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

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 (the "Company") (a wholly-owned subsidiary of Armed Forces and Police Mutual Benefit Association, Inc.) as at and for the year ended December 31, 2015, on which we have rendered our report dated March 29, 2016.

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

R.G. MANABAT & CO.

Dennis I. Ilan

DENNIS I. ILAN
Partner
CPA License No. 089564
IC Accreditation No. SP-2014/023-R, Group A, valid until August 26, 2017
SEC Accreditation No. 1182-AR-1, Group A, valid until April 30, 2018
Tax Identification No. 161-313-405
BIR Accreditation No. 08-001987-28-2014
Issued September 26, 2014; valid until September 25, 2017
PTR No. 5320748MD
Issued January 4, 2016 at Makati City

March 29, 2016
Makati City, Metro Manila

APR 14 2016

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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, 2015 and 2014, 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 (a wholly-owned subsidiary of Armed Forces and Police Mutual Benefit Association, Inc.) as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulation (RR) No. 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 32 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
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March 29, 2016
Makati City, Metro Manila

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

STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2015**	2014
ASSETS			
Cash and cash equivalents	*7*	**P29,837,571**	P82,913,352
Insurance receivables - net	*8*	**57,452,067**	69,940,178
Available-for-sale (AFS) financial assets - net	*9*	**322,852,884**	383,383,046
Held-to-maturity (HTM) investments	*10*	**68,324,020**	67,101,807
Deferred reinsurance premiums	*11*	**3,945,399**	6,180,934
Deferred acquisition costs	*12*	**6,289,446**	1,526,987
Investment properties	*13*	**22,024,000**	23,494,000
Property and equipment - net	*14*	**24,572,855**	31,899,685
Intangible assets - net	*15*	**8,122,924**	3,041,667
Deferred tax assets - net	*25*	**23,401,465**	20,858,305
Other assets	*16*	**25,324,467**	18,945,016
		P592,147,098	P709,284,977
LIABILITIES AND EQUITY			
Liabilities			
Losses and claims payable	*18*	**P45,393,526**	P102,124,514
Due to reinsurers	*18*	**1,880,308**	5,164,813
Funds held for reinsurers	*18*	**1,141,850**	25,441,850
Reserve for unearned premiums	*19*	**49,021,006**	28,854,699
Deferred reinsurance commissions	*20*	**750,952**	1,559,042
Accounts payable and accrued expenses	*17*	**38,966,359**	24,788,895
Retirement benefit liability - net	*24*	**6,197,299**	555,024
Total Liabilities		**143,351,300**	188,488,837
Equity			
Capital stock	*27*	**250,000,000**	250,000,000
Contributed surplus		**500,000**	500,000
Additional paid-in capital		**173,140,704**	173,140,704
Revaluation reserves for AFS financial assets	*9*	**(70,647,914)**	(4,992,924)
Retirement benefit reserves		**(10,335,802)**	(7,882,788)
Retained earnings		**106,138,810**	110,031,148
Total Equity	*5*	**448,795,798**	520,796,140
		P592,147,098	P709,284,977

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

	Note	Years Ended December 31 2015	2014
UNDERWRITING INCOME			
Direct premiums written	5, 21	**P86,034,270**	P64,198,523
Premiums assumed	5, 21	**37,193,060**	17,666,507
Gross premiums		**123,227,330**	81,865,030
Premiums ceded	5, 21	**(8,472,513)**	(17,416,727)
Premiums retained		**114,754,817**	64,448,303
Net change in reserve for unearned premiums	5, 21	**(22,401,842)**	2,797,288
Net premiums earned		**92,352,975**	67,245,591
Reinsurance commissions earned	20	**2,722,064**	6,502,827
GROSS UNDERWRITING INCOME		**95,075,039**	73,748,418
UNDERWRITING DEDUCTIONS			
Losses and claims		**19,898,022**	4,890,483
Commissions	12	**7,015,928**	6,605,892
Other underwriting expense		**14,618,302**	10,771,960
		41,532,252	22,268,335
NET UNDERWRITING INCOME		**53,542,787**	51,480,083
INVESTMENT AND OTHER INCOME	22	**31,379,395**	24,247,006
INCOME AFTER INVESTMENT AND OTHER INCOME		**84,922,182**	75,727,089
GENERAL AND ADMINISTRATIVE EXPENSES	23	**88,836,634**	82,025,986
LOSS BEFORE INCOME TAX		**(3,914,452)**	(6,298,897)
INCOME TAX BENEFIT	25	**(22,114)**	(5,750,368)
NET LOSS		**(3,892,338)**	(548,529)
OTHER COMPREHENSIVE (LOSS) INCOME			
Items that will not be reclassified to profit or loss			
Remeasurement gain (loss) on retirement benefit reserves, net of tax	24	**(2,453,014)**	9,897,141
Items that may be reclassified to profit or loss			
Net change in fair value of AFS financial assets	9	**(65,680,765)**	(5,796,418)
Net change in fair value of AFS financial assets transferred to profit or loss	9	**25,775**	9,623,977
		(65,654,990)	3,827,559
OTHER COMPREHENSIVE (LOSS) INCOME FOR THE YEAR		**(68,108,004)**	13,724,700
TOTAL COMPREHENSIVE (LOSS) INCOME		**(P72,000,342)**	P13,176,171

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
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Capital Stock (Note 27)	Contributed Surplus	Additional Paid-in Capital	Revaluation Reserves for AFS Financial Assets (Note 9)	Retirement Benefit Reserves (Note 24)	Retained Earnings	Total Equity
Balance at January 1, 2014	P250,000,000	P500,000	P -	(P8,820,483)	(P17,779,929)	P110,579,677	P334,479,265
Additional contribution from stockholders	-	-	173,140,704	-	-	-	173,140,704
Net change in fair value of AFS financial assets	-	-	-	(5,796,418)	-	-	(5,796,418)
Net change in fair value of AFS financial assets transferred to profit and loss	-	-	-	9,623,977	-	-	9,623,977
Remeasurement gain on retirement benefit reserves	-	-	-	-	9,897,141	-	9,897,141
Other Comprehensive income	-	-	-	3,827,559	9,897,141	-	13,724,700
Net loss for the year	-	-	-	-	-	(548,529)	(548,529)
Total comprehensive income (loss)	-	-	-	3,827,559	9,897,141	(548,529)	13,176,171
Balances at December 31, 2014	250,000,000	500,000	173,140,704	(4,992,924)	(7,882,788)	110,031,148	520,796,140
Net change in fair value of AFS financial assets	-	-	-	**(65,680,765)**	-	-	**(65,680,765)**
Net change in fair value of AFS financial assets transferred to profit and loss	-	-	-	**25,775**	-	-	**25,775**
Remeasurement gain on retirement benefit reserves	-	-	-		**(2,453,014)**	-	**(2,453,014)**
Other comprehensive loss	-	-	-	**(65,654,990)**	**(2,453,014)**	-	**(68,108,004)**
Net loss for the year	-	-	-	-	-	**(3,892,338)**	**(3,892,338)**
Total comprehensive loss	-	-	-	**(65,654,990)**	**(2,453,014)**	**(3,892,338)**	**(72,000,342)**
Balance at December 31, 2015	**P250,000,000**	**P500,000**	**P173,140,704**	**(P70,647,914)**	**(P10,335,802)**	**P106,138,810**	**P448,795,798**

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

	Note	2015	2014
		Years Ended December 31	
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		**(P3,914,452)**	(P6,298,897)
Change in:			
Reserve for unearned premiums - net	*21*	**22,401,842**	(2,797,288)
Deferred reinsurance commission	*20*	**(808,090)**	(2,325,343)
Deferred acquisition costs	*12*	**(4,762,459)**	746,460
Adjustments for:			
Interest income	*22*	**(3,945,946)**	(4,864,913)
Depreciation and amortization	*14, 15, 23*	**9,191,597**	6,820,900
Dividend income	*9, 22*	**(5,863,492)**	(2,494,964)
Retirement benefit expense	*24*	**2,137,969**	3,990,283
Unrealized gain on change in fair value of investment properties	*13*	**-**	(2,691,149)
Amortization of premium of HTM investments	*10*	**(1,222,213)**	833,147
Impairment loss	*8*	**-**	1,258,330
Reversal of impairment loss	*16*	**-**	(303,082)
Gain on sale of investment property		**-**	(376,196)
Gain on sale of AFS financial assets	*9, 22*	**(14,278,575)**	(12,409,799)
Operating loss before working capital changes		**(1,063,819)**	(20,912,511)
Decrease (increase) in:			
Insurance receivables	*8*	**12,488,111**	(32,448,886)
Other assets		**(6,063,972)**	(7,574,632)
Increase (decrease) in:			
Losses and claims payable	*18*	**(56,730,988)**	(2,612,117)
Accounts payable and accrued expenses		**14,542,026**	(3,441,659)
Due to reinsurers	*18*	**(3,284,505)**	2,253,495
Funds held for reinsurers	*18*	**(24,300,000)**	20,697,291
Cash used in operations		**(64,413,147)**	(44,039,019)
Income taxes paid		**(1,834,317)**	(1,398,255)
Net cash used in operating activities		**(66,247,464)**	(45,437,274)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**3,603,189**	4,810,202
Dividends received		**5,890,770**	2,494,964
Acquisitions of:			
Investments in AFS and HTM investments	*9, 10*	**(296,798,034)**	(410,102,925)
Property and equipment	*14*	**(4,619,988)**	(12,930,848)
Intangible assets		**(2,326,035)**	-
Proceeds from sale of:			
Investments in AFS and HTM investments		**305,951,781**	259,577,691
Investment property		**1,470,000**	997,500
Net cash provided by (used in) investing activities		**13,171,683**	(155,153,416)

Forward

		Years Ended December 31	
	Note	**2015**	2014
CASH FLOW FROM A FINANCING ACTIVITY			
Capital contribution from stockholder		**P -**	P173,140,704
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(53,075,781)**	(24,653,476)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*7*	**82,913,352**	107,566,828
CASH AND CASH EQUIVALENTS AT END OF YEAR	*7*	**P29,837,571**	P82,913,352

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 and registered with the Philippine Securities and Exchange Commission (SEC) in the Philippines on March 1, 1979. The Company is engaged in the business of motor car, fire, marine, fidelity and surety insurance, and on all other forms of non-life insurance authorized by law.

Certificate of Authority (CA) 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 December 31, 2015. The IC renewed the Company's license with CA No. 2016/69-R-R, valid until December 31, 2018.

On January 1, 2015, the Company was granted a Certificate of Accreditation and Authority to issue Compulsory Insurance Coverage for Agency-Hired Overseas Filipino Workers valid until December 31, 2015.

The Company is a wholly-owned subsidiary of Armed Forces and Police Mutual Benefit Association Inc. (AFPMBAI), 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 compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRSs which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations.

The accompanying financial statements of the Company as at and for the year ended December 31, 2015 have been reviewed, approved and authorized for issue by the Board of Directors (the "BOD") on March 29, 2016.

Basis of Measurement
The financial statements have been prepared on a historical cost basis of accounting, except for the following items, which are measured on an alternative basis on each reporting date.

Items	Measurement Bases
Available-for-sale (AFS) financial assets	Fair value
Investment properties	Fair value
Retirement benefit liability - net	Present value of the defined benefit obligation less fair value of plan assets

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.

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, except for the changes in accounting policies as explained below.

Adoption of New or Revised Standards and Amendments to Standards
The Company has adopted the following amendments to standards starting January 1, 2015 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Company's financial statements.

- *Annual Improvements to PFRS: 2010 - 2012 and 2011 - 2013 Cycles* contains changes to nine (9) standards with consequential amendments to other standards, of which only the following is applicable to the Company:

  a. *Scope of portfolio exception* (Amendment to PFRS 13, *Fair Value Measurement*). The scope of the PFRS 13 portfolio exception - whereby entities are exempted from measuring the fair value of a group of financial assets and financial liabilities with offsetting risk positions on a net basis if certain conditions are met - has been aligned with the scope of PAS 39, *Financial Instrument: Recognition and Measurement* and PFRS 9, *Financial Instrument*.

     PFRS 13 has been amended to clarify that the portfolio exception potentially applies to contracts in the scope of PAS 39 and PFRS 9 regardless of whether they meet the definition of a financial asset or financial liability under PAS 32, *Financial Instruments: Presentation* e.g. certain contracts to buy or sell non-financial items that can be settled net in cash or another financial instrument.

  b. *Definition of 'related party'* (Amendment to PAS 24, *Related Party Disclosures*). The definition of a 'related party' is extended to include a management entity that provides key management personnel (KMP) services to the reporting entity, either directly or through a group entity. For related party transactions that arise when KMP services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the KMP services. The reporting entity will also need to disclose other transactions with the management entity under the existing disclosure requirements of PAS 24 - e.g. loans.

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

The Company issues contracts that transfer insurance or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such risk includes the possibility of having to pay benefits on the occurrence of an insured event. The Company may also transfer insurance risk in insurance contracts through its reinsurance arrangements to hedge a greater possibility of claims occurring than expected. As a general guideline, the Company defines significant insurance risk by comparing benefits paid with benefits payable if the insured event did not occur.

Insurance contracts can also transfer 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. Investment contracts mainly transfer financial risk but can also transfer insignificant insurance risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during 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.

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 separately recorded 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).

Underwriting Income

Premiums from short-duration insurance contracts are recognized as revenue over the period of the insurance contracts using the 24th method. 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" 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 profit or loss.

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

Commission Income and Deferred Reinsurance Commission

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

Claim Cost Recognition
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 claim estimates are reassessed for adequacy and changes made are charged to provision. Claim provisions are not discounted for the time value of money.

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

Commission Expense and Deferred Acquisition Costs (DAC)
Commissions are recognized as expense over the period of the contracts. 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 portion of the commissions that relates to the unexpired periods of the policies at the end of the reporting period is accounted for as "Deferred acquisition costs" in the assets section of the statement 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.

<u>Reinsurance</u>
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.

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.

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

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.

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.

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.

<u>Insurance Contract Liabilities</u>
Insurance contract liabilities are recognized when contracts are entered into and premiums are charged.

Short-term Insurance Contract Liabilities
Insurance contract liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, but not settled as at the reporting date together with related claims handling costs and reduction for expected salvage value and other recoveries. Significant delays can be experienced in the notification and settlement of certain type of insurance claims, particularly, in respect of liability business, therefore the ultimate cost of which cannot be known with certainty at the reporting date.

Provision for Claims Reported and IBNR Claims
These liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the end of the reporting period together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Significant delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of which cannot be known with certainty at the end of the reporting period. The liability is not discounted for the time value of money and includes provision for IBNR losses. The liability is derecognized when the contract is discharged, cancelled or has expired.

Reserve for Unearned Premiums
The portion of written premiums, gross of commission payable to intermediaries, attributable to subsequent periods or to risks that have not yet expired, is deferred as reserve for unearned premiums. The change in the reserve 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.

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.

Financial Instruments

Date of Recognition

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

Settlement Date. Purchases and sales shall be recorded on the settlement date when the exchange of the asset takes place, from which, generally, the asset starts to accrue returns for its acquirer. In the case of financial assets measured at fair value, any change in their value between the contracting date and the settlement date shall be accounted for in accordance with the accounting policy that is described for the portfolio to which the asset belongs. The Company shall apply the settlement date for securities representing debt (fixed-income) acquired in secondary securities markets.

Trade Date. Purchases and sales made by the entity are accounted for on the trade date when the purchase commitment is undertaken, irrespectively of interest not starting to accrue until the asset is transferred. Consequently, the Company shall apply the contracting date for equity instruments acquired in secondary securities markets.

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, AFS financial assets, held-to-maturity (HTM) investments 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 statements of comprehensive income for the period. Distributions to holders of financial instruments classified as equity are treated as owner-related and thus charged directly to equity.

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 separately recorded.

As at December 31, 2015 and 2014, the Company does not have any financial assets or financial liabilities classified under this category.

AFS Financial Assets
AFS financial assets are financial assets which are designated as such, or do not qualify to be classified or have not been classified under any other financial asset. 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 financial assets are subsequently measured at fair value. Changes in fair value, other than impairment loss, interest accretion and foreign currency differences on AFS financial assets which are all recognized in profit or loss, are reported as part of other comprehensive income (OCI). When the fair value of AFS financial assets 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 financial assets are derecognized, the cumulative gain or loss previously recognized in OCI is recognized as an account in profit or loss where the management holds more than one investment.

As at December 31, 2015 and 2014, this category includes quoted and unquoted equity investments (see Note 9).

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. After initial measurement, these financial assets are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (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 loss 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 financial assets. Management would then be unable to categorize financial instruments as HTM investments for the next two years in the financial statements.

As at December 31, 2015 and 2014, the HTM investments consist of government securities (see Note 10).

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 financial assets nor financial assets as FVPL.

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

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.

This category includes the Company's losses and claims payable, due to reinsurers, funds held for reinsurers and accounts payable and accrued expenses (excluding government and taxes payable).

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

<u>Impairment of Financial Assets</u>
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 has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

AFS Financial Assets Carried at Fair Value
In case of equity investments classified as AFS financial assets, impairment indicators would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is objective evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognized in OCI shall be remove from equity and recognized in profit or loss. Impairment loss on equity securities are not reversed through profit or loss. Increase in fair value after impairment is recognized directly in equity as "net change in fair value of financial assets".

In the case of AFS debt investments classified as AFS financial assets, 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 financial asset does not exceed its carrying value had no impairment loss been recognized.

AFS Financial Assets Carried at Cost
If there is an objective evidence of an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, 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 financial asset.

HTM Investments
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 carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for individually assessed 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.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows. The carrying amount of an impaired loan through the use of an allowance account and the amount of loss 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.

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. 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.

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.

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.

Investment Properties

Properties held for long-term rental yields or for capital appreciation or for both, is classified as investment properties. These properties are initially measured at cost, which includes transaction costs, but excludes day-to-day servicing costs. Replacement costs are capitalized if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be reliably measured.

Subsequent to initial recognition, investment properties are stated at fair value which reflects the market conditions at the end of reporting date. Any gain or loss resulting from change in the fair value is immediately recognized in profit or loss. The fair value of investment properties are based on property appraisal reports determined by appraisers on the basis of market value approach.

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

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

Investment properties are derecognized when it has been disposed of or when permanently withdrawn from use and no future benefit is expected from its disposal. Any gain or loss on the retirement or disposal of investment properties are recognized in profit or loss in the year of retirement or disposal.

Property and Equipment

Initially, an item of property and equipment is measured at cost less accumulated depreciation 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 and impairment loss, 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.

Intangible Assets

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

The Company's intangible assets comprise of computer software which is amortized over its useful life of 3 years.

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

Intangible assets are derecognized upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in profit or loss in the year the asset is derecognized.

Computer software, net of accumulated amortization, amounted to P8.1 million and P3.0 million as at December 31, 2015 and 2014, respectively (see Note 15).

Impairment of Non-financial Assets

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

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged against profit or loss in the period in which it arises, unless the asset is carried at revalued amount in which case the impairment loss is charged against the revaluation increment of the said asset.

For non-financial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment loss may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Equity

Capital Stock

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

Contributed Surplus

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

Additional Paid-in Capital

Additional paid-in capital represents the excess paid by the stockholder over the par value of the stocks issued. Additional paid-in capital arises from issuing either preferred or common shares of stock.

Revaluation Reserve for AFS financial assets

The revaluation reserve for AFS financial assets comprises gains and losses arising from the revaluation of AFS financial assets.

Retirement Benefit Reserves

Retirement 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

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

Revenue and Expenses Recognition

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

Interest Income

For all financial instruments measured at amortized cost and interest bearing financial instruments classified as AFS financial assets, 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), including 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 financial assets, 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.

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 retirement 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 retirement benefit liability 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 retirement 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 retirement benefit liability (asset) for the period by applying the discount rate used to measure the retirement benefit obligation at the beginning of the annual period to the then net retirement benefit liability (asset), taking into account any changes in the net retirement liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit retirement 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 retirement 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.

Final Tax
Interest income from cash on hand and in banks and financial assets, which is subject to final withholding tax, is presented at gross amounts while taxes paid or withheld are included in "Income tax expense" account in the statements of comprehensive income.

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 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 minimum corporate income tax (MCIT) and unused net operating loss carry-over (NOLCO) can be utilized. Deferred tax liabilities are recognized for all taxable temporary differences. 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 OCI.

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.

<u>Standards Issued But Not Yet Adopted</u>

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2015, 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.

Effective January 1, 2016

- Disclosure Initiative (Amendments to PAS 1, *Presentation of Financial Statements*) addresses some concerns expressed about existing presentation and disclosure requirements and to ensure that entities are able to use judgment when applying PAS 1. The amendments clarify that:

    - Information should not be obscured by aggregating or by providing immaterial information.

    - Materiality considerations apply to all parts of the financial statements, even when a standard requires a specific disclosure.

    - The list of line items to be presented in the statements of financial position and statements of profit or loss and other comprehensive income can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

    - An entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

  The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

Effective January 1, 2018

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

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

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

Effective January 1, 2019

- PFRS 16, *Leases* supersedes PAS, 17 *Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

  PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is not permitted until the FRSC has adopted PFRS 15, *Revenue from Contracts with Customers.*

4. Critical Judgments and Estimates

The preparation of the financial statements in accordance with PFRSs requires the management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts in the financial statements and accompanying notes. 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 on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments

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

(a) Determination of Functional Currency

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

(b) *Classifying Financial Instruments*

The Company exercises judgments in classifying a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset or liability. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

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

Financial assets are classified as loans and receivables, financial assets at FVPL, and AFS financial assets. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or other financial liabilities.

(c) *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, the Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date.

(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.

As at December 31, 2015 and 2014, AFS equity securities are quoted in an active market.

(e) *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 financial assets. The investments would therefore be measured at fair value, not amortized cost.

(f) *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.

(g) *Realizability of Deferred Tax Assets*
Deferred tax assets are recognized for all temporary future tax benefits to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized. These assets are periodically reviewed to determine the amount of deferred tax assets that can be recognized. Periodic reviews cover the nature and amount of deferred income and expense items, expected timing when assets will be used or liabilities will be required to be reported, reliability of historical profitability of businesses expected to provide future earnings and tax planning strategies which can be utilized to increase the likelihood that deferred tax assets will be realized.

As at December 31, 2015 and 2014, deferred tax assets - net, amounted to P23.4 million and P20.9 million, respectively (see Note 25).

In 2015, the Company did not recognized deferred tax assets from NOLCO and MCIT amounting to P9.0 million and P0.6 million, respectively (see Note 25).

(h) *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 statements of 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.

As at December 31, 2015 and 2014, losses and claims payable amounted to P45.4 million and P102.1 million, respectively (see Note 18).

(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 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, 2015 and 2014, the carrying values of insurance contract liabilities amounted to P48.4 million and P132.7 million, respectively (see Note 18).

(c) Valuation of Investment Properties
The fair market value of these properties is based on the latest appraisal report as at December 31, 2014 by an independent appraiser. The values of the real estate properties were arrived at using the Market Data Approach. In this approach, the values are based on sales and listing of comparable property registered in the vicinity. The technique of this approach requires establishing of comparable property by reducing the reasonable comparative sales and listings to a common denominator. This is done by adjusting differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property.

(d) Estimated Useful Lives of Property and Equipment and Computer Software
The Company estimates the useful lives of property and equipment and computer software based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and computer software 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 and computer software 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 and computer software would increase the recorded depreciation and amortization expenses and decrease noncurrent assets.

As at December 31, 2015 and 2014, property and equipment, net of accumulated depreciation, amounted to P24.6 million and P31.9 million respectively (see Note 14).

(e) 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, 2015 and 2014, allowance for impairment loss of insurance receivables and other receivables amounted to P11.0 million (see Notes 8 and 16).

(f) Impairment of AFS financial assets and HTM Investments

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, 2015 and 2014, allowance for impairment of AFS financial assets amounted to P9.3 million (see Note 9) and nil for HTM investments.

As at December 31, 2015 and 2014, the carrying values of AFS financial assets and HTM investments amounted to P322.9 million and P383.4 million, respectively (see Note 9) and P68.3 million and P67.1 million, respectively (see Note 10).

(g) Impairment of Non-financial Assets

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

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

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

In 2015 and 2014, no impairment loss was recognized for the Company's nonfinancial assets.

As at December 31, 2015 and 2014, the carrying amount of the Company's non-financial assets follows:

	Note	**2015**	2014
Investment properties	*13*	**P22,024,000**	P23,494,000
Property and equipment - net	*14*	**24,572,855**	31,899,685
Intangible asset - net		**8,122,924**	3,041,667
		P54,719,779	P58,435,352

(h) *Estimating Retirement Benefit Liability*
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, 2015 and 2014, the Company's retirement benefit liability amounted to P6.2 million and P0.6 million respectively (see Note 24). In 2015 and 2014, the retirement benefit expense amounted to P2.1 million and P4.0 million, respectively (see Note 24). Cumulative actuarial loss net of tax amounted to P10.3 million and P7.9 million as at December 31, 2015 and 2014, respectively.

5. Management of Capital, 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 strategies 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., 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 (see Note 31).

Capital Management Framework
The Company has developed an internal risk management framework for identifying risks to which the Company as a whole is exposed, quantifying their impact on economic capital. The internal framework estimates how much capital is needed to mitigate the risk of insolvency to a selected remote level of risks applied to a number of tests (both financial and non-financial) on the capital position of the business.

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 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.

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

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

	2015	2014
Capital stock	**P250,000,000**	P250,000,000
Contributed surplus	**500,000**	500,000
Additional paid-in capital	**173,140,704**	173,140,704
Revaluation reserves for AFS financial assets	**(70,647,914)**	(4,992,924)
Retirement benefit reserves	**(10,335,802)**	(7,882,788)
Retained earnings	**106,138,810**	110,031,148
	P448,795,798	P520,796,140

The additional paid-in capital is attributable to the capital infusion from the Parent Company in 2014 amounting to P173.1 million. Such capital infusion was made in order for the Company to meet the net worth requirements for it to be able to start the OFW business.

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, bonds and marine cargo. Risks under these policies usually cover twelve-month duration. The risks 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 risks 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, 2015			
Line of Risk	**Direct Premiums Written**	**Premiums Assumed**	**Premiums Ceded**	**Retention**
Fire	**P12,910,441**	**P19,306,097**	**P6,020,869**	**P26,195,669**
Motor car	**30,179,276**	**13,855,663**	**347,327**	**43,687,612**
Bonds	**16,726,842**	**1,094,134**	**1,099,737**	**16,721,239**
Marine cargo	**108,159**	**76,985**	**-**	**185,144**
Miscellaneous	**26,109,552**	**2,860,181**	**1,004,580**	**27,965,153**
	P86,034,270	**P37,193,060**	**P8,472,513**	**P114,754,817**

Line of Risk	Direct Premiums Written	Premiums Assumed	Premiums Ceded	Retention
	For the Year Ended December 31, 2014			
Fire	P16,463,617	P5,465,745	P7,656,626	P14,272,736
Motor car	27,813,708	10,406,646	88,878	38,131,476
Bonds	6,516,362	1,246,828	803,967	6,959,223
Marine cargo	9,988,304	176,999	7,256,746	2,908,557
Miscellaneous	3,416,532	370,289	1,610,510	2,176,311
	P64,198,523	P17,666,507	P17,416,727	P64,448,303

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, 2015		
	Gross Claims Liabilities	**Reinsurers' Share of Claims Liabilities**	**Net Claims Liabilities**
Fire	**P14,780,664**	**P10,754,938**	**P4,025,726**
Motor car	**6,097,147**	**51,434**	**6,045,713**
Bonds	**19,665,353**	**2,804,800**	**16,860,553**
Marine cargo/aviation	**407,500**	**41,155**	**366,345**
Miscellaneous	**4,442,862**	**6,687**	**4,436,175**
	P45,393,526	**P13,659,014**	**P31,734,512**

	December 31, 2014		
	Gross Claims Liabilities	Reinsurers' Share of Claims Liabilities	Net Claims Liabilities
Fire	P48,583,475	P26,149,778	P22,433,697
Motor car	20,766	-	20,766
Bonds	19,865,721	2,804,800	17,060,921
Marine cargo/aviation	27,067,400	24,300,000	2,767,400
Miscellaneous	6,587,152	1,502,772	5,084,380
	P102,124,514	P54,757,350	P47,367,164

Terms and Conditions
The major classes of general insurance written by the Company include motor, fire marine insurance and bonds. 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 selling 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 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 separately assessed by loss adjusters. 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 depend on the past claims experience and industry levels. These include assumptions in respect to average claims costs, inflation factor, claim number for each accident year 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 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 2015					
Accident Year	**2011 and Prior Years**	**2012**	**2013**	**2014**	**2015**	**Total**
Estimate of ultimate claims costs at the end of accident year	**P44,080,929**	**P47,438,166**	**P90,376,380**	**P129,689,249**	**P87,318,862**	**P87,318,862**
One year later	**28,369,366**	**23,574,042**	**116,086,415**	**10,333,727**	**-**	**10,333,727**
Two years later	**20,504,642**	**21,404,167**	**33,989,546**	**-**	**-**	**33,989,546**
Three years later	**19,704,950**	**674,010**	**-**	**-**	**-**	**674,010**
Four years later	**19,509,047**	**-**	**-**	**-**	**-**	**19,509,047**
Current estimate of cumulative claims	**19,509,047**	**674,010**	**33,989,546**	**10,333,727**	**87,318,862**	**151,825,192**
Cumulative payments to date	**49,107**	**174,010**	**20,512,146**	**9,263,786**	**76,432,617**	**106,431,666**
Liability recognized in the statements of financial position	**P19,459,940**	**P500,000**	**P13,477,400**	**P1,069,941**	**P10,886,245**	**P45,393,526**

	Gross Insurance Contract Liabilities for 2014					
Accident Year	2010 and Prior Years	2011	2012	2013	2014	Total
Estimate of ultimate claims costs at the end of accident year	P47,102,773	P15,790,726	P19,068,800	P66,802,339	P16,606,439	P16,606,439
One year later	28,290,203	7,527,425	3,069,400	94,682,248	-	94,682,248
Two years later	20,841,941	15,261	1,699,216	-	-	1,699,216
Three years later	20,489,380	44,643	-	-	-	44,643
Four years later	19,660,308	-	-	-	-	19,660,308
Current estimate of cumulative claims	19,660,308	44,643	1,699,216	94,682,248	16,606,439	132,692,854
Cumulative payments to date	-	44,643	199,216	20,373,210	9,951,271	30,568,340
Liability recognized in the statements of financial position	P19,660,308	P -	P1,500,000	P74,309,038	P6,655,168	P102,124,514

Losses and claims payable of P45.4 million and P102.1 million as at December 31, 2015 and 2014, respectively, includes an estimated IBNR of P3.0 million and P2.5 million, respectively. Recoveries from reinsurers amounted to P13.7 million and P54.8 million for 2015 and 2014, respectively. Hence, net losses and claims payable as at December 31, 2015 and 2014 amounted to P31.7 million and P47.4 million, respectively (see Notes 8 and 18).

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 2015					
Accident Year	**2011 and Prior Years**	**2012**	**2013**	**2014**	**2015**	**Total**
Estimate of ultimate claims costs at the end of accident year	**P10,463,305**	**P7,994,205**	**P31,016,369**	**P60,825,990**	**P468,838**	**P468,838**
One year later	3,194,205	4,867,451	60,769,293	20,614,738	-	20,614,738
Two years later	3,367,451	8,410,308	9,885,376	-	-	9,885,376
Three years later	6,910,308	1,500,000	-	-	-	1,500,000
Four years later	6,910,305	-	-	-	-	6,910,305
Current estimate of cumulative claims	6,910,305	1,500,000	9,885,376	20,614,738	468,838	39,379,257
Cumulative payments to date	4,105,505	1,000,000	-	2,539,240	-	7,644,745
Liability recognized in the statements of financial position	**P2,804,800**	**P500,000**	**P9,885,376**	**P18,075,498**	**P468,838**	**P31,734,512**

	Net Insurance Contract Liabilities for 2014					
Accident Year	2010 and Prior Years	2011	2012	2013	2014	Total
Estimate of ultimate claims costs at the end of accident year	P5,386,246	P6,593,218	P4,800,000	P26,148,918	P -	P -
One year later	3,870,087	-	1,500,000	40,925,533	-	40,925,533
Two years later	3,194,205	125	1,500,000	-	-	1,500,000
Three years later	3,367,326	-	-	-	-	-
Four years later	6,910,307	-	-	-	-	6,910,307
Current estimate of cumulative claims	6,910,307	-	1,500,000	40,925,533	-	49,335,840
Cumulative payments to date	-	-	-	1,911,980	56,696	1,968,676
Liability recognized in the statements of financial position	P6,910,307	P -	P1,500,000	P39,013,553	(P56,696)	P47,367,164

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

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

The Company manages the level of credit risk it accepts through a comprehensive credit risk policy setting out the assessment and determination of what constitutes credit risk for the Company; setting up of exposure limits by each counterparty or group of counterparties; right of offset where counterparties are both debtors and creditors; guidelines on obtaining collateral and guarantees; reporting of credit risk exposures; monitoring compliance with credit risk policy and review of credit risk policy for pertinence and changing environment.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer may be unable to meet its obligations assumed under such reinsurance agreements. The Company selects only domestic and foreign companies with strong financial standing and excellent track record and which are allowed to participate in the Company's reinsurance programs.

In respect of investment securities, the Company limits its exposure by setting maximum limits of portfolio securities with a single or group of issuers. The Company also makes use of institutions with high credit-worthiness.

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

With respect to credit risk arising from its financial assets, which comprise of cash and cash equivalents, insurance receivables, HTM investments and loans and receivables, the Company's maximum exposure is equal to the total carrying amount of these instruments.

Generally, the maximum credit risk exposure of financial assets is presented gross of allowance of impairment loss, as summarized below:

	Note	**2015**	2014
Cash and cash equivalents*	*7*	**P29,563,571**	P82,709,352
Insurance receivables**	*8*	**51,651,567**	23,041,342
HTM investments	*10*	**68,324,020**	67,101,807
Other assets***		**7,945,825**	10,959,398
		P157,484,983	P183,811,899

**Excludes cash on hand*
***Excludes reinsurance recoverable on unpaid losses*
****Includes employee receivables, accrued interest receivable, dividend receivable and other accounts 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, 2015				
	Neither Past Due nor Impaired				
	Investment High Grade	Non-investment Grade Satisfactory	Total Financial Assets Neither Past Due nor Impaired	Past Due and Impaired	Total
Cash and cash equivalents*	P29,563,571	P -	P29,563,571	P -	P29,563,571
Insurance receivables**	-	43,793,053	43,793,053	7,858,514	51,651,567
HTM investments	68,324,020	-	68,324,020	-	68,324,020
Other assets***	-	4,795,470	4,795,470	3,150,355	7,945,825
	P97,887,591	P48,588,523	P146,476,114	P11,008,869	P157,484,983

**Excludes cash on hand*
***Excludes reinsurance recoverable on unpaid losses*
****Includes employee receivables, accrued interest receivable, dividend receivable and other accounts receivable*

	December 31, 2014				
	Neither Past Due nor Impaired				
	Investment High Grade	Non-investment Grade Satisfactory	Total Financial Assets Neither Past Due nor Impaired	Past Due and Impaired	Total
Cash and cash equivalents*	P82,709,352	P -	P82,709,352	P -	P82,709,352
Insurance receivables**	-	15,182,828	15,182,828	7,858,514	23,041,342
HTM investments	67,101,807	-	67,101,807	-	67,101,807
Other assets***	-	7,809,043	7,809,043	3,150,355	10,959,398
	P149,811,159	P22,991,871	P172,803,030	P11,008,869	P183,811,899

**Excludes cash on hand*
***Excludes reinsurance recoverable on unpaid losses*
****Includes employee receivables, accrued interest receivable, dividend receivable and other accounts 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 represent the maximum credit exposure, which are aged as follows:

Premiums Receivable	*Note*	**2015**	2014
Current		**P5,049,908**	P2,252,988
Past due 1 - 30 days		**6,203,819**	1,655,567
Past due 31 - 60 days		**5,181,734**	940,505
Past due 61 - 90 days		**5,349,216**	847,256
Past due over 90 days		**25,806,222**	11,544,699
	8	**P47,590,899**	P17,241,015

Due from Ceding Companies	*Note*	**2015**	2014
Current up to 1 year		**P2,123,684**	P1,134,656
Past due over 1 - 3 years		**364,766**	9,949
Past due over 3 - 5 years		**47,427**	-
Past due over 5 years		**461,751**	800,912
	8	**P2,997,628**	P1,945,517

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

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

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

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.

It is unusual for a company primarily transacting insurance business to predict the requirements of funding with absolute certainty as theory of probability is applied on insurance contracts to ascertain the likely provision and the time period when such liabilities will require settlement. The amount and maturities in respect of insurance liabilities are thus based on management's best estimate based on statistical techniques and past experience.

The tables below summarize the maturity profile of the financial assets and financial liabilities of the Company based on remaining contractual obligation, or for the issuance contract liabilities, based on the estimated timing of net cash flows:

	December 31, 2015						
	Less than 1 Year	1-2 Years	>2-3 Years	>3-5 Years	Over 5 Years	No Term	Total
Financial Assets							
Cash and cash equivalents	P29,837,571	P -	P -	P -	P -	P -	P29,837,571
Insurance receivables	38,462,735	2,070,304	7,076,047	-	4,042,481	-	51,651,567
AFS financial assets	332,116,677	-	-	-	-	-	332,116,677
HTM Investments	10,000,000	-	48,324,020	-	10,000,000	-	68,324,020
Other assets**	4,267,812	3,678,013	-	-	-	-	7,945,825
Total Financial Assets	414,684,795	5,748,317	55,400,067	-	14,042,481	-	489,875,660
Financial Liabilities							
Accounts payable and accrued expenses***	9,206,183	1,184,590	-	-	-	-	10,390,773
Losses and claims payable	7,810,679	1,202,706	16,920,201	-	-	19,459,940	45,393,526
Due to reinsurers	1,412,932	467,376	-	-	-	-	1,880,308
Funds held for reinsurers	1,141,850		-	-	-	-	1,141,850
Total Financial Liabilities	19,571,644	2,854,672	16,920,201	-	-	19,459,940	58,806,457
Net Liquidity Surplus	P395,113,151	P2,893,645	P38,479,866	P -	P14,042,481	(P19,459,940)	P431,069,203

**Excludes reinsurance recoverable on unpaid losses*
***Includes accrued interest receivable, dividend receivable and other receivables*
****Excludes government payables*

	December 31, 2014						
	Less than 1 Year	1-2 Years	>2-3 Years	>3-5 Years	Over 5 Years	No Term	Total
Financial Assets							
Cash and cash equivalents	P82,913,352	P -	P -	P -	P -	P -	P82,913,352
Insurance receivables *	7,880,982	7,076,047	-	-	8,084,313	-	23,041,342
AFS financial assets	-	-	-	-	-	392,646,839	392,646,839
HTM Investments	47,101,807	10,000,000	-	-	10,000,000	-	67,101,807
Other assets**	10,257,935	533,146	168,317	-	-	-	10,959,398
Total Financial Assets	148,154,076	17,609,193	168,317	-	18,084,313	392,646,839	576,662,738
Financial Liabilities							
Accounts payable and accrued expenses***	11,817,501	1,182,077	-	-	-	-	12,999,578
Losses and claims payable	6,655,168	74,309,038	1,500,000	-	-	19,660,308	102,124,514
Due to reinsurers	4,130,101	-	3,030	-	-	1,031,682	5,164,813
Funds held for reinsurers	25,441,850	-	-	-	-	-	25,441,850
Total Financial Liabilities	48,044,620	75,491,115	1,503,030	-	-	20,691,990	145,730,755
Net Liquidity Surplus	P100,109,456	(P57,881,922)	(P1,334,713)	P -	(P18,084,313)	(P371,954,849)	P430,931,983

**Excludes reinsurance recoverable on unpaid losses*
***Includes accrued interest receivable, dividend receivable and other receivables*
***Includes accrued interest receivable, dividend receivable and other receivables*

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, 2015			
		Due in		
	Interest Rate	**1 Year**	**2-5 Years**	**Beyond 5 Years**
Financial Assets				
Cash in banks	**0.25% to 5%**	**P29,563,571**	**P -**	**P -**
HTM investments	**3.875% to 7%**	**10,000,000**	**48,324,020**	**10,000,000**

	December 31, 2014			
		Due in		
	Interest Rate	1 Year	2-5 Years	Beyond 5 Years
Financial Assets				
Cash in banks	0.25% to 5%	P82,709,352	P -	P -
HTM investments	5.875% to 8.375%	47,101,807	10,000,000	10,000,000

Any increase by 100 basis points (1%) in interest rates, with all other variables held constant, will increase net income by P1.0 million and P1.5 million for the years ended December 31, 2015 and 2014, respectively. The decrease in same basis points will reduce the net income by the same amount.

In 2015 and 2014, 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.

Currency Risk

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

The Company's exposure to currency risk is minimal having no material transaction in foreign currency and financial assets or liabilities denominated in foreign currency.

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 financial assets. Total AFS financial assets subject to price risk pertains to quoted equity securities amounting to P322.9 million and P383.4 million in 2015 and 2014, respectively.

A 5% increase in stock prices would have increased the carrying value of these investments by P16.2 million and P19.2 million as at December 31, 2015 and 2014, respectively. An equal change in the opposite direction would have decreased the carrying values of these investments by an equal but opposite amount.

In 2015 and 2014, 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 dates.

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, 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 AFS financial assets 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 financial assets 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 financial assets 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:

	As of December 31, 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial Assets				
AFS financial assets	**P322,684,894**	**P -**	**P -**	**P322,684,894**

	As of December 31, 2014			
	Level 1	Level 2	Level 3	Total
Financial Assets				
AFS financial assets	P383,215,056	P -	P -	P383,215,056

Non-financial Instruments
Investment properties are stated at fair value. These have been categorized under level 2 of the fair value hierarchy. The description of the valuation and input used in determining the fair value are discussed in Note 13.

7. Cash and Cash Equivalents

This account at December 31 consists of:

	2015	2014
Cash on hand	**P274,000**	P204,000
Cash in banks	**29,563,571**	82,709,352
	P29,837,571	P82,913,352

Cash in banks consist of peso and foreign currency-denominated savings and current accounts. Peso savings and current accounts earn annual interest ranging from 0.25% to 5.00% and 0.25% to 5.00% in 2015 and 2014, while foreign currency-denominated account earns annual interest of 0.50% in 2015 and 2014, respectively. Interest income earned on these deposits amounted to P0.2 million and P0.4 million in 2015 and 2014, respectively.

8. Insurance Receivables - net

This account at December 31 consists of:

	2015	2014
Premiums receivable	**P47,590,899**	P17,241,015
Reinsurance recoverable on unpaid losses	**13,659,014**	54,757,350
Reinsurance recoverable on paid losses	**1,063,040**	3,854,810
Due from ceding companies	**2,997,628**	1,945,517
	65,310,581	77,798,692
Less allowance for impairment losses	**7,858,514**	7,858,514
	P57,452,067	P69,940,178

Reconciliation of allowance for impairment losses is as follows:

	2015	2014
Balance at January 1	**P7,858,514**	P6,600,244
Impairment loss during the year	**-**	1,258,330
Written off during the year	**-**	(60)
	P7,858,514	P7,858,514

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.

9. Available-for-Sale (AFS) financial assets - net

This account at December 31 consists of:

	2015	2014
Quoted equity shares	**P322,684,894**	P383,215,056
Unquoted equity shares	**9,431,783**	9,431,783
	332,116,677	392,646,839
Less allowance for impairment losses	**9,263,793**	9,263,793
	P322,852,884	P383,383,046

The roll forward analysis of the account is as follows:

	2015	2014
Balance at January 1	**P383,383,046**	P176,592,466
Purchases	**249,798,034**	410,102,924
Reclassification	**-**	27,990
Cost of financial assets disposed/matured	**(244,673,206)**	(207,167,893)
Net change in fair value transferred to profit or loss	**25,775**	9,623,977
Net change in fair value	**(65,680,765)**	(5,796,418)
	P322,852,884	P383,383,046

The reconciliation of revaluation reserves for AFS financial assets is as follows:

	2015	2014
Balance at January 1	**(P4,992,924)**	(P8,820,483)
Net change in fair value transferred to profit or loss	**25,775**	9,623,977
Net change in fair value	**(65,680,765)**	(5,796,418)
	(P70,647,914)	(P4,992,924)

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 2015 and 2014, the Company realized gain on sale of equity investments amounting to P14.3 million and P12.4 million, respectively (see Note 22).

Dividend income earned from these investments amounted to P5.9 million and P2.5 million in 2015 and 2014, respectively (see Note 22).

10. Held-to-Maturity Investments

The roll forward analysis of the account is as follows:

	2015	2014
Balance at beginning of year	**P67,101,807**	P107,934,954
Purchases	**47,000,000**	-
Cost of financial assets disposed/matured	**(47,000,000)**	(40,000,000)
Amortization of premium and discount	**1,222,213**	(833,147)
	P68,324,020	P67,101,807

Government securities amounting to P68.3 million and P67.1million in 2015 and 2014, 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 3.9% to 7.0%, and 5.8% to 8.4%, in 2015 and 2014, respectively.

Interest earned from government securities amounted to P3.8 million and P4.5 million in 2015 and 2014, respectively.

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

	2015	2014
Within one year	**P10,000,000**	P47,101,807
Between 1 year to 5 years	**48,324,020**	10,000,000
More than 5 years	**10,000,000**	10,000,000
	P68,324,020	P67,101,807

The fair value of the HTM investments as at December 31, 2015 and 2014 amounted to P70.4 million and P71.2 million, respectively.

11. Deferred Reinsurance Premiums

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

	Note	**2015**	2014
Balance at January 1		**P6,180,934**	P27,084,359
Premiums ceded for the year		**8,472,513**	17,416,727
Premiums ceded related to expired periods		**(10,708,048)**	(38,320,152)
Decrease in deferred reinsurance premium		**(2,235,535)**	(20,903,425)
Balance at December 31	*21*	**P3,945,399**	P6,180,934

12. Deferred Acquisition Costs

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

	2015	2014
Balance at January 1	**P1,526,987**	P2,273,447
Commissions incurred for the year	**11,778,387**	5,859,432
Commission expense for the year	**(7,015,928)**	(6,605,892)
Balance at December 31	**P6,289,446**	P1,526,987

13. Investment Properties

The Company's investment properties represent real estate properties that the Company holds for capital appreciation.

The movement of this account is as follows:

	2015	2014
Balance at January 1	**P23,494,000**	P21,452,144
Cost of disposal	**(1,470,000)**	(621,303)
Reclassification	-	(27,990)
Gain on fair value adjustments	-	2,691,149
	P22,024,000	P23,494,000

As at December 31, 2015 and 2014, the fair market value of investment properties amounted to P22.0 million and P23.5 million, respectively. The fair value of the investment property is categorized under the Level 2 of the fair value hierarchy.

Rental income generated from these investment properties is P1.3 million in 2015 and 2014. Related direct operating expenses amounted to nil and P 0.1 million in 2015 and 2014.

14. Property and Equipment - net

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

	For the Year Ended December 31, 2015				
	Building and Improvements	**Furniture, Fixtures and Office Equipment**	**EDP Equipment**	**Transportation Equipment**	**Total**
Cost					
Balance at January 1	**P33,388,214**	**P4,649,391**	**P11,726,222**	**P5,530,205**	**P55,294,032**
Additions	-	**115,573**	**3,450,415**	**1,054,000**	**4,619,988**
Retirements/disposals/reclass	-		**(8,586,788)**	**(441,812)**	**(9,028,600)**
Balance at December 31	**P33,388,214**	**P4,764,964**	**P6,589,849**	**P6,142,393**	**P50,885,420**
Accumulated Depreciation					
Balance at January 1	**(13,963,963)**	**(2,407,710)**	**(3,170,460)**	**(3,852,214)**	**(23,394,347)**
Depreciation and amortization for the year	**(1,761,570)**	**(861,245)**	**(2,386,325)**	**(737,679)**	**(5,746,819)**
Retirements/disposals	-	-	**2,386,788**	**441,813**	**2,828,601**
Balance at December 31	**(15,725,533)**	**(3,268,955)**	**(3,169,997)**	**(4,148,080)**	**(26,312,565)**
	P17,662,681	**P1,496,009**	**P3,419,852**	**P1,994,313**	**P24,572,855**

	For the Year Ended December 31, 2014				
	Building and Improvements	Furniture, Fixtures and Office Equipment	EDP Equipment	Transportation Equipment	Total
Cost					
Balance at January 1	P32,209,832	P5,414,446	P8,324,851	P5,530,205	P51,479,334
Additions	1,178,382	319,542	7,782,923	-	9,280,847
Retirements/disposals/reclass	-	(1,084,597)	(4,381,552)	-	(5,466,149)
Balance at December 31	33,388,214	4,649,391	11,726,222	5,530,205	55,294,032
Accumulated Depreciation					
Balance at January 1	(12,240,314)	(2,443,571)	(4,849,508)	(3,114,536)	(22,647,929)
Depreciation and amortization for the year	(1,723,649)	(1,048,736)	(2,702,503)	(737,678)	(6,212,566)
Retirements/disposals	-	1,084,597	4,381,551	-	5,466,148
Balance at December 31	(13,963,963)	(2,407,710)	(3,170,460)	(3,852,214)	(23,394,347)
	P19,424,251	P2,241,681	P8,555,762	P1,677,991	P31,899,685

15. Intangible Assets - net

Intangible assets pertains to GenIISys, a computer software acquired by the Company and intended by the management to be the core insurance production system of the Company.

	2015	2014
Cost		
Balance at January 1	**P3,650,000**	P -
Additions/reclass	**8,526,035**	3,650,000
Balance at December 31	**12,176,035**	3,650,000
Accumulated Amortization		
Balance at January 1	**608,333**	-
Amortization expense	**3,444,778**	608,333
Balance at December 31	**4,053,111**	608,333
	P8,122,924	P3,041,667

16. Other Assets

This account at December 31, consists of:

	2015	2014
Creditable tax receivable	**P3,660,396**	P459,808
Employee receivable	**1,094,187**	1,180,821
Accrued interest receivable	**559,065**	2,272,848
Dividend receivable	**667,629**	694,907
Prepayments	**2,559,743**	3,522,678
Security fund	**49,993**	49,993
Other receivables	**19,883,809**	13,914,316
	28,474,822	22,095,371
Less allowance for impairment loss	**3,150,355**	3,150,355
	P25,324,467	P18,945,016

Security fund represents amounts deposited with the Insurance Commission (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.

Other receivables pertain to deferred output VAT, prepaid DST and charges payable by brokers and agents.

Reconciliation of allowance for impairment loss is as follows:

	2015	2014
Balance at January 1	**P3,150,355**	P3,453,437
Reversal during the year	**-**	(303,082)
Balance at December 31	**P3,150,355**	P3,150,355

17. Accounts Payable and Accrued Expenses

This account at December 31 consists of:

	2015	2014
Accounts payable	**P6,602,374**	P18,732,043
Output vat payable - net	**5,673,449**	1,860,356
Commission payable	**3,110,573**	466,119
Taxes payable	**1,619,268**	1,241,167
Deposits in trust	**636,557**	636,557
Income tax payable	**596,358**	960,920
Claims Fund Payable	**41,269**	-
Accrued expenses	**-**	767,894
Others	**20,686,511**	123,839
	P38,966,359	P24,788,895

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

18. Insurance Contract Liabilities

This account at December 31 consists of:

	2015	2014
Losses and claims payable	**P45,393,526**	P102,124,514
Due to reinsurers	**1,880,308**	5,164,813
Funds held for reinsurers	**1,141,850**	25,441,850
	P48,415,684	P132,731,177

The details of and movements in losses and claims payable is accounted as follows:

	2015			2014		
	Losses and Claims Payable	**Reinsurance Recoverable**	**Net**	Losses and Claims Payable	Reinsurance Recoverable	Net
Balance at January 1	**P102,124,514**	**P54,757,350**	**P47,367,164**	P104,736,631	P32,971,484	P71,765,147
Claims incurred during the year	**19,898,022**	**3,504,143**	**16,393,879**	24,952,618	16,207,325	8,745,293
Claims paid during the year	**(79,632,615)**	**(44,602,479)**	**(35,030,136)**	(30,568,340)	5,578,541	(36,146,881)
IBNR	**3,003,605**	**-**	**3,003,605**	3,003,605	-	3,003,605
Balance at December 31	**P45,393,526**	**P13,659,014**	**P31,734,512**	P102,124,514	P54,757,350	P47,367,164

19. Reserve for Unearned Premiums

The details and movements of this account are as follows:

	Note	**2015**	2014
Balance at January 1		**P28,854,699**	P52,555,412
Premiums written	*21*	**123,227,330**	81,865,030
Premiums earned	*21*	**(103,061,023)**	(105,565,743)
Increase (decrease) in reserve for unearned premium	*21*	**20,166,307**	(23,700,713)
Balance at December 31		**P49,021,006**	P28,854,699

20. Deferred Reinsurance Commissions

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

	2015	2014
Balance at January 1	**P1,559,042**	P3,884,385
Reinsurance commissions for the year	**1,913,974**	4,177,484
Reinsurance commissions earned for the year	**(2,722,064)**	(6,502,827)
Balance at December 31	**P750,952**	P1,559,042

21. Net Premiums Earned

	2015				
	Direct Business	**Assumed**	**Gross Premiums**	**Ceded**	**Net Premiums Earned**
Premiums written	**P86,034,270**	**P37,193,060**	**P123,227,330**	**P8,472,513**	**P114,754,817**
Increase in reserve for unearned premiums	**(19,718,102)**	**(448,206)**	**(20,166,308)**	**2,235,536**	**22,401,842**
	P66,316,168	**P36,774,854**	**P103,061,022**	**P10,708,049**	**P92,352,975**

	2014				
	Direct Business	Assumed	Gross Premiums	Ceded	Net Premiums Earned
Premiums written	P64,198,523	P17,666,507	P81,865,030	P17,416,727	P64,448,303
Decrease in reserve for unearned premiums	19,552,362	4,148,351	23,700,713	20,903,425	2,797,288
	P83,750,885	P21,814,858	P105,565,743	P38,320,152	P67,245,591

22. Investment and Other Income

This account consists of:

	Note	2015	2014
Investment income:			
Interest	7, 10	**P3,945,946**	P4,864,913
Dividends	9	**5,863,492**	2,494,964
		9,809,438	7,359,877
Other income (loss):			
Rent	29	**1,296,035**	1,269,487
Gain on sale of AFS financial assets	9	**14,278,575**	12,409,799
Miscellaneous income		**5,995,347**	3,207,843
		21,569,957	16,887,129
		P31,379,395	P24,247,006

23. General and Administrative Expenses

This account consists:

	Note	2015	2014
Salaries and employee benefits	24	**P41,752,546**	P42,034,325
Depreciation and amortization	14,15	**9,191,597**	6,820,900
Representation and entertainment		**4,675,226**	2,938,269
Transportation and travel		**4,245,991**	4,075,029
Directors' fees and allowances	26	**3,858,823**	3,871,282
Professional fees		**3,370,939**	3,054,835
Advertising and promotions		**3,050,266**	1,605,584
Repairs and maintenance		**2,790,832**	1,213,461
Communication and postage		**2,677,228**	2,352,431
Printing, stationery and office supplies		**1,852,184**	1,156,723
Taxes and licenses		**1,851,940**	1,449,693
Service fees		**1,342,249**	1,246,401
Light and water		**1,336,662**	1,491,256
Association and pool dues		**517,322**	561,817
Rent expense		**402,180**	344,047
Meetings and conferences		**390,384**	557,318
Insurance		**210,510**	239,151
Sales incentives		**173,322**	1,306,696
Impairment losses		**-**	955,248
Others		**5,146,433**	4,751,520
		P88,836,634	P82,025,986

24. Salaries and Employee Benefits

Expenses recognized are presented below:

	Note	**2015**	2014
Salaries and wages		**P23,129,777**	P20,759,667
Allowances and bonuses		**15,221,997**	16,040,533
Retirement benefit expense		**2,137,969**	3,990,283
Social security costs		**1,262,803**	1,243,842
	23	**P41,752,546**	P42,034,325

Employee Benefits
The Company has funded, noncontributory, defined benefit retirement plan covering all of its regular full-time 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 at December 31, 2015. 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 BOD. The retirement plan's accounting and administrative functions are undertaken by the Company's Retirement Funds Office.

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

	2015	2014
Defined benefit obligation	**P19,853,720**	P14,689,763
Fair value of plan assets	**13,656,421**	14,134,739
Retirement benefit liability - net	**P6,197,299**	P555,024

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

	2015	2014
Balance at January 1	**P14,689,763**	P24,881,172
Current service cost	**2,111,327**	3,401,590
Interest expense	**705,109**	1,368,464
Actuarial (gain) loss from:		
Financial assumptions	**(492,765)**	(10,232,062)
Experience adjustment	**2,872,357**	(4,729,401)
Benefits paid	**(32,071)**	-
Balance at December 31	**P19,853,720**	P14,689,763

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

	2015	2014
Balance at January 1	**P14,134,739**	P14,177,658
Interest income	**678,467**	779,771
Remeasurement loss on plan assets	**(1,124,714)**	(822,690)
Benefits paid	**(32,071)**	-
Balance at December 31	**P13,656,421**	P14,134,739

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

	2015	2014
Current service cost	**P2,111,327**	P3,401,590
Interest expense on defined benefit obligation	**705,109**	1,368,464
Interest income on plan assets	**(678,467)**	(779,771)
	P2,137,969	P3,990,283

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

	2015	2014
Actuarial gain (loss) due to decrease in defined benefit obligation	**(P2,379,592)**	P14,961,463
Remeasurement loss on plan assets	**(1,124,714)**	(822,690)
Net remeasurement gain (loss)	**(P3,504,306)**	P14,138,773

The Company's plan assets consist of the following:

	2015	2014
Cash and cash equivalents	**P2,979,831**	P3,291,981
Fixed income	**10,676,590**	10,842,758
	P13,656,421	P14,134,739

There is no expected contribution to the defined benefit retirement plan in 2015.

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

	2015	2014
Discount rate	**5.00%**	4.80%
Future salary growth	**5.00%**	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)	5.50%	4.50%	5.00%	5.00%
Future salary growth (0.50% movement)	5.00%	5.00%	5.50%	4.50%

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.

ALM Strategy

The Company does not perform any Asset-Liability Matching (ALM) Study. The overall investment policy and strategy of the retirement plan is based on the client suitability assessment, as provided by its trust bank, in compliance with the Bangko Sentral ng Pilipinas (BSP) requirements. It does not, however, ensure that there will be sufficient assets to pay the retirement benefits as they fall due while attempting to mitigate the various risks of the plan. Moreover, based on the financial statement provided, the allocation of assets consists of 23.29% of cash and 76.71% of fixed income in 2014 and 58.99% of debt, 29.17% of cash and 11.84% of other assets in 2013.

Maturity profile of the benefit payments:

	2015					
	Carrying Amount	**Contractual Flows**	**0-5 Years**	**6-10 Years**	**11-15 Years**	**16 Years and Up**
Defined Benefit Obligation	**P19,853,720**	**P130,949,046**	**P3,570,369**	**P10,036,657**	**P27,979,401**	**P89,362,619**

	2014					
	Carrying Amount	Contractual Flows	0-5 Years	6-10 Years	11-15 Years	16 Years and Up
Defined Benefit Obligation	P14,689,763	P103,379,572	P3,656,486	P6,111,575	P14,380,546	P79,230,965

25. Income Tax Expense

Under Philippine tax laws, the Company is subjected to corporate income taxes, percentage and other taxes. Income taxes paid consist of Regular Corporate Income Tax (RCIT) or MCIT, whichever is higher, and a final withholding tax (FWT) 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 (benefit)". 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 consists of:

	2015	2014
Final tax	**P873,397**	P1,398,255
Current tax	**596,358**	600,260
Deferred	**(1,491,869)**	(7,748,883)
	(P22,114)	(P5,750,368)

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

	2015	2014
Loss before income tax	**(P3,914,452)**	(P6,298,897)
Income tax computed at statutory tax rate	**(P1,174,336)**	(P1,889,669)
Tax effects of:		
Income subjected to final tax	**(1,183,786)**	(1,459,474)
Final tax	**873,397**	1,398,254
Dividend income	**(1,759,047)**	(748,490)
Income subject to capital gains tax	**(4,283,573)**	(3,835,798)
Reversal of DTL on excess of reserve for unexpired risk	**(3,718,727)**	-
Unrecognized DTA:		
NOLCO	**9,006,514**	-
MCIT	**596,358**	-
Non-deductible expenses	**1,621,086**	784,809
	(P22,114)	(P5,750,368)

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

	2015	2014
Recognized in Profit and Loss		
Allowance for impairment loss:		
Insurance and other receivables	**P3,302,679**	P3,302,679
AFS financial assets	**2,779,138**	2,779,138
Deferred acquisition costs - net	**(1,661,548)**	9,617
Retirement liability	**641,392**	1,197,085
Unrealized gain on investment properties due to change in fair value	**(807,345)**	(807,345)
Excess of reserve for unexpired risk	**-**	(3,718,727)
MCIT	**1,292,602**	1,292,602
NOLCO	**13,424,918**	13,424,918
Amount Charged to Profit and Loss	**18,971,836**	17,479,967
Recognized in OCI		
Retirement benefit reserves	**4,429,629**	3,378,338
	P23,401,465	P20,858,305

The details of the Company's NOLCO which can be claimed as a credit against future taxable income are as follows:

Year Incurred	Year of Expiry	Additions	Expiry/Used	NOLCO
2013	2016	P34,795,209	P -	P34,795,209
2014	2017	9,954,518	-	44,749,727
2015	2018	30,021,714	-	74,771,441

The details of the Company's MCIT which can be claimed as a credit against future taxable payable are as follows:

Year Incurred	Year of Expiry	Additions	Expiry/Used	Excess MCIT
2013	2016	P692,342	P -	P692,342
2014	2017	600,260	-	1,292,602
2015	2018	596,358	-	1,888,960

The Company opted to use the itemized method of deduction for its income tax returns in 2014 and 2013.

In 2015, the Company did not recognized deferred tax assets from NOLCO and MCIT amounting to P9.0 million and P0.6 million, respectively. Management believes that this future deductible item may not be realized as future taxable income may not be sufficient to realize related tax benefit.

26. Related Party Transactions

The Company's related parties include its parent company, and the Company's Key Management Personnel (KMP). Significant related party transactions are summarized below:

a. KMP of the Company are in managerial to top executive position. The summary of compensation of KMP is as follows:

	2015	2014
Salaries and other short-term employee benefits	**P6,097,662**	P9,199,477
Pension and other post-employment benefits	**237,259**	201,541
	P6,334,921	P9,401,018

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

				Outstanding Balance			
Category/ Transaction	**Year**	***Note***	**Amount of the Transaction**	**Due from Related Parties**	**Due to Related Parties**	**Terms**	**Conditions**
AFPMBAI							
▪ Premium income	**2015**	***21***	**P1,233,351**	**P -**	**P -**	**Cash basis; non-interest bearing**	**Unsecured; no impairment**
	2014	*21*	1,297,372	-	-	Cash basis; non-interest bearing	Unsecured; no impairment
Directors							
▪ Fees and allowances	**2015**	***23***	**3,858,823**	-	-		
	2014	*23*	3,871,282	-	-		
Total			**P5,092,174**	**P -**	**P -**		
Total			P5,168,654	P -	P -		

27. Equity

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

	Number of Shares		Amount	
	2015	2014	**2015**	2014
Authorized - P1,000 par value	**250,000**	250,000	**P250,000,000**	P250,000,000
Issued and outstanding	**250,000**	250,000	**P250,000,000**	P250,000,000

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

In 2014, the Company's income tax relating to reserve for unearned premiums is equal to 40% of the gross premiums, less returns and cancellations, received on policies or risks having no more than a year to run. This is in accordance with the provisions of Presidential Decree No. 1460, otherwise known as "The Insurance Code of 1978".

In 2015, the Company's income tax relating to reserve for unearned premiums on its policies in force is calculated based on the 24th method, in accordance with the provisions of Republic Act No. 10607, otherwise known as "The Insurance Code".

29. 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, 2015 and 2014 are as follows:

	2015	2014
Not later than one year	**P1,296,035**	P1,269,487
Later than one year and not later than five years	**-**	1,296,035
Total	**P1,296,035**	P2,565,522

Total rent income amounting to P1.3 million in 2015 and 2014, respectively, are presented as part of other income under the "Investment and other income" account in the statements of comprehensive income (see Note 22).

30. Contingencies

As at December 31, 2015, 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, 2015 and 2014, 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.

  On September 16, 2014, the Company received a notification dated August 27, 2014 from the Director of DSNGS informing that the case has been elevated to the Commission Proper of COA for automatic review, pursuant to Section 18.5, Chapter IV of the Rules and Regulations on the Settlement of Accounts and Section 7, Rule V of the Revised Rules of Procedure of the COA. This means that the decision of the Director of DSNGS is favorable to the Company and AFP.

  The COA Commission Proper referred the case to the COA Legal Services Sector (LSS) to review the case. As per follow up at the LSS, the Director III of the LSS had drafted a resolution and forwarded it to the Director IV of LSS. After the review of the Director IV of LSS, the case will be forwarded to the COA Legal Counsel, then the COA Legal Counsel will bring the case back to the Commission Proper for deliberation and issuance of the final resolution.

31. Regulatory Requirements

Net Worth Requirements

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

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

As at December 31, 2015 and 2014, the Company has complied with the net worth requirements based on internal calculations.

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, additional paid-in capital, 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, 2015 and 2014, the Company has complied with the RBC ratio 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.

As at December 31, 2015 and 2014, the Company complied with the above limitation on dividend declaration.

New Regulatory Requirements
On June 10, 2015, the IC issued Circular Letter (CL) No. 2015-31 which seeks to discuss the transition period and full implementation details for the new regulatory requirements, specifically for Financial Reporting Framework (FRF), Valuation on Non-life Insurance Policy Reserves, and Risk Based Capital Quantitative Impact Study (RBC 2-QIS). The new regulatory requirements shall take effect after the transition period, the purpose of which is to allow the insurance industry to assess the collective impact of implementing FRF, reserving, and RBC 2-QIS simultaneously. This will also allow the IC an opportunity to engage the industry in a meaningful dialogue and obtain feedback prior to the full implementation date on June 30, 2016.

IC CL No. 2015-29 provides that FRF includes the economic valuation of assets and liabilities based on internally accepted accounting, actuarial and insurance core principles. It will be used on the statutory quarterly and annual reporting for net worth requirements as approved by IC.

IC CL No. 2015-32 provides that the reserves for a non-life insurance policy shall be composed of Premiums liability and Losses and claims payable determined using best estimate assumptions, and appropriate margin for adverse deviation for expected future experience. This new valuation standards is intended to cover both direct and assumed reinsurance business, whether treaty or facultative, of non-life insurance companies.

As at December 31, 2015, the Company is evaluating the impact of FRF and the new valuation standards on its financial statements.

IC CL No. 2015-30 provides that pursuant to Section 194 of the Amended Insurance Code (R.A. 10607), the IC is conducting a review of the current RBC Framework contained in Insurance Memorandum Circular No. 6-2006 and 7-2006 both dated October 5, 2006. Hence, all life and non-life insurance and professional reinsurance companies are required to participate in parallel runs for the RBC 2-QIS.

As at December 31, 2015, the Company is compliant with RBC 2-QIS based on internal calculations. The final RBC 2-QIS ratio can be determined only after the accounts of the Company have been examined by IC.

32. 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 supplementary information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRSs.

The following are the tax information required for the taxable year ended December 31, 2015 based on RR No. 15-2010:

A. Value Added Tax (VAT)

1. Output VAT	**P7,225,969**
Account title used:	
Basis of the Output VAT:	
Vatable sales	**60,216,405**
Exempt sales	**5,490,096**
	P65,706,501
2. Input VAT	
Balance at January 1	**P51,737**
Current year's domestic purchases:	
Services lodged under cost of goods sold	**4,293,501**
Claims for tax credit/refund and other adjustments	**(3,614,061)**
Application against output vat payable	**-**
Balance at December 31	**P731,177**

B. Documentary Stamp Tax

On loan instruments	**P -**
On shares of stocks	**4**
On others	**8,655,373**
	P8,655,377

C. Withholding Taxes

Tax on compensation and benefits	**P4,607,923**
Creditable withholding taxes	**3,660,396**
Final withholding taxes	**873,397**
Expanded withholding taxes	**2,391,421**
	P11,533,137

D. All Other Taxes (Local and National)

Other taxes paid during the year recognized under "Taxes and licenses" account under General and Administrative Expenses	
Real estate taxes	**P61,849**
License and permit fees	**976,970**
Others	**813,121**
	P1,851,940

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's 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's final assessment. On the same date, the Company filed petition in the Court of Tax Appeals - Quezon City for the cancellation of tax assessment based on the abovementioned letter of demand from the BIR. The Third Division of the Court of Tax Appeals rendered its original decision dated March 13, 2014 granting Company's petition for Review. However, the same division rendered an amended decision dated September 1, 2014, which partly granted respondent BIR's motion for partial reconsideration (Re: Decision dated March 13, 2014) and modified its decision dated March 13, 2014 as well as denied Company's motion for reconsideration. As a consequence of the above mentioned amended decision dated September 1, 2014 and the decision dated March 13, 2014, the Company filed a case to the Court of Tax Appeals En Banc for the reversal and setting aside of the aforesaid decisions.

The Company received a copy of the Decision dated January 5, 2016 of the Court of Tax Appeals En Banc which partially granted the Petition for Review dated September 23, 2014.

In view of the above, the Company elevated the said Decision of the CTA En Banc by way of Petition of Review on Certiorari under Rule 45 of the Rules on Civil Procedure to the Supreme Court.

COVER SHEET
For
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

8 5 2 3 4

COMPANY NAME

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

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

3rd Floor, AFP-GIC Building Camp Aguinaldo, Bonny Serrano St. corner EDSA, Quezon City

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S	N/A	N/A

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
corplan@afpgen.com	911-9888	None

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
13	April 24	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Maria Victoria D. Dizon	vdizon@afpgen.com	911-98-88	None

CONTACT PERSON's ADDRESS

3rd Floor, AFP-GIC Building, Camp Aguinaldo, Bonny Serrano St. corner EDSA, Quezon City.

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

AFPGEN
www.afpgen.com
SAGOT KA NAMIN 24/7

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Camp Aguinaldo, Quezon City, Metro Manila
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Website: www.afpgen.com

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The Management of **AFP General Insurance Corporation** (the "**Company**") is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2015. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements as at and for the years ended December 30, 2015 and 2014 and the accompanying Annual Income Tax Return are in accordance with the books and records of the Company, complete and correct in all material respects. Management likewise affirms that:

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

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

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

Signature ____________________
MGEN EDGARDO RENE C SAMONTE
Chairman of the Board
TIN: 127-951-868

Signature ____________________
LTGEN ALAN R LUGA AFP (Ret)
President and Chief Executive Officer
TIN: 127-304-955

Signature ____________________
MARIA VICTORIA D DIZON
Chief Finance Officer
TIN: 123-157-019

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 14 2016 TS'S
RECEIVED
LORENA P. VINOYA

AFPGEN
www.afpgen.com
SAGOT KA NAMIN 24/7

AFP General Insurance Corporation
AFPGen Bldg. EDSA cor. Bonny Serrano Road
Camp Aguinaldo, Quezon City, Metro Manila
Trunkline No.: (02) 911.9888 Fax Nos.: 911.3149 • 421.2280
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, 2015 and 2014, 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 Chief Finance Officer reviews and approves the financial statements and submits the same to the Management.

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

Signature ____________________
MGEN EDGARDO RENE C SAMONTE
Chairman of the Board
TIN: 127-951-868

Signature ____________________
LTGEN ALAN R LUGA AFP (Ret)
President and Chief Executive Officer
TIN: 127-304-955

Signature ____________________
MARIA VICTORIA D DIZON
Chief Finance Officer
TIN: 123-157-019

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

FILING REFERENCE NO.

TIN	: 000-910-081-000
Name	: AFP GENERAL INSURANCE CORPORATION
RDO	: 125
Form Type	: 1702
Reference No.	: 121600014946720
Amount Payable (Over Remittance)	: -3,913,037.00
Accounting Type	: C - Calendar
For Tax Period	: 12/31/2015
Date Filed	: 04/08/2016
Tax Type	: IT

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BUREAU OF INTERNAL REVENUE
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Reference No : 121600014946720
Date Filed : April 08, 2016 06:05 PM
Batch Number : 0

For BIR Use Only BCS/ Item

1702-RT06/13P1

Republika ng Pilipinas
Kagawaran ng Pananalapi
Kawanihan ng Rentas Internas

Annual Income Tax Return

For Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate

Enter all required information in CAPITAL LETTERS. Mark applicable boxes with an "X". Two Copies MUST be filed with the BIR and one held by the taxpayer.

BIR Form No. **1702-RT** June 2013 **Page 1**

1 For (●) Calendar ( ) Fiscal
2 Year Ended (MM/20YY) 12 2015
3 Amended Return? ( ) Yes (●) No
4 Short Period Return? ( ) Yes (●) No
5 Alphanumeric Tax Code (ATC) IC055 Minimum Corporate Income Tax (MCIT) ☑

Part I - Background Information

6 Taxpayer Identification Number (TIN) 000 - 910 - 081 - 000
7 RDO Code 125
8 Date of Incorporation/Organization (MM/DD/YYYY) 03/22/1979
9 Registered Name *(Enter only 1 letter per box using CAPITAL LETTERS)*
AFP GENERAL INSURANCE CORPORATION
10 Registered Address *(Indicate complete registered address)*
AFP GEN BLDG B. SERRANO RD COR EDSA SOCORRO QUEZON CITY
11 Contact Number 9128418
12 Email Address ednaespina@afpgen.com
13 Main Line of Business NON-LIFE INSURANCE
14 PSIC Code 6703
15 Method of Deductions (●) Itemized Deductions [Section 34 (A-J), NIRC] ( ) Optional Standard Deduction (OSD) - 40% of Gross Income [Section 34(L), NIRC as amended by RA No. 9504]

Part II - Total Tax Payable *(Do NOT enter Centavos)*

16 Total Income Tax Due (Overpayment) *(From Part IV Item 44)*	596,358
17 Less: Total Tax Credits/Payments *(From Part IV Item 45)*	4,509,395
18 Net Tax Payable (Overpayment) *(Item 16 Less Item 17) (From Part IV Item 46)*	(3,913,037)
19 Add: Total Penalties *(From Part IV Item 50)*	0
20 TOTAL AMOUNT PAYABLE (Overpayment) *(Sum of Item 18 and 19) (From Part IV Item 51)*	(3,913,037)

21 If Overpayment, mark "X" one box only *(Once the choice is made, the same is irrevocable)*
( ) To be refunded ( ) To be issued a Tax Credit Certificate (TCC) (●) To be carried over as tax credit next year/quarter

We declare under the penalties of perjury, that this annual return has been made in good faith, verified by us, and to the best of our knowledge and belief, is true and correct pursuant to the provisions of the National Internal Revenue Code, as amended, and the regulations issued under authority thereof. *(If Authorized Representative, attach authorization letter and indicate TIN)*

Signature over printed name of President/Principal Officer/Authorized Representative — Signature over printed name of Treasurer/Assistant Treasurer

Title of Signatory — Number of pages filed 8

22 ( ) Community Tax Certificate (CTC) Number (●) SEC Reg No. 85234
23 Date of Issue (MM/DD/YYYY) 10/18/1977
24 Place of Issue MANDALUYONG
25 Amount, if CTC 0

Part III - Details of Payment

Details of Payment	Drawee Bank/Agency	Number	Date *(MM/DD/YYYY)*	Amount
26 Cash/Bank Debit Memo				0
27 Check				0
28 Tax Debit Memo				0
29 Others *(Specify Below)*				
				0

Machine Validation/Revenue Official Receipts Details *(if not filed with an Authorized Agent Bank)*

Stamp of receiving Office/AAB and Date of Receipt (RO's Signature/Bank Teller's Initial)

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 14 2016 TSIS
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Annual Income Tax Return
Page 2

BIR Form No. **1702-RT** June 2013

1702-RT06/13P2

Taxpayer Identification Number (TIN)	Registered Name
000 - 910 - 081 - 000	AFP GENERAL INSURANCE CORPORATION

Part IV - Computation of Tax *(Do NOT enter Centavos)*

30 Net Sales/Revenues/Receipts/Fees *(From Schedule 1 Item 6)*		114,754,818
31 Less: Cost of Sales/Services *(From Schedule 2 Item 27)*		94,950,369
32 Gross Income from Operation *(Item 30 Less Item 31)*		19,804,449
33 Add: Other Taxable Income Not Subjected to Final Tax *(From Schedule 3 Item 4)*		10,013,446
34 Total Gross Income *(Sum of Items 32 & 33)*		29,817,895
Less: Deductions Allowable under Existing Law		
35 Ordinary Allowable Itemized Deductions *(From Schedule 4 Item 40)*	57,820,359	
36 Special Allowable Itemized Deductions *(From Schedule 5 Item 5)*	0	
37 NOLCO *(only for those taxable under Sec. 27(A to C); Sec. 28(A)(1) & (A)(6)(b) of the tax Code) (From Schedule 6A Item 8D)*	0	
38 Total Itemized Deductions *(Sum of Items 35 to 37)*	57,820,359	
OR *[in case taxable under Sec 27(A) & 28(A)(1)]*		
39 Optional Standard Deduction *(40% of Item 34)*	0	
40 Net Taxable Income *(Item 34 Less Item 38 OR 39)*		(28,002,464)
41 Income Tax Rate		**30.0%**
42 Income Tax Due other than MCIT *(Item 40 x Item 41)*		0
43 Minimum Corporate Income Tax (MCIT) *(2% of Gross Income in Item 34)*		596,358
44 Total Income Tax Due *(Normal Income Tax in Item 42 or MCIT in Item 43, whichever is higher) (To part II Item 16)*		596,358
45 Less: Total Tax Credits/Payments *(From Schedule 7 Item 12) (To Part II Item 17)*		4,509,395
46 Net Tax Payable (Overpayment) *(Item 44 Less Item 45) (To Part II Item 18)*		(3,913,037)
Add Penalties		
47 Surcharge	0	
48 Interest	0	
49 Compromise	0	
50 Total Penalties *(Sum of Items 47 to 49) (To part II Item 19)*		0
51 Total Amount Payable (Overpayment) *(Sum Item 46 & 50) (To Part II Item 20)*		(3,913,037)

Part V - Tax Relief Availment *(Do NOT enter Centavos)*

52 Special Allowable Itemized Deductions *(30% of Item 36)*	0
53 Add: Special Tax Credits *(From Schedule 7 Item 9)*	0
54 Total Tax Relief Availment *(Sum of Items 52 & 53)*	0

Part VI - Information - External Auditor/Accredited Tax Agent

55 Name of External Auditor/Accredited Tax Agent	RG MANABAT AND COMPANY
56 TIN	000 - 470 - 727 - 000
57 Name of Signing Partner *(If External Auditor is a Partnership)*	DENNIS ILAN
58 TIN	161 - 313 - 405 - 000

59 BIR Accreditation No.	60 Issue Date *(MM/DD/YYYY)*	61 Expiry Date *(MM/DD/YYYY)*
08 - 001987 - 028 - 2014	09/26/2014	09/26/2017

Annual Income Tax Return
Page 3 - Schedules 1 & 2

BIR Form No. 1702-RT June 2013

1702-RT06/13P3

Taxpayer Identification Number (TIN)	Registered Name
000 - 910 - 081 - 000	AFP GENERAL INSURANCE CORPORATION

Schedule 1 - Sales/Revenues/Receipts/Fees *(Attach additional sheet/s, if necessary)*

1 Sale of Goods/Properties	0
2 Sale of Services	114,754,818
3 Lease of Properties	0
4 Total *(Sum of Items 1 to 3)*	114,754,818
5 Less: Sales Returns, Allowances and Discounts	0
6 Net Sales/Revenues/Receipts/Fees *(Item 4 Less Item 5) (To Part IV Item 30)*	114,754,818

Schedule 2 - Cost of Sales *(Attach additional sheet/s, if necessary)*

Schedule 2A - Cost of Sales (For those Engaged in Trading)

1 Merchandise Inventory - Beginning	0
2 Add: Purchases of Merchandise	0
3 Total Goods Available for Sale *(Sum of Items 1 & 2)*	0
4 Less: Merchandise Inventory, Ending	0
5 Cost of Sales *(Item 3 Less Item 4) (To Schedule 2 Item 27)*	0

Schedule 2B - Cost of Sales (For those Engaged in Manufacturing)

6 Direct Materials, Beginning	0
7 Add: Purchases of Direct Materials	0
8 Materials Available for Use *(Sum of Items 6 & 7)*	0
9 Less: Direct Materials, Ending	0
10 Raw Materials Used *(Item 8 Less Item 9)*	0
11 Direct Labor	0
12 Manufacturing Overhead	0
13 Total Manufacturing Cost *(Sum of Items 10, 11 & 12)*	0
14 Add: Work in Process, Beginning	0
15 Less: Work in Process, Ending	0
16 Cost of Goods Manufactured *(Sum of Items 13 & 14 Less Item 15)*	0
17 Finished Goods, Beginning	0
18 Less: Finished Goods, Ending	0
19 Cost of Goods Manufactured and Sold *(Sum of Items 16 & 17 Less Item 18) (To Sched. 2 Item 27)*	0

Schedule 2C - Cost of Services
(For those Engaged in Services, indicate only those directly incurred or related to the gross revenue from rendition of services)

20 Direct Charges - Salaries, Wages and Benefits	31,016,275
21 Direct Charges - Materials, Supplies and Facilities	0
22 Direct Charges - Depreciation	0
23 Direct Charges - Rental	0
24 Direct Charges - Outside Services	34,516,325
25 Direct Charges - Others	29,417,769
26 Total Cost of Services *(Sum of Items 20 to 25) (To Item 27)*	94,950,369

27 Total Cost of Sales/Services *(Sum of Items 5, 19 & 26, if applicable) (To Part IV Item 31)*	94,950,369

Annual Income Tax Return
Page 4 - Schedules 3 & 4

BIR Form No. 1702-RT June 2013

1702-RT06/13P4

Taxpayer Identification Number (TIN)	Registered Name
000 -910 -081 -000	AFP GENERAL INSURANCE CORPORATION

Schedule 3 - Other Taxable Income Not Subjected to Final Tax *(Attach additional sheet/s, if necessary)*

1 RENT INCOME	1,296,035
2 OTHER INCOME	8,717,411
3	0
4 **Total Other Taxable Income Not Subjected to Final Tax** *(Sum of Items 1 to 3) (To Part IV Item 33)*	10,013,446

Schedule 4 - Ordinary Allowable Itemized Deductions *(Attach additional sheet/s, if necessary)*

1 Advertising and Promotions	2,383,345
Amortizations *(Specify on Items 2, 3 & 4)*	
2	0
3	0
4	0
5 Bad Debts	0
6 Charitable Contributions	42,608
7 Commissions	0
8 Communication, Light and Water	4,013,890
9 Depletion	0
10 Depreciation	9,191,596
11 Director's Fees	4,256,336
12 Fringe Benefits	135,987
13 Fuel and Oil	0
14 Insurance	210,510
15 Interest	0
16 Janitorial and Messengerial Services	0
17 Losses	0
18 Management and Consultancy Fee	0
19 Miscellaneous	0
20 Office Supplies	1,852,183
21 Other Services	1,342,249
22 Professional Fees	2,959,022
23 Rental	391,256
24 Repairs and Maintenance - (Labor or Labor & Materials)	1,729,048
25 Repairs and Maintenance - (Materials/Supplies)	1,061,784
26 Representation and Entertainment	4,675,226
27 Research and Development	0
28 Royalties	0
29 Salaries and Allowances	9,351,668

Annual Income Tax Return Page 5 - Schedules 4, 5 & 6	BIR Form No. 1702-RT June 2013	1702-RT06/13P5
Taxpayer Identification Number (TIN)	Registered Name	
000 - 910 - 081 - 000	AFP GENERAL INSURANCE CORPORATION	

Schedule 4 - Ordinary Allowable Itemized Deductions *(Continued from Previous Page)*

30 Security Services	0
31 SSS, GSIS, Philhealth, HDMF and Other Contributions	987,090
32 Taxes and Licenses	1,715,953
33 Tolling Fees	0
34 Training and Seminars	411,916
35 Transportation and Travel	4,245,992
Others *[Specify below; Add additional sheet(s), if necessary]*	
36 SALES INCENTIVES	173,321
37 ASSOCIATION DUES	517,322
38 MEETINGS AND CONFERENCES	390,384
39 OTHER EXPENSES	5,781,673
40 Total Ordinary Allowable Itemized Deductions *(Sum of Items 1 to 39) (To Part IV Item 35)*	57,820,359

Schedule 5 - Special Allowable Itemized Deductions *(Attach additional sheet/s, if necessary)*

Description	Legal Basis	Amount
1		0
2		0
3		0
4		0
5 Total Special Allowable Itemized Deductions *(Sum of Items 1 to 4) (To Part IV Item 36)*		0

Schedule 6 - Computation of Net Operating Loss Carry Over (NOLCO)

1 Gross Income *(From Part IV Item 34)*	29,817,895
2 Less: Total Deductions Exclusive of NOLCO & Deduction Under Special Law	57,820,359
3 Net Operating Loss *(To Schedule 6A)*	(28,002,464)

Schedule 6A - Computation of Available Net Operating Loss Carry Over (NOLCO)

Net Operating Loss		B) NOLCO Applied Previous Year
Year Incurred	A) Amount	
4 2015	28,002,464	0
5	0	0
6	0	0
7	0	0

Continuation of Schedule 6A *(Item numbers continue from the table above)*

C) NOLCO Expired	D) NOLCO Applied Current Year	E) Net Operating Loss (Unapplied)
4 0	0	28,002,464
5 0	0	0
6 0	0	0
7 0	0	0
8 Total NOLCO *(Sum of Items 4D to 7D) (To Part IV Item 37)*	0	

Annual Income Tax Return
Page 6 - Schedules 7, 8 & 9

BIR Form No. **1702-RT** June 2013

1702-RT06/13P6

Taxpayer Identification Number (TIN)	Registered Name
000 -910 -081 -000	AFP GENERAL INSURANCE CORPORATION

Schedule 7 - Tax Credits/Payments (attach proof) *(Attach additional sheet/s, if necessary)*

1 Prior Year's Excess Credits Other Than MCIT	3,660,396
2 Income Tax Payment under MCIT from Previous Quarter/s	0
3 Income Tax Payment under Regular/Normal Rate from Previous Quarter/s	0
4 Excess MCIT Applied this Current Taxable Year *(From Schedule 8 Item 4F)*	0
5 Creditable Tax Withheld from Previous Quarter/s per BIR Form No. 2307	159,046
6 Creditable Tax Withheld per BIR Form No. 2307 for the 4th Quarter	71,481
7 Foreign Tax Credits, if applicable	0
8 Tax Paid in Return Previously Filed, if this is an Amended Return	0
9 Special Tax Credits *(To Part V Item 53)*	0
Other Credits/Payments *(Specify)*	
10 PROVISION FOR INCOME TAX (FINAL - DEFERRED) NET	618,472
11	0
12 Total Tax Credits/Payments *(Sum of Items 1 to 11) (To Part IV Item 45)*	4,509,395

Schedule 8 - Computation of Minimum Corporate Income Tax (MCIT)

	Year	A) Normal Income Tax as Adjusted	B) MCIT	C) Excess MCIT over Normal Income Tax
1		0	0	0
2		0	0	0
3		0	0	0

Continuation of Schedule 8 *(Line numbers continue from table above)*

	D) Excess MCIT Applied/Used for Previous Years	E) Expired Portion of Excess MCIT	**F) Excess MCIT Applied this Current Taxable Year**	G) Balance of Excess MCIT Allowable as Tax Credit for Succeeding Year/s
1	0	0	0	0
2	0	0	0	0
3	0	0	0	0
4 Total Excess MCIT *(Sum of Column for Items 1F to 3F) (To Schedule 7 Item 4)*			0	

Schedule 9 - Reconciliation of Net Income per Books Against Taxable Income *(Attach additional sheet/s, if necessary)*

1 Net Income/(Loss) per books	(3,914,452)
Add: Non-deductible Expenses/Taxable Other Income	
2	0
3	0
4 Total *(Sum of Items 1 to 3)*	(3,914,452)
Less: A) Non-taxable Income and Income Subjected to Final Tax	
5 INTEREST INCOME	3,945,946
6 DIVIDEND INCOME AND GAIN ON INVESTMENT	20,142,066
B) Special Deductions	
7	0
8	0
9 Total *(Sum of Items 5 to 8)*	24,088,012
10 Net Taxable Income (Loss) *(Item 4 Less Item 9)*	(28,002,464)

Annual Income Tax Return
Page 7 - Schedules 10 & 11

BIR Form No. **1702-RT** June 2013

1702-RT06/13P7

Taxpayer Identification Number (TIN)	Registered Name
000 - 910 - 081 - 000	AFP GENERAL INSURANCE CORPORATION

Schedule 10 - BALANCE SHEET

Assets	
1 Current Assets	120,925,947
2 Long-Term Investment	413,200,904
3 Property, Plant and Equipment - Net	24,572,855
4 Long-Term Receivables	0
5 Intangible Assets	8,122,924
6 Other Assets	25,324,467
7 Total Assets *(Sum of Items 1 to 6)*	592,147,097

Liabilities and Equity	
8 Current Liabilities	6,898,327
9 Long-Term Liabilities	0
10 Deferred Credits	55,969,256
11 Other Liabilities	0
12 Total Liabilities *(Sum of Items 8 to 11)*	62,867,583
13 Capital Stock	250,000,000
14 Additional Paid-in Capital	173,140,704
15 Retained Earnings	106,138,810
16 Total Equity *(Sum of Items 13 to 15)*	529,279,514
17 Total Liabilities and Equity *(Sum of Items 12 & 16)*	592,147,097

Schedule 11- ☑ **Stockholders** ☐ **Partners** ☐ **Members Information** (Top 20 Stockholders, partners or Members)
(On column 3 enter the amount of capital contribution and on the last column enter the percentage this represents on the entire ownership)

REGISTERED NAME	TIN	Capital Contribution	% to Total
AFPMBAI	000 - 848 - 475 - 000	249,988,000	99.88
EDGARDO RENE SAMONTE	000 - 127 - 304 - 955	1,000	0.01
ALAN LUGA	000 - 127 - 951 - 868	1,000	0.01
EDMUNDO GAMMAD	000 - 127 - 307 - 786	1,000	0.01
FLORANTE AMANO	000 - 127 - 246 - 599	1,000	0.01
ALBERTO CARLOS	000 - 135 - 033 - 998	1,000	0.01
ATTY AUGUSTO FAJARDO	000 - 135 - 818 - 928	1,000	0.01
JOSE LUIS MORENO	000 - 123 - 034 - 548	1,000	0.01
CORAZON BUMANGLAG	000 - 115 - 321 - 977	1,000	0.01
JUAN MANUEL DF RAMOS	000 - 154 - 434 - 867	1,000	0.01
FRANCO NEMESION GACAL	000 - 105 - 084 - 348	1,000	0.01
VICTOR BAYANI	000 - 141 - 022 - 657	1,000	0.01
JUANITO VANO JR	000 - 126 - 857 - 787	1,000	0.01
	- - -		
	- - -		
	- - -		
	- - -		
	- - -		
	- - -		
	- - -		

Annual Income Tax Return Page 8 - Schedules 12 & 13	BIR Form No. 1702-RT June 2013	1702-RT06/13P8

Taxpayer Identification Number (TIN)	Registered Name
000-910-081-000	AFP GENERAL INSURANCE CORPORATION

Schedule 12 - Supplemental Information *(Attach additional sheet/s, if necessary)*

I) Gross Income/ Receipts Subjected to Final Withholding	A) Exempt	B) Actual Amount/Fair Market Value/Net Capital Gains	C) Final Tax Withheld/Paid
1 Interests	3,945,946	3,945,946	873,397
2 Royalties	0	0	0
3 Dividends	20,142,067	0	0
4 Prizes and Winnings	0	0	0

II) Sale/Exchange of Real properties	A) Sale/Exchange #1	B) Sale/Exchange #2
5 Description of Property *(e.g. land, improvement, etc.)*		
6 OCT/TCT/CCT/Tax Declaration No.		
7 Certificate Authorizing Registration (CAR) No		
8 Actual Amount/Fair Market Value/Net Capital Gains		
9 Final Tax Withheld/Paid		

III) Sale/Exchange of Shares of Stock	A) Sale/Exchange #1	B) Sale/Exchange #2
10 Kind*(PS/CS)* /Stock Certificate Series No.		
11 Certificate Authorizing Registration (CAR) No.		
12 Number of Shares		
13 Date of Issue (MM/DD/YYYY)		
14 Actual Amount/Fair Market Value/Net Capital Gains		
15 Final Tax Withheld/Paid		

IV) Other Income *(Specify)*	A) Other Income #1	B) Other Income #2
16 Other Income Subject to Final Tax Under Sections 57 (A)/127/others of the Tax Code, as amended *(Specify)*		
17 Actual Amount/Fair Market Value/Net Capital Gains		
18 Final Tax Withheld/Paid		

19 Total Final Tax Withheld Paid *(Sum of Items 1C to 4C, 9A, 9B, 15A, 15B, 18A & 18B)*	873,397

Schedule 13 - Gross Income/Receipts Exempt from Income Tax

1 Return of Premium *(Actual Amount/Fair Market Value)*	0

I) Personal/Real Properties Received thru Gifts, Bequests, and Devices	A) Personal/Real Properties #1	B) Personal/Real Properties #2
2 Description of Property *(e.g. land, improvement, etc.)*		
3 Modes of Transfer *(e.g Donation)*		
4 Certificate Authorizing Registration (CAR) No.		
5 Actual Amount/Fair Market Value		

II) Other Exempt Income/Receipts	A) Other Exempt Income #1	B) Other Exempt Income #2
6 Other Exempt Income/Receipts Under Sec. 32 (B) of the Tax Code, as amended *(Specify)*		
7 Actual Amount/Fair Market Value/Net Capital Gains		

8 Total Income Receipts Exempt From Income Tax *(Sum of Items 1, 5A, 5B, 7A & 7B)*	0

Subject: eSubmission Validation Report

From: esubmission (esubmission@bir.gov.ph)

To: pasiareyneson1975@yahoo.com;

Date: Tuesday, January 26, 2016 8:01 AM

ACKNOWLEDGEMENT RECEIPT NUMBER: 20160126-G010938

This is to confirm receipt of the file(s) as stated below:

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We have validated your submission in compliance with existing BIR regulations.

Find below the details of your submission:

Date of Submission: 1/25/2016 10:07:26 AM
Filename(s):
1. Attachment : 000910081000012201517O2Q.ZIP
   A. 000910081000012201517O2Q.DAT - VALID
   CONFIRMATION RECEIPT NUMBER - 2016-0000035477
2. Attachment : 000910081000012201517O2Q.DAT
   000910081000012201517O2Q.DAT - VALID
   CONFIRMATION RECEIPT NUMBER - 2016-0000035478

VALIDATION REPORT:
1. Attachment : 000910081000012201517O2Q.ZIP
   A. Attachment (zipped): 000910081000012201517O2Q.DAT
   TIN of Withholding Agent TIN: 000910081-0000
   Alphalist Form : 1702Q
   Taxable Month : 12/2015

LINE NUM	SCHEDULE	ERROR DESCRIPTION
0000000000		No Errors Encountered

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 14 2016 TS'S
RECEIVED
LORENA P. VINOYA

2. Attachment : 00091008100001220151702Q.DAT

TIN of Withholding Agent TIN: 000910081-0000
Alphalist Form : 1702Q
Taxable Month : 12/2015

LINE NUM	SCHEDULE	ERROR DESCRIPTION
0000000000		No Errors Encountered

Thank You.

This is a system generated report. For inquiries, please email us at contact_us@cctr.bir.gov.ph or call us at 981-8888.