

AFP GENERAL INSURANCE CORPORATION
(A Wholly-owned Subsidiary of Armed Forces and
Police Mutual Benefit Association, Inc.)

FINANCIAL STATEMENTS
December 31, 2013 and 2012



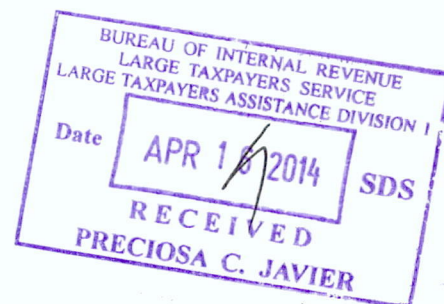
R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue
Makati City 1226, Metro Manila, Philippines

Telephone +63 (2) 885 7000
Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
E-Mail manila@kpmg.com.ph

Branches: Subic · Cebu · Bacolod · Iloilo

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
AFP General Insurance Corporation
3rd Floor, AFP-GIC Building, Camp Aguinaldo
Bonny Serrano St. corner EDSA
Quezon City



Report on the Financial Statements

We have audited the accompanying financial statements of AFP General Insurance Corporation (a wholly-owned subsidiary of Armed Forces and Police Mutual Benefit Association, Inc.), which comprise the statements of financial position as at December 31, 2013 and 2012, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of AFP General Insurance Corporation as at December 31, 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

**Report on the Supplementary Information Required Under Revenue Regulations (RR)
No. RR No. 19-2011 and 15-2010 of the Bureau of Internal Revenue**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 31 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 management. The supplementary information 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.

R.G MANABAT & CO.

Dennis I. Ilan

DENNIS I. ILAN

Partner

CPA License No. 089564

IC Accreditation No. SP-0099-O, Group A, valid until September 11, 2014

SEC Accreditation No. 1182-A, Group A, valid until January 11, 2015

Tax Identification No. 161-313-405

BIR Accreditation No. 08-001987-28-2011

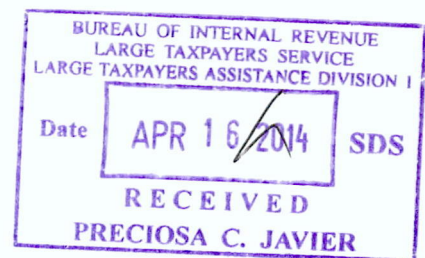
Issued November 3, 2011; valid until November 2, 2014

PTR No. 4225125MC

Issued January 2, 2014 at Makati City

March 26, 2014

Makati City, Metro Manila





R.G. Manabat & Co.

The KPMG Center, 9/F
6787 Ayala Avenue
Makati City 1226, Metro Manila, Philippines

Telephone +63 (2) 885 7000
Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
E-Mail manila@kpmg.com.ph

Branches: Subic · Cebu · Bacolod · Iloilo

**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE
SECURITIES AND EXCHANGE COMMISSION**

The Board of Directors and Stockholders
AFP General Insurance Corporation
3rd Floor, AFP-GIC Building, Camp Aguinaldo
Bonny Serrano St. corner EDSA
Quezon City

We have audited the accompanying financial statements of AFP General Insurance Corporation (a wholly-owned subsidiary of Armed Forces and Police Mutual Benefit Association, Inc.) (the "Company") as at and for the year ended December 31, 2013, on which we have rendered our report dated March 26, 2014.

In compliance with Securities Regulation Code Rule 68, As Amended, we are stating that the said Company has one (1) stockholder owning one hundred (100) or more shares of stock.

R.G. MANABAT & CO.

Dennis J. Ilan

DENNIS I. ILAN

Partner

CPA License No. 089564

IC Accreditation No. SP-0099-O, Group A, valid until September 11, 2014

SEC Accreditation No. 1182-A, Group A, valid until January 11, 2015

Tax Identification No. 161-313-405

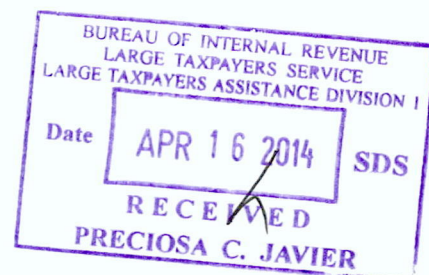
BIR Accreditation No. 08-001987-28-2011

Issued November 3, 2011; valid until November 2, 2014

PTR No. 4225125MC

Issued January 2, 2014 at Makati City

March 26, 2014
Makati City, Metro Manila





ARMED FORCES AND POLICE GENERAL INSURANCE CORPORATION

AFPGen. Bldg. EDSA cor. Col. Bonny Serrano Road, Quezon City, Metro Manila
Trunkline No.: 911-9888 • Fax Nos.: 911-3149 • 421-2286
Website: www.afpgen.com

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of AFP GENERAL INSURANCE CORPORATION (the **Company**), is responsible for the preparation and fair presentation of the financial statements as at and for the years ended **December 31, 2013 and 2012**, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

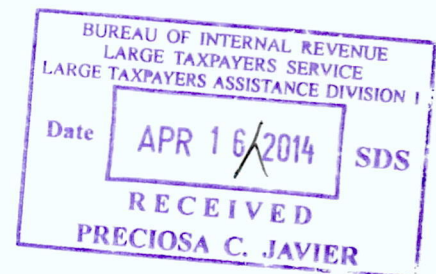
The Board of **Directors** reviews and approves the financial statements and submits the same to **stockholders**.

R.G. Manabat & Co., the independent auditors appointed by the **stockholders**, have audited the financial statements of the AFP General Insurance Corporation in accordance with Philippine Standards on Auditing, and in its report to the **stockholders**, have expressed its opinion on the fairness of presentation upon completion of such audit.

Signature *[Signature]*
MS MARIA CARMELA G CABADING
Chairman of the Board
TIN: 110-861-771-0000

Signature *[Signature]*
BGEN ALEJANDRO CAMAGAY JR AFP (Ret)
President and Chief Executive Officer
TIN: 121-201-160-0000

Signature *[Signature]*
MARIA VICTORIA D. DIZON
Chief Financial Officer
TIN: 123-157-019-0000



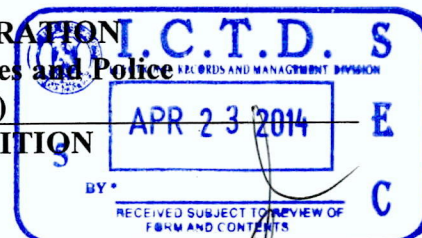
SUBSCRIBE AND SWORN to before me this 27th day of March 2014, Affiants exhibiting to me their competent evidence of identity, TIN as shown above.

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Page No. 38
Book No. 1
Series of 2014.

[Signature]
ATTY. PABLO B AJESTA
NOTARY PUBLIC
Valid Until Dec. 31, 2015
PTR No. 9032543 B -01/02/2014 QC
IBP NO. 915227 01/03/2014 QC
TIN NO. 149-8704057
ROLL NO. 34001
MCLE NO. 001-8029
Add.: 2A 3rd Ave., D.L. ng Crame, QC

AFP GENERAL INSURANCE CORPORATION
(A Wholly-owned Subsidiary of Armed Forces and Police Mutual Benefit Association, Inc.)

STATEMENTS OF FINANCIAL POSITION



December 31

		2012	(As restated - see Note 3)
	<i>Note</i>	2013	
ASSETS			
Cash and cash equivalents	7	P107,566,828	P185,067,585
Insurance receivables - net	8	38,446,540	16,050,078
Available-for-sale (AFS) securities - net	9	176,592,466	33,576,350
Held-to-maturity (HTM) investments	10	107,934,954	149,537,479
Deferred reinsurance premiums	11	27,084,359	7,324,774
Deferred acquisition costs	12	2,273,447	2,081,083
Investment properties	13	21,452,144	21,452,144
Property and equipment - net	14	28,831,406	30,394,697
Retirement benefits asset	23	-	8,429,019
Deferred tax assets - net	24	9,731,083	2,567,557
Other assets	15	11,315,673	13,708,014
		P531,228,900	P470,188,780

LIABILITIES AND EQUITY

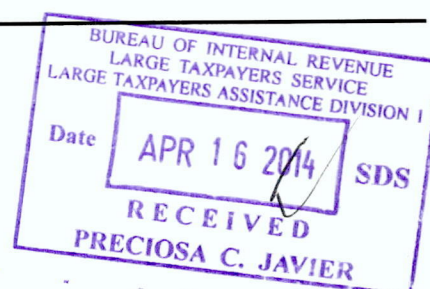
Liabilities

Losses and claims payable	17	P104,736,631	P40,740,539
Accounts payable and accrued expenses	16	24,833,785	21,688,960
Due to reinsurers	17	2,911,318	5,970,544
Funds held for reinsurers	17	4,744,559	3,363,213
Reserve for unearned premiums	18	52,555,412	34,659,652
Deferred reinsurance commission	19	3,884,385	3,716,978
Retirement benefits liability	23	10,703,514	-
Total Liabilities		204,369,604	110,139,886

Equity

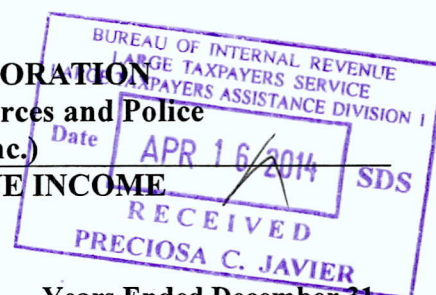
Capital stock	26	250,000,000	250,000,000
Contributed surplus		500,000	500,000
Revaluation reserve for AFS securities	9	(8,820,483)	156,733
Retirement benefit reserves	23	(25,399,898)	(7,187,233)
Retained earnings	26	110,579,677	116,579,394
Total Equity		326,859,296	360,048,894
		P531,228,900	P470,188,780

See Notes to the Financial Statements.



AFP GENERAL INSURANCE CORPORATION
(A Wholly-owned Subsidiary of Armed Forces and Police
Mutual Benefit Association, Inc.)

STATEMENTS OF COMPREHENSIVE INCOME



Years Ended December 31

		2012	2013	(As restated - see Note 3)
	<i>Note</i>			
UNDERWRITING INCOME				
Direct premiums written	20	P151,769,043		P114,359,920
Premiums assumed	20	11,829,390		10,620,310
Gross premiums		163,598,433		124,980,230
Premiums ceded	20	(50,947,470)		(24,701,426)
Premiums retained		112,650,963		100,278,804
Decrease in reserve for unearned premiums - net	20	1,863,825		1,476,770
Net premiums earned		114,514,788		101,755,574
Reinsurance commissions earned	19	10,489,942		5,493,602
GROSS UNDERWRITING INCOME		125,004,730		107,249,176
UNDERWRITING DEDUCTIONS				
Losses and claims	17	59,572,455		16,820,935
Commissions	12	3,842,410		3,666,383
		63,414,865		20,487,318
NET UNDERWRITING INCOME		61,589,865		86,761,858
INVESTMENT AND OTHER INCOME	21	8,360,735		20,731,059
INCOME AFTER INVESTMENT AND OTHER INCOME		69,950,600		107,492,917
GENERAL AND ADMINISTRATIVE EXPENSES	22	79,796,287		63,956,333
INCOME (LOSS) BEFORE INCOME TAX		(9,845,687)		43,536,584
INCOME TAX EXPENSE (BENEFIT)	24	(3,845,970)		11,333,891
NET INCOME (LOSS)		(5,999,717)		32,202,693
OTHER COMPREHENSIVE (LOSS) INCOME				
Items that will not be reclassified to profit or loss				
Remeasurement loss on retirement benefit obligations	23	(18,212,665)		(104,206)
Items that may be reclassified to profit or loss				
Net change in fair value of AFS securities	9	(8,977,216)		46,083
Net change in fair value of AFS securities transferred to profit or loss	9	-		363,062
		(8,977,216)		409,145
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		(27,189,881)		304,939
TOTAL COMPREHENSIVE INCOME (LOSS)		(P33,189,598)		P32,507,632

See Notes to the Financial Statements.

AFP GENERAL INSURANCE CORPORATION
(A Wholly-owned Subsidiary of Armed Forces and Police Mutual Benefit Association, Inc.)
STATEMENTS OF CHANGES IN EQUITY

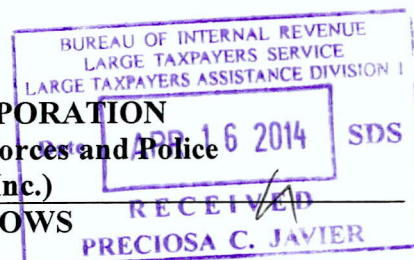
Years Ended December 31

		Capital Stock (Note 26)	Contributed Surplus	Revaluation Reserve for AFS Securities (Note 9)	Retirement Benefit Reserves (Note 23)	Retained Earnings (Note 26)	Total Equity
Balance at January 1, 2012, as previously restated		P175,000,000	P500,000	(P252,412)	P -	P158,304,434	P333,552,022
Effect of change in accounting for net defined benefit liability	3	-	-	-	(7,083,027)	1,072,267	(6,010,760)
Balance at January 1, 2012, as restated	3	175,000,000	500,000	(252,412)	(7,083,027)	159,376,701	327,541,262
Net change in fair value of AFS securities		-	-	46,083	-	-	46,083
Net change in fair value of AFS securities transferred to profit or loss		-	-	363,062	-	-	363,062
Remeasurement loss on retirement benefit obligations	3	-	-	-	(104,206)	-	(104,206)
Net income for the year	3	-	-	-	-	32,202,693	32,202,693
Total comprehensive income, as restated		-	-	409,145	(104,206)	32,202,693	32,507,632
Stock dividends		75,000,000	-	-	-	(75,000,000)	-
Balances at December 31, 2012, as restated	3	250,000,000	500,000	156,733	(7,187,233)	116,579,394	360,048,894
Net change in fair value of AFS securities		-	-	(8,977,216)	-	-	(8,977,216)
Remeasurement loss on retirement benefit obligations	3	-	-	-	(18,212,665)	-	(18,212,665)
Net loss for the year		-	-	-	-	(5,999,717)	(5,999,717)
Total comprehensive loss		-	-	(8,977,216)	(18,212,665)	(5,999,717)	(33,189,598)
Balance at December 31, 2013		P250,000,000	P500,000	(P8,820,483)	(P25,399,898)	P110,579,677	P326,859,296

See Notes to the Financial Statements.

AFP GENERAL INSURANCE CORPORATION
(A Wholly-owned Subsidiary of Armed Forces and Police
Mutual Benefit Association, Inc.)

STATEMENTS OF CASH FLOWS



Years Ended December 31

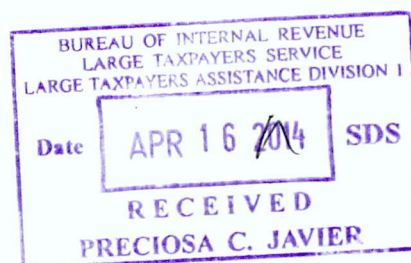
		2012	
		(As restated -	
	Note	2013	see Note 3)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax		(P9,845,687)	P43,536,584
Adjustments for:			
Interest income	21	(10,216,411)	(17,616,106)
Depreciation	14	6,041,641	4,387,486
Dividend income	9, 21	(1,525,428)	(599,300)
Retirement benefit expense	23	919,868	637,442
Unrealized foreign exchange loss		-	80,601
Decrease in reserve for unearned premiums - net	20	(1,863,825)	(1,476,770)
Increase in deferred reinsurance commission	19	167,407	2,571,862
Increase in deferred acquisition costs	12	(192,364)	(491,983)
Gain on sale of property and equipment		-	(312,678)
Gain on sale of AFS securities	9, 21	-	(240,208)
Operating income (loss) before working capital changes		(16,514,799)	30,476,930
Decrease (increase) in:			
Insurance receivables	8	(22,396,462)	2,349,166
Other assets	15	2,392,341	(3,660,151)
Increase (decrease) in:			
Losses and claims payable	17	63,996,092	624,099
Accounts payable and accrued expenses	16	3,144,825	6,060,316
Due to reinsurers		(3,059,226)	1,586,420
Funds held for reinsurers	17	1,381,346	76,716
Cash generated from operations		28,944,117	37,513,496
Income taxes paid		(3,317,557)	(11,839,388)
Net cash provided by operating activities		25,626,560	25,674,108
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of investments	9, 10	(192,682,878)	(52,552,221)
Proceeds from sale of investments		82,292,072	63,023,557
Interest received		10,216,411	19,366,335
Acquisitions of property and equipment	14	(4,478,350)	(19,415,092)
Dividends received		1,525,428	306,800
Proceeds from sale of property and equipment		-	1,000,758
Proceeds from sale of investment properties		-	1,121,774
Net cash provided by (used in) investing activities		(103,127,317)	12,851,911

Forward

Years Ended December 31

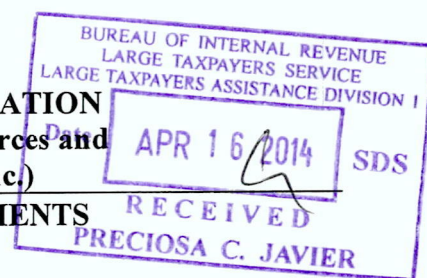
		2012
		(As restated - see Note 3)
	<i>Note</i>	2013
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(P77,500,757) P38,526,019
EFFECT OF CHANGES IN FOREIGN CURRENCY EXCHANGE RATE		- (80,601)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7	185,067,585 146,622,167
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	P107,566,828 P185,067,585

See Notes to the Financial Statements.



AFP GENERAL INSURANCE CORPORATION
(A Wholly-owned Subsidiary of Armed Forces and
Police Mutual Benefit Association, Inc.)

NOTES TO THE FINANCIAL STATEMENTS



1. Reporting Entity

AFP General Insurance Corporation (the "Company") was incorporated in the Philippines on March 1, 1979. The Company is engaged in the business of non-life insurance, indemnifying the Armed Forces of the Philippines, Armed Forces and Police Mutual Benefit Association, Inc. (AFPMBAI), the Philippine National Police and its members against loss, damage or liability arising from unknown or contingent events and acting as agent to other insurance or surety companies. Its lines of business include accident, fire and allied lines, motor vehicle, casualty, surety, marine cargo, marine hull, comprehensive liability insurance and allied risks, and/or such other insurance coverage allied with and incidental to aforementioned lines. The Company also renders coverages upon buildings, machineries, equipment, facilities, installations, houses, merchandises and other properties and effects, real or personal, to the general public, explicitly described as fire, marine, aviation, cargo, and all other types of non-life insurance.

Certificate of Authority No. 2013/108-R was granted to the Company by the Philippine Insurance Commission (IC) to transact in non-life insurance (fire, marine, casualty and surety) business until June 30, 2014.

The Company is a wholly-owned subsidiary of AFPMBAI (the "Parent Company"), a non-stock corporation.

The Company's principal and registered office is located at 3rd Floor, AFP-GIC Building, Camp Aguinaldo, Bonny Serrano St. corner EDSA, Quezon City.

2. Basis of Preparation

Statement of Compliance

The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). It consists of PFRSs, Philippine Accounting Standards (PAS), and Philippine Interpretations from International Financial Reporting Interpretations Committee issued by the Financial Reporting Standards Council.

The accompanying financial statements of the Company as at and for the year ended December 31, 2013 have been reviewed, approved and authorized for issue by the Board of Directors (the "BOD") on March 26, 2014.

Basis of Measurement

The financial statements have been prepared on a historical cost basis of accounting, except for financial instruments classified as available-for-sale (AFS) securities, which are stated at fair value and retirement benefits liability (asset) which is measured as the net total of the fair value of the plan assets and the present value of the defined benefit obligation.

Functional and Presentation Currency

The financial statements of the Company are presented in Philippine peso, which is the Company's functional and presentation currency. All financial information presented in Philippine peso has been rounded-off to the nearest peso, unless otherwise indicated.

Use of Estimates and Judgments

The preparation of the financial statements in accordance with PFRSs requires the management to make judgments, estimates and assumptions that affect application of policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from estimates.

Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

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.

In particular, information about significant areas of estimation uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in Note 4 to the financial statements.

3. Summary of Significant Accounting Policies

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

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

The Company has adopted the following amendments to standards and interpretations starting January 1, 2013 and accordingly changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards and interpretations did not have any significant impact on the Company's financial statements.

- *Presentation of Items of Other Comprehensive Income (Amendments to PAS 1).* The amendments:
 - require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss;
 - do not change the existing option to present profit or loss and other comprehensive income in two statements; and
 - change the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles.

The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other PFRSs continue to apply in this regard.

- *Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to PFRS 7).* These amendments include minimum disclosure requirements related to financial assets and financial liabilities that are:
 - offset in the statement of financial position; or
 - subject to enforceable master netting arrangements or similar agreements.

These include a tabular reconciliation of gross and net amounts of financial assets and financial liabilities, separately showing amounts offset and not offset in the statement of financial position.

- PFRS 13, *Fair Value Measurement*

PFRS 13 replaces the fair value measurement guidance contained in individual PFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other PFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

- Philippine Accounting Standards (PAS) 19, *Employee Benefits* (Amended 2011). The amended PAS 19 includes the following requirements:
 - actuarial gains and losses are recognized immediately in other comprehensive income; this change removed the corridor method and eliminated the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss;
 - interest income recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation; and
 - unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

Changes in Accounting Policy

As a result of PAS 19 (Amended 2011), the Company has changed its accounting policy with respect to the elimination of the “corridor method” under which the recognition of actuarial gains and losses could be deferred, and the recognition of unvested past service costs as an expense on a straight line basis over the average vesting period until the benefits become vested. Instead, all actuarial gains and losses are recognized immediately in other comprehensive income and all unvested past service costs are recognized in profit or loss in the period they occur.

Furthermore, the Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Consequently, the net interest on the net defined benefit liability (asset) now comprises: interest cost on the defined benefit obligation, interest income on plan assets, and interest on the effect on the asset ceiling. Previously, the Company determined interest income on plan assets based on their long-term rate of expected return.

Summary of Quantitative Impacts

The following tables summarize the impacts of the above changes on the Company's financial position and comprehensive income.

The impact of PAS 19 (Amended 2011) as at January 1, 2012 is as follows:

	As previously Reported	Effect of Restatement	As Restated
Statement of Financial Position			
Retirement benefits asset	P15,181,426	(P6,010,760)	P9,170,666
Retained earnings	(158,304,434)	(1,072,267)	(159,376,701)
Retirement benefit reserves	-	7,083,027	7,083,027

The impact of PAS 19 (Amended 2011) as at and for the year ended December 31, 2012 is as follows:

	As previously Reported	Effect of Restatement	As Restated
Statement of Financial Position			
Retirement benefits asset	P13,341,787	(P4,912,768)	P8,429,019
Retained earnings	(114,665,589)	(1,913,805)	(116,579,394)
Retirement benefit reserves	-	7,187,233	7,187,233
Statement of Comprehensive Income			
Retirement benefit expense	1,839,639	(1,202,198)	637,441
Income tax expense	10,973,231	360,660	11,333,891
Increase in net income		841,538	
Remeasurement on retirement benefit obligation	P -	P104,206	P104,206

The impact of PAS 19 (Amended 2011) as at and for the year ended December 31, 2013 is as follows:

	Defined Benefit Plans
Statement of Financial Position	
Retirement benefit obligation	(P13,159,898)
Retained earnings	(4,692,106)
Retirement benefit reserve	(25,399,898)
	(43,251,902)
Statement of Comprehensive Income	
Retirement benefit expense	(5,052,767)
Remeasurement loss on retirement benefit obligations	18,212,665
Overall impact on total comprehensive income	P13,159,898

The Company did not present a third statement of financial position as the adjustments are immaterial and have no significant effect on the information at the beginning of the earliest comparative period.

- *Annual Improvements to PFRS 2009 - 2011 Cycle* - various standards contain amendments to five standards with consequential amendments to other standards and interpretations. The following are some of the said improvements or amendments to PFRSs, none of which has a significant effect on the financial statements of the Company:

- PAS 1, *Presentation of Financial Statements* - Comparative Information beyond Minimum Requirements. This is amended to clarify that only one comparative period - which is the preceding period - is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with PFRSs.

For example, if an entity elects to present a third statement of comprehensive income, then this additional statement should be accompanied by all related notes, and all such additional information should be in accordance with PFRSs. However, the entity need not present:

- other primary statements for that additional comparative period, such as a third statement of cash flows; or
- the notes related to these other primary statements.
- PAS 1 - *Presentation of the Opening Statement of Financial Position and Related Note*. This is amended to clarify that:
 - the opening statement of financial position is required only if:
 - a change in accounting policy;
 - a retrospective restatement; or
 - a reclassification
 has a material effect upon the information in that statement of financial position;

- except for the disclosures required under PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, notes related to the opening statement of financial position are no longer required; and
- the appropriate date for the opening statement of financial position is the beginning of the preceding period, rather than the beginning of the earliest comparative period presented. This is regardless of whether an entity provides additional comparative information beyond the minimum comparative information requirements.

The amendment explains that the requirements for the presentation of notes related to additional comparative information and those related to the opening statement of financial statements are different, because the underlying objectives are different.

Consequential amendments have been made to PFRS 1 and PAS 34, *Interim Financial Reporting*.

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2014, and have not been applied in preparing these financial statements. Except as otherwise indicated, none of these is expected to have a significant effect on the financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

To be Adopted on January 1, 2014

- *Offsetting Financial Assets and Financial Liabilities (Amendments to PAS 32)*. These amendments clarify that:
 - An entity currently has a legally enforceable right to set-off if that right is:
 - not contingent on a future event; and
 - enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and
 - Gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that:
 - eliminate or result in insignificant credit and liquidity risk; and
 - process receivables and payables in a single settlement process or cycle.

These amendments are effective for annual periods beginning on or after January 1, 2014 and are to be applied retrospectively.

- *Recoverable Amount Disclosures for Non-financial Assets (Amendments to PAS 36)*. These narrow-scope amendments to PAS 36 address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments clarified that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.

To be Adopted on July 1, 2014

- Defined Benefit Plans: Employee Contributions (*Amendments to PAS 19*). The amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

This amendment is effective for annual periods beginning on or after January 1, 2014 and is applied retrospectively with early adoption permitted.

To be Adopted (No definite date - Originally January 1, 2015)

- PFRS 9, *Financial Instruments* (2009); PFRS 9, *Financial Instruments* (2010); and PFRS 9, *Financial Instruments* (2013)

PFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under PFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. PFRS 9 (2010) introduces additions relating to financial liabilities.

PFRS 9 (2013) introduces the following amendments:

- A substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements;
- Changes to address the so-called 'own credit' issue that were already included in PFRS 9 to be applied in isolation without the need to change any other accounting for financial instruments; and
- Removes the January 1, 2015 mandatory effective date of PFRS 9, to provide sufficient time for preparers of financial statements to make the transition to the new requirements.

The IASB is currently discussing some limited amendments to the classification and measurement requirements in IFRS 9 and is also discussing the expected credit loss impairment model to be included in IFRS 9. Once those deliberations are complete the IASB expects to publish a final version of IFRS 9 that will include all of the phases: Classification and Measurement; Impairment and Hedge Accounting. That version of IFRS 9 will include a new mandatory effective date.

Financial Instruments

Date of Recognition

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

Initial Recognition

Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability). Except for financial instruments at fair value through profit or loss (FVPL), the initial measurement of financial instruments includes transaction costs. The Company classifies its financial assets into the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS securities and loans and receivables. The Company classifies its financial liabilities either as financial liabilities at FVPL or other financial liabilities.

The classification depends on the purpose for which the instruments were acquired or incurred and whether these are quoted in an active market. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

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

Determination of Fair Value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations from an active market (bid price for financial assets and ask price for financial liabilities), without any deduction for transaction costs. When quoted prices from an active market are not available, the price of the most recent market transactions for similar instruments normally provides objective evidence of fair value provided that there has not been a significant change in the economic circumstances since the time of the transaction.

For all other financial instruments, fair value is determined by using the appropriate valuation techniques. Valuation techniques include the discounted cash flow approach, price comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

"Day 1" Difference

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

Financial Instruments at FVPL

This category consists of financial instruments that are held for trading or financial instruments designated by management as at FVPL on initial recognition. In addition, derivative instruments, except those covered by hedge accounting relationships, are classified under this category.

Financial assets and financial liabilities at FVPL are recorded in the statements of financial position at fair value, with any changes in fair value recognized in profit or loss. Interest earned or incurred is recorded in investment income or interest expense, respectively, while dividend income is recognized when the right to receive the payment has been established.

Financial assets or financial liabilities may be designated by management on initial recognition in this category when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be bifurcated.

As at December 31, 2013 and 2012, the Company does not have any financial assets or financial liabilities classified under this category.

HTM Investments

HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which management has the positive intention and ability to hold to maturity. Management would then be unable to categorized financial instruments as HTM investments for the next two years in the financial statements. After initial measurement, these financial assets are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization is included as part of interest income in profit or loss. Gains and losses are recognized in profit or loss when HTM investments are derecognized. Any impairment losses of such investment are recognized in profit or loss.

Where the Company sells or reclassifies other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified at fair value as AFS securities.

As at December 31, 2013 and 2012, the HTM investments consist of government securities.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held for trading, neither designated as AFS securities nor financial assets as FVPL.

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

Financial assets under this category classified as loans and receivables include cash and cash equivalents, insurance receivables, other receivables and short-term investment (included under "Other assets" account).

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

AFS Securities

AFS securities are financial assets which are designated as such, or do not qualify to be classified or have not been classified under Financial Assets measured at Fair Value through Profit or Loss (FVPL). They are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. These include debt and equity securities.

After initial measurement, AFS securities are subsequently measured at fair value. Changes in fair value, other than impairment losses, interest accretion and foreign currency differences on AFS debt securities (which are all recognized in profit or loss), are reported as part of other comprehensive income. When the fair value of AFS securities cannot be measured reliably because of lack of reliable estimates of unobserved inputs such as in the case of unquoted equity instruments, these financial assets are allowed to be carried at cost less allowance for impairment, if any. When AFS securities are derecognized, the cumulative gain or loss previously recognized in other comprehensive income is recognized as an account in profit or loss where the management holds more than one investment.

As at December 31, 2013 and 2012, this category includes quoted and unquoted equity investments.

Other Financial Liabilities

Issued financial instruments or their components, which are not classified as FVPL, are classified as other financial liabilities, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial instrument to the holder or lender, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments.

After initial measurement, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR. The amortization is included as part of interest expense for the period.

Included under this category are the Company's accounts payable and accrued expenses (excluding taxes payable), losses and claims payable, due to reinsurers and funds held for reinsurers.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, thus the related assets and liabilities are presented on a gross basis in the statements of financial position.

Impairment of Financial Assets

The Company assesses at each reporting date whether a financial asset or a group of financial asset 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 have 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, that it has become probable that the borrower 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.

The Company assesses at each reporting date whether there is any objective evidence that its HTM investments are impaired. Objective evidence that a financial asset is impaired includes observable data that comes to the attention of the holder of the asset about the following loss events:

- a. significant financial difficulty of the issuer or obligor;
- b. breach of contract, such as a default or delinquency in interest or principal payments;
- c. the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider; or
- d. it becoming probable that the borrower will enter bankruptcy or other financial reorganization;

Loans and Receivables

For loans and receivables, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for individually assessed accounts, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in the collective assessment for impairment. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as type of borrower, collateral type, credit and payment status and term.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and its net realizable value, based on the present value of the estimated future cash flows therefrom. The present value of the estimated future cash flows is discounted at the financial asset's original EIR. Time value is generally not considered when the effect of discounting is not material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR, adjusted for the original credit risk premium.

The carrying amount of an impaired loan is reduced to its net realizable value through the use of an allowance account. Any impairment loss determined is recognized in profit or loss. If, in a subsequent period, the amount of the allowance for impairment decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to profit or loss, to the extent that the resulting carrying value of the asset does not exceed its carrying value had no impairment loss been recognized.

AFS Securities Carried at Fair Value

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

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

AFS Securities Carried at Cost

If there is an objective evidence of an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying value and the present value of estimated future cash flows discounted at the current market rate of return for a similar security.

Derecognition of Financial Assets and Liabilities

Financial Asset

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

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

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

Where the Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. 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 pay.

Financial Liability

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

Insurance Contract

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

Product Classification

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

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

For financial options and guarantees which are not closely related to the host insurance contract, bifurcation is required to measure these embedded financial derivatives separately at fair value through profit or loss. Bifurcation is not required if the embedded derivative is in itself an insurance contract or when the host insurance contract itself is measured at FVPL.

The options and guarantees within the insurance contracts issued by the Company are treated as derivative financial instruments which are closely related to the host insurance and therefore not bifurcated subsequently. As such, the Company does not separately measure options to surrender insurance contracts for a fixed amount (or an amount based on a fixed amount and an interest rate).

Receivables and Payables Related to Insurance 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 and recognizes that impairment loss in profit or loss.

Claim Cost Recognition

Liabilities for unpaid claim costs and claim adjustment expenses relating to insurance contracts are accrued when insured events occur.

Liability Adequacy Test

At each reporting date, liability adequacy test is performed to ensure the adequacy of the insurance liabilities. The test considers current best estimates of all contractual cash flows, claims and claims handling cost. If the test shows that the liability is inadequate, the entire deficiency is recognized in profit or loss.

Reserve for Unearned Premiums

The proportion of written premiums, gross of commission payable to intermediaries, attributable to subsequent periods or to risks that have not yet expired, is deferred as provision for unearned premiums. The change in the provision for unearned premiums is taken to profit or loss in the order that revenue is recognized over the period of risk. Further provisions are made to cover claims under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

Deferred Acquisition Costs

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

Subsequent to initial recognition, these costs are amortized on a straight-line basis using the 24th method over the life of the contract. Amortization is charged to profit or loss. The unamortized acquisition costs are shown as deferred acquisition costs (DAC) in the statements of financial position.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. The carrying value of DAC is written down to a recoverable amount. The impairment loss is charged to profit or loss. DAC is also considered in the liability adequacy test for each reporting period.

DAC is derecognized when the related contracts are settled or disposed of.

Reinsurance

The Company cedes insurance risk in the normal course of business. Reinsurance assets primarily include balances due from both insurance and reinsurance companies. Amounts due from reinsurers are estimated in a manner consistent with the associated reinsured policies and in accordance with the reinsurance contracts.

An impairment review is performed on all reinsurance assets when an indication of impairment occurs. Reinsurance assets are impaired only if there is objective evidence that the Company may not receive all amount due to it under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is charged to profit or loss.

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

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

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

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

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

Property and Equipment

Initially, an item of property and equipment is measured at cost less accumulated depreciation and amortization, and any impairment in value. The initial cost of property and equipment consists of its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent costs that can be measured reliably are added to the carrying amount of the asset when it is probable that future economic benefits associated with the asset will flow to the Company. The cost of day-to-day servicing of an asset is recognized as an expense in the period in which they are incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Estimated useful lives are as follows:

	Number of Years
Building and improvements	30
Furniture, fixtures and office equipment	5
Electronic data processing (EDP) equipment	3
Transportation equipment	5

The depreciation method and useful lives for items of property and equipment are reviewed and adjusted, if appropriate, at each reporting date.

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and the related accumulated depreciation, amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in profit or loss.

Investment Properties

Investment properties are initially measured at cost including transactions costs. Subsequent to initial recognition, investment property is stated at cost less any impairment in value. Investment properties are derecognized when it is disposed of or when the investment properties are permanently withdrawn from use and no future benefit is expected from the disposal. Any gains and losses on derecognition of investment properties are recognized in profit or loss in the year of derecognition.

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged to operations in the year of incurrence.

The accumulated impairment in value is established through impairment loss charged to current operations.

Impairment of Non-financial Assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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.

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount 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. Such reversal is recognized in profit or loss.

Equity

Capital stock is determined using the nominal value of shares that have been issued.

Contributed surplus represents contributions from stockholders to the Company in compliance with the requirements of the Insurance Code.

The revaluation reserve comprises gains and losses arising from the revaluation of AFS securities.

Employee benefit reserve pertains to the cumulative actuarial gains and losses arising from experience adjustment, change in financial assumptions and change in demographic assumptions.

Retained earnings include all current and prior period results as disclosed in the statements of comprehensive income.

Revenue Recognition

Revenue is recognized to the extent that it is probable that 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:

Underwriting Income

Premiums from short-duration insurance contracts are recognized as revenue over the period of the insurance contracts using the 24th method, except for contracts covering marine cargo risks wherein the premiums written during the first ten months of the current year and the last two months of the preceding year are recognized as revenue in the current year. The portion of the premiums written that relates to the unexpired periods of the policies at each reporting date is accounted for as reserve for unearned premiums and presented in the liability section of the statements of financial position. The related reinsurance premiums ceded that pertain to the unexpired periods at reporting dates accounted for as net changes in these accounts between reporting dates are credited to or charged against income for the year.

Ceded reinsurance recoveries are accounted for in the same period as the underlying claim.

Commissions Income

Reinsurance commissions are deferred and are subject to the same amortization method as the related premiums ceded. Unamortized reinsurance commissions are shown in the statements of financial position as deferred reinsurance commission.

Interest Income

For all financial instruments measured at amortized cost and interest bearing financial instruments classified as AFS securities, interest income is recorded at the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), include any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. The adjusted carrying amount is calculated based on the original EIR. The change in carrying amount is recorded as interest income.

Once the recorded value of a financial asset or group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original EIR applied to the new carrying amount.

Dividend Income

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

Realized Gains and Losses

Realized gains and losses include gains and losses on the sale of AFS securities, which are calculated as the difference between net sales proceeds and the net carrying value.

Realized gains and losses are recognized in profit or loss when the sales transaction occurred.

Losses, Claims and Expenses Recognition

Losses and Claims

Losses and claims consist of benefits and claims paid to policyholders. Estimates have to be made both for the expected ultimate cost of claims reported and for the expected ultimate cost of the claims incurred but not yet reported (IBNR) at each reporting date. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement. At each reporting date, prior year claims estimates are reassessed for adequacy and changes made are charged to provision. Claims provisions are not discounted for the time value of money.

Expenses

Costs and expenses are recognized when incurred.

Leases

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

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

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

Company as a Lessor

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

Company as a Lessee

Leases in which a significant portion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Payments made under operating leases are recognized as expenses in profit or loss on a straight-line basis over the lease term.

Retirement Benefits

The Company has a funded, noncontributory, defined benefit retirement plan covering all regular full-time employees.

The Company's net obligation in respect of the defined benefit plans is calculated by estimating the amount of the future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed on a periodic basis by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

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 it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

Short-term Employee Benefits

Short-term employee benefits are recognized for the number of paid leave days (including holiday entitlement) remaining at the reporting date. These are measured on an undiscounted basis and are expensed as the related service is provided.

Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in profit or loss.

Current Income Tax

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

Deferred Income Tax

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

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

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the reporting date.

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

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

Related Parties

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

Provisions

Provisions are recognized only when the Company has: (a) a present obligation (legal or constructive) as a result of a past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies

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

Events After the Reporting Date

Any event after the reporting date that provides additional information about the Company's financial position at reporting date (adjusting event) is reflected in the financial statements. Any event after the reporting date that is not an adjusting event is disclosed when material to the financial statements.

4. Critical Judgments and Estimates

The preparation of financial statements in compliance with PFRS necessitates the use of judgments, estimates, and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and contingent liabilities at the reporting date as well as the reported income and expenses for the year. Although the estimates are based on management's best knowledge and judgment of current facts as of the reporting date, the actual outcome could differ from these estimates.

The following are the critical judgments, key estimates and assumptions that have a significant risk of material adjustments to the carrying amounts of assets, liabilities, income, expenses and disclosures of contingent assets and contingent liabilities.

Judgments

(a) *Determination of Functional Currency*

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

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

The Company carries assets and liabilities at fair value, which requires extensive use of accounting judgments. Fair value estimation for financial assets and liabilities are based generally on listed or quoted market prices. If prices are not readily determinable or if liquidating the positions is reasonably expected to affect market prices, fair value is based on either internal valuation models or management's estimate of amount that could be realized under current market conditions, assuming an orderly liquidation over a reasonable period of time.

(c) *HTM Investments*

The Company follows guidance in PAS 39, on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as HTM investments. This classification requires significant judgment. In making the judgment, the Company evaluates its intention and ability to hold its investments up to maturity.

If the Company fails to keep these investments to maturity other than for specific circumstances explained in PAS 39, it will be required to reclassify the whole class as AFS securities. The investments would therefore be measured at fair value, not amortized cost.

(d) *Financial Assets Quoted in an Active Market.*

The Company classifies financial assets by evaluating, among others, whether a financial 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 of whether quoted prices are readily and regularly available, whether the market from which the price quotes were obtained can be considered deep enough to qualify as an "active" market, and whether those prices represent actual and regularly occurring market transactions on an arms' length basis.

(e) *Operating Lease*

Company as a Lessor

The Company has entered into property leases on the part of its building. The Company has determined that it retains all the significant risks and rewards of ownership of this property which are leased out on operating leases.

Company as a Lessee

The Company leases the premises of its regional offices with various maturities that are renewable under certain terms and conditions.

The Company has determined, based on the evaluation of the terms and conditions of the lease agreements, that all the significant risks and rewards of ownership of these regional offices are retained by the Lessor. The contracts of lease are considered as operating leases by the Company since these do not transfer substantially all the risks and rewards incidental to ownership.

(f) *Contingencies*

The Company is currently involved in various legal proceedings. The estimate of the probable cost for the resolution of these claims has been developed in consultation with the legal counsels and based on analysis of potential results. The Company believes that the outcome of legal proceedings will not have adverse effect on the Company's financial position.

Estimates

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

(a) *Claims Liability Arising from 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. Estimation of the ultimate cost of claims is a complex process and can be evaluated with the aid of the adjuster's estimates.

The Company considers that it is impracticable to discuss with sufficient reliability the possible effects of sensitivities surrounding the ultimate liability arising from claims made under insurance contracts as the major uncertainties may differ significantly. With this, it is reasonably possible, based on existing knowledge, that the outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the asset or liability affected including reserve for outstanding losses and related insurance balances.

Losses and claims payable as at December 31, 2013 and 2012 amounted to P104.7 million and P40.7 million, respectively (see Note 17).

(b) *Valuation of Insurance Contract Liabilities*

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

The primary technique adopted by the management in estimating the cost of IBNR is using the past claims settlement trend to predict the future claims settlement. At each reporting date, prior year claims estimates are assessed for adequacy and changes made are charged to provisions. Insurance contract liabilities are not discounted for the time value of money.

As at December 31, 2013 and 2012, the carrying values of insurance contract liabilities amounted to P112.4 million and P50.1 million, respectively (see Note 17).

(c) *Estimated Useful Lives of Property and Equipment*

The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

In addition, estimation of the useful lives of the property and equipment is based on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by the changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment would increase the recorded depreciation and amortization expenses and decrease noncurrent assets.

Property and equipment, net of accumulated depreciation and amortization, amounted to P28.8 million and P30.4 million as at December 31, 2013 and 2012, respectively (see Note 14).

(d) *Estimation of Allowance for Impairment of Insurance Receivables and Other Receivables*

Allowance is made for specific and groups of accounts, where objective evidence of impairment exists. The Company evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Company's relationship with the customers, the customers' current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience.

As at December 31, 2013 and 2012, allowance for impairment loss of insurance receivables and other receivables amounted to P10.1 million (see Notes 8 and 15).

(e) *Impairment of AFS Securities*

The Company considers that investments are impaired when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is significant or prolonged decline requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share/market price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

As at December 31, 2013 and 2012, allowance for impairment of AFS securities amounted to P9.3 million (see Note 9).

(f) Realizability of Deferred Tax Assets

The Company reviews its deferred tax assets at each reporting date and reduces the carrying amounts to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

As at December 31, 2013 and 2012, deferred tax assets - net, amounted to P9.7 million and P2.6 million, respectively (see Note 24).

(g) Impairment of Non-financial Assets

The Company assesses at each reporting date whether there is an indication that the carrying amount of all non-financial assets may be impaired or that previously recognized impairment losses may no longer exist or may have decreased. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. No impairment loss on non-financial assets was recognized during the year.

As at December 31, 2013 and 2012, the carrying amount of investment properties amounted to P21.5 million (see Note 13).

As at December 31, 2013 and 2012, the carrying amount of property and equipment amounted to P28.8 and P30.4 million, respectively (see Note 14).

(h) Estimating Retirement Benefit Obligations

The determination of the obligation and retirement benefit expense is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions include, among others, discount rates and salary increase rates.

As at December 31, 2013 and 2012, the Company's retirement liability and retirement asset amounted to P10.7 million and P8.4 million respectively. In 2013 and 2012, the retirement benefit expense amounted to P0.92 million and P0.64 million, respectively. Cumulative actuarial loss amounted to P25.4 million and P7.2 million as at December 31, 2013 and 2012, respectively (see Note 23).

5. Management of Insurance and Financial Risks

Governance Framework

The Company is exposed to insurance risk and a variety of financial risks which results from its operating and investing activities. The Company's risk management involves the close cooperation of the Company's BOD in developing policies on insurance, credit, liquidity, and market risks, as more fully described below.

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

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

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

Regulatory Framework

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

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

The risks and the ways the Company manages insurance and financial risks are set out below:

Insurance Risk

The major classes of general insurance written by the Company include fire, motor car, marine and bonds. Risks under these policies usually cover twelve-month duration. The risk under insurance contracts is the possibility of occurrence of insured event and uncertainty of the amount and timing of resulting claims. The primary risk the Company faces under such contracts is that the actual claims exceed the carrying amount of insurance liabilities. By the very nature of insurance contracts, this risk is random and therefore, unpredictable.

The Company manages insurance risk through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The Company has developed its insurance underwriting strategy to diversify the type of insurance risk 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 diversification in terms of type and amount of risk, geographical location and type of industry covered. The Company's major strategy is geared towards a wide premium base from both commercial and personal lines so that there is a sufficient spread of risks in its book to cushion the adverse effects of catastrophic losses.

The Company's premiums per line of risk are as follows:

For the Year Ended December 31, 2013				
Line of Risk	Direct Premiums Written	Premiums Assumed	Premiums Ceded	Retention
Fire	P61,439,877	P7,444,644	P20,477,568	P48,406,953
Motor car	39,358,060	807,605	412,901	39,752,764
Bonds	5,447,900	1,480,761	579,968	6,348,693
Marine cargo	72,009	63,000	-	135,009
Miscellaneous	45,451,197	2,033,380	29,477,033	18,007,544
	P151,769,043	P11,829,390	P50,947,470	P112,650,963

For the Year Ended December 31, 2012				
Line of Risk	Direct Premiums Written	Premiums Assumed	Premiums Ceded	Retention
Fire	P58,340,244	P1,274,235	P17,839,509	P41,774,970
Motor car	33,435,359	-	315,819	33,119,540
Bonds	10,184,696	-	279,984	9,904,712
Marine cargo	4,605,422	-	4,271,034	334,388
Miscellaneous	7,794,199	9,346,075	1,995,080	15,145,194
	P114,359,920	P10,620,310	P24,701,426	P100,278,804

Exposure to loss within insurance operations is also limited through participation in reinsurance arrangements. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented as part of "Insurance Receivables" account in the statements of financial position. This does not, however, discharge the Company from its liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is evaluated on an annual basis by reviewing their financial strength prior to finalization of any contract.

The reinsurance business being accepted by the Company is properly evaluated by a committee, composed of the underwriter, the reinsurance head and the operations head. The business being written by the Company, on the other hand, is adequately reinsured to licensed and financially stable reinsurers.

The following tables set out the concentration of the claims liabilities by type of contract:

December 31, 2013			
	Gross Claims Liabilities	Reinsurers' Share of Claims Liabilities	Net Claims Liabilities
Fire	P74,646,427	P26,709,071	P47,937,356
Motor car	1,241,506	-	1,241,506
Bonds	24,049,483	2,804,800	21,244,683
Marine Cargo/Aviation	3,000,000	-	3,000,000
Miscellaneous	1,799,215	1,500,000	299,216
	P104,736,631	P31,013,871	P73,722,761

	December 31, 2012		
	Gross Claims	Reinsurers' Share of	Net Claims
	Liabilities	Claims	Liabilities
		Liabilities	
Motor car	P4,108,539	P -	P4,108,539
Bonds	22,602,106	2,804,800	19,797,306
Fire	7,310,005	2,189,405	5,120,600
Marine Cargo/Aviation	3,387,695	-	3,387,695
Miscellaneous	3,332,194	3,000,000	332,194
	P40,740,539	P7,994,205	P32,746,334

Terms and Conditions

The major classes of general insurance written by the Company include motor, fire and marine insurance. Risks under these policies usually cover a twelve-month duration.

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

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

The measurement process primarily includes projection of future claim costs through a combination of actuarial and statistical projection techniques. In certain cases, where there is a lack of reliable historical data on which to estimate claims development, relevant benchmarks of similar business are used in developing claims estimates. Claims provisions are separately analyzed by class of business. In addition, larger claims are usually either separately assessed by loss adjusters or separately projected by the actuaries. The claims projection assumptions are generally intended to provide a best estimate of the most likely or expected outcome.

Key Assumptions

The principal assumptions underlying the estimates made by the Company depends on the past claims experience and industry levels. This includes assumptions in respect to average claims costs, inflation factor and handling cost. Judgment is used to assess the extent to which external factors such as judicial decision and government legislation affect the estimates.

Sensitivity Analysis

The insurance provisions are sensitive to the interest rate, risk discount rate, expense and persistency assumptions. Because of delays that arise between occurrences of claims and their subsequent notifications and actual settlement, the provisions are not known with certainty at reporting dates.

The General Insurance claims provision is sensitive to the above key assumptions. The sensitivity of certain assumptions such as legislative change, uncertainty in the estimation process, among others is not possible to quantify.

Claims Development Table

The Company aims to maintain strong reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. Amounts of estimate at the accident year were based from adjusters' report who handles major accounts of the Company, usually for fire and marine claims. Other estimates are based on reasonable approximation after doing thorough evaluation of reported claims. Adjustments to actual claims versus the loss reserves are made in the year the ultimate cost of claim becomes more certain. Reserves are either released or increased depending on the amount. In accordance with the claims development methodology described earlier, the Company has come out with the following claims development table:

Gross Insurance Contract Liabilities for 2013						
Accident Year	2009 and Prior Years	2010	2011	2012	2013	Total
Estimate of ultimate claims costs at the end of accident year	P57,909,707	P3,883,393	P15,790,726	P23,389,095	P88,970,866	P88,970,866
One year later	35,433,962	8,082,107	7,527,425	14,443,717	-	14,443,717
Two years later	12,823,265	1,711,806	142,304	-	-	142,304
Three years later	17,843,703	1,691,433	-	-	-	1,691,433
Four years later	18,797,947	-	-	-	-	18,797,947
Current estimate of cumulative claims	18,797,947	1,691,433	142,304	14,443,717	88,970,866	124,046,267
Cumulative payments to date	-	-	127,042	11,374,317	7,808,277	19,309,636
Liability recognized in the statements of financial position	P18,797,947	P1,691,433	P15,262	P3,069,400	P81,162,589	P104,736,631

Gross Insurance Contract Liabilities for 2012						
Accident Year	2008 and Prior Years	2009	2010	2011	2012	Total
Estimate of ultimate claims costs at the end of accident year	P44,530,301	P13,379,406	P3,883,393	P15,790,726	P23,389,095	P23,389,095
One year later	32,274,804	3,159,158	8,082,107	7,527,425	-	7,527,425
Two years later	10,458,872	2,364,393	1,711,806	-	-	1,711,806
Three years later	17,843,703	2,939,769	-	-	-	2,939,769
Four years later	16,190,366	-	-	-	-	16,190,366
Current estimate of cumulative claims	16,190,366	2,939,769	1,711,806	7,527,425	23,389,095	51,758,461
Cumulative payments to date	119,229	2,239,740	290,244	6,851,891	1,516,818	11,017,922
Liability recognized in the statements of financial position	P16,071,137	P700,029	P1,421,562	P675,534	P21,872,277	P40,740,539

Losses and claims payable of P104.7 million and P40.7 million as at December 31, 2013 and 2012, respectively, includes an estimated IBNR of P2.5 million and P3.0 million, respectively. Recoveries from reinsurers amounted to P31.0 million and P8.0 million for 2013 and 2012, respectively. Hence, net losses and claims payable as at December 31, 2013 and 2012 amounted to P73.7 million and P32.7 million, respectively (see Notes 8 and 17).

Details of the net loss presented in the following table reflect the cumulative incurred claims, including both claims notified and claims IBNR, for each successive accident year at each reporting date, together with the cumulative payments to date.

Net Insurance Contract Liabilities for 2013						
Accident Year	2009 and Prior Years	2010	2011	2012	2013	Total
Estimate of ultimate claims costs at the end of accident year	P46,651,245	P3,753,740	P 9,197,508	P18,586,323	P68,852,537	P68,852,537
One year later	23,889,526	7,410,409	7,527,425	1,500,000	-	1,500,000
Two years later	9,673,184	1,711,806	680,684	-	-	680,684
Three years later	14,917,595	1,503,095	-	-	-	1,503,095
Four years later	2,966,336	-	-	-	-	2,966,336
Current estimate of cumulative claims	2,966,336	1,503,095	680,684	1,500,000	68,852,537	75,502,652
Cumulative payments to date	97,818	1,004,287	680,559	-	-	1,782,664
Liability recognized in the statements of financial position	P2,868,518	P498,808	P125	P1,500,000	P68,852,537	P73,719,988

Net Insurance Contract Liabilities for 2012						
Accident Year	2008 and Prior Years	2009	2010	2011	2012	Total
Estimate of ultimate claims costs at the end of accident year	P33,891,934	P12,759,311	P3,753,740	P9,197,508	P18,586,323	P18,586,323
One year later	23,109,160	780,366	7,410,409	7,527,425	-	7,527,425
Two years later	7,581,071	2,092,113	1,711,806	-	-	1,711,806
Three years later	14,917,595	2,667,489	-	-	-	2,667,489
Four years later	13,268,441	-	-	-	-	13,268,441
Current estimate of cumulative claims	13,268,441	2,667,489	1,711,806	7,527,425	18,586,323	43,761,484
Cumulative payments to date	119,229	2,239,740	290,244	6,851,891	1,516,818	11,017,922
Liability recognized in the statements of financial position	P13,149,212	P427,749	P1,421,562	P675,534	P17,069,505	P32,743,562

Financial Risk

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

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

Credit Risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the statements of financial position (or in the detailed analysis provided in the notes to the financial statements), as summarized below:

	Note	2013	2012
Cash and cash equivalents (excluding cash on hand)	7	P107,384,828	P184,891,336
Insurance receivables - net	8	38,446,540	16,050,078
HTM investments	10	107,934,954	149,537,479
AFS securities	9	140,000	3,140,000
Other assets*	15	2,334,788	5,667,280
		P256,241,110	P359,286,173

*Includes short-term investment, accrued interest receivable and dividend receivable

The Company structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty or group of counterparty, and to geographical and line risk segments. The Company's policy is to deal only with creditworthy counterparties.

The table below provides information regarding the credit risk exposure of the Company by classifying financial assets according to the Company's credit grading of counterparties.

December 31, 2013					
	Neither Past Due nor Impaired			Total	
	Investment High Grade	Non-investment Grade Satisfactory	Total Financial Assets neither Past Due nor Impaired	Past Due and Impaired	Total
Cash and cash equivalents*	P107,384,828	P -	P107,384,828	P -	P107,384,828
Insurance receivables	-	38,446,540	38,446,540	6,600,244	45,046,784
HTM investments	107,934,954	-	107,934,954	-	107,934,954
AFS securities	-	140,000	140,000	9,263,793	9,403,793
Other assets**	-	2,334,788	2,334,788	-	2,334,788
	P215,319,782	P40,921,328	P256,241,110	P15,864,037	P272,105,147

*Excluding cash on hand

**Includes short-term investment, accrued interest receivable and dividend receivable

December 31, 2012					
	Neither Past Due nor Impaired			Total	
	Investment High Grade	Non-investment Grade Satisfactory	Total Financial Assets neither Past Due nor Impaired	Past Due and Impaired	Total
Cash and cash equivalents*	P184,891,336	P -	P184,891,336	P -	P184,891,336
Insurance receivables	-	16,050,078	16,050,078	6,600,244	22,650,322
HTM investments	149,537,479	-	149,537,479	-	149,537,479
AFS securities	-	3,140,000	3,140,000	9,263,793	12,403,793
Other assets**	-	5,667,280	5,667,280	-	5,667,280
	P334,428,815	P24,857,358	P359,286,173	P15,864,037	P375,150,210

*Excluding cash on hand

**Includes short-term investment, accrued interest receivable and dividend receivable

The Company uses a credit grading system based on the borrowers and counterparties overall credit worthiness, as described below:

Investment High Grade

This pertains to accounts with a very low probability of default as demonstrated by the borrower's strong financial position and reputation. The borrower has the ability to raise substantial amount of funds through the public markets and/or credit facilities with financial institutions. The borrower has a strong debt service record and a moderate use of leverage.

Non-investment Grade - Satisfactory

This pertains to current accounts with no history of default or which may have defaulted in the past, but the conditions and circumstances directly affecting the borrower's ability to pay has abated already. The borrower is expected to be able to adjust to the cyclical downturns in its operations, for individuals into business or for corporate entities. Any prolonged adverse economic conditions would however ostensibly create profitability and liquidity issues. The use of leverage may be above industry or credit standards but remains stable.

The carrying amounts of the following certain insurance receivables (see Note 8) represent the maximum credit exposure, which are aged as follows:

Premiums Receivable	2013	2012
Current	P1,289,189	P343,175
Past due 1 - 30 days	844,107	148,101
Past due 31 - 60 days	698,202	354,181
Past due 61 - 90 days	2,600,123	562,076
Past due over 90 days	4,804,378	5,732,640
	P10,235,999	P7,140,173

Due from Ceding Companies	2013	2012
Current up to 1 year	P854,010	P3,145
Past due over 1 - 3 years	3,987	2,541
Past due over 3 - 5 years	126,414	902,644
Past due over 5 years	854,890	600,708
	P1,839,301	P1,509,038

Management believes that there is no significant credit risk on reinsurance recoverable on paid and unpaid losses since these are due and demandable per reinsurance contract.

Liquidity Risk

The Company manages its liquidity needs by carefully monitoring schedules of debt servicing payments of long-term financial liabilities as well as cash outflows due on a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly.

The Company maintains cash to meet its liquidity requirements for up to 60 days. Excess cash is invested in time deposits or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

The Company's financial liabilities have contractual maturities which are presented below:

	2013						Total
	Less than 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	More than 5 Years	
Accounts payable and accrued expenses*	P5,388,114	P -	P -	P -	P -	P -	P 5,388,114
Losses and claims payable	81,139,670	3,087,101	1,752,480	17,125,012	1,632,368	-	104,736,631
Due to reinsurers	1,915,551	200,452	795,315	-	-	-	2,911,318
Funds held for reinsurers	4,744,559	-	-	-	-	-	4,744,559
	P93,187,894	P3,287,553	P2,547,795	P17,125,012	P1,632,368	P -	P117,780,622

*Excluding government payables

	2012						Total
	Less than 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	More than 5 Years	
Accounts payable and accrued expenses*	P7,690,394	P3,694,956	P -	P -	P -	P -	P11,385,350
Losses and claims payable	19,521,658	629,472	2,883,248	17,706,161	-	-	40,740,539
Due to reinsurers	5,009,597	960,947	-	-	-	-	5,970,544
Funds held for reinsurers	3,363,213	-	-	-	-	-	3,363,213
	P35,584,462	P5,285,375	P2,883,248	P17,706,161	P -	P -	P61,459,646

*Excluding government payables

Market Risk

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

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

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

The Company structures levels of market risk it accepts through a sound market risk policy based on specific guidelines set by an Investment Committee. This policy constitutes certain limits on exposure of investments mostly with top-rated banks, which are selected on the basis of the bank's credit ratings, capitalization and quality servicing being rendered to the Company. Also, the said policy includes diversification benchmarks of investment portfolio to different investment types duly approved by the IC, asset allocation reporting and portfolio limit structure. Moreover, control of relevant market risks can be addressed through compliance reporting of market risk exposure to the IC, regular monitoring and review of the Company's investments performance and upcoming investment opportunities for pertinent and changing environment.

Interest Rate Risk

The management of interest rate risk involves maintenance of appropriate blend of financial instruments with consideration on the maturity profile of the security. Exposures to interest rate risk comprise the following:

December 31, 2013				
Interest Rate	Due in			
	1 Year	2-5 Years	Beyond 5 Years	
Financial Assets				
Cash and cash equivalents	2.5% to 5%	P -	P -	
HTM investments	5.875% to 12.375%	P107,384,828	57,740,271	10,000,000
		40,194,683		
December 31, 2012				
Interest Rate	Due in			
	1 Year	2-5 Years	Beyond 5 Years	
Financial Assets				
Cash and cash equivalents	3.125% to 4.75%	P -	P -	
AFS securities	18%	3,000,000	-	-
HTM investments	5.25% to 12.75%	40,427,764	99,320,492	9,789,223
Short-term investment	1.25%	950,457	-	-

Any increase by 100 basis points (1%) in interest rates, with all other variables held constant, will increase net income by P2.2 million and P3.3 million for the years ended December 31, 2013 and 2012, respectively. The decrease in same basis points will reduce the net income by the same amount.

In 2013 and 2012, the Company determined the reasonably possible change in interest rate based on the historical change in weighted average yield rates of outstanding investments of the Company.

Price Risk

The Company's price risk exposure at year end relates to financial assets and liabilities whose values will fluctuate as a result of changes in market price, principally, AFS securities. Total AFS securities subject to price risk pertains to quoted equity and club shares amounting to P176.5 million and P30.4 million in 2013 and 2012, respectively.

A 5% increase in stock prices would have increased the carrying value of these investments by P8.3 million and P1.5 million as at December 31, 2013 and 2012, respectively. An equal change in the opposite direction would have decreased the carrying values of these investments by an equal but opposite amount.

In 2013 and 2012, the Company determined the reasonably possible change in Philippine Stock Exchange (PSE) Index based on the historical fluctuation of equity securities the Company holds as of the reporting date.

6. Fair Value Measurement

Financial Instruments

The carrying values of the Company's financial instruments such as cash and cash equivalents, insurance receivables, other receivables, short-term investment, accounts payable and accrued expenses, losses and claims payable, due to reinsurers and funds held for reinsurers approximate their fair values at each reporting date due to short term nature.

The fair values of the HTM investments are based on published price quotations in active market.

The fair values of quoted equity investments were determined by reference to quoted market or broker bid prices at the close of business as of reporting dates. Investments in unquoted equity investments for which no reliable basis for fair value measurement is available are carried at cost, net of any allowance for impairment losses.

The Company measures fair values of AFS securities using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

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

The table below analyses AFS securities measured at fair value at the end of the reporting periods, by the level in the fair value hierarchy into which the fair value measurement is categorized:

	2013	2012
Level 1	P176,592,466	P10,576,350
Level 2	-	23,000,000
Level 3	-	-
	P176,592,466	P33,576,350

Total dividend income earned on AFS securities amounted to P1.53 million and 0.6 million in 2013 and 2012 (see Note 21).

7. Cash and Cash Equivalents

This account at December 31 consists of:

	2013	2012
Cash on hand	P182,000	P176,249
Cash in banks	107,384,828	83,926,408
Short-term time deposits	-	100,964,928
	P107,566,828	P185,067,585

Cash in banks earn interest at the respective bank deposit rates. Interest income earned on these deposits amounted to P1.7 million and P3.7 million in 2013 and 2012, respectively (see Note 21).

8. Insurance Receivables

This account at December 31 consists of:

	2013	2012
Premiums receivable	P10,235,999	P7,140,173
Reinsurance recoverable on unpaid losses	31,016,643	7,996,977
Reinsurance recoverable on paid losses	1,954,841	6,004,134
Due from ceding companies	1,839,301	1,509,038
	45,046,784	22,650,322
Less allowance for impairment loss	6,600,244	6,600,244
	P38,446,540	P16,050,078

The Company's insurance receivables have been reviewed for indicators of impairment. Certain insurance receivables were found to be impaired and provided with allowance for impairment loss.

As at December 31, 2013 and 2012, there was no impairment loss recognized by the Company.

9. Available-for-Sale Securities

This account consists of:

	2013	2012
Quoted equity shares	P176,452,466	P30,436,350
Unquoted equity shares	9,403,793	12,403,793
	185,856,259	42,840,143
Less allowance for impairment loss	9,263,793	9,263,793
	P176,592,466	P33,576,350

The reconciliation of the carrying amount of available-for-sale securities is as follows:

	2013	2012
Balance at beginning of year	P33,576,350	P5,233,166
Purchases	155,550,844	30,012,800
Cost of financial assets disposed/matured	(3,557,512)	(2,078,761)
Net change in fair value transferred to profit or loss	-	363,062
Net change in fair value	(8,977,216)	46,083
	P176,592,466	P33,576,350

The effect on actual earnings of changes in fair value of equity investments will depend on the market prices of these investments at the time of sale. In 2013 and 2012, the Company realized gain on sale of equity investments amounting to nil and P0.2 million, respectively (see Note 21).

Dividend income earned from these investments amounted to P1.5 million and P0.6 million in 2013 and 2012, respectively (see Note 21).

10. Held-to-Maturity Investments

The roll forward analysis of the account is as follows:

	2013	2012
Balance at January 1, 2012	P149,537,479	P189,371,997
Purchases	37,132,035	22,539,421
Cost of financial assets disposed/matured	(77,342,812)	(60,704,588)
Amortization of premium and discount	(1,391,748)	(1,669,351)
	P107,934,954	P149,537,479

Government securities amounting to P97.0 million and P67.0 million in 2013 and 2012, respectively, are deposited with the Bureau of Treasury as security for the benefit of the policyholders and creditors of the Company in accordance with the provisions in the Insurance Code of the Philippines. These securities bear fixed interest rates ranging from 5.875% to 12.375% both in 2013 and 2012.

Interest earned from government securities amounted to P8.6 million and P14.0 million in 2013 and 2012, respectively (see Note 21).

The maturity profile of total investments in government securities as at December 31 is as follows:

	2013	2012
Within one year	P40,194,683	P40,427,764
Between 1 year to 5 years	57,740,271	99,320,492
More than 5 years	10,000,000	9,789,223
	P107,934,954	P149,537,479

The fair values of the HTM investments as at December 31, 2013 and 2012 amounted to P112.2 million and P155.7 million, respectively.

11. Deferred Reinsurance Premiums

Deferred reinsurance premiums pertain to the unexpired portion of insurance premiums ceded out at reporting date. The movement of the account is as follows:

	Note	2013	2012
Balance at January 1		P7,324,774	P5,281,097
Premiums ceded for the year	20	50,947,470	24,701,426
Premiums ceded related to expired periods	20	(31,187,885)	(22,657,749)
Increase in deferred reinsurance premium	20	19,759,585	2,043,677
Balance at December 31		P27,084,359	P7,324,774

12. Deferred Acquisition Costs

The details of and movements of this account for the years ended December 31 are as follows:

	2013	2012
Balance at January 1	P2,081,083	P1,589,101
Commissions incurred for the year	4,034,774	4,158,365
Commission expense for the year	(3,842,410)	(3,666,383)
Balance at December 31	P2,273,447	P2,081,083

13. Investment Properties

The Company's investment properties represent real estate properties that the Company holds for capital appreciation. The carrying value of investment properties amounted to P21.5 million with a fair value of P28.8 million and P26.8 million for 2012 and 2013, respectively. The latest appraisal report is June 4, 2013 which has been assessed by external appraisers on the basis of market value approach. Direct operating expenses significantly consist of real property taxes.

14. Property and Equipment

A reconciliation of the carrying amount of the property and equipment is as follows:

For the Year Ended December 31, 2013					
	Building and Improvements	Furniture, Fixtures and Office Equipment	EDP Equipment	Transportation Equipment	Total
Cost					
Beginning balance	P31,918,103	P4,799,886	P10,899,110	P4,713,241	P52,330,340
Additions	291,729	905,911	2,463,746	816,964	4,478,350
Retirements/disposals	-	(291,351)	(5,038,005)	-	(5,329,356)
Ending balance	32,209,832	5,414,446	8,324,851	5,530,205	51,479,334
Accumulated Depreciation and Amortization					
Beginning balance	10,641,271	1,714,181	7,467,232	2,112,959	21,935,643
Depreciation and amortization for the year	1,599,043	1,020,741	2,420,280	1,001,577	6,041,641
Retirements/disposals	-	(291,351)	(5,038,005)	-	(5,329,356)
Ending balance	12,240,314	2,443,571	4,849,507	3,114,536	22,647,928
Carrying amount	P19,969,518	P2,970,875	P3,475,344	P2,415,669	P28,831,406

For the Year Ended December 31, 2012					
	Building and Improvements	Furniture, Fixtures and Office Equipment	EDP Equipment	Transportation Equipment	Total
Cost					
Beginning balance	P19,760,106	P7,641,266	P19,087,780	P5,914,999	P52,404,151
Additions	12,163,801	2,938,686	2,785,658	1,526,947	19,415,092
Retirements/disposals	(5,804)	(5,780,066)	(10,974,328)	(2,728,705)	(19,488,903)
Ending balance	31,918,103	4,799,886	10,899,110	4,713,241	52,330,340
Accumulated depreciation and amortization					
Beginning balance	9,784,009	6,729,370	16,783,567	3,052,034	36,348,980
Depreciation and amortization for the year	863,066	764,877	1,657,993	1,101,550	4,387,486
Retirements/disposals	(5,804)	(5,780,066)	(10,974,328)	(2,040,625)	(18,800,823)
Ending balance	10,641,271	1,714,181	7,467,232	2,112,959	21,935,643
Carrying amount	P21,276,832	P3,085,705	P3,431,878	P2,600,282	P30,394,697

15. Other Assets

This account consists of:

	2013	2012
Creditable tax receivable	P4,905,549	P1,440,671
Employee receivable	3,484,825	4,848,263
Accrued interest receivable	2,218,137	4,311,823
Dividend receivable	116,651	405,000
Security fund	49,993	49,993
Prepayments	44,389	2,962,183
Short-term investment	-	950,457
Input value added tax (VAT)	-	779,004
Other receivable	3,949,566	1,414,057
	14,769,110	17,161,451
Allowance for impairment loss - other receivable	(3,453,437)	(3,453,437)
	P11,315,673	P13,708,014

As at December 31, 2013 and 2012, there is no movement on the Company's allowance for impairment loss on other receivables.

Security fund represents amounts deposited with the IC, as provided for under Section 378 of the Insurance Code of the Philippines, to be used for the payment of valid claims against insolvent insurance companies.

16. Accounts Payable and Accrued Expenses

This account consists of:

	Note	2013	2012
Accrued expenses	29	P13,403,481	P7,855,237
Accounts payable		10,468,726	10,735,618
Deposits in trust		636,557	2,518,006
Funds withheld for others		129,031	379,899
Others		195,990	200,200
		P24,833,785	P21,688,960

Deposits in trust pertain to deposits received by the Company for office rentals as well as security deposits from bond policy issuances.

Accrued expenses pertain primarily to accrual of utilities, professional fees and employee benefits.

17. Insurance Contract Liabilities

This account consists of:

	2013	2012
Losses and claims payable	P104,736,631	P40,740,539
Due to reinsurers	2,911,318	5,970,544
Funds held for reinsurers	4,744,559	3,363,213
	P112,392,508	P50,074,296

The movement in losses and claims payable is accounted as follows:

	2013			2012		
	Provisions for Claims Reported	Reinsurance Recoverable	Net	Provisions for Claims Reported	Reinsurance Recoverable	Net
Beginning balance	P40,740,539	P14,001,111	P26,739,428	P40,116,440	P11,320,520	P28,795,920
Claims incurred during the year	90,587,774	31,016,771	59,572,455	28,612,981	11,792,046	16,820,935
Claims paid during the year	(26,591,682)	(12,046,398)	(14,546,736)	(27,988,882)	(9,111,455)	(18,877,427)
	P104,736,631	P32,971,484	P71,765,147	P40,740,539	P14,001,111	P26,739,428

18. Reserve for Unearned Premiums

The details of and movements of this account are as follows:

	Note	2013	2012
Balance at January 1		P34,659,652	P34,092,745
Premiums written	20	163,598,433	124,980,230
Premiums earned	20	(145,702,673)	(124,413,323)
	20	17,895,760	566,907
Balance at December 31		P52,555,412	P34,659,652

19. Deferred Reinsurance Commission

The details of and movements of this account are as follows:

	2013	2012
Balance at January 1	P3,716,978	P1,145,116
Reinsurance commissions for the year	10,657,349	8,065,464
Reinsurance commissions earned for the year	(10,489,942)	(5,493,602)
Balance at December 31	P3,884,385	P3,716,978

20. Net Premiums Earned

	2013				Net Premiums Earned
	Direct Business	Assumed	Gross Premiums	Ceded	
Premiums written	P151,769,043	P11,829,390	P163,598,433	P50,947,470	P112,650,963
Decrease (increase) in reserve for unearned premiums	(13,730,734)	(4,165,026)	(17,895,760)	(19,759,585)	1,863,825
	P138,038,309	P7,664,364	P145,702,673	P31,187,885	P114,514,788

	2012				Net Premiums Earned
	Direct Business	Assumed	Gross Premiums	Ceded	
Premiums written	P114,359,920	P10,620,310	P124,980,230	P24,701,426	P100,278,804
Decrease (increase) in reserve for unearned premiums	(2,824,012)	2,257,105	(566,907)	(2,043,677)	1,476,770
	P111,535,908	P12,877,415	P124,413,323	P22,657,749	P101,755,574

21. Investment and Other Income

This account consists of:

	Note	2013	2012
Investment income:			
Interest	7, 10	P10,216,411	P17,616,106
Dividends	9	1,525,428	599,300
		11,741,839	18,215,406
Other income (loss):			
Rent	28	1,518,982	1,740,498
Gain on sale of AFS securities	9	-	240,208
Miscellaneous income (loss)		(4,900,086)	534,947
		(3,381,104)	2,515,653
		P8,360,735	P20,731,059

22. General and Administrative Expenses

This account consists:

	<i>Note</i>	2013	2012
Salaries and employee benefits	23	P37,988,977	P30,476,713
Depreciation	14	6,041,641	4,387,486
Sales incentives		5,544,390	2,538,526
Taxes and licenses		3,766,459	2,971,185
Transportation and travel		3,492,122	1,977,612
Professional fees		3,461,315	3,727,385
Directors' fees and allowances	25	2,673,799	3,396,220
Communication and postage		2,194,321	1,582,084
Advertising and promotions		1,737,878	1,126,951
Service fees		1,520,193	1,988,231
Representation and entertainment		1,481,054	1,036,414
Repairs and maintenance		1,261,564	1,032,286
Light and water		1,240,290	1,445,872
Printing, stationery and office supplies		988,712	892,856
Meetings and conferences		642,377	381,892
Association and pool dues		371,204	63,325
Insurance		179,619	195,134
Others		5,210,372	4,736,161
		P79,796,287	P63,956,333

23. Salaries and Employee Benefits

Expenses recognized are presented below:

	2013	2012
Salaries and wages	P20,589,822	P14,343,188
Allowances and bonuses	15,390,121	14,559,198
Social security costs	1,089,166	936,886
Retirement benefit expense	919,868	637,441
	P37,988,977	P30,476,713

Employee Benefits

The Company has funded, non contributory, defined benefit retirement plan covering all of its permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. The Company's latest actuarial valuation date is 2013. Valuations are obtained on a periodic basis.

The plan entitles any employee on the day of his attainment of age 60 or completing 30 years of service, whichever is earlier, be retired and be entitled to full normal benefits. Full normal benefits of an employee who has reached the age of 60 and has rendered 20 years or more of service, or an employee who has rendered 30 years of service, regardless of age, shall be equivalent to 150% of one month's pay per year of service. On the other hand, an employee who has reached age 60 and has rendered less than 20 years of service, shall be entitled to a normal retirement benefit equivalent to 125% of one month's pay per year of service. The basis of a month's pay is the employee's basic salary at the time of retirement.

The plan is registered with the Bureau of Internal Revenue (BIR) as tax-qualified plan under Republic Act No. 4917, as amended. The Control and administration of the retirement plan is vested in the Board of Trustees (BOT). The retirement plan's accounting and administrative functions are undertaken by the Company's Retirement Funds Office.

The reconciliation of the net retirement liability/retirement asset recognized in the statements of financial position is as follows:

	2013	2012 (As restated - see Note 3)
Defined benefit obligation	P24,881,172	P13,840,159
Fair value of plan assets	14,177,658	22,269,178
Net defined benefit obligation (asset)	P10,703,514	(P8,429,019)

The movements in the present value of defined benefit obligation are as follows:

	2013	2012 (As restated - see Note 3)
Balance at beginning of year	P13,840,159	P17,394,995
Current service cost	1,408,750	1,282,709
Interest expense	802,730	1,095,885
Actuarial loss from:		
Financial assumptions	11,883,904	-
Experience adjustment	5,873,347	35,995
Demographic assumptions	193,983	-
Benefits paid	(9,121,701)	(5,969,425)
Balance at end of year	P24,881,172	P13,840,159

The movements in the fair value of the plan assets are as follows:

	2013	2012 (As restated - see Note 3)
Balance at beginning of year	P22,269,178	P26,565,661
Actual return on plan assets:		
Interest income	1,291,612	1,741,152
Remeasurement loss on plan assets	(261,431)	(68,210)
Benefits paid	(9,121,701)	(5,969,425)
Balance at end of year	P14,177,658	P22,269,178

The retirement benefit expense under "Salaries and employee benefits" account recognized in profit or loss is as follows:

	2013	2012 (As restated - see Note 3)
Current service cost	P1,408,750	P1,282,709
Interest expense on projected benefit obligation	802,730	1,095,885
Interest income on fair value of plan assets	(1,291,612)	(1,741,152)
	P919,868	P637,442

The components of retirement benefits recognized in other comprehensive income are as follows:

	2013	2012
Actuarial loss due to decrease in defined benefit obligations	(P17,951,234)	(P35,995)
Remeasurement loss on plan assets	(261,431)	(68,211)
Net remeasurement gain	(P18,212,665)	(P104,206)

The Company's plan assets consist of the following:

	2013	2012
Cash and cash equivalents	P4,135,623	P5,395,822
Fixed Income	8,363,400	14,561,815
Others	1,678,635	2,311,541
	P14,177,658	P22,269,178

There is no expected contribution to the defined benefit retirement plan in 2014.

The following were the principal actuarial assumptions at the reporting date:

	2013	2012
Discount rate	5.50%	5.80%
Future salary growth	10.00%	5.00%

Assumptions regarding future mortality have been based on the adjusted 1985 Unisex Annuity Table (UAT). The 1985 UAT was derived from the experience of the Government Service Insurance System from January 1, 1977 to December 31, 1981.

Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	Defined Benefit Obligation		Salary Increase Rate	
	Increase	Decrease	Increase	Decrease
Discount rate (0.50% movement)	6.0%	5.0%	5.5%	5.5%
Future salary growth (0.50% movement)	10.0%	10.0%	10.5%	9.5%

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

These defined benefit plans expose the Company to actuarial risks, such as longevity risk, interest rate risk, and market (investment) risk.

The BOD reviews the level of funding required for the retirement fund. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The Company's ALM objective is to match maturities of the plan assets to the retirement benefit obligation as they fall due. The Company monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligations.

Maturity analysis of the benefit payments:

	Carrying Amount	Contractual Cash Flows	2013		
			Within 1 Year	Within 1-5 Years	More than 5 Years
Defined benefit obligation	P24,881,172	P9,346,444	P776,224	P3,568,029	P5,002,191

24. Income Tax Expense

Under Philippine tax laws, the Company is subjected to corporate income taxes, percentage and other taxes. Income taxes paid consist of RCIT or MCIT, whichever is higher, and a final withholding tax (FWT) of 20% on gross interest income from government securities, deposits and other deposit substitutes. These income taxes together with other deferred tax benefits are presented in the statements of income and expenses as "Income tax expense". Percentage and other taxes paid consist principally of gross receipts tax (GRT) and documentary stamp taxes.

The RCIT is 30%. Interest allowed as deductible expense is reduced by an amount equivalent to 33% of interest income subjected to final tax. The regulations also provide for MCIT of 2% of gross income and allow utilization of NOLCO. The MCIT and NOLCO may be applied against the Company's income tax liability and regular taxable income, respectively, over a three-year period from the year of incurrence.

Income tax expense (benefit) consists of:

	2013	2012
Final tax	P2,625,214	P3,342,464
Current tax	692,342	6,946,960
Deferred	(7,163,526)	1,044,467
	(P3,845,970)	P11,333,891

The reconciliation of income tax expense (benefit) computed at the statutory income tax rate to the income tax expense shown in the statements of comprehensive income is as follows:

	2013	2012
Income before income tax	(P9,845,687)	P43,536,586
Income tax computed at statutory tax rate	(P2,953,706)	P13,060,976
Tax effects of:		
Income subjected to final tax	(3,522,552)	(5,464,622)
Final tax	2,625,214	3,342,465
Non-deductible expenses	5,074	395,072
	(P3,845,970)	P11,333,891

The deferred tax assets, net as of December 31 relate to the following:

	2013	2012
Deferred tax assets (liabilities):		
Allowance for impairment loss:		
AFS securities	P2,779,138	P2,779,137
Insurance and other receivable	3,016,104	3,016,104
Unrealized foreign exchange loss	-	24,180
Deferred acquisition costs (deferred reinsurance commissions) – net	483,281	490,769
MCIT	692,342	-
NOLCO	10,438,563	-
	P9,731,083	P2,567,557

The MCIT of P0.7 million and NOLCO of P34.8 million will expire on December 31, 2016.

The Company opted to use the itemized method of deduction for its income tax returns in 2013 and 2012.

25. Related Party Transactions

The Company's related parties include its parent company, and the Company's key management personnel. The details of the Company's related party transactions and balances are as follows:

- In 2012, the Company declared P75.0 million stock dividends to its stockholders (see Note 26).

Category/ Transaction	Year	Note	Amount of the Transaction	Outstanding Balance		Terms	Conditions
				Due from Related Parties	Due to Related Parties		
AFPMBAI							
▪ Premium income	2013	20	P952,875	P -	P -	Cash basis; non-interest bearing	Unsecured; no impairment
	2012	20	1,118,657	-	-	Cash basis; non-interest bearing	Unsecured; no impairment
Key management Personnel							
▪ Salaries and wages	2013		10,685,988	-	-		
	2012		6,190,693	-	-		
Directors							
▪ Fees and allowances	2013	22	2,673,799	-	-		
	2012	22	3,396,220	-	-		
TOTAL	2013		14,312,662	P -	P -		
TOTAL	2012		P10,705,570	P -	P -		

The key management personnel are in managerial to top executive position.

26. Equity

Capital Stock

The details of this account as at December 31 are as follows:

	Number of Shares		Amount	
	2013	2012	2013	2012
Authorized - P1,000 par value	250,000	250,000	P250,000,000	P250,000,000
Issued and Outstanding				
Balance at January 1	250,000	175,000	250,000,000	P175,000,000
Issuances during the year	-	75,000	-	75,000,000
Balance at December 31	250,000	250,000	P250,000,000	P250,000,000

On October 19, 2012, the SEC approved the increase in authorized capital stock of the Company from 175,000 shares to 250,000 shares.

Retained Earnings/Dividends

On April 28, 2012, the BOD approved and declared stock dividends of 75,000 shares of stocks with par value of P1,000 per share.

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

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

	2013	2012
PFRS net income (loss)	(P5,999,717)	P32,202,693
Add (deduct):		
Difference in change in:		
Reserve for unearned premiums - net	(13,119,037)	(4,867,690)
Deferred acquisition costs	(192,364)	(491,982)
Deferred reinsurance commission	167,407	2,571,862
Effect of deferred income tax expense	13,261,179	836,344
Statutory net income (loss)	(P5,882,532)	P30,251,227

28. Lease Commitment

The Company, as a lessor, leases a portion of its building to various tenants. The lease may be renewed under mutually acceptable terms and conditions.

Future minimum rental income as at December 31, 2013 and 2012 are as follows:

	2013	2012
Not later than one year	P1,518,982	P1,291,513
Later than one year and not later than five years	1,609,000	1,937,270
Total	P3,127,982	P3,228,783

Total rent income amounting to P1.7 million and P2.3 million in 2012 and 2011, respectively, are presented as part of other income under the "Investment and other income" account in the statements of comprehensive income (see Note 21).

29. Contingencies

As at December 31, 2013, the Company is contingently liable to the following lawsuits and claims:

- The Company has various legal proceedings on insurance claims-related and resigned employee claims, arising from the ordinary course of business. Management believes that the ultimate liability for the abovementioned lawsuits and claims, if any, would not be material in relation to the financial position and operating results of the Company.
- On April 22, 2010, the Company filed petition in the Court of Tax Appeal in Quezon City for the cancellation of tax assessment for the year 2006 based on the Formal Letter of Demand received from BIR on April 6, 2010. As at December 31, 2013 and 2012, the Company recognized a liability for certain portion of the tax deficiencies to which the Management believes they are liable as part of "Accounts payable and accrued expenses" account in the statements of financial position.

- On November 13, 2013, the Company received a Final Notice of Assessment (FAN) from the BIR for the 2010 audit. On January 23, 2014, the Company filed a Letter of Protest objecting to the FAN issued. As at December 31, 2013, the Company recognized a liability for certain portion of the tax deficiencies to which the Management believes they are liable as part of "Accounts payable and accrued expenses" account in the statements of financial position
- On December 11, 2013, the Company received a copy of the Notice of Disallowance (ND) issued by the Commission on Audit (CoA) to Armed Forces of the Philippines (AFP) informing the latter that the amount of P5.75 million representing premiums paid by the AFP to the Company for the insurance of AFP's properties was disallowed in audit because the insurance of the properties of AFP with the Company is not in accordance with RA No. 656 dated June 16, 1951. Such transaction pertains to the Fire Insurance of General Headquarters (GHQ) Unified Commands/AFPWSSUs buildings for 2013. On March 12, 2014, the Company submitted an appeal memorandum to CoA for the petition of ND to clarify the validity of insurance contract with AFP.

30. Capital Management and Regulatory Requirements

Capital Management

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern; and
- to provide an adequate return to shareholders by complying with the capital requirements and limitation enforced by the IC and by aligning the Company's operational strategy to its corporate goals.

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

The Company manages capital through a process that determines future projected capital requirements through the development of long-term financial plans and projections that consider the impact of surplus of new business, profitability of in-force business and other major corporate initiatives that will affect capitalization levels.

The IC is interested in protecting the rights of the policyholders and maintaining close vigil to ensure that the Company is satisfactorily managing the affairs for policyholders' benefits.

The Company considers capital stock, contributed surplus, revaluation reserve for AFS securities, reserve for retirement benefits and retained earnings as capital it manages.

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

Net Worth Requirements

Under the Insurance code, every insurance company doing business in the Philippines needs to comply with the following net worth requirements:

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

As at December 31, 2013 and 2012, the Company has complied with the net worth requirements.

Risk-based Capital Requirements

IC Memorandum Circular (IMC) No. 7-2006 provides for the risk-based capital framework for the non-life insurance industry to establish the required amounts of capital to be maintained by the companies in relation to their investments and insurance risks. Every non-life insurance company is required annually 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 corresponding regulatory intervention which has been defined at various levels.

The RBC ratio shall be calculated as networth divided by the RBC requirement. Networth shall include the Company's paid-up capital, capital in excess of par, contributed and contingency surplus and retained earnings. Revaluation and fluctuation reserve accounts shall form part of networth only to the extent authorized by the IC.

RBC requirement is calculated based on a formula contained in IMC 7-2006. Specific instructions are provided for the computation of data that will be incorporated in the RBC requirements. The RBC requirements classified instruments and insurance risks into: R1 - Fixed Income Securities, R2 - Equity Securities, R3 - Credit Risk, R4 - Loss Reserves and R5 - Net Written Premiums.

As at December 31, 2013 and 2012, the Company has complied with the RBC ratio requirement based on its internal computation.

Margin of Solvency

The final amount of the MOS can be determined only after the accounts of the Group have been examined by the Insurance Commission (IC), specifically as to admitted and non-admitted assets as defined in the Insurance Code.

If the insurance company failed to meet the minimum required MOS, the IC is authorized to suspend or revoke all certificates of authority granted to such company, officers, agents and no new business shall be done until its authority is restored by the IC.

As at December 31, 2013 and 2012, the Company has complied with the MOS requirement based on its internal computation.

Limitation on Dividend Declaration

Section 201 of the Insurance Code provides that no domestic insurance corporation shall declare or distribute dividends on its outstanding stock unless it has met the minimum paid-up capital and net worth requirements and except from profits attested in a sworn statement to the Commissioner by the president or treasurer of the corporation to be remaining on hand after retaining unimpaired:

- the entire paid-up capital stock;
- the margin of solvency required;
- the legal reserve fund required; and
- A sum sufficient to pay all net losses reported, or in the course of settlement, and all liabilities for expenses and taxes.

The Company complied with the above limitation on dividend declaration.

31. Supplementary Information Required by the Bureau of Internal Revenue (BIR)

In addition to the disclosures mandated under PFRSs, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRSs. The following are the tax information required for the taxable year ended December 31, 2013:

I. Based on Revenue Regulations (RR) No. 19-2011

A. Sales/Receipts/Fees

	Exempt	Special Rate	Regular/ Normal Rate	Total
Sale of services	P -	P -	P112,650,962	P112,650,962

B. Cost of Sales/Services

	Exempt	Special Rate	Regular/ Normal Rate	Total
Cost of services				
Direct charges - salaries, wages and benefits	P -	P -	P28,491,733	P28,491,733
Direct charges - losses and claims adjustment	-	-	59,572,455	59,572,455
Direct charges - commission expense	-	-	3,842,410	3,842,410
Direct charges - rental	-	-	-	-
Direct charges - outside	-	-	-	-
Direct charges - others	-	-	-	-
	P -	P -	P91,906,598	P91,906,598

C. Non-Operating and Taxable Other Income

	Exempt	Special Rate	Regular/ Normal Rate	Total
Rent income	P -	P -	P1,518,982	P1,518,982
Gain on sale of AFS securities	-	-	-	-
Others	-	-	12,353,768	12,353,768
	P -	P -	P13,872,750	P13,872,750

D. Itemized Deductions (if Company did not avail of the Optional Standard Deduction)

	Exempt	Special Rate	Regular/ Normal Rate	Total
Salaries and wages	P -	P -	P9,497,244	P9,497,244
Depreciation	-	-	6,041,641	6,041,641
Sales incentives	-	-	5,544,390	5,544,390
Taxes and licenses	-	-	3,766,459	3,766,459
Transportation and travel	-	-	3,492,122	3,492,122
Professional fees	-	-	3,461,315	3,461,315
Directors' fees and allowances	-	-	2,673,799	2,673,799
Communication and postage	-	-	2,194,321	2,194,321
Advertising and promotions	-	-	1,737,878	1,737,878
Service fees	-	-	1,520,193	1,520,193
Representation and entertainment	-	-	1,481,054	1,481,054
Repairs and maintenance	-	-	1,261,564	1,261,564
Light and water	-	-	1,240,290	1,240,290
Printing, stationery and office supplies	-	-	988,712	988,712
Meetings and conferences	-	-	642,377	642,377
Association dues	-	-	371,204	371,204
Insurance	-	-	179,619	179,619
Others	-	-	23,318,140	23,318,140
	P -	P -	P69,412,322	P69,412,322

II. Based on RR No. 15-2010

A. Value Added Tax (VAT)

1. Output VAT	P19,523,608
<i>Account title used:</i>	
Basis of the Output VAT:	
Vatable sales	P162,696,735
Exempt sales	-
	P162,696,735
2. Input VAT	
Beginning of the year	P779,004
Current year's domestic purchases:	
Services lodged under cost of goods sold	3,593,378
Claims for tax credit/refund and other adjustments	(3,439,384)
Application against output vat payable	(7,540,515)
Balance at the end of the year	(P6,607,517)

B. Documentary Stamp Tax

On loan instruments	P -
On shares of stocks	41
On others	21,200,675
	P21,200,716

C. Withholding Taxes

Tax on compensation and benefits	P5,932,495
Creditable withholding taxes	2,506,201
Final withholding taxes	2,034,111
Expanded withholding taxes	2,157,262
	P12,630,069

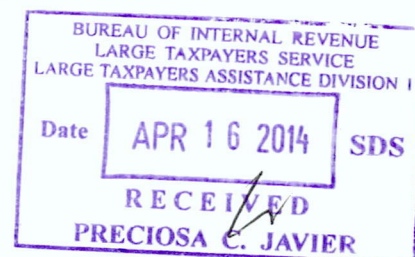
D. All Other Taxes (Local and National)

<i>Other taxes paid during the year recognized under "Taxes and licenses" account under General and Administrative Expenses</i>	
Real estate taxes	P39,609
License and permit fees	1,089,932
Others	2,636,918
	P3,766,459

E. Tax Cases

On January 12, 2010, the Company received the Preliminary Assessment Notice from the BIR regarding the 2006 deficiency tax amounting to P25.6 million including surcharge, interest and compromise. On April 6, 2010, the Company received a Formal Letter of Demand from the BIR pursuant to Letter of Authority dated May 7, 2008. On April 22, 2010, a protest and objection of the Formal letter of Demand was sent to BIR indicating that the Company is not liable for the said deficiency taxes or the same is much lower than the BIR final assessment. On April 22, 2010, the Company filed petition in the Court of Tax Appeal - Quezon City for the cancellation of tax assessment based on the abovementioned letter of demand from the BIR. As of December 31, 2013, the trial of the case is on-going. Furthermore, the BIR have not made any action or motion for the immediate payment of the alleged deficiency taxes.

On November 13, 2013, the Company received the Formal Assessment Notice from the BIR regarding the 2010 tax deficiency amounting to P28.1 million including surcharge, interest and compromise. On January 23, 2013, the Company sent a letter protest and objection to the BIR indicating that the Company is not liable for the said deficiency taxes or is much lower than the BIR final assessment.





R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue
Makati City 1226, Metro Manila, Philippines

Telephone +63 (2) 885 7000
Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
E-Mail manila@kpmg.com.ph

Branches: Subic - Cebu - Bacolod - Iloilo

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

The Board of Directors and Stockholders
AFP General Insurance Corporation
3rd Floor, AFP-GIC Building, Camp Aguinaldo
Bonny Serrano St. corner EDSA
Quezon City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of AFP General Insurance Corporation (a wholly-owned subsidiary of Armed Forces and Police Mutual Benefit Association, Inc.) (the "Company") as at and for the years ended December 31, 2013 and 2012, and have issued our report thereon dated March 26, 2014.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Company taken as a whole. The supplementary information included in the Schedule of Philippine Financial Reporting Standards is the responsibility of the Company's management.

This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

DENNIS I. ILAN

Partner

CPA License No. 089564

IC Accreditation No. SP-0099-O, Group A, valid until September 11, 2014

SEC Accreditation No. 1182-A, Group A, valid until January 11, 2015

Tax Identification No. 161-313-405

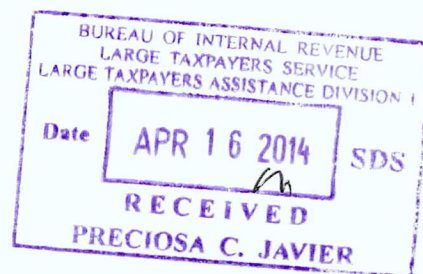
BIR Accreditation No. 08-001987-28-2011

Issued November 3, 2011; valid until November 2, 2014

PTR No. 4225125MC

Issued January 2, 2014 at Makati City

March 26, 2014
Makati City, Metro Manila



AFP GENERAL INSURANCE CORPORATION
SCHEDULE OF FINANCIAL REPORTING STANDARDS

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
PFRS 8	Operating Segments			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
PFRS 9	Financial Instruments		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
PFRS 10	Consolidated Financial Statements			✓
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✓
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
PFRS 13	Fair Value Measurement	✓		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013			Adopted	Not Adopted	Not Applicable
PAS 28 (Amended)	Investments in Associates and Joint Ventures				✓
PAS 29	Financial Reporting in Hyperinflationary Economies				✓
PAS 31	Interests in Joint Ventures				✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓			
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation				✓
	Amendment to PAS 32: Classification of Rights Issues				✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities		✓		
PAS 33	Earnings per Share				✓
PAS 34	Interim Financial Reporting				✓
PAS 36	Impairment of Assets	✓			
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓			
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓			
PAS 38	Intangible Assets				✓
PAS 39	Financial Instruments: Recognition and Measurement	✓			
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓			
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions				✓
	Amendments to PAS 39: The Fair Value Option				✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts				✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓			
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives				✓
	Amendment to PAS 39: Eligible Hedged Items				✓
PAS 40	Investment Property	✓			
	Agriculture				✓
Philippine Interpretations					
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities				✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments				✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓			
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds				✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓
Philippine Interpretations Committee Questions and Answers				✓
PIC Q&A 2006-01	PAS 18, Appendix, paragraph 9 - Revenue recognition for sales of property units under pre-completion contracts			✓
PIC Q&A 2006-02	PAS 27.10(d) - Clarification of criteria for exemption from presenting consolidated financial statements			✓
PIC Q&A 2007-01-Revised	PAS 1.103(a) - Basis of preparation of financial statements if an entity has not applied PFRSs in full			✓
PIC Q&A 2007-03	PAS 40.27 - Valuation of bank real and other properties acquired (ROPA)			✓
PIC Q&A 2007-04	PAS 101.7 - Application of criteria for a qualifying NPAE			✓
PIC Q&A 2008-01-	PAS 19.78 - Rate used in discounting post-employment benefit obligations	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
Revised				
PIC Q&A 2008-02	PAS 20.43 - Accounting for government loans with low interest rates under the amendments to PAS 20			✓
PIC Q&A 2009-01	Framework.23 and PAS 1.23 - Financial statements prepared on a basis other than going concern			✓
PIC Q&A 2009-02	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines	✓		
PIC Q&A 2010-01	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines	✓		
PIC Q&A 2010-02	PAS 1R.16 - Basis of preparation of financial statements	✓		
PIC Q&A 2010-03	PAS 1 Presentation of Financial Statements - Current/non-current classification of a callable term loan			✓
PIC Q&A 2011-01	PAS 1.10(f) - Requirements for a Third Statement of Financial Position			✓
PIC Q&A 2011-02	PFRS 3.2 - Common Control Business Combinations			✓
PIC Q&A 2011-03	Accounting for Inter-company Loans			✓
PIC Q&A 2011-04	PAS 32.37-38 - Costs of Public Offering of Shares			✓
PIC Q&A 2011-05	PFRS 1.D1-D8 - Fair Value or Revaluation as Deemed Cost			✓
PIC Q&A 2011-06	PFRS 3, Business Combinations (2008), and PAS 40, Investment Property - Acquisition of Investment properties - asset acquisition or business combination?			✓
PIC Q&A 2012-01	PFRS 3.2 - Application of the Pooling of Interests Method for Business Combinations of Entities Under Common Control in Consolidated Financial Statements			✓
PIC Q&A 2012-02	Cost of a New Building Constructed on the Site of a Previous Building			✓
PIC Q&A 2013-01	Applicability of SMEIG Final Q&As on the Application of IFRS for SMEs to Philippine SMEs			✓
PIC Q&A 2013-03	PAS 19 - Accounting for Employee Benefits under a Defined Contribution Plan subject to Requirements of Republic Act (RA) 7641, The Philippine Retirement Law			✓