FOR BIR

EMPIRE INSURANCE COMPANY

AUDITED FINANCIAL STATEMENTS
December 31, 2019 and 2018
with Report of Independent Auditors

EMPIRE INSURANCE CO.

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

June 12, 2020

The Commissioner
Bureau of Internal Revenue
Quezon City

The Management of **Empire Insurance Company** is responsible for all information and representations contained in the Annual Income Tax Returns for the year ended December 31, 2019. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and / or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regards, the Management affirms that the attached audited financial statements for the year ended December 31, 2019 and the accompanying Annual Income Tax Returns are in accordance with the books and records of **Empire Insurance Company** complete and correct in all material respects. Management likewise affirms that:

a) the Annual Income Tax Returns has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;

c) the **Empire Insurance Company** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

AUGUSTO BENEDICTO L. SANTOS	**JOSE MA. G. SANTOS**	**ROMAN L. SANTOS**
Chairman of the Board	President	Treasurer

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date JUL 10 2020 TSIS
MELINA PRISCA S. RANRO

HEAD OFFICE: 2nd Floor, B&P Building, 843 A. Arnaiz Ave., Legaspi Village, 1229 Makati City, Philippines • Tel. Nos.: (02) 815-9561 to 65, (02) 815-9656 to 62 • Fax No. (02) 815-2599

MAM & Co.

M. A. MERCADO & Co.
Certified Public Accountants
2109 Cityland 10 Tower 1
156 H.V. Dela Costa Street
6815 Ayala Avenue North
1226 Makati City, Philippines

Phone: +63 (2) 894-5783
+63 (2) 893-1509
Fax: +63 (2) 894-4793
E-mail: mercado_cpa@yahoo.com
Website: mamercado.com

INDEPENDENT AUDITOR'S REPORT

The Shareholders and the Board of Directors
Empire Insurance Company
2nd Floor B & P Bldg.
843 A. Arnaiz Street Avenue, Legaspi Village
Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Empire Insurance Company** (the Company), which comprise the statements of financial position as at December 31, 2019 and 2018, and the related statements of profit or loss and other 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 **Empire Insurance Company**, as at December 31, 2019 and 2018, 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 *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.

MAM & Co.
Assurance • Tax Advisory • Business Process

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

MAM & Co.
Assurance • Tax Advisory • Business Process

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 33 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 supplementary information is the responsibility of the management of Empire Insurance Company and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

M.A. MERCADO & CO.

MARCELINO A. MERCADO
Partner
CPA License No. 066885
Tax Identification No. 102-921-222
P.T.R. No. 8130634; Issued on January 10, 2020, Makati City
SEC Accreditation No. 1533-A (Group C)
Issued January 15, 2019; Valid until January 14, 2022
BIR Accreditation No. 08-003338-002-2018
Issued November 23, 2018; Valid until November 23, 2021
IC Accreditation No. SP-2018-014-R
Issued April 07, 2018; Valid until April 06, 2021
Firm's BOA/PRC Cert. of Reg. No. 5658
Issued September 18, 2017; Valid until September 17, 2020
Firm's SEC Accreditation No. 0320-F
Issued January 15, 2019; Valid until January 14, 2022
Firm's BIR Accreditation No. 08-006173-000-2015
Issued March 22, 2018; Valid until March 22, 2021
Firm's IC Accreditation No. F-2018-006-R
Issued April 07, 2018; Valid until April 06, 2021

June 12, 2020

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date JUL 10 2020 TSIS
MELINA PRISCA S. RANJO

EMPIRE INSURANCE COMPANY

STATEMENTS OF FINANCIAL POSITION

	Notes		December 31 2019		2018
ASSETS					
Current assets					
Cash and cash equivalents	2,26,31	₱	**240,210,006**	₱	189,407,876
Premiums due from ceding companies	3,26,31,32		**14,528,845**		19,448,597
Reinsurance recoverable on losses	3,26,31,32		**951,202,034**		57,098,180
Premiums receivable	3,26,31,32		**57,962,147**		57,604,986
Commission receivable	3,26,31,32		**4,492,272**		5,356,836
Premiums reserve withheld by ceding companies	3,26,31,32		**8,331,891**		7,628,197
Salvage recoverable	3,26,31,32		**1,459,094**		640,483
Receivables	3,26,31,32		**533,530**		695,211
Current tax assets	31		**3,521,227**		1,727,698
Other current assets	4,26,31		**22,310,812**		21,703,165
			1,304,551,858		361,311,229
Non current assets					
Held-to-maturity financial assets	5,26,31		**356,656,100**		343,034,840
Available-for-sale financial assets	6,26,31		**245,873,041**		261,788,969
Property and equipment	7,31,32		**26,078,258**		23,726,830
Pension asset	16,31,32		-		843,119
Other non-current assets	8,31		**8,621,284**		10,448,863
Deferred tax asset, net	24,31,32		-		1,301,236
			637,228,683		641,143,857
		₱	**1,941,780,541**	₱	1,002,455,086
LIABILITIES AND EQUITY					
Liabilities					
Current liabilities					
Claims payable	9,25,30	₱	**977,156,101**	₱	81,719,874
Premiums due to reinsurers	10,25,30		**30,245,123**		31,407,749
Commission payable	11,25,30		**33,944,050**		41,037,913
Reserve for unearned premiums	12,25,30		**125,588,273**		114,145,023
Premiums reserve withheld for reinsurers	13,25,30		**2,577,220**		2,577,220
Payables	14,25,30		**2,283,778**		4,885,878
Other liabilities	15,25,30		**62,263,059**		37,826,867
Pension liability	16,31,32		**173,918**		-
			1,234,231,522		313,600,524
Non-current liability					
Deferred tax liability, net	23,30,31		**940,159**		-
Equity					
Share capital	18,26,31		**450,000,000**		450,000,000
Retained earnings	19		**241,504,053**		206,680,930
Unrealized gain on available-for-sale financial assets	6,26,31		**700,121**		16,536,469
Revaluation reserve on real estate	7		**14,494,899**		14,494,899
Treasury stocks	18,31		**(76,886)**		(76,886)
Remeasurement gain	16,31		**(13,327)**		1,219,150
			706,608,860		688,854,562
		₱	**1,941,780,541**	₱	1,002,455,086

See Accompanying Notes to Financial Statements.

EMPIRE INSURANCE COMPANY

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Years Ended December 31 2019	2018
Underwriting income	21,31,32	**₱ 253,311,779**	₱ 201,314,425
Underwriting expense	21,31,32	**139,259,944**	126,970,823
Net underwriting income		**114,051,835**	74,343,602
Other income			
Investment	2,22,31	**20,962,206**	16,798,610
Gain on sale of investment	31	**-**	9,181,972
Gain on sale of property	31	**299,999**	-
Others	31	**25,286**	30,261
		21,287,491	26,010,843
Total underwriting and other income		**135,339,326**	100,354,448
Other direct costs	23,31	**22,714,912**	20,938,615
General and administrative expenses	23,31	**61,048,898**	49,374,492
Operating profit before finance income		**51,575,516**	30,041,341
Finance income, net			
Foreign exchange gain	26,31,32	**1,459,475**	2,609,318
Dividend income	31	**11,740,271**	13,090,299
		13,199,746	15,699,617
Profit before bonus		**64,775,262**	45,740,958
Bonus	31	**(9,497,859)**	(6,470,527)
Profit before income tax		**55,277,403**	39,270,431
Provision for income tax	24,31	**5,989,683**	295,887
Net profit for the year		**49,287,720**	38,974,544
Other comprehensive income			
Item to be reclassified to profit or loss			
Net loss on available-for-sale financial assets	6,26,31	**(15,915,928)**	(49,198,866)
Tax effect		**79,580**	5,925,047
		(15,836,348)	(43,273,819)
Other comprehensive income			
Items not to be reclassified to profit or loss			
Defined benefit cost recognized in OCI	7		
Remeasurement loss	16,31,32	**(1,760,681)**	(784,558)
Tax effect	24,31,32	**528,204**	235,367
		(1,232,477)	(549,191)
Total comprehensive income (loss) for the year		**₱ 32,218,895**	₱ (4,848,466)
Basic and diluted		**₱ 19.72**	₱ 15.59
Book value per share	25,31	**₱ 202.64**	₱ 195.54

EMPIRE INSURANCE COMPANY

STATEMENTS OF CHANGES IN EQUITY

Year Ended December 31, 2019	Share capital (Note 18)	Retained earnings (Note 19)	Net unrealized gain on AFS financial assets (Notes 6,26,31)	Treasury stocks (Note 18)	Remeasurement gain (loss) (Notes 16,31)	Revaluation reserve on real estate (Note 7)	Total
Balances at January 1, 2019	₱ 450,000,000	₱ 206,680,930	₱ 16,536,469	₱ (76,886)	₱ 1,219,150	₱ 14,494,899	₱ 688,854,562
Prior year adjustment	-	(2,464,597)	-	-	-	-	(2,464,597)
Balance at January 1, 2019 as restated	450,000,000	204,216,333	16,536,469	(76,886)	1,219,150	14,494,899	686,389,965
Dividends paid	-	(12,000,000)	-	-	-	-	(12,000,000)
Net profit for the year	-	49,287,720	-	-	-	-	49,287,720
Other comprehensive loss	-	-	(15,836,348)	-	(1,232,477)	-	(17,068,825)
Total comprehensive income for the year	-	49,287,720	(15,836,348)	-	(1,232,477)	-	32,218,895
Balances at December 31, 2019	₱ 450,000,000	₱ 241,504,053	₱ 700,121	₱ (76,886)	₱ (13,327)	₱ 14,494,899	₱ 706,608,860

Year Ended December 31, 2018	Share capital (Note 18)	Retained earnings (Note 19)	Net unrealized gain on AFS financial assets (Notes 6,26,31)	Treasury stocks (Note 18)	Remeasurement gain (Notes 16,31)	Revaluation reserve on real estate (Note 7)	Total
Balances at January 1, 2018	₱ 450,000,000	₱ 179,298,340	₱ 59,810,288	₱ (76,886)	₱ 2,065,988	₱ 14,494,899	₱ 705,592,629
Prior year adjustment	-	408,046	-	-	(297,647)	-	110,399
Balance at January 1, 2018 as restated	450,000,000	179,706,386	59,810,288	(76,886)	1,768,341	14,494,899	705,703,028
Additional share capital	-						-
Dividends paid		(12,000,000)					(12,000,000)
Net profit for the year	-	38,974,544	-	-	-	-	38,974,544
Other comprehensive loss	-	-	(43,273,819)	-	(549,191)		(43,823,010)
Total comprehensive income for the year	-	38,974,544	(43,273,819)	-	(549,191)	-	(4,848,466)
Balances at December 31, 2018	₱ 450,000,000	₱ 206,680,930	₱ 16,536,469	₱ (76,886)	₱ 1,219,150	₱ 14,494,899	₱ 688,854,562

See Accompanying Notes to Financial Statements.

EMPIRE INSURANCE COMPANY

STATEMENTS OF CASH FLOWS

	Notes		Years Ended December 31 2019		2018
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before income tax		₱	**55,277,403**	₱	39,270,431
Adjustments for:					
Prior period adjustment	19		**(2,464,597)**		408,046
Depreciation and amortization	7,31,32		**1,442,751**		966,429
Retirement expense	16,31,32		**815,835**		636,101
Provision for impairment loss			**656,340**		-
Unrealized foreign exchange gain	26,31,32		**(1,459,475)**		(2,604,109)
Gain of investment	31		**-**		(9,181,975)
Gain of on sale of property	31		**(299,999)**		-
Interest income	2,22,31		**(20,962,206)**		(16,798,610)
Dividend income	31		**(11,740,271)**		(13,090,299)
Foreign exchange gain	26,31,32		**(3,272)**		(5,209)
Operating income (loss) before working capital changes			**21,262,510**		(399,195)
Changes in assets and liabilities:					
(Increase) Decrease in:					
Premiums due from ceding companies	3,26,31,32		**4,919,752**		(4,831,947)
Reinsurance recoverable on losses	3,26,31,32		**(894,103,854)**		15,777,358
Premiums receivable	3,26,31,32		**(357,161)**		(11,581,275)
Commission receivable	3,26,31,32		**864,564**		1,500,393
Premiums reserve withheld by ceding companies	3,26,31,32		**(703,694)**		2,654,465
Salvage recoverable	3,26,31,32		**(818,611)**		-
Receivables	3,26,31,32		**161,681**		142,286
Current tax assets			**(1,237,703)**		144,403
Other current assets	4,26,31		**(3,578,305)**		(995,205)
Other non-current assets	8,31		**1,827,579**		(1,159,722)
Increase (Decrease) in:					
Claims payable	9,25,30		**895,436,227**		8,115,037
Premiums due to reinsurers	10,25,30		**(1,162,626)**		(8,013,172)
Commission payable	11,25,30		**(7,093,863)**		859,804
Reserve for unearned premiums	12,25,30		**11,443,250**		33,850,919
Payables	14,25,30		**(2,602,100)**		(5,628,558)
Other liabilitites	15,25,30		**24,436,192**		9,711,688
Cash provided by operations			**48,693,837**		40,147,279
Contributions paid	16,31,32		**(1,559,479)**		-
Interest received	2,22,31		**5,870,802**		1,847,521
Net cash provided by operating activities			**53,005,160**		41,994,800
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	22,31		**15,091,404**		14,951,089
Dividends received	31		**11,740,271**		13,090,299
Purchase of available-for-sale financial assets	6,26,31		**-**		(78,993,029)
Proceeds from sale of available-for-sale financial assets	6,26,31		**-**		71,268,339
Purchase of held-to-maturity financial assets	5,26,31		**(25,000,000)**		(115,520,000)
Proceeds from disposal of held-to-maturity financial asse	5,26,31		**10,000,000**		-
Acquisition of property and equipment	7,31,32		**(3,794,179)**		(1,419,544)
Proceeds from disposal of property and equipment	7,31,32		**299,999**		-
Net cash provided by (used in) investing activities			**8,337,495**		(96,622,846)
Balance carried forward		₱	**61,342,655**	₱	(54,628,046)

EMPIRE INSURANCE COMPANY

STATEMENTS OF CASH FLOWS

	Notes	Years Ended December 31 2019	2018
NET CASH PROVIDED BY OPERATING ACTIVITIES		**₱ 53,005,160**	₱ 41,994,800
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		**8,337,495**	(96,622,846)
CASH FLOW FROM FINANCING ACTIVITY			
Dividends paid		**(12,000,000)**	(12,000,000)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	26,31,32	**1,459,475**	2,604,109
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,26,31	**50,802,130**	(64,023,937)
CASH AND CASH EQUIVALENTS, JANUARY 1		**189,407,876**	253,431,813
CASH AND CASH EQUIVALENTS, DECEMBER 3	2,26,31	**₱ 240,210,006**	₱ 189,407,876

See Accompanying Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date JUL 10 2020 TSIS
MELINA PRISCA S. RANJO

EMPIRE INSURANCE COMPANY
NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Empire Insurance Company (the Company) was incorporated on December 8, 1949 to engage in the business and operation of all kinds of insurance, reinsurance, insurance on buildings, automobiles, car and other motor vehicles, goods and merchandise, goods in transit, goods in storage, fire insurance, earthquake insurance, insurance against accidents, all other forms of undertaking to indemnify any person against loss, damage or liability arising from unknown or contingent events, except life insurance.

On May 26, 1999, the Securities and Exchange Commission approved the Company's application of extension of amended Articles of Incorporation to extend its life for another Fifty (50) years.

The registered office address of the Company is 2nd Floor B & P Building, 843 A. Arnaiz Avenue, Legaspi Village, Makati City.

The financial statements of the Company were authorized for issue on June 12, 2020.

2. CASH AND CASH EQUIVALENTS

This account consists of:

		2019		2018
Cash in banks	₱	**54,747,707**	₱	35,513,207
Short-term financial assets		**185,169,299**		153,656,669
Cash on hand		**293,000**		238,000
	₱	**240,210,006**	₱	189,407,876

Cash in banks earn interest at floating rates based on daily bank deposit rates. Short-term financial assets have varying periods between one day and three months depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates. Interest income for the December 31, 2019 and 2018 amounted to ₱5,870,802 and ₱1,847,521, respectively. *(See Note 22)*

3. REINSURANCE

The Company utilizes reinsurance agreements to minimize its exposure to large losses in all aspects of its insurance business. Reinsurance permits recovery of a portion of losses from reinsurers, although, it does not discharge the primary liability of the Company as direct insurer of the risk reinsured.

Premiums Due From Ceding Companies
This account represents balances due to the Company as a result of treaty and facultative acceptances from ceding companies. The Company's premiums due from ceding companies amount to ₱14,528,845 and ₱19,448,597 for the years 2019 and 2018, respectively.

Reinsurance Recoverable on Losses
This account represents the amount recoverable from reinsurers under treaty and facultative agreements as their share in paid and unpaid losses and loss adjustment expenses net of salvage recoveries. The Company's reinsurance recoverable on losses amounts to ₱951,202,034 and ₱57,098,180 for the years 2019 and 2018, respectively.

Premiums Receivable
This represents uncollected premiums on direct business including those by general agents and insurance brokers including taxes and other charges, provided these are properly segregated and the corresponding liabilities are set up. The Company's premiums receivable amounts to ₱57,962,147 and ₱57,604,986 for the years 2019 and 2018, respectively.

Commission Receivable
This account represents uncollected commissions on treaty and facultative agreements. The Company's commissions receivable amounts to ₱4,492,272 and ₱5,356,836 for the years 2019 and 2018, respectively.

Premiums Reserve Withheld By Ceding Companies
This account pertains to a certain percentage of the total reinsurance premiums due within one year from date of retention being held by ceding companies. The Company's premium reserve withheld by ceding companies amounts to ₱8,331,891 and ₱7,628,197 for the years 2019 and 2018, respectively.

Salvage Recoverable
This account represents the estimated recoveries the Company may have from losses on policies issued. The Company's salvage recoverable amounted to ₱1,459,094 and ₱640,483 for the years 2019 and 2018, respectively.

Receivables
This represents receivable from non-insurance transactions. The Company's receivable amounts to ₱533,530 and ₱695,211 for the years 2019 and 2018, respectively.

4. OTHER CURRENT ASSETS

This account consists of:

		2019		2018
Prepaid investment expenses	₱	**8,653,932**	₱	9,445,162
Documentary stamps tax receivable		**6,354,260**		6,337,275
Accrued investment income		**5,992,618**		3,807,160
Notes receivable		**1,288,107**		1,484,609
Prepaid expenses		**224,474**		224,474
Fire service tax receivable		**453,761**		404,485
		22,967,152		21,703,165
Less: Allowance for impairment loss		**656,340**		-
	₱	**22,310,812**	₱	21,703,165

5. HELD-TO-MATURITY FINANCIAL ASSETS

This account consists of:

		2019		2018
Treasury bonds	₱	**157,887,000**	₱	185,147,840
Treasury bills		**165,350,000**		102,784,000
Treasury notes		**33,419,100**		55,103,000
	₱	**356,656,100**	₱	343,034,840

Held-to-maturity financial assets of the Company carry effective interest rates as follows:

	2019	2018
Less than one year	**-**	-
More than year	**3.625 - 8.125**	3.625 - 8.125

The movement in held-to-maturity financial assets is summarized as follows:

		2019		2018
At January 1	₱	**343,034,840**	₱	226,317,000
Additions		**25,000,000**		115,520,000
Maturities		**(10,000,000)**		-
Unrealized foreign exchange		**(1,378,740)**		1,197,840
At December 31	₱	**356,656,100**	₱	343,034,840

At each reporting date, the Company performs evaluations of the impairment of held-to-maturity financial assets. The Management determines whether it intends to sell or if it is more likely than not that it will be required to sell impaired financial assets. The Management considers current and forecasted liquidity requirement, regulatory and capital requirements and securities portfolio management. For all impaired HTM financial assets for which there was no intent or expected requirement to sell, the evaluation considers all available evidence to assess whether it is likely the amortized cost value will be recovered.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale investments which consist of listed/unlisted equity shares are measured at *fair market value* and *at cost* respectively are as follows:

a) Available-for-sale-investments which consist of listed equity shares which are measured at fair market value are as follows:

2019	No. of Shares		Investment at Market Value		Investment at Cost		Unrealized gain (loss)		Deferred taxes
Equity shares									
Ayala Corporation- Preferred B	80,000	₱	39,920,000	₱	40,000,000	₱	(80,000)	₱	(400)
Globe Preferred Shares	40,000		20,000,000		20,000,000		-		-
National Reinsurance Corporation	7,100		5,893		12,141		(6,248)		(31)
Philippine Long Distance and Telecommunication Company	114		112,632		-		112,632		563
PLDT Series Preferred	6,670		71,369		66,700		4,669		23
Bank of the Philippine Islands	913,516		80,298,056		29,976,788		50,321,268		251,606
Semirara Mining	1,200,600		26,413,200		49,447,890		(23,034,690)		(115,173)
San Miguel Purefoods Preferred	266,700		20,055,840		20,002,500		53,340		267
Pilipinas Shell Petroleum	871,420		28,582,576		51,623,695		(23,041,119)		(115,206)
Metro Pacific Investment Corp	1,223,200		4,256,736		7,258,216		(3,001,480)		(15,007)
GMA 7	1,758,300		9,371,739		9,966,472		(594,733)		(2,974)
Delisted shares									
Nuclear Insurance Pool Inc.	100		-		20,000		(20,000)		(100)
Philippine Machinery Management Service Corp.	20		-		10,000		(10,000)		(50)
		₱	229,088,041	₱	228,384,402	₱	703,639	₱	3,518

2018	No. of Shares	Investment at Market Value	Investment at Cost	Unrealized gain (loss)	Deferred taxes
Equity shares					
Ayala Corporation- Preferred B	80,000	₱ 35,600,000	₱ 40,000,000	₱ (4,400,000)	₱ (22,000)
Globe Preferred Shares	40,000	19,200,000	20,000,000	(800,000)	(4,000)
National Reinsurance Corporation	7,100	6,461	12,141	(5,680)	(28)
Philippine Long Distance and Telecommunication Company	114	128,250	-	128,250	641
PLDT Series Preferred	6,670	71,369	66,700	4,669	23
Bank of the Philippine Islands	913,516	85,870,504	29,976,788	55,893,716	279,469
Semirara Mining	1,200,600	27,673,830	49,447,890	(21,774,060)	(108,870)
San Miguel Purefoods Preferred	266,700	19,602,450	20,002,500	(400,050)	(2,000)
Pilipinas Shell Petroleum	871,420	41,610,305	51,623,695	(10,013,390)	(50,067)
Metro Pacific Investment Corp	1,223,200	5,675,648	7,258,216	(1,582,568)	(7,913)
GMA 7	1,758,300	9,565,152	9,966,472	(401,320)	(2,007)
Delisted shares					
Nuclear Insurance Pool Inc.	100	-	20,000	(20,000)	(100)
Philippine Machinery Management Service Corp.	20	-	10,000	(10,000)	(50)
		₱ 245,003,969	₱ 228,384,402	₱ 16,619,567	₱ 83,098

b) Available-for-sale-investments which consist of proprietary shares measured at cost.

	2019	2018
Proprietary shares		
Wack-wack Golf Club	₱ **15,000,000**	₱ 15,000,000
Sta. Elena Club	**1,750,000**	1,750,000
Makati Sports Club	**35,000**	35,000
	₱ **16,785,000**	₱ 16,785,000

The movement in this account is summarized as follows:

	2019	2018
At January 1	₱ **261,788,969**	₱ 294,081,170
Additions	**-**	78,993,029
Disposition	**-**	(62,086,364)
Fair value changes	**(15,915,928)**	(49,198,866)
	₱ **245,873,041**	₱ 261,788,969

In evaluating impairment of available-for-sale financial assets they consider a number of factors including, but not limited to, the length of time and extent to which the fair value has been less than cost, the financial condition and near term prospects of the issuer, and management's ability and intent to hold the securities until fair value recovers. Based on the results of the evaluation, as of December 31, 2019 and 2018 unrealized losses on some AFS are temporary.

7. PROPERTY AND EQUIPMENT

This account consists of property carried at revalued amount and equipments carried at cost which are as follows:

	2019	2018
At cost	₱ 5,371,259	₱ 3,019,831
At revalued amount	20,706,999	20,706,999
	₱ 26,078,258	₱ 23,726,830

Movements in the property and equipment carried at cost in 2019 follow:

	Building and Building Improvements	Furniture, Fixtures and Equipment	Transportation Equipment	Electronic Data Processing Machine	Leasehold and Improvements	Total
Cost						
Beginning balances	₱ 2,551,680	₱ 3,644,943	₱ 4,209,367	₱ 3,485,739	₱ 576,980	₱ 14,468,709
Additions	131,761	627,751	2,403,572	576,094	55,001	3,794,179
Disposal	-	-	(691,562)	-	-	(691,562)
Total	2,683,441	4,272,694	5,921,377	4,061,833	631,981	17,571,326
Accum. Depreciation						
Beginning balances	1,765,002	3,132,710	2,969,177	3,183,972	398,017	11,448,878
Depreciation and amortization	118,184	151,392	864,213	269,652	39,310	1,442,751
Disposal	-	-	(691,562)	-	-	(691,562)
Total	1,883,186	3,284,102	3,141,828	3,453,624	437,327	12,200,067
Net Book Value	₱ 800,255	₱ 988,592	₱ 2,779,549	₱ 608,209	₱ 194,654	₱ 5,371,259

Movements in the property and equipment carried at cost in 2018 follow:

	Building and Building Improvements	Furniture, Fixtures and Equipment	Transportation Equipment	Electronic Data Processing Machine	Leasehold and Improvements	Total
Cost						
Beginning balances	₱ 2,285,489	₱ 3,395,189	₱ 3,564,367	₱ 3,245,584	₱ 558,536	₱ 13,049,165
Additions	266,191	249,754	645,000	240,155	18,444	1,419,544
Total	2,551,680	3,644,943	4,209,367	3,485,739	576,980	14,468,709
Accum. Depreciation						
Beginning balances	1,674,033	2,986,750	2,540,110	2,883,539	398,017	10,482,449
Depreciation and amortization	90,969	145,960	429,067	300,433	-	966,429
Total	1,765,002	3,132,710	2,969,177	3,183,972	398,017	11,448,878
Net Book Value	₱ 786,678	₱ 512,233	₱ 1,240,190	₱ 301,767	₱ 178,963	₱ 3,019,831

Movements in the property carried at revalued amount follow:

	2019	2018
Cost	₱ 14,600,700	₱ 14,600,700
Accumulated depreciation	(14,600,700)	(14,600,700)
Net book value	-	-
Appraisal increase	20,706,999	20,706,999
Total	₱ 20,706,999	₱ 20,706,999

The condominium unit of the Company was appraised on September 24, 2016 by an independent firm of appraisers, Asian Appraisal Company, Inc. On August 17, 2016, the Insurance Commission approved the request of the Company to value its real estate property at fair market value based on the appraisal report and recognized by the Company as at December 31, 2016.

The value of the condominium unit was arrived using the Market Data Approach. In this approach, the value of the condominium unit was based on sales and listings of comparable property registered within the vicinity. The technique of this approach requires the adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator. This was done by establishing the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the subject property. Comparison was premised on the factors of time, unit area/size, unit location, unit improvements, building location, building features/amenities, bargaining allowance and others.

Significant increase (decrease) in estimated price per square meter would result in a significantly higher (lower) fair value of the condominium unit.

The Company determined that the condominium unit is valued in terms of their highest and best use which is categorized under Level 3 of the fair value hierarchy and it does not differ from its current use. The Company has determined that the highest and best use of the property used for office space is its current use.

There was no transfer between levels of fair value measurement in 2019.

The following are believed to provide reasonable bases for comparison:

	Zeta Building	Cancho Gonzales Building	Concorde Condominium	
Location	7/F Zeta Building, Salcedo Street, Legaspi Village, Barangay San Lorenzo, Makati City, Metropolitan Manila	Undisclosed location of Cacho Gonzales Building, Aguirre Street, Legaspi Village, Baragay San Lorenzo, Makati City, Metropolitan Manila	4/F Concorde Condominium, Benavidez corner Salcedo Streets, Legaspi Village, Barangay San Lorenzo, Makati City, Metropolitan Manila	5/F Concorde Condominium, Benavidez corner Salcedo Streets, Legaspi Village, Barangay San Lorenzo, Makati City, Metropolitan Manila
Floor area	101 square meter (sqm)	170 sqm	438 sqm	565 sqm
Unit price	₱ 7,000,000	₱ 11,000,000	₱ 17,710,000	₱ 22,925,000
Unit price per sqm	₱ 69,307	₱ 64,706	₱ 40,434	₱ 40,575
Adjustment factors				
Unit area	-10.00%	-10.00%	-	-
Unit location	-10.00%	-10.00%	-	-
Improvements	-10.00%	-	-	-
Building location	5.00%	5.00%	5.00%	5.00%
Building features	-15.00%	-10.00%	10.00%	10.00%
Bargaining allowance	-	-10.00%	-10.00%	-10.00%
Net adjustments	-40.00%	-35.00%	5.00%	5.00%
Peso adjustment to net price	₱ (27,723)	₱ (22,647)	₱ 2,022	₱ 2,029
Adjusted price	₱ 97,030	₱ 87,353	₱ 38,412	₱ 38,546
Average price per sqm *(rounded off)*				₱ 42,000

After analysis of the market data and considering the adjustment factors, the market value of the condominium unit appraised is estimated to be ₱20,706,999.

The difference between the fair market value of the condominium and its net book value as of December 31, 2019 was credited to Revaluation Reserve on Real Estate.

The Company assessed that there is no material change in value of the property and equipment from September 24, 2015 to December 31, 2019.

If the condominium unit was carried at cost less accumulated depreciation, the net book value of the condominium would be NIL.

The total cost of fully depreciated property and equipment which are still in use in the operations amounted to ₱7,880,205 and ₱7,434,194 as of December 31, 2019 and 2018, respectively.

8. OTHER NONCURRENT ASSETS

This account consists of:

		2019		2018
Verification fund	₱	**3,090,525**	₱	887,895
Taxes fund		**3,779,411**		3,706,443
Real estate acquired		**1,235,080**		1,235,080
Deposits		**462,609**		334,826
Security fund		**53,659**		53,659
Deferred charges-MCIT		**-**		4,230,960
	₱	**8,621,284**	₱	10,448,863

9. CLAIMS PAYABLES

This account comprises of the total amount of losses and claims due and payable to policyholders and other claimants. Also included in this account are losses and claims due and payable to reinsurers under treaty and facultative agreements.

The Company's claims payable amounts to ₱977,156,101 and ₱81,719,874 for the years 2019 and 2018, respectively.

		Claims payable and unearned premiums		Reinsurers' share of liabilities		Net 2019		Claims payable and unearned premiums		Reinsurers' share of liabilities		Net 2018
Claims payable reported and loss adjustment expenses	₱	977,156,101	₱	951,202,034	₱	25,954,067	₱	81,719,874	₱	35,250,108	₱	46,469,766

10. PREMIUM DUE TO REINSURERS

This represents all the reinsurance premium payable by the Company to all its treaty and facultative reinsurers.

The Company's premium due to reinsurers amounts to ₱30,245,123 and ₱31,407,749 for the years 2019 and 2018, respectively.

11. COMMISSION PAYABLE

Commission payable pertains to amount payable to agents, brokers and general agents for business underwritten by them or to ceding companies upon business accepted from them.

The Company's commission payable amounts to ₱33,944,050 and ₱41,037,913 for the years 2019 and 2018, respectively.

12. RESERVE FOR UNEARNED PREMIUMS

The Company adopts the 24th method of recognizing premiums revenue and accounting for the portion of premiums written relating to the unexpired periods of the policies and unearned premiums.

A comparison of reserve for unearned premiums computed using this method and the statutory rate follows:

		2019		2018
Reserve using 24th method	₱	**125,588,273**	₱	114,145,023
Reserve using statutory rate 40%		**100,935,206**		89,011,615
	₱	**24,653,067**	₱	25,133,408

		2019				
		Provision for unearned premiums		Reinsurers' share of liabilities		Net
At January 1	₱	124,664,802	₱	10,519,779	₱	114,145,023
New policies written		133,063,251		7,474,978		125,588,273
Premiums earned		(124,664,802)		(10,519,779)		(114,145,023)
At December 31	₱	133,063,251	₱	7,474,978	₱	125,588,273

13. PREMIUM RESERVE WITHHELD FOR REINSURERS

Included in this amount is the portion of the reinsurance premiums ceded to insurers, which was withheld by the Company in accordance with treaty agreement and / or laws, rules and regulations.

The Company's premiums reserve withheld for reinsurers amounts to ₱2,577,220 for both years 2019 and 2018.

14. PAYABLES

Obligations of the Company arising from non-insurance and non-reinsurance transactions are lodged in this account.

The Company's payables pertain to dividends and cash collateral amounts to ₱2,283,778 and ₱4,885,878 for the years 2019 and 2018, respectively.

15. OTHER LIABILITIES

This account consists of:

		2019		2018
Credits to client	₱	**31,847,020**	₱	16,245,040
Bonus payable		**9,497,859**		6,470,527
Accrued expenses		**6,730,069**		2,381,786
Taxes payable		**5,570,707**		4,588,244
Unearned bond discount		**4,468,038**		4,725,919
Service fees payable		**1,862,737**		2,142,899
Deposits		**1,351,421**		983,430
Documentary stamps tax payable		**366,074**		-
Dividends payable		**294,702**		25,169
SSS, Pag-ibig and Philhealth payables		**264,385**		255,497
Verification fees payable		**1,691**		-
Others		**8,356**		8,356
	₱	**62,263,059**	₱	37,826,867

16. RETIREMENT BENEFIT OBLIGATION

The Company has a retirement plan covering all its qualified employees. The plan is non-contributory and the retirement cost is determined by applying the Accrued Benefit Actuarial Cost Method taking into account the factors of investment, mortality, disability and salary projection rate. The fund is administered by a duly appointed fund trustee.

The above mentioned retirements plan falls under the defined benefit plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Movement in the present value of defined benefit obligation is summarized as follows:

		2019		2018
Present value of obligation, January 1	₱	**10,672,698**	₱	9,567,568
Current service cost		**816,992**		744,793
Interest cost		**800,452**		511,865
Benefits paid from plan assets		**(3,214,882)**		(464,263)
Actuarial (gain) loss - changes in financial assumptions		**841,926**		(826,388)
Actuarial (gain) loss - experience		**962,112**		1,139,123
Present value of obligation, December 31	₱	**10,879,298**	₱	10,672,698

The movement in pension assets is summarized as follows:

		2019		2018
Fair value of pension assets, January 1	₱	**11,585,752**	₱	12,309,449
Interest income		**806,854**		646,136
Contributions		**1,559,479**		-
Benefits paid from plan assets		**(3,214,882)**		(464,263)
Remeasurement gain (loss) - return on plan assets		**(31,823)**		(905,570)
Fair value of pension assets, December 31	₱	**10,705,380**	₱	11,585,752

Asset recognized in the statements of financial position is as follows:

		2019		2018
Present value of obligation	₱	10,879,298	₱	10,672,698
Fair value of pension assets		(10,705,380)		(11,585,752)
Unfunded obligation		173,918		(913,054)
Asset ceiling		-		69,935
Retirement benefit obligation (asset)	₱	173,918	₱	(843,119)

Expenses recognized in the statements of profit or loss:

		2019		2018
Current service cost	₱	816,992	₱	744,793
Net interest cost		(1,157)		(108,692)
Retirement expense	₱	815,835	₱	636,101

Expenses recognized in the statements of other comprehensive income are as follow:

		2019		2018
Actuarial gain (loss) on obligation	₱	1,804,038	₱	312,735
Remeasurement gain/(loss)- plan asset		31,823		905,570
Remeasurement gain/(loss) - changes in the effect of asset ceiling		(75,180)		(433,747)
Actuarial gain recognized during the year	₱	1,760,681	₱	784,558

The cumulative amount of actuarial gains and (losses) charged to re-measurement gains are as follow:

		2019		2018
Remeasurement gain, beginning	₱	1,741,644	₱	2,951,411
Adjustments		-		(425,209)
Actuarial gain (loss) recognized during the year		(1,760,681)		(784,558)
Remeasurement gain (loss), ending*	₱	(19,037)	₱	1,741,644

*The amounts shown in the statements of changes in equity were net of income tax effect on actuarial loss. Total accumulated actuarial losses on employees' benefit obligation amounted to (₱13,327) and ₱1,219,150 in 2019 and 2018, respectively.

Movement in net asset is summarized below:

		2019		2018
Beginning net asset	₱	(843,119)	₱	(2,263,778)
Expense recognized, profit or loss		815,835		636,101
Remeasurement loss		1,760,681		784,558
Contributions paid		(1,559,479)		-
Closing net asset	₱	173,918	₱	(843,119)

The principal assumptions used in determining pensions for the Company are as follow:

	2019	2018
Discount rate	**5.19%**	7.50%
Salary increase rate	**6.00%**	6.00%

The expected return on pension assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as of the financial position date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

Assumptions regarding future mortality and disability experience are based on published statistic generally used for local actuarial valuation purposes.

Actual return on plan assets:

		2019		2018
Expected return on plan assets	₱	**806,854**	₱	646,136
Actuarial gain (loss)		**(31,823)**		(905,570)
Actual return on pension assets	₱	**775,031**	₱	(259,434)

The *sensitivity* of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation			
	2019		2018	
	Increase in assumption	**Decrease in assumption**	Increase in assumption	Decrease in assumption
Discount rate	**4.50%**	**(3.70%)**	3.30%	(2.80%)
Salary growth rate	**4.40%**	**(3.70%)**	3.30%	(2.90%)

Each sensitivity analysis on the significant actuarial assumptions was prepared by re-measuring the defined benefit obligation at the financial position date after first adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date) while all the other assumptions remained unchanged. The corresponding change in the defined benefit obligation was expressed as a percentage change from the base defined benefit obligation.

It should also be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed to be more reasonable.

Retirement trust fund for December 31, 2019 is comprised of the following:

			2019
Cash and cash equivalents	**0.03%**	₱	**287,335**
Equity instruments	**0.52%**		**73,529**
Debt instruments	**70.66%**		**5,843,763**
Unit Investment Trust Funds	**28.68%**		**5,047,763**
Other (Market Gains/Losses, Accrued Receivables, etc.)	**0.11%**		**341,191**
	100%	₱	**11,593,581**

Retirement trust fund for December 31, 2018 is comprised of the following:

			2018
Cash and cash equivalents	2.48%	₱	287,335
Equity instruments	0.63%		73,529
Debt instruments	50.41%		5,843,763
Unit Investment Trust Funds	43.54%		5,047,763
Other (Market Gains/Losses, Accrued Receivables, etc.)	2.94%		341,191
	100%	₱	11,593,581

The retirement trust fund assets are valued by the fund manager at fair value using the mark-to-market valuation. While no significant changes in asset allocation are expected in the next financial year, the plan trustee can make changes any time.

The Company has no specific matching strategy between the retirement fund assets and the defined benefit liabilities under the plan.

The weighted average duration of the defined benefit obligation is as follow:

	Years
Financial year	
2019	4.1 years

The Company's expected future benefits payments are as follow:

		Amount
Financial year		
2019	₱	6,808,041
2020		2,258,921
2021		549,904
2022		28,196
2023		282,963
2024-2028		2,323,162

Unusual or Significant Risks to which the Retirement Plan Exposes the Company

There are no unusual or significant risks to which the plan exposes the Company. However, in the event a benefit claim arises under the retirement plan and the fund is not sufficient to pay the benefit, the unfunded portion of the claim shall immediately be due and payable from the Company to the fund.

Plan Amendments, Curtailment, or Settlements

Benefits paid from plan assets amounted to ₱3,214,882 for the year ended December 31, 2019.

17. SHARE CAPITAL

This account consists of:

		2019		2018
2,500,000 common shares; ₱100 par value; issued and outstanding	₱	250,000,000	₱	250,000,000
Redeemable convertible preferred shares; ₱100 par value; issued and outstanding		200,000,000		200,000,000
	₱	450,000,000	₱	450,000,000

The Company has one hundred twenty three (123) shareholders each owning 100 or more shares of the Company's share capital as at financial position date.

On June 14, 2018, the Securities and Exchange Commission approved the Company's application for increase in capital stock.

The redeemable convertible preferred shares shall have the following features:

- It shall have full voting rights;
- It shall be redeemable at the option of the Company based on the par value of such redeemable convertible preferred shares;
- In the event of any dissolution or liquidation or winding up of the Company, whether voluntary or involuntary, the holders of the redeemable convertible preferred shares shall be entitled to be paid in full, or pro rata insofar as the assets and properties of the Company will permit, the par value of the redeemable convertible preferred shares and any accrued but unpaid dividends in respect thereof before any distribution shall be made to the holders of common shares. The holders of the redeemable convertible preferred shares shall not be entitled to participate in any other distribution.;
- Each redeemable convertible preferred share shall have the guaranteed and preferred right to receive cash dividends at the rate of 6% per annum payable out of the earned surplus profits of the Company so long as such redeemable convertible preferred shares are outstanding.;
- Redeemable convertible preferred shares, in part or in whole, are convertible into common shares at the book value of the common shares of the Company at the time of conversion. Conversion of the redeemable convertible preferred shares shall be at the option of the stockholders after five (5) years from date of issue of such redeemable preferred shares and every second year after.

Treasury Stocks
The Company's future earnings are restricted from the payment of dividends to the extent of ₱76,886 representing treasury shares for 2019 and 2018.

18. RETAINED EARNINGS

This account consists of:

		2019		2018
At 1 January	₱	206,680,930	₱	179,298,340
Prior period adjustment		(2,464,597)		408,046
As adjusted	₱	204,216,333	₱	179,706,386
Dividends paid		(12,000,000)		(12,000,000)
Net profit for the year		49,287,720		38,974,544
At December 31	₱	241,504,053	₱	206,680,930

Prior period adjustments pertains to expired MCIT in 2019 and adjustments made to beginning balance of pension liability and plan asset as presented in Note 16 in 2018.

Dividends paid

On May 27, 2019, the Board of Directors approved the declaration of cash dividends in accordance with Article 6 of its amended articles of incorporation to all redeemable convertible preferred shareholders of record as of the said date, payable on June 6, 2019 amounting to P6,000,000 for the period of December 4, 2018 to June 3, 2019.

On October 28, 2019, the Board of Directors approved the declaration of cash dividends in accordance with Article 6 of its amended articles of incorporation to all redeemable convertible preferred shareholders of record as of the said date, payable on December 4, 2019 amounting to P6,000,000 for the period of June 4, 2019 to December 3, 2019.

19. RELATED PARTY TRANSACTIONS

Entities and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company, including holding companies and subsidiaries are related parties of the Company. Entities owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals are considered related parties.

In considering each possible related entity relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Details of key management compensation and directors' remuneration follow:

			Transactions for the years ended December 31			
Related Party	Nature of Transaction	Terms and Conditions		2019		2018
Expenses						
Key management compensation - salaries and other short-term benefits	Compensation	Will be settled in cash, payment every 15th and 30th of the month; unsecured	₱	4,001,940	₱	4,001,940
Directors' remuneration	Compensation	Will be settled in cash, payment every 15th and 30th of the month; unsecured		2,428,693		1,726,326
			₱	6,430,633	₱	5,728,266

As of December 31, 2019 and 2018, there were no sale and purchase of insurance and investment contracts, receivables, payables and loans to key management personnel.

As of December 31, 2019 and 2018, there were no services rendered and non-interest / interest bearing advances to / from associates and other related parties.

20. UNDERWRITING INCOME AND EXPENSES

This account consists of:

		2019		2018
UNDERWRITING INCOME				
Direct premiums-net	₱	**262,535,952**	₱	241,498,281
Add: Premiums assumed		**34,344,688**		17,859,171
Gross premiums		**296,880,640**		259,357,452
Less: Premiums ceded		**43,178,907**		34,915,717
Net premiums retained		**253,701,733**		224,441,735
Less: Premiums reserve for the year		**125,588,274**		114,145,024
Gross premium on net retained		**128,113,459**		110,296,711
Add: Premiums released from reserve		**114,145,024**		80,294,104
Premiums earned		**242,258,483**		190,590,815
Commissions earned		**11,053,296**		10,723,610
Total underwriting income	₱	**253,311,779**	₱	201,314,425

		2019		2018
UNDERWRITING EXPENSES				
Agents' commission and expenses	₱	**61,369,867**	₱	51,783,813
Claims, losses paid and adjustment expenses		**55,982,651**		54,263,599
Insurance expense		**21,907,426**		20,923,411
Total underwriting expenses	₱	**139,259,944**	₱	126,970,823
NET UNDERWRITING INCOME	₱	**114,051,835**	₱	74,343,602

21. INVESTMENT INCOME

This account consists of:

		2019		2018
Income from investments in securities	₱	**15,091,404**	₱	14,951,089
Income from savings and time deposits		**5,870,802**		1,847,521
	₱	**20,962,206**	₱	16,798,610

22. OTHER DIRECT COSTS AND GENERAL AND ADMINISTRATIVE EXPENSES

Other direct costs consist of:

		2019		2018
Salaries and wages	₱	**12,919,774**	₱	10,623,804
Printing, stationery and supplies		**2,749,579**		2,043,513
Taxes and licenses		**2,543,397**		3,659,275
Officers' and employees benefits		**2,503,107**		2,351,056
Communication and postage		**1,098,299**		814,208
Professional fees		**455,643**		1,049,372
Repairs and maintenance		**445,113**		229,753
Commission expense		**-**		167,634
	₱	**22,714,912**	₱	20,938,615

General administrative expenses consist of:

		2019		2018
Agency expenses	₱	**11,924,854**	₱	10,877,756
Marketing expenses		**11,342,492**		8,765,901
Salaries and wages		**5,537,047**		4,553,059
Professional fees		**3,808,844**		3,406,819
Transportation and travel		**2,269,866**		1,718,018
Rental expenses		**1,673,559**		1,306,095
Depreciation and amortization (Note 7)		**1,442,751**		966,429
Representation and entertainment		**1,325,369**		943,166
Printing, stationery and supplies		**1,178,391**		875,791
Light and water		**1,102,231**		1,086,693
Communication and postage		**1,098,299**		814,207
Officers' and employees benefits		**1,072,760**		1,007,596
Association and pool dues		**760,616**		769,979
Service fee		**704,065**		544,294
Provision for impairment loss		**656,340**		-
Directors' fees and allowances		**577,500**		456,500
Repairs and maintenance		**190,763**		98,466
Security services		**186,800**		169,143
Insurance		**152,972**		61,722
Bank and service charge		**88,395**		59,408
Janitorial services		**70,327**		89,747
Donations and contributions		**29,500**		85,475
Interest		**26,955**		20,715
Commission expense		**-**		71,843
Miscellaneous expenses		**13,828,202**		10,625,670
	₱	**61,048,898**	₱	49,374,492

As at December 31, 2019 and 2018, miscellaneous expenses pertain to expenses incurred by the branches that are related to the operations of the Company's agents and reimbursements.

23. PROVISION FOR INCOME TAX

This account consists of:

		2019		2018
Current				
Corporate income tax	₱	3,140,504	₱	-
Deferred		2,849,179		295,887
	₱	5,989,683	₱	295,887

The reconciliation between the corporate income tax and income tax after applying the statutory tax rate on income tax follows:

		2019		2018
Statutory income tax	₱	16,583,221	₱	11,781,129
Income tax effect on:				
Tax exempt income		-		(2,756,155)
Income subject to lower tax rates		(6,288,662)		(5,039,583)
Income not subject to tax		(3,522,081)		(3,927,090)
Temporary differences		(437,843)		(781,233)
Deferred charges		(3,194,131)		(186,711)
Non deductible expenses		-		909,643
	₱	3,140,504	₱	-

Under Republic Act No. 9337 – Income tax amendments, the corporate income tax rate applicable from January 1 to October 31, 2005 of 32% in 2005 was increased to 35% effective November 1, 2005, decreasing to 30% effective on January 1, 2009. Because of the change in the corporate income tax rate, the allowable deduction for interest expense in Section 34(B)(1) is reduced by 42% (from 38%) of interest income subject to final tax and 33% (from 42%) upon the effectivity of the 30% corporate tax rate on January 1, 2009.

The Company's deferred tax asset (liability) consists of:

		2019		2018
Deferred tax assets:				
Net operating loss carry over (NOLCO)	₱	-	₱	3,194,131
Net unrealized loss on AFS		5,704,072		5,624,492
Deferred tax liability:				
Revaluation reserve on real estate		(6,212,099)		(6,212,099)
Unrealized foreign exchange gain		(437,843)		(782,795)
Remeasurement gain		5,711		(522,493)
	₱	(940,159)	₱	1,301,236

The movements in the deferred income tax account are summarized as follow:

		NOLCO		Unrealized gain or loss on AFS		Unrealized gain or loss on FOREX		Remeasurement gain		Revaluation reserve on real estate		Total
At January 1,2018	₱	3,676,730	₱	(300,555)	₱	(969,507)	₱	(885,423)	₱	(6,212,099)	₱	(4,690,854)
Charge to profit or loss		(482,599)		5,925,047		186,712		-		-		5,629,160
Charge to retained earnings								127,563				127,563
Charged to other												-
comprehensive income		-		-		-		235,367		-		235,367
At December 31, 2018	₱	3,194,131	₱	5,624,492	₱	(782,795)	₱	(522,493)	₱	(6,212,099)	₱	1,301,236
Charge to profit or loss		(3,194,131)		-		344,952		528,204		-		(2,320,975)
Charge to retained earnings								-				-
Charged to other												
comprehensive income		-		79,580		-		-		-		79,580
At December 31, 2019		-	₱	5,704,072	₱	(437,843)	₱	5,711	₱	(6,212,099)	₱	(940,159)

The details of Net Operating Loss Carried Over (NOLCO) and its corresponding deferred tax asset as of 2019 and 2018 are as follows:

			2019				2018		
Year of Incurrence	Year of Expiration		NOLCO		Deferred tax asset		NOLCO		Deferred tax asset
2015	2018	₱	-	₱	-	₱	4,018,433	₱	1,205,530
2017	2020		8,237,333		2,471,200		8,237,333		2,471,200
2018	2021		2,409,771		722,931		2,409,771		722,931
		₱	10,647,104	₱	3,194,131	₱	14,665,537	₱	4,399,661
Expired NOLCO			-		-		(4,018,433)		(1,205,530)
Applied NOLCO			(10,647,104)		(3,194,131)		-		-
		₱	-	₱	-	₱	10,647,104	₱	3,194,131

24. EARNINGS PER SHARE AND BOOK VALUE PER SHARE

The computation of basic/diluted earnings per share is computed as follows:

		2019		2018
Net profit	₱	49,287,720	₱	38,974,544
Divided by oustanding shares		2,500,000		2,500,000
	₱	19.72	₱	15.59

There were no potential dilutive shares in 2019 and 2018.

The computation of book value per share is computed as follows:

		2019		2018
Equity	₱	506,608,860	₱	488,854,562
Divided by oustanding shares		2,500,000		2,500,000
	₱	202.64	₱	195.54

25. FINANCIAL RISK MANAGEMENT AND OBJECTIVES

The Company issues contracts that transfer insurance risk. This section summarizes these risks and the way the Company manages them.

Insurance Risk
The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

The Company has limited its exposure by imposing maximum claim amount on certain contract as well as the use of reinsurance arrangement in order to limit its exposure to catastrophic events (e.g. hurricane, earthquake and flood damage). The purpose of these underwritings and reinsurance strategies is to limit exposure to catastrophes based on the management's decision.

Catastrophe loss reserved and released for 2019 consists of:

		Catastrophe Loss Reserved		Catastrophe Loss Released
Earthquake	₱	3,614,341	₱	4,085,500
Typhoon		974,396		2,360,700
Flood		917,767		2,311,778
	₱	5,506,504	₱	8,757,978

Catastrophe loss reserved and released for 2018 consists of:

		Catastrophe Loss Reserved		Catastrophe Loss Released
Earthquake	₱	4,085,500	₱	3,393,048
Typhoon		2,360,700		849,292
Flood		2,311,778		788,302
	₱	8,757,978	₱	5,030,642

Property Insurance Contracts Risk
For property insurance contracts, climatic changes give rise to more frequent and severe extreme weather events and their consequences. For certain contracts, the Company has also limited the number of claims that can be paid in any policy year or introduced a maximum amount payable for claims in any policy year.

The Company has the right to re-price the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. These contracts are underwritten by reference to the commercial replacement value of the properties and contents insured, and claim payment limits are always included to cap the amount payable on occurrence of the insured event. Cost of rebuilding properties, of replacement or indemnity for contents and time taken to restart operations for business interruption are the key factors that influence the level of claims under these policies.

Casualty Insurance Risk
Claims on casualty contracts are payable on a claims-occurrence basis. The Company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time and a larger element of the claims provision relates to incurred but not reported claims (IBNR). There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they adopted.

Reinsurance Risk
In the normal course of business, the Company limits the amount of loss on any one policy by reinsuring certain levels of risk with other insurers. In addition, the Company accepts reinsurance from other reinsurers. Reinsurance ceded does not discharge the Company's liability as the primary insurer. Failure of reinsurers to honor their obligations could result in losses to the Company; consequently, allowances are established for amounts deemed uncollectible. In order to minimize losses from reinsurer insolvency, the Company monitors the concentration of credit risk both geographically and with any one reinsurer.

In addition, the Company selects reinsurers with high credit ratings. The effect of reinsurance on premium income follows:

		2019		2018
Direct premium income	₱	**262,535,952**	₱	241,498,281
Reinsurance assumed		**34,344,688**		17,859,171
Reinsurance ceded		**(43,178,907)**		(34,915,717)
	₱	**253,701,733**	₱	224,441,735

Financial Risks
The significant risks related to financial instruments are credit risk, liquidity risk and market risk (currency and interest rate). The following sections described how the Company manages each of the risks.

Credit Risk
Credit risk is the risk that a party to a financial instrument will cause a financial loss to the Company by failing to honor its obligation to the Company. Credit risks are primarily associated with invested assets and reinsurance counter parties. The Company mitigates credit risk through detailed credit and underwriting policies and comprehensive due diligence and credit analyses.

The Company's maximum credit exposure related to financial instruments is summarized in the following table.

		2019		2018
			(in Thousands)	
Cash and cash equivalents	₱	**239,917**	₱	189,170
Premiums due from ceding companies		**14,529**		19,448
Reinsurance recoverable on losses		**951,202**		57,098
Premiums receivable		**57,962**		57,605
Commissions receivable		**4,492**		5,357
Premiums reserve withheld by ceding companies		**8,332**		7,628
Receivables		**534**		695
Salvage recoverable		**1,459**		640
Held-to-maturity financial assets		**356,656**		343,035
Available-for-sale financial assets		**245,873**		261,789
	₱	**1,880,956**	₱	942,465

The Company has assessed the credit quality of the following financial assets:

- The credit risk for cash in bank is considered negligible, since the counterparties are reputable entities with high quality external credit ratings. The credit quality of this financial asset is therefore considered to be high grade. For the determination of credit risk, cash included in the analysis above do not include cash on hand amounting to ₱293,000 and ₱238,000 for the year 2019 and 2018, respectively.

- The Company's premiums and other receivables are actively monitored to avoid significant concentrations of credit risk.

As of December 31, 2019 and 2018, the aging analysis of the Company's receivables is as follows:

	Neither Past Due Nor Impaired				2019
	Class A	Class B	Class C	Past Due But Not Impaired	Total
Cash and cash equivalents	₱ 239,917,006	₱ -	₱ -	₱ -	₱ 239,917,006
Premiums					
Receivables	57,962,147	-	-		57,962,147
Due from ceding companies	162,755	1,934,512	12,431,578	-	14,528,845
Reserve withheld by ceding companies	698,090	856,917	6,776,884	-	8,331,891
Reinsurance recoverable on losses	-	3,164,150	948,037,884	-	951,202,034
Commission receivable	-	-	180,407	4,311,865	4,492,272
Salvage recoverable	818,611		-	640,483	1,459,094
Receivables			533,530	-	533,530
Financial assets					
Held-to-maturity	356,656,100	-	-	-	356,656,100
Available-for-sale	245,873,041	-	-	-	245,873,041
	₱ 902,087,750	₱ 5,955,579	₱ 967,960,283	₱ 4,952,348	₱ 1,880,955,960

	Neither Past Due Nor Impaired				2018
	Class A	Class B	Class C	Past Due But Not Impaired	Total
Cash and cash equivalents	₱ 189,169,876	₱ -	₱ -	₱ -	₱ 189,169,876
Premiums					
Receivable	57,604,986	-	-		57,604,986
Due from ceding companies		-	19,448,597	-	19,448,597
Reserve withheld by ceding companies		-	7,628,197	-	7,628,197
Reinsurance recoverable on losses	57,098,180		-	-	57,098,180
Commission receivable	818,972	139,165	86,834	4,311,865	5,356,836
Salvage recoverable			-	640,483	640,483
Receivables			-	695,211	695,211
Financial assets					
Held-to-maturity	343,034,840	-	-	-	343,034,840
Available-for-sale	261,788,969	-	-	-	261,788,969
	₱ 909,515,823	₱ 139,165	₱ 27,163,628	₱ 5,647,559	₱ 942,466,175

Credit Quality - In monitoring and controlling credit extended to counterparty, the Company adopts a comprehensive credit rating system based on financial and non-financial assessments of its borrowers. Financial factors being considered comprised of the financial standing of the borrower while the non-financial aspects include but not limited to the assessment of the borrowers nature of business, industry background, payment habit and both present and potential business dealings with the Company.

Class A "High Grade" are accounts with strong financial capacity and business performance and with the lowest default risk.

Class B "Moderate Grade" refer to accounts of satisfactory financial capability and credit standing but with some elements of risk where certain measure of control is necessary in order to mitigate risk of default.

Class C "Low Grade" refer to accounts which are collected on their due dates provided that the Company made a persistent effort to collect them.

Liquidity Risk
Liquidity risk is the risk that the Company will not be able to fund all cash outflow commitments as they fall due. The Company generally maintains a conservative liquidity position that exceeds all the liabilities payable on demand. The Company invests in various types of assets with a view of matching them with its liabilities of various durations. To strengthen its liquidity further, the Company actively manages and monitors its capital and assets levels, diversification and credit quality of its investments and cash forecasts and actual amounts against established targets. The Company also maintains liquidity contingency plans for the management of liquidity in the event of a liquidity crisis.

The table below summarizes the maturity profile of the Companies financial liabilities as of December 31, 2019 and 2018.

	Current		Non-current	2019
	Within 6 months	6 to 12 months	1 to 5 years	Total
Payables	₱ 2,283,778	₱ -	₱ -	₱ 2,283,778
Claims payable		977,156,101		977,156,101
Premiums				-
Due to reinsurers	30,245,123			30,245,123
Reserve for unearned		125,588,273		125,588,273
Reserve withheld for reinsurers		2,577,220	-	2,577,220
Commission payable		33,944,050		33,944,050
Others *(excluding tax liabilities)*		56,326,278		56,326,278
	₱ 32,528,901	₱ 1,195,591,922	₱ -	₱ 1,228,120,823

	Current		Non-current	2018
	Within 6 months	6 to 12 months	1 to 5 years	Total
Payables	₱ 4,885,878	₱ -	₱ -	₱ 4,885,878
Claims payable		81,719,874		81,719,874
Premiums				-
Due to reinsurers	31,407,749			31,407,749
Reserve for unearned			114,145,023	114,145,023
Reserve withheld for reinsurers			2,577,220	2,577,220
Commission payable		41,037,913		41,037,913
Others *(excluding tax liabilities)*		33,238,623		33,238,623
	₱ 36,293,627	₱ 155,996,410	₱ 116,722,243	₱ 309,012,280

Foreign Currency Risk
The Company's foreign currency risk results primarily from movement of the Philippine Peso (PHP) against the United States dollar. The Company resolved to mitigate this risk by taking advantage of market trends. Proper timing is adhered in order to realize a foreign currency gain.

Exposure to foreign exchange risk results primarily from the movements of the Philippine peso against the United States (U.S.) Dollar that arises from the Company's cash and cash equivalents and held to maturity financial assets, which are denominated in U.S. Dollars. As of December 31, 2019 and 2018, currency exchange rates used to translate U.S. Dollar denominated financial assets and liabilities amounted to ₱50.635 and ₱52.724, respectively.

The table below summarizes the Company's exposure to foreign exchange risk as of December 31, 2019 and 2018. Included in the table are the Company's assets at carrying amounts, categorized by currency.

	2019		2018	
	USD	PHP	USD	PHP
Cash and cash equivalents	$ 2,195,658	₱ 111,177,143	$ 1,715,522	₱ 90,449,209
Held-to-maturity investments	660,000	33,419,100	660,000	34,797,840
	$ 2,855,658	₱ 144,596,243	$ 2,375,522	₱ 125,247,049

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar rate, with all variable held constant, of the Company's profit before tax (due to changes in the fair value of monetary assets) and the Company's equity.

	US $ Depreciates		US $ Appreciates	
	2019	2018	2019	2018
Effect on profit before tax	$ 671,334	$ 2,375,522	$ (671,334)	$ (2,375,522)
Effect on equity	469,934	1,662,865	(469,934)	(1,662,865)

Interest rate risk
The Company's exposure to market risk for changes in interest rates relates to the Company's held-to-maturity investments.

The Company's policy is to manage its interest income using fixed rates receivable.

Interest risk to which financial assets are exposed is the risk of loss from fluctuations in the future cash flows or fair value of financial assets because of a change in market interest rates. Interest is managed principally using mixed of fixed and variable rate receivable.

Financial assets exposed to interest rate risk follow:

	Variable	Fixed	Total
As of December 31, 2019			
Financial assets:			
Held-to-maturity investments	₱ -	₱ 356,656,100	₱ 356,656,100

	Variable	Fixed	Total
As of December 31, 2018			
Financial assets:			
Held-to-maturity investments	₱ -	₱ 343,034,840	₱ 343,034,840

The term and maturity profile of the interest bearing financial assets of the Company, together with its corresponding nominal amounts and carrying values, are shown in the following table:

	Interest term per annum	Rate fixing period	Nominal Amount	< 1 year	1-5 years	> 5 years	Carrying Value
As of December 31, 2019							
Held-to-maturity investments	Fixed at the date of investment	3 to 25	₱ 356,656,100		220,667,500	135,988,600	₱ 356,656,100

	Interest term per annum	Rate fixing period		Nominal Amount	< 1 year	1-5 years	> 5 years		Carrying Value
As of December 31, 2018									
Held-to-maturity investments	Fixed at the date of investment	3 to 25	₱	343,034,840		91,870,000	251,164,840	₱	343,034,840

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's income before income tax as of December 31, 2019 and 2018.

	2019				2018			
		Effect on income statement		**Effect on Equity**		Effect on income statement		Effect on Equity
Increase in basis points (+100)	₱	**3,580,348**	₱	**2,864,278**	₱	3,418,370	₱	2,734,696
Decrease in basis points (-100)		**(3,580,348)**		**(2,864,278)**		(3,418,370)		(2,734,696)

Equity Price Risk
The Company is exposed to equity price risk arising from available-for-sale investments.

The available-for-sale investments are revalued on each reporting period end based on quoted market prices. Any resulting fair value gains or losses arising from the revaluation of the available-for-sale investments are recognized directly in the statement of comprehensive income. Available-for-sale investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measure are measured at cost less any impairment losses at end of each reporting period.

Fair Value Measurement
The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Financial Instruments Whose Carrying Amount Approximate Fair Value
The carrying amounts of cash and cash equivalents, premiums due from ceding companies, reinsurance recoverable on losses, premiums receivable, commission receivable, premiums reserve withheld by ceding companies, receivables, other current assets, salvage recoverable, claims payable, premium due to reinsurers, commission payable, reserve for unearned premiums, payables, premium reserve withheld for reinsurers, bonus payable, credits to clients, documentary stamps payable and fire service tax payable which are all subject to normal trade credit terms and are short-term in nature, approximate their fair values.

Available for Sale Financial Assets
The Company's available for sale financial assets are quoted equity securities that carried at their fair values as at December 31, 2019 and 2018. Fair value of available for sale financial assets is based on the closing quoted prices of stock investments published by the Insurance Commission.

The following table presents the Company's assets that are measured at fair value at December 31, 2019.

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	**Total**
Available-for-sale financial assets				
Equity securities	₱ 229,088,041	₱ -	₱ -	₱ 229,088,041

There are no financial instruments carried at fair value under Levels 2 and 3 during the year.

The following table presents the Company's assets that are measured at fair value at December 31, 2018.

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	**Total**
Available-for-sale financial assets				
Equity securities	₱ 245,003,969	₱ -	₱ -	₱ 245,003,969

There are no financial instruments carried at fair value under Levels 2 and 3 during the year.

For assets and liabilities that are recognized in the Company's financial statements in a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level of input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no transfers that occurred between level 1, level 2 and level 3 during the years ended December 31, 2019 and 2018.

The Company's management determines the policies and procedures for both recurring and nonrecurring fair value measurements.

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

Categories of Financial Instruments

The carrying values and fair values of the Company's financial assets and liabilities per category are as follows:

	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets	(in thousands)			
Cash and cash equivalents	₱ 240,210	₱ 240,210	₱ 189,408	₱ 189,408
Premiums due from ceding companies	14,529	14,529	19,448	19,448
Reinsurance recoverable on losses	951,202	951,202	57,098	57,098
Premiums receivable	57,962	57,962	57,605	57,605
Commission receivable	4,492	4,492	5,357	5,357
Premiums reserve withheld by ceding companies	8,332	8,332	7,628	7,628
Receivables	534	534	695	695
Other current assets	22,311	22,311	21,703	21,703
Salvage recoverable	1,459	1,459	640	640
Available-for-sale investments	16,785	16,785	16,785	16,785
	₱ 1,317,816	₱ 1,317,816	₱ 376,367	₱ 376,367

	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Liabilities				
Claims payable	₱ 977,156	₱ 977,156	₱ 81,720	₱ 81,720
Premium due to reinsurers	30,245	30,245	31,408	31,408
Commission payable	33,944	33,944	41,038	41,038
Reserve for unearned premiums	125,588	125,588	114,145	114,145
Payables	2,284	2,284	4,886	4,886
Premium reserve withheld for reinsurers	2,577	2,577	2,577	2,577
Bonuses payable (See Note 15)	9,498	9,498	6,470	6,470
Credits to clients (See Note 15)	31,847	31,847	16,245	16,245
	₱ 1,213,139	₱ 1,213,139	₱ 298,489	₱ 298,489

Capital Risk Management

The Company has established the following capital management objectives, policies and approach to managing the risks that affect its capital position:

- To maintain the required level of stability of the Company thereby providing a degree of security to policyholders.
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders.
- To retain the financial flexibility by maintaining strong liquidity and access to a range of capital markets.
- To align the profile of assets and liabilities taking account of risks inherent in the business
- To maintain financial strength to satisfy the requirements of the policyholders, regulators and shareholders.
- To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximize shareholders value.

The operations of the Company are also subject to regulatory requirements within the jurisdictions in which it operates. Such regulations not only prescribe approval and monitoring 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 unforeseen liabilities as they arise.

In reporting financial strength, capital and solvency are measured using the rules prescribed by the Insurance Commission of the Philippines.

Capitalization Requirements for Life, Non-Life, and Reinsurance Companies (Republic Act No. 10607)
Republic Act No. 10607 known as the Amended Insurance Code requires that no new domestic life or non-life insurance company shall, in a stock corporation, engage in business in the Philippines unless possessed of a paid up capital equal to at least One Billion Pesos (₱1,000,000,000). Provided that a domestic insurance company already doing business in the Philippines shall have a net worth by June 30, 2013 of Two Hundred Fifty Million Pesos (₱250,000,000). Furthermore, said company must have by December 31,2016 an additional Three Hundred Million Pesos (₱300,000,000) in net worth; by December 31, 2019, an additional Three Hundred Fifty Million Pesos (₱350,000,000) in net worth; and by December 31, 2022, an additional four Hundred Million Pesos (₱400,000,000) in net worth.

Minimum Networth	Compliance Date
₱550,000,000	December 31, 2016
900,000,000	December 31, 2019
1,300,000,000	December 31, 2022

The statutory net worth of life, non-life, and reinsurance companies shall include the Company's paid-up capital, unimpaired surplus, retained earnings, and revaluation increments as may be approved by the Insurance Commissioner.

As at December 31, 2019, the Company has not complied with the externally imposed new statutory minimum net worth requirement for Non-life insurance companies of ₱900 million during the reporting period. The Company is in the process of complying the said capital requirement.

The capital structure of the Company consists of equity attributable to equity holders comprising issued capital and retained earnings.

There were no changes in the Company's approach to capital management during the period.

Unimpaired Capital Requirement
The Insurance Commission provided that for purposes of determining compliance with the law, rules and regulations requiring that the paid-up capital should remain intact and unimpaired at all times, the statement of financial position should show that the net worth or stockholder's equity is at least equal to the actual paid-up capital.

The following table shows the net worth and paid-up capital of the Company as of December 31, 2019 and 2018:

		2019		2018
Networth	₱	**706,608,860**	₱	688,854,562
Paid-up capital		**450,000,000**		450,000,000

Effective 2017, the new regulatory requirements namely, Financial Reporting Framework (FRF), Valuation Standards for Insurance Policy Reserves, and New Risk-based capital framework (RBC2) will be fully implemented. In 2015, the Insurance Commission conducted parallel runs, the purpose of which is to allow the insurance industry to assess the collective impact of implementing these new regulatory requirements simultaneously. This will allow the IC an opportunity to engage the industry in a meaningful dialogue and obtain feedback prior to the full implementation.

Risk-based Capital Requirements
Insurance Memorandum Circular (IMC) 7-2006 provides for the Risk-based capital (RBC) framework for the nonlife insurance industry to establish the required amounts of capital to be maintained by the companies in relation to their investment and insurance risk. Every nonlife insurance company is annually required to maintain a minimum RBC ratio of 100% and not fail the trend test. Failure to meet the minimum RBC ratio shall subject the insurance company to the corresponding regulatory intervention which has been defined at various levels.

On June 10, 2015, the Insurance Commission issued Circular Letter No. 2015-30 requiring all non-life insurance to participate in parallel runs for the RBC 2-QIS (Quantitative impact Study).

Circular Letter No. 2015-29 prescribes the new financial reporting framework (FRF) that will be used for the statutory quarterly and annual reporting. This includes rules and regulations concerning Titles III and IV of Chapter III of the Amended Insurance Code and all the other accounts not discussed in the Amended Insurance Code but are used in accounting of insurance and reinsurance companies.

Circular Letter 2015-32 Valuation Standards for Non-Life Insurance Policy Reserves, prescribes the new valuation methodology for the nonlife insurance companies. No-life insurance companies will be changing the basis of valuation of their non-life insurance reserves. In addition to the unearned premium reserves, the concept of unexpired risk reserves is also included in the calculation of the premium liability. The incurred but not reported (IBNR) reserves will now be computed using actuarial projection techniques such as but not limited to the chain ladder method, expected loss ratio method and Bornheutter-Ferguson method. A margin for adverse deviation is provisionally set at 10% during the parallel runs and shall be incorporated on both premiums and claims liability valuation. Discount rates to be used shall be based on the latest PDST-R2 rates and the Bloomberg IYC Curve for Php and USD-denominated policies, respectively.

Circular Letter No. 2015-31 discussed the transition period and full implementation requirements for FRF, valuation standards for insurance policy reserves and new risk-based capital framework. The new regulatory requirements in the Circulars shall take effect after a transition period, the purpose of which is to allow the insurance industry to assess the collective impact of implementing FRF, Reserving and RBC2-QIS simultaneously. Full implementation will be June 30, 2016 with transition cut-off date as at January 1, 2016.

Consolidated Compliance Framework
IMC 10-2006 integrated the compliance standards for the fixed capitalization and RBC framework. The fixed capitalization requirement for a given period may be suspended for insurers that comply with the required RBC hurdle rate, provided that the industry complies with the required Industry RBC Ratio Compliance Rate. The IMC provides the annual schedule of progressive rates for the Industry RBC Ratio Compliance Rates and the RBC Hurdle Rates from 2007 to 2011. For the review year 2011 which shall be based on the 2010 synopsis, the Industry RBC Ratio Compliance Rate is 90% and the RBC Hurdle Rate is 250%.

On June 1, 2012, the DOF issued DOF Order 15-2012 which provides that after 2012, compliance with prescribed minimum paid-up capital requirement may be deferred for existing insurers that meet the RBC hurdle rate of 150%. Failure to achieve one of the rates will result in the imposition of the fixed capitalization requirements for the period under review.

The RBC ratio is calculated by dividing the net worth by the RBC requirement.

Pursuant to IC CL No. 2017-15, Regulatory Requirements and Actions for the New Regulatory Framework, effective January 1, 2017, nonlife insurance companies are required to maintain minimum RBC2 requirement as prescribed under IC CL No. 2016-68, Amended Risk-Based Capital (RBC2) Framework. Under the RBC2 Framework, the RBC ratio shall be calculated as total available capital divided by the RBC2 requirement.

The following table shows the RBC ratio as of December 31, 2019 and 2018:

		2019		2018
Networth	₱	**706,608,860**	₱	688,854,562
RBC Requirement		**358,351,292**		96,476,705
RBC ratio		**197%**		714%

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

Admitted/Non-Admitted Assets

Under Section 202 and 203 of R.A. 10607 which seeks to strengthen the insurance industry in the Philippines prescribed admitted and non-admitted assets in the determination of the financial condition of any insurance company doing business in the Philippines details of which follow:

		2019		2018
PRFS				
Property and equipment - net of accumulated depreciation				
Building	₱	**20,706,999**	₱	20,706,999
Transportation equipment		**2,779,549**		1,240,190
Electronic data processing machine		**608,209**		301,767
Furniture, fixtures and equipment		**988,592**		512,233
Building improvements		**800,255**		786,678
Leasehold and improvements		**194,654**		178,963
		26,078,258		23,726,830
Section 203 of the New Insurance Code				
Non- admitted property and equipment				
Transportation equipment	₱	**2,779,549**	₱	1,240,190
Furnitures, fixtures and other office equipment		**988,592**		512,233
Leasehold and improvements		**194,654**		178,963
		3,962,795		1,931,386
Section 202 of the New Insurance Code				
Allowed and admitted assets	₱	**22,115,463**	₱	21,795,444

		2019		2018
PFRS				
Current tax assets	₱	3,521,227	₱	1,727,698
Other current assets		22,310,812		21,703,165
		25,832,039		23,430,863
Section 203 of the New Insurance Code				
Non admitted other current and tax assets				
Prepaid investment expense		5,992,617		9,445,162
Current tax assets		3,521,227		1,727,698
		9,513,844		11,172,860
Section 2 of the New Insurance Code				
Allowed and admitted assets	₱	16,318,195	₱	12,258,003

		2019		2018
PFRS				
Pension asset	P	-	₱	843,119
Other non-current assets		8,621,284		10,448,863
		8,621,284		11,291,982
Section 203 of the New Insurance Code				
Non admitted other non current assets				
Deferred charges - MCIT		-		4,230,960
Deferred tax asset - net		-		
Plan assets		-		843,119
Verification fund		3,090,526		887,895
Refundable deposits		462,609		334,826
Taxes fund		3,779,742		3,706,443
		7,332,877		10,003,243
Section 202 of the New Insurance Code				
Allowed and admitted assets	₱	1,288,407	₱	1,288,739

26. DIVIDEND RESTRICTION

Dividends to stockholders which the Company may declare are subject to the provision of insurance law which stipulates that no such dividends may be distributed unless they originated from the excess profits after considering retention equivalent to the paid – up capital, the margin of solvency, the legal reserve fund, and all losses that may be incurred in settlement of liabilities for taxes and expenses.

27. SOLVENCY REQUIREMENTS

An insurance company doing business in the Philippines shall at all times maintain the minimum paid-up capital and net worth requirements as prescribed by the Commissioner. Such solvency requirements shall be based on internationally accepted solvency frameworks and adopted only after due consultation with the insurance industry associations.

28. SECURITY FUND CONTRIBUTION

All insurance companies doing business in the Philippines shall contribute to the Security Fund the aggregate amount of ₱5,000,000. The contributions of the companies shall be in direct proportion to the companies' aggregate net worth as shown in their latest financial statements.

29. CONTINGENCIES, COMMITMENTS AND SIGNIFICANT CONTRACTS

Contingencies
The Company is a party litigant in a case pending in the Regional Trial Court. As at December 31, 2019, the outcome of the case is uncertain. According to the Company's legal counsel, they have a good chance of winning the case.

Company as lessee

The Company entered into various lease agreements on its branch office space ranging from 1 years. Management has determined that it does not retain the significant risks rewards of ownership of the properties and has classified the leases as operating leases. The lease agreements of some branches include upward escalation adjustment on annual rental rates.

In 2019 and 2018, the total "Rentals" under "General and Administrative Expenses" amounted to ₱1,673,559 and ₱1,306,095, respectively.

30. EVENTS AFTER REPORTING PERIOD

The Covid 19 pandemic has no big effect in the business compared to the same period of last year especially in the production aspect, because most of the existing clients renewed their accounts. But the company lost the potential new businesses. The collection of premiums is good, because the clients are paying their insurances thru online banking. Business with other insurance companies did not suffer as well because of continuous communication and trust established over a long period of time.

31. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies and practices of the Company are summarized below to facilitate the understanding of data presented in the financial statements.

Basis of Preparation
These financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS includes all applicable PFRS, Philippine Accounting Standards (PAS) and interpretation, which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the Securities and Exchange Commission (SEC), including SEC pronouncements.

The financial statements have been prepared under the historical cost convention except for available-for-sale investments and a certain property that have been measured at fair value. The Company's financial statements are presented in Philippine pesos, which is the functional and presentation currency under PFRS. All values are rounded to the nearest peso except as otherwise indicated.

The preparation of financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 32.

Statement of Compliance
The financial statements of the Company have been prepared in compliance with the PFRS.

Current versus Non-current Classification
The Company presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading

- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Fair Value Measurement
The Company measures financial instruments at fair value at each financial position 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 to by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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 categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
Level 3- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

Changes in Accounting Policies
The following explains the significant accounting policies which have been adopted in the preparation of the financial statements.

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

New and amended standards adopted by the Company
The Company has applied the following applicable new and revised accounting standards except otherwise as stated. The accounting policies adopted are consistent with those of the previous financial year.

Effective for annual periods beginning on or after January 1, 2019:

PFRS 16, *Leases*
Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17. Rather, Leases will apply the single-asset model, wherein lessees will recognize the assets and the related liabilities for most leases in their balance sheets and, subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

These amendments have no significant impact on the Company's financial performance and financial position.

PFRS 9 (Amendments), *Prepayment Features with Negative Compensation*
Under PFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

Classification and Measurement of Financial assets and Liabilities

PFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, FVOCI and FVTL. The classification of financial assets under PFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

PFRS 9 eliminates the previous PAS 39 categories of held to maturity, loans and receivables and available for sale. Under PFRS 9, derivatives embedded in contracts where the host is financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

PFRS 9 largely retains the existing requirements in PAS 39 for the classification and measurement of financial liabilities. The adoption of PFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities.

These amendments have no impact on the Company's financial statements.

PAS 19 (Amendments), *Plan Amendment, Curtailment or Settlement*
The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event

- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

These amendments have no significant impact on the Company's financial performance and financial position.

PAS 28 (Amendments) *Long-term interests in associates and joint ventures*
The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28 *Investments in Associates and Joint Ventures.*

These amendments are not applicable and have no significant impact on the Company's financial performance.

Annual Improvement 2016 – 2018 Cycle

PFRS 3 *Business Combinations*
The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

These amendments are not applicable and will have no significant impact on the Company's financial performance.

PFRS 11 *Joint Arrangements*
A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

These amendments are not applicable and will have no significant impact on the Company's financial performance.

PAS 12 (Amendments), *Recognition of Deferred Tax Assets for Unrealized Losses*
The amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measures at fair value.

These amendments are have no significant impact on the Company's financial performance and financial position.

PAS 23 *Borrowing Costs*
The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

These amendments are not applicable and will have no significant impact on the Company's financial performance.

IFRIC Interpretation 23, *Uncertainty over Income Tax Treatment*
The Interpretation addresses the accounting for income taxes when tax treatment involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 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.

These amendments are not applicable and have no significant impact on the Company's financial performance and financial position.

Effective beginning on or after January 1, 2020

Amendments to PFRS 3, *Definition of Business*
The amendments to PFRS 3 were issued to help entities determine whether an acquired set of activities and assets is a business or not. The amendments clarify the minimum requirement to a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments add guidance whether an acquired process is substantive and add illustrative examples. The amendments introduce an optional concentration test to permit a simplified assessment. The amendments are effective for annual reporting periods beginning on or after January 1, 2020 and apply prospectively. Earlier application is permitted.

These amendments are not applicable and will have no significant impact on the Company's financial performance.

Amendments to PAS 1 and PAS 8, *Definition of Material*
The amendments were issued to clarify and align the definition of material. The amendments are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgments. The amendments must be applied prospectively for annual period beginning on or after January 1, 2020, with earlier application permitted.

These amendments are not applicable and will have no significant impact on the Company's financial performance.

Effective for annual periods beginning on or after January 1, 2022:

PFRS 17, *Insurance Contracts*
In May 2017, the PASB issued PFRS 17 Insurance Contracts (PFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4 Insurance Contracts (PFRS 4) that was issued in 2005. PFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

PFRS 17 is effective for reporting periods beginning on or after 1 January 2022, with comparative figures required. Early application is permitted provided the entity also applies PFRS 9 and PFRS 15 on or before the date it first applies PFRS 17.

The Company is still assessing its effect on its financial performance and financial position.

PFRS 10, *Consolidated Financial Statements,* and PAS 28, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception* (Amendments)
These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value and that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendment also allow an investor (that is not an investment entity and has an investment entity associate or joint venture), when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments are not applicable and have no significant impact on the Company since the Company is not an investment entity nor does it have investment entity associates.

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 interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Company will apply interpretation from its effective date. In addition, the Company may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are temporary placements with maturity of less than three (3) months which can be withdrawn anytime depending on the immediate cash requirement of the Company

Investment Contracts
Insurance premiums are recognized directly as liabilities. Revenue consists of fees deducted for policy administration and surrender charges. Interest or changes in the unit prices credited to the account balances and excess benefit claims incurred in the period are charged as expenses in the statements of profit or loss and other comprehensive income. The Company, however, has no investment contracts.

Deferred Policy Acquisition Costs (DAC)
Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are deferred and charged to expense in proportion to the premium revenue recognized. Subsequently, these costs are amortized over the terms of the policies as premium is earned on a straight line basis using the 24th method over the life of the contract except for marine cargo where commissions for the last two months of the year are recognized as expense the following year. Amortization is charged against the statement of profit or loss. The unamortized acquisition costs are shown in the assets section of the statement of financial position. All other costs are recognized as expense when incurred.

A review on impairment is performed at each end of the reporting period or more frequently when an indication of impairment arises. The carrying value is written down to the recoverable amount and the impairment loss is charged to the statement of profit or loss and other comprehensive income.

Liability Adequacy Test
At each financial position date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related DAC. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision).

Any DAC written off as a result of this test cannot subsequently be reinstated.

Reinsurance Contracts Held
Contracts entered into by the Company with reinsurers under which it is compensated for losses on one or more contracts issued by the Company and meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts. The benefits to which the Company is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contracts. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognized as an expense when due.

Receivables and Payables related to Insurance Contracts and Investment Contracts
Receivables and payables are recognized when due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognized that impairment loss in the statements of profit or loss and other comprehensive income. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated under the same method used for these financial assets.

Financial Assets
Financial assets include cash and other financial instruments. Financial assets, other than hedging instruments, are classified into the following categories: financial assets at fair value through profit or loss (FVPL), receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated at every reporting date at which date a choice of classification or accounting treatment is available, subject to compliance with specific provisions of applicable accounting standards.

All financial assets are recognized on their trade date. All financial assets that are not classified at a fair value through profit or loss are initially recognized at fair value plus transaction costs.

The foregoing categories of financial instruments are more fully described below.

Financial Assets at FVPL
Financial assets are classified as at fair value through profit or loss if they are acquired for the purpose of selling in the near term or if so designated by the management. Derivatives assets, including separated embedded derivatives are also classified as at fair value through profit or loss unless they are designated as effective hedging instruments.

Initial recognition and measurement
Financial assets at fair value through profit or loss are initially recorded at fair value. Transactions costs incurred for the acquisition of the financial assets are directly expensed outright.

Subsequent measurement
Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognized in profit or loss. Financial assets originally designated as financial assets at fair value through profit or loss may not subsequently be reclassified.

The Company has no investment classified under this category.

Loans and Receivables
Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as other financial assets held for trading, designated as AFS financial assets or securities at FVPL.

Initial recognition and measurement
Loans and receivables are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition or issuance of the financial asset. The fair value of the loan receivable at initial recognition is normally the transaction price, meaning the amount of the loan granted.

Subsequent measurement
After initial measurement, loans and receivables are subsequently measured at amortized cost using the EIR method, allowances or reversals of allowances being made where necessary on remeasuring.

Impairment of Financial Assets
A loan and receivable is deemed impaired when there is objective evidence that an impairment loss on loan and receivables has been incurred. Gains and losses are recognized in the profit or loss when the loans and receivables are derecognized or impaired, and through the amortization process.

Loans and receivables includes cash and cash equivalents, premiums due from ceding companies, reinsurance recoverable on losses, premiums receivable, commission receivable, premiums reserve withheld by ceding companies, salvage recoverable and other receivables in the statement of financial position.

Available-for-Sale Financial Assets
Financial assets of the Company include available-for-sale financial assets. AFS financial assets are those non-derivative financial assets that are designated as AFS or are not classified in any of the three other categories. AFS financial assets include financial assets not quoted in an active market and are classified as AFS when purchased and held indefinitely, but which the Company anticipates to sell in response to liquidity requirements or in anticipation of changes in interest rates or other factors. Financial assets may be designated under this category provided such are not held for trading.

Initial recognition and measurement
AFS financial assets are recognized initially at fair value. The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business as at the date of financial position. AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measure are measured at cost less any impairment losses at end of each reporting period.

Subsequent measurement
After initial recognition, changes in the fair value of AFS financial assets are recognized in equity, except for the foreign exchange fluctuations on AFS debt securities and the related effective interest which are taken directly to the statements of profit or loss and other comprehensive income. These changes in fair values are recognized in equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity are included in the statements of profit or loss and other comprehensive income.

Impairment of Financial Assets
The Company assesses at each statement of financial position date whether there is objective evidence that 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.

In case of equity investments classified as available-for-sale financial assets, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. When a decline in the fair value of an available-for-sale financial asset has been recognized in other comprehensive income reserve account and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in other comprehensive income reserve account is reclassified from other comprehensive income reserve account to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized. The amount of the cumulative loss that is reclassified from other comprehensive income account to profit or loss is the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss. Impairment losses recognized in profit or loss for an investment in an equity instrument are not reversed in profit or loss. Subsequent increases in the fair value after impairment are recognized directly in other comprehensive income reserve account.

In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of interest income in the profit or loss. If, in subsequent year, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in the profit or loss, the impairment loss is reversed through the profit or loss.

Held-to-Maturity Financial Assets
HTM financial assets include non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Company's management has the positive intention and ability to hold to maturity. Where the Company sells other than an insignificant amount of HTM financial assets, the entire category would be tainted and classified as AFS financial assets.

Initial recognition and measurement
Held-to-maturity financial assets are initially recorded at fair value plus transactions costs that are directly attributable to the acquisition or issuance of the financial asset. The fair value is usually the actual transaction price on the transaction date.

Subsequent measurement
Held-to-maturity financial assets are subsequently measured at amortized cost using the effective interest method. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognized in profit or loss.

Impairment of Financial Assets
If there is objective evidence that a financial assets carried at amortized cost is impaired, the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted using the original effective interest rate of the financial asset.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized under "asset impairment" in the statements of profit or loss and other comprehensive income. If, in a subsequent period, the amount of an impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the statements profit or loss and other of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. If a future write-off is later recovered, the recovery is recognized in profit or loss.

Financial liabilities
All financial liabilities are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the profit or loss when the liabilities are derecognized or impaired, as well as through the amortization process.

Other Financial Liabilities
This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

All financial liabilities are recognized initially at fair value of the consideration received less directly attributable costs. After initial recognition, these are subsequently measured at amortized cost using the effective interest method. When liabilities are impaired or derecognized, any gain and losses are recognized in the profit or loss.

Included in this category are the Company's claims payables, premiums due to reinsurers, commission payable, reserved for unearned premiums, premiums reserve withheld for reinsurers and other payables (except for tax liabilities).

The Company has no designated financial liability at FVPL.

<u>De-recognition of Financial Assets and Liabilities</u>
Financial Assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized or removed from the Company's statements of financial position where:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Company has transfer its right to receive cash flows from the asset and either (a) has transferred nor retained 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 rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Purchases and sales of investments are recognized or derecognized on trade date, the date on which the Company commits to purchase or sell the asset. At initial measurement, financial instruments are measured equal to their fair value including transaction costs. Transactions costs incurred at a subsequent date related to the transfer or disposal of a financial instrument are not included in the subsequent measurement of the financial instrument. Such costs are only included in the statements of profit or loss and other comprehensive income when de-recognition occurs. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial Liabilities
Financial liabilities are derecognized when and only when obligation under liability is discharged or cancelled or 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 de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the profit or loss.

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

As at December 31, 2019 and 2018, the Company is not off setting financial instruments in accordance with PAS 32 and does not have relevant offsetting arrangements. The Company is presenting its financial assets and financial liabilities at gross amounts in the statement of financial position.

Other Investments
Other investments which include real estate acquired and the Company's contribution to the Security Fund are stated at cost. These are included in other non-current assets.

Impairment of Reinsurance Contracts
The Company assumes reinsurance risk in the normal course of business for nonlife insurance contracts when applicable. Premiums and claims on assumed reinsurance are recognized as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related 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.

The Company assesses at each financial position date whether there is objective evidence that a reinsurance contract is impaired. A reinsurance contract is impaired if, and only if:

- there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the cedant may not receive all amounts due to it under the terms of the contract; and

- the event has reliably measurable impact on the amounts that the cedant will receive from the reinsurer.

Property and Equipment

Property and equipment are stated at cost except for the building that is carried at appraisal value less accumulated depreciation and allowance for impairment loss. When assets are sold or retired, their cost, accumulated depreciation and any allowance for impairment are eliminated from the accounts and any gain or loss resulting from the disposal is included in the statements of profit or loss.

The initial cost of property and equipment comprises its purchase price, including import duties and taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to expense in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Building is measured at fair value less accumulated depreciation on buildings and impairment losses recognized after the date of the revaluation. Valuations will be performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any revaluation surplus is credited to the revaluation surplus included in the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss, in which case the increase is recognized in profit or loss. A revaluation deficit is recognized in the statement of income, except to the extent that it offsets an existing surplus on the same asset recognized in the revaluation surplus.

Accumulated depreciation as of the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation is computed on a straight-line basis over the following estimated useful lives of the assets:

Building	20 years
Building improvements	1-5 years
Leasehold and improvements	2-5 years
Office furniture and fixtures	1-10 years
Transportation equipment	2-5 years
Electronic Data Processing Machine	1-5 years

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

Impairment of Nonfinancial Assets

Property and equipment and other non-current assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts.

The estimated recoverable amount is the greater of an asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the estimated recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment loss is recognized in the statement of profit or loss and other comprehensive income.

Reversal of impairment losses recognized in prior years is recorded when that there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The reversal is recorded in the statements of profit or loss and other comprehensive income. However, the increased carrying amount of an asset due to reversal of an impairment loss is recognized to the extent that it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for the asset in prior years.

De-recognition of Nonfinancial Assets
An item of the property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on the derecognition of the assets (computed as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the assets is derecognized.

Share Capital
Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

When the Company purchases the Company's equity shares capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to the Company's equity holders, net of any directly attributable incremental transaction costs and the related income tax effects.

The Company's share capital includes common stocks, preferred shares and treasury stocks.

Retained earnings include all the accumulated earnings of the Company less dividends declared.

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

Insurance Contracts and Investment Contracts

(a) Recognition and Measurement

Short-term Insurance Contracts
These contracts are casualty and property insurance contracts.

Casualty insurance contracts protect the Company's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events.

Property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

Premiums from short duration insurance contracts are recognized as revenue over the period of contracts using the 24th method. The portion of the premiums written that relate to the unexpired periods of the policies as at the date of financial position are accounted for as Unearned Premiums and presented in the liability section of the statements of financial position. The related reinsurance premiums ceded that pertained to the unexpired periods as at the date of financial position are accounted for as Ceded Reinsurance Premiums shown as part of assets in the statements of financial position. The net changes in these accounts between financial position dates are either charged or credited to income.

Commission income earned from short duration insurance contracts are recognized as revenue over the period of contracts using the 24th method except for marine cargo where the deferred reinsurance commissions for the last two months of the year are considered earned the following year. The portion of the commissions that relates to the unexpired periods of the policies at the reporting date is accounted for as deferred reinsurance commissions and lodged into commissions payable and presented in the liabilities section of the statement of financial position.

Interest income is recognized as the interest accrues using the effective interest method.

Other income includes gain on sale of stocks and property and investment income. Gain on sale is recognized when sold. Recovery from impairment losses is recognized when collected.

Dividend income is recognized when the right to receive payment is established. Revenues from dividends received and those from other sources are recognized when declared and earned regardless of when received.

Foreign currencies denominated monetary transactions are translated into the functional currency using the prevailing exchange rates at financial position dates. Exchange gains or losses arising from foreign currency transactions are credited or charged directly to operations.

Expense Recognition

Expenses are recognized in the statements of profit or loss when decrease in future economic benefit related to a decrease in asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in the statements of profit or loss and other comprehensive income:

- on the basis of a direct association between the costs incurred and the earning of specific items income;
- on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the statements of financial position as an asset.

Benefits and Claims

Gross benefits and claims consist of benefits and claims paid to policyholders, which are based on the loss adjuster estimates. It further includes internal and external claims handling costs that are directly related to the processing and settlement of claims.

Insurance claims are recorded on the basis of notification received.

Other Underwriting Expenses

Other underwriting expense pertains to the costs incurred by the Company prior to the issuance of policies to its policyholders. These costs include expenses for technical inspections, actuarial reviews and other work that is necessary to determine whether or not to accept the risks to be written. These costs are recognized as expense as they are incurred.

General Expenses

General expenses are recognized in the statement of profit or loss as they are incurred.

Comprehensive Income

The Company uses single statement of comprehensive income, in which it presents all items of income and expense recognized in the period.

Related Party Relationships and Transactions
Related party relationship exists when (a) a person or a close member of that person's family has control or joint control, has significant influence or is a member of the key management personnel of the reporting entity or a parent of the reporting entity. (b) An entity is related to the Company if, the entity and the Company are members of the same group, one entity is an associate or joint venture of the other entity, both entities are joint ventures of the same third party, one entity is a joint venture of a third entity and the other entity is an associate of the third party, an entity is a post-employment benefit plan for the benefit of employees of the Company, the entity is controlled or joint controlled by a person who has control or joint control over the Company and a person as identified in (a) above has significant influence over the entity is a member of the key management personnel of the entity or of a parent of the entity. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

Leases
Policy applicable upon adoption of PFRS 16
At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in PFRS 16. This policy is applied to contracts entered into on or after January 1, 2019.

Short-term leases and leases of low-value assets
The Company has elected not to recognize right-of-use assets and liabilities for leases of low-value assets and short-term leases. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before January 1, 2019
For contracts entered into before January 1, 2019, the Company determined whether the arrangement was, or contained, a lease based on the following assessment:

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

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement; a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
(b) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
(c) 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 any of the scenarios above and at the date of renewal or extension period for the second scenario.

Employee Benefits

a. Retirement Cost

The Company's retirement plan is non-contributory and of the defined benefit type which provides a retirement benefit equal to One-half month's salary for every year of credited service in accordance with the Retirement Pay law (Republic Act No. 7641). Benefits are paid in lump sum upon retirement or separation in accordance with the terms of the plan. A The retirement cost is determined by applying the Accrued Benefit Actuarial Cost Method taking into account the factors of investment, mortality, disability and salary projection rate. The fund is administered by a duly appointed fund trustee.

b. Short-term employee benefits

Wages, salaries, paid annual leave, sick leave, bonuses, social security contribution, philhealth contribution, pag-ibig contribution and non-monetary benefits are recognized as employee benefit expense and accrued when the associated services are rendered by the employees of the Company.

c. Profit-sharing and bonus plans

The Company recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Income taxes

The tax expense for the period comprises current and deferred tax.

Current taxes

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date where the company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income taxes

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax relating to items recognized outside profit and loss is recognized in correlation to the underlying transaction both in OCI or directly in equity and not in the company's statements of profit or loss and other comprehensive income.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Current and deferred tax for the year
Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

Value-added Tax (VAT)
Revenue, expenses and assets are recognized net of the amount of VAT, except:

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

Earnings per Share
Basic earnings per share is calculated by dividing net income by the weighted average number of ordinary shares outstanding during the year, adjusted for any subsequent stock dividends declared.

Diluted earnings per share amounts are calculated by dividing net income by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares outstanding that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Book Value per Share
Book value per share is calculated by dividing stockholders equity by the weighted average number of ordinary shares outstanding during the year, adjusted for any subsequent stock dividends declared.

Provisions
Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the financial position date, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain as a separate asset, not exceeding the amount of the related provision. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. In addition, long-term provisions are discounted to their present values, where time value of money is material.

Provisions are reviewed at each financial position date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered probable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements.

Probable inflows of economic benefits that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements.

Contingencies
Contingent liabilities represent possible obligations whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. They are not recognized in the financial statements but 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 benefits is probable.

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

32. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

In the application of the Company's accounting policies, which are described in Note 31, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

Product classification
The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur. The Company has determined that the insurance policies have significant insurance risks and therefore meet the definition of insurance contracts and should be accounted for as such.

Fair Value Measurement of Financial Instruments
When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

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

The carrying value of AFS financial assets not quoted in an active market and are carried at cost amounted to ₱16,785,000 as of December 31, 2019 and 2018. (See Note 6).

Revenue Recognition
The Company's revenue recognition policies require use of estimates and assumptions that may affect the reported amounts of revenue and receivables.

Determining Functional Currency
Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences the revenues and expenses of the Company.

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

Determination of Fair Values of Financial Assets
Fair value determinations for financial assets are based generally on listed market prices or broker or dealer price quotations. If prices are not readily determinable or if liquidating the positions is reasonably expected to affect the market prices, fair value is based on their internal valuation models or management's estimate of amounts that could be realized under current market conditions, assuming an orderly liquidation over a reasonable period of time. The use of assumptions could produce materially different estimates of fair value.

The Ultimate Liability Arising from Claims Made Under Insurance Contracts
The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims.

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

The 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 claim costs. Historical claims development is analyzed by accident years but can also be further analyzed by significant business lines and claim types. Large claims are usually addressed by being reserved at the face value of loss adjuster's estimates. Assumptions used are those implicit in the historical claims development data on which the projections are based.

Estimated Allowance for Impairment Losses on Receivables
The Company evaluates the possibility of losses that may arise out of the non-collection of receivables based on a certain percentage of the outstanding balance of receivable and on an evaluation of the current status of the account. As of December 31, 2019, allowance for impairment losses amounted to P656,340 was provided for the accounts that were not deemed collectible.

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 the allowance for impairment losses on receivables would increase recorded operating expenses and decrease current assets.

Estimated Useful Lives of Property and Equipment
The Company reviews annually the estimated useful lives of property and equipment based on the period over which the assets are expected to be available for use and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned.

Financial Assets and Liabilities
The Company carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (i.e. foreign exchange rates, interest rate), the amount of changes in fair value would differ if the Company utilized different value methodology. Any changes in fair value of these financial assets and liabilities would affect directly the statements of other comprehensive income and statements of changes in equity. Fair values of financial assets and liabilities are disclosed in details in Note 26.

Asset Impairment
The Company assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

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

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

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

No indications of impairment were noted on property and equipment as of December 31, 2019 and 2018.

Retirement Benefit Obligation
The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The valuation results are based on the employee data as of valuation dates as provided by the Company. The average discount rate was based on bootstrapped PDEX PDST-R2 rates at various tenors as of December 31, 2019 and 2018. Assumed discount rate is used in the measurement of the present value of the obligation, service and interest cost.

Deferred Income Taxes
The Company reviews the carrying amounts of deferred income taxes at each financial position date and reduces deferred income tax assets 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 assets to be utilized. However, there is no assurance that the Company will generate sufficient taxable profit to allow all or part of the deferred income tax assets to be utilized.

The Company recognized deferred tax liability amounting to ₱940,159 in 2019 and deferred tax asset amounting to ₱1,301,236 in 2018. (See Note 24)

Contingencies
The Company is currently a party litigant in certain case. The estimate of the probable costs is based on the analysis of potential result in consultation with legal counsel.

33. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Revenue Regulation No. 15-2010

On November 25, 2010, the Bureau of Internal Revenue (BIR) issued Revenue Regulation (RR) No. 15-2010 which took effect on December 29, 2010 which provides for additional information required to be disclosed in the notes to financial statements regarding taxes, duties and license fee, paid or accrued, during the taxable year. Specifically, the disclosure should include the following: (a) amount of Value-Added Tax (VAT) output taxes declared during the year with account title and amount/s; (b) amount of VAT Input taxes claimed; (c) landed cost of imports and the amount of customs duties and tariff fees; (d) amount of excise taxes, classified per major product category; (e) documentary stamp tax (DST) on loan instruments and other transactions; (f) all other taxes, local and national, license and permit fees lodged under taxes and licenses account both under the Cost of sales and operating expense accounts;
(g) amount of withholding taxes;(h) periods covered and amounts of deficiency assessments; and (i) tax cases and amounts involved.

In compliance with the requirements set forth by RR 15-2010, the following taxes are either paid or accrued by the Company.

1. The following table shows the Company's Sales and VAT output declared as of December 31, 2019 and 2018:

		2019		2018
Underwriting income	₱	**172,838,323**	₱	144,394,979
VAT output		**20,740,599**		17,327,397

2. The amount VAT Input taxes claimed are broken down as follows:

		2018		2017
Beginning of the year	₱	**1,772**	₱	706,093
Current year's purchases				
Domestic purchase of services		**11,432,547**		6,854,289
		11,434,319		7,560,382
Application against output VAT		**(10,805,240)**		(7,558,610)
Balance at the end of the year	₱	**629,079**	₱	1,772

3. Landed Cost, Customs' Duties and Tariff Fees

The Company did not have any importations in 2019 and 2018 that would require for the payment of customs duties and tariff fees.

4. Excise Tax

The Company did not have any transactions in 2019 and 2018 which are subject to excise tax.

5. Documentary Stamp Tax

The Company paid ₱21,369,806 and ₱19,422,181 as of December 31, 2019 and 2018, respectively.

6. Taxes and Licenses

The details of taxes and licenses are shown as part of expenses follows:

		2019		2018
Local				
Community tax	₱	**10,500**	₱	10,500
Business taxes and others		**2,532,897**		3,648,775
	₱	**2,543,397**	₱	3,659,275

7. Withholding taxes

The details of total withholding taxes paid and accrued for the year ended December 31, 2019 and 2018 are as follows:

		2019		2018
National Internal Revenue Taxes				
Withholding taxes				
Expanded Withholding Tax	₱	**6,760,358**	₱	5,367,791
Final Withholding Tax		**542,249**		542,249
Withholding Tax on Compensation		**1,250,451**		1,033,474
	₱	**8,553,058**	₱	6,943,514

8. Deficiency Tax Assessments and Tax Cases

As of December 31, 2019 and 2018, the Company did not have any final deficiency tax assessments from the BIR nor does it have tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open years.