AIG Philippines Insurance, Inc.

Financial Statements
As at and for the years ended December 31, 2015 and 2014

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1 8 3 8 9

Company Name

A I G P H I L I P P I N E S I N S U R A N C E , I N C

Principal Office (No./Street/Barangay/City/Town/Province)

4 7 T H F L O O R P B C O M T O W E R 6 7 9 5

A Y A L A A V E N U E C O R V A R U F I N O S T

M A K A T I C I T Y

Form Type	Department requiring the report	Secondary License Type, if applicable
A A F S		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number(s)	Mobile Number

No. of Stockholders	Annual Meeting (Month/Day)	Fiscal Year (Month/Day)
		12/31

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
Willie R. Pangilinan		878-5467	

Contact Person's Address

Note: 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.

pwc

Isla Lipana & Co.

Independent Auditor's Report

To the Board of Directors and Shareholders of
AIG Philippines Insurance, Inc.
47th Floor, PBCom Tower
6795 Ayala Avenue corner V.A Rufino St.
Makati City

Report on the Financial Statements

We have audited the accompanying financial statements of AIG Philippines Insurance, Inc., which comprise the statements of financial position as at December 31, 2015 and 2014, and the statements of income, statements of total comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and 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.

Auditor's 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 auditor's 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 auditor considers 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 accompanying financial statements present fairly, in all material respects, the financial position of AIG Philippines Insurance, 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 Bureau of Internal Revenue Requirement

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

Isla Lipana & Co.

Imelda Dela Vega-Mangundaya
Partner
CPA Cert. No. 0090670
PTR No. 0024586, issued on January 6, 2016, Makati City
SEC A.N. (individual) as general auditors 0668-AR-2, Category A; effective until March 3, 2017
SEC A.N. (firm) as general auditors 0009-FR-4, Category A; effective until July 15, 2018
TIN 152-015-124
BIR A.N. 08-000745-47-2016, issued on February 15, 2016; effective until February 14, 2019
BOA/PRC Reg. No. 142, effective until December 31, 2016

Makati City
April 11, 2016

AIG Philippines Insurance, Inc.

Statements of Total Comprehensive Income
For the years ended December 31, 2015 and 2014
(All amounts in Philippine Peso)

	Notes	2015	2014
Gross earned premiums on insurance contracts	8	2,811,242,011	2,378,773,587
Reinsurer's share of gross earned premiums on insurance contracts	8	2,358,833,550	1,941,373,499
NET EARNED INSURANCE PREMIUMS		452,408,461	437,400,088
Commission income		609,318,110	450,580,069
Investment income	9	75,810,416	69,308,436
Gain on sale of available-for-sale financial assets, net	17	23,106,345	68,368,289
Foreign exchange gain, net		20,119,473	2,746,121
Others	10	38,955,533	50,629,754
OTHER INCOME		767,309,877	641,632,669
TOTAL INCOME		1,219,718,338	1,079,032,757
Gross insurance contract benefits and claims paid	11	725,611,396	819,767,026
Reinsurer's share of gross insurance contract benefits and claims paid	11	(634,186,739)	(649,480,340)
Gross change in insurance contract liabilities	11	(390,754,345)	(352,137,962)
Reinsurer's share of gross change in insurance contract liabilities	11	400,575,745	299,567,763
NET INSURANCE BENEFITS AND CLAIMS		101,246,057	117,716,487
Operating expenses	12	676,006,680	639,091,078
Commission expense	16	222,956,811	219,035,474
Provision (reversal of provision) for impairment loss	19	7,413,697	(1,944,648)
Interest expense on funds held for reinsurers	28	22,582,351	11,377,789
Investment expenses		1,446,114	1,647,459
OTHER EXPENSES		930,405,653	869,207,152
TOTAL INSURANCE BENEFITS, CLAIMS AND OTHER EXPENSES		1,031,651,710	986,923,639
INCOME BEFORE INCOME TAX		188,066,628	92,109,118
PROVISION FOR INCOME TAX	13	37,966,090	25,596,958
NET INCOME FOR THE YEAR		150,100,538	66,512,160

(forward)

AIG Philippines Insurance, Inc.

Statements of Total Comprehensive Income
For the years ended December 31, 2015 and 2014
(All amounts in Philippine Peso)

(forwarded)

	Notes	2015	2014
NET INCOME FOR THE YEAR		150,100,538	66,512,160
Other comprehensive (loss) income	21		
Item that will be reclassified subsequently to profit or loss			
Change in fair value reserve on available-for-sale financial assets		(68,210,770)	(1,811,366)
Income tax effect		5,966,891	1,090,136
	17	(62,243,879)	(721,230)
Item that will not be reclassified subsequently to profit or loss			
Remeasurement gain on defined benefit plan		10,550,850	19,612,971
Income tax effect		(3,165,255)	(5,883,891)
	22	7,385,595	13,729,080
OTHER COMPREHENSIVE (LOSS) INCOME FOR THE YEAR, NET OF TAX EFFECT		(54,858,284)	13,007,850
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		95,242,254	79,520,010

(The notes on pages 1 to 57 are integral part of these financial statements)

AIG Philippines Insurance, Inc.

Statements of Financial Position
December 31, 2015 and 2014
(All amounts in Philippine Peso)

	Notes	2015	2014
ASSETS			
Retirement benefit asset	22	5,068,388	-
Deferred income tax assets, net	13	96,400,945	63,274,946
Property and equipment, net	14	11,712,271	17,789,600
Insurance contracts:			
Reinsurance assets	15	1,918,541,674	2,184,786,862
Deferred acquisition costs	16	68,964,173	65,311,706
Accrued income		27,976,845	21,934,590
Available-for-sale financial assets	17	2,707,617,842	1,734,237,621
Loans and receivables	18	16,008,249	37,040,373
Insurance receivables, net	19	839,508,298	516,716,284
Cash and cash equivalents	20	459,700,394	928,876,321
Other assets		53,457,113	72,859,694
TOTAL ASSETS		6,204,956,192	5,642,827,997
EQUITY			
Share capital	21	935,852,400	935,852,400
Share premium		60,204,136	60,204,136
Accumulated other comprehensive income	21	17,831,302	72,689,586
Retained earnings		770,973,550	620,873,012
TOTAL EQUITY		1,784,861,388	1,689,619,134
LIABILITIES			
Retirement benefit obligation	22	-	3,754,153
Deferred reinsurance commissions		257,961,406	160,929,798
Insurance contract liabilities	23	2,212,442,614	2,484,636,771
Insurance payables	25	1,713,256,238	1,081,174,729
Trade and other liabilities	26	236,434,546	222,713,412
TOTAL LIABILITIES		4,420,094,804	3,953,208,863
TOTAL EQUITY AND LIABILITIES		6,204,956,192	5,642,827,997

(The notes on pages 1 to 57 are integral part of these financial statements)

AIG Philippines Insurance, Inc.

Statements of Changes in Equity
For the years ended December 31, 2015 and 2014
(All amounts in Philippine Peso)

	Share capital (Note 21)	Share premium	Accumulated other comprehensive income (loss)	Retained earnings	Total
As at January 1, 2014	935,852,400	60,204,136	59,681,736	554,360,852	1,610,099,124
Other comprehensive income					
Net income for the year	-	-	-	66,512,160	66,512,160
Other comprehensive income for the year	-	-	13,007,850	-	13,007,850
Total comprehensive income for the year	-	-	13,007,850	66,512,160	79,520,010
As at December 31, 2014	935,852,400	60,204,136	72,689,586	620,873,012	1,689,619,134
Other comprehensive income					
Net income for the year	-	-	-	150,100,538	150,100,538
Other comprehensive loss for the year	-	-	(54,858,284)	-	(54,858,284)
Total comprehensive income for the year	-	-	(54,858,284)	150,100,538	95,242,254
As at December 31, 2015	935,852,400	60,204,136	17,831,302	770,973,550	1,784,861,388

(The notes on pages 1 to 57 are integral part of these financial statements)

AIG Philippines Insurance, Inc.

Statements of Cash Flows
For the years ended December 31, 2015 and 2014
(All amounts in Philippine Peso)

	Notes	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		188,066,628	92,109,118
Adjustments for:			
Unrealized foreign exchange gain on available-for-sale financial assets	17	-	(329,154)
Amortization of bond premium	17	30,152,894	31,772,438
Interest expense	28	22,582,351	11,377,789
Depreciation and amortization	14	7,055,907	6,669,143
Gain on sale of available-for-sale financial assets	17	(23,106,345)	(68,368,289)
(Reversal of provision) provision for incurred but not reported losses	23	6,939,230	(9,849,251)
Write-off of allowance for impairment of insurance receivable	19	(7,106,229)	-
Provision (reversal of provision) for impairment of insurance receivable	19	7,413,697	(1,944,648)
Loss on retirement of property and equipment	14	35	-
Retirement expense	22	9,279,767	10,356,420
Provision (reversal of provision) for other post-employment benefits	22	(29,634,556)	4,655,789
Interest income	9	(101,371,168)	(95,738,014)
Dividend income	9	(4,592,142)	(5,342,860)
Operating income (loss) before changes in operating assets and liabilities		105,680,069	(24,631,519)
Changes in operating assets and liabilities			
(Increase) decrease in:			
Insurance receivables		(323,099,482)	(16,180,600)
Loans and receivable		17,821,921	(14,498,539)
Deferred acquisition costs		(3,652,467)	12,404,216
Other assets		19,402,581	(1,783,473)
(Decrease) increase in:			
Provision for claims reported and loss adjustment expenses, net	23	2,882,170	(42,720,948)
Provision for unearned premiums, net	23	(15,770,369)	(17,875,598)
Insurance payables		632,081,509	96,990,984
Deferred reinsurance commissions		97,031,608	1,974,569
Trade and other liabilities		45,046,704	(21,726,269)
Cash generated from (used in) operations		577,424,244	(28,047,177)
Income tax paid		(68,290,453)	(32,648,872)
Interest paid on funds held for reinsurers	28	(22,582,351)	(11,377,789)
Retirement contributions	22	(9,000,000)	(10,000,000)
Benefit payments	22	(242,472)	(65,042)
Net cash from (used in) operating activities		477,308,968	(82,138,880)

(forward)

AIG Philippines Insurance, Inc.

Statements of Cash Flows
For the years ended December 31, 2015 and 2014
(All amounts in Philippine Peso)

(forwarded)

	Notes	2015	2014
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income received		95,328,913	102,764,540
Dividends received		4,592,142	5,342,860
Proceeds from			
Sale of available-for-sale securities	17	211,961,636	337,934,973
Maturities and sale of government securities	17	290,806,379	743,800,000
Collections of mortgage and guaranteed loans		3,210,203	8,434,713
Maturity of other investment		-	168,914,969
Purchases of			
Available-for-sale financial assets	17	(1,551,405,555)	(1,181,358,018)
Property and equipment	14	(978,613)	(5,489,658)
Net cash from investing activities		(946,484,895)	180,344,379
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(469,175,927)	98,205,499
CASH AND CASH EQUIVALENT			
January 1		928,876,321	830,670,822
December 31	20	459,700,394	928,876,321

(The notes on pages 1 to 57 are integral part of these financial statements)

AIG Philippines Insurance, Inc.

Notes to financial statements
As at and for the years ended December 31, 2015 and 2014
(All amounts are shown in Philippine Peso, unless otherwise stated)

1. General information

AIG Philippines Insurance, Inc. (the "Company") was incorporated in the Philippines to engage in the business of non-life insurance, indemnifying others against loss, damage or liability arising from unknown or contingent events. Non-life insurance includes lines such as health, accident, fire and allied lines, motor vehicles, casualty, surety, marine cargo, comprehensive liability insurance and allied risks, and/or such other insurance coverage allied with and incident to aforementioned lines. The registered office address of the Company, which is also its principal place of business, is 47th Floor, PBCom Tower, 6795 Ayala Avenue corner V.A Rufino St., Makati City.

As at December 31, 2015 and 2014, the Company is 62.09% owned by American International Overseas Limited, 32.06% owned by AIG Asia Pacific Insurance Pte. Ltd. and 5.85% owned by AIG Property Casualty International LLC. The shareholders are all foreign corporations.

The Company's ultimate parent is the American International Group, Inc. ("AIG").

The Company has a Board of Directors which met four times during 2015. The directors, including certain members of senior management concurrently serving as director, only hold qualifying shares in the Company. None of these shares have been traded during the year. The Board also appoints certain members to constitute the Audit Committee which met four times in 2015.

The Company has no operating subsidiary, joint venture and special purpose vehicles.

The accompanying financial statements of the Company were authorized for issue by the Board of Directors ("BOD") on April 11, 2016.

2. Changes in accounting policy and disclosures

2.1 New amended standards adopted by the Company

The following relevant standards and interpretation have been adopted by the Company effective January 1, 2015:

- *Amendment to PFRS 13, 'Fair value measurement.'* When PFRS 13 was published, paragraphs B5.4.12 of PFRS 9 and AG79 of PAS 39 were deleted as consequential amendments. This led to a concern that entities no longer had the ability to measure short-term receivables and payables at invoice amounts where the impact of not discounting is immaterial. The IASB has amended the basis for conclusions of PFRS 13 to clarify that it did not intend to remove the ability to measure short-term receivables and payables at invoice amounts in such cases. The amendment did not have a significant effect on the Company's financial statements. The Company continues to measure its short-term receivables and payables at invoice amounts due to the immaterial impact of discounting.

- *Amendments to PAS 24, 'Related party disclosures' on key management personnel.* The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'). The reporting entity is not required to disclose the compensation paid by the management entity to the management entity's employees or directors, but it is required to disclose the amounts charged to the reporting entity by the management entity for services provided. The amount charged by the management entity relating to key management personnel services is disclosed in Note 28.

Other standards, amendments and interpretations which are effective for the financial year beginning on January 1, 2015 are not considered relevant to the Company.

2.2 New standards, amendments and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after January 1, 2015, and have not been applied in preparing these financial statements. The relevant standards affecting the Company's financial statements are set out below:

- *PFRS 9, 'Financial instruments'(effective January 1, 2018).* PFRS 9 deals with the classification, measurement and impairment of financial instruments, as well as hedge accounting.

  PFRS 9 replaces the multiple classification and measurement models for financial assets in PAS 39 'Financial Instruments: Recognition and Measurement' with a single model that has three classification categories: amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. Classification under PFRS 9 is driven by the entity's business model for managing the financial assets and whether the contractual characteristics of the financial assets represent solely payments of principal and interest. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. The classification and measurement of financial liabilities under PFRS 9 remains the same as in PAS 39 except where an entity has chosen to measure a financial liability at fair value through profit or loss. For such liabilities, changes in fair value related to changes in own credit risk are presented separately in OCI.

  The impairment rules of PFRS 9 introduce an expected credit losses model that replaces the incurred loss impairment model used in PAS 39. Such new impairment model will generally result in earlier recognition of losses compared to PAS 39.

  The hedging rules of PFRS 9 better align hedge accounting with an entity's risk management strategies. Also, some of the prohibitions and rules in PAS 39 are removed or changed, making hedge accounting easier or less costly to achieve for many hedges.

  This standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. The Company's initial assessment of the potential impact of PFRS 9 is that it is not significant considering that the company's business model on its financial assets and liabilities will not significantly change. The Company will update its assessment upon adoption of this new standard.

- *PFRS 15, 'Revenue from contracts with customers' (effective January 1, 2018)*. This standard replaces PAS 18 'Revenue' and PAS 11 'Construction contracts' and related interpretations. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer - so that the notion of control replaces the existing notion of risks and rewards.

  The standard permits a modified retrospective approach for the adoption. Under this approach, entities will recognize transitional adjustments in retained earnings on the date of initial application, i.e. without restating the comparative period. Entities will only need to apply the new rules to contracts that are not completed as of the date of initial application.

This standard is effective for annual periods beginning on or after January 1, 2017 and earlier application is permitted. The Company is assessing the impact of PFRS 15. Based on its initial assessment, management does not expect a significant impact on its financial statements as a result of the adoption of this standard in light that its revenue recognition policy is considered straight forward and already complies with this new standard.

- *PFRS 16, 'Leases' (effective January 1, 2018).* PFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. For lessors, the accounting stays almost the same. However, as the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts) has been updated, lessors will also be affected by the new standard.

  Under PFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

  PFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted, but only in conjunction with PFRS 15, 'Revenue from Contracts with Customers'. In order to facilitate transition, entities can choose a 'simplified approach' that includes certain reliefs related to the measurement of the right-of-use asset and the lease liability, rather than full retrospective application; furthermore, the 'simplified approach' does not require a restatement of comparatives. In addition, as a practical expedient entities are not required to reassess whether a contract is, or contains, a lease at the date of initial application (that is, such contracts are "grandfathered").

  At this stage, the Company is not able to estimate the impact of the new rules on the Company's financial statements. The Company will make more detailed assessments of the impact over the next twelve months.

There are no other relevant standards, amendments or interpretations that are effective on or after January 1, 2015 that have or are expected to have a material impact to the Company's financial statements.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

3.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards ("PFRS"). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards ("PAS"), and interpretations of the Philippine Interpretations Committee ("PIC"), Standing Interpretations Committee ("SIC") and International Financial Reporting Interpretations Committee ("IFRIC") which have been approved by the Financial Reporting Standards Council ("FRSC") and adopted by the SEC.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale ("AFS") financial assets.

The preparation of financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

3.2 Foreign currency transactions and translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Philippine Peso, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. Non-monetary items measured at historical cost denominated in a foreign currency are translated at exchange rates as at the date of initial recognition. Non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value is determined.

Changes in the fair value of monetary securities denominated in foreign currency and classified as available for sale are analyzed between translation differences resulting from changes in the amortized cost of the security, and other changes in the carrying amount of the security.

Translation differences are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

Translation differences on non-monetary financial instruments such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in other comprehensive income as part of the fair value reserve.

3.3 Insurance contracts

3.3.1 Product classification

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

Investment contracts mainly transfer financial risk but can also transfer insignificant insurance risk.
Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime even if the insurance risk reduces significantly during this period, unless all rights and

obligations are extinguished or expire. Investment contracts can however, be reclassified as insurance contracts after inception if the insurance risk becomes significant.

3.3.2 Revenue recognition

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

Premium revenue

Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 365th method, except for marine cargo where the provision for unearned premiums pertains to the premiums for the last two months of the year. The portion of the premiums pertaining to the premiums written that relate to the unexpired periods of the policies at reporting date is accounted for as Provision for unearned premiums and presented as part of Insurance contract liabilities in the liabilities section of the statement of financial position. The related reinsurance premiums that pertain to the unexpired periods at reporting date are accounted for as Deferred reinsurance premiums as part of “Reinsurance assets” presented in the assets section of the statement of financial position. The net changes in these accounts between reporting dates are included in the determination of net insurance revenue.

Provisions for unearned premiums

The proportion of written premiums, gross of commissions payable to intermediaries, attributable to subsequent periods or to risk that have not yet expired, is deferred as provision for unearned premiums using the 365th method, except for marine cargo, where the provision for unearned premiums pertain to the premiums for the last two months of the year. The change in the provision for unearned premiums is taken to profit or loss in the order that revenue is recognized over the period of risk. Further provisions are made to cover claims under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

Commission income

Reinsurance commissions are recognized as revenue over the period of the contracts using the 365th method, except for marine cargo where the deferred reinsurance commission pertains to the premiums for the last two months of the year. The portion of the commissions that relates to the unexpired periods of the policies at the reporting date is accounted for as “Deferred reinsurance commissions” in the liabilities section of the statement of financial position.

3.3.3 Benefits and claims

Benefits and claims consists of benefits and claims paid to policyholders, which include changes in the valuation of insurance contract liabilities, except for changes in the unearned premium provision which are recorded in premium income. Insurance claims are recorded on the basis of notifications received.

3.3.4 Deferred acquisition costs (“DAC”)

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

Subsequent to initial recognition, these costs are amortized on a straight-line basis over the life of the contract. Amortization is charged to profit or loss. The unamortized acquisition costs are shown 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 is written down to the recoverable amount and the impairment loss is charged to profit or loss. The deferred acquisition cost is also considered in the liability adequacy test for each reporting period.

3.3.5 Claims provisions

Provision is made at the reporting date for the estimated cost of claims incurred but not settled at the reporting date, including the cost of claims incurred but not yet reported (“IBNR”) to the Company. Although the Company takes all reasonable steps to ensure that it has appropriate information regarding its claim exposures, given the uncertainty in establishing claims provisions, it is likely that the final outcome will be different from the original liability established.

The Company does not discount liabilities for unpaid claims.

The IBNR reserve is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is generally available. It includes an allowance for any consistent under or over-estimation in the case reserves. The IBNR review is conducted on a class of business basis. The in-house actuarial team conducts the assessment which is subject to an internal peer review process. Standard actuarial methodologies are used to evaluate and determine the IBNR reserves for all areas of the business including loss development methods and the analysis of individual cases in more volatile lines as appropriate. The Company's actuaries determine and select the most appropriate actuarial method to adopt for each business class. They also determine the appropriate segmentation of data from which the adequacy of the reserve can be established. A point estimate is determined from these detailed reviews and the sum of these point estimates for each class of business provides the overall actuarial point estimate for the IBNR reserve for the Company.

The ultimate process by which the actual carried reserves are determined takes into account both the actuarial point estimate and numerous other internal and external factors such as claims initiatives and economic conditions in the Philippines. The Company's actuaries determine their best estimate of the undiscounted IBNR reserve and report to the Audit Committee.

The general insurance loss reserves can generally be categorized into two distinct groups. One group is short-tail classes of business consisting mainly of property, consumer lines, marine and energy. The other group is long-tail commercial lines of business which includes excess and primary liability, Directors and Officers (D&O), professional liability, employers’ liability, general liability and related classes.

Short-tail classes do not have a significant delay from the date of accident to date of report to the Company and then settled by the Company. The estimates for these classes are more reliant on the case estimate on individual claims and utilizes loss development methodologies in the projection of the future development of these case estimates.

Long-tail classes generally relate to claims where liability has to be established or where there is an element of bodily injury. For these classes it may take some time from the date of accident for the claim to emerge and for claims to be settled from notification date due to the time taken to establish liability. Estimation of ultimate net indemnity losses and loss expenses for long-tail lines of business is a complex process and depends on a number of factors, including the class and volume of business involved as well as premium rate changes, changes in exposure and claim inflation. The actuarial methods used by the Company for most long-tail commercial lines include loss development methods and expected loss ratio methods, including the Bornhuetter-Ferguson method. Exceptional large claims or events, to the extent that these distort the historical development, are removed from the analysis and considered separately.

3.3.6 Liability adequacy test

At each reporting date, liability adequacy tests are performed, to ensure the adequacy of insurance contract liabilities, net of related DAC assets. In performing the test, current best estimates of future cash flows and claims handling and policy administration expenses are used. Changes in expected claims that have occurred, but which have not been settled, are reflected by adjusting the liability for claims and future benefits. Any inadequacy is immediately charged to profit or loss by establishing an unexpired risk provision for losses arising from the liability adequacy tests. The provision for unearned premiums is increased to the extent that the future claims and expenses in respect of current insurance exceed future premiums plus the current unearned premium reserve.

3.3.7 Reinsurance assets

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

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

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 for insurance contracts. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

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

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

3.4 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and amortization, and any impairment in value.

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

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

	Years
EDP equipment	3
Furniture and fixtures	5
Transportation equipment	5

Leasehold improvements are amortized over the estimated useful life of the improvements of 7 years or the term of the lease, whichever is shorter.

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

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

3.5 Impairment of non-financial assets

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

An impairment loss is charged to operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to 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 losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.

If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior 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 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.

3.6 Financial instruments

3.6.1 Classification

The classification of the financial assets is as follows: financial assets at FVTPL, AFS financial assets, held-to-maturity ("HTM") investments, and loans and receivables. Financial liabilities are either designated at FVTPL or classified as other financial liabilities. The classification depends on the purpose for which the assets and liabilities were acquired or incurred and whether they are quoted in an active market. Management determines the classification at initial recognition.

Financial assets or financial liabilities at FVTPL

This category consists of financial assets or financial liabilities that are held for trading or designated by management as at FVTPL on initial recognition. Derivative instruments, except those covered by hedge accounting relationships, are classified under this category.

In 2015 and 2014, the Company has not classified any of its financial assets or liabilities at FVTPL.

AFS financial assets

AFS financial assets are those which are designated as such or do not qualify to be classified or designated at FVTPL, held to maturity or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. They include government securities, equity investments, and other debt instruments.

After initial measurement, AFS investments are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency denominated AFS debt securities, are reported in profit or loss. Interest earned on holding AFS investments is reported as interest income under investment income using the effective interest rate. Dividends earned on holding AFS investments are recognized in the statement of income as investment income when the right of payment has been established.

The unrealized gains and losses arising from the fair valuation of AFS financial assets are reported as part of "Accumulated other comprehensive income" in the equity section of the statement of financial position. The losses arising from impairment of such investments are recognized as "Provision for impairment loss" in the statement of income. When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized as gain on sale of AFS financial assets in the statement of income.

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

HTM investments

HTM investment 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.

In 2015 and 2014, the Company has not classified any of its financial assets as HTM investments.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held for trading, designated as AFS or FVTPL. This accounting policy relates to the statement of financial position captions: (a) “Cash and cash equivalents” (b) “Insurance receivables”, (c) “Loans and receivables”, (d) “Other investments” and (e) “Accrued income”.

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

Other financial liabilities

Issued financial instruments or their components, which are not designated at FVTPL are classified as other financial liabilities, where the substance of the contractual arrangement results in an entity having an obligation either to deliver cash or another financial assets to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial assets for a fixed number of own equity shares.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Any effects of restatement of foreign currency-denominated liabilities are recognized in profit or loss.

This accounting policy applies primarily to the Company’s insurance payables and trade and other liabilities that meet the above definition (other than liabilities covered by other accounting standards, such as retirement benefit obligation and income tax payable).

3.6.2 Recognition and measurement

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

Initial recognition

Regular purchases and sales of financial assets are recognized on the trade date - the date on which the Company commits to purchase or sell the asset. Financial assets and liabilities not carried at fair value through profit or loss are initially recognized at fair value plus transaction costs. Financial assets and liabilities carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are recognized as expense in profit or loss.

Subsequent measurement

Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are subsequently carried at amortized cost using the effective interest method. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized directly in other comprehensive income, until the financial asset is derecognized or impaired at which time the cumulative gain or loss previously recognized in other comprehensive income should be recognized in profit or loss.

Interest on available-for-sale financial assets calculated using the effective interest method is recognized in profit or loss as part of interest income. Dividends on available-for-sale equity instruments are recognized in profit or loss as part of dividend income when the Company's right to receive payment is established.

Determination of fair value

The fair value of instrument in active markets at the reporting date is based on their quoted market price or dealer price quotations, without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair values as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing model, and other relevant valuation models.

Day 1 profit

Where the transaction price in a non-active market is different to the value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include 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 or liability. In cases where use is made of data which is 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 amount.

3.6.3 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 where:

- 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 (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and reward 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 original amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liability

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

3.6.4 Insurance receivables

Insurance receivables are recognized when due and measured on initial recognition at the fair value of the amount of the receivable. Subsequent to initial recognition, insurance receivables are measured at amortized cost using the effective interest method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in profit or loss.

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

3.6.5 Insurance contract liabilities

Insurance contract liabilities are recognized when the contracts are entered into and the premiums are charged. These liabilities are known as the outstanding claims provisions, which are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of which cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money and includes provisions for unearned premiums and incurred but not reported ("IBNR") losses.

No provision for catastrophic reserves is recognized. The liability is derecognized when the contract has expired, is discharged or is cancelled.

3.6.6 Cash and cash equivalents

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 (3) months or less from the date of acquisition and that are subject to an insignificant risk of changes in value.

3.7 Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

As at December 31, 2015 and 2014, there are no financial assets and liabilities that have been offset.

3.8 Investment income

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 effective interest rate, which is the rate that exactly discounts estimated future cash 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 effective interest rate, but not future credit losses. The adjusted carrying amount is calculated based on the original effective interest rate. The change in carrying amount is recorded as interest income.

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

Dividend income

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

3.9 Impairment of financial assets

The Company assesses at each reporting date whether a financial asset or a group of financial assets is impaired.

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

Loans and receivables

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

If there is objective evidence that an impairment loss has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. 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 effective interest rate, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from the foreclosures less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is recognized in profit or loss. Interest income continues to be accrued in the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Company. If in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

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, past due status and term.

AFS financial assets

In the case of equity investments classified as AFS, impairment indicators would include a significant or prolonged decline in the fair value of the investments below its cost. Generally, the Company treats 'significant' as 20% or more and 'prolonged' as greater than twelve months. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss of that financial asset previously recognized in the statement of income - is removed from equity and recognized in the statement of income. Impairment losses on equity investment are not reversed through the statement of income. Increases in fair value are recognized directly in equity.

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of interest income in the statement of income. If, in subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss.

3.10 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 a change in contractual terms, other than a renewal or extension of the arrangement;
b. A renewal option is exercised or extension granted, unless that 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 reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a, c or d above and the date of renewal or extension period for scenario b.

Leases where the lessor does not transfer substantially all the risk and benefits of ownership of the assets are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Information on minimum aggregate rental commitments for future years is disclosed in Note 27.

3.11 Income tax

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, carry-forward of unused tax losses (net operating loss carryover or “NOLCO”) and unused tax credits (excess minimum corporate income tax or “MCIT”). Deferred income tax is determined using the tax rate (and laws) that have been enacted or substantively enacted as at the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable income will be available against which the temporary differences, NOLCO and MCIT can be utilized. Deferred income tax liabilities are recognized in full for all taxable temporary differences.

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

The Company reassesses at each reporting date the need to recognize previously unrecognized deferred income tax assets.

Deferred income tax expense or credit included in “Provision for income tax” is recognized for the changes during the year in the deferred income tax assets and liabilities.

3.12 Employee benefits

The Company operates various post-employment schemes, including defined benefit retirement plan and post-employment retirement life and medical plans.

(a) Retirement benefit obligations

The Company has a defined benefit plan that covers substantially all of its employees. A defined benefit plan is a pension plan that defines an amount of retirement benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.
The liability recognized in the statement of financial position in respect of defined benefit retirement plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. This method reflects services rendered by employee up to the date of valuation and incorporates assumptions concerning employees' projected salaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognized immediately in profit or loss.

(b) Other post-employment obligations

The Company provides post-retirement life and medical benefits to qualified retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment and calculated by an independent actuary using the projected unit credit method. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

3.13 Provisions

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

3.14 Contingencies

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

3.15 Share capital; Share premium

Common shares are classified as share capital.

Share premium includes any premiums on consideration received in excess of par value on the issuance of share capital.

3.16 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's BOD and the Insurance Commission ("IC").

3.17 Related party transactions and relationships

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and its key management personnel, directors or their shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form.

3.18 Events after the reporting period

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

4. Critical accounting estimates, assumptions and judgments

The preparation of financial statements in compliance with PFRS requires the Company to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosures of contingent assets and contingent liabilities. Future effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

4.1 Critical accounting estimates and assumptions

(a) Claims liability arising from insurance contracts (Note 23)

Provision is made at the reporting date for the estimated cost of claims incurred but not settled at the reporting date. The liability for outstanding claims includes the cost of claims reported but yet to be paid, claims incurred but not reported ('IBNR'), and the estimated expenses to be incurred in settling claims.

The process of establishing liability estimates is subject to considerable variability as it requires the use of informed estimates and judgments. These estimates and judgments are based on numerous factors, and may be revised as additional experience becomes available or as regulations change. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is available. Classes of business which have a longer reporting tail and where the IBNR proportion of the total reserve is therefore high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty in estimating these liabilities. For the short-tailed classes, claims are typically reported soon after the claim event, and tend to display less variation. In calculating the required levels of provisions, the Company uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. In arriving at booked claims provisions, management also make allowance for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in patterns of claim incidence, reporting, processing, finalization and payment;
- changes in the legal environment;
- the impact of inflation (both economic/wage and superimposed);
- changes in the mix of business;
- the impact of large losses;
- movements in industry benchmarks;
- medical and technological developments;
- changes in policyholder behavior

The methods used to analyze past claim experience and to project future claim experience are largely determined by the available data and the nature of the portfolio. The projections given by the different methodologies assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

Large claims impacting each relevant business class are generally assessed separately, being measured on a case by case basis or projected separately in order to allow for the possible distortive effect of the development and incidence of these large claims.

Outstanding claims are calculated gross of reinsurance. A separate estimate is made of the amounts recoverable from reinsurers and third parties under insurance contracts based on the gross outstanding claims provision. Future cash flows are not discounted for time value of money.

The carrying value of insurance contract liabilities amount to P2,212.4 million as at December 31, 2015 (2014 - P2,484.6 million).

The sensitivity analysis for claims liability is detailed in Note 24.

(b) Retirement and other employee benefits (Note 22)

The present value of the retirement obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate and salary increase rate and any changes to assumptions will impact the carrying amount of retirement obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligations. In determining the appropriate discount rate, the Company considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related retirement obligation.

Other key assumptions for retirement obligations are based in part on current market conditions.

Additional information is disclosed in Note 22.

4.2 Critical judgments

(a) Impairment of financial assets (Notes 17, 18 and 19)

The Company treats AFS equity investments as impaired where there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is ‘significant’ or ‘prolonged’ requires judgment. The Company treats ‘significant’ generally as 20% or more and ‘prolonged’ as greater than twelve (12) months. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. Impairment may be appropriate also when there is evidence of deterioration in the financial health of the investee, the industry and sector performance, changes in technology and operational and financing cash flows.

The Company reviews its insurance receivables and loans and receivables at each reporting date to assess whether an allowance for impairment should be recorded in the statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. The amount and timing of recorded expenses for any period would differ if the Company made different judgment. An increase in allowance for impairment losses would increase recorded expenses and decrease net income.

Impairment of AFS financial assets amounts to nil as at December 31, 2015 and 2014.

Insurance receivables and loans and receivables, net of allowance for impairment, amount to P839.5 million and P16.0 million, respectively, as at December 31, 2015 (2014 - P516.7 million and P37.0 million, respectively).

(b) Deferred income tax assets (Note 13)

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

The Company’s recognized deferred income tax assets amount to P128.4 million as at December 31, 2015 (2014 - P176.2 million), while the unrecognized deferred income tax assets relating to NOLCO and MCIT aggregate to P28.2 million as at December 31, 2015 (2014 - P58.5 million).

5. Management of insurance and financial risks

(a) Governance framework

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

The main purpose of the Company’s financial instruments is to fund its operations including its commitment to each policy holder and capital expenditures. The Company’s local management team is assisted and supervised on a day-to-day basis by the management team of the ultimate parent company at the regional and corporate levels. There are established divisional and functional reporting lines to the ultimate parent company across the profit centers and service departments. The risk management function of the Company is aligned with that of its ultimate parent company. A risk oversight committee, consisting of certain members of the Company’s Board of Directors, provides oversight on the risk management function of the Company. Most of the Company’s policies on market (consisting of foreign currency risk, interest rate risk, and price risk), credit, liquidity, insurance and operational risks are developed at the regional and corporate levels which are implemented by the ultimate parent company in its global operations. The policies primarily encompass underwriting, reinsurance, claims, credit control, finance, system infrastructure and business continuity and recovery and serve as minimum guidance for the Company.

(b) Insurance risk

The risk under an insurance contract is the possibility of occurrence of an insured event and uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such contracts is that the actual claims will exceed the carrying amount of insurance liabilities. This could occur due to any of the following:

- Occurrence risk - the possibility that the number of insured events will differ from those expected.
- Severity risk - the possibility that the cost of the events will differ from those expected.
- Development risk - the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The variability of risks is also improved by careful selection and implementation of underwriting strategies and guidelines. The policies and procedures are developed internally and mandated by the regional and corporate offices of its ultimate parent company.

The business of the Company comprises short-term non-life insurance contracts. For non-life insurance contracts, claims are often affected by accidents, natural disasters, calamities and the like.

These risks currently do not vary significantly in relation to the location of the risk insured by the Company while undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

The Company has an objective to control and minimize insurance risk, to reduce volatility of operating profits. The Company manages insurance risk through the following mechanisms:

- The use and maintenance of sophisticated management information systems that provide up-to-date, accurate and reliable data on risk exposure at any point in time.
- Guidelines are issued for concluding insurance contracts and assuming insurance risks.
- Proactive claims handling procedures are followed to investigate and adjust claims thereby preventing settlement of dubious or fraudulent claims.
- Reinsurance is used to limit the Company's exposure to large claims by placing risk with reinsurers providing high security.
- Diversification is accomplished by achieving sufficiently large population of risks to reduce the variability of the expected outcome. The diversification strategy seeks to ensure that underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

The Company principally underwrites the following types of general insurance contracts: commercial and liability insurance, accident and health, personal lines and marine.

2015	Gross claims liabilities	Reinsurers' share of claims	Net claims liabilities
Commercial property	885,142,240	848,261,716	36,880,524
Liability	270,217,848	243,286,306	26,931,542
Accident and health	80,037,886	15,846,617	64,191,269
Marine	39,557,412	32,237,321	7,320,091
Personal line	9,808,857	1,002,970	8,805,887
	1,284,764,243	1,140,634,930	144,129,313

2014	Gross claims liabilities	Reinsurers' share of claims	Net claims liabilities
Commercial property	1,330,497,504	1,298,083,134	32,414,370
Liability	228,092,802	213,954,070	14,138,732
Accident and health	83,558,499	3,625,538	79,932,961
Marine	27,274,734	25,547,932	1,726,802
Personal line	6,095,049	-	6,095,049
	1,675,518,588	1,541,210,674	134,307,914

(c) Financial risk

The Company is exposed to financial risk through its financial assets, financial liabilities and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are credit risk, liquidity risk and market risk. These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements.

(c.1) 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 risk it accepts by putting in place policies on credit terms extended to its producers and cancellation of insurance contracts with unpaid premiums beyond the agreed credit terms; limiting the list of reinsurance providers to those that are highly rated by established rating agencies and recommended by the ultimate parent company; limiting banking exposures to levels determined by the Company, taking into account overall group exposure; and limiting investment transactions with Company accredited equity brokers ensuring all contracts are subjected to legal and financial review and reviewing regularly the status of providers of reinsurance and financial service providers. When applicable, the Company enters into netting arrangements with counterparties to reduce credit exposures.

Significant credit risk management expertise and resources are available at the regional and corporate offices of the ultimate parent company. The Company adopted policies and procedures developed internally and those mandated by the regional and corporate offices of its ultimate parent company.

The Company has put in place various monitoring and control measures depending on the types of financial assets for which the credit risk arises. For cash and cash equivalents, the Company monitors credit risk through the use of daily liquidity report. Also, a quarterly recertification of all bank accounts is being prepared.

For receivables, the Company prepares aging reports for each creditor type (producer, reinsurer, ceding companies and employees) which management reviews on a monthly basis. A management level receivable committee discusses monthly collection issues and major receivable balances and develops action plans to address identified issues. For receivables from foreign reinsurers, the Company reports its recoverable position to the corporate office on a monthly basis.

Specific action steps are taken as necessary to address receivables beyond the normal credit terms. For receivables from producers, amounts falling beyond the credit terms are referred to the underwriters for discussion with the brokers and agents for eventual cancellation of the policy. For premiums receivable from reinsurers, any breach in the premium payment warranty date is referred to the underwriters for discussion with the ceding company for eventual cancellation of the reinsurance cover. Any extension of premium payment warranty date requires the approval of the Company's President. For reinsurance recoveries, the corporate office provides support to recover amounts due from foreign reinsurers.

The following table provides information regarding the maximum credit risk exposure of the Company as at December 31:

	2015	2014
Accrued income	27,976,845	21,934,590
AFS financial assets		
Government debt securities	2,370,200,868	1,449,692,719
Loans and receivables		
Mortgage loans	4,883,115	6,000,168
Guaranteed loans	4,398,750	6,491,900
Intercompany accounts receivable	39,014	16,221,458
Miscellaneous receivables	6,687,370	8,326,847
Insurance receivables		
Due from brokers	433,788,046	219,799,092
Due from ceding companies	361,603,681	256,685,600
Premiums receivable	37,008,712	27,347,767
Due from agents	19,636,347	10,151,475
Reinsurance recoverable on paid losses	3,984,129	18,937,499
Cash and cash equivalents, excluding cash on hand	459,700,394	928,657,084
	3,729,907,271	2,970,246,199

Allowance for impairment on insurance receivables amounts to P16.5 million as at December 31, 2015 (2014 - P16.2 million).

The table below provides information regarding the credit risk exposure of the Company as at December 31 by classifying assets according to the Company's assessment of credit standing of the counterparties, historical dealings and experience with the counterparties, underlying collaterals, if any and other factors.

	Neither past due nor impaired					
2015	High	Medium	Low	Past due	Impaired	Total
Accrued income	27,976,845	-	-	-	-	27,976,845
AFS financial assets	-	-	-	-	-	-
Government debt securities	2,370,200,868	-	-	-	-	2,370,200,868
Loans and receivables					-	
Mortgage loans	4,883,115	-	-	-	-	4,883,115
Guaranteed loans	4,398,750	-	-	-	-	4,398,750
Intercompany accounts receivable	39,014	-	-	-	-	39,014
Miscellaneous receivables	2,979,927	1,956,725	-	1,750,718	-	6,687,370
Insurance receivables						
Due from brokers	-	284,345,882	-	138,101,394	11,340,770	433,788,046
Due from ceding companies	-	224,384,944	-	133,799,317	3,419,420	361,603,681
Premiums receivable	-	-	-	36,185,442	823,270	37,008,712
Due from agents	-	3,931,474	-	14,775,718	929,155	19,636,347
Reinsurance recoverable on paid losses	-	26,397	-	3,957,732	-	3,984,129
Cash and cash equivalents, excluding cash on hand	459,700,394	-	-	-	-	459,700,394
	2,870,178,913	514,645,422	-	328,570,321	16,512,615	3,729,907,271

	Neither past due nor impaired					
2014	High	Medium	Low	Past due	Impaired	Total
Accrued income	21,934,590	-	-	-	-	21,934,590
AFS financial assets						
Government debt securities	1,449,692,719	-	-	-	-	1,449,692,719
Loans and receivables						
Mortgage loans	6,000,168	-	-	-	-	6,000,168
Guaranteed loans	6,491,900	-	-	-	-	6,491,900
Intercompany accounts receivable	1,893,915	-	-	14,327,543	-	16,221,458
Miscellaneous receivables	5,571,847	-	-	2,755,000	-	8,326,847
Insurance receivables						
Due from brokers	-	141,377,671	-	73,692,561	4,728,860	219,799,092
Due from ceding companies	-	127,621,642	-	125,469,785	3,594,173	256,685,600
Premiums receivable	-	-	-	26,810,793	536,974	27,347,767
Due from agents	-	3,402,737	-	6,509,824	238,914	10,151,475
Reinsurance recoverable on paid losses	-	-	-	11,831,271	7,106,228	18,937,499
Cash and cash equivalents, excluding cash on hand	928,657,084	-	-	-	-	928,657,084
	2,420,242,223	272,402,050	-	261,396,777	16,205,149	2,970,246,199

A rating of “high” denotes that the Company's assessment of the probability of failure on the part of the counterparties to fulfill its obligation is about 5% or less, while a “medium” rating denotes a probability of more than 5% but less than 20% and a “low” rating denotes a probability of more than 20%.

The table below shows the analysis of age of financial assets:

2015	Neither past due nor impaired	Age analysis of financial assets that are past due but not impaired < 90 days	91 to180 days	Over 180 days	Total past due but not impaired	Impaired	Total
Accrued income	27,976,845	-	-	-	-	-	27,976,845
AFS financial assets							
Government debt securities	2,370,200,868	-	-	-	-	-	2,370,200,868
Loans and receivables		-	-	-	-	-	-
Mortgage loans	4,883,115	-	-	-	-	-	4,883,115
Guaranteed loans	4,398,750	-	-	-	-	-	4,398,750
Intercompany accounts receivable	39,014	-	-	-	-	-	39,014
Miscellaneous receivables	4,936,652	652,510	36,303	1,061,905	1,750,718	-	6,687,370
Insurance receivables						-	-
Due from brokers	284,345,882	59,513,350	56,904,479	21,683,565	138,101,394	11,340,770	433,788,046
Due from ceding companies	224,384,944	102,497,808	22,680,334	8,621,175	133,799,317	3,419,420	361,603,681
Premiums receivable	-	25,937,710	3,403,481	6,844,251	36,185,442	823,270	37,008,712
Due from agents	3,931,474	11,546,854	612,596	2,616,268	14,775,718	929,155	19,636,347
Reinsurance recoverable on paid losses	26,397	56,816	686,425	3,214,491	3,957,732	-	3,984,129
Cash and cash equivalents, excluding cash on hand	459,700,394	-	-	-	-	-	459,700,394
	3,384,824,335	200,205,048	84,323,618	44,041,655	328,570,321	16,512,615	3,729,907,271

2014	Neither past due nor impaired	Age analysis of financial assets that are past due but not impaired < 90 days	91 to180 days	Over 180 days	Total past due but not impaired	Impaired	Total
Accrued income	21,934,590	-	-	-	-	-	21,934,590
AFS financial assets							
Government debt securities	1,449,692,719	-	-	-	-	-	1,449,692,719
Loans and receivables							
Mortgage loans	6,000,168	-	-	-	-	-	6,000,168
Guaranteed loans	6,491,900	-	-	-	-	-	6,491,900
Intercompany accounts receivable	1,893,915	2,563,734	11,763,809	-	14,327,543	-	16,221,458
Miscellaneous receivables	5,571,847	1,114,195	-	1,640,805	2,755,000	-	8,326,847
Insurance receivables							
Due from brokers	141,377,671	51,776,223	17,685,370	4,230,968	73,692,561	4,728,860	219,799,092
Due from ceding companies	127,621,642	81,222,620	39,426,355	4,820,810	125,469,785	3,594,173	256,685,600
Premiums receivable		18,631,670	7,428,077	751,046	26,810,793	536,974	27,347,767
Due from agents	3,402,737	5,880,279	369,873	259,672	6,509,824	238,914	10,151,475
Reinsurance recoverable on paid losses	-	9,108,792	1,341,790	1,380,689	11,831,271	7,106,228	18,937,499
Cash and cash equivalents, excluding cash on hand	928,657,084	-	-	-	-	-	928,657,084
	2,692,644,273	170,297,513	78,015,274	13,083,990	261,396,777	16,205,149	2,970,246,199

The Company did not have any significant concentration of credit risk with a single counterparty or group of counterparties, geographical and industry segments as at December 31, 2015 and 2014.

(c.2) 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. The major liquidity risk confronting the Company is the day-to-day cash requirements for claims arising from insurance contracts. This risk is addressed by an effective cash management function and ensuring that liquidity is a major consideration for selecting long-term investment securities.

A daily cash position report is prepared and reviewed by management based on daily bank balances. The report takes into account projections for settlement of major claims and other liabilities based on the input provided by the different departments executing the transactions. The Company also ensures cash calls are sent promptly to reinsurers. A twelve month rolling cash flow forecast is prepared monthly to project major cash requirements and its impact to the Company's cash position on an ongoing basis.

The table below summarizes the maturity profile of the financial liabilities of the Company as at December 31, 2015 and 2014 based on the remaining period at the reporting date to their contractual maturities and are also presented based on contractual undiscounted repayment obligations.

2015	Within a year	2-3 years	4-5 years	Total
Insurance payables	1,713,256,238	-	-	1,713,256,238
Trade and other liabilities				
Accrued expenses (except taxes and provisions)	138,157,726	-	-	138,157,726
Intercompany payables	2,023,970	-	-	2,023,970
Other liabilities	3,455,497	-	-	3,455,497
Total financial liabilities	1,856,893,431	-	-	1,856,893,431

2014	Within a year	2-3 years	4-5 years	Total
Insurance payables	1,081,174,729	-	-	1,081,174,729
Trade and other liabilities				
Accrued expenses (except taxes and provisions)	118,701,423	-	-	118,701,423
Intercompany payables	5,328,493	-	-	5,328,493
Other liabilities	11,500,569	-	-	11,500,569
Total financial liabilities	1,216,705,214	-	-	1,216,705,214

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 amounts and maturities in respect of insurance liabilities are thus based on management's best estimate using information that develops during the course of the loss adjustment process.

The Company's financial assets which are primarily held to manage insurance contract liabilities are sufficient to finance operations, pay financial liabilities and to mitigate the effects of fluctuations in cash flows.

(c.3) Market risk

Market risk is the risk of change in value of financial instruments from fluctuations in foreign exchange rates (currency risk), market interest rates (interest rate risk) and market equity 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.

The market risk the Company accepts is limited by regulatory restrictions imposed by the Insurance Code by allowing only certain types of investments. Liquidity and security are primary decision criteria for investing while at the same time limiting its investments in Philippine Peso and US Dollar to minimize and efficiently manage currency risk. An effective asset-liability matching process is currently in place.

(c.3.1) Currency risk

The Company's principal transactions are carried out in Philippine Peso and its exposure to foreign exchange risk arise primarily with respect to the US Dollar, as the Company deals with foreign reinsurers in the settlement of its obligations and receipt of any claim reimbursements. The Company's financial assets are denominated in the same currencies as its insurance liabilities, which mitigate the foreign currency exchange rate risk. Thus, the main foreign exchange risk arises from recognized assets and liabilities denominated in currencies other than those in which insurance liabilities are expected to be settled.

The table below summarizes the Company's main exposure to foreign currency exchange risks as at December 31:

	2015		2014	
	US$	PHP	US$	PHP
Financial assets				
Insurance receivables	5,923,002	278,094,627	780,252	34,792,085
Cash and cash equivalents	7,396,786	346,599,772	9,911,200	443,930,839
AFS financial assets	-	-	1,018,750	45,630,655
	13,319,788	624,694,399	11,710,202	524,353,579
Financial liabilities				
Accrued expenses	799,688	37,471,885	1,368,918	61,314,973
Insurance payables	8,925,216	416,342,155	2,417,940	108,428,815
	9,724,904	453,814,040	3,786,858	169,743,788
	3,594,884	170,880,359	7,923,344	354,609,791

The analysis below is performed for reasonable possible movements in key variables with all other variables held constant, showing the impact on profit after tax (due to changes in fair value of currency sensitive monetary assets and liabilities) and equity (that reflects adjustments to profit after tax and due to changes in fair value of dollar denominated equity securities). The fluctuation rate of +/- P1 in 2015 (2014 - +/-P.5) is based on the historical movement of US Dollar year on year.

The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

2015	Increase (Decrease) in Peso per US$ Depreciation (Appreciation)	Impact on Equity	Impact on Profit After Tax
Insurance receivables	+ P 1	4,146,101	4,146,101
Cash and cash equivalents	+ P 1	5,177,750	5,177,750
Insurance payable	+ P 1	(6,247,651)	(6,247,651)
Accrued expenses	+ P 1	(559,781)	(559,781)
Insurance receivables	- P 1	(4,146,101)	(4,146,101)
Cash and cash equivalents	- P 1	(5,177,750)	(5,177,750)
Insurance payable	- P 1	6,247,651	6,247,651
Accrued expenses	- P 1	559,781	559,781

2014	Increase (Decrease) in Peso per US$ Depreciation (Appreciation)	Impact on Equity	Impact on Profit After Tax
AFS debt securities	+ P .50	356,562	356,562
Insurance receivables	+ P .50	273,088	273,088
Cash and cash equivalents	+ P .50	3,468,920	3,468,920
Insurance payable	+ P .50	(846,279)	(846,279)
Accrued expenses	+ P .50	(479,121)	(479,121)
AFS debt securities	- P .50	(356,562)	(356,562)
Insurance receivables	- P .50	(273,088)	(273,088)
Cash and cash equivalents	- P .50	(3,468,920)	(3,468,920)
Insurance payable	- P .50	846,279	846,279
Accrued expenses	- P .50	479,121	479,121

(c.3.2) Interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in interest rates. The Company's AFS debt securities bear fixed interest rates and therefore the Company is exposed to fair value interest rate risk but not to cash flow interest rate risk.

The following table shows information relating to the Company's exposure to fair value interest rate risk as at December 31:

		Maturity			
2015	Interest Rates	Within a year	2-3 years	4-5 years	Total
AFS debt securities	1.625% - 9.25%	665,297,988	1,704,902,880	-	2,370,200,868

		Maturity			
2014	Interest Rates	Within a year	2-3 years	4-5 years	Total
AFS debt securities	1.625% - 9.25%	296,893,187	804,566,018	348,233,514	1,449,692,719

The analysis below is performed for reasonable possible movements in key variables with all other variables held constant, showing the impact on revaluing fixed rate AFS financial assets. The correlation of variables will have a significant effect in determining the ultimate impact on interest rate risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear. The fluctuation rate of +/-100 basis points is based on the most reasonable shift in interest rates.

2015	Change in Variables	Impact on Equity
Peso	+100 basis points	(12,666,572)
USD	+100 basis points	-
Peso	-100 basis points	13,001,889
USD	-100 basis points	-

2014	Change in Variables	Impact on Equity
Peso	+100 basis points	(22,299,723)
USD	+100 basis points	(96,463)
Peso	-100 basis points	22,967,597
USD	-100 basis points	-

(c.3.3) Equity price risk

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

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

The Company's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investment, diversification plan and limits on investments. The analysis below is performed for reasonable possible movements in key variables with all other variables held constant, showing the impact on equity. The fluctuation rates used are based on the historical movements of the Philippine Stock Exchange index (PSEi) and the New York Stock Exchange index (NYSEi) year on year. The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

2015	Change in Variables	Impact on Equity
PSEi	14.30%	40,541,640
PSEi	-14.30%	(40,541,640)

2014	Change in Variables	Impact on Equity
PSEi	11.93%	27,760,385
PSEi	-11.93%	(27,760,385)

(d) Fair value of financial instruments

The following table sets forth the carrying values and estimated fair values of financial assets and liabilities recognized as at December 31:

	2015		2014	
	Carrying value	Fair value	Carrying value	Fair value
Accrued income	27,976,845	27,976,845	21,934,590	21,934,590
AFS financial assets				
Government debt securities	2,370,200,868	2,370,200,868	1,449,692,719	1,449,692,719
Listed equity securities	283,421,276	283,421,276	232,629,204	232,629,204
Proprietary shares	53,995,698	53,995,698	51,915,698	51,915,698
	2,707,617,842	2,707,617,842	1,734,237,621	1,734,237,621
Loans and receivables				
Mortgage loans	4,883,115	4,883,115	6,000,168	6,000,168
Guaranteed loans	4,398,750	4,398,750	6,491,900	6,491,900
Intercompany accounts receivable	39,014	39,014	16,221,458	16,221,458
Miscellaneous receivables	6,687,370	6,687,370	8,326,847	8,326,847
	16,008,249	16,008,249	37,040,373	37,040,373
Insurance receivables, net				
Due from brokers	422,447,276	422,447,276	215,070,232	215,070,232
Due from ceding companies	358,184,261	358,184,261	253,091,427	253,091,427
Premiums receivable	36,185,442	36,185,442	26,810,793	26,810,793
Due from agents	18,707,192	18,707,192	9,912,561	9,912,561
Reinsurance recoverable on paid losses	3,984,129	3,984,129	11,831,271	11,831,271
	839,508,300	839,508,300	516,716,284	516,716,284
Cash and cash equivalents	459,700,394	459,700,394	928,876,321	928,876,321
Total financial assets	4,050,811,630	4,050,811,630	3,238,805,189	3,238,805,189
Other financial liabilities				
Insurance payables	1,713,256,238	1,713,256,238	1,081,174,729	1,081,174,729
Trade and other liabilities	143,637,193	143,637,193	135,530,485	135,530,485
Total other financial liabilities	1,856,893,431	1,856,893,431	1,216,705,214	1,216,705,214

Due to the short-term nature of cash and cash equivalents, insurance receivables, loans and receivables, accrued income, trade and other liabilities and insurance payables, their carrying values reasonably approximate fair values at year end.

6. Capital risk management

The Company maintains a certain level of capital to ensure compliance to statute and to adequately protect the policyholders. The level of capital maintained is usually higher than the minimum capital requirements set by the regulators and the amount computed under the Risk-Based Capital (“RBC”) Model.

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

The Philippine President has signed Republic Act No. 10607, the Amended Insurance Code (the "Code"), into law effective September 20, 2013. Among the more significant provisions of the Code include the requirement for domestic insurance companies to maintain a minimum statutory net worth of P250 million by June 30, 2013; P550 million by December 31, 2016; P900 million by December 31, 2019; and P1.3 billion by December 31, 2022.

The Company is compliant with the minimum statutory net worth as at December 31, 2015 and 2014.

Currently, management benchmarks its target capital level to the regulatory minimum, providing allowance for potential catastrophe losses, modest expansion and fluctuations in values of assets. The risk management function identifies the areas at its operations where capital can be substantially exposed. These are effectively addressed by the Company's underwriting, reinsurance and credit policies. It is the policy of the Company to distribute capital in excess of its target level to its shareholders by way of cash dividend out of its retained earnings.

Management monitors its target capital level on a quarterly basis. Management is required by internal governance standards to report any situation that may lead to a breach of minimum required capital levels to the Audit Committee and to the BOD to address any corrective action required to preserve the capital level.

No changes were made on the Company's objectives, policies and processes from the previous years.

Margin of solvency requirements

The Code grants the Insurance Commissioner the power to prescribe solvency requirements based on internationally accepted solvency frameworks. Since the Insurance Commissioner has not prescribed new solvency requirements as yet, the margin of solvency requirements of the previous insurance code was followed. The previous code states that a non-life insurance company doing business in the Philippines shall maintain at all times MOS equal to P500,000 or 10% of the total amount of its net premiums written during the preceding year, whichever is higher. The MOS shall be the excess of the value of its admitted assets (as defined under the previous code), exclusive of its security deposits over the amount of its liabilities, reserve for unearned premiums and reinsurance reserves in the Philippines.

As at December 31, 2015 and 2014 the Company is compliant with the margin of solvency requirement.

Risk-based capital framework

The IC is expected to issue a revised RBC framework following the international standards in accordance with the amended Insurance Code. While the revised RBC framework is still under study and evaluation by the IC, the Company calculated its RBC ratio following the Insurance Commission Memorandum Circular No. 7-2006.

Insurance Commission Memorandum Circular No. 7-2006 provides for the risk-based capital framework for the insurance industry to establish the required amounts of capital to be maintained by the companies in relation to their investment and insurance risks. Every 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 the corresponding regulatory intervention which has been defined at various levels.

The RBC ratio shall be calculated as net worth divided by the RBC requirement. Net worth shall include the Company's paid-up capital, contributed and contingency surplus and unassigned surplus. Revaluation and fluctuation reserve accounts shall form part of net worth only to the extent authorized by the IC.

The Company calculates the RBC ratio based on the requirements of the previously issued Circular. As at December 31, 2015 and 2014, the Company is compliant with the required RBC ratio.

7. Fair value estimation

The fair value of financial instruments under AFS that are actively traded in organized financial markets is determined by reference to quoted market prices, at the close of business on the reporting date. For unquoted equity instruments, reference is made to the prior year's pricing which is assumed to be a reasonable approximation of fair value given the limited transactions and circumstances of the instruments. Unquoted equity instruments pertain to a portion of the Company's proprietary shares.

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the input used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Fair value measurements that are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as at the reporting date. Market price data is generally obtained from exchange or dealer markets. The Company does not adjust the quoted price for such instruments. Assets measured at fair value on a recurring basis and classified as Level 1 are actively traded listed equities. The Company considers that government debt securities issued by G7 countries (United States, Canada, France, Germany, Italy, Japan, and the United Kingdom) and traded in a dealer market to be Level 1, until they no longer trade with sufficient frequency and volume to be considered actively traded.

- Level 2: Fair value measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs other than quoted prices that are observable for the asset and liability, such as interest rates and yield curves that are observable at commonly quoted intervals. Assets and liabilities measured at fair value on a recurring basis and classified as Level 2 generally include government securities issued by non-G7 countries, most investment grade corporate bonds, derivative contracts, and proprietary shares. Mortgage and guaranteed loans, with fair values disclosed, are also classified as Level 2.

- Level 3: Fair value measurements based on valuation techniques that use significant inputs that are unobservable. Unobservable inputs are only used to measure fair value to the extent that relevant observable inputs are not available, allowing for circumstances in which there is little, if any, market activity for the asset or liability. Assets and liabilities measured at fair value on a recurring basis and classified as Level 3 include private equity investments, and direct private equity investments.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment. In making the assessment, the Company considers factors specific to the asset or liability.

The following table presents the fair value hierarchy of the Company's financial assets measured at fair value and assets for which fair values are disclosed at December 31 following the fair value hierarchy definition as described above.

December 31, 2015	Level 1	Level 2	Total
Recurring measurements			
AFS financial assets			
Government debt securities	-	2,370,200,868	2,370,200,868
Listed equity securities	283,421,276	-	283,421,276
Proprietary shares	-	53,995,698	53,995,698
	283,421,276	2,424,196,566	2,707,617,842
Fair values disclosed			
Loans and receivables			
Mortgage loans	-	4,883,115	4,883,115
Guaranteed loans	-	4,398,750	4,398,750
	-	9,281,865	9,281,865
	283,421,276	2,433,478,431	2,716,899,707

December 31, 2014	Level 1	Level 2	Total
Recurring measurements			
AFS financial assets			
Government debt securities	-	1,449,692,719	1,449,692,719
Listed equity securities	232,629,204	-	232,629,204
Proprietary shares	-	51,915,698	51,915,698
	232,629,204	1,501,608,417	1,734,237,621
Fair values disclosed			
Loans and receivables			
Mortgage loans	-	6,000,168	6,000,168
Guaranteed loans	-	6,491,900	6,491,900
	-	12,492,068	12,492,068
	232,629,204	1,514,100,485	1,746,729,689

There are no financial instruments classified as Level 3. There were no transfers between Level 1 and Level 2 during the year.

The carrying values of the other financial assets and liabilities reasonably approximate their fair values due to their short-term nature.

8. Net earned insurance premiums

Gross earned premiums on insurance contracts and reinsurers' share of gross earned premiums on insurance contracts for the years ended December 31 consist of the following:

	2015	2014
Gross premiums on insurance contracts		
Direct insurance	2,087,371,449	1,679,785,614
Assumed reinsurance	842,430,750	668,095,684
Gross change in provision for unearned premiums	(118,560,188)	30,892,289
Total gross earned premiums on insurance contacts	2,811,242,011	2,378,773,587
Reinsurers' share of gross earned premiums on insurance contracts		
Direct insurance	1,776,022,362	1,263,222,367
Assumed reinsurance	717,141,745	665,134,441
Reinsurers' share of gross change in deferred reinsurance premiums	(134,330,557)	13,016,691
Total reinsurers' share of gross earned premiums on insurance contracts	2,358,833,550	1,941,373,499
Net earned insurance premiums	452,408,461	437,400,088

9. Investment income

The account for the years ended December 31 consists of the following:

	Notes	2015	2014
Interest income on:			
AFS financial assets			
Government securities		94,134,012	85,347,870
Amortization of premium	17	(30,152,894)	(31,772,438)
Cash and cash equivalents	20	6,430,866	7,388,520
Loans and receivables			
Mortgage loans		374,830	543,464
Collateral loans		431,460	820,653
Other investments		-	1,637,507
Dividend income		4,592,142	5,342,860
		75,810,416	69,308,436

10. Other income

Other income for the years ended December 31 consists of the following:

	2015	2014
Fee income	35,949,390	49,609,130
Others	3,006,143	1,020,624
	38,955,533	50,629,754

Fee income pertains to fees for claims handling services, engineering services and other management services rendered to various third parties and entities under common control.

Others include gain on sale of various fixed assets and rent income.

11. Net insurance benefits and claims

Gross insurance contract benefits and claims paid for the years ended December 31 consist of the following:

	2015	2014
Insurance contract benefits and claims paid		
Direct insurance	411,552,217	580,561,551
Assumed reinsurance	314,059,179	239,205,475
Total insurance contract benefits and claims paid	725,611,396	819,767,026

Reinsurers' share of gross insurance contract benefits and claims paid for the years ended December 31 consist of the following:

	2015	2014
Reinsurers' share of insurance contract benefits and claims paid		
Direct insurance	327,305,200	415,034,804
Assumed reinsurance	306,881,539	234,445,536
Total reinsurers' share of insurance contract benefits and claims paid	634,186,739	649,480,340

Gross change in insurance contract liabilities as at December 31 follows:

	2015	2014
Change in provision for claims reported		
Direct insurance	(269,506,191)	(111,408,056)
Assumed reinsurance	(252,288,313)	(224,207,435)
Change in provision for IBNR	131,040,159	(16,522,471)
Total gross change in insurance contract liabilities	(390,754,345)	(352,137,962)

Reinsurers' share of gross change in insurance contract liabilities as at December 31 follows:

	2015	2014
Reinsurers' share of gross change in outstanding claims provisions		
Direct insurance	267,702,805	73,089,729
Assumed reinsurance	256,973,869	219,804,814
Reinsurers' share of change in provision for IBNR	(124,100,929)	6,673,220
Total reinsurers' share of change in insurance contract liabilities	400,575,745	299,567,763

12. Operating expenses

Operating expenses for the years ended December 31 consist of:

	Notes	2015	2014
Electronic data processing expenses		151,157,757	89,403,746
Salaries and employee benefits	22	149,887,368	225,789,262
Allocated Parent Company expenses	28	138,770,456	132,307,100
Professional and other service fees		96,807,858	77,256,636
Sales and marketing		72,451,484	59,839,596
Rent	27	23,613,084	24,276,844
Fines and penalties		9,822,383	-
Communications, light and water		8,255,884	7,403,821
Transportation and travel		7,599,830	6,480,424
Depreciation and amortization	14	7,055,907	6,669,143
Repairs and maintenance		3,626,021	4,118,698
Office supplies and printing costs		3,270,543	3,090,175
Entertainment, amusement and representation		3,136,470	2,196,352
Others		551,635	259,281
		676,006,680	639,091,078

Professional and other fees include audit and legal fees.

13. Income tax

The details of provision for income tax for the years ended December 31 follow:

	2015	2014
Final tax	20,575,016	21,466,197
MCIT	-	11,182,675
Regular corporate income tax	47,715,437	-
Deferred	(30,324,363)	(7,051,914)
	37,966,090	25,596,958

The reconciliation of net income under PFRS to statutory net income for the years ended December 31 follows:

	2015	2014
PFRS net income	150,100,538	66,512,160
Add (deduct):		
Deferred acquisition costs, net	93,379,140	14,378,785
Difference in change in provision for unearned premiums, net	(902,935)	15,756,933
Change in IBNR	6,939,229	(9,849,252)
Others	8,605,282	(2,270,082)
Tax effect of PFRS differences	(30,324,364)	(7,051,914)
Statutory net income	227,796,890	77,476,630

The reconciliation of statutory income tax rates to effective income tax rates as at December 31 is as follows:

	2015	2014
Statutory income tax rates	30.00	30.00
Tax effects of:		
Non-deductible expense	5.00	10.60
Non-taxable income	(0.54)	(1.74)
Income already subjected to final tax	(3.94)	(18.96)
Change in unrecognized NOLCO	(10.33)	(4.25)
MCIT during the year	-	12.14
Effective income tax rates	20.19	27.79

The Company's net deferred income tax assets (liabilities) as at December 31 consist of:

	2015	2014
Deferred income tax assets on:		
Deferred reinsurance commissions	77,388,422	48,278,939
IBNR	20,864,803	18,783,035
Accrued expenses	14,044,333	18,002,134
Excess of deferred reinsurance premiums per books over tax basis	76,824,274	78,257,082
Revaluation reserve on AFS financial assets	1,868,199	-
Reserve for discretionary bonus	5,715,768	4,171,313
Reserve for contingent profit commission	3,534,005	3,302,876
Allowance for impairment - premiums receivable	4,953,785	2,729,676
Retirement benefit obligation	-	2,691,487
Total deferred income tax assets	205,193,589	176,216,542
Deferred income tax liabilities on:		
Excess of provision for unearned premiums per tax over books	87,729,990	88,891,917
Retirement benefit asset	373,402	-
Deferred acquisition costs	20,689,252	19,593,512
Revaluation reserve on AFS financial assets	-	4,098,692
Unrealized foreign exchange gain	-	357,475
Total deferred income liabilities	108,792,644	112,941,596
Net deferred income tax assets	96,400,945	63,274,946

Movements in net deferred income tax assets (liabilities) follow:

	2015	2014
At January 1	63,274,946	61,016,787
Amounts credited to statement of income	30,324,363	7,051,914
Amounts credited to (charged against) other comprehensive income	2,801,636	(4,793,755)
At December 31	96,400,945	63,274,946

The analysis of the recoverability of deferred income tax assets and liabilities is as follows:

	2015	2014
Deferred income tax assets		
Amount expected to be recovered within 12 months	124,856,100	158,199,869
Amount expected to be recovered after 12 months	3,513,215	18,016,673
	128,369,315	176,216,542
Deferred income tax liabilities		
Amount expected to be settled within 12 months	31,594,967	108,842,904
Amount expected to be settled after 12 months	373,403	4,098,692
	31,968,370	112,941,596

The Company did not recognize deferred income tax assets as at December 31, 2014 of P19.4 million in respect of the Company's NOLCO. The amount was fully utilized at December 31, 2015. Details of the Company's NOLCO follow:

Year Incurred	Year of Expiry	2015	2014
2012	2015	64,762,751	213,492,999
2011	2014	-	96,982,827
		64,762,751	310,475,826
Applied NOLCO		(64,762,751)	(245,713,075)
		-	64,762,751
Tax rate		30%	30%
Unrecognized deferred income tax asset		-	19,428,825

In compliance with the Tax Reform Act of 1997, the Company shall pay the MCIT or the normal income tax, whichever is greater. Any excess of the MCIT over the normal income tax shall be carried forward annually and credited against the normal income tax for the next three succeeding taxable years.

The details of the Company's MCIT which was not recognized in the financial statements due to the Company's limited capacity to take advantage of the benefit are as follows:

Year of Payment	Year of Expiry	2015	2014
2014	2017	11,182,675	11,182,675
2013	2016	17,051,034	17,051,034
2012	2015	-	10,878,307
Unrecognized deferred income tax assets		28,233,709	39,112,016

14. Property and equipment, net

The roll-forward analysis of the account for the years ended December 31 follows:

2015	EDP Equipment	Furniture and Fixtures	Leasehold Improvement	Transport Equipment	Total
Cost					
January 1	68,884,931	14,247,236	17,783,758	4,434,625	105,350,550
Additions	887,988	90,625	-	-	978,613
Retirement	-	(289,437)	-	-	(289,437)
	69,772,919	14,048,424	17,783,758	4,434,625	106,039,726
Accumulated depreciation and amortization					
January 1	56,744,011	14,242,326	14,852,983	1,721,630	87,560,950
Depreciation and amortization	4,922,761	21,717	1,224,504	886,925	7,055,907
Retirement	-	(289,402)	-	-	(289,402)
	61,666,772	13,974,641	16,077,487	2,608,555	94,327,455
Net book value	8,106,147	73,783	1,706,271	1,826,070	11,712,271

2014	EDP Equipment	Furniture and Fixtures	Leasehold Improvement	Transport Equipment	Total
Cost					
January 1	63,468,034	18,007,667	17,710,997	4,434,625	103,621,323
Additions	5,416,897	-	72,761	-	5,489,658
Disposals	-	(3,760,431)	-	-	(3,760,431)
	68,884,931	14,247,236	17,783,758	4,434,625	105,350,550
Accumulated depreciation and amortization					
January 1	51,961,266	17,990,068	13,866,199	834,705	84,652,238
Depreciation and amortization	4,782,745	12,689	986,784	886,925	6,669,143
Disposals	-	(3,760,431)	-	-	(3,760,431)
	56,744,011	14,242,326	14,852,983	1,721,630	87,560,950
Net book value	12,140,920	4,910	2,930,775	2,712,995	17,789,600

Depreciation and amortization as at December 31, 2015 are included under operating expenses in the statement of total comprehensive income.

15. Reinsurance assets

Details of the account at December 31 follow:

	Notes	2015	2014
Reinsurance recoverable on unpaid losses	23	1,140,634,930	1,541,210,675
Deferred reinsurance premiums	23	777,906,744	643,576,187
		1,918,541,674	2,184,786,862

All reinsurance assets are expected to be settled within one year.

16. Deferred acquisition costs

The roll-forward analysis of deferred acquisition costs for the years ended December 31 follows:

	2015	2014
At January 1	65,311,706	77,715,922
Cost deferred during the year	226,609,278	206,631,258
Amortization charge for the year	(222,956,811)	(219,035,474)
At December 31	68,964,173	65,311,706

Deferred acquisition costs are to be amortized within one year from reporting date.

17. Available-for-sale financial assets; Loans and receivables

(a) AFS financial assets

	2015	2014
Government debt securities		
Local currency	2,370,200,868	1,404,062,064
Foreign currency	-	45,630,655
Equity securities		
Listed shares	283,421,276	232,629,204
Proprietary shares	53,995,698	51,915,698
	2,707,617,842	1,734,237,621

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

	2015	2014
At January 1	1,734,237,621	1,599,500,937
Additions	1,551,405,555	1,181,358,018
Disposals/maturities	(479,661,670)	(1,013,366,684)
Amortization of premium	(30,152,894)	(31,772,438)
Foreign exchange gain	-	329,154
Fair value change recycled to profit or loss	(70,290,770)	(10,911,366)
Fair value change in other comprehensive income	2,080,000	9,100,000
At December 31	2,707,617,842	1,734,237,621

The unrealized loss in respect of AFS financial assets charged against equity as at December 31, 2015 amounts to P62.2 million (2014 – P0.7 million), net of tax effects of P6.0 million (2014 - P1.1 million).

Proceeds from disposals and maturities of AFS financial assets amount to P502.8 million for the year ended December 31, 2015 (2014 - P1,081.7 million).

The maturity profile of the Company's government debt securities are as follows:

	2015	2014
Due within one year	665,297,988	296,893,187
2-3 years	1,704,902,880	804,566,018
4-5 years	-	348,233,514
At December 31	2,370,200,868	1,449,692,719

18. Loans and receivables

The account at December 31 consists of:

	Note	2015	2014
Mortgage loans		4,883,115	6,000,168
Guaranteed loans		4,398,750	6,491,900
Intercompany accounts receivable	28	39,014	16,221,458
Miscellaneous receivables		6,687,370	8,326,847
		16,008,249	37,040,373

Miscellaneous receivables include emergency loan program and salary advances.

The maturity profile of loans and receivables at December 31 is as follows:

	2015	2014
Due within one year	9,516,847	27,946,586
2-3 years	740,687	4,693,514
4-5 years	2,770,390	2,129,409
Over 5 years	2,980,325	2,270,864
	16,008,249	37,040,373

Mortgage and guaranteed loans earn interest in 2015 ranging from 7% to 14% per annum (2014 - 7% to 14%) and with maturities ranging from 1 to 20 years (2014 - 1 to 20 years).

19. Insurance receivables, net

The account at December 31 consists of:

	2015	2014
Due from brokers	433,788,046	219,799,092
Due from ceding companies	361,603,681	256,685,600
Premiums receivable	37,008,712	27,347,767
Due from agents	19,636,347	10,151,475
Reinsurance recoverable on paid losses	3,984,129	18,937,499
	856,020,915	532,921,433
Allowance for impairment	(16,512,617)	(16,205,149)
	839,508,298	516,716,284

The following table shows the aging information of insurance receivables:

2015	<30 days	30 to 60 days	60 to 120 days	120 to 180 days	> 180 days	Total
Due from brokers	34,021,690	222,368,642	55,242,312	33,032,459	89,122,943	433,788,046
Due from ceding companies	93,044,564	55,044,220	76,296,160	74,501,380	62,717,357	361,603,681
Premiums receivable	18,714,083	4,279,441	4,660,488	1,735,907	7,618,793	37,008,712
Due from agents	3,501,389	5,323,190	6,336,231	1,448,025	3,027,512	19,636,347
Reinsurance recoverable on paid losses	277,666	18,243	152,519	56,816	3,478,885	3,984,129
	149,559,392	157,627,135	142,687,710	110,774,587	295,372,091	856,020,915

2014	<30 days	30 to 60 days	60 to 120 days	120 to 180 days	> 180 days	Total
Due from brokers	11,827,329	103,359,490	56,930,423	20,880,033	26,801,817	219,799,092
Due from ceding companies	49,353,179	37,331,011	40,937,452	76,171,862	52,892,096	256,685,600
Premiums receivable	11,361,238	6,852,222	7,680,945	189,224	1,264,138	27,347,767
Due from agents	2,974,510	1,882,781	4,517,827	776,357	-	10,151,475
Reinsurance recoverable on paid losses	391,654	4,992,682	3,769,883	1,607,851	8,175,429	18,937,499
	75,907,910	154,418,186	113,836,530	99,625,327	89,133,480	532,921,433

All insurance receivables are due within one year.

Movements in allowance for impairment as at December 31 follow:

	2015	2014
At January 1	16,205,149	18,149,797
Write-off of allowance for impairment	(7,106,229)	-
Provision for (reversal of) impairment loss	7,413,697	(1,944,648)
At December 31	16,512,617	16,205,149

20. Cash and cash equivalents

The account at December 31 consists of:

	2015	2014
Cash on hand and in banks	129,869,000	132,735,760
Short-term deposits	329,831,394	796,140,561
	459,700,394	928,876,321

The cash in banks and short-term deposits have annual interest rates in 2015 ranging from 0.71% to 1.462% (2014 - 0.63% to 1.08%). Short term deposits are made for varying periods not exceeding three months depending on the immediate cash requirements of the Company.

Interest income earned from cash in banks and short-term deposits for the year ended December 31, 2015 amounts to P6.4 million (2014 - P7.4 million) (Note 9).

21. Share capital

The Company's share capital as at December 31 consists of:

	2015		2014	
	Shares	Amount	Shares	Amount
Common shares - P100 par value				
Authorized	13,000,000	1,300,000,000	13,000,000	1,300,000,000
Issued and outstanding				
At beginning of the year	9,358,524	935,852,400	9,358,524	935,852,400
Issuances during the year	-	-	-	-
At end of the year	9,358,524	935,852,400	9,358,524	935,852,400

Details of and movements in Accumulated other comprehensive income for the years ended December 31 follow:

	Notes	2015	2014
Fair value reserve on available-for-sale financial assets	17		
At January 1		107,551,633	108,272,863
Change in fair value before tax		(68,210,770)	(1,811,366)
Deferred income tax effect		5,966,891	1,090,136
At December 31		45,307,754	107,551,633
Remeasurement on defined benefit plan	22		
At January 1		(34,862,047)	(48,591,127)
Remeasurement gains for the year		10,550,850	19,612,971
Deferred income tax effect		(3,165,255)	(5,883,891)
At December 31		(27,476,452)	(34,862,047)
		17,831,302	72,689,586

22. Employee benefits

The amounts recognized in the financial statements related to post-employment benefits are as follows:

	2015	2014
Retirement benefit (asset) obligation	(5,068,388)	3,754,153
Provisions for other post-employment benefits	11,103,286	42,428,856
	6,034,898	46,183,009

	2015	2014
(Credit) charge to profit or loss for:		
Retirement benefit obligation	9,279,767	10,356,420
(Reversal of provision) provision for other post-employment benefits	(29,634,556)	4,655,789
	(20,354,789)	15,012,209

	2015	2014
Remeasurement gains for:		
Retirement benefit obligation	(7,799,826)	(6,266,072)
Provisions for other post-employment benefits	(1,448,542)	(13,346,899)
	(9,248,368)	(19,612,971)

(a) Defined benefit retirement plans

The Company operates a defined benefit retirement plan, covering substantially all of its employees, which requires contributions to be made to an administered fund. The plan is administered by a local bank as trustee. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. Plan assets held in trusts are governed by local regulations.

The amounts recognized in the statement of financial position are determined as follows:

	2015	2014
Present value of funded obligations	95,405,152	96,001,384
Fair value of plan assets	100,473,540	92,247,231
(Asset) liability in the statement of financial position	(5,068,388)	3,754,153

The movement in the retirement benefit obligation and plan assets for the years ended December 31 are as follows:

	Present value of obligation	Fair value of plan assets	Total
At January 1, 2015	96,001,384	(92,247,231)	3,754,153
Current service cost	9,311,270	-	9,311,270
Interest expense (income)	3,995,458	(4,026,961)	(31,503)
	13,306,728	(4,026,961)	9,279,767
Remeasurements:			
Return on plan assets, excluding amounts included in interest expense (income)	-	327,142	327,142
Gain from change in financial assumptions	(2,359,427)	-	(2,359,427)
Experience losses	(5,767,541)	-	(5,767,541)
	(8,126,968)	327,142	(7,799,826)
Contributions of the Company	-	(9,000,000)	(9,000,000)
Decrease due to effect of redundancy	(1,302,482)	-	(1,302,482)
Benefit payments from plan	(4,473,510)	4,473,510	-
At December 31, 2015	95,405,152	(100,473,540)	(5,068,388)

	Present value of obligation	Fair value of plan assets	Total
At January 1, 2014	114,935,851	(105,272,046)	9,663,805
Current service cost	10,207,692	-	10,207,692
Interest expense (income)	3,826,464	(3,677,736)	148,728
	14,034,156	(3,677,736)	10,356,420
Remeasurements:			
Return on plan assets, excluding amounts included in interest expense	-	(2,136,926)	(2,136,926)
Gain from change in financial assumptions	(8,088,091)	-	(8,088,091)
Experience losses	3,958,945	-	3,958,945
	(4,129,146)	(2,136,926)	(6,266,072)
Contributions of the Company	-	(10,000,000)	(10,000,000)
Benefit payments from plan	(28,839,477)	28,839,477	-
At December 31, 2014	96,001,384	(92,247,231)	3,754,153

The significant actuarial assumptions for the years ended December 31 are as follows:

	2015	2014
Discount rate	4.50%	4.25%
Rate of salary increase	8.00%	8.00%

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions at December 31 follows:

	Impact on defined benefit obligation		
2015	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	Decrease by 7%	Increase by 11%
Rate of salary increase	1%	Increase by 10%	Decrease by 9%

	Impact on defined benefit obligation		
2014	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	Decrease by 10%	Increase by 11%
Rate of salary increase	1%	Increase by 11%	Decrease by 9%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement liability recognized within the statement of financial position.

There are no changes from the prior year in the methods and assumptions used in preparing the sensitivity analyses.

Plan assets comprised the following:

	2015		2014	
	Amount	%	Amount	%
Quoted				
Equity securities	17,453,928	17	24,240,028	26
Debt instruments	51,667,186	52	63,265,929	69
Unquoted				
Cash and cash equivalents	31,352,426	31	4,741,274	5
	100,473,540	100	92,247,231	100

The plan is being administered by a trustee-bank who is authorized to invest and manage the fund as it deems proper. The Company's transactions with the retirement fund for the years ended December 31, 2015 and 2014 are limited to contributions. The fair value of the plan assets approximates their carrying value as at December 31, 2015 and 2014.

The defined benefit plan typically exposes the Company to a number of risks such as investment risk, interest rate risk and salary risk. The most significant of which relate to investment and interest rate risk. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related retirement obligation. A decrease in government bond yields will increase the defined benefit obligation although this will also be partially offset by an increase in the value of the plan's fixed income holdings. Hence, the present value of defined benefit obligation is directly affected by the discount rate to be applied by the Company. However, the Company believes that due to the long-term nature of the retirement obligation and the strength of the Company itself, the mix of debt and equity securities holdings of the plan is an appropriate element of the Company's long term strategy to manage the plan efficiently.

The Company ensures that the investment positions are managed within an asset-liability matching framework that has been developed to achieve long-term investments that are in line with the obligations under the plan. The Company's main objective is to match assets to the defined benefit obligation by investing primarily in long-term debt securities with maturities that match the benefit payments as they fall due. The asset-liability matching is being monitored on a regular basis and potential change in investment mix is being discussed with the Company, as necessary to better ensure the appropriate asset-liability matching.

The Company contributes to the plan depending on the suggested funding contribution as calculated by an independent actuary. The expected contribution for the year ending December 31, 2016 amounts to P8,214,709 (2015 - P8,990,809).

The expected maturity analysis of undiscounted retirement benefit payments as at December 31 is as follows:

	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years
2015	4,660,565	5,236,015	30,117,143	35,610,257
2014	3,981,213	4,272,928	25,284,189	44,613,800

(b) Other post-employment benefits (retirement life and medical)

The provision for other post-employment benefits is presented in trade and other liabilities (Note 26).

The movements in the post-employment benefit obligation for the years ended December 31 are as follows:

	2015	2014
At January 1	42,428,856	51,185,008
Current service cost	2,229,553	3,185,061
Past service cost	(33,760,966)	(1,204,485)
Interest expense	1,896,857	2,675,213
	(29,634,556)	4,655,789
Remeasurements:		
Loss from change in financial assumptions	(751,482)	(8,643,843)
Experience losses	(697,060)	(4,703,056)
	(1,448,542)	(13,346,899)
Benefit payments by the Company	(242,472)	(65,042)
At December 31	11,103,286	42,428,856

The significant actuarial assumptions for the years ended December 31 are as follows:

	2015	2014
Discount rate	5.00%	4.50%
Health care trend rate	12.00%	12.00%

The sensitivity of the post-employment benefit obligation to change in the weighted principal assumptions at December 31 follows:

	Impact on other post-employment benefit obligation		
2015	Change in assumption	Increase in Assumption	Decrease in Assumption
Discount rate	1%	Decrease by 13%	Increase by 16%
Health care trend rate	1%	Increase by 8%	Decrease by 7%

	Impact on other post-employment benefit obligation		
2014	Change in assumption	Increase in Assumption	Decrease in Assumption
Discount rate	1%	Decrease by 14%	Increase by 17%
Health care trend rate	1%	Increase by 24%	Decrease by 18%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the other post-employment benefits recognized within the statement of financial position.

There are no changes from the prior year in the methods and assumptions used in preparing the sensitivity analyses.

The expected maturity analysis of undiscounted other post-employment benefit payments as at December 31 are as follows:

	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years
2015	393,445	515,897	1,763,072	3,593,811
2014	552,950	859,264	2,949,191	6,152,522

(c) Staff costs and other employee related costs

	2015	2014
Wages and salaries	143,880,175	162,629,305
Social security costs	1,822,627	2,293,766
Net benefit (recovery) expense	(20,354,789)	15,012,209
Others	24,539,355	45,853,982
Total staff costs and other employee related costs	149,887,368	225,789,262

Others pertain mainly to severance pay as a result of restructuring, vacation leave credits and other post-retirement benefits.

23. Insurance contract liabilities and reinsurance assets

Short-term non-life insurance liabilities as at December 31 are analyzed as follows:

	2015			2014		
	Insurance Contract Liabilities	Reinsurers' Share of Liabilities	Net	Insurance Contract Liabilities	Reinsurers' Share of Liabilities	Net
Provision for claims reported and loss adjustment expenses	941,699,140	867,119,172	74,579,968	1,463,493,644	1,391,795,846	71,697,798
Provision for IBNR	343,065,103	273,515,758	69,549,345	212,024,944	149,414,829	62,610,115
Total claims reported and IBNR	1,284,764,243	1,140,634,930	144,129,313	1,675,518,588	1,541,210,675	134,307,913
Provision for unearned premiums	927,678,371	777,906,744	149,771,627	809,118,183	643,576,187	165,541,996
Total insurance contract liabilities	2,212,442,614	1,918,541,674	293,900,940	2,484,636,771	2,184,786,862	299,849,909

Provisions for claims reported by policyholders and IBNR are analyzed as follows:

	2015			2014		
	Insurance Contract Liabilities	Reinsurers' Share of Liabilities	Net	Insurance Contract Liabilities	Reinsurers' Share of Liabilities	Net
At January 1	1,675,518,588	1,541,210,675	134,307,913	2,027,656,550	1,840,778,438	186,878,112
Claims incurred during the year	203,816,892	109,510,065	94,306,827	484,151,535	356,585,797	127,565,738
Claims paid during the year - net of salvage and subrogation	(725,611,396)	(634,186,739)	(91,424,657)	(819,767,026)	(649,480,340)	(170,286,686)
(Decrease) increase in IBNR	131,040,159	124,100,929	6,939,230	(16,522,471)	(6,673,220)	(9,849,251)
At December 31	1,284,764,243	1,140,634,930	144,129,313	1,675,518,588	1,541,210,675	134,307,913

Provision for unearned premiums is analyzed as follows:

	2015			2014		
	Insurance Contract Liabilities	Reinsurers' Share of Liabilities	Net	Insurance Contract Liabilities	Reinsurers' Share of Liabilities	Net
At January 1	809,118,183	643,576,187	165,541,996	840,010,472	656,592,878	183,417,594
New policies written during the year	2,929,802,199	2,493,164,107	436,638,092	2,347,881,298	1,928,356,808	419,524,490
Premiums earned during the year	(2,811,242,011)	(2,358,833,550)	(452,408,461)	(2,378,773,587)	(1,941,373,499)	(437,400,088)
At December 31	927,678,371	777,906,744	149,771,627	809,118,183	643,576,187	165,541,996

All insurance liabilities are expected to be settled within one year.

24. Insurance contract liabilities and reinsurance assets - terms, assumptions and sensitivities

24.1 Terms and conditions

The major classes of general insurance written by the Company include accident and health, marine, commercial property and liability insurance. Risks under these policies usually cover 12-month duration.

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

The provisions are refined quarterly as part of a regular ongoing process as claims experience develops, certain claims are settled and further claims are reported. Outstanding claims provisions are not discounted for the time value of money.

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

24.2 Assumptions

The principal assumption underlying the estimates is the Company's past claims development experience. Loss development factors are established by analyzing at least 10 years of claims data and deriving the claims development trend by class of business.

24.3 Sensitivities

The general insurance claims provision is sensitive to the Company’s past claims development experiences. The sensitivity of certain variables like legislative change, uncertainty in the estimation process, etc., is not possible to quantify. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claims provisions are not known with certainty at the reporting date.

Consequently, the ultimate liabilities will vary as a result of subsequent developments. Differences resulting from reassessments of the ultimate liabilities are recognized in subsequent financial statements.

The analysis below is performed for a reasonable possible movement in key assumption with all other assumptions held constant, on income and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities but to demonstrate the impact due to changes in assumptions, assumption changes had to be done on an individual basis. It should also be stressed that these assumptions are non-linear and larger or smaller impacts cannot easily be gleaned from these results.

The figures shown below demonstrate the effect of a 10% upward variation in either the net premiums earned or the loss development factor used in determining the estimated ultimate claim liabilities as at December 31.

	2015	2014
Increase in gross liabilities	34,306,511	21,202,494
Increase in net liabilities	6,954,935	6,261,012
Decrease in income before tax	(6,954,935)	(6,261,012)
Decrease in equity	(4,868,454)	(4,382,708)

The Company's estimation of ultimate claim liabilities may be impacted largely by the shift in the development trends of losses. However, the Company believes that using statistical data over 10 years minimizes the margin of error in its estimates.

24.4 Loss development triangle

Reproduced below are the tables showing the development of claims over a period of time on a gross and net reinsurance basis:

	2015						
Accident year	All years prior	2010	2011	2012	2013	2014	2015
Estimate of ultimate claims costs							
At the end of accident year	5,109,041,864	684,837,563	731,849,081	2,363,460,253	1,264,760,466	491,139,110	164,892,166
One year later	4,851,008,967	529,075,633	876,122,462	4,151,399,184	1,378,195,637	462,769,233	-
Two years later	5,198,595,983	518,632,579	847,271,922	4,175,492,893	1,432,083,905	-	-
Three years later	5,243,956,688	485,851,114	846,581,494	4,191,379,770	-	-	-
Four years later	5,291,921,793	472,973,763	835,404,635	-	-	-	-
Five years later	5,329,372,267	474,247,750	-	-	-		
Six years later	5,351,746,531	-	-	-	-	-	-
Seven years later	5,218,856,753	-	-	-	-	-	-
Eight years later	5,215,940,748	-	-	-	-	-	-
Nine years later	5,282,173,106	-	-	-	-	-	-
Current estimate of cumulative claims	5,282,173,106	474,247,750	835,404,635	4,191,379,770	1,432,083,905	462,769,233	164,892,166
Cumulative payments to date	5,172,067,705	462,592,855	693,585,766	4,133,880,621	1,109,545,296	245,817,214	83,761,968
Total gross insurance liabilities included in the statement of financial position	110,105,401	11,654,895	141,818,869	57,499,149	322,538,609	216,952,019	81,130,198
Provision for claims reported and loss adjustment expenses, gross							941,699,140

	2014						
Accident year	All years prior	2009	2010	2011	2012	2013	2014
Estimate of ultimate claims costs							
At the end of accident year	3,083,314,436	2,025,727,428	684,837,563	731,849,081	2,363,460,253	1,264,760,466	491,139,110
One year later	3,537,011,980	1,313,996,987	529,075,633	876,122,462	4,151,399,184	1,378,195,637	-
Two years later	3,619,173,208	1,579,422,775	518,632,579	847,271,922	4,175,492,893	-	-
Three years later	3,622,460,202	1,621,496,486	485,851,114	846,581,494	-	-	-
Four years later	3,672,273,113	1,619,648,680	472,973,763	-	-	-	-
Five years later	3,791,420,741	1,537,951,526	-	-	-	-	-
Six years later	3,813,795,005	-	-	-	-	-	-
Seven years later	3,680,905,228	-	-	-	-	-	-
Eight years later	3,677,989,222	-	-	-	-	-	-
Nine years later	3,736,799,252	-	-	-	-	-	-
Current estimate of cumulative claims	3,736,799,252	1,537,951,526	472,973,763	846,581,494	4,175,492,893	1,378,195,637	491,139,110
Cumulative payments to date	3,633,716,947	1,533,416,768	459,545,988	698,683,949	3,987,765,501	722,172,496	140,338,382
Total gross insurance liabilities included in the statement of financial position	103,082,305	4,534,758	13,427,775	147,897,545	187,727,392	656,023,141	350,800,728
Provision for claims reported and loss adjustment expenses, gross							1,463,493,644

				2015			
Accident year	All years prior	2010	2011	2012	2013	2014	2015
Estimate of ultimate claims costs							
At the end of accident year	1,617,641,879	197,754,394	231,523,442	296,949,164	199,417,876	86,981,760	43,789,264
One year later	1,828,772,115	237,148,738	290,581,149	346,380,253	228,765,271	106,045,785	-
Two years later	1,851,162,596	246,735,726	286,813,383	353,185,391	230,070,485	-	-
Three years later	1,864,594,411	248,603,966	289,182,617	352,669,957	-	-	-
Four years later	1,898,795,161	249,498,756	289,912,516	-	-	-	-
Five years later	1,905,524,888	249,536,946	-	-	-	-	-
Six years later	1,908,669,147	-	-	-	-	-	-
Seven years later	1,908,129,622	-	-	-	-	-	-
Eight years later	1,905,053,273	-	-	-	-	-	-
Nine years later	1,893,967,861	-	-	-	-	-	-
Current estimate of cumulative claims	1,893,967,861	249,536,946	289,912,516	352,669,957	230,070,485	106,045,785	43,789,264
Cumulative payments to date	1,886,463,571	240,456,114	283,456,508	346,419,404	216,183,119	91,958,268	26,475,862
Total net insurance liabilities included in the statement of financial position	7,504,290	9,080,832	6,456,008	6,250,553	13,887,366	14,087,517	17,313,402
Provision for claims reported and loss adjustment expenses, net							74,579,968

				2014			
Accident year	All years prior	2009	2010	2011	2012	2013	2014
Estimate of ultimate claims costs							
At the end of accident year	1,211,661,630	405,980,249	197,754,394	231,523,442	296,949,164	199,417,876	86,981,760
One year later	1,422,604,385	406,167,730	237,148,738	290,581,149	346,380,253	228,765,271	-
Two years later	1,446,604,436	404,558,160	246,735,726	286,813,383	353,185,391	-	-
Three years later	1,460,003,627	404,590,784	248,603,966	289,182,617	-	-	-
Four years later	1,496,343,281	402,451,880	249,498,756	-	-	-	-
Five years later	1,503,467,642	402,057,246	-	-	-	-	-
Six years later	1,506,611,901	-	-	-	-	-	-
Seven years later	1,506,072,377	-	-	-	-	-	-
Eight years later	1,502,996,027	-	-	-	-	-	-
Nine years later	1,462,014,947	-	-	-	-	-	-
Current estimate of cumulative claims	1,462,014,947	402,057,246	249,498,756	289,182,617	353,185,391	228,765,271	86,981,760
Cumulative payments to date	1,455,855,885	402,002,048	239,908,032	283,240,961	341,719,475	209,456,551	67,805,238
Total net insurance liabilities included in the statement of financial position	6,159,062	55,198	9,590,724	5,941,656	11,465,916	19,308,720	19,176,522
Provision for claims reported and loss adjustment expenses, net							71,697,798

25. Insurance payables

The account as at December 31 consists of:

	Note	2015	2014
Premiums due to reinsurers		675,239,784	450,703,367
Funds held for reinsurers	28	1,038,016,454	630,471,362
		1,713,256,238	1,081,174,729

The roll-forward analysis of insurance payables for the years ended December 31 follows:

	2015			2014		
	Premium Due to Reinsurers	Funds Held for Reinsurers	Total	Premium Due to Reinsurers	Funds Held for Reinsurers	Total
At January 1	450,703,367	630,471,362	1,081,174,729	422,979,623	561,204,122	984,183,745
Arising during the year	889,708,585	1,038,016,454	1,927,725,039	403,003,699	630,471,362	1,033,475,061
Utilized	(665,172,168)	(630,471,362)	(1,295,643,530)	(375,279,955)	(561,204,122)	(936,484,077)
At December 31	675,239,784	1,038,016,454	1,713,256,238	450,703,367	630,471,362	1,081,174,729

All insurance payables are expected to be settled within one year.

26. Trade and other liabilities

The account as at December 31 consists of:

	Notes	2015	2014
Accrued expenses		219,851,792	163,455,494
Provision for other post-employment benefits	22	11,103,286	42,428,856
Intercompany payables	28	2,023,970	5,328,493
Other liabilities		3,455,498	11,500,569
		236,434,546	222,713,412

Accrued expenses contain various accruals including accrued contingent profit commissions and indirect tax payables.

Trade and other liabilities are expected to be settled within one year.

27. Lease commitments

On November 15, 2012, the Company renewed its lease contract for another 5 years beginning on January 1, 2013, whereby it is committed to pay a quarterly rental of P3.56 million, subject to a 5% escalation on the second year and 7.5% on the third year and year thereafter.

Rent expense charged to operating expenses in 2015 amounts to P23.6 million (2014 - P24.3 million).

As at December 31, the minimum aggregate rental commitments for future years are as follows:

	2015	2014
Within one year	16,257,606	16,257,606
After one year but not more than five years	16,257,606	32,515,213
	32,515,212	48,772,819

28. Related party transactions and balances

The table below summarizes the Company's significant transactions and balances with its related parties.

As at and for the year ended December 31, 2015:

	Transactions	Outstanding balances	Terms and conditions
Reinsurance transactions, excluding funds held			
Parent Company	151,472,827	602,176,194	The outstanding balances are due 75 days after the end of each quarter. The payable are unsecured and bear no interest, payable in cash at gross amount.
Funds held for reinsurers			
Parent Company	407,545,092	1,038,016,454	Funds held for reinsurers are retained within one year after inception of related reinsurance policies. The outstanding balances are unsecured and bear interest based on BSP published rate on treasury bills for over 90 days, payable in cash at gross amount.
Interest expense	22,582,351	-	
Operating expenses			
Parent Company	138,770,456	-	The Company has an existing service agreement with Parent for the provision of services and allocation of shared costs and are payable in cash at gross amount, on demand. The Company also has existing rental contracts with entities under common control and are payable in cash at gross amount on demand. The outstanding balances are unsecured, bear no interest and are payable in cash on demand.
Entities under common control	204,185,532	25,353,212	
	342,955,988	25,353,212	

	Transactions	Outstanding balances	Terms and conditions
Other income			
Entities under common control	30,058,052	-	These arise from claims handling services rendered by the Company to related parties under common control. The amount also includes gain on sale of AIG shares to a related entity. The outstanding balances are unsecured and bear no interest, collectible in cash at gross amount.
Intercompany accounts receivable under Loans and receivables			
Entities under common control	(16,182,444)	39,014	The outstanding balances, which are collected on demand, are unsecured and bear no interest, collectible in cash at gross amount.

	Transactions	Outstanding balances	Terms and conditions
Salaries, allowances and other short-term benefits			
Key management personnel	55,008,650	-	Bonuses are payable within the first quarter of the following calendar year.
Retirement expense			
Key management personnel	2,753,627	-	Refer to Note 26 - Employee Benefits.
Post-retirement benefit			
Key management personnel	27,638,683	-	Refer to Note 26 - Employee Benefits.

As at and for the year ended December 31, 2014:

	Transactions	Outstanding balances	Terms and conditions
Reinsurance transactions, excluding funds held			
Parent Company	94,670,908	450,703,367	The outstanding balances are due 75 days after the end of each quarter. The payable are unsecured and bear no interest, payable in cash at gross amount.
Funds held for reinsurers			
Parent Company	69,267,240	630,471,362	Funds held for reinsurers are retained within one year after inception of related reinsurance policies. The outstanding balances are unsecured and bear 2% interest, payable in cash at gross amount.
Interest expense	11,377,789	-	
Operating expenses			
Parent Company	132,307,100	-	The Company has an existing service agreement with Parent for the provision of services and allocation of shared costs and are payable in cash at gross amount, on demand. The Company also has existing rental contracts with entities under common control and are payable in cash at gross amount on demand. The outstanding balances are unsecured, bear no interest and are payable in cash on demand.
Entities under common control	80,093,005	-	
	212,400,105	-	
Other income			
Entities under common control	33,746,401	144,883	These arise from claims handling services rendered by the Company to related parties under common control. The amount also includes gain on sale of AIG shares to a related entity. The outstanding balances are unsecured and bear no interest, collectible in cash at gross amount.
Intercompany accounts receivable under Loans and receivables			
Entities under common control	14,028,646	16,221,458	The outstanding balances, which are collected on demand, are unsecured and bear no interest, collectible in cash at gross amount.

	Transactions	Outstanding balances	Terms and conditions
Salaries, allowances and other short-term benefits			
Key management personnel	52,802,379	-	Bonuses are payable within the first quarter of the following calendar year.
Retirement expense			
Key management personnel	3,388,871	-	Refer to Note 26 - Employee Benefits.
Post-retirement benefit			
Key management personnel	5,383,090	-	Refer to Note 26 - Employee Benefits.

No provisions were recognized against related party receivables as at December 31, 2015 and 2014.

29. Supplementary information required by the Bureau of Internal Revenue ("BIR")

Below is the additional information required by Revenue Regulations No. 15-2010. This information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

(i) Output value-added tax (VAT)

Output VAT declared for the year ended December 31, 2015 and the revenues upon which the same was based consist of:

	Gross amount of revenues	Output VAT
Subject to 12% VAT		
Premiums (Non-life)	1,285,641,594	154,276,991
Zero-rated		
Premiums (Non-life)	311,181,440	
VAT exempt	1,064,350,969	
Total	2,661,174,003	154,276,991

The gross revenues shown above are based on gross receipts of the Company for VAT purposes while gross revenues in the statement of income are measured in accordance with the policy in Note 3.19.
Zero-rated sales are premiums on insurance policies issued to PEZA-registered entities.

(ii) Input VAT

Movement in input VAT for the year ended December 31, 2015 follows:

	Amount
Beginning balance	
Add: Current year's domestic purchases/payments for:	2,828,689
Goods other than for resale or manufacture	147,836
Capital goods subject to amortization	99,639
Services lodged under cost of goods sold	18,404,400
Commissions for brokers	8,417,012
Services lodged under other accounts	138,867
Claims for tax credit/refund and other adjustments	(27,426,641)
Total input VAT	2,609,802

The above input VAT are presented as part of other assets in the statement of financial position.

(iii) Documentary stamp tax

Documentary stamp taxes paid and accrued for the year ended December 31, 2015 consist of:

	Amount
Insurance policies	221,992,070
Others	135,090
Total	222,127,160

Accrued documentary stamp taxes of P13.1 million as at December 31, 2015 are included under Trade and other liabilities in the statement of financial position.

(iv) All other local and national taxes

All other local and national taxes for the year ended December 31, 2015 consist of:

	Amount
Fire service taxes	11,975,218
Premium tax	6,555,930
Municipal taxes	4,393,672
Sanitary, garbage, health fee and fire safety	23,220
Community tax	10,500
Mayor's permit	5,000
Business taxes	700
Others	500
Total	22,964,740

The above local and national taxes are lodged under Other operating expenses except for premium tax, fire service taxes and municipal taxes which are passed on to policyholders.

(v) Withholding taxes

Withholding taxes paid and accrued and/or withheld for the year ended December 31 consist of:

	2015		
	Paid	Accrued	Total
Expanded withholding tax	26,699,624	1,377,075	28,076,699
Withholding tax on compensation	33,229,426	4,903,047	38,132,473
Final withholding tax	11,298,828	453,808	11,752,636
Fringe benefit tax	3,329,841	1,511,169	4,841,010
	74,557,719	8,245,099	82,802,818

Accrued withholding taxes are presented as part of accrued expenses under trade and other liabilities in the statement of financial position.

(vi) Tax assessments

Taxable years 2014, 2013, 2012 and 2010 are open tax years as at December 31, 2015.

(vii) Tax cases

There are no pending tax cases as at December 31, 2015.

(viii) Others

The Company did not have transactions that are subject to excise taxes, custom duties and tariff fees.