary accredited by the IC using standard actuarial projection techniques (or combination of such techniques) , including but not limited to the chain ladder method, the expected loss ratio approach, and the Bornhuetter-Fergusion method. The actuary determines the appropriateness of the method used by considering the characteristics of the Company’s claims data and other factors such as maturity of the business, large losses arising from significant past events, operational changes in claims and underwriting processes and external conditions.

Provision for claims handling expenses is also calculated by the actuary to cover estimated expenses of settling all claims, both reported and unreported, outstanding as of the reporting date.

Provision for unearned premiums

The proportion of written premiums, gross of commissions payable to intermediaries, attributable to subsequent periods or to risks that have not yet expired is deferred as provision for unearned premiums. Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method. The portion of the premiums written that relate to the unexpired periods of the policies at the reporting date are accounted for as provision for unearned premiums and presented as part of “Insurance contract liabilities” in statement of financial position. The change in the provision for unearned premiums is taken to profit or loss in the order that revenue is recognized over the period of risk. Further provisions are made to cover claims under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

Pension Cost

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

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

Value-added Tax (VAT)

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position to the extent of the recoverable amount.

Equity

Capital stock

Capital stock represents the value of shares that have been issued at par. The transaction costs incurred as a necessary part of completing an equity transaction are accounted for as part of the transaction and are deducted first from additional paid-in capital and then from retained earnings, net of any related tax benefit.

Contributed surplus

Contributed surplus represents the original contribution of the stockholders of the Company in addition to the paid-up capital stock.

Retained earnings

Retained earnings represent the cumulative balance of net income or loss of the Company, effects of any change in accounting policy and other adjustment affecting the account such as dividend distribution.

Revenue Recognition

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

Premiums revenue

Gross insurance written premiums comprise the total premiums receivable for the whole cover period provided by contracts entered into during the reporting period. Premiums include any adjustments arising in the reporting period for premiums receivable in respect of business written in prior periods. Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method. The portion of the premiums written that relate to the unexpired periods of the policies at end of the reporting period are accounted for as provision for unearned premiums and presented as part of “Insurance contract liabilities” in the statement of financial position. The related reinsurance premiums ceded that pertain to the unexpired periods at reporting date are accounted for as deferred reinsurance premiums shown as part of “Reinsurance assets” in the statement of financial position. The net changes in these accounts between reporting dates are credited to or charged against profit or loss for the year.

Commission income

Reinsurance commissions are recognized as revenue 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 reinsurance commissions” in the statement of financial position.

Interest income

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

Dividend income

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

Other income

Income from other sources is recognized when earned.

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

General and Administrative Expenses
Expense is recognized when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen and expense can be measured reliably.

The following specific recognition criteria must also be met before revenue is recognized:

Commission expenses
Commissions incurred from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method, except for marine cargo insurance contracts where the deferred portion pertains to the commissions for the last two months of the year. The portion of the commissions that relates to the unexpired periods of the policies at reporting date is accounted for as "Deferred Acquisition Cost" and presented in the asset section of the statement of financial position.

Underwriting expense
Underwriting expense is recognized in profit or loss as they are incurred.

Interest expense
Interest expense is recognized as incurred, taking into account the effective yield of the liabilities.

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:

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

Company as a lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Fixed lease payments are recognized as an expense in profit or loss on a straight-line basis while the variable rent is recognized as an expense based on terms of the lease contract.

Income Taxes

Income tax for the year consists of current and deferred tax. Income tax is determined in accordance with Philippine tax laws. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current income tax

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

Current income tax for current and prior periods, shall, to the extent unpaid, be recognized as a liability in the statement of financial position. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess shall be recognized as an asset in the statement of financial position.

Deferred income tax

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

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

The carrying amount of deferred income tax assets is reviewed at each 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 income tax asset to be utilized. Unrecognized deferred income 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 income tax asset to be recovered.

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

Deferred income tax relating to items recognized in other comprehensive income is also recognized in other comprehensive income and not in profit or loss.

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

Foreign Currency Transactions and Translations
Transactions in foreign currencies are initially recorded in Philippine peso at exchange rate at the date of the transaction. Outstanding foreign currency denominated monetary assets and liabilities are retranslated at the closing exchange rate at the reporting date. Outstanding foreign currency denominated nonmonetary items that are measured in terms of historical cost are translated using the exchange rate at the date of the initial transaction and are not subsequently restated. Outstanding foreign currency denominated nonmonetary items measured at fair value are translated using the exchange rate at the date when the fair value was determined. All foreign exchange differences are taken to profit or loss, except where it relates to equity securities where gains or losses are recognized directly in other comprehensive income.

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

Contingencies
Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefit is probable. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in profit or loss.

Events after the Reporting Date
Any post year-end event up to the date of approval of the BOD of the financial statements that provides additional information about the Company’s financial position at the end of the reporting date (adjusting event) is reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed in the notes to the financial statements when material.

3. Significant Accounting Judgments and Estimates

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

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

Judgments

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

Product classification

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

Classification of financial instruments

The Company classifies a financial instrument depending on the purpose for which the financial instrument was acquired or originated. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates this classification at every reporting date.

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

The classification of the Company's financial instruments by categories is shown in Note 6.

Operating lease commitments - Company as lessee

The Company has entered into commercial property leases with various lessors. The Company has determined that the lessors retain all the significant risks and rewards of ownership of the leased properties and, thus, accounts for them as operating leases. The future minimum rentals payable under noncancellable operating leases amounted to P=1,315,642 and P=1,420,555 as of December 31, 2017 and 2016, respectively (see Note 25).

Estimates

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 a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Valuation of insurance contract liabilities

Estimates have to be made both for the expected ultimate cost of claims reported at reporting date and for the expected ultimate cost of IBNR at the reporting date. It can take a significant period of time before the ultimate claim costs can be established with certainty. Nonlife liabilities are not discounted for the time value of money.

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

In addition to the use of loss development triangles per class of business as basis for projection of future claims, the independent actuary also considers the information gathered from the Company's Underwriting and Claims Departments in the actuarial computation of the policy reserves including claims IBNR and ultimate cost of claims handling expense. This information include, among others, large loss experience, concerns and uncertainties, operational changes in claims and underwriting processes, and external conditions such as market outlook, inflation and current catastrophes.

The carrying values of provisions for claims reported and claims IBNR gross of reinsurance amounted to =221,463,405P and =300,637,892P as of December 31, 2017 and 2016, respectively (see Note 13).

Impairment of AFS financial assets
The Company assesses its AFS financial assets for impairment when there has been a significant or prolonged decline in the fair value below cost. This determination of what is significant or prolonged requires judgment. The Company treats "significant" generally as 30% or more of the original cost of investment, and "prolonged" as being more than twelve (12) months. In making this judgment, the Company evaluates, among other factors, the normal volatility in share price. 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.

The carrying values of AFS equity securities amounted to P=161,866,406 and =291,836,968P as of December 31, 2017 and 2016, respectively. The Company recognized impairment loss on its investments in equity securities amounting to =1,700,139P and P=15,348,825 in 2017 and 2016, respectively (see Note 6).

In the case of AFS debt securities, impairment is assessed based on the same criteria as financial assets at amortized cost. An amount comprising the difference between its cost, net of any principal payment and amortization, and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of interest income in profit or loss. If, in subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

The carrying values of AFS debt securities amounted to =538,568,240P and =364,995,856P as of December 31, 2017 and 2016, respectively. The Company did not recognize impairment loss on its debt securities in 2017 and 2016 (see Note 6).

Estimation of allowance for doubtful accounts
The Company reviews its insurance receivables and loans and receivables at each reporting date to assess whether an allowance for doubtful accounts should be recorded in profit or loss. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

The level of this allowance is evaluated by management on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Company's relationship with the debtor, the debtor's payment behavior and known market forces. The Company reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a continuous basis.

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

The carrying values of insurance receivables amounted to =457,955,031P and P=282,288,484 as of December 31, 2017 and 2016, respectively. The allowance for impairment losses amounted to P=8,745,292 as of December 31, 2017 and 2016 (see Note 5).

As of December 31, 2017 and 2016, the carrying values of loans and receivables amounted to P=199,812,744 and =152,550,403,P respectively. The Company did not recognize impairment loss on loans and receivables in 2017 and 2016 (see Note 6).

Impairment of property and equipment
The Company assesses the impairment of its property and equipment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

The factors that the Company considers important which could trigger an impairment review include the following:

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

As of December 31, 2017 and 2016, the carrying value of property and equipment amounted to P=21,711,457 and =25,322,579,P respectively. The Company did not recognize impairment loss on its property and equipment in 2017 and 2016 (see Note 10).

Recognition of deferred tax assets
Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that the taxable profit will be available against which these can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies.

As of December 31, 2017 and 2016, the Company recognized deferred tax assets amounting to P=15,510,945 and =25,439,697,P respectively (see Note 22).

Pension benefits
The determination of obligation and cost of pension benefits 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 PFRS, actual results that differ from the Company's assumptions are recognized outright in the statement of comprehensive income.

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

As of December 31, 2017 and 2016, net pension liability amounted to P=7,496,826 and =13,538,974,P respectively (see Note 21).

4. Cash and Cash Equivalents

This account consists of:

	2017	2016
Cash on hand	**P=44,900**	=44,900P
Cash in banks (Note 24)	**176,694,619**	188,106,558
Cash equivalents (Note 24)	**306,455,039**	370,009,352
	P=483,194,558	=558,160,810P

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents are made for varying periods of up to three months depending on the immediate cash requirements of the Company and earns interest at annual rates ranging from 0.30% to 5.50% and 1.0% to 4.5% in 2017 and 2016, respectively.

Interest income from cash in banks and cash equivalents amounted to P=15,393,492 and P=5,112,450 in 2017 and 2016, respectively (see Note 18).

5. Insurance Receivables - net

This account consists of:

	2017	2016
Premiums receivable	**P=279,625,280**	=209,490,929P
Reinsurance recoverable on paid losses	**118,063,484**	58,796,223
Due from ceding companies	**29,410,460**	13,583,939
Commission receivable	**27,061,853**	3,868,555
Funds held by ceding companies	**12,539,246**	5,294,130
	466,700,323	291,033,776
Less allowance for doubtful accounts	**8,745,292**	8,745,292
	P=457,955,031	=282,288,484P

The aging analysis of insurance receivables as of December 31 follows:

	2017					
	Less than 30 Days	**31 to 60 Days**	**61 to 120 Days**	**121 to 180 Days**	**More than 180 Days**	**Total**
Premiums receivable	**P=51,630,473**	**P=54,405,973**	**P=34,777,777**	**P=22,755,790**	**P=116,055,267**	**P=279,625,280**
Reinsurance recoverable on paid losses	**2,593,357**	**2,169,614**	**2,922,157**	**41,633,126**	**68,745,230**	**118,063,484**
Due from ceding companies	**2,062,295**	**1,016,207**	**2,711,573**	**6,347,874**	**17,272,511**	**29,410,460**
Commission receivable	**4,916,848**	**1,692,273**	**4,004,785**	**4,286,972**	**12,160,975**	**27,061,853**
Funds held by ceding companies	**3,986**	**3,986**	**46,378**	**84,784**	**12,400,114**	**12,539,246**
	P=61,206,959	**P=59,288,053**	**P=44,462,670**	**P=75,108,546**	**P=226,634,097**	**P=466,700,323**

	2016					
	Less than 30 Days	31 to 60 Days	61 to 120 Days	121 to 180 Days	More than 180 Days	Total
Premiums receivable	=99,200,683P	P=19,341,082	P=–	=25,916,966P	=65,032,198P	=209,490,929P
Reinsurance recoverable on paid losses	9,236,471	160,710	–	4,425,854	44,973,188	58,796,223
Due from ceding companies	1,710,119	–	–	1,648,180	10,225,640	13,583,939
Funds held by ceding companies	29,606	59,211	–	–	5,205,313	5,294,130
Commission receivable	211,299	325,013	481,574	1,897,133	953,536	3,868,555
	=110,388,178P	=19,886,016P	=481,574P	=33,888,133P	=126,389,875P	=291,033,776P

As of December 31, 2017 and 2016, allowance for doubtful accounts for insurance receivables determined on an individual basis follows:

	Premiums Receivable	Reinsurance Recoverable on Paid Losses	Due from Ceding companies	Total
Balance at beginning/end of year	P=4,599,194	P=3,293,917	P=852,181	P=8,745,292

6. Financial Assets

The Company's financial assets as of December 31 are summarized by measurement categories or as follows:

	2017	2016 (As Restated, Note 2)
AFS financial assets	**P=701,454,646**	=657,852,824P
Financial assets at FVPL	**238,708,909**	225,345,298
Loans and receivables	**199,812,744**	152,550,403
	P=1,139,976,299	=1,035,748,525P

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

a. *Financial assets at FVPL*

Financial assets at FVPL consist of quoted preferred shares and term notes denominated in Philippine Peso. These financial assets were designated as at FVPL at initial recognition. Changes in fair values of financial asset at FVPL amounted to (P=474,187) and =4,969,330P in 2017 and 2016, respectively (see Note 18).

b. *AFS financial assets* This

account consists of:

	2017	2016 (As Restated, Note 2)
Quoted securities - at fair value and at local currency		
Government debt securities	**P=166,591,745**	=143,293,067P
Private debt securities	**371,976,495**	221,702,789
Listed equity securities		
Common shares - net of impairment loss of P=34.70 million as of 2017 and P=33.00 million as of 2016	**161,866,406**	291,836,968
Unquoted securities - at cost		
Common shares	**1,020,000**	1,020,000
	P=701,454,646	P=657,852,824

The costs of AFS financial assets are as follows:

	2017	2016 (As Restated, Note 2)
Quoted securities		
Government debt securities	**P=160,688,531**	=150,039,730P
Private debt securities	**350,554,446**	230,973,212
Listed equity securities		
Common shares	**162,858,227**	273,041,666
Unquoted securities		
Common shares	**1,020,000**	1,020,000
	P=675,121,204	P=655,074,608

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

	2017	2016 (As Restated, Note 2)
Balance at beginning of year	**P=657,852,824**	=671,756,874P
Additions	**127,399,690**	27,702,734
Disposals/maturities	**(108,715,448)**	(32,702,550)
Amortization of premium	**(208,094)**	(197,983)
Fair value gain (loss)	**25,125,674**	(8,706,251)
Balance at the end of the year	**P=701,454,646**	=657,852,824P

The rollforward analysis of the reserve for fluctuation on AFS financial assets is as follows:

	2017	2016 (As Restated, Note 2)
Balance at beginning of year	**P=2,778,216**	(P=3,083,459)
Changes in fair value of AFS financial assets	**25,125,674**	(8,706,251)
Transferred to profit or loss:		
Impairment loss (Note 20)	**1,700,139**	15,348,825
Gain on sale of AFS financial assets	**(3,270,587)**	(780,899)
Balance at end of year	**P=26,333,442**	P=2,778,216

In 2017 and 2016, impairment loss recognized pertains to investments in various listed equity securities.

In 2017 and 2017, dividend income from investments in equity securities amounted to P=12,664,013 and =15,133,626,P respectively (see Note 18).

b. *Loans and receivables*

	2017	2016
Accounts receivable	**P=40,168,353**	=43,303,802P
Advances to employees	**644,391**	246,601
Long term investments	**159,000,000**	109,000,000
	P=199,812,744	=152,550,403P

Long term investments are composed of time deposits that have been acquired more than one year before maturity. These time deposits earn interest at rates ranging from 3.25% to 5.5% in 2017 and 2016 and with maturity dates from 2019 to 2023 in 2017 and 2019 to 2022 in 2016. Interest income from long-term investments amounted to P=3,358,242 in 2017 (see Note 18).

7. Accrued Income

This account consists of accrued interest on the following accounts:

	2017	2016
Cash and cash equivalents	**P=7,336,786**	=152,008P
AFS financial assets	**238,219**	6,022,301
	P=7,575,006	=6,174,309P

8. Reinsurance Assets

This account consists of:

	2017	2016 (As Restated, Note 2)
Reinsurance recoverable on unpaid losses (Note 13)	**P=158,882,108**	=242,872,047P
Deferred reinsurance premiums (Note 13)	**129,424,906**	181,044,702
	P=288,307,014	=423,916,749P

9. Deferred Acquisition Costs and Deferred Reinsurance Commissions

The rollforward analysis of deferred acquisition costs follows:

	2017	2016 (As Restated, Note 2)
Balance at beginning of year	**P=29,417,057**	P=13,209,276
Cost deferred during the year	**50,960,186**	54,786,416
Cost incurred during the year	**(57,690,462)**	(38,578,635)
Balance at end of year	**P=22,686,781**	P=29,417,057

The rollforward analysis of deferred reinsurance commissions follows:

	2017	2016 (As Restated, Note 2)
Balance at beginning of year	**P=17,536,924**	=8,830,351P
Income deferred during the year	**31,181,926**	37,354,174
Income earned during the year	**(37,126,564)**	(28,647,601)
Balance at end of year	**P=11,592,286**	=17,536,924P

10. **Property and Equipment** - net

The rollforward analysis of this account follows:

	2017					
	Condominium Units	**Furniture, Fixtures and Equipment**	**EDP Equipment**	**Leasehold Improvements**	**Transportation Equipment**	**Total**
Cost						
Balance at beginning of year	**P=24,721,098**	**P=2,529,932**	**=10,885,748P**	**=3,953,954P**	**=4,316,364P**	**=46,407,096P**
Additions	**–**	**36,410**	**572,111**	**–**	**–**	**608,521**
Disposals	**–**	**–**	**–**	**(130,000)**	**(714,285)**	**(844,285)**
Balance at end of year	**24,721,098**	**2,566,342**	**11,457,859**	**3,823,954**	**3,602,079**	**46,171,332**
Accumulated Depreciation and Amortization						
Balance at beginning of year	**11,742,520**	**335,689**	**7,429,607**	**167,044**	**1,409,657**	**21,084,517**
Depreciation and amortization (Note 20)	**494,422**	**245,173**	**1,811,082**	**395,395**	**667,381**	**3,613,453**
Disposals	**–**	**–**	**–**	**–**	**(238,095)**	**(238,095)**
Balance at end of year	**12,236,942**	**580,862**	**9,240,689**	**562,439**	**1,838,943**	**24,459,875**
Net Book Value	**=12,484,156P**	**=1,985,480P**	**P=2,217,170**	**P=3,261,515**	**=1,763,136P**	**=21,711,457P**

	2016					
	Condominium Units	Furniture, Fixtures and Equipment	EDP Equipment	Leasehold Improvements	Transportation Equipment	Total
Cost						
Balance at beginning of year	P=24,721,098	P=1,560,712	P=9,870,157	=P–	P=3,314,582	P=39,466,549
Additions	–	969,220	1,015,591	3,953,954	1,001,782	6,940,547
Balance at end of year	24,721,098	2,529,932	10,885,748	3,953,954	4,316,364	46,407,096
Accumulated Depreciation and Amortization						
Balance at beginning of year	11,248,098	187,435	5,658,468	–	775,820	17,869,821
Depreciation and amortization (Note 20)	494,422	148,254	1,771,139	167,044	633,837	3,214,696
Balance at end of year	11,742,520	335,689	7,429,607	167,044	1,409,657	21,084,517
Net Book Value	P=12,978,578	P=2,194,243	P=3,456,141	P=3,786,910	P=2,906,707	P=25,322,579

The cost of fully depreciated property and equipment still in use amounted to P=3.61 million and =3P.35 million as of December 31, 2017 and 2016, respectively.

11. **Other Assets**

This account consists of:

	2017	2016
Escrow fund	**P=40,000,000**	P=40,000,000
Creditable withholding taxes	**12,599,170**	23,085,437
Deferred input VAT	**2,277,168**	1,567,033
Miscellaneous deposits	**1,178,637**	1,167,637
Input VAT	**426,586**	3,402,252
Prepaid expenses	**333,876**	333,876
Others	**1,279,237**	2,187,016
	P=58,094,674	P=71,743,251

The escrow funds was established in pursuant to the requirement of Land Transportation Franchising and Regulatory Board (LTFRB) wherein the Company, being accredited for the Personal Passenger Accident Insurance Program (PPAI), is required to establish an escrow to guaranty the payment of the claims of insured Public Utility Vehicles. In 2017 and 2016, the escrow agreement were entered into by the Company, LTFRB, and PNB Trust Banking Group (escrow agent).

Creditable withholding taxes pertain to the excess of payments made against current income tax due which can be claimed against income tax in future periods. CWTs applied for payment of the Company's income tax due in 2017 and 2016, amounted to P=15,256,497 and =3,773,118,P respectively (see Note 22).

Deferred input VAT arises from purchases of goods and services from VAT registered suppliers which were not yet paid as of reporting date.

Miscellaneous deposits represents security rent deposits of branches and fund set aside as per requirement of the Supreme Court for the issuance of bonds for the Company's assured.

Input VAT arises from purchases of goods and services from VAT-registered suppliers.

Prepaid expenses pertain to prepayments for various expenses.

Others pertain to security fund and stationery and supplies.

12. **Accounts Payable and Accrued Expenses**

This account consists of:

	2017	2016
Commission payable	**P=67,249,234**	=37,793,634P
Accounts payable	**60,529,914**	74,245,797
Premium deposit	**50,901,338**	8,676,030
Deferred output VAT	**28,509,127**	34,518,145
Taxes payable	**17,943,027**	41,670,958
Accrued expenses	**12,714,513**	5,700,951
Others	**5,155,255**	1,594,048
	P=243,002,408	=204,199,563P

Commission payable pertains to agents, brokers and ceding company commissions. These are to be settled within 90 days from policy issuance date.

Accounts payable and accrued expenses pertain to operating expenses of the Company which are non-interest bearing and due and demandable. These also include accruals for bonus.

Premium deposit pertains to collections from of policyholders which were received but were not yet properly applied due to incomplete reference.

Deferred output VAT consists of VAT incurred from policy issuances where the corresponding premiums remain unpaid as of reporting date.

Taxes payable pertains to documentary stamps payable, withholding taxes payable, fire service tax payable and other taxes and licenses payable due for settlement.

Other liabilities mainly consist of payable to the Company's sub-agents which are non-interest bearing and due and demandable.

13. Insurance Contract Liabilities

Insurance contract liabilities is analyzed as follows:

	2017			2016 (As Restated, Note 2)		
	Insurance Contract Liabilities	**Reinsurers' Share of Liabilities** (Note 8)	**Net**	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 8)	Net
Provision for claims reported	**=170,101,835P**	**=116,987,061P**	**=53,114,774P**	P=274,838,245	P=224,848,872	P=49,989,373
Provision for claims IBNR	**51,361,570**	**41,895,047**	**9,466,523**	25,799,647	18,023,175	7,776,472
Total provision for claims reported and claims IBNR	**221,463,405**	**158,882,108**	**62,581,297**	300,637,892	242,872,047	57,765,845
Provision for unearned premiums	**234,050,098**	**129,424,906**	**104,625,192**	267,643,643	181,044,702	86,598,941
	P=455,513,503	**P=288,307,014**	**P=167,206,489**	P=568,281,535	P=423,916,749	P=144,364,786

The provision for claims reported and claims IBNR is analyzed as follows:

	2017			2016 (As Restated, Note 2)		
	Insurance Contract Liabilities	**Reinsurers' Share of Liabilities** (Note 8)	**Net**	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 8)	Net
At January 1	**=300,637,892P**	**=242,872,047P**	**=57,765,845P**	P=170,305,596	P=135,441,330	P=34,864,266
Claims incurred during the year	**62,141,476**	**10,201,673**	**51,939,803**	138,499,188	91,055,785	47,443,403
Claims paid during the year (Note 19)	**(166,877,886)**	**(118,063,484)**	**(48,814,402)**	(35,339,982)	(1,815,976)	(33,524,006)
Increase (decrease) in IBNR (Note 19)	**25,561,923**	**23,871,872**	**1,690,051**	27,173,090	18,190,908	8,982,182
At December 31	**=221,463,405P**	**=158,882,108P**	**=62,581,297P**	P=300,637,892	P=242,872,047	P=57,765,845

The provision for unearned premiums is analyzed as follows:

	2017			2016 (As Restated, Note 2)		
	Insurance Contract Liabilities	**Reinsurers' Share of Liabilities** (Note 8)	**Net**	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 8)	Net
At January 1	**=267,643,643P**	**=181,044,702P**	**=86,598,941P**	P=181,529,664	P=114,917,142	P=66,612,522
Premiums written during the year (Note 17)	**534,106,932**	**329,261,163**	**204,845,769**	529,195,502	360,447,564	168,747,938
Premiums earned during the year (Note 17)	**(567,700,477)**	**(380,880,959)**	**(186,819,518)**	(443,081,523)	(294,320,004)	(148,761,519)
At December 31	**=234,050,098P**	**=129,424,906P**	**=104,625,192P**	P=267,643,643	P=181,044,702	P=86,598,941

14. Insurance Payables

This account consists of:

	2017	2016
Premiums due to reinsurers	**P=209,222,109**	=171,376,107P
Funds held for reinsurers	**19,330,434**	16,758,664
	P=228,552,543	=188,134,771P

Premiums due to reinsurers represent the reinsurance premiums due and payable by the Company to all its reinsurers whether by treaty or facultative.

Funds held for reinsurers represent the amount pertaining to a certain percentage of the total reinsurance premiums due within one (1) year from date of retention being held by the Company.

The roll forward analysis of insurance payable follows:

	Premiums Due to Reinsurers	Funds Held for Reinsurers	Total
At January 1, 2016	P=40,407,936	=15,987,036P	=56,394,972P
Arising during the year	419,019,125	35,450,366	454,469,491
Paid during the year	(288,050,954)	(34,678,738)	(322,729,692)
At December 31, 2016	171,376,107	16,758,664	188,134,771
Arising during the year	481,262,872	43,563,269	524,826,141
Paid during the year	(443,416,870)	(40,991,499)	(484,408,369)
At December 31, 2017	**P=209,222,109**	**P=19,330,434**	**P=228,552,543**

Interest expense on funds held for reinsurers amounted to P=452,216 and =517,115P in 2017 and 2016, respectively.

The Company reversed premiums due to reinsurers amounting to P=19,834,231 in 2017 (nil in 2016). These reversals were recorded as part of "Other income" in the 2017 statement of income.

15. Insurance Contract Liabilities and Reinsurance Assets - Terms, Assumptions and Sensitivities

Terms and Conditions

The major classes of general insurance written by the Company include aviation, fire, surety, casualty, and engineering. Risks under these policies usually cover a 12-month period.
For general insurance contracts, claims provisions (comprising provision for claims reported and claims IBNR) are established to cover the ultimate cost of settling the liabilities in respect of claims that have occurred and are estimated based on known facts at the 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. Outstanding claims provisions are not discounted for the time value of money.

The measurement process primarily includes projections of future claims through use of historical experience statistics. In certain cases, where there is lack of reliable historical data on which to estimate claims development, relevant benchmarks of similar business are used in developing claims estimates. 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.

Sensitivities

The general insurance claims provision is sensitive to the Company's key assumptions. The sensitivity of certain assumptions such as legislative change and uncertainty in the estimation process, among others, is not possible to quantify. As a result, the final liabilities may change as a result of succeeding developments. Differences from recomputation of the final liabilities are taken up in subsequent financial statements.

The sensitivity analysis below is performed for a reasonably possible movement in key assumptions with all other assumptions held constant. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumption changes had to be done on an individual basis.

	2017			
	Change in Assumption	**Impact on Gross Insurance Contract Liabilities**	**Impact on Net Insurance Contract Liabilities**	**Impact on Income Before Income Tax**
Average claim costs	**+16.00%**	**(P=27,995,363)**	**=4,420,879P**	**(P=4,420,879)**
Average number of claims	**+23.00%**	**(52,166,799)**	**2,306,597**	**(2,306,597)**

	2016			
	Change in Assumption	Impact on Gross Insurance Contract Liabilities	Impact on Net Insurance Contract Liabilities	Impact on Income Before Income Tax
Average claim costs	+34.00%	(P=51,189,763)	=4,199,835P	(P=4,199,835)
Average number of claims	+23.00%	(42,594,416)	2,191,267	(2,191,267)

<u>Claims Development Tables</u>

The tables in the next page show the development of claims over a period of time. These reflect the cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date.

The Company aims to maintain strong reserves in respect of its general insurance in order to protect against adverse future claims experience and development. As claims develop and ultimate costs of claims become more certain, the absence of adverse claims experience will then result in a release of reserves from earlier accident years.

Claims 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:

	Gross Insurance Contract Liabilities for 2017							
	2011 and Prior	2012	2013	2014	2015	2016	2017	Total
Estimate of ultimate claim costs								
At the end of accident year	P=426,239,713	P=157,720,354	P=80,895,723	P=126,221,480	P=183,096,949	P=226,914,246	P=185,555,200	P=185,555,200
One year later	13,465,981	94,365,468	64,449,819	66,103,256	113,393,160	95,650,913	–	95,650,913
Two years later	5,099,571	10,911,724	7,532,816	6,779,919	48,233,431	–	–	48,233,431
Three years later	3,267,156	9,008,449	2,067,430	30,000	–	–	–	30,000
Four years later	1,249,809	1,000,000	–	–	–	–	–	–
Five years later	123,568	–	–	–	–	–	–	–
Six years later	75,524	–	–	–	–	–	–	75,524
Current estimate of cumulative claims	75,524	–	–	30,000	48,233,431	95,650,913	185,555,200	329,545,068
Cumulative payments to date	75,524	–	–	–	334,293	62,040,104	45,631,742	108,081,663
Total gross insurance contract liabilities in the statement of financial position	P=–	P=–	P=–	P=30,000	P=47,899,138	P=33,610,809	P=139,923,458	221,463,405

	Net Insurance Contract Liabilities for 2017							
	2011 and Prior	2012	2013	2014	2015	2016	2017	Total
Estimate of ultimate claim costs								
At the end of accident year	P=51,259,044	P=53,087,501	P=46,624,536	P=38,701,315	P=31,041,306	P=47,784,542	P=73,141,896	P=73,141,896
One year later	37,809,843	37,224,219	34,056,153	28,731,609	19,492,864	36,379,292	–	36,379,292
Two years later	5,530,432	8,660,785	5,614,240	9,270,053	1,786,540	–	–	1,786,540
Three years later	3,388,049	6,366,052	1,367,788	20,000	–	–	–	20,000
Four years later	1,643,706	279,376	–	–	–	–	–	–
Five years later	115,708	–	–	–	–	–	–	–
Six years later	67,972	–	–	–	–	–	–	67,972
Current estimate of cumulative claims	67,972	–	–	20,000	1,786,540	36,379,292	73,141,896	111,395,700
Cumulative payments to date	67,972	–	–	–	304,293	24,062,441	24,379,697	48,814,403
Total reinsurers' share on gross insurance contract liabilities in the statement of financial position	P=–	P=–	P=–	P=20,000	P=1,482,247	P=12,316,851	P=48,762,199	P=62,581,297

16. **Equity**

Capital Stock
The details of this account follow:

	2017	2016
Capital stock - P=1 par value per share in 2017 and =100P par value per share in 2016		
Authorized - 1,000,000,000 common shares in 2017 and 5,000,000 common shares in 2016	**P=1,000,000,000**	=500,000,000P
Issued and outstanding - 470,000,000 common shares in 2017 and 3,450,000 common shares in 2016	**470,000,000**	345,000,000
Subscribed capital stock	**165,537,500**	117,412,500
Contributed surplus	**441,615,510**	566,615,510

The following transactions were entered into in 2017 and 2016:

∂ On July 28, 2017, the SEC approved the increase in authorized capital stock of the Company from 5,000,000 shares at =100P par value per share to 1,000,000,000 shares at =1P par value per share as approved by the Company's BOD on October 12, 2016 and its stockholders on December 14, 2016.

∂ On November 16, 2016, the Company's BOD approved the following stock dividend declaration to its stockholders:

Year	Date Declared	Record Date	Amount	Issue Date
2016	November 16, 2017	December 15, 2016	=125,000,000P	September 2017

On September 5, 2017, the IC approved the said stock dividend declaration out of its contributed surplus as of December 31, 2015. Accordingly, the stock dividends were issued to the Company's stockholders in 2017.

∂ In 2016, additional 1,550,000 shares were subscribed at =303P per share of which P=48,125,000 and =117,412,500P were paid in cash in 2017 and 2016, respectively.

∂ In 2016, subscription receivable outstanding as of December 31, 2015 was fully paid in cash amounting to =62,500,000P. Accordingly, corresponding shares were issued by the Company.

Retained Earnings
The BOD approved the following cash dividend declaration to stockholders out of its unrestricted retained earnings:

Year	Date Declared	Record Date	Amount	Declaration Date
2016	November 16, 2016	December 15, 2016	=125,000,000P	December 2016

Cash dividends amounting to =64,687,298P and =125,000,000P remain outstanding as of December 31, 2017 and 2016, respectively.

17. Net Earned Premiums

Total gross earned premiums on insurance contracts follows:

	2017	2016 (As Restated, Note 2)
Gross premiums written		
Direct	**P=504,124,784**	P=502,989,254
Assumed	**29,982,148**	26,206,248
Total gross premiums written	**534,106,932**	529,195,502
Gross change in provision for unearned premiums	**33,593,545**	(86,113,979)
Total gross earned premiums (Note 13)	**P=567,700,477**	=443,081,523P

Total Reinsurers' share of gross earned premiums on insurance contracts is as follows:

	2017	2016 (As Restated, Note 2)
Reinsurers' share of gross premiums written		
Direct	**P=329,261,163**	P=360,447,564
Assumed	**–**	–
Total reinsurers' share of gross premiums written	**329,261,163**	360,447,564
Reinsurers' share of gross change in provision for unearned premiums	**51,619,796**	(66,127,560)
Total reinsurers' share of gross earned premiums (Note 13)	**P=380,880,959**	=294,320,004P

18. Investment Income - net

This account consists of:

	2017	2016 (As Restated, Note 2)
Interest income on:		
Cash and cash equivalents (Note 4)	**P=15,393,492**	=5,112,450P
AFS financial assets	**20,073,339**	31,448,656
Long-term investments (Note 6)	**3,358,242**	–
Dividend income (Note 6)	**12,664,013**	15,133,626
Changes in fair value of financial assets at FVPL (Note 6)	**(474,187)**	4,969,330
	P=51,014,899	P=56,664,062

19. Net Insurance Benefits and Claims

Gross insurance contract benefits and claims paid:

	2017	2016
Insurance contract benefits and claims paid (Note 13)		
Direct	**P=164,549,628**	P=35,339,982
Assumed	**2,328,258**	–
	P=166,877,886	P=35,339,982

Reinsurers' share of gross insurance contracts benefits and claims paid:

	2017	2016
Reinsurers' share of gross insurance contracts benefits and claims paid (Note 13)		
Direct	**P=118,055,932**	P=1,815,976
Assumed	**7,552**	–
	P=118,063,484	P=1,815,976

Gross change in insurance contract liabilities:

	2017	2016 (As Restated, Note 2)
Change in provision for claims reported		
Direct	**(P=104,736,410)**	=101,187,485P
Assumed	**–**	1,971,721
	(104,736,410)	103,159,206
Provision for claims IBNR	**25,561,923**	27,173,090
	(P=79,174,487)	=130,332,296P

Reinsurers' share of gross change in insurance contract liabilities:

	2017	2016 (As Restated, Note 2)
Reinsurers' share of gross change in provision for claims reported		
Direct	**(P=107,861,811)**	=91,055,785P
Assumed	**–**	(1,815,976)
	(107,861,811)	89,239,809
Provision for claims IBNR	**23,871,872**	18,190,908
	(P=83,989,939)	=107,430,717P

20. **General and Administrative Expenses**

This account consists of:

	2017	2016
Salaries and allowances (Notes 24)	**P=40,579,609**	P=31,918,150
Professional and technical development	**9,201,042**	8,907,741
Pension expense (Note 21)	**5,840,116**	5,182,575
Taxes and licenses	**5,687,324**	9,244,953
Board meeting expenses and directors' fees	**4,205,882**	1,472,470
Depreciation and amortization (Note 10)	**3,613,453**	3,214,696
Marketing expense	**2,718,487**	717,607
Impairment loss (Note 6)	**1,700,139**	15,348,825
Professional fees	**1,554,300**	793,568
Communication and postage	**1,272,150**	1,296,193
Stationery and supplies	**1,128,308**	908,911
Other employee benefits	**906,062**	223,277
Social security and other contributions	**836,327**	769,055
Light and water	**826,824**	872,209
Trust fees	**788,657**	770,216
Transportation and travel	**774,826**	552,964
Hospitalization contribution	**686,492**	584,487
Rent (Note 25)	**431,247**	447,848
Software maintenance fee	–	672,000
Others	**3,437,834**	4,607,418
	P=86,189,079	P=88,505,163

21. **Pension Cost**

The Company has an unfunded, noncontributory defined benefit retirement plan covering substantially all of its regular employees.

The following tables summarize the components of pension expense in the statements of comprehensive income and net pension liability recognized in the statements of financial position:

	2017		
	Present Value of Defined Benefit Obligation	**Fair Value of Plan Assets**	**Net Pension Liability**
Balance at beginning of the year	**=76,885,646P**	**(P=63,346,672)**	**=13,538,974P**
Current service cost	**5,137,443**	–	**5,137,443**
Net interest expense (income)	**1,711,947**	**(1,009,274)**	**702,673**
Total pension expense to profit or loss (Note 20)	**6,849,390**	**(1,009,274)**	**5,840,116**
Actuarial gain on defined benefit obligation	**(2,445,717)**	–	**(2,445,717)**
Remeasurement loss on plan assets	–	**601,829**	**601,829**
Total remeasurement loss (gain) to other comprehensive income	**(2,445,717)**	**601,829**	**(1,843,888)**
Benefits paid	**(4,529,398)**	**4,529,398**	–
Contributions	–	**(10,038,376)**	**(10,038,376)**
Balance at end of year	**=76,759,921P**	**(P=69,263,095)**	**=7,496,826P**

	2016		
	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Pension Liability
Balance at beginning of the year	=75,117,828P	(P=52,846,200)	=22,271,628P
Current service cost	4,053,404	–	4,053,404
Net interest expense (income)	1,591,267	(462,096)	1,129,171
Total pension expense to profit or loss (Note 20)	5,644,671	(462,096)	5,182,575
Actuarial gain on defined benefit obligation	(4,045,125)	–	(4,045,125)
Remeasurement loss on plan assets	–	168,272	168,272
Total remeasurement loss (gain) to other comprehensive income	(4,045,125)	168,272	(3,876,853)
Contributions	–	(10,038,376)	(10,038,376)
Balance at end of year	=76,717,374P	(P=63,178,400)	=13,538,974P

Details of accumulated remeasurement gain on defined benefit plan as of December 31 follows:

	2017	2016
At January 1	**P=407,710**	(P=3,469,143)
Remeasurement gain recognized in other comprehensive income during the year	**1,843,888**	3,876,853
	2,251,598	407,710
Income tax effect (Note 22)	**(675,479)**	(122,313)
At December 31	**P=1,576,119**	P=285,397

The pension expense and the present value of the define benefit obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The latest actuarial valuation report is as of December 31, 2017. The principal assumptions used to determine pension benefits are shown below:

	2017	2016
Discount rate	**5.64%**	5.19%
Salary increase rate	**10.00%**	10.00%
Average years of service	**6.98**	7.48

The discount rate used to determine the defined benefit obligation is determined by reference to market yields at the reporting date of high quality corporate bonds or government bonds consistent with the estimated term of the obligations.

The salary increase rates take into consideration the prevailing inflation rate and company policy.

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

	Change in variables	Increase (decrease) in present value of defined benefit obligation **2017**	2016
Discount rate	+0.50%	**(P=1,875,810)**	(P=1,960,176)
	(0.50%)	**2,064,139**	2,158,466
Salary increase rate	+1.00%	**3,897,301**	4,057,314
	(1.00%)	**(3,308,174)**	(3,443,771)

There were no significant changes from the previous period in the methods and assumptions used in preparing the sensitivity analysis.

Shown below is the maturity analysis of the undiscounted benefit payments:

	2017	2016
Less than one year	**P=–**	=1,513,065P
More than one year to five years	**11,262,536**	11,393,102
More than five years to 10 years	**22,449,327**	17,708,178
More than 10 years to 15 years	**43,035,972**	46,254,464
More than 15 to 20 years	**43,035,972**	23,703,412
More than 20 years	**610,434,899**	605,324,855

The average expected future working lives of the employees of the Company is 22 years and 23 years as of December 31, 2017 and 2016, respectively.

The distribution of the plan assets as of December 31, 2017 follows:

Savings deposit	0.45%
Debt and equity securities	99.55%
	100.00%

The carrying value of plan assets approximates their fair values as of December 31, 2017 and 2016.

22. Income Tax

a. The provision for income tax consists of:

	2017	2016 (As Restated, Note 2)
Current		
RCIT	**P=15,256,497**	P=3,773,118
Final	**8,093,734**	7,230,176
	23,350,231	11,003,295
Deferred	**294,438**	(722,375)
	P=23,644,669	P=10,280,919

b. The net deferred income tax assets consist of the following:

	2017	2016 (As Restated, Note 2)
Presented in profit or loss		
Deferred income tax assets on:		
Unamortized past service cost	**P=5,798,777**	=5,505,946P
Provision for claims IBNR and claims handling expense	**4,038,158**	2,988,192
(Forward)		

	2017	2016 (As Restated, Note 2)
Net pension liability	**P=2,924,527**	=4,184,005P
Allowance for doubtful accounts	**2,623,588**	2,623,588
Deferred reinsurance commissions	–	5,261,077
Excess of net provision for unearned premium per books over tax basis	–	4,876,889
Unrealized foreign exchange loss	**125,895**	–
	15,510,945	25,439,697
Deferred income tax liabilities on:		
Deferred acquisition costs	–	(8,825,117)
Unrealized foreign exchange gain	–	(809,197)
	15,510,945	15,805,383
Presented in other comprehensive income		
Deferred income tax liability on remeasurement gains on defined benefit obligation	**(675,479)**	(122,313)
	P=14,835,466	=15,683,070P

The movements in net deferred income tax assets comprise of:

	2017	2016 (As Restated, Note 2)
At beginning of the year	**P=15,683,070**	P=16,123,751
Deferred income tax recognized in profit or loss	**(294,438)**	722,375
Deferred income tax recognized in other comprehensive income	**(553,166)**	(1,163,056)
At end of the year	**P=14,835,466**	=15,683,070P

c. The reconciliation of the statutory corporate income tax rate to the effective income tax rate follows:

	2017	2016 (As Restated, Note 2)
Statutory corporate income tax rate	**P=30,720,623**	=15,224,898P
Add (deduct) the tax effects of:		
Interest income subjected to final tax	**(3,616,216)**	(3,797,550)
Amortization of premium	**62,428**	59,395
Dividend income	**(3,799,204)**	(4,540,088)
Gain on sale of AFS financial assets	**(981,176)**	(234,270)
Impairment loss	**510,042**	4,604,648
Changes in fair value of financial assets at FVPL	**142,256**	(1,490,799)
Other nondeductible expenses	**605,916**	454,685
Effective income tax rate	**P=23,644,669**	P=10,280,919

d. Republic Act (RA) No. 10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017 and took effect January 1, 2018, making the new tax law enacted as of the reporting date. Although the TRAIN changes existing tax laws and includes several provisions that will generally affect businesses on a prospective basis, the management assessed that the same will not have any significant impact on the financial statement balances as of the reporting date.

23. Management of 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 failure to exploit opportunities. The Company recognizes the importance of having efficient and effective risk management systems in place.

Regulatory Framework

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

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., capital adequacy to minimize the risk of default and insolvency on the part of the insurance companies to meet the unforeseen liabilities as these arise).

Fair Value of Financial Instruments

The methods and assumptions used by the Company in estimating the fair values of the financial instruments are as follows:

- *Cash and cash equivalents, insurance receivables, accrued income and loans and receivables* Due to the short-term nature of these financial assets, the fair values approximate the carrying values as of the reporting date.
- *AFS financial assets and financial assets at FVPL*
  The fair values of equity securities that are actively traded in organized financial markets are determined using quoted market prices within the bid-offer price range at reporting date. Unquoted equity securities are carried at cost subject to impairment when the fair value could not be reliably determined.
- *Other financial liabilities*
  The fair values of insurance contract liabilities, accounts payable and accrued expenses (excluding statutory liabilities) and insurance payables approximate their carrying values due to either the demandable feature or the relatively short-term maturities of these liabilities.

As of December 31, 2017 and 2016, the Company classifies AFS financial assets (except for the unquoted security) under Level 1 of the fair value hierarchy.

Fair Value Hierarchy

The fair value hierarchy of the Company's financial assets are summarized in the tables below.

As of December 31, 2017:

	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
AFS financial assets				
Government debt securities	**P=69,529,396**	**P=97,062,349**	**P=–**	**P=166,591,745**
Private debt securities	**349,505,219**	**22,471,276**	**–**	**371,976,495**
Listed equity securities	**161,866,406**	**–**	**–**	**161,866,406**
Financial assets at FVPL	**168,197,690**	**70,511,219**	**–**	**238,708,909**
	P=749,098,711	**P=190,044,844**	**P=–**	**P=939,143,555**

As of December 31, 2016:

	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
AFS financial assets				
Government debt securities	P=–	=P 143,293,067	P=–	=143,293,067P
Private debt securities	221,702,789	–	–	221,702,789
Listed equity securities	291,836,968	–	–	291,836,968
Financial assets at FVPL	156,346,086	68,999,212	–	225,345,298
	=669,885,843P	P=212,292,279	P=–	=882,178,122P

In 2017 and 2016, there were no transfers between Level 1 and Level 2 of fair value measurements, and no transfers into and out of Level 3 fair value measurement.

Financial Risk

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

These risks arise from open positions in interest rate, currency and equity price, all of which are exposed to general and specific market movements.

Credit risk

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

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

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

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

As of December 31, 2017 and 2016, the carrying values of the Company's financial assets represent maximum exposure to credit risk.

The table below provides information regarding the credit risk exposure of the Company as of December 31 by classifying assets according to the Company's credit ratings:

	2017			
	Neither Past Due nor Impaired			
	Investment Grade	**Non-investment Grade**	**Past Due or Impaired**	**Total**
Cash and cash equivalents	**P=483,149,658**	**P=–**	**P=–**	**P=483,149,658**
Insurance receivables				
Premiums receivable	**–**	**123,144,649**	**156,480,631**	**279,625,280**
Reinsurance recoverable on paid losses	**–**	**7,685,128**	**110,378,356**	**118,063,484**
Due from ceding companies	**–**	**5,790,074**	**23,620,386**	**29,410,460**
Commission receivable	**–**	**10,613,906**	**16,447,947**	**27,061,853**
Funds held by ceding companies	**–**	**54,349**	**12,484,897**	**12,539,246**
AFS financial assets				
Quoted securities				
Government debt securities	**166,591,745**	**–**	**–**	**166,591,745**
Private debt securities	**371,976,495**	**–**	**–**	**371,976,495**
Listed equity securities	**161,866,406**	**–**	**–**	**161,866,406**
Unquoted securities:				
Common shares	**1,020,000**	**–**	**–**	**1,020,000**
Financial assets at FVPL	**238,708,909**	**–**	**–**	**238,708,909**
Loans and receivables				
Accounts receivable	**40,168,353**	**–**	**–**	**40,168,353**
Advances to employees	**644,391**	**–**	**–**	**644,391**
Long-term investments	**159,000,000**	**–**	**–**	**159,000,000**
Accrued income	**7,575,006**	**–**	**–**	**7,575,006**
	P=1,630,700,963	**P=147,288,106**	**P=319,412,217**	**P=2,097,401,286**

**Cash and cash equivalents exclude cash on hand.*

	2016			
	Neither Past Due nor Impaired			
	Investment Grade	Non-investment Grade	Past Due or Impaired	Total
Cash and cash equivalents	P=558,115,910	P=–	P=–	P=558,115,910
Insurance receivables				
Premiums receivable	–	118,541,765	90,949,164	209,490,929
Reinsurance recoverable on paid losses	–	9,397,181	49,399,042	58,796,223
Due from ceding companies	–	1,607,561	11,976,378	13,583,939
Funds held by ceding companies	–	88,817	5,205,313	5,294,130
Commission receivable	–	1,017,886	2,850,669	3,868,555
AFS financial assets				
Quoted securities				
Government debt securities	143,293,067	–	–	143,293,067
Private debt securities	221,702,789	–	–	221,702,789
Listed equity securities	291,836,968	–	–	291,836,968
Unquoted securities:				
Common shares	1,020,000	–	–	1,020,000
Financial assets at FVPL	225,345,298	–	–	225,345,298
Loans and receivables				
Accounts receivable	43,303,802	–	–	43,303,802
Advances to employees	246,601	–	–	246,601
Long-term investments	109,000,000	–	–	109,000,000
Accrued income	6,174,309	–	–	6,174,309
	P=1,600,038,744	P=130,653,210	P=160,380,566	P=1,891,072,520

**Cash and cash equivalents exclude cash on hand.*

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

a. *Cash and cash equivalents and accrued income*

These are classified as investment grade. These are deposited, placed or invested in foreign and local banks belonging to the top banks in the Philippines in terms of resources and profitability.

b. *Insurance receivables and loans and receivables*

The Company uses a credit rating concept based on the borrower's overall credit worthiness. Investment grade is given to borrowers and counterparties having good standing in terms of credit and paying habits and their outstanding account balance does not exceed 30% of their total production. Non-investment grade is given to borrowers and counterparties having low standing in terms of credit and paying habits and their outstanding balance exceeds 50% of their total production.

c. *Debt securities*

These are classified as investment grade. The government debt securities are issued by the local government authority and are considered as risk-free debt securities. The private debt securities are issued by the stable companies and are considered to be high credit worthiness.

d. *Equity securities*

Equity securities not subjected to other than temporary decline are classified as investment grade.

The table below shows the aging analysis of financial assets that are past due or impaired:

	2017						
	Past Due but not Impaired					Past Due	
	< 30 Days	31 to 60 Days	61 to 90 Days	> 90 Days	Total	and Impaired	Total
Insurance receivables:							
Premiums receivable	=P–	=P–	=P–	=151,881,437P	=151,881,437P	=4,599,194P	=156,480,631P
Reinsurance recoverable on paid losses	–	–	–	9,190,980	9,190,980	3,293,917	12,484,897
Due from Ceding Companies	–	–	–	22,768,205	22,768,205	852,181	23,620,386
Funds held by ceding companies	–	–	–	110,378,356	110,378,356	–	110,378,356
Commission receivables	–	–	–	16,447,947	16,447,947	–	16,447,947
	=P–	=P–	P–=	=310,666,925P	=310,666,925P	P=8,745,292	=319,412,217P

	2016						
	Past Due but not Impaired					Past Due	
	< 30 Days	31 to 60 Days	61 to 90 Days	> 90 Days	Total	and Impaired	Total
Insurance receivables:							
Premiums receivable	=P–	P–=	P–=	=86,349,970P	=86,349,970P	=4,599,194P	=90,949,164P
Reinsurance recoverable on paid losses	–	–	–	46,105,125	46,105,125	3,293,917	49,399,042
Due from Ceding Companies	–	–	–	11,124,197	11,124,197	852,181	11,976,378
Funds held by ceding companies	–	–	–	5,205,313	5,205,313	–	5,205,313
Commission receivables				2,850,669	2,850,669	–	2,850,669
	=P–	=P–	=P–	=151,635,274P	=151,635,274P	=8,745,292P	=160,380,566P

The Company has a significant concentration of credit risk with Lucio Tan Group (LTG) as of December 31, 2017 and 2016 (see Note 24).

Liquidity risk

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

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

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

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

	2017				
	Up to a Year	**2-5 Years**	**Over 5 Years**	**No Term**	**Total**
Financial Assets					
Cash and cash equivalents	**P=483,194,558**	**P=–**	**P=–**	**P=–**	**P=483,194,558**
Insurance receivables					
Premiums receivable	**275,026,086**	**–**	**–**	**–**	**275,026,086**
Reinsurance recoverable on paid losses	**114,769,567**	**–**	**–**	**–**	**114,769,567**
Due from ceding companies	**28,558,279**	**–**	**–**	**–**	**28,558,279**
Commission receivable	**27,061,853**	**–**	**–**	**–**	**27,061,853**
Funds held by ceding companies	**12,539,246**	**–**	**–**	**–**	**12,539,246**
AFS financial assets					
Quoted securities					
Government debt securities	**–**	**128,863,369**	**37,728,376**	**–**	**166,591,745**
Private debt securities	**–**	**265,888,091**	**106,088,404**	**–**	**371,976,495**
Listed equity securities	**–**	**–**	**–**	**161,866,406**	**161,866,406**
Unquoted securities					
Common shares	**–**	**–**	**–**	**1,020,000**	**1,020,000**
Financial asset at FVPL	**–**	**238,708,909**	**–**	**–**	**238,708,909**
Loans and receivables					
Accounts receivable	**40,168,353**	**–**	**–**	**–**	**40,168,353**
Advances to employees	**644,391**	**–**	**–**	**–**	**644,391**
Long-term investments	**159,000,000**	**–**	**–**	**–**	**159,000,000**
Accrued income	**7,575,006**	**–**	**–**	**–**	**7,575,006**
	P=1,148,537,339	**P=633,460,369**	**P=143,816,780**	**P=162,886,406**	**P=2,088,700,894**
Other Financial Liabilities					
Insurance contract liabilities	**P=455,513,503**	**P=–**	**P=–**	**P=–**	**P=455,513,503**
Accounts payable and accrued expenses*	**225,059,381**	**–**	**–**	**–**	**225,059,381**
Insurance payables	**228,552,543**	**–**	**–**	**–**	**228,552,543**
	P=909,125,427	**P=–**	**P=–**	**P=–**	**P=909,125,427**

**Accounts payable and accrued expenses exclude taxes payable.*

	2016				
	Up to a Year	2-5 Years	Over 5 Years	No Term	Total
Financial Assets					
Cash and cash equivalents	P=558,160,810	P=–	=P–	=P–	P=558,160,810
Insurance receivables					
Premiums receivable	204,891,735	–	–	–	204,891,735
Reinsurance recoverable on paid losses	55,502,306	–	–	–	55,502,306
Due from ceding companies	12,731,758	–	–	–	12,731,758
Funds held by ceding companies	5,294,130	–	–	–	5,294,130
Commission receivable	3,868,555	–	–	–	3,868,555
AFS financial assets					
Quoted securities					
Government debt securities	50,039,730	–	93,253,337	–	143,293,067
Private debt securities	9,944,203	127,148,149	84,610,437	–	221,702,789
Listed equity securities	–	–	–	291,836,968	291,836,968
Unquoted securities					
Common shares	–	–	–	1,020,000	1,020,000
Loans and receivables					
Accounts receivable	43,303,802	–	–	–	43,303,802
Advances to employees	246,601	–	–	–	246,601
Long-term investments	109,000,000	–	–	–	109,000,000
Accrued income	6,174,309	–	–	–	6,174,309
	P=1,059,157,939	P=127,148,149	P=177,863,774	P=292,856,968	P=1,657,026,830

(Forward)

	2016				
	Up to a Year	2-5 Years	Over 5 Years	No Term	Total
Other Financial Liabilities					
Insurance contract liabilities	P=455,513,503	P=–	=P–	P=–	P=455,513,503
Accounts payable and accrued expenses*	162,528,605	–	–	–	162,528,605
Insurance payables	228,552,543	–	–	–	228,552,543
	P=846,594,651	=P–	P=–	P=–	P=846,594,651

**Accounts payable and accrued expenses exclude taxes payable.*

Market risk

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

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

a. *Currency risk*

The Company's principal transactions are carried out in Philippine Peso and its exposure to foreign exchange risk arises primarily with respect to the United States (US) Dollar.

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

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

	2017		2016	
	US$	**PHP**	US$	PHP
Cash and cash equivalents	**$984,821**	**P=49,172,140**	$1,426,872	=70,944,070P

The exchange rates used are =49P.93 to US$1 in 2017 and =49P.72 to US$1 in 2016.

The Company has no foreign currency-denominated financial liabilities as of December 31, 2017 and 2016.

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

	2017		2016	
Currency	**Change in Rate**	**Impact on Income Before Tax**	Change in Rate	Impact on Income Before Tax
US Dollar	**+0.08%**	**=40,023P**	+0.75%	=530,309P
	-0.08%	**(40,023)**	-0.75%	(530,309)

As of December 31, 2017 and 2016, the Company used the average of changes in year-end closing rate for the past three (3) years in determining the reasonably possible change in foreign exchange rates.

b. *Interest rate risk*

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in interest rates.

The tables below show the information relating to the Company's financial instruments that are exposed to interest rate risk presented by maturity profile.

			2017		
	Interest Rate	**Within 1 Year**	**2-5 Years**	**Over 5 Years**	**Total**
Financial Assets					
Loans and receivable					
Cash and cash equivalents	**0.30% to 5.50%**	**P=483,149,658**	**P=–**	**P=–**	**P=483,149,658**
AFS financial assets					
Quoted securities					
Government debt securities	**3.25% to 4.25%**	**–**	**166,591,745**	**–**	**166,591,745**
Private debt securities	**4.47% to 5.92%**	**–**	**265,888,091**	**106,088,404**	**371,976,495**
		P=483,149,658	**P=432,479,836**	**P=106,088,404**	**P=1,021,717,898**
Other Financial Liabilities					
Funds held for reinsurers	**5.00%**	**P=19,330,434**	**P=–**	**P=–**	**P=19,330,434**

Cash and cash equivalents exclude cash on hand amounting to =44,900P

			2016		
	Interest Rate	Within 1 Year	2-5 Years	Over 5 Years	Total
Financial Assets					
Loans and receivable					
Cash and cash equivalents	1.00% to 4.50%	P=558,115,910	P–=	P–=	P=558,115,910
AFS financial assets					
Quoted securities					
Government debt securities	3.25% to 6.63%	50,039,731		93,253,336	143,293,067
Private debt securities	4.47% to 5.92%	9,944,203	127,148,149	84,610,437	221,702,789
		P=618,099,844	P=127,148,149	P=177,863,773	P=923,111,766
Other Financial Liabilities					
Funds held for reinsurers	5.00%	P=16,758,664	P–=	P–=	P=16,758,664

Cash and cash equivalents exclude cash on hand amounting to =44,900P.

c. *Price risk*

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

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

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

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

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

	2017		2016	
Market Indices	**Change in Variables**	**Impact on Equity**	Change in Variables	Impact on Equity
PSEi	**+17.11%**	**=16,526,455P**	+7.99%	=15,049,824P
	-17.11%	**(16,526,455)**	-7.99%	(15,049,824)

The impact on other comprehensive income is arrived at using the reasonably possible change in Philippine Stock Exchangeindex and the specific adjusted beta of each stock the Company holds. Adjusted beta is the forecasted measure of the volatility of the security for a portfolio in comparison to the market as a whole.

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 that 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 as of December 31:

	2017		
	Insurance Contract Liabilities	**Reinsurers' Share of Liabilities**	**Net**
Fire	**P=103,523,454**	**P=79,753,987**	**P=23,769,466**
Motorcar	**35,608,723**	**3,980,758**	**31,627,965**
Casualty	**11,057,415**	**7,381,007**	**3,676,407**
Marine	**2,698,791**	**2,245**	**2,696,547**
Engineering	**130,405**	**14,910**	**115,495**
Aviation	**68,444,617**	**67,749,201**	**695,417**
	P=221,463,405	**P=158,882,108**	**P=62,581,297**

	2016		
	Insurance Contract Liabilities	Reinsurers' Share of Liabilities	Net
Fire	=97,318,494P	P=77,467,546	=19,870,445P
Motorcar	27,948,927	206,595	28,121,052
Casualty	171,817,265	164,468,331	6,914,475
Marine	1,457,696	2,424	1,475,166
Engineering	2,095,510	727,151	1,384,707
	=300,637,892P	P=242,872,047	=57,765,845P

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

The variability of risks is 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 also limits 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 premiums retained.

The majority of reinsurance business ceded is placed on a quota share basis with retention limits varying by product line. 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 reinsurers is unable to meet its obligations assumed under such reinsurance agreements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract.

24. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Outstanding balances as of year-end are unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the years ended December 31, 2017 and 2016, the Company has not recorded any impairment on receivables relating to amounts owed by related parties. This assessment is undertaken each reporting period by examining the financial position of the related party and the market in which the related party operates.

Transactions with the Company's stockholders and related parties under common control of LTG consist mainly of the following activities:

	2017		2016		
Category	**Amount**	**Outstanding Balance**	Amount	Outstanding Receivable (Payable)	Terms and Conditions
Stockholder					
Philippine National Bank (PNB)					
Premiums (b)	**=6,484,454P**	**=9,004P**	P=974,979	P=1,263,134	(i)
Commissions (b)	**2,711,512**	**–**	–	–	(ii)

(Forward)

Category	2017 Amount	2017 Outstanding Balance	2016 Amount	2016 Outstanding Receivable (Payable)	Terms and Conditions
Other related parties					
Premiums (b)					
Himmel Industries, Inc (Himmel).	**P=30,641,501**	**P=14,388,791**	(P=53,116)	(P=34,757)	(i)
Tanduay Distillers	**8,691,222**	**8,595,348**	–	–	
Fortune Tobacco Corp.	**7,824,339**	**7,763,431**	166,540	213,059	
PNB Savings Bank	**5,751,646**	**5,249,418**	851	2,922	
Absolute Chemicals Inc.	**5,158,892**	**4,123,981**	–	–	
Century Park Hotel	**5,090,798**	**4,225,741**	–	–	
Asia Brewery Incorporated	**1,832,323**	**19,669,391**	6,315,637	70,784,868	
Eton Properties Phils. Inc.	**1,753,262**	**460,360**	–	–	
University of The East	**1,254,543**	**343,207**	–	–	
Foremost Farms Inc.	**1,123,941**	**146,407**	–	–	
Allied Leasing & Finance Corp.	**59,905**	**262,041**	1,052,271	1,333,265	
PNB General Insurers Company, Inc.	**–**	**3,529,062**	–	–	
Air Philippines	**–**	**–**	111,368	141,880	
Commission (b)					(ii)
Himmel=**P**	**2,711,512**	**–**	–	–	
Eton Properties Phils. Inc.	**1,783,852**	**–**	–	–	
PNB Savings Bank	**1,310,076**	**–**	–	–	
Tanduay Distillers	**1,233,892**	**–**	–	–	
PNB General Insurers Company, Inc.	**1,066,702**	**–**	–	–	
Asia Brewery Incorporated	**1,003,666**	**–**	–	–	
University of The East	**717,150**	**–**	–	–	
Absolute Chemicals Inc.	**612,520**	**–**	–	–	
Century Park Hotel	**611,157**	**–**	–	–	
Fortune Tobacco Corp.	**240,028**	**–**	–	–	
Foremost Farms Inc.	**215,051**	**–**	–	–	
Allied Leasing & Finance Corp.	**23,366**	**–**	–	–	
		P=68,766,182		P=73,704,371	

(i) Interest-bearing, unsecured, no impairment.
(ii) Non-interest bearing, due and demandable, unsecured.

a. The Company maintains savings, current accounts and cash equivalents with PNB or as follows:

	2017	2016
Savings account	**P=160,600,799**	=144,398,789P
Current account	**5,712,340**	35,765,547
Time deposit	**306,455,039**	370,009,352
	P=472,768,178	=550,173,688P

b. In the ordinary course of business, the Company accepts insurance business from related parties, normally through Himmel, the Company's general agent and a related party under common control. These transactions are based on terms similar to those offered to third parties.

c. The Company's key management personnel includes its executives, managers, supervisors and officers-in-charge. The summary of compensation of key management personnel is as follows:

	2017	2016
Salaries and other short term employee benefits	**P=28,605,857**	=22,750,010P
Post-employment benefits and others	**4,529,398**	–
	P=33,135,255	=22,750,010P

25. Lease Commitments

The Company's branches entered into noncancellable lease agreements with third parties for their office spaces. These leases are renewed annually upon agreement of both parties.

As of December 31, 2017 and 2016, future minimum rentals payable under noncancellable operating leases are as follows:

	2017	2016
Within one year	**P=549,960**	=548,810P
After one year but not more than five years	**765,682**	871,745
	P=1,315,642	=1,420,555P

Rent expense charged against operations amounted to P=431,247 and P=447,848 in 2017 and 2016, respectively (see Note 20).

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

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

	2017	2016
Net income under PFRS	**P=78,757,407**	P=58,070,537
Add (deduct):		
Deferred acquisition costs	**6,730,276**	(16,207,781)
Provision for unearned premiums - net	**18,026,251**	19,986,419
Deferred reinsurance commission - net	**(5,944,638)**	8,706,573
Provision for claims IBNR - net	**1,690,051**	8,982,182
Tax effects of PFRS adjustments	**(6,150,582)**	(6,440,218)
	P=93,108,765	=73,097,712P

27. Capital Management and Regulatory 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 affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Company maintains appropriate solvency position to meet liabilities arising from claims and that the risk levels are at acceptable levels.

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

Capital Management Framework

The Company maintains a certain level of capital to ensure sufficient solvency margins and to adequately protect the policyholders.

The Company reviews the capital requirements by monitoring the minimum statutory networth and the risk-based capital (RBC) which is regularly communicated to the major shareholders. With this procedure, shareholders are forewarned in anticipation of the IC requirements of additional capital infusion.

Shareholders are well updated with these externally imposed capital requirements since these are being discussed during the annual BOD meeting.

Minimum Statutory Networth

On August 5, 2013, the President of the Philippines approved RA No. 10607, known as the "New Insurance Code", which provides the new capitalization requirements for all existing insurance companies based on networth on a staggered basis starting June 30, 2013 up to December 31, 2022.

On January 13, 2015, the IC issued CL No. 2015-02-A, *Minimum Capitalization Requirements Under Sections 194, 197, 200 and 289 of Republic Act 10607 (The Amended Insurance Code)*, which provides for the clarification of minimum capital requirements under Sections 194, 197, 200 and 289 of the New Insurance Code. Under the said circular, nonlife insurance companies duly licensed by the IC must have a networth of at least P=250,000,000 by December 31, 2013. The minimum networth of the said companies shall increase to the following amounts:

Compliance Date	**Minimum Networth**
December 31, 2016	P=550,000,000
December 31, 2019	900,000,000
December 31, 2022	1,300,000,000

The said circular supersedes Department Order Nos. 27-06 and 15-2012 and CL Nos. 22-2008 and 26-2008.

As of December 31, 2017 and 2016, the Company's estimated statutory networth amounted to P=1,418,615,915 and =1,311,711,728,P respectively.

The final amount of networth can be determined only after the accounts of the Company have been examined by the IC. The minimum networth requirement must remain unimpaired for the continuance of the license.

RBC Requirements

For purposes of the December 31, 2017 and 2016 financial reporting, the Company determined its compliance with the RBC requirements based on the provisions of CL No. 2016-68, *Amended Risk-Based Capital (RBC2) Framework*, and IMC No. 7-2006, *Compliance to IC Requirements*, respectively. These circulars provide RBC frameworks for nonlife insurance companies in order to establish the required amounts of capital to be maintained in relation to investment and insurance risks. A non-life insurance company is required to maintain a minimum RBC ratio of 100% and not fail the trend test on a yearly basis. Failure to meet the minimum RBC ratio shall subject the insurance company to corresponding regulatory intervention which has been defined at various levels.

Pursuant to CL No. 2017-15, effective January 1, 2017, nonlife insurance companies are required to maintain the minimum RBC2 requirement as prescribed under CL No. 2016-68. Under the RBC2 framework, the RBC2 ratio shall be calculated as total available capital divided by the RBC2 requirement.

The following table shows the estimated RBC2 ratio as of December 31, 2017 as determined by the Company based on the RBC2 framework:

Total available capital	P=1,411,797,837
RBC2 requirement	311,450,916
RBC2 ratio	453%

The total available capital shall be the aggregate of Tier 1 and Tier 2 capital minus deductions, subject to applicable limits and determinations. Tier 1 capital represents capital that is fully available to cover losses of the insurer at all times on a going-concern and winding up basis. This capital is considered to be the highest quality capital available to the insurer. Tier 2 capital does not have the same high quality characteristics of Tier 1 capital, but can provide an additional buffer to the insurer. Tier 2 capital shall not exceed 50% of Tier 1 capital. The RBC2 requirement shall be the capital that is required to be held in order to cover the risks an insurance company is exposed to and shall be computed using the formula as prescribed under CL No. 2016-68.

Pursuant to IMC No. 7-2006, the RBC ratio under the old framework shall be calculated as networth divided by the RBC requirement.

The following table shows the estimated RBC ratio as of December 31, 2016 as determined by the Company based on the old RBC framework:

Networth	P=1,311,711,728
RBC requirement	237,924,787
RBC ratio	551%

Networth shall include paid-up capital, contributed and contingency surplus and unassigned surplus. Revaluation and fluctuation reserve accounts shall form part of networth only to the extent authorized by the IC. The RBC requirement shall be computed using the formula prescribed under IMC No. 7-2006.

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

If the Company failed to meet the minimum required statutory networth and RBC requirements, the IC is authorized to suspend or revoke all certificates of authority granted to the Company, its officers and agents, and no new business shall be borne by and for the Company until its authority is restored by the IC.

Financial Reporting Framework

CL No. 2016-65 prescribes the new financial reporting framework (FRF) that is used for the statutory quarterly and annual reporting effective January 1, 2017. This includes rules and regulations concerning Titles III and IV of Chapter III of the New Insurance Code and all other accounts not discussed in the New Insurance Code but are used in accounting of insurance and reinsurance companies.

The new FRF includes the economic valuation of assets and liabilities based on internationally accepted accounting, actuarial and insurance core principles which requires quarterly and annual reporting of networth to the IC.

28. Maturity Analysis of Assets and Liabilities

The tables below show the Company's assets and liabilities analyzed according to when they are expected to be recovered, settled or reversed.

	2017		
	Less than 12 months	**Over 12 months**	**Total**
Assets			
Cash and cash equivalents	**=483,194,558P**	**P=–**	**=483,194,558P**
Insurance receivables - net	**457,955,031**	**–**	**457,955,031**
Financial assets	**–**		
AFS financial assets	**–**	**701,454,646**	**701,454,646**
Financial assets at FVPL	**238,708,909**	**–**	**238,708,909**
Loans and receivables	**40,812,744**	**159,000,000**	**199,812,744**
Accrued income	**7,575,006**	**–**	**7,575,006**
Reinsurance assets	**288,307,014**	**–**	**288,307,014**
Deferred acquisition costs	**22,686,781**	**–**	**22,686,781**
Property and equipment - net	**–**	**21,711,457**	**21,711,457**
Deferred income tax assets - net	**–**	**14,835,466**	**14,835,466**
Other assets	**–**	**58,094,674**	**58,094,674**
Total Assets	**=1,539,240,043P**	**P=955,096,243**	**P=2,494,336,286**
Liabilities			
Insurance contract liabilities	**=455,513,503P**	**P=–**	**P=455,513,503**
Accounts payable and accrued expenses	**243,002,408**	**–**	**243,002,408**
Insurance payables	**228,552,543**	**–**	**228,552,543**
Net pension liability	**–**	**7,496,826**	**7,496,826**
Dividend payable	**64,687,298**	**–**	**64,687,298**
Deferred reinsurance commissions	**11,592,286**	**–**	**11,592,286**
Total Liabilities	**=1,003,348,038P**	**P=7,496,826**	**P=1,010,844,864**

	2016		
	Less than 12 months	Over 12 months	Total
Assets			
Cash and cash equivalents	=558,160,810P	=P–	P=558,160,810
Insurance receivables - net	282,288,484	–	282,288,484
Financial assets			
AFS financial assets	59,983,933	597,868,891	657,852,824
Financial assets at FVPL	225,345,298	–	225,345,298
Loans and receivables	43,550,403	109,000,000	152,550,403
Accrued income	6,174,309	–	6,174,309
Reinsurance assets	423,916,749	–	423,916,749
Deferred acquisition costs	29,417,057	–	29,417,057
Property and equipment - net	–	25,322,579	25,322,579
Deferred income tax assets - net	–	15,683,070	15,683,070
Other assets	–	71,743,251	71,743,251
Total Assets	P=1,628,837,043	P=819,617,791	=2,448,454,834P

(Forward)

	2016		
	Less than 12 months	Over 12 months	Total
Liabilities			
Insurance contract liabilities	=568,281,535P	=P–	P=568,281,535
Accounts payable and accrued expenses	204,199,563	–	204,199,563
Insurance payables	188,134,771	–	188,134,771
Net pension liability	–	13,538,974	13,538,974
Dividend payable	125,000,000	–	125,000,000
Deferred reinsurance commissions	17,536,924	–	17,536,924
Total Liabilities	=1,103,152,793P	=13,538,974P	=1,116,691,767P

29. Supplementary Tax Information under Revenue Regulations No. 15-2010

In compliance with the requirements set forth by Revenue Regulations No 15-2010 issued by the Philippine Bureau of Internal Revenue (BIR) hereunder are the information on taxes and licenses fees paid or accrued during the taxable year 2017.

VAT

The Company is a VAT-registered entity with VAT output tax declarations for premiums, commissions and other miscellaneous collections as follows:

	Amount	Output VAT
Vatable sales	=295,145,580P	P=39,286,114

"VAT zero-rated sales" pertains to gross receipts/collections on premiums from contracts issued to PEZA entities of which are entitled to VAT zero-rating under Section 108(B)(7) of the 1997 Tax Code. On the other hand, "Vatable sales" pertains to gross receipts/collections from issuance of policy from other sources.

The Company has no output VAT from sale of goods and leasing income. There are no exempt sales and zero-rated sales during the year.

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

Balance at January 1	=3,402,252P
Current year's domestic purchases/payments for:	
Services lodged under other accounts	13,005,102
	16,407,354
Input VAT applied to output VAT	(15,980,768)
Balance at December 31	P=426,586

Other Taxes and License Fees

This includes all other taxes, local and national, including real estate taxes, licenses and permit fees. Details consist of the following:

Local	
Local government tax	P=681,708
Clearance and certificate fees	421,546
Business permit	235,337
Community tax	10,500
	1,349,091
National	
Assessment	2,658,323
Capital gains tax	1,636,510
Filing annual statement	40,400
VAT registration	3,000
	4,338,233
	P=5,687,324

Documentary Stamp Tax (DST)

The DST paid for the current year amounted to =55,747,111P which is based on premiums written during the year amounting to P=504,124,784.

The Company has taxes relating to nonlife insurance policies that has been passed on to the policyholders and are not recognized in the statement of income. Details of these taxes in 2017 follow:

Fire service tax	P=2,489,399
Premium tax	2,252,839
	P=4,742,238

Withholding Taxes

The amount of withholding taxes paid and accrued for the year amounted to:

Withholding taxes on compensation and benefits	P=7,562,576
Final withholding tax	7,250,102
Expanded withholding taxes	8,072,816
	P=22,885,494

Tax Assessments and Cases

The Company has no final assessment notice and/or formal letter of demand from the BIR. In addition, the Company has no on-going pending tax case outside the administration of the BIR.

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ALLIEDBANKERS INSURANCE CORPORATION

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