PERLA COMPAÑIA DE SEGUROS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

1. Corporate Information

Perla Compañia De Seguros, Inc. was incorporated in the Philippines and registered with the Securities and Exchange Commission on February 13, 1963. An extension of corporate life for another 50 years was approved by SEC on October 17, 2011. Its primary purpose is to engage in the business and operation of all kinds of insurance at sea, on land, of properties, goods and merchandise, and all forms of transportation and conveyance against fire, earthquake, marine perils, accidents and all other forms and lines of insurance authorized by law, except life insurance.

The Company's registered and head office address is located on the 2nd Floor, Perla Compañia de Seguros Mansion, 117 Carlos Palanca, Jr. Street, Legaspi Village, Makati City. Its operation is complemented by 16 branches located at major cities across the country.

The financial statements of the Company for the year ended December 31, 2015 (including the comparative figures for the year ended December 31, 2014) were authorized for issue by the Board of Directors on March 14, 2016.

2. Basis of Preparation and Presentation

Statement of Compliance
The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council.

Basis of Financial Statement Preparation and Presentation
The accompanying financial statements have been prepared on a historical cost basis except for financial assets which are available for sale and land which are carried at fair values.

The financial statements are presented in Philippine Peso and all values represent absolute amount except as otherwise indicated.

The Company presents its statements of financial position broadly in order of liquidity. An analysis regarding recovery or settlement of assets and liabilities within twelve months after the end of the reporting period (current) is presented in the Note 31.

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 all the years presented, unless otherwise stated.

Cash and Cash Equivalents
Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash with original maturities of three months or less that are subject to insignificant risk of changes in value.

Short-term Investments
These are short-term cash investment with original maturities of more than three months but less than one year.

Financial Instruments
Date of Recognition
Financial assets and financial liabilities are recognized in the statements of financial position of the Company when it becomes a party to the contractual provisions of the instrument.

Initial Recognition
All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets and financial liabilities at FVPL, the initial measurement of financial instruments includes transaction costs.

Determination of Fair Value
The fair value for instruments traded in active market at the reporting date is based on their quoted market price. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate techniques or comparison to similar instruments for which market observable prices exists.

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instruments or based on a valuation technique, the Company recognizes the difference between the transaction price and fair value in the statements of income unless it qualifies for recognition as some other type of asset.

Classification of Financial Instruments
The Company classifies financial assets into the following categories, (i) At fair value through profit or loss (FVPL), (ii) Available-for-sale, (iii) Held-to-maturity and (iv) Loans and receivable. The Company classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired or liabilities incurred and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

(i) Financial Assets and Financial Liabilities at FVPL

Financial assets and financial liabilities at FVPL include financial assets and financial liabilities held for trading and financial assets and financial liabilities designated upon initial recognition as at FVPL.

A financial assets and financial liabilities are classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near future; or
- It is part of an identified portfolio of financial instruments that the Company manages together and has recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistently that would otherwise arise; or
- The financial asset forms part of a group of financial assets which is managed and its performance is evaluated on a fair value basis.
- It forms part of a contract containing one or more embedded derivatives.

(ii) Available-for-sale (AFS)

AFS are non-derivative financial assets that are either designated on this category or not classified in any of the other categories. Subsequent to initial recognition, AFS assets are carried at fair value in the statement of financial position. Changes in the fair value are recognized directly in equity account as "*Revaluation surplus on AFS financial assets*".

Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in equity is included in profit or loss for the period.

Included under this category are investments in debt and equity securities and Unit Investment Trust Funds (UITF).

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivables. After initial measurement, 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 integral parts of the effective interest rate.

Included under this category are the company's cash and cash equivalents, insurance and reinsurance receivables, security deposits and other receivables.

(iv) Held-to-maturity (HTM)

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturities wherein the Company has the positive intention and ability to hold to maturity. After initial measurement, HTM assets are carried at amortized cost using the effective interest method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the effective interest rate. Any changes to the carrying amount of the investment are recognized in statements of comprehensive income.

Included under this category are investments in debt instruments.

(v) Other Financial Liabilities

Issued financial instruments or their components, which are not designated as at FVPL are classified as other financial liabilities where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

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 integral parts of the effective interest rate. Any effects of restatement of foreign currency-denominated liabilities are recognized in the statement of comprehensive income.

Included under this category are accounts payable and accrued expenses, reinsurance liabilities and insurance claims payable.

Reclassification of Financial Assets
A financial asset is reclassified out of the FVPL category when the following conditions are met (i) the financial asset is no longer held for the purpose of selling or repurchasing it in the near term; and (ii) there is a rare situation.

A financial asset that is reclassified out of the FVPL category is reclassified at its fair value on the date of reclassification. Any gain or loss already recognized in the statement of income is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortized cost, as applicable.
Impairment of Financial Assets

The Company assesses at each end of the reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(i) *Assets carried at amortized cost*
If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of the loss is recognized in the profit and loss accounts.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed.

Any subsequent reversal of an impairment loss is recognized in the profit and loss accounts, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

(ii) *Assets carried at cost*
If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(iii) *Available-for-sale financial assets*
Available-for-sale financial assets are subject to impairment review at each end of the reporting period. Impairment loss is recognized when there is objective evidence such as significant financial difficulty of the issuer/obligor, significant or prolonged decline in market prices and adverse economic indicators that the recoverable amount of an asset is below its carrying amount.

Derecognition of Financial Instruments

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

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party.
- the Company has transferred its rights 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 rewards of the asset, but has transferred the control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, 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 carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are

substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Accounting Policies for Insurance and Reinsurance Contracts

Insurance Contract
Insurance contract is an agreement under which one party (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 events) adversely affects the policyholder.

Contract classification
The Company issues short-term insurance contracts categorized as (i) Casualty, (ii) Property, (iii) guaranty and (iv) short - duration life accident insurance.

Casualty insurance contracts protect the assured against the risk of causing them harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. Property insurance contracts mainly compensate the Company's assured for damages suffered to their properties or for the value of property lost. Short-duration accident insurance protects the assured from the consequences of events such as death or disability.

An insurance contract remains in force at the inception date of policy until its maturity regardless of number of claims reported and for as long as the coverage is sufficient.

Insurance Receivables
These include amounts due to and from agents, brokers and insurance contract holders which comprise the balance of uncollected policy premiums and reinsurance premiums from reinsurers arising from reinsurance contracts measured at amortized cost, using the effective interest method.

Reinsurance
The Company assumes and cedes (Treaty and Facultative) insurance risk in the normal course of business. Reinsurance assets primarily include balances due from both insurance and reinsurance companies for ceded insurance liabilities. Premiums on reinsurance assumed are recognized as revenue in the same manner as they would be if the reinsurance were considered as direct business, taking into account the product classification of the reinsured business.

Amounts recoverable from reinsurers that relate to paid and unpaid claims and claim adjustment expenses are classified as assets. Reinsurance receivables and the related liabilities are reported separately.

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

Reinsurance assets and liabilities are derecognized when the contractual rights is extinguished or expired.

Deferred Acquisition Costs
Commissions and other expenses directly attributable to the production and renewal of insurance contracts are deferred in proportion to premium revenue recognized. Deferred acquisition costs are amortized over the life of the policy in which it was incurred.

Deferred acquisition costs are reviewed at each reporting date and the carrying value is written down to the recoverable amount.

Reserve for Unearned Premiums and Reinsurance Premiums
Reserve for unearned premiums is calculated on the following basis:

(i) Reserve for unearned premium are calculated using the 24th method based on gross premiums written. Under the 24th method, it is assumed that the average date of issue of all policies written during any one month is the middle of that month.

(ii) Reserve for unearned premiums on inward treaties is taken up based on the dates the statement is received.

Reserve for reinsurance premium represents the portion of reinsurance premiums ceded computed in the same manner as the reserve for unearned premiums.

The changes in reserve for unearned premiums and reinsurance premiums is reported in the statements of income.

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

The liabilities for unpaid claims are based on the estimated ultimate cost of settling the claims. The method of determining such estimates and establishing reserves are continually reviewed and updated. Changes in estimates of claim cost resulting from continuous review process and differences between estimates and payments for claims are recognized as income or expense of the period in which the estimates are changed or payments are made.

Some insurance contracts permit the Company to sell (usually damaged) property acquired in settling a claim. The Company may also have the right to pursue third parties for payment of some or all costs.

Estimates of salvage recoveries are included as a reduction in the measurement of the insurance liability for claims, and salvage property is recognized in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property.

Subrogation reimbursements are also considered as deduction in the measurement of the insurance liability for claims and are recognized in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

Share in recoveries on claims are evaluated in terms of the estimated realizable values of the salvage recoverable. Recoveries on claims are recognized in profit or loss and expenses in the period the recoveries are determined. Recoverable amounts are presented as part of Reinsurance assets.

Options and Guarantees
Options and guarantees within insurance are treated as derivative financial instruments which are closely related to the host insurance contracts and are therefore not separated subsequently.

Investment Properties
The initial cost of investment properties comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Subsequently, investment property is restated at cost less accumulated depreciation and any impairment in value.

Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense when incurred.
Depreciation of investment properties is computed using the straight-line method over the estimated useful life of 50 years.

Transfers are made to or from investment property only when there is a change in use evidenced by the end of owner-occupation, commencement of an operating lease to another party or completion of construction or development. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the carrying value at the date of change in use. If owner occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of the change in use.

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the statement of income in the year of retirement or disposal.

Property and Equipment

Property and equipment are initially recognized at cost including the costs to get the property ready for its intended use. Subsequent to initial recognition, property and equipment, except land, are carried at cost less accumulated depreciation and impairment losses, if any. Depreciation is computed on a straight-line method over the estimated useful lives of the depreciable assets as follows:

Building & condominium units	50 years
Furniture, fixtures and office equipment	5-10 years
Transportation equipment	5 years

Land is carried at revalued amounts. Any revaluation increase arising on the revaluation of such property and equipment is recognized in other comprehensive income and is credited to "*Revaluation Surplus on Land*" account. Upon disposal, any revaluation increment relating to the particular property and equipment being sold is transferred to retained earnings.

An asset's residual value, useful life and depreciation method are reviewed periodically to ensure that the period, residual value and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Expenditures for additions, major improvements and renewals are capitalized while minor repairs and maintenance are charged to expense as incurred. When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation and impairment losses are removed from the accounts and any resulting gain or loss is reflected in the statement of comprehensive income for the period.

When the carrying amount of an asset is greater than its estimated recoverable amount, the cost is written down immediately to its recoverable amount. Fully depreciated assets are retained in the accounts until they are no longer in use.

Impairment of Non-financial Assets

The Company's investment properties and property and equipment are subject to impairment testing. All other individual asset or cash generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less cost to sell and value in use, based on an internal discounted cash flow evaluation. Impairment loss is charged pro-rata to the other assets in the cash generating unit.

All assets are subsequently reassessed for indication that an impairment loss previously recognized may no longer exists and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

Accounts Payable and Accrued Expenses
Accounts payables are liabilities for supplies or services that have been received or provided and have been invoiced or formally agreed with the supplier. Accounts payables are non-interest bearing and are stated at their original invoice amount since the effect of discounting is immaterial.

Accruals are liabilities for goods or services that have been received or provided but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees.

Equity
Share capital is determined at par value of shares that have been issued.

Contributed surplus represent additional contribution of stockholders to the Company in compliance with the requirement of the Insurance Commission.

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

Revaluation reserve comprise gains or losses due to revaluation of AFS and land, net of deferred income tax.

In accordance with Section 201 of the Insurance Code, dividend declaration or distribution from accumulated profits remaining on hand can only be made after retaining unimpaired the following:

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

Revenue Recognition
Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Premiums
Premiums from short duration insurance contracts are recognized as revenue over the period of the contracts using the 24^{th} method. The portion of the premiums written that relate to the unexpired periods of the policies at end of the reporting periods are accounted for as "*Reserve for Unearned Premiums*" and presented in the liability section of the statement of financial position. The reinsurance premiums ceded that pertains to the unexpired period as at reporting dates are accounted for as "*Reserve for reinsurance premium*" and lodge under "Reinsurance assets" account in the statements of financial position. The net changes in these accounts between reporting dates are credited or charged against income for the year.

Commission
Reinsurance commissions are recognized as revenue over the period of the contracts. The portion of commissions that relates to the unexpired periods of the policies at the reporting date is accounted for as "*Deferred commission income*" in the liabilities section of the statement of financial position.

Interest income
Interest income from bank deposits, special savings account and held-to-maturity investment is recognized as interest accrues taking into account the effective yield on the related asset.

Dividend income
Dividend income is recognized when the right to receive dividends is established.

Rental Income
Rental income is recognized on a straight-line basis over the term of the lease.

Realized Gains and Losses
Realized gains and losses on the sale of property and equipment are calculated as the difference between net sales proceeds and the net book value. Realized gains and losses on the sale of AFS financial assets are calculated as the difference between net sales proceeds and the original cost net of accumulated impairment losses. Realized gains and losses are recognized in profit or loss when the sale transaction occurred.

Cost and Expense Recognition
Claims
Liabilities for claims and claims adjustments expenses relating to insurance contracts are accrued when insured events occur.

The liabilities for claims (including those incurred but not reported) are based on the estimated ultimate cost of settling these claims. The method of determining such estimates and establishing reserve are continually reviewed and updated. Changes in estimates of claims cost resulting from the continuous review process and differences between estimates and payments for claims are recognized as income or expense in the period the estimates are made.

Share in recoveries of claim are evaluated in terms of the estimated realizable values of the salvage or recoveries. Recoveries on settled claims are recognized in profit or loss in the period the recoveries are determined. Recoveries on the unsettled claims are recorded as reinsurance recoverable on losses shown as part of reinsurance assets.

Acquisition cost
Cost that vary with and primarily related to the acquisition of new and renewal insurance contracts such as commissions, certain underwriting, and policy issue cost and inspection fees are deferred and charged to expense in proportion to the premium revenue recognized. Unamortized acquisition costs are shown in the statement of financial position as deferred acquisition cost.

Reinsurance commission
Commissions paid to cedants are deferred and are included in deferred acquisition cost, subject to the same amortization method.

Expenses
Other cost and expenses are recognized when incurred.

Income Taxes
Current tax liabilities are measured at the amount expected to be paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantially enacted as at the end of the reporting period.

Deferred tax assets and liabilities are recognized using the balance sheet liability method on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences and the carry-forward of unused tax losses to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilized. Deferred tax liabilities are recognized for all taxable differences between the tax basis of the liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rates expected to apply to the periods when the asset is realized or the liability is settled.

The carrying amount of deferred tax asset is reviewed at each end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Deferred taxes relating to items recognized directly in equity are reported in other comprehensive income and not in the statement of income.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the statement of income. Only changes in deferred tax assets or liabilities that relate to a change in value of asset or liabilities are charged or credited directly to equity.

Retirement Benefit Cost
The Company has a contributory type of retirement benefit plan.

It provides a benefit equal to the total amount standing to the credit of employee which shall consist of the accumulated value of contributions made by the company (5% of monthly salary) including all income thereto, net of administrative fees and expenses. Contributions to the plan are reported in the statement of income.

Foreign Currency Transactions and Translations
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, the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency at exchange rates prevailing at the time of transaction. Foreign currency gains and losses resulting from settlement of such transaction and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Related Party Transactions
Parties are considered related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. The related party transactions are recognized based on transfer of resources or obligations between related parties, regardless of whether a price is charged.

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

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

Provisions are reviewed at each end of the reporting period and adjusted to reflect the current best estimate.

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

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

Contingent Assets and Liabilities
Contingent liabilities are not recognized in the financial statements. They 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.

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

4. Changes in Accounting Standards and Disclosures

New Accounting Standards and Amendments to Existing Standards Effective as of January 1, 2015
The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amendments to PFRS effective beginning January 1, 2015. The adoption however did not result to any material changes in the financial statements.

Amendments to PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions*
PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after July 1, 2014. The amendment does not have any significant impact on the Company's financial position or performance.

Annual Improvements to PFRS (2010 to 2012 cycle)

The Annual Improvements to PFRSs (2010 to 2012 cycle) contain non-urgent but necessary amendments to the following standards. These are effective for annual periods beginning on or after July 1, 2014. Except as otherwise stated, the amendments do not have a significant impact on the financial statements.

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

  - A performance condition must contain a service condition
  - A performance target must be met while the counterparty is rendering service
  - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
  - A performance condition may be a market or non-market condition
  - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent

consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39. This amendment is not relevant to the Company.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments are applied retrospectively and clarify that:

  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.

  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

- PAS 16, *Property, Plant and Equipment: Revaluation Method - Proportionate Restatement of Accumulated Depreciation*, and PAS 38, *Intangible Assets: Revaluation Method - Proportionate Restatement of Accumulated Amortization*
  The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

Annual Improvements to PFRS (2011 to 2013 cycle)

The Annual Improvements to PFRSs (2011 to 2013 cycle) contain non-urgent but necessary amendments to the following standards. These are effective for annual periods beginning on or after January 1, 2015. Except as otherwise stated, the amendments have no significant impact on the financial statements.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

  - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment is applied prospectively and clarifies that the portfolio exception in
  PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.

- PAS 40, *Investment Property*
  The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

New Accounting Standard, Amendments to Existing Standards and Interpretations Effective Subsequent to December 31, 2015

Standards issued but not yet effective up to date of issuance of the Company's financial statements are listed below. The listing consists of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective. The Company does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its financial statements.

Effective 2016

Amendments to PAS 1, *Presentation of Financial Statements – Disclosure Initiative*
The amendments include narrow-focus improvements in five areas; namely, materiality, disaggregation and subtotals, notes structure, disclosure of accounting policies and presentation of items of other comprehensive income arising from equity accounted investments. The amendments are effective on or after January 1, 2016. The amendment will not have any significant impact on the Company's financial position or performance.

Amendments to PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization*
The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. The amendment will not have any significant impact on the Company's financial position or performance.

Amendments to PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants*
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company as the Company does not have any bearer plants.

Amendments to PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements*
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The amendment will not have any significant impact on the Company's financial position or performance.

Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28, *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception*. The amendments address certain issues that have arisen in applying the investment entities exception under PFRS 10. The amendments are effective for annual periods beginning on or after

January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Company's financial statements.

Amendments to PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*
The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The amendment will not have any significant impact on the Company's financial position or performance.

PFRS 14, *Regulatory Deferral Accounts*
PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. The Standard will not have any significant impact on the Company's financial position or performance.

Annual Improvements to PFRSs (2012-2014 cycle)

The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact to the Company's financial statements. They include:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
  The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits - Regional Market Issue Regarding Discount Rate*
  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*
  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective 2018

PFRS 9, *Financial Instruments - Hedge Accounting and Amendments to PFRS 9, PFRS 7 and PAS 39*
PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

The Company is currently assessing the impact of adopting this standard.

The adoption of the third phase of the project is not expected to have any significant impact on the Company's financial statements.

PFRS 9, *Financial Instruments*
In July 2014, the final version of PFRS 9 was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39 and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

The Company is currently assessing the impact of adopting this standard.

The adoption of the other phases of the project is not expected to have any significant impact on the Company's financial statements.

The following new standard issued by the IASB has not yet been adopted by the FRSC.

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers*
  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled to in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017, with early adoption permitted. This mandatory adoption date was moved to January 1, 2018.

The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

Deferred

PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are originally effective from annual periods beginning on or after January 1, 2016. This mandatory adoption date was later on deferred indefinitely.

5. Summary of Significant Accounting Judgments and Estimates

The Company makes estimates and assumptions that affect the reported amounts of the assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments
The following judgments were applied which have the most significant effect on the amounts recognized in the financial statements.

Determination of functional currency
The Company has determined that its functional currency is the Philippine peso which is the currency of the primary economic environment in which the Company operates.

Classification of investments
In classifying its investments, the Company follows the guidance of PAS 39. In making the judgment, the Company evaluates its intention, marketability of the instrument and its ability to hold the investments until maturity.

The classification of investments as at December 31, 2015 and 2014 are as follows:

	2015	2014
Fair value through profit or loss	**32,419,844**	-
Available-for-sale	**484,907,369**	483,924,151
Held-to-maturity	**353,112,844**	320,719,724

Distinction between investment properties and owner-occupied properties
The Company determines whether a property qualifies as investment property. If an insignificant portion is leased out under the operating lease, the property is treated as property and equipment. If the property is not occupied and is held to earn it is treated as Investment property.

Investment property, net of accumulated depreciation and impairment losses amounted to P2,445,050 in 2015 and P3,110,186 in 2014.

Owner-occupied properties, net of accumulated depreciation and impairment losses amounted to P93,226,000 in 2015 and 2014.

Determination of lease arrangements
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.

Leases where the lessor retains substantially all the risks and benefits of ownership are classified as operating leases. The Company's lease arrangement is of this type.

Rent income amounted to P4,510,518 in 2015 and P4,211,887 in 2014.

Determining the appraised value of land
The Company determines the appraised value of its land through the use of an independent appraiser.

An appraiser values the property through the use of *market data method*. This method of valuation involves research and investigation of market sales data of other properties comparable with the property under appraisal. These other properties are compared with the subject property as to location and physical characteristics. Adjustments of their selling price are then made with respect to the said comparative elements, as well as to compensate for the increase or decrease in value.

As of December 31, 2015 and 2014, the appraised value of the Company's land under Property and equipment account amounted to P93,226,000. *(see Note 13)*

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

Determination of fair value of assets and liabilities
The fair value for assets and liabilities traded in active market at the reporting date is based on their quoted market price. For all other assets and liabilities not listed in an active market, the fair value is determined by using appropriate techniques or comparison to similar instruments for which market observable prices exists.

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instruments or based on a valuation technique, the Company recognizes the difference between the transaction price and fair value in the statements of income unless it qualifies for recognition as some other type of asset.

Estimating allowance for impairment of receivable
The Company maintains allowance for probable loss at a level considered adequate to provide for potential uncollectible accounts. The level of allowance for doubtful accounts is evaluated by management on the basis of factors affecting collectability of the receivables. In addition, a review of the accounts designed to identify accounts to be provided with allowance, is made on a continuing basis.

No provision for impairment losses was provided in 2015 and 2014 because management believes that the reported amounts are fully collectible.

Estimating useful lives of property and equipment and investment property
The Company reviews annually the estimated useful lives of property and equipment, based on the period on which the assets are expected to be available for use. It is possible that future results of operation could be materially affected by changes in these estimates. A reduction in the estimated useful lives of property and equipment would increase recorded depreciation and decrease the related asset account.

Investment property, net of accumulated depreciation and impairment losses, amounted to P2,445,050 and P3,110,186 as at December 31, 2015 and 2014, respectively. (*see Note 12*)

Property and equipment, net of accumulated depreciation and impairment losses, amounted to P98,243,283 and P99,034,285 as at December 31, 2015 and 2014, respectively. (*see Note 13*)

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

Deferred tax asset as at December 31, 2015 and 2014 amounted to P198,734 and P6,332,274, respectively. (s*ee Note 29)*

Impairment of non-financial asset
The Company assesses impairment on non-financial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Several factors are considered which could trigger that impairment has occurred. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have material adverse effect on the results of operations.
No impairment losses were provided for property and equipment and investment property in 2015 and 2014 because management believes that the carrying values approximate their fair value.

Liability for insurance claims
Estimates have to be made both of expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of the claims incurred but not yet reported at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, unreported claims significantly comprise the claims payable presented in the statement of financial position. At each reporting date, prior year claims estimates are assessed for adequacy and changes made are charged to statement of comprehensive income at a non-discounted amount for the time value of money.

Insurance claims payable as at December 31, 2015 and 2014 amounted to P138,892,212 and P143,074,868, respectively.

6. Fair Value Measurement

The company measures fair value of assets and liabilities using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1
Inputs are quoted in active market for identical assets or liabilities that the entity can access at the measurement date.

Included in Level 1 category are assets and liabilities that are measured in whole or in part by reference to published quotes in an active market.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2
Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3
Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The table below analyzes assets and liabilities measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized.

	2015			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	P 91,844,298	P -	P -	P 91,844,298
Short-term investments	7,000,000	-	-	7,000,000
Financial assets				
FVPL	32,419,844	-	-	32,419,844
AFS	453,650,487	31,256,882	-	484,907,369
HTM	357,482,549	-	-	357,482,549
Insurance balances receivable				-
Direct and assumed accounts	-	6,924,596	-	6,924,596
Reinsurance accounts	-	9,810,872	-	9,810,872
Investment property	-	2,445,050	-	2,445,050
Property and equipment	-	98,243,283	-	98,243,283
Accrued investment income	4,812,995	-	-	4,812,995
Other assets	-	1,930,155	-	1,930,155
	P 944,547,211	P 120,853,956	P -	P 1,097,821,011
Insurance claims payable	P 138,892,212	P -	P -	P 138,892,212
Accounts payable and accrued expenses	31,118,512	-	-	31,118,512
Reinsurance liabilities	10,365,177	-	-	10,365,177
	P 180,375,901	P -	P -	P 180,375,901

			2014		
		Level 1	Level 2	Level 3	Total
Cash and cash equivalents	P	89,110,139	P -	P -	P 89,110,139
Short-term investments		2,000,000	-	-	2,000,000
Financial assets					
AFS		452,925,191	30,998,960	-	483,924,151
HTM		323,345,999	-	-	323,345,999
Insurance balances receivable					-
Direct and assumed accounts		-	6,906,379	-	6,906,379
Reinsurance accounts		-	10,584,324	-	10,584,324
Investment property		-	3,110,186	-	3,110,186
Property and equipment		-	99,034,285	-	99,034,285
Accrued investment income		4,368,706	-	-	4,368,706
Other assets		-	1,070,041	-	1,070,041
	P	871,750,035	P 151,704,175	P -	P 1,023,454,210
Insurance claims payable	P	143,074,868	P -	P -	P 143,074,868
Accounts payable and accrued expenses		22,790,348	-	-	22,790,348
Reinsurance liabilities		8,730,705	-	-	8,730,705
	P	174,595,921	P -	P -	P 174,595,921

Fair values were determined as follows:

- *Cash and cash equivalents, short-term investments, FVPL financial assets, receivables, deposits and other financial liabilities* – the fair values are approximately the carrying amounts at initial recognition due to short-term nature.
- *Quoted AFS financial asset (debt and equity securities)* – the fair values were determined from the published references from Philippine Stock Exchange, PDS Group, recommended values of IC or third party information.
- *Non-quoted AFS investment* – valuation technique using significant observable inputs. Where valuation technique is not representative of fair values, the acquisition cost is used as fair value.
- *HTM investment* – fair value was determined from third party information providing reliable information and recognized in the industry.
- *Property and equipment and investment property* – fair value was based on appraiser's report. It is estimated using Market Data Approach, which is based on sales and listings of comparable property registered within the vicinity that considered factors such as locations, size and shape of the properties (see Note 5).

7. Management of Insurance Risk, Financial Risk and Capital

Insurance risk

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

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated.

Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques. Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

Apart from the Company's risk management function, regulators also play a vital role in the insurance industry in ensuring that policy holders and creditors are assured of any claims that may arise within the term of the policy. The Insurance Commission (IC) imposes (i) Risk-based capital framework that will effectively manage the equity requirement of the Company (ii) Margin of solvency which requires an appropriate ratio of admitted assets over admitted liabilities (iii) A mandatory reserve of highly-liquid debt instruments to answer the claims of policyholders and creditors (iv) and minimum statutory net worth to streamline the operation of insurance industry.

Internally, the Company manages its risks through its underwriting strategy and reinsurance arrangements.

The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured events. Reinsurance facilities in force include surplus treaties, catastrophe cover and facultative reinsurance.

The concentration of insurance claims as at December 31, 2015 and 2014 is as follows:

	2015				2014			
(000 omitted)	**Gross**	**Share of Reinsurer**	**Net Liability**	**%**	Gross	Share of Reinsurer	Net Liability	%
Motor car	**P 127,587**	**P -**	**P 127,587**	**93%**	P 136,530	P -	P 136,530	96%
Fire	**3,258**	**2,048**	**1,210**	**1%**	1,390	1,123	267	0%
Marine	**473**	**-**	**473**	**0%**	633	-	633	0%
Personal accident	**7,574**	**-**	**7,574**	**6%**	2,840	-	2,840	2%
Miscellaneous		**-**	**-**	**0%**	1,682	-	1,682	1%
	P 138,892	**P 2,048**	**P 136,844**	**100%**	P 143,075	P 1,123	P 141,952	100%

Financial Risk

The Company is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets 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. The risk that the Company primarily faces due to the nature of its investments and liabilities is interest rate risk.

Credit Risk

Credit risk is risk due to uncertainty in a counterparty's (also called an obligor) ability to meet its obligation.

Credit risk limit is also used to manage credit exposure which specifies exposure credit limit for each intermediary depending on the size of its portfolio and its ability to meet its obligation based on past experience.

Key areas where the Company is exposed to credit risk are:

- Reinsurers' share of insurance premiums,
- Amounts due from reinsurers on claims already paid,
- Amounts due from insurance contract holders, and
- Amounts due from insurance intermediaries.

Exposure

The table below shows the gross maximum exposure to credit risk of the Company as at December 31, 2015 and 2014.

	2015	2014
Cash and cash equivalents*	P 91,724,798	P 88,969,639
Short-term investments	7,000,000	2,000,000
Investments		
FVPL	32,419,844	-
AFS	484,907,369	483,924,151
HTM	353,112,843	320,719,724
Loans and receivables	644,648	644,648
Insurance and reinsurance balances receivable	8,972,011	8,029,196
Accrued investment income	4,812,995	4,368,706
Other assets	1,930,155	1,070,041
	P 985,524,663	P 909,726,105

**Excludes cash on hand of P119,500 in 2015 and P140,500 in 2014*

The Company uses the following risk mitigation policies to reduce credit risks:

- Cash in banks and short-term investments are deposited and placed with reputable commercial and universal banks in the Philippines. Moreover, all bank deposits are automatically covered up to a certain amount from Philippine Deposit Insurance Corporation.
- Financial assets that are HTM are debt securities issued and guaranteed by the Philippine government which are considered risk free. HTM investments are lodge under Philippine Depository & Trust Corporation. Furthermore, prior approval from IC is sought before the Company can invest on these securities.
- The Company's equity investments classified as AFS are mostly stocks belonging to Philippine Stock Exchange Index (PSEi) with regular trading transaction in the Philippine Stock Exchange. Other AFS investment includes government securities in foreign currencies and in Investment Management Accounts.
- Insurance balances of brokers and agents have a maximum age of 90 days. Commissions are released only upon full remittance of premiums.
  Reinsurance arrangements are placed only with reputable reinsurers at industry acceptable terms.
- Accrued investment income is collectible in subsequent period. Interest proceeds are either rolled over to principal balance or credited to savings account.

Credit quality

The credit quality of financial assets is as follows:

	As of December 31, 2015				
	Neither past due nor impaired		Past due		
	High grade	Standard grade	but not impaired	Past due & impaired	Total
Cash and cash equivalents*	P 82,316,807	P 9,407,991	P -	P -	P 91,724,798
Short-term investments	7,000,000	-	-	-	7,000,000
Financial assets					
FVPL	32,419,844				32,419,844
AFS	453,650,487	31,256,882	-	-	484,907,369
HTM	353,112,843	-	-	-	353,112,843
Loans and receivables	-	-	-	644,648	644,648
Insurance and reinsurance balances receivable	-	6,924,011	2,048,000	-	8,972,011
Accrued investment income	4,812,995	-	-	-	4,812,995
Other assets	1,592,016	338,139	-	-	1,930,155
	P 934,904,992	P 47,927,023	P 2,048,000	P 644,648	P 985,524,663

****Excludes cash on hand of P119,500***

	As of December 31, 2014				
	Neither past due nor impaired		Past due		
	High grade	Standard grade	but not impaired	Past due & impaired	Total
Cash and cash equivalents*	P 79,030,446	P 9,939,193	P -	P -	P 88,969,639
Short-term investment	2,000,000	-	-	-	2,000,000
Financial assets					
AFS	452,925,191	30,998,960	-	-	483,924,151
HTM	320,719,724	-	-	-	320,719,724
Loans and receivables	-	-	-	644,648	644,648
Insurance and reinsurance balances receivable	-	7,918,747	110,449	-	8,029,196
Accrued investment income	4,368,706	-	-	-	4,368,706
Other assets	731,902	338,139	-	-	1,070,041
	P 859,775,969	P 49,195,039	P 110,449	P 644,648	P 909,726,105

**Excludes cash on hand of P140,500*

Financial assets that are past due but not impaired is 30 days past due.

The following table discusses the methodologies that the Company used to grade financial assets:

Financial asset	Investment grade	Measurement basis
Cash and cash equivalents	High grade	Cash deposits with universal and commercial banks in the Philippines
	Standard grade	Cash deposits that are not classified as high grade accounts.
Debt securities	High grade	Debt securities issued by the Philippine government which are considered risk free. Debt securities that are issued by private corporations that possesses the capacity to meet financial obligation.
	Standard grade	Debt securities that are not classified as High grade securities.
Equity securities	High grade	Listed equity securities belonging to PSEi
	Standard grade	Equity securities not belonging to PSEi
Insurance and reinsurance accounts and deposits	High grade	The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits
	Standard grade	Standard grade accounts are active accounts with propensity of deteriorating to mid-range age buckets. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

Liquidity Risk

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

Liquidity risk is a risk due to uncertain liquidity. An institution may suffer liquidity problem when its credit rating falls. The Company is also exposed to liquidity risk if markets on which it depends on are subject to loss of liquidity.

Contractual maturities of financial assets and liabilities as at December 31, 2015 and 2014 are presented below:

2015 (In thousand)	**Contractual maturities** **<1 year**	**1 year - 2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**>5 years**	**Total**
Financial assets that are :							
Cash equivalents	**P 91,725**	**P -**	**P -**	**P -**	**P -**	**P -**	**P 91,725**
Short-term investment	**7,000**	**-**	**-**	**-**	**-**	**-**	**7,000**
Fair value through profit or loss	**32,420**	**-**	**-**	**-**	**-**	**-**	**32,420**
AFS (excluding equity securities)	**59,150**	**-**	**-**	**-**	**5,747**	**-**	**64,897**
HTM	**13,750**	**33,000**	**6,178**	**40,291**	**31,329**	**228,565**	**353,113**
Insurance balances receivable	**6,925**	**-**	**-**	**-**	**-**	**-**	**6,925**
Reinsurance assets	**2,047**	**-**	**-**	**-**	**-**	**-**	**2,047**
Financial liabilities:	**-**						
Insurance claims payable	**138,892**	**-**	**-**	**-**	**-**	**-**	**138,892**
Accounts payable	**-**						
and accrued expenses	**31,119**	**-**	**-**	**-**	**-**	**-**	**31,119**
Reinsurance liabilities	**10,365**	**-**	**-**	**-**	**-**	**-**	**10,365**

2014 (In thousand)	Contractual maturities <1 year	1 year - 2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Financial assets that are :							
Cash equivalents	P 88,970	P -	P -	P -	P -	P -	P 88,970
Short-term investment	2,000	-	-	-	-	-	2,000
AFS (excluding equity securities)	-	60,357	-	-	5,585	-	65,942
HTM	7,000	11,750	33,000	8,235	29,045	231,690	320,720
Insurance balances receivable	6,906	-	-	-	-	-	6,906
Reinsurance assets	1,123	-	-	-	-	-	1,123
Financial liabilities:							
Insurance claims payable	143,075	-	-	-	-	-	143,075
Accounts payable							
and accrued expenses	22,790	-	-	-	-	-	22,790
Reinsurance liabilities	8,731	-	-	-	-	-	8,731

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

Market Risk

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

Market risk is the risk to an institution's financial condition from volatility in the price movements of the assets contained in a portfolio. Market risk represents what the

Company would lose from price volatilities. Market risk can be measured as the potential gain or loss in a position or portfolio that is associated with a price movement of a given probability over a specified time horizon.

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

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

Sensitivity analysis of market risk exposures follows:

i. Currency risk

Foreign currency risk pertains to US$ denominated cash, special savings accounts and AFS investments. No foreign currency forward contracts are outstanding as at December 31, 2015 and 2014 to hedge the foreign currency accounts.

The carrying values of financial assets exposed to currency risk at the end of reporting period are as follows:

	2015		2014	
	Phil. Peso	**US $**	Phil. Peso	US $
Cash and cash equivalents	**P 3,107,130**	**65,876**	P 3,744,036	83,915
AFS investments	**64,897,468**	**1,375,938**	65,942,476	1,477,968
Accrued investment income	**1,383,913**	**29,341**	1,313,171	29,432
	69,388,511	**1,471,155**	70,999,683	1,591,315

The following table demonstrates the sensitivity to a reasonable change in the US$ exchange rate, with all other variables held constant, of the Company's income before tax and equity:

Increase/Decrease in Peso to US Dollar Rate		Effect on income before taxes	Effect on equity
+P2	**2015**	**+0.15 Million**	**+2.9 Million**
-P2		**-0.15 Million**	**-2.9 Million**
+P2	2014	+0.18 Million	+3.1 Million
-P2		-0.18 Million	-3.1 Million

ii. Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest risk.

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

	As of December 31, 2015			
		Due in		
	Interest rate	**<1 year**	**>1 year but <5 years**	**>5 years**
Financial assets that are :				
Cash equivalents	**0.25%-2.125%**	**P 91,724,798**	**P -**	**P -**
Short-term investment	**1.325%-2%**	**7,000,000**	**-**	**-**
FVPL	**1.88%-2.55%**	**32,419,844**	**-**	**-**
HTM	**3.25%-15%**	**13,750,000**	**110,798,268**	**228,564,575**

	As of December 31, 2014			
		Due in		
	Interest rate	<1 year	>1 year but <5 years	>5 years
Financial assets that are :				
Cash equivalents	0.625%-2.25%	P 88,969,639	P -	P -
Short-term investment	1.75%	2,000,000	-	-
AFS	8%-8.75%	-	65,942,476	-
HTM	3.25%-15%	4,000,000	85,029,375	231,690,349

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax (through the impact on floating rate investments). There is no other impact on the Company's equity other than those already affecting the profit and loss.

	Increase/ decrease in basis points	Effect on income before income tax
2015	**+200**	**P 10,333,547**
	-200	**(10,333,547)**
2014	+200	P 8,233,787
	-200	(8,233,787)

iii. Price risk

The sensitivity analysis for equity risk illustrates how changes in the fair value of equity securities will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual equity issuer, or factors affecting all similar equity securities traded in the market.

Management monitors movements of equity price on a monthly basis by assessing the expected changes in the different portfolio due to parallel movements of a 10% increase or decrease in the Philippine stock exchange index (PSEi).

With all other variables held constant, a 10% movement in the stock exchange would result in an impact on equity of P19.1 million in 2015 and P23.1 million in 2014. This does not affect income since changes in fair value of AFS investments are taken to equity.

iv. Operational risk

Operational risk is the risk of loss from system failure, human error, fraud or external events. When controls fail to perform, operational risk can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Company cannot expect to eliminate all operational risk but initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage risk. Controls include effective segregation of duties, access controls, authorization and reconciliation procedures, staff education and assessment processes. Business risk such as changes in environment, technology and industry are monitored through the Company's strategic planning and budgeting processes.

8. Cash and Cash Equivalents and Short-term investments

This account consists of:

		2015		2014
Cash on hand	**P**	**119,500**	P	140,500
Cash in banks		**59,218,319**		49,553,195
Short-term bank placements		**32,506,479**		39,416,444
	P	**91,844,298**	P	89,110,139

Cash in bank and short-term bank deposits earn interest at prevailing bank interest rates. Interest income earned on these deposits amounted to P4,003,614 in 2015 and P5,795,477 in 2014.

Short-term investments totaling P7,000,000 and P2,000,000 in 2015 and 2014, respectively represent time deposits with original maturities of more than three months but less than one year and earn interest of 1.325% to 2% in 2015 and 1.75% in 2014.

9. Financial assets

The reconciliation of the carrying amounts of financial assets at the beginning and end of the year is as follows:

	As of December 31, 2015				
	FVPL	AFS	HTM	Loans & receivable	Total
Gross carrying value					
Balance at the beginning of year	**P -**	**P 483,924,151**	**P 320,719,724**	**P 644,648**	**P 805,288,523**
Additions	**32,419,844**	**223,598,763**	**39,540,001**	**-**	**295,558,608**
Disposal/Maturity	**-**	**(207,012,786)**	**(6,532,387)**	**-**	**(213,545,173)**
Amortization of premium			**(614,494)**	**-**	**(614,494)**
Changes in:					
fair value	**-**	**(19,370,098)**	**-**	**-**	**(19,370,098)**
exchange rates	**-**	**3,767,339**	**-**	**-**	**3,767,339**
Balance at the end of the year	**32,419,844**	**484,907,369**	**353,112,844**	**644,648**	**871,084,705**
Allowance for impairment losses	**-**	**-**	**-**	**(644,648)**	**(644,648)**
	P 32,419,844	**P 484,907,369**	**P 353,112,844**	**-**	**P 870,440,057**

	As of December 31, 2014			
	AFS	HTM	Loans & receivable	Total
Gross carrying value				
Balance at the beginning of year	P 437,116,608	P 251,029,081	P 644,648	P 688,790,337
Additions	208,006,699	75,158,256	-	283,164,955
Disposal/Maturity	(181,888,780)	(5,000,000)	-	(186,888,780)
Amortization of premium	-	(467,613)	-	(467,613)
Changes in:				
fair value	20,376,162	-	-	20,376,162
exchange rates	313,462	-	-	313,462
Balance at the end of the year	483,924,151	320,719,724	644,648	805,288,523
Allowance for impairment losses	-	-	(644,648)	(644,648)
	P 483,924,151	P 320,719,724	P -	P 804,643,875

Fair value through Profit or Loss (FVPL) Investments

Investments that are designated at FVPL represents Treasury Bills (TBills) issued by the Philippine Government with interest rates ranging from 1.88% to 2.55% per annum. TBills comprise a portfolio of financial instruments that are manage together for which there is an evidence of recent actual pattern of short-term profit-taking. Total face value of TBills as of December 31, 2015 amounted to P33 million and is due within 12 months. Due to its relatively short-term nature, the carrying value amounting to P32.4 million approximates the fair value at year-end.

Interest earned on this investment amounted to P348,475 in 2015.

Available-for-sale (AFS) Investments

Investments categorized as AFS includes listed and unlisted equity securities, government securities, investment management funds and Unit Investment Trust Funds. These investments are carried at fair values determined using the quoted market prices categorized as level 1 in the fair value hierarchy. Fair value sources are discussed in Note 6. Unquoted equity securities are carried at cost less allowance for impairment due to the lack of a reliable estimate necessary to calculate fair value.

The breakdown of this account is as follows:

	2015	2014
Listed equity securities		
Common shares	**P 67,831,583**	P 69,541,607
Preferred Shares	**53,968,529**	91,987,153
Proprietary membership shares	**1,500,000**	1,330,000
Foreign currency government securities	**64,897,468**	65,942,476
Unit Investment Trust Funds	**217,467,523**	170,152,028
Investment management funds	**79,242,266**	84,970,887
	P 484,907,369	483,924,151

Realized gains(losses) on these investments reported in the statement of income are as follows:

	2015	2014
Interest	**6,628,622**	8,455,257
Dividends	**11,834,819**	8,264,102
Mark-to-market gains (losses)	**1,812,154**	11,456,254

The reconciliation of unrealized fair value gains(losses) on AFS investments are as follows:

	2015	2014
Balance at beginning of year	**18,600,150**	4,099,057
Fair value gains(losses) taken to:		
Other comprehensive income (OCI)	**(21,234,108)**	12,983,096
Profit and loss	**1,256,310**	1,517,997
Balance at end of year	**(1,377,648)**	18,600,150

Fair value gains(losses) reported in OCI is net of deferred income tax amounting to P652,000 in 2015 and P832,000 in 2014 (see Note 29).

Held-to-Maturity (HTM) Investments
Investments classified as HTM are as follows:

		2015		2014
Government securities				
Fixed-rate treasury notes (FXTN)	**P**	**89,672,844**	P	91,819,724
Retail treasury bonds (RTB)				
Corporate debts and bonds		**263,440,000**		228,900,000
	P	**353,112,844**	P	320,719,724

The FXTN and RTB carries interest ranging from 3.25% to 15% for maximum term of 16 years. Portion of these FXTN and RTB totaling P62.5 million in 2015 and P90.94 million 2014 are deposited with the Insurance Commission in accordance with the provision of the Insurance Code as security for the benefit of the policyholders and creditors of the Company.

Corporate debts and bonds issued by various private corporations is for period ranging from 5 years to 15 years from original issue. These securities are subject to a periodic interest rate of 3.8% to 9.3%.

Interest earned on HTM investments amounted to P22,189,812 in 2015 and P20,041,018 in 2014.

The maturity profile of this account is presented below:

		2015		2014
Due in:				
One year	**P**	**13,750,000**	P	4,000,000
More than one year but less than five years		**110,798,268**		85,029,375
Beyond five years		**228,564,575**		231,690,349
	P	**353,112,843**	P	320,719,724

Loans and receivable
Loans and receivable represents amounts due from third party made in prior years. Due to the inability of the debtor to settle the obligation as they fall due, a full allowance for impairment losses was provided thereon in previous years.

10. Insurance balances receivable

The breakdown of this account is as follows:

		2015		2014
Due from brokers and agents	**P**	**5,862,420**	P	5,663,200
Due from ceding companies		-		189,037
Funds held by ceding companies		**1,062,176**		1,054,142
	P	**6,924,596**	P	6,906,379

Due from brokers and agents have an average terms of 1-3 months.

Due from ceding companies have an average term of 30 to 90 days. Funds held by ceding companies represent portion of the premium withheld by ceding companies in accordance with reinsurance agreements.

There is no concentration of credit risk with respect to insurance receivables, as the Company has a diverse base of agents, brokers and reinsurers.

Management believes that the carrying values disclosed above are a reasonable approximates of their fair values.

11. Reinsurance assets

This account consists of:

		2015		2014
Reserve for reinsurance premium *(see Note 17)*	**P**	**7,763,457**	P	9,461,507
Reinsurance recoverable on unpaid losses *(see Note 18)*		**2,047,415**		1,122,817
	P	**9,810,872**	P	10,584,324

As at December 31 2015, management believes that reinsurance assets are fully recoverable and that no impairment loss is necessary.

12. Investment property - net

Details of this account follows:

		2015		2014
Acquisition cost	**P**	**13,302,715**	P	13,302,715
Accumulated depreciation				
January 1		**10,192,529**		9,527,393
Provision for the year		**665,136**		665,136
Balance, December 31		**10,857,665**		10,192,529
Net Book Value	**P**	**2,445,050**	P	3,110,186

The Company's investment property is leased out to a third party under terms and conditions mutually agreed upon by the Company and the tenant. Rental income on these properties amounted to P1,735,671 in 2015 and P1,810,808 in 2014. Direct cost relating to the lease excluding depreciation expense amounted to P51,859 in 2015 and P38,894 in 2014.

As of December 31, 2015, management believes that fair value of the Company's investment property is not significantly different from its carrying value.

13. Property and equipment - net

The breakdown of this account is as follows:

	As of December 31, 2015				
	Land*	Building & condominium units	Furniture, fixtures & office equipment	Transportation equipment	Total
Costs					
At January 1, 2015	P 93,243,800	P 19,652,417	P 11,648,584	P 26,193,848	P 150,738,649
Additions	-	-	1,289,486	-	1,289,486
At December 31, 2015	93,243,800	19,652,417	12,938,070	26,193,848	152,028,135
Accumulated depreciation and and impairment losses					
At January 1, 2015	17,800	19,652,417	9,651,600	22,382,547	51,704,364
Provisions	-	-	715,975	1,364,513	2,080,488
At December 31, 2015	17,800	19,652,417	10,367,575	23,747,060	53,784,852
Net Book Value					
At December 31, 2015	P 93,226,000	P -	P 2,570,495	P 2,446,788	P 98,243,283

**At appraised value*

	As of December 31, 2014				
	Land*	Building & condominium units	Furniture, fixtures & office equipment	Transportation equipment	Total
Costs					
At January 1, 2014	P 93,243,800	P 19,652,417	P 10,516,657	P 24,814,852	P 148,227,726
Additions	-	-	1,131,927	1,378,996	2,510,923
At December 31, 2014	93,243,800	19,652,417	11,648,584	26,193,848	150,738,649
Accumulated depreciation and and impairment losses					
At January 1, 2014	17,800	19,475,275	8,876,052	20,531,692	48,900,819
Provisions	-	177,142	775,548	1,850,855	2,803,545
At December 31, 2014	17,800	19,652,417	9,651,600	22,382,547	51,704,364
Net Book Value					
At December 31, 2014	P 93,226,000	P -	P 1,996,984	P 3,811,301	P 99,034,285

**At appraised value*

Land and buildings are used as branch offices and portion of these buildings are also being leased out to third parties under operating leases. Rental income on these properties amounted to P2,774,847 in 2015 and P2,401,078 in 2014.

Depreciation of property and equipment charged to operations amounted to P2,080,488 in 2015 and P2,803,545 in 2014.

The fair value of the land was based on the appraiser's report issued by an independent firm of appraisers on December 31, 2007. The assigned value for land was estimated using the Market Data Approach, which is based on sales and listings of comparable property registered within the vicinity that considered factors such as locations, size and shape of the properties.

As of December 31, 2015, management believes that the fair values have not significantly changed from the last appraisal.

Had the land been carried at cost, its carrying amount would amount to P9,813,681 in 2015 and 2014.

14. Deferred acquisition costs (DAC) and deferred commission income (DCI)

Movements of this account during the year are as follows:

	As of December 31, 2015		
	Deferred Commission expense	**Deferred Commission income**	**Net DAC**
Balances, January 1	**P 37,310,724**	**P 2,689,281**	**P 34,621,443**
Net change in acquisition cost	**(1,314,703)**	**(60,029)**	**(1,254,674)**
	P 35,996,021	**P 2,629,252**	**P 33,366,769**

	As of December 31, 2014		
	Deferred Commission expense	Deferred Commission income	Net DAC
Balances, January 1	P 39,461,450	P 2,787,248	P36,674,202
Net change in acquisition cost	(2,150,726)	(97,967)	(2,052,759)
	P 37,310,724	P 2,689,281	P34,621,443

As at December 31 2015 and 2014, management believes that DAC are fully recoverable and that no impairment loss is necessary.

15. Accrued investment income

The sources of this account are as follows:

	2015	2014
Government securities and other debt instruments	**P 4,686,273**	P 4,280,743
Short-term investment	**30,622**	3,967
Cash and cash equivalents	**96,100**	83,996
	P 4,812,995	P 4,368,706

16. Other assets

This account consists of:

	2015	2014
Security fund	**P 140,167**	P 140,167
Deposits and others	**1,789,988**	929,874
	P 1,930,155	P 1,070,041

Security fund was created under Section 365 of Presidential Decree (PD) No. 612 as amended under PD No. 1640, to be used for payment of allowed claims against insolvent insurance companies. The balances of the fund represent the Company's contribution to the fund. The balance of the fund earns interest at rates determined by the IC annually.

Deposits, which are carried at cost, are made to secure leasing arrangements and utility services.

17. Reserve for unearned premiums

The analysis of this account is as follows:

	2015			2014		
	Direct Business	**Ceded**	**Net**	Direct Business	Ceded	Net
Balances, January 1	**P 136,646,962**	**P 9,461,507**	**P 127,185,455**	P 142,614,539	P 9,406,532	P 133,208,007
Policies written during the year	**301,670,977**	**17,632,992**	**284,037,985**	291,212,348	22,615,667	268,596,681
Premiums earned during the year	**(296,973,323)**	**(19,331,042)**	**(277,642,281)**	(297,179,925)	(22,560,692)	(274,619,233)
	P 141,344,616	**P 7,763,457**	**P 133,581,159**	P 136,646,962	P 9,461,507	P 127,185,455

18. Insurance claims payable

Outstanding claims will become payable and materialize into claims paid when the amounts of insured losses suffered by policyholders were ascertained and agreed, without any contractual maturity date. The timing of future cash outflow arising from the provision is not ascertainable but is likely to fall within 3 years.

The provision is sensitive to many factors such as interpretation of circumstances, judicial decisions, economic conditions, climatic changes and is subject to uncertainties such as:

- Uncertain as to whether an event has occurred which would give rise to a policyholder suffering an insured loss:
- Uncertainty as to the extent of policy coverage and limits applicable; and
- Uncertainty as to the amount of insured loss suffered by a policyholder as a result of the event occurring.

The analysis of this account is shown below:

	2015			2014		
	Gross	**Re-insurance**	**Net**	Gross	Re-insurance	Net
Balances, January 1	**P 143,074,868**	**P 1,122,817**	**P 141,952,051**	P 118,002,054	P 2,605,338	P 115,396,716
Claims and losses incurred - net of recoveries	**118,680,565**	**3,712,184**	**114,968,381**	133,595,585	3,226,650	130,368,935
Claims and loss paid - net of recoveries	**(122,863,221)**	**(2,787,587)**	**(120,075,634)**	(108,522,771)	(4,709,171)	(103,813,600)
Balances, December 31	**P 138,892,212**	**P 2,047,414**	**P 136,844,798**	P 143,074,868	P 1,122,817	P 141,952,051

19. Accounts payable and accrued expenses

This account consists of:

	2015	2014
Taxes payable	**P 23,667,056**	P 16,966,505
Accrued and other liabilities	**6,691,583**	5,277,016
Commissions payable	**759,873**	546,827
	P 31,118,512	P 22,790,348

The terms and conditions of these accounts are as follows:

- Accrued expenses are liabilities for utilities and services that have been provided with payment terms of 30-90 days.
- Taxes payable consisting of documentary stamp tax, output tax, premium tax and other taxes are usually paid and remitted on the following month.
- Commissions payable are liabilities to brokers and agents for uncollected premiums. The amounts are settled within 12 months.

Management believes that the carrying amounts are the reasonable approximation of their fair values as at December 31, 2015 and 2014.

20. Reinsurance liabilities

The movements of this account are as follows:

	As of December 31, 2015		
	Due to reinsurers	**Funds held for reinsurers**	**Total**
Balance at the beginning of year	**P 3,709,195**	**P 5,021,510**	**P 8,730,705**
Additions	**12,330,940**	**3,075,792**	**15,406,732**
Reductions	**(9,727,337)**	**(4,044,923)**	**(13,772,260)**
Balance at the end of year	**P 6,312,798**	**P 4,052,379**	**P 10,365,177**

	As of December 31, 2014		
	Due to reinsurers	Funds held for reinsurers	Total
Balance at the beginning of year	P 1,094,609	P 5,868,225	P 6,962,834
Additions	20,071,370	4,073,909	24,145,279
Reductions	(17,456,784)	(4,920,624)	(22,377,408)
Balance at the end of year	P 3,709,195	P 5,021,510	P 8,730,705

21. Equity

Share Capital

The Company's capital structure as at December 31, 2015 and 2014 is as follows:

	Shares	Amount
Authorized - P1 par value per share	320,000,000	P 320,000,000
Issued and outstanding:		
2015	250,000,000	250,000,000
2014	250,000,000	250,000,000

Dividends

No dividends were declared during 2015.

As at December 31, 2015 and 2014, the Company has 16 stockholders owning 100 or more shares each.

Capital management

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in economic conditions and risk characteristics of the Company's activities and externally imposed capital requirements.

The company regards the following as the capital it manages as at December 31, 2015 and 2014.

	2015	2014
Share capital	**P 250,000,000**	P 250,000,000
Contributed surplus	**33,000**	33,000
Retained earnings	**462,566,589**	387,274,220
	P 712,599,589	P 637,307,220

Net worth Requirement
Externally imposed capital requirements are set and regulated by the Insurance Commission (IC). The requirements are put in place to ensure sufficient solvency margins. Further objectives are set by the Company to maintain a strong credit rating and healthy capital ratios in order to support its business objectives and maximize shareholders value.

Pursuant to IC Circular No. 2015-02-A, dated January 13, 2015 issued on the basis of Republic Act 10607 known as the Revised Insurance code, domestic insurance companies under the supervision of IC must have a net worth of at least P250 million by December 31, 2013. The minimum net worth of a particular company shall remain unimpaired at all times and shall increase to the amounts as follows:

	Minimum networth	Compliance date
P	550,000,000	December 31, 2016
	900,000,000	December 31, 2019
	1,300,000,000	December 31, 2022

Insurance Memorandum Circular 22-2008 further clarified that the paid-up capital should remain intact and unimpaired at all times, the statements of financial position should show that the networth is at least equal to the actual paid up capital.

As at December 31, 2015 and 2014, the Company is in compliance with the required minimum paid-up capital. The statutory net worth is based on Regulatory Accounting Policies and may be determined only after the accounts of the Company have been examined by the IC.

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

The RBC ratio is calculated as Net worth divided by the RBC requirement. Net worth shall include the (i) paid-up capital, (ii) other capital surplus and (iii) Special surplus funds to the extent authorized by IC.

Internal calculations of RBC ratio as at December 31, 2015 and 2014 revealed the following:

		2015		2014
Networth	**P**	**762,621,268**	P	713,238,514
RBC requirement		**78,623,117**		81,922,116
RBC Ratio		**970%**		871%

Under IMC 10-2006, integrating the regulatory capital and RBC framework, all insurers must possess the required capitalization and shall comply with the RBC framework requirements.

The regulatory capital requirement for a given year may be suspended for insurers that comply with the required RBC hurdle rate, provided the industry complies with the required Industry RBC Compliance Rates and RBC Hurdle Rates from 2008 to 2014. For review year 2014 which will be based on the 2013 synopsis, the Industry RBC Ratio Compliance Rate is 90% and the RBC Hurdle Rate is 250%. Failure to achieve one of the rates will result in the imposition of the regulatory capital requirement for the year under review.

22. Insurance Contracts – Terms, Assumption and Sensitivities

Terms and Conditions

The major classes of general insurance written by the Company include motor, property, casualty, marine and engineering. Risks under these policies usually cover 12-month duration.

For general insurance contracts, claims provisions (comprising provisions for claims reported by policyholders and IBNR claims) 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 reviewed 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 projections of future claims through the use of historical experience statistics. 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 geographical area and class of business. In addition, claims are usually assessed by loss adjusters.

Assumptions

The principal assumption underlying the estimates is the Company's past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claims inflation factors, and claim numbers for each accident year. Judgment is used to assess the extent to which external factors such as judicial decisions, climatic changes and government legislation affect the estimates. Other key assumptions include variation in interest and delays in settlement.

Sensitivities

The general insurance claims provision is sensitive to the above key assumptions. The sensitivity to certain variables such as legislative change and uncertainty in the estimation process is impossible to quantify. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim provisions are not known with certainty at 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.

Loss development table

Loss development table for the last underwriting year, gross and net of reinsurer's share is presented as follows:

	Fire	Motor car	Personal accident	Marine	Other lines	Total
Estimate of cumulative claim cost						
2011	1,031,250	1,428,030	-	-	-	2,459,280
2012	-	114,953	-	-	-	114,953
2013	123,150	1,598,892	-	-	-	1,722,042
2014	-	27,528,116	12,167	456,386	-	27,996,669
2015	2,103,375	101,714,309	2,765,084	16,500	-	106,599,268
Total estimated claims	3,257,775	132,384,300	2,777,251	472,886	-	138,892,212
Less: share of reinsurer	2,047,415	-	-	-	-	2,047,415
	P 1,210,360	P 132,384,300	P 2,777,251	P 472,886	P -	P 136,844,797

23. Premiums

Analysis of premiums is as follows:

	For the year ended December 31, 2015				
	Direct Business	Assumed Business	Total	Ceded Business	Net premiums Retained
Premiums written	**P 298,753,577**	**P 2,917,400**	**P 301,670,977**	**P 17,632,992**	**P 284,037,985**
Changes in unexpired risk	**(4,945,830)**	**248,176**	**(4,697,654)**	**1,698,050**	**(6,395,704)**
Net	**P 293,807,747**	**P 3,165,576**	**P 296,973,323**	**P 19,331,042**	**P 277,642,281**

	For the year ended December 31, 2014				
	Direct Business	Assumed Business	Total	Ceded Business	Net premiums Retained
Premiums written	P 288,578,289	P 2,634,059	P 291,212,348	P 22,615,667	P 268,596,681
Changes in unexpired risk	6,104,216	(136,639)	5,967,577	(54,975)	6,022,552
Net	P 294,682,505	P 2,497,420	P 297,179,925	P 22,560,692	P 274,619,233

24. Interest and other investment income

Sources of interest income are as follows:

	2015	2014
Cash and cash equivalents and short-term investment	**P 4,003,614**	P 5,795,477
Other debt instruments	**29,166,909**	28,496,275
	P 33,170,523	P 34,291,752

Other investment income consists of:

	2015	2014
Rental income	**P 4,510,518**	P 4,211,887
Dividend income	**11,834,819**	8,264,102
Realized gain on sale of Available-for-sale investments	**1,812,154**	11,456,254
Gain on foreign exchange	**4,273,834**	-
	P 22,431,325	P 23,932,243

25. Claims, losses and adjustment expenses

Analysis of claims, losses and adjustment expenses paid is as follows:

	For the year ended December 31, 2015				
	Direct	**Assumed**	**Total**	**Recovered**	**Net**
Claims and losses	**P 120,898,011**	**P 1,463,803**	**P 122,361,814**	**P (2,786,435)**	**P 119,575,379**
Loss adjustment expenses	**501,407**	**-**	**501,407**	**(1,152)**	**500,255**
	P 121,399,418	**P 1,463,803**	**P 122,863,221**	**P (2,787,587)**	**P 120,075,634**

	For the year ended December 31, 2014				
	Direct	Assumed	Total	Recovered	Net
Claims and losses	P 107,890,709	P 1,702,185	P 109,592,894	P (4,647,806)	P 104,945,088
Loss adjustment expenses	(1,070,123)	-	(1,070,123)	(61,365)	(1,131,488)
	P 106,820,586	P 1,702,185	P 108,522,771	P (4,709,171)	P 103,813,600

26. Commission expense and commission income

The composition of this account is as follows:

	2015		2014	
	Commission expense	**Commission income**	Commission expense	Commission income
Direct business	**P 75,850,919**	**P -**	P 79,623,391	P -
Reinsurance business	**797,490**	**6,396,264**	727,010	7,071,985
Total	**76,648,409**	**6,396,264**	80,350,401	7,071,985
Increase/ (decrease) in DAC / DCI (Note 14)	**(1,314,703)**	**(60,029)**	(2,150,726)	(97,967)
	75,333,706	**6,336,235**	78,199,675	6,974,018

Standard commission rate for direct and reinsurance business ranges 5% to 37.5%.

27. General and administrative expenses

General and administrative expenses consist of:

	2015	2014
Salaries and allowances	**P 30,726,400**	P 29,351,169
Other employee benefits	**4,015,837**	5,162,559
Depreciation *(See Notes 12 & 13)*	**2,745,624**	3,468,681
Rental and other occupancy costs	**2,456,164**	2,418,064
Transportation	**2,384,518**	2,456,281
Taxes and licenses	**2,190,355**	2,350,748
Repairs and maintenance	**1,871,618**	4,461,788
Communication and postage	**1,808,019**	1,637,325
Representation and entertainment	**1,629,700**	1,601,522
Professional fees	**1,496,004**	697,142
Association and pool dues	**1,282,001**	1,234,817
Supplies	**1,188,353**	1,407,269
Professional development	**1,021,247**	281,253
Advertising	**560,077**	378,883
Foreign exchange loss	**-**	1,770,279
Miscellaneous	**1,490,581**	1,495,245
	P 56,866,498	P 60,173,025

28. Retirement benefit cost

The Company maintains a funded retirement plan, which is a defined contribution type, covering all regular employees. The Company periodically contributes to the plan at 5% of employees' monthly salary. After rendering a service of at least 10 years, the amount payable to the retiring employee is his/her contribution, net of administrative fees and expenses plus all income thereto. The plan is administered by a bank-trustee. At regular intervals, an actuarial valuation is made to determine if the retirement benefits due to the employee is not below the framework of Republic Act 7641, otherwise known as "*Retirement Pay Law*".

Contribution to the plan amounted to P422,684 in 2015 and P1,152,786 in 2014.

As at December 31, 2015 and 2014, the distribution of the provident plan is as follows:

	2015	2014
Debt securities	**36%**	44%
Cash and cash equivalents	**19%**	31%
Equity securities	**45%**	24%
Loans and receivables	**0%**	1%
	100%	100%

29. Income Taxes

The major components of provision for income tax for the years ended December 31, 2015 and 2014 are as follows:

		2015		2014
Current				
Regular	**P**	**6,219,255**	P	5,583,754
Final tax		**4,492,055**		4,148,252
Deferred		**5,757,137**		(771,048)
	P	**16,468,447**	P	8,960,958

The reconciliation of tax on pretax income computed at the applicable statutory rates to tax expense is as follows:

		2015		2014
Statutory income tax	**P**	**27,528,245**	P	21,042,719
Adjustments for:				
Income subjected to lower income tax rates		**(11,228,398)**		(9,576,148)
Non-taxable income		**(5,588,537)**		(1,734,565)
Effect of deferred income tax		**5,757,137**		(771,048)
Actual provision for income tax	**P**	**16,468,447**	P	8,960,958

Significant component of Company's deferred tax assets and liabilities recognized in the financial statements is as follows:

		2015		2014
Deferred tax assets				
Allowance for impairment of assets	**P**	**198,734**	P	198,734
Unrealized foreign exchange loss		**-**		151,949
Excess of unearned premiums per books over tax basis		**-**		5,981,591
	P	**198,734**	P	6,332,274
Deferred tax liabilities				
Deferred acquisition cost -net	**P**	**10,010,031**	P	10,386,433
Revaluation surplus on:				
Land		**25,023,696**		25,023,696
AFS		**652,000**		832,644
	P	**35,685,727**	P	36,242,773

The movements of deferred tax assets and liabilities are as follows:

	As of December 31, 2015							
			Changes taken to					
		Beginning		Profit and loss		Equity		Ending
Deferred tax assets	**P**	**6,332,274**	**P**	**(6,133,539)**	**P**	**-**	**P**	**198,734**
Deferred tax liabilities		**(36,242,773)**		**376,403**		**180,643**		**(35,685,727)**
	P	**(29,910,499)**	**P**	**(5,757,136)**	**P**	**180,643**	**P**	**(35,486,992)**

	As of December 31, 2014							
			Changes taken to					
		Beginning		Profit and loss		Equity		Ending
Deferred tax assets	P	6,178,015	P	154,259	P	-	P	6,332,274
Deferred tax liabilities		(36,030,995)		616,789		(828,567)		(36,242,773)
	P	(29,852,980)	P	771,048	P	(828,567)	P	(29,910,499)

30. Reconciliation of net income under Philippine Financial Reporting Standards (PFRS) and net income under Regulatory Accounting Policies (RAP)

PFRS varies in certain respects from RAP prescribed by the Insurance Commission particularly in the computation of reserve for unearned premiums. A reconciliation of net income under PFRS and net income under RAP as at December 31 is presented below:

		2015	2014
PFRS net income	**P**	**75,292,369**	P 61,181,438
Add(deduct):			
Difference in change in reserve for unearned premiums - net		**(19,938,636)**	7,701
Deferred acquisition cost - net		**1,254,674**	2,052,759
Foreign exchange loss (gain)		**(4,273,834)**	421,767
Effect of deferred income tax		**(5,757,137)**	771,048
Others		**18,791,777**	(342,432)
RAP net income	**P**	**65,369,214**	P 64,092,281

31. Supplementary Information required under Revenue Regulations 15-2010 and 19-2011

The Bureau of Internal Revenue (BIR) issued Revenue Regulations 15-2010 and 19-2011 which require additional tax information to be disclosed in the Notes to Financial Statements. The following information covering the calendar year ended December 31, 2015 is presented in compliance thereto.

(i) Supplementary information under RR 15-2010

- The details of VAT output tax declared in the Company's 2015 VAT returns and their related account are as follows:

	Amount subject to VAT	Output tax
Premiums	P 309,866,495	P 37,183,979
Commission	972,804	116,736
Rental income	4,320,852	518,503
	P 315,160,151	P 37,819,218

- The VAT input tax claimed is broken down as follows:

Balance at the beginnning of the year	P -
Current year's domestic purchases/payments for:	
Goods	1,578,527
Services	8,578,754
Applied against output tax	(10,157,280)
	P -

- The premium tax on personal accident insurance paid and accrued amounted to P72,601.

- The documentary stamp tax paid/accrued for insurance policies is P37,356,712.

- The amounts of withholding tax payments, by category are as follows:

Tax on compensation and benefits	P 3,082,737
Expanded withholding tax	8,858,796

- As at December 31, 2015 the Company has no pending tax cases within and outside the administration of the BIR.

(ii) Supplementary information under RR 19-2011

- The details of Company's revenues for income tax purposes are as follows:

Net premiums retained	P 257,703,647
Commission income	6,276,206
Rental income	4,510,518
	P 268,490,371

- The breakdown of Company's direct costs for income tax purposes are as follows:

Claims and losses incurred - net of reinsurer's share	P	114,968,381
Commission expense		75,333,706
Salaries, wages and benefits		23,202,883
Materials, supplies and facilities		4,401,788
Transportation		1,907,614
Taxes and licenses		1,801,086
Representation and entertainment		1,303,760
Underwriting expense		650,963
Rental		379,944
Depreciation		357,988
Miscellaneous		560,077
	P	224,868,190

- The breakdown of Company's itemized deductions for income tax purposes are as follows:

Salaries and allowances	P 11,106,002
Depreciation	2,387,637
Rental and other occupancy costs	2,286,862
Professional fees	1,496,004
Association and pool dues	1,282,001
Professional development	1,021,247
Transportation	476,904
Other employee benefits	433,350
Taxes and licenses	389,269
Investment expense	360,488
Representation and entertainment	325,940
Communication and postage	255,560
Miscellaneous	1,130,094
	P 22,951,358

- The details of taxes and licenses presented under administrative expenses in the Company's statement of income are as follows:

Real estate tax	P	606,025
Local business taxes		1,080,122
Community tax certificate		10,500
Fringe benefit tax		120,672
Others		373,036
	P	2,190,355

32. Other significant matters

Contingencies

In the normal course of business, the Company may become defendant in lawsuits involving settlement of insurance claims. The Company recognized adequate provisions in its books to cover possible losses that may be incurred on these claims. In the opinion of management, liabilities arising from these claims, if any, will not have material effect on the Company's financial position and will have no material impact in the financial statements, taken as a whole.

Operating leases

Company as lessor

Portion of the companies provincial branches are leased out to third parties. Future minimum rentals receivable under the operating leases as at December 31, 2015 and 2014 are as follows:

	2015	2014
Within one year	**P 4,622,928**	P 4,402,789
After one year but not after five years	**4,736,044**	4,609,000
	P 9,358,972	P 9,011,789

Company as a lessee

The company enters into a rent agreement for the lease of certain provincial branches. Lease contract covers a period of 1 year, renewable at the option of both parties. Rent expense charged to operations amounted to P379,944 in 2015 and P305,408 in 2014.

Related party transactions

Parties are considered related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. The related party transactions are recognized based on transfer of resources or obligations between related parties, regardless of whether a price is charged.

Related party transaction consists of compensation to key management personnel as follows:

	2015	2014
Compensation and benefits	**P 6,681,666**	P 6,366,967
Retirement benefits	**261,500**	388,167
	P 6,943,166	P 6,755,134

Current and non-current distinction

The Company's current assets and current liabilities are presented below:

	2015	2014
Current assets		
Cash and cash equivalents	**P 91,844,298**	P 89,110,139
Short-term investment	**7,000,000**	2,000,000
Financial assets	**105,320,135**	4,000,000
Insurance and reinsurance assets	**16,735,469**	17,490,703
Accrued investment income	**4,812,995**	4,368,706
Deferred acquisition costs	**35,996,021**	37,310,724
	P 261,708,918	P 154,280,272
Current liabilities		
Accounts payable and accrued expenses	**P 31,118,512**	P 22,790,348
Reinsurance liabilities	**10,365,177**	8,730,705
Insurance claims payable	**138,892,212**	143,074,868
Reserve for unearned premiums	**141,344,616**	136,646,963
Deferred commission income	**2,629,252**	2,689,281
	P 324,349,769	P 313,932,165