

SAGOT

KA

NAMIN,

24/7.

2012 ANNUAL REPORT

COVER STORY



The year 2012 saw AFPGEN in its utmost transformation. It is a head-on response to the challenges of a changing industry landscape. Extensive efforts were undertaken to efficiently perform its mandate and improve the quality of its service, as well as to position itself to be at par with the best in the industry.

Truly, with all the organizational reforms taking place, AFPGEN is well-poised and all geared up to confidently say: *"Sagot ka namin, 24/7."*

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ABOUT AFPGEN



AFPGEN THROUGH THE YEARS

Since its inception in 1980, the Armed Forces and Police General Insurance Corporation (AFPGEN) has made its mark in the Philippine insurance industry as the primary insurer of the non-life assets of both the Armed Forces of the Philippines (AFP) and Philippine National Police (PNP).

The company is a spin-off from the AFP-Mutual Benefit Association, Inc. (AFPMBAI) which was created to service the insurance needs of the country's military and police organizations. AFPGEN's establishment as a distinct business entity was a product of the Insurance Commission's directive in 1978 for AFPMBAI to separate its life and non-life insurance functions.

With its singular non-life insurance focus, AFPGEN developed a deeper understanding of the special concerns of its clients and delivered well on its mandate of protecting the country's defense assets as a provider of non-life insurance policies and issuer of surety bonds for the bidders and suppliers of the AFP and PNP.

Attesting to the quality of AFPGEN's service and the strength of the company's financial performance, the Insurance Commission in 2002 issued a certification lifting AFPGEN's limited authority to engage in non-life insurance business within the military and the police.

RAISING THE BAR

Today, AFPGEN continues to raise the bar in meeting the special non-life insurance needs of the country's uniformed services while making significant headways in widening its market reach.

With the help of experienced industry professionals and technically-equipped staff, AFPGEN is positioning itself to be at par with the best non-life insurance companies not just in the country but throughout Asia.

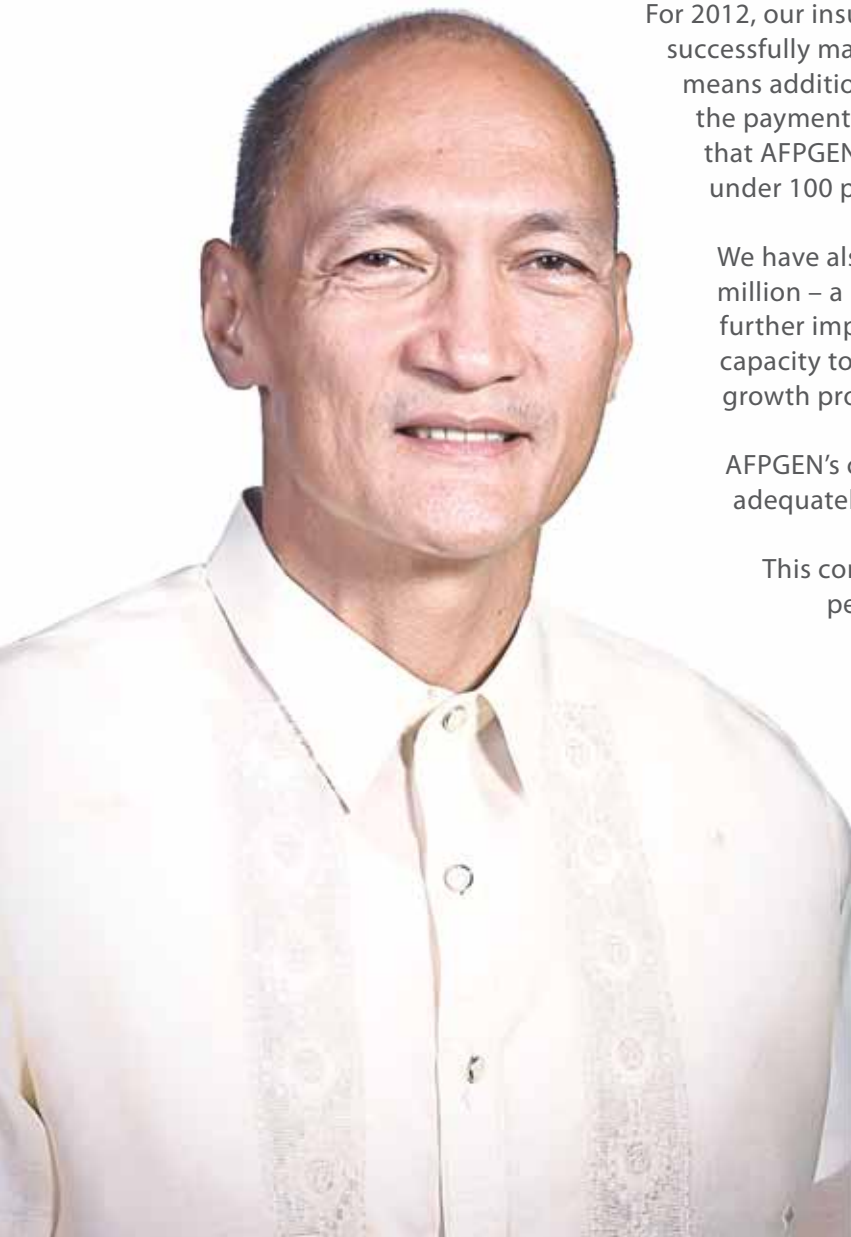
MESSAGE FROM THE CHAIRMAN

RISING TO THE CHALLENGE

The year 2012 has been a trying year not only for AFPGEN but also for other insurance companies throughout the country, owing to regulators' efforts to increase capital requirements for players in the sector.

Efforts to boost the capitalization of insurance companies to PHP 1.3 billion by 2022 are part of preparations for 2015 when the Association of Southeast Asian Nations (ASEAN) Free Trade Agreement (AFTA) takes effect, thus, opening the possibility for regional companies to enter the local insurance market and boost competition in the sector.

As we present AFPGEN's Annual Report for 2012, the Management takes pride in saying that AFPGEN has positively responded to this challenge and has made advancements in many key areas in the company's operations.



For 2012, our insurance operations posted positive results as we successfully maintained a combined ratio of 78.89 percent. This means additional resources are being made available to back up the payment for possible insurance claims. It is also worth noting that AFPGEN has hit its target of keeping our combined ratio at under 100 percent for the past four straight years.

We have also seen our asset base increase to PHP 475.101 million – a robust 9.5 percent growth from the 2011 level – further improving our financial position and enhancing our capacity to fund both our future financial obligations and growth prospects.

AFPGEN's cash position remained stable with cash inflows adequately funding the company's operations.

This confidence in AFPGEN's fiscal and operational performance is mirrored by an increase in the assets that we currently insure. In particular, premiums from the Philippine National Police (PNP), Corporate and Individual sectors widely exceeded our set targets.

There was also a sizeable increase in our Gross Premiums Written where we posted a growth rate of 8 percent over the 2011 level.

With AFPGEN's solid performance for the past several years, coupled with the positive reforms that we are seeing under the able leadership of BGen Alejandro T. Camagay, Jr. (Ret), we look at the company's future with much hope and optimism for further success and growth.

Even in the face of stiffer competition from new industry players coming from our ASEAN neighbors, I take my leave as AFPGEN's Chairman of the Board with great confidence and fulfillment knowing that the organization has well positioned itself to rise up and meet the challenges in the years to come.

In conclusion, I wish to thank all of AFPGEN's stakeholders and partners for supporting our efforts throughout the years. Let us continue to work together to sustain the gains that we have so far achieved and bring AFPGEN's success well into the future.



BGEN RICARDO C. MORALES, AFP (RET)



“With AFPGEN’s solid performance for the past several years, coupled with the positive reforms that we are seeing, we look at the company’s future with much hope and optimism for further success and growth.”

MESSAGE FROM THE PRESIDENT

CHANGING WITH THE TIMES

With a rapidly transforming global economy and business environment, it has almost become necessary to quickly recognize changes and adapt to them, not only to maintain profitability but simply to survive. In many cases, a company's ability to innovate can be the difference between its failure and success.

The year 2012 again proved this to be true, as AFPGEN, alongside industry peers, faced a mandated increase in net worth to PHP 1.3 billion by 2022, intended to help boost the industry's resilience against bigger players once the doors open for regional competition.

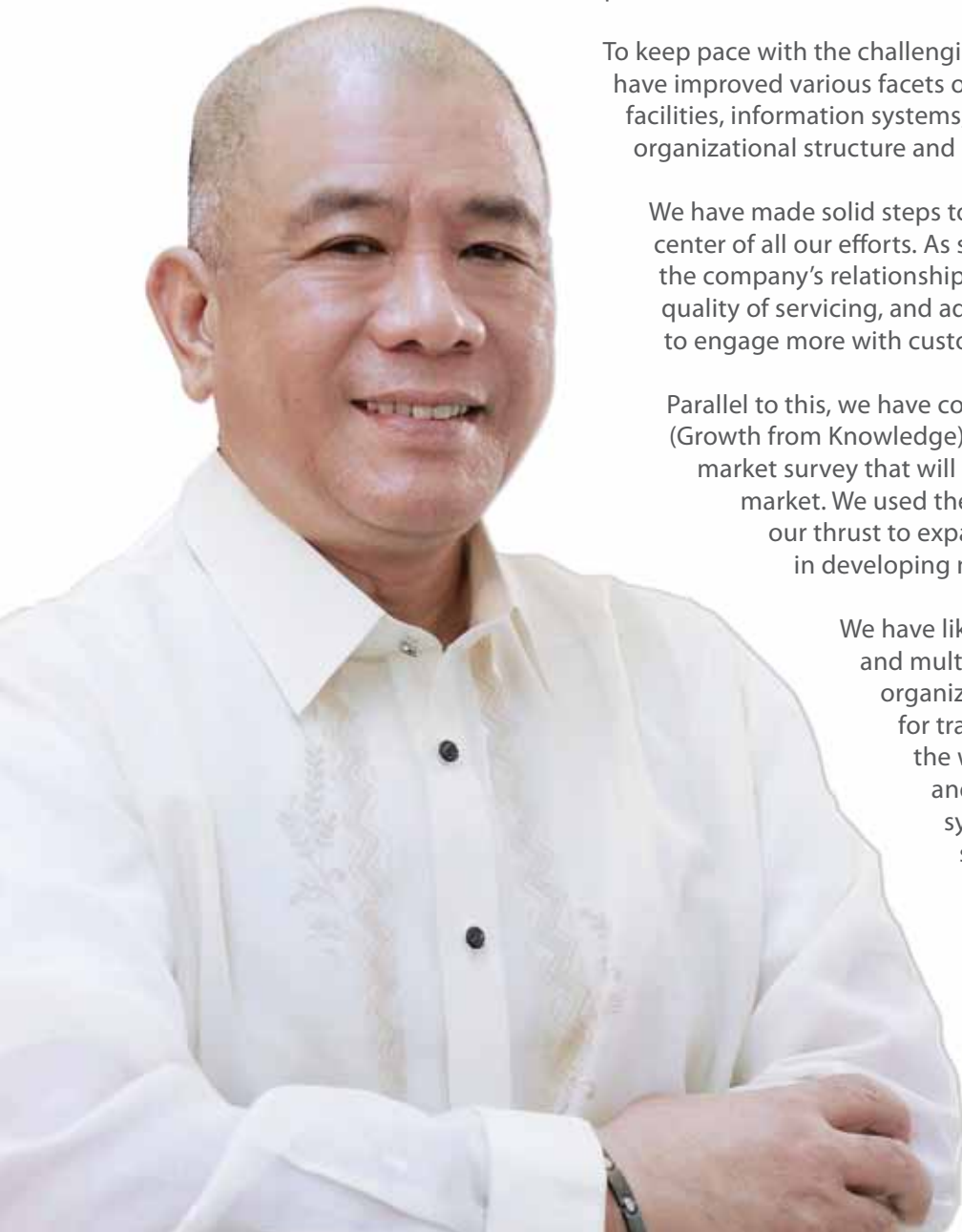
In response to this challenge, AFPGEN started the process of transforming the company into one that is better positioned and geared for the stringent regulatory regime and a more competitive market environment of the future.

To keep pace with the challenging developments in the industry, we have improved various facets of our organization that include physical facilities, information systems, policies and processes, as well as our organizational structure and corporate culture.

We have made solid steps to bring the customer to the front and center of all our efforts. As such, we have endeavored to strengthen the company's relationships with our core clientele, improve the quality of servicing, and adapt to new technologies that allow us to engage more with customers.

Parallel to this, we have commissioned Germany-based GfK (Growth from Knowledge) Custom Research Pte. Ltd. to conduct a market survey that will give us a deeper understanding of our market. We used the knowledge as an invaluable guide in our thrust to expand our market and as a starting point in developing new products.

We have likewise set into motion an integrated and multi-pronged approach to build up the organization's capabilities. The framework for transformation involved enabling the workforce with knowledge, skills and technology, rationalizing and systematizing the organizational structure, policies, processes and procedures, and addressing customer needs and delivering exceptional service that will ensure the attainment of our aggressive financial targets.



Measures were taken to achieve not only an increase in our asset base but, more importantly, sustainability to its growth.

Our new battle cry: *"Sagot Ka Namin, 24/7"* encapsulates the mindset that we are inculcating within the organization. It is a constant reminder for us to put a premium on constant innovation, persistent re-invention and adaptation, with an overarching objective of meeting and anticipating our clients' needs.

In this 2012 Annual Report, we convey the initial results of these efforts in full recognition of the fact that the task of transforming our organization remains an unfinished task, and that the full benefits of our efforts will not immediately be felt.

The reforms that we have started give us a reason to be optimistic about AFPGEN's future prospects as these put the company in a better position to not only overcome the challenges of the future but also to adapt and take advantage of them.

For this, I would like to express my heartfelt gratitude to all of our stakeholders and partners and continue my personal appeal to everyone that we continue to work together to complete the transformation that we have started.



BGEN ALEJANDRO T. CAMAGAY, JR., AFP (RET)

“The framework for transformation involved enabling the workforce with knowledge, skills and technology, rationalizing and systematizing the organizational structure, policies, processes and procedures, and addressing customer needs and delivering exceptional service that will ensure the attainment of our aggressive financial targets.”

To hit aggressive growth targets, AFPGEN focused core clientele while expanding

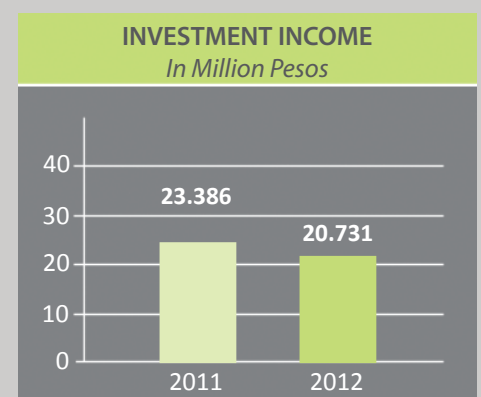
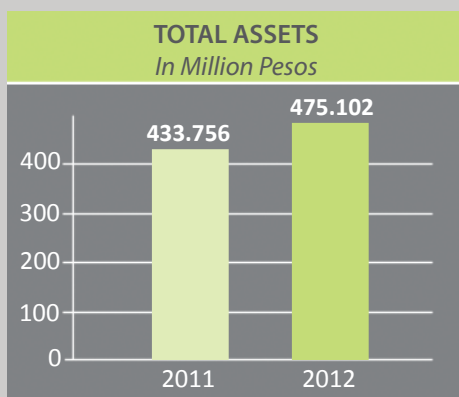
Recognizing the need to raise the bar of its operational and financial standards for it to become at par with the best-performing companies in the insurance industry, AFPGEN vibrantly pursued efforts to improve the quality of service to its clientele, increase its asset base, and enhance organizational capabilities and processes.

SALES & MARKETING

To hit aggressive growth targets, AFPGEN focused on further strengthening relationships with its core clientele while expanding its reach to a wider market. In the second half of 2012, strategic planning sessions in consultation with industry experts guided the company as it worked on programs and activities that were helpful in reaching its goals.

Efforts were taken to facilitate negotiations of insurance policies with the AFP and PNP units. Adopted was the use of a pro forma document that clearly shows the breakdown of the coverage and the attendant premium costs – lessening the processing time, and lowering incidents of miscommunication.

Aiming to extend its reach to the individual Uniformed Services Market, AFPGEN obtained the approval of the



on further strengthening relationships with its its reach to a wider market.

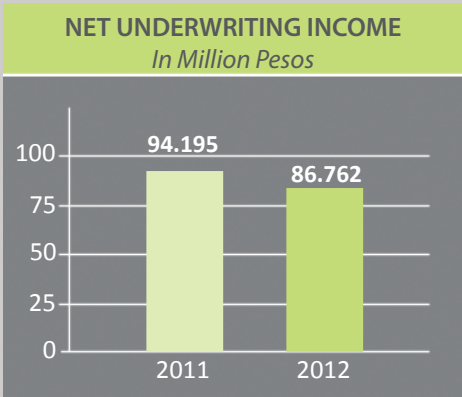


Insurance Commission for the issuance of micro-insurance products. This allowed the company to develop customized products and establish distribution channels using the affinity market groupings that include the active and retired soldier organizations.

In the latter part of 2012, AFPGEN also added in its product range the Assistance & Family Protection and Barangay Family Protection micro-insurance policies. The policies provide a comprehensive package of insurance for fire, personal accident, hospital, burial and loan amortization risk events at a premium cost that is affordable to

the greater portion of the individual uniformed services market and the barangay constituents. Efforts have likewise been undertaken to establish a vibrant agent force and to nurture mutually beneficial relationships with the brokers to generate stable streams of income from the non-core clients.

Further, AFPGEN conducted a review of the corporate brand image and embarked on a program to imprint the company, its products and its services on the minds of its target clientele. Initial efforts have been made to standardize the logo and its use on all printed media with the end-view of enhancing the organization’s visual appeal and establish its unique identity that is consistent with professionalism, trustworthiness and efficiency.



AFPGEN has also endeavored on developing a an overarching objective of ensuring that will positively impact on the client

In order to ensure the delivery of this promise, AFPGEN has also endeavored on developing a comprehensive program of activities with an overarching objective of ensuring that each opportunity to transact with the client – whether face-to-face, online, broadcast, or print – will positively impact on the client and strengthens their relationship with AFPGEN. The program is envisioned to include a 24/7 Call Center and Roadside Assistance as well as initiatives to further improve Online Quote and Policy Generation, Claims Processing, Account Management, Customer Care and Insurance Technical Advisory and Agent/Broker Management.

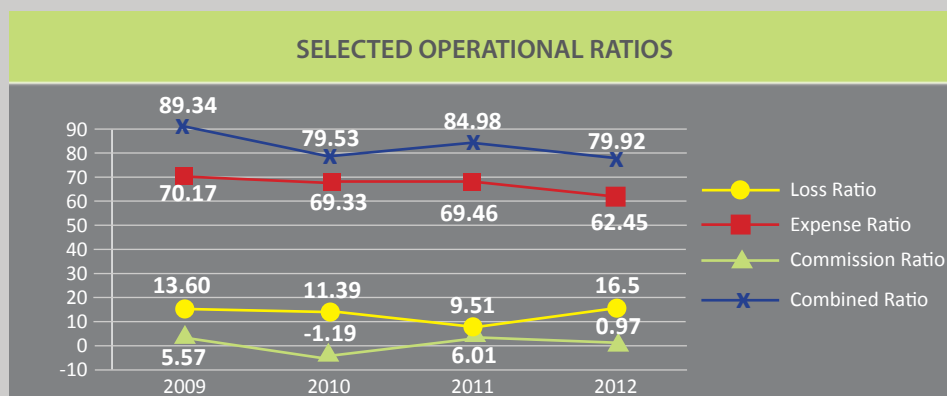
UNDERWRITING ACTIVITIES

The company engaged with experts that have knowledge and experience in critical areas of operations – including Strategic Planning, Liquid Asset and Investment Management, Underwriting, and Reinsurance.

This resulted to a thorough review of existing processes and guidelines, and subsequently the development of more comprehensive and strategic programs that will drive the company’s performance towards its set vision.

As part of the strategies and action plans for 2012, all insurable interests of AFP and PNP have been targeted for inspection, with the aim of targeting correct insurable value of properties and to be able to determine whether all buildings and facilities were properly insured. As a result, a significant number of new structures and equipment were identified and included in the renewed policies.

Insurance operations also yielded positive results, hitting a combined ratio of 79.92%. It extended AFPGEN’s streak of posting a combined ratio below 100% for the past four years. The figures further assure its clients that ample resources are being made available to back up the payment of any possible insurance claims.



comprehensive program of activities with each opportunity to transact with the client and strengthen their relationship with AFPGEN.



Gross Premiums Written (GPW) amounted to PHP 124.980 million, an increase of PHP 9.095 million or 8% over the 2011 level.

The GPW was generated from five major categories in 2012, namely: AFP Assets (46%), PNP Assets (16%), Corporate Sector (19%), Individual Clients (11%), and Inward RI/Consortia (8%). Premiums from the AFP Assets showed the highest increase by PHP 7.939 million or 14%.

The increase in Losses Incurred from PHP 9.65 Million in 2011 to PHP 16.82 Million in 2012 was the main reason for the decreases in the Net Underwriting Income and Net Income.

HUMAN RESOURCES/CORPORATE PLANNING

AFPGEN's framework for transformation that will ensure the attainment of the aggressive financial targets involved enabling the workforce with knowledge, skills and technology; rationalizing and systematizing the organizational structure, policies, processes and procedures; and addressing customer needs and delivering exceptional service. As such, the company endeavored to create an environment that fosters continuous education and upgrading of skills, while providing appropriate equipment and technology.

A review of the company's organizational structure was conducted, resulting to significant improvements in employee-job position matching based on the job descriptions set by the Organization, Job and Salary Design and

OPERATIONAL HIGHLIGHTS



Administration System (OJASDAS). This initiative is also key to the development of a new policy on Compensation and Awards based on meritocracy and performance. Improvements in the company's industry-based salary structure were achieved so as to push its employees to greater productivity and maintain a more competitive stance in the market.

The Human Resources Department also created for each of its unit a Competency Framework used as a benchmark to gauge if each employee possesses the relevant skills that will allow him to undertake his role competently and

effectively. It identified the types of trainings that are necessary to equip employees with the right, new skills or to enhance their existing skills aligned to succession plan.

The Performance Management System Project was also launched with the aim of establishing a process that translates the strategic directions into action items with SMART deliverables documented in appraisal forms customized to each and every employee. The approach is envisioned to make the performance setting and evaluation more objective and transparent. This will ensure that the company's Rewards Systems will be based on meritocracy and contributions to the attainment of the goals of the organization. It will also serve as a very powerful tool in the implementation of the annual plans and programs.

INFORMATION TECHNOLOGY

Harnessing the power of technology in improving customer access to AFPGEN, the corporate website was updated and re-launched in 2012. Features to handle online transactions that include Quotation Generation, Online Payment and Printing of Policy to Online Claims Application and Online Claims Status Query – were introduced on the website.

This was made possible by enhancements to AFPGEN's main business processing system called the Integrated Non-Life Insurance System (INLIS). Aptly renamed as "Web-INLIS", the facility was transformed from being a remote centralized system to becoming an online system that allows external clients to conduct transactions from a remote computer, eliminating the need to transact in person at AFPGEN offices.

Complementing these online services, AFPGEN installed its new trunk line number, 911-9888, to improve recall of a vital contact point with the company for its clientele.

PAYING IT FORWARD

AFPGEN's success is a product of good relationships with its stakeholders – whether with its employees or its clientele. As one of the stakeholders in nation building, the company holds in high regard the importance of its social responsibility to the people and community it serves.

As part of its efforts to contribute in molding positive individuals and communities, AFPGEN conducts various Corporate Social Responsibility activities. CSR initiatives show the company's commitment to the cause of improving the lives of its beneficiaries in particular, and the country in general. At the same time, this plays a key role in creating a positive workplace environment where employees feel that they are part of a team that truly cares.



GIVING BACK



On top of the prompt claims payments, the AFPGEN handed out incentives to the AFP and PNP in its effort to give back to its main market — the uniformed officers of the Philippines, because the company believes that they have contributed significantly to the firm's success.

AFPGEN – in sharing its success – turned over a part of the total sales that the AFP and PNP brought in for the year in the form of electronic equipment and appliances. In the coming years,

AFPGEN remains keen on making the incentives program a strong reinforcement to the commitment that the company has in providing utmost service to the Armed Forces and Police.

SPREADING HOLIDAY CHEER

The AFPGEN family's annual Gift Giving activities were held on December 6 and 7 led by its President, BGEN Alejandro T. Camagay, Jr. AFP (Ret) and Senior Vice-President MGEN Ruperto Pabustan AFP(Ret). Along with the employees, they handed out Christmas gift bags to recipients who had to spend their holidays at the following hospitals: AFP Medical Center (V. Luna, Quezon City); PNP Health Service; Army General Hospital; Navy General Hospital; and Air Force General Hospital.

As BGEN Camagay said, "AFPGEN firmly believes in giving back what is due to the Armed Forces and Police. It is important that we bring them good cheer, especially during the holidays. We want to spread the Christmas spirit."

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The Management of AFP General Insurance Corporation is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2012 and 2011. 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 of and for the year ended December 31, 2012 and the accompanying Annual Income Tax Return are in accordance with the books and records of AFP General Insurance Corporation, complete and correct in all material respects.

Management likewise affirms that:

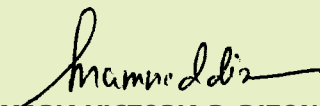
- (a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- (b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
- (c) the AFP General Insurance Corporation 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.



BGEN RICARDO C. MORALES, AFP (Ret)
Chairman of the Board



BGEN ALEJANDRO T. CAMAGAY, JR., AFP (Ret)
Chief Executive Officer



MARIA VICTORIA D. DIZON
Chief Finance Officer

Signed this 29th of March 2013

REPORT OF INDEPENDENT AUDITORS



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The Board of Directors and Stockholders AFP General Insurance Corporation

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, 2012 and 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

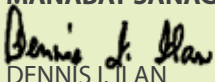
Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of AFP General Insurance Corporation as at December 31, 2012 and 2011, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

REPORT ON THE SUPPLEMENTARY INFORMATION REQUIRED UNDER REVENUE REGULATIONS (RR) NO. 15-2010 AND RR NO. 19-2011 OF THE BUREAU OF INTERNAL REVENUE

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 31 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as whole.

MANABAT SANAGUSTIN & CO., CPAs


DENNIS I. ILAN

Partner

CPA License No. 089564

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

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

Tax Identification No. 161-313-405

BIR Accreditation No. 08-001987-28-2011, Issued November 3, 2011; valid until November 2, 2014

PTR No. 3669512MC, Issued January 2, 2013 at Makati City

March 15, 2013 | Makati City

AFP GENERAL INSURANCE CORPORATION
STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note*	2012	2011
ASSETS			
Cash and cash equivalents	7	P 185,067,585	P 146,622,167
Insurance receivables - net	8	16,050,078	18,399,244
Other receivables - net	9	6,826,726	8,792,689
Investments			
Held-to-maturity investments	10	149,537,479	189,371,997
Available-for-sale (AFS) securities - net	10	33,576,350	5,233,166
Deferred reinsurance premiums	11	7,324,774	5,281,097
Deferred acquisition costs	12	2,081,082	1,589,100
Investment properties	13	21,452,144	22,573,918
Property and equipment - net	14	30,394,697	16,055,171
Retirement asset	23	13,341,787	15,181,426
Deferred tax assets - net	24	2,567,557	3,612,025
Other assets	15	6,881,289	1,043,553
		P 475,101,548	P 433,755,553
LIABILITIES AND EQUITY			
Liabilities			
Account payable and accrued expenses	16	P 21,328,300	P 17,178,609
Losses and claims payable	17	40,740,539	40,116,440
Due to reinsurers	17	5,970,544	4,384,124
Funds held for reinsurers	17	3,363,213	3,286,497
Reserved for unearned premiums	18	34,659,652	34,092,745
Deferred reinsurance commission	19	3,716,978	1,145,116
Total Liabilities		109,779,226	100,203,531
Equity			
Capital Stock	26	250,000,000	175,000,000
Contributed surplus		500,000	500,000
Revaluation reserve for AFS securities	10	156,733	(252,412)
Retained earnings	26	114,665,589	158,304,434
Total Equity		365,322,322	333,552,022
		P 475,101,548	P 433,755,553

STATEMENTS OF COMPREHENSIVE INCOME

		Years ended December 31	
	Note*	2012	2011
UNDERWRITING INCOME			
Direct premiums written	20	P 114,359,920	P 106,094,966
Premiums assumed	20	10,620,310	9,790,703
Gross premiums	20	124,980,230	115,885,669
Premiums ceded	20	(24,701,426)	(21,814,630)
Premiums retained	20	100,278,804	94,071,039
Decrease in reserve for unearned premiums - net	20	1,476,770	6,083,512
Net premiums earned	20	101,755,574	100,154,551
Reinsurance commissions earned	19	5,493,602	6,035,390
GROSS UNDERWRITING INCOME		107,249,176	106,189,941
UNDERWRITING DEDUCTIONS			
Losses and claims	17	16,820,935	9,650,129
Commissions	12	3,666,383	2,345,275
		20,487,318	11,995,404
NET UNDERWRITING INCOME		86,761,858	94,194,537
INVESTMENT AND OTHER INCOME	21	20,731,059	23,386,210
INCOME AFTER INVESTMENT AND OTHER INCOME		107,492,917	117,580,747
GENERAL AND ADMINISTRATIVE EXPENSES	22	65,158,531	65,859,504
INCOME BEFORE INCOME TAX		42,334,386	51,721,243
INCOME TAX EXPENSE	24	10,973,231	13,546,062
NET INCOME		31,361,155	38,175,181
OTHER COMPREHENSIVE INCOME (LOSS)			
Net change in fair value of AFS securities	10	46,083	(161,789)
Net change in fair value of AFS securities transferred to profit or loss	10	363,062	71,336
		409,145	(90,453)
TOTAL COMPREHENSIVE INCOME		P 31,770,300	P 38,084,728

STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 26)	Contributed Surplus	Revaluation Reserve for AFS Securities (Note 10)	Retained Earnings (Note 26)	Total Equity
Balances at January 1, 2011	P 175,000,000	P 500,000	(P 161,959)	P 120,129,253	P 295,767,294
Net change in fair value of AFS securities	-	-	(161,789)	-	(161,789)
Net change in fair value of AFS securities transferred to profit or loss	-	-	71,336	-	71,336
Net income for the year	-	-	-	38,175,181	38,175,181
Balances at December 31, 2011	175,000,000	500,000	(252,412)	158,304,434	333,552,022
Stock dividends	75,000,000	-	-	(75,000,000)	-
Net change in fair value of AFS securities	-	-	46,083	-	46,083
Net change in fair value of AFS securities transferred to profit or loss	-	-	363,062	-	363,062
Net income for the year	-	-	-	31,361,155	31,361,155
Balances at December 31, 2012	P 250,000,000	P 500,000	P 156,733	P 114,665,589	P 365,322,322

AFP GENERAL INSURANCE CORPORATION
STATEMENTS OF CASH FLOW

	Note	Year ended December 31	
		2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		42,334,386	51,721,243
Adjustments for:			
Depreciation and amortization	14	4,387,486	2,652,315
Impairment Loss	8,9	-	4,540,107
Unrealized foreign exchange loss		80,601	43,806
Decrease in reserve for unearned premiums - net	18	(1,476,770)	(6,083,512)
Increase (decrease) in deferred reinsurance commission		2,571,862	(377,885)
Increase in deferred acquisition costs	12	(491,982)	(1,199,252)
Gain on sale of property and equipment		(312,678)	(220,000)
Gain on sale of AFS securities	10, 21	(240,208)	(531,556)
Dividend income	10, 21	(599,300)	(576,640)
Interest income	10, 21	(17,616,106)	(17,816,057)
Operating income before working capital changes		28,637,291	32,152,569
Changes in operating assets and liabilities			
Decrease (increase) in:			
Insurance receivables	8	2,349,166	1,777,757
Other receivables	9	2,177,585	1,463,990
Other assets	15	(5,837,736)	222,452
Retirement asset	23	1,839,639	759,783
Increase (decrease) in:			
Losses and claims payable	17	624,099	7,975,732
Accounts payable and accrued expenses	16	6,060,316	(1,685,123)
Due to reinsurers		1,586,420	(1,658,815)
Funds held for reinsurers	17	76,716	859,488
Cash generated from operations		37,513,496	41,867,833
Income taxes paid		(11,839,388)	(12,154,361)
Net cash provided by operating activities		25,674,108	29,713,472
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		19,366,335	18,136,582
Dividends received		306,800	614,140
Proceeds from sale of property and equipment		1,000,758	220,000
Proceeds from sale of investment properties		1,121,774	-
Proceeds from sale of investments		63,023,557	43,490,805
Acquisitions of investments	10	(52,552,221)	(32,367,161)
Acquisitions of property and equipment	14	(19,415,092)	(4,916,688)
Net cash provided by investing activities		12,851,911	25,177,678
NET INCREASE IN CASH AND CASH EQUIVALENTS		38,526,019	54,891,150
EFFECT OF CHANGES IN FOREIGN CURRENCY EXCHANGE RATE		(80,601)	(43,806)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7	146,622,167	91,774,823
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	185,067,585	146,622,167

BOARD OF DIRECTORS AND EXECUTIVES

Standing from L-R:

**Col Robert M Arevalo PA (GSC);
Commo Edgardo D Tamayo, AFP;
MGen Ruperto R Pabustan AFP (Ret),**
Executive Vice President/General
Manager and Chief Operating Officer;
**PCS Rex Milton A Dolino PNP;
P/Dir Arnulfo D Perez;
Capt Alberto B Carlos PN (GSC)**

Seated From L-R:

Atty Maria Cecilia A Capa, Corporate
Secretary;
**Col Edmundo F Gammad PAF (Ret);
BGen Ricardo C Morales AFP (Ret),**
Chairman;
BGen Alejandro T Camagay, Jr
AFP(Ret), Vice Chairman and President;
Atty Augusto Z Fajardo, Independent
Director

Not in Photo:

**Col Simplicio A Lumantas (PAF);
Jose Luis Z Moreno,** Independent
Director





THE MANAGEMENT



President & Chief Executive Officer **BGen Alejandro T Camagay, Jr AFP (Ret)**; Executive Vice President/General Manager and Chief Operating Officer **MGen Ruperto R Pabustan AFP (Ret)**; Vice President for Operations **Francisco P Ramos**; Chief Financial Officer **Maria Victoria D Dizon**; Sales & Marketing **Jose T Vallejos, Jr**; Internal Audit **Mary Grace B Facto**; Legal Counsel **Atty Rhenie S Reñido**; Corporate Planning **Lorna D Lanuza**; Claims **Jerry L Balauro**; Human Resources **Maria Salome D Matudio**; Administration **Adornado A Estabillo**; Information Technology **Joel P Caligan**; Underwriting— Reinsurance & Treaty **Abelardo P Ante**; Underwriting— Motor Car & Casualty **Wilfredo R Carbonell**; Underwriting—Bonds **Herlita D Librado**; Accounting **Wilson D Pasia**; Collections, **Juancho P Panotes**

OUR VISION

To be a highly professional and responsive non-life insurance company preferred by the members and families of the Armed Forces, Police, and other uniformed services, and be recognized as a major player in the industry.

OUR MISSION

We provide quality non-life insurance products and services to members of the Armed Forces, Police, other uniformed services and their families, and other clients.

In support of this, we are committed to:

- Continue providing the Armed Forces & Police dependable insurance coverage and services exceeding industry norms.
- Achieve customer satisfaction through prompt issuance of policies, speedy and fair settlement of claims.
- Give our shareholders an equitable return on their investments while adhering to the highest standards of business conduct.
- Develop a highly motivated sales force by making them an integral part of the AFPGEN family.
- Promote employee morale through career development and competitive compensation and benefits.
- Maintain lasting and mutually beneficial relationships with reinsurers and consortia and network with associations in the industry.
- Undertake civic and corporate social activities for the well-being and development of the community.

OUR PRODUCTS

- Fire Insurance
- Motor Car Insurance
- Personal Accident Insurance
- Travel Insurance
- Marine Insurance
- Property Floater Insurance
- Engineering Insurance
- Licensed Firearm Liability Insurance
- Money, Securities, Payroll and Robbery Insurance
- Bonds and Surety
- Golfer's Insurance
- Comprehensive General Liability
- Directors and Officers Liability



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