

**Manulife China Bank Life Assurance
Corporation**

Financial Statements
December 31, 2019 and 2018

and

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Manulife China Bank Life Assurance Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Manulife China Bank Life Assurance Corporation (the Company), which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

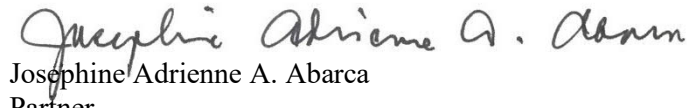
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Report on the Supplementary Information Required Under Revenue Regulations 15-2010

The supplementary information required under Revenue Regulations 15-2010 for purposes of filing with the Bureau of Internal Revenue is presented by the management of Manulife China Bank Life Assurance Corporation in a separate schedule. Revenue Regulations 15-2010 require the information to be presented in the notes to financial statements. Such information is not a required part of the basic financial statements. The information is also not required by the Revised Securities Regulation Code Rule 68. Our opinion on the basic financial statements is not affected by the presentation of the information in a separate schedule.

SYCIP GORRES VELAYO & CO.



Josephine Adrienne A. Abarca
Partner

CPA Certificate No. 92126

SEC Accreditation No. 0466-AR-4 (Group A),
November 13, 2018, valid until November 12, 2021

Tax Identification No. 163-257-145

BIR Accreditation No. 08-001998-61-2018,
February 26, 2018, valid until February 25, 2021

PTR No. 8125200, January 7, 2020, Makati City

June 8, 2020



MANULIFE CHINA BANK LIFE ASSURANCE CORPORATION
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2019	2018
ASSETS		
Cash and Cash Equivalents (Note 4)	¥2,019,407,191	¥1,850,094,830
Insurance Receivables (Note 22)	6,841,371	9,830,976
Reinsurance Assets (Notes 11 and 15)	5,197,869,605	4,273,945,905
Financial Assets (Note 5)		
Financial assets at fair value through profit or loss	33,990,824,787	30,359,933,820
Available-for-sale financial assets	1,978,339,570	1,241,430,218
Loans and receivables	430,032,599	251,238,180
Accrued Income (Note 7)	107,305,029	104,406,377
Property and Equipment (Note 8)	27,910,530	19,931,717
Deferred Tax Assets (Note 21)	45,138,516	–
Other Assets (Note 9)	52,000,857	38,344,910
	¥43,855,670,055	¥38,149,156,933
LIABILITIES AND EQUITY		
Liabilities		
Insurance contract liabilities (Note 10)	¥39,869,376,199	¥35,362,069,804
Insurance payables (Note 11 and 15)	1,340,541,925	1,087,437,506
Policyholders' dividends (Note 22)	236,040,617	192,110,863
Accounts payable and accrued expenses (Note 12)	377,118,999	363,024,820
Due to related parties (Note 15)	209,434,059	357,573,980
Income tax payable	72,966,452	3,828,422
Total Liabilities	42,105,478,251	37,366,045,395
Equity		
Capital stock (Notes 13 and 23)	500,000,000	500,000,000
Additional paid-in capital (Note 13)	525,000,000	525,000,000
Contingency surplus (Note 14)	100,000,000	–
Remeasurement gain (loss) on legal policy reserves (Note 10)	(8,749,790)	57,620,349
Remeasurement gain (loss) on pension plan (Note 20)	4,545,187	(3,992,013)
Reserve for fluctuation in value of available-for-sale financial assets (Note 5)	(45,239,221)	(441,666,692)
Appropriated surplus - Negative reserves	44,828,315	53,038,081
Retained earnings	629,807,313	93,111,813
Total Equity	1,750,191,804	783,111,538
	¥43,855,670,055	¥38,149,156,933

See accompanying Notes to Financial Statements.



MANULIFE CHINA BANK LIFE ASSURANCE CORPORATION
STATEMENTS OF INCOME

	Years Ended December 31	
	2019	2018
REVENUES		
Gross premiums earned on insurance contracts	¥7,915,556,896	¥8,812,694,328
Reinsurers' share of gross premiums earned on insurance contracts	(328,371,496)	(252,293,360)
Net insurance premiums earned (Note 16)	7,587,185,400	8,560,400,968
Investment income (Note 17)	100,324,690	91,283,405
Fair value losses on financial assets at FVPL (Note 5)	(4,704,778)	(4,895,854)
Gain (loss) on sale of available-for-sale financial assets (Note 5)	89,888	(36,812,757)
Foreign currency exchange losses - net	(16,093,524)	(6,429,205)
Other income (Note 17)	1,557,623,198	1,179,440,727
Total revenues	9,224,424,874	9,782,987,284
BENEFITS AND OPERATING EXPENSES		
Gross benefits and claims incurred on insurance contracts (Note 18)	108,013,765	147,955,862
Reinsurers' share of benefits and claims incurred on insurance contracts (Note 18)	(20,270,048)	(52,820,789)
Gross change in legal policy reserves (Note 18)	7,169,678,275	8,242,880,777
Reinsurer's share of gross change in legal policy reserves (Note 18)	67,406,376	(57,770,101)
Dividends to policyholders	60,166,580	49,269,969
Net insurance benefits and claims	7,384,994,948	8,329,515,718
General and administrative expenses (Note 19)	881,506,030	779,511,650
Commission expenses (Note 15)	334,637,807	414,476,289
Insurance and other taxes	23,957,512	17,702,113
Total benefits and operating expenses	8,625,096,297	9,541,205,770
INCOME BEFORE INCOME TAX	599,328,577	241,781,514
PROVISION FOR INCOME TAX (Note 21)	70,842,843	37,468,114
NET INCOME	¥528,485,734	¥204,313,400

See accompanying Notes to Financial Statements.



MANULIFE CHINA BANK LIFE ASSURANCE CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2019	2018
NET INCOME	¥528,485,734	¥204,313,400
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that will be reclassified to profit or loss in subsequent periods:		
Net change in fair value of available-for-sale financial assets (Note 5)	396,427,471	(204,321,314)
Remeasurement (loss) gain on legal policy reserves, net of tax (Note 10)	(49,084,034)	71,911,256
Tax effect of remeasurement gain in legal policy reserves recognized in prior years (Note 12)	(17,286,105)	–
Item that will not be reclassified to profit or loss in subsequent periods:		
Remeasurement gain on pension plan (Note 20)	8,537,200	7,461,924
	338,594,532	(124,948,134)
TOTAL COMPREHENSIVE INCOME	¥867,080,266	¥79,365,266

See accompanying Notes to Financial Statements.



MANULIFE CHINA BANK LIFE ASSURANCE CORPORATION
STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Notes 13 and 23)	Contributed Surplus (Note 13)	Contingency Surplus (Note 14)	Remeasurement Gain (Loss) on Legal Policy Reserves (Note 10)	Remeasurement Gain (Loss) on Pension Plan (Note 20)	Reserve for Fluctuation in Value of Available-for- sale Financial Assets (Note 5)	Appropriated Surplus - Negative Reserves (Note 2)	Retained Earnings (Deficit)	Total
Balances at January 1, 2019	₱500,000,000	₱525,000,000	₱-	₱57,620,349	(₱3,992,013)	(₱441,666,692)	₱53,038,081	₱93,111,813	₱783,111,538
Net income	-	-	-	-	-	-	-	528,485,734	528,485,734
Other comprehensive income (loss)	-	-	-	(66,370,139)	8,537,200	396,427,471	-	-	338,594,532
Total comprehensive income (loss)	-	-	-	(66,370,139)	8,537,200	396,427,471	-	528,485,734	867,080,266
Appropriation of negative policy reserves	-	-	-	-	-	-	(8,209,766)	8,209,766	-
Capital infusion (Note 14)	-	-	100,000,000	-	-	-	-	-	100,000,000
Balances at December 31, 2019	₱500,000,000	₱525,000,000	₱100,000,000	(₱8,749,790)	₱4,545,187	(₱45,239,221)	₱44,828,315	₱629,807,313	₱1,750,191,804
Balances at January 1, 2018	₱500,000,000	₱525,000,000	-	(₱14,290,907)	(₱11,453,937)	(₱237,345,378)	₱50,985,290	(₱109,148,796)	₱703,746,272
Net income	-	-	-	-	-	-	-	204,313,400	204,313,400
Other comprehensive income (loss)	-	-	-	71,911,256	7,461,924	(204,321,314)	-	-	(124,948,134)
Total comprehensive loss	-	-	-	71,911,256	7,461,924	(204,321,314)	-	204,313,400	79,365,266
Appropriation of negative policy reserves	-	-	-	-	-	-	2,052,791	(2,052,791)	-
Balances at December 31, 2018	₱500,000,000	₱525,000,000	-	₱57,620,349	(₱3,992,013)	(₱441,666,692)	₱53,038,081	₱93,111,813	₱783,111,538

See accompanying Notes to Financial Statements.



MANULIFE CHINA BANK LIFE ASSURANCE CORPORATION
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	¥599,328,577	¥241,781,514
Adjustments for:		
Change in insurance contract liabilities (Note 10)	415,564,142	151,447,921
Depreciation and amortization (Notes 8 and 19)	8,487,997	9,637,495
Retirement costs (Note 20)	5,983,003	6,305,150
Fair value loss on financial assets at fair value through profit or loss (Note 5)	4,704,778	4,895,854
Unrealized foreign currency exchange loss - net	3,969,642	4,880,232
Gain (loss) on sale of available-for-sale financial assets (Note 5)	(89,888)	36,812,757
Change in IBNR provision (Note 10)	(3,297,917)	14,514,461
Interest income (Note 17)	(100,324,690)	(91,283,405)
Operating income before changes in working capital	934,325,644	378,991,979
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets at fair value through profit or loss (Note 5)	(3,635,595,745)	(747,015,196)
Insurance receivables	2,989,605	8,626,171
Reinsurance assets	(923,923,700)	(723,145)
Loans and receivables	(178,794,419)	129,890,600
Other assets	(6,158,319)	(6,102,535)
Increase (decrease) in:		
Insurance contract liabilities (Note 10)	3,954,597,543	608,420,155
Policy and contract claims and other insurance contract liabilities (Note 10)	70,322,578	12,041,076
Insurance payables	253,104,419	224,732,363
Policyholders' dividends	43,929,754	39,837,334
Accounts payable and accrued expenses	14,094,178	(259,388,976)
Due to related parties	(148,139,921)	6,272,304
Net cash generated by operations	380,751,617	395,582,130
Contribution to retirement fund (Note 20)	(6,810,260)	(5,509,564)
Income taxes paid	(41,226,590)	(37,105,918)
Net cash provided by operating activities	332,714,767	352,966,648
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	102,299,750	131,852,775
Proceeds from sale/maturities of:		
Available-for-sale financial assets (Note 5)	93,360,097	142,083,604
Property and equipment (Note 8)	-	613,334
Acquisitions of:		
Available-for-sale financial assets (Note 5)	(438,625,802)	(46,834,342)
Property and equipment (Note 8)	(16,466,810)	(8,529,222)
Net cash provided by (used in) investing activities	(259,432,765)	219,186,149

(Forward)



	Years Ended December 31	
	2019	2018
CASH FLOWS FROM A FINANCING ACTIVITY		
Proceeds from capital infusion (Note 14)	₱100,000,000	₱-
EFFECT OF FOREIGN CURRENCY RATE CHANGES IN CASH AND CASH EQUIVALENTS	(3,969,641)	(4,880,232)
NET INCREASE IN CASH AND CASH EQUIVALENTS	169,312,361	567,272,565
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,850,094,830	1,282,822,265
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱ 2,019,407,191	₱1,850,094,830

See accompanying Notes to Financial Statements.



MANULIFE CHINA BANK LIFE ASSURANCE CORPORATION

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Manulife China Bank Life Assurance Corporation (formerly The Pramerica Life Insurance Company, Inc.) (the Company) was incorporated and registered with the Securities and Exchange Commission (SEC) on February 20, 1998 and December 8, 1988, respectively. The Company received its Certificate of Authority from the Insurance Commission of the Philippines (IC) in the same year.

On May 12, 2006, The Manufacturers Life Insurance Company of Canada (Manulife Canada), a corporation established and existing under the laws of Canada, acquired the entire shareholdings of the Company, a then wholly-owned subsidiary of Prudential International Insurance Holdings, Ltd. (PII), a company based in New Jersey, USA. PII is in turn a wholly-owned subsidiary of Prudential Financial, Inc. (PFI), a company based in Newark, New Jersey, USA. As a result of this transaction, the Company became a wholly-owned subsidiary of Manulife Canada and its ultimate parent became Manulife Financial Corporation (MFC).

On January 5, 2007, a Bancassurance Alliance Agreement (the Agreement) was made and entered by and between Manulife Canada and China Banking Corporation (the Bank), a corporation duly organized under Philippine laws and registered with the SEC. The parties agreed to enter into a 15-year exclusive bancassurance alliance to distribute life insurance products to the Bank's customers, and the Bank has undertaken not to distribute, market or endorse the products of any other life insurance company during the term of the 15-year exclusive bancassurance alliance.

On March 5, 2007, in a special meeting of the Company's Board of Directors (BOD), majority of the members of the BOD approved the change in name of the Company from The Pramerica Life Insurance Company, Inc. to Manulife China Bank Life Assurance Corporation. The SEC approved the Company's application for the change in name on March 23, 2007.

On August 8, 2007, the Bank acquired 5% of the Company's capital stock, equivalent to 125,000 common shares.

On December 3, 2008, The Manufacturers Life Insurance Co. (Phils.), Inc. (Manulife Philippines or the Parent Company), a subsidiary of MFC, purchased the 95% of the Company's capital stock from Manulife Canada.

On September 12, 2014, based on the Share Purchase Agreement and the Deed of Absolute Sale of Shares of Stock and Transfer of Contributed Surplus entered into between Manulife Philippines and the Bank, Manulife Philippines sold 1,750,000 Common Shares representing thirty five percent (35%) of the total issued shares of the Company to the Bank. The Bank after the sale now has forty (40%) stake in the Company. The Bank and Manulife Philippines have contemporaneously entered into the Bancassurance Agreement and the Addendum to Administrative Services Agreement.

The Bancassurance Agreement is an amendment of the Bancassurance Alliance Agreement in 2007, which set out the initial terms of cooperation between the Bank and the Company in connection with their promotion and sale of life insurance products for an initial term of 15 years. The term of the new agreement shall be for ten (10) years commencing from July 1, 2014 during which time Manulife Philippines shall, in exchange for an increased equity stake in the Company and other valuable consideration given to the Bank by the Company, have exclusive access to the Distribution Network and Bank Customers for the duration of the new term.



Manulife Philippines administers the Company's operations as provided by the Administrative Services Agreement. The Addendum to Administrative Services Agreement prescribes the amendment of the basis of the services fees charged by Manulife Philippines to the Company.

On July 5, 2018, the Board of Directors (BOD) approved the change in principal place of business of the Company to 10th Floor, NEX Tower, 6786 Ayala Avenue, Makati City. The Company officially moved to this address on February 26, 2019. Prior to such date, the registered office address of the Company was 24th Floor, LKG Tower, 6801 Ayala Avenue, Makati City.

The accompanying financial statements were approved and authorized for issue by the BOD on June 8, 2020.

2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies

Basis of Preparation

The accompanying financial statements have been prepared using the historical cost basis, except for financial assets at fair value through profit or loss (FVPL) and available-for-sale (AFS) financial assets that have been measured at fair value.

The financial statements are presented in Philippine Peso (₱), which is also the Company's functional currency.

Statement of Compliance

The financial statements which are prepared for submission to the SEC and the Bureau of Internal Revenue (BIR) have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new accounting pronouncements starting January 1, 2019. Adoption of these pronouncements did not have any significant impact on the Company's financial position or performance unless otherwise indicated.

Amendments

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- *Annual Improvements to PFRSs 2015-2017 Cycle*
 - Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*
 - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
 - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*



Philippine Interpretation

• IFRIC-23, *Uncertainty over Income Tax Treatments*

IFRIC 23 addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, Income Taxes. It does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. IFRIC 23 specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Company is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

Upon adoption of the Interpretation, the Company has assessed whether it has any uncertain tax position. The Company applies significant judgement in identifying uncertainties over its income tax treatments. The Company determined, based on its tax compliance review/assessment, in consultation with its tax counsel, that it is probable that its income tax treatments will be accepted by the taxation authorities. Accordingly, the Interpretation did not have an impact on the financial statements of the Company.

New Standards

• PFRS 16, *Leases*

The Company has no outstanding leases as of January 1, 2019 and December 31, 2019.

Deferral of the Adoption of PFRS 9, Financial Instruments

The Company applies the temporary exemption from PFRS 9 as permitted by the amendments to PFRS 4 *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*. The temporary exemption permits the Company to continue applying PAS 39 rather than PFRS 9 for annual periods beginning before 1 January 2021.

The assessment on whether a reporting entity's activities are predominantly connected with insurance is based on the liabilities connected with insurance in proportion to the entity's total liabilities.

The predominance assessment is performed using the carrying amounts of liabilities reported on the statement of financial position at the annual reporting date after March 31, 2015 and before April 1, 2016. Applying the requirements, the Company performed the predominance assessment using the statement of financial position as of December 31, 2015. The Company concluded that



it qualified for the temporary exemption from PFRS 9 because its activities are predominantly connected with insurance. As of December 31, 2015, the Company's gross liabilities arising from contracts within the scope of PFRS 4 represented 98% of the total carrying amount of all its liabilities. Since December 31, 2015, there has been no change in the activities of the Company that requires reassessment of the use of the temporary exemption.

Fair value disclosures

The table below presents an analysis of the fair value of classes of financial assets of the Company as of December 31, 2019 and 2018, as well as the corresponding change in fair value for the years then ended. The financial assets are divided into two categories:

- Assets for which their contractual cash flows represent solely payments of principal and interest (SPPI), excluding any financial assets that are held for trading or that are managed and whose performance is evaluated on a fair value basis; and
- All other financial assets (i.e. those for which contractual cash flows do not represent SPPI, assets that are held for trading and assets that are managed and whose performance is evaluated on a fair value basis).

	2019			
	SPPI financial assets		Other financial assets	
	Fair value	Fair value change	Fair value	Fair value change
AFS financial assets				
Debt securities:				
Government bonds	₱1,846,185,800	₱392,417,772	₱-	₱-
Corporate bonds	132,153,770	4,009,699	-	-
Financial assets designated at FVPL*				
Debt securities held in insurance investment funds (IIFs)				
Government bonds	-	-	8,383,003,941	516,952,556
Corporate bonds	-	-	482,267,088	17,941,185
Unit trust investment funds (UITFs)	-	-	3,136,689,972	190,473,192
Equity securities held in IIFs				
Common stock	-	-	14,526,547,392	723,757,552
Other equity securities	-	-	7,462,316,394	221,981,243
Loans and receivables				
Accounts receivable held in IIFs	237,181,013	-	-	-
Policy loans	117,716,763	-	-	-
Inter-fund receivables	70,688,248	-	-	-
Due from related parties	1,306,386	-	-	-
Security fund contribution	141,244	-	-	-
Other receivables	2,998,945	-	-	-
	₱2,408,372,169	₱396,427,471	₱33,990,824,787	₱1,671,105,728

	2018			
	SPPI financial assets		Other financial assets	
	Fair value	Fair value change	Fair value	Fair value change
AFS financial assets				
Debt securities:				
Government bonds	₱1,214,891,503	(₱200,260,961)	₱-	₱-
Corporate bonds	26,538,715	(4,060,353)	-	-
Financial assets designated at FVPL*				
Debt securities held in insurance investment funds (IIFs)				
Government bonds	-	-	8,447,799,719	(302,271,979)
Corporate bonds	-	-	325,565,006	(14,666,862)
UITFs	-	-	2,110,429,052	(103,818,297)
Equity securities held in IIFs				
Common stock	-	-	14,197,125,717	(1,530,333,919)
Other equity securities	-	-	5,279,014,326	(249,768,203)
(Forward)				



	2018			
	SPPI financial assets		Other financial assets	
	Fair value	Fair value change	Fair value	Fair value change
Loans and receivables				
Inter-fund receivables	₱109,213,308	₱-	₱-	₱-
Policy loans	108,088,008	-	-	-
Accounts receivable held in IIFs	23,243,382	-	-	-
Due from related parties	1,306,386	-	-	-
Security fund contribution	141,244	-	-	-
Other receivables	9,245,852	-	-	-
	₱1,492,668,398	(₱204,321,314)	₱30,359,933,820	(₱2,200,859,260)

*The fair value changes on financial assets designated at FVPL that are attributable to the unit-linked holders are recognized as part of "Due to unit-linked holders" (see Note 10). The fair value changes attributable to the seed capital is recognized in the statement of income as "Fair value gain (loss) on financial assets at FVPL".

Credit risk disclosures

The following table shows the carrying amounts of the SPPI assets in accordance with PAS 39 categories by credit risk rating grades reported to key management personnel. The carrying amounts are measured in accordance with PAS 39. For assets measured at amortized cost, the carrying amount shown is before any allowance for impairment loss.

	2019			
	Credit Rating			
	Total	BBB	BB/B	Unrated
AFS financial assets				
Debt securities:				
Government bonds	₱1,846,185,800	₱1,846,185,800	₱-	₱-
Corporate bonds	132,153,770	132,153,770	-	-
Loans and receivables				
Accounts receivable held in IIFs	237,181,013	-	-	237,181,013
Policy loans	117,716,763	-	-	117,716,763
Inter-fund receivables	70,688,248	-	-	70,688,248
Due from related parties	1,306,386	-	-	1,306,386
Security fund contribution	141,244	-	-	141,244
Other receivables	2,998,945	-	-	2,998,945
	₱2,408,372,169	₱1,978,339,570	₱-	₱430,032,599

	2018			
	Credit Rating			
	Total	BBB	BB/B	Unrated
AFS financial assets				
Debt securities:				
Government bonds	₱1,214,891,503	₱1,214,891,503	₱-	₱-
Corporate bonds	26,538,715	26,538,715	-	-
Loans and receivables				
Inter-fund receivables	109,213,308	-	-	109,213,308
Policy loans	108,088,008	-	-	108,088,008
Accounts receivable held in IIFs	23,243,382	-	-	23,243,382
Due from related parties	1,306,386	-	-	1,306,386
Security fund contribution	141,244	-	-	141,244
Other receivables	9,245,852	-	-	9,245,852
	₱1,492,668,398	₱1,241,430,218	₱-	₱251,238,180



Future Changes in Accounting Policies

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

Effective beginning on or after June 1, 2020

- Amendments to PFRS 16, *COVID-19-Related Rent Concessions*

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted. The Company is currently assessing the impact of adopting PFRS 17.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*.

Product Classification

Insurance contracts are defined as those contracts under which the Company (the insurer) accepts significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholder.



As a general guideline, the Company defines significant insurance risk by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index, or other variable. Investment contracts mainly transfer significant financial risk but can also transfer insignificant insurance risk.

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

Insurance and investment contracts are further classified as being with or without discretionary participation features (DPF). DPF is a contractual right to receive, as a supplement to guaranteed contracts, additional benefits that are likely to be a significant portion of the total contractual benefits, whose amount or timing is contractually at the discretion of the issuer, and that are contractually based on the performance of a specified pool of contracts or a specified type of contract, realized and/or unrealized investment returns on a specified pool of assets held by the issuer, or the profit or loss of the Company, fund or other entity that issues the contract.

For financial options and guarantees which are not closely related to the host insurance contract and/or investment contract with DPF, bifurcation is required to measure these embedded financial derivatives separately at FVPL. Bifurcation is not required if the embedded derivative is itself an insurance contract and/or investment contract with DPF or when the host insurance contract and/or investment contract with DPF itself is measured at FVPL. The options and guarantees within the insurance contracts issued by the Company are treated as derivative financial instruments which are clearly and closely related to the host insurance and therefore not bifurcated subsequently. As such, the Company does not separately measure options to surrender insurance contracts for a fixed amount (or an amount based on a fixed amount and an interest rate). Likewise, the embedded derivative in unit-linked insurance contracts linking the payments on the contract to units of insurance investment funds (IIFs) meets the definition of an insurance contract and is therefore not accounted for separately from the host insurance contract.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of placement and that are subject to an insignificant risk of change in value.

Insurance Receivables

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

Insurance receivables are derecognized when the derecognition criteria for financial assets have been met.



Financial Instruments

Date of Recognition

The company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Initial Recognition of Financial Instruments

Financial instruments are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments classified as at FVPL. Any difference noted between the fair value and the transaction price on initial recognition is treated as expense or income, unless it qualifies for recognition as some type of asset or liability at the time of the transaction.

The Company classifies its financial assets in the following categories: financial assets at FVPL, AFS financial assets, and loans and receivables. Financial liabilities are classified as financial liabilities at FVPL and other financial liabilities carried at amortized cost. The classification depends on the purpose for which the investments were acquired 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.

Financial instruments at FVPL

Financial assets and financial liabilities at FVPL include those assets and liabilities held-for-trading purposes or those designated by management at FVPL on initial recognition. Derivative instruments, except those covered by hedge accounting relationships, are classified under this category.

Financial assets and financial liabilities are classified as held-for-trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets and financial liabilities may be designated at FVPL when the following criteria are met:

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

Subsequent to initial recognition, these instruments are re-measured at fair value. Fair value gains and losses are recognized in the statement of income under the 'Fair value gain (loss) on financial assets at FVPL' account. Interest earned on debt instruments is reported as interest income under 'Investment income' in the statements of income.

The Company's financial assets at FVPL consist of debt and equity securities of the IIFs.



The IIFs set up by the Company underlying the unit-linked insurance contracts are designated as at FVPL in accordance with the investment strategy and valuation provisions of the unit-linked policy contracts. Likewise, this is consistent with the valuation basis of the reserve for variable units held by policyholders.

The Company's peso and dollar-denominated debt securities and equity securities under the IIFs are designated at FVPL as these financial instruments are managed and their performance are evaluated on a fair value basis, in accordance with the Company's investment strategy.

As of December 31, 2019 and 2018, the Company has no financial liabilities classified as at FVPL.

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 are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held for trading, nor designated as AFS or at FVPL. After initial measurement, loans and receivables are carried at amortized cost using the effective interest method less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in the statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

As of December 31, 2019 and 2018, the Company's loans and receivables represent insurance receivables, accrued income, inter-fund receivables, policy loans, accounts receivable held in IIFs, due from related parties, security fund contribution and other receivables.

AFS Financial Assets

AFS financial assets are non-derivative financial assets that are either designated in this category or do not qualify to be classified as loans and receivables, HTM investments or financial assets at FVPL. After initial measurement, AFS financial assets are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of the restatement on foreign currency-denominated AFS debt securities, is recognized in the statement of income. Interest earned on holding AFS financial assets are reported as interest income using the effective interest rate. Dividends earned on holding AFS financial assets are recognized in the statement of income as investment income when the right of the payment has been established. The unrealized gains and losses arising from the fair valuation of AFS financial assets, including the impact of foreign exchange differences on AFS equity securities, are reported in other comprehensive income. The losses arising from impairment of such investments are recognized as provision for impairment and credit losses in the statement of income. On derecognition or impairment, the cumulative gain or loss previously reported in other comprehensive income is transferred to the statement of income.

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

The Company's AFS financial assets consists of peso-denominated government and corporate debt securities.

Other Financial Liabilities

Issued financial instruments or their components, which are not designated at FVPL are classified as other financial liabilities. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the



effective interest rate. Any effects of restatement of foreign currency-denominated liabilities are recognized in the statement of income. Other financial liabilities include the Company's insurance payables, policyholders' dividends, due to related parties, accounts payable and accrued expenses.

Classification of Financial Instruments between Debt and Equity

A financial instrument is classified as debt if it has a contractual obligation to:

- Deliver cash or another financial asset to another entity or
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability. 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.

Offsetting Financial Instruments

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

Impairment of Financial Assets

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.



If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the statement of income. Interest income continues to be recognized based on the original effective interest rate of the asset. The financial assets, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to the 'Allowance for impairment losses' account.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as type of borrower, collateral type and past due status.

AFS financial assets carried at fair value

In case of equity investments classified as AFS, impairment indicators would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of income) is removed from other comprehensive income and recognized in the statement of income. Impairment losses on equity instruments are not reversed through the statement of income. Increases in fair value after impairment are recognized directly in other comprehensive income.

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

Derecognition of Financial Instruments

Financial asset

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

- the right to receive cash flows from the asset 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 a material delay to a third party under a "pass through" arrangement; or
- 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 control of the asset.



Where the Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial Liability

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

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.



Policy Loans

Policy loans, included in loans and receivables, are carried at their unpaid balances plus accrued interest and are secured by the cash surrender values and dividends on which the loans are made. Policy loans are accounted for based on the accounting policy for loans and receivables.

Reinsurance Assets

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

The Company assesses its reinsurance assets for impairment on a regular basis. If there is objective evidence that the reinsurance assets are impaired, the Company reduces the carrying amount of the reinsurance assets to its recoverable amount and recognizes that impairment loss in its statement of income. The Company gathers the objective evidence that the reinsurance asset is impaired using the same process adopted for financial assets held at amortized cost. The impairment loss is calculated following the same method used for these financial assets.

In modified coinsurance (quota share) treaties, the Company records as reinsurance premiums the reinsurer's proportionate share in benefits reinsured for the covered policies. Reinsurance allowances due from the reinsurers, on the other hand, are recorded under "Other income" (see Note 17).

Property and Equipment

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

The initial cost of property and equipment comprises its purchase price, including any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the assets have been put into operation, such as repairs and maintenance, are charged to the statement of income in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation and amortization is calculated on a straight-line method over the estimated useful lives (EUL) of the property and equipment.

	Years
Electronic Data Processing (EDP) equipment	3
Leasehold improvements	5
Furniture and fixtures	5
Transportation equipment	5

Leasehold improvements are amortized over the term of the lease or the EUL of the improvements, whichever is shorter.

The assets' useful lives and depreciation and amortization methods are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits for each item of property and equipment.



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

Creditable withholding tax

Creditable withholding tax pertains to the indirect tax paid by the Company that is withheld by suppliers, service providers and clients of the Company for purchase of goods or services. These CWTs are initially recorded at cost as an asset under "Other assets" account.

At each end of the tax reporting deadline, these CWTs may either be offset against future tax income payable or be claimed as a refund from the taxation authorities at the option of the Company.

At each end of the reporting period, an assessment for impairment is performed as to the recoverability of these CWTs.

Pension Asset

The Company maintains a defined contribution (DC) plan that covers all regular full-time employees. Under its DC plan, the Company pays fixed contributions based on the employees' monthly salaries. The Company, however, is covered by Republic Act (RA) No. 7641, The Philippine Retirement Law, which provides for its qualified employees a defined benefit (DB) minimum guarantee. The DB minimum guarantee is equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service based on the provisions of RA 7641.

Accordingly, the Company accounts for its retirement obligation under the higher of the DB obligation relating to the minimum guarantee and the obligation arising from the DC plan.

For the DB minimum guarantee plan, the liability is determined based on the present value of the excess of the projected DB obligation over the projected DC obligation at the end of the reporting period. The DB obligation is calculated annually by a qualified independent actuary using the projected unit credit method. The Company determines the net interest expense (income) on the net DB liability (asset) for the period by applying the discount rate used to measure the DB obligation at the beginning of the annual period to the then net DB liability (asset), taking into account any changes in the net DB liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the DB plan are recognized in profit or loss.

The DC liability, on the other hand, is measured at the fair value of the DC assets upon which the DC benefits depend, with an adjustment for margin on asset returns, if any, where this is reflected in the DC benefits.

Remeasurements of the net DB liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income.

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



Impairment of Nonfinancial Assets

The carrying values of the Company's nonfinancial assets (e.g., property and equipment) are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units (CGU) are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses are recognized in the statement of income.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income. After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Insurance Contract Liabilities

Life insurance liabilities

Life insurance contract liabilities are recognized when the contracts are entered into and the premiums are recognized. The provision for life insurance contracts is calculated on the basis of a stringent prospective actuarial valuation method where the assumptions used depend on the Company's current experience. Assumptions and actuarial valuation methods are also subject to provisions of the Insurance Code (the Code) and guidelines set by the Insurance Commission.

Subsequently, new estimates are developed at each reporting date to determine whether the liabilities reflect the current experience. The initial assumptions can be retained if the Company deems the current assumptions to still be reflective of their experience. Improvements and significant deteriorations in estimates have an impact on the value of the liabilities.

Movements in legal policy reserves attributable to changes in discount rate are recorded under 'Remeasurement gain (loss) on legal policy reserves' in other comprehensive income and the changes in policies and assumptions are recorded under 'Gross change in legal policy reserves' in the statement of income.

Life insurance contracts with fixed and guaranteed terms

Premiums are recognized as revenue when they become due from the policyholders which for single premium business, is the date on which the policy becomes effective. Benefits are recorded as an expense when they are incurred and are accrued as a liability.

An increase in liability for contractual benefits that are expected to be incurred in the future is recorded under 'Gross change in legal policy reserves' in the statement of income when the premiums are recognized. The liability is determined as the sum of the present value of future benefits and expenses, less the present value of the future gross premiums arising from the policy contract discounted at the appropriate risk-free discount rate. The expected future cash flows is determined



using the best estimate assumptions with due regard to significant recent experience and appropriate margin for adverse deviation from the expected experience.

The liability is based on actuarial assumptions such as mortality and morbidity, maintenance expenses, and lapse and/or persistency rates that are established at the time the contract is issued. A margin for adverse deviation (MfAD) is also included in the assumptions. For group life insurance and accident and health insurance, reserves are computed by calculating the unearned portion of the written premiums for the year.

Provision is also made for the cost of claims incurred but not reported (IBNR) as of the reporting date based on the Company's experience. Differences between the provision for outstanding claims at the reporting date and subsequent revisions and settlements are included in the statement of income in later years. Policy and contract claims payable forms part of the 'Insurance contract liabilities' in the statements of financial position.

Unit-linked insurance contracts

The Company issues unit-linked insurance contracts. In addition to providing life insurance coverage, a unit-linked contract links payments to IIFs set-up by the Company with consideration received from the policyholders. As allowed by PFRS 4, the Company chose not to unbundle the investment portion of its unit-linked products. Premiums received (including premium load and bid-offer spread) from the issuance of unit-linked insurance contracts are recognized as premium revenue. Consideration received from policyholders that are transferred to the segregated funds is recognized as part of 'Gross change in legal policy reserves' in the statements of income.

The Company withdraws the cost of insurance and administrative charges from the consideration received from the policyholders in accordance with the provisions of the unit-linked insurance contracts. After deduction of these charges, the remaining amounts in fund assets are equal to the surrender value of the unit-linked policies, and are withdrawable anytime.

The investment returns on the IIFs belong to policyholders and the Company does not bear the risk associated with these assets (outside of guarantees offered). Accordingly, investment income earned and expenses incurred by these funds and payments to policyholders have the same corresponding change in the reserve for unit-linked liabilities. Such changes have offsetting effect on the Company's results of operations and are therefore not separately presented in the statement of income. Management fee income earned by the Company for managing the IIFs and the monthly load and cost of insurance charges are included in other income.

IIFs primarily include investments in debt securities, equities, short-term investments and cash and cash equivalents. The methodology applied to determine the fair value of the investments held in these funds is consistent with that applied to investments held by general fund. Reserve for unit-linked liabilities is measured based on the value of the IIFs attributable to the policyholders.

The equity of each unit-linked policyholder in the fund is monitored through the designation of outstanding units for each policy. Hence, the equity of each unit-linked insurance contract in the fund is equal to its total number of outstanding units multiplied by the net asset value per unit (NAVPU). The NAVPU is the market value of the fund divided by its total number of outstanding units.

Policy and contract claims payable

Policy and contract claims payable includes the sum of the individual amounts that are due and have already been approved for payment but have not actually been paid as of the end of the reporting period. This also includes accrual of reported claims that are not yet approved for payment. This is recognized when due and measured on initial recognition at fair value. Subsequent to initial recognition, this is measured at amortized cost using the effective interest rate method.



Other insurance contract liabilities

Other insurance contract liabilities include unpaid policy related disbursements such as policy surrenders and maturities.

Discretionary Participation Feature

A discretionary participation feature (DPF) is a contractual right that gives policyholders the right to receive supplementary discretionary returns through participation in the surplus arising from the assets held in the specified fund. The supplementary discretionary returns are subject to the discretion of the Company and are within the constraints of the terms and conditions of the contract. The supplementary discretionary returns which were not withdrawn by the policyholders from the Company accumulated over time and are, recognized as part of "Policyholders' dividends" account in the statement of financial position. Policyholders' dividends are carried at amortized cost.

Insurance Payables

Insurance payables result from the reinsurance agreement entered into by the Company for ceding out its insurance business. The Company initially recognizes the liability at transaction price. After initial measurement, insurance payables are subsequently measured at amortized cost using the effective interest rate method.

Leases

Company as lessee

Policies applicable prior to January 1, 2019

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the profit and loss on a straight-line basis over the lease term. Indirect costs incurred in negotiating an operating lease are added to the carrying value of the leased asset and recognized over the lease term on the same basis as the lease income. Minimum lease payments are recognized on a straight-line basis while the variable rent is recognized as an expense based the terms of the leased contract.

Policies applicable beginning January 1, 2019

The Company assesses at contract inception whether a contract is, or contains a lease. A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and ROU assets representing the right-of-use the underlying assets.

Capital Stock and Additional Paid-in Capital

Capital stock is measured at par value for all shares issued. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital" account.

Direct cost incurred related to the equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are chargeable to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings.

Appropriated surplus - Negative reserves

For any traditional life insurance policy, where the calculation based on GPV results in a negative reserve, the Company appropriates from retained earnings an amount equal to the negative reserves calculated on a per policy basis as required by IC CL No. 2016-66.



Contingency surplus

Contingency surplus pertains to contributions from shareholders to address the Company's solvency and capital requirements.

Retained earnings

Retained earnings represent accumulated net income of the Company, net of dividends declared.

Revenue Recognition

Revenue from contracts with customers is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services.

The Company assesses its revenue arrangement against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized within the scope of PFRS 15:

Management fee income

The Company's service arrangements are generally satisfied over time, with revenue recognized over the period in which the related services are performed.

Revenues outside the scope of PFRS 15

Insurance premiums

Gross recurring premiums from life insurance contracts are recognized when due. For single premium business, revenue is recognized on the date from which the policy becomes effective. For regular premium contracts, receivables are recorded at the date when payments are due.

Reinsurance allowances

Reinsurance allowances are recognized in the statement of income when the related ceded policy-related expenses such as commissions and other underwriting expenses are incurred.

Cost of insurance

Cost of insurance is recognized as revenue over the period in which the related services are performed.

Processing fee

The Company's service arrangements are generally satisfied over time, with revenue measured and collected from customers within a short term, as services are rendered.

Investment income

Interest income is recognized in the statement of income as it accrues, taking into account the effective yield of the asset or an applicable floating rate. Interest income includes the amortization of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated using the effective interest rate.

Investment income also includes dividends, which are recognized when the Company's right to receive the payment is established.

Miscellaneous revenue

Insurance contract policyholders are charged for policy administration services, surrenders and other contract fees. These charges, comprising of cost of insurance and monthly load, are recognized as revenue over the period in which the related services are performed.



Benefits and Claims Recognition

Benefits and claims

Life insurance business claims reflect the cost of all claims arising during the year, including claims handling costs. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due. Benefits claims are recorded as liabilities.

For unpaid benefits, a provision is made for the estimated cost of all claims and dividends notified but not settled at the reporting date, net of reinsurance recoveries, using the information available at the time. Provision is also made for the cost of claims incurred but not reported (IBNR) until after the reporting date based on the Company's experience and historical data. These actual claims are those reported during the first quarter immediately following the reporting date, whether paid or unpaid, but wherein the date of loss occurred on or before the reporting date.

Claims handling costs include internal and external costs incurred in connection with the negotiation and settlement of claims. Internal costs include all direct expenses of the claims department and any part of the general administrative costs directly attributable to the claims function.

Dividend to policyholders

Dividend expense attributable to dividend entitlement of certain participating insurance policies is recognized as it accrues every policy anniversary date. Policyholders dividends can be paid in cash, buy paid up additions or can be left with the Company. Policyholder dividends which are not withdrawn from the Company earn interest, which is included in the statement of income as "Dividend to policyholders".

Expense Recognition

Expenses are recognized in the statement of income when incurred. These are recognized in the statement of income:

- on the basis of a direct association between the costs incurred and the earning of specific items of income;
- on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the statement of financial position as an asset.

General and administrative expenses

General and administrative expenses are costs attributable to administrative and other business activities of the Company.

Commission expenses

Commission expenses are charged against operations when incurred.

Foreign Currency-Denominated Transactions and Translations

Transactions in foreign currencies are initially recorded at the functional currency spot rate prevailing at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date.

All differences arising from monetary items are taken to the statement of income.



Nonmonetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of nonmonetary items measured at fair value is treated in line with the recognition of a gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

Income Tax

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted as of the reporting date. Effective January 1, 2019, management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, excess MCIT over RCIT and unused NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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



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

Provisions

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

Contingencies

Contingent liabilities are not recognized in the Company's 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 are disclosed when an inflow of economic benefit is probable.

Events after Reporting Period

Post year-end events that provide additional information about the Company's financial position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are non-adjusting events are disclosed in the financial statements when material.

3. Significant Accounting Judgments, Estimates and Assumptions

The Company makes judgments, estimates and assumptions that affect the reported amounts of assets and liabilities. Judgments and estimates 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

In the process of applying the Company's accounting policies, management has made the following judgments which have the most significant effect on the amounts recognized in the company financial statements.

Product classification

The Company has determined that the traditional and unit-linked insurance policies (that link the payments on the contract to units of IIFs) have significant insurance risk and, therefore meet the definition of an insurance contract and should be accounted for as such.

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



Estimates and Assumptions

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

Claims liability arising from insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for those claims.

Estimates are made as to the expected number of deaths for each of the years in which the Company is exposed to risk. The Company bases these estimates on the mortality and morbidity that are appropriate to the nature of the risks covered based on the Company's actual experience. The estimated number of deaths determines the value of possible future benefits to be paid out, which will be factored into ensuring sufficient cover by reserves, which in turn is monitored against current and future premiums.

Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns, as well as expectations about future economic and financial developments.

In accordance with the provision of the Code, estimates for future deaths, voluntary terminations, investment returns and administration expenses are determined at the inception of the contract and are used to calculate the liability over the term of the contract. At each reporting date, these estimates are reassessed for adequacy and changes will be reflected in the adjustments to the liability. The interest rates used to discount future liabilities are based on the published rates by the Insurance Commission, which are in turn based on the BVAL PHP Reference rates in 2019 and International Yield Curve (IYC) for peso- and US dollar (USD)-denominated policies, respectively.

The carrying value of the legal policy reserves amounted to ₱39.69 billion and ₱35.25 billion as of December 31, 2019 and 2018, respectively (see Note 10).

Estimation of allowance for impairment losses

The Company reviews its loans and receivables at each reporting date to assess whether an allowance for impairment losses should be recorded in the statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

The Company maintains an allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, age of balances, financial status of counterparties, the length of the Company's relationship with the debtors, the debtor's payment behavior, legal opinion on recoverability in case of legal disputes and known market factors. The Company reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a continuous basis.

In addition to specific allowance against individually significant loans and receivables, the Company also makes a collective impairment allowance against exposures which, although not specifically identified as requiring specific allowance, have a greater risk of default than when originally granted. This collective allowance takes into consideration any deterioration in the loans and receivables.



As of December 31, 2019 and 2018, the carrying value of loans and receivables amounted to ₱430.03 million and ₱251.24 million, respectively (see Note 5). There is no allowance for impairment losses as of December 31, 2019 and 2018.

Estimated useful lives of property and equipment

The Company reviews annually the estimated useful lives of property and equipment based on the period over which the assets are expected to be available for use. It is possible that future results of operations 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 accounts.

As of December 31, 2019 and 2018, the carrying values of property and equipment amounted to ₱27.91 million and ₱19.93 million, respectively (see Note 8).

Recognition of pension asset/liability

The cost of defined benefit pension plans as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The Company recognized pension asset amounting to ₱11.99 million and ₱2.66 million, as of December 31, 2019 and 2018, respectively (see Note 20).

The present value of cash flows from expected benefit payments as at the statement of financial position date are determined using interest rates from a derived zero yield curve of government securities, with extrapolated maturities corresponding to the expected duration of defined benefit obligation. The discount rate used is the single-weighted average discount rate, which, when applied to the same cash flows, results in the same present value as at the valuation date.

The salary increase rates are based on expected future inflation rates, historical annual merit, market and promotional increases.

The mortality rate represents the proportion of current plan members who might die prior to retirement and hence be entitled to death benefits instead of retirement benefits. This is based on publicly available mortality tables for the Philippines and is modified accordingly with estimates of mortality improvements.

Further details about the assumptions used are provided in Note 20.

Recognition of deferred tax assets

Deferred tax assets are recognized for all deductible temporary difference to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. See Note 21 for related balances.

Contingencies

The Company is currently involved in various proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with internal and outside counsel handling the Company's defense in these matters and is based upon an analysis of potential results. The Company currently does not believe that these proceedings will have a material adverse effect on its financial position. It is possible, however, that future results of operations could be materially



affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed as it may prejudice the outcome of these on-going claims and assessments.

4. Cash and Cash Equivalents

This account consists of:

	2019	2018
Cash on hand		
Petty cash fund	₱95,753	₱95,753
Cash in banks	1,146,847,253	603,047,873
Short-term deposits in banks	207,792,154	30,953,829
	1,354,735,160	634,097,455
Cash held in IIFs (Note 6)	664,672,031	1,215,997,375
	₱2,019,407,191	₱1,850,094,830

Cash in banks earns interest at the corresponding bank deposit rate. Short-term deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Company and earn interest at the corresponding short-term deposit rate. The range of interest rates is from 1.25% to 4.00% and from 1.25% to 5.00% in 2019 and 2018, respectively.

5. Financial Assets

The Company's financial assets are summarized below:

	2019	2018
Financial assets at FVPL	₱33,990,824,787	₱30,359,933,820
AFS financial assets	1,978,339,570	1,241,430,218
Loans and receivables	430,032,599	251,238,180
	₱36,399,196,956	₱31,852,602,218

The assets included in each of the financial asset categories are detailed below:

a) *Financial Assets at FVPL*

The breakdown of assets held in IIFs designated as financial assets at FVPL is as follows (see Note 6):

	2019	2018
Debt securities held in IIFs (Note 6)		
Government bonds	₱8,383,003,941	₱8,447,799,719
Corporate bonds	482,267,088	325,565,006
UITFs	3,136,689,972	2,110,429,052
Equity securities held in IIFs (Note 6)		
Common shares	14,526,547,392	14,197,125,717
Other equity securities	7,462,316,394	5,279,014,326
	₱33,990,824,787	₱30,359,933,820



Other equity securities include exchange traded funds, real estate investment trusts and non-voting depositary receipts.

The net fair value loss on financial assets at FVPL included in the statements of income amounted to ₱4.70 million and ₱4.90 million in 2019 and 2018, respectively.

b) *AFS Financial Assets*

This account consists of:

	2019	2018
Quoted debt securities:		
Government bonds	₱1,846,185,800	₱1,214,891,503
Corporate bonds	132,153,770	26,538,715
	₱1,978,339,570	₱1,241,430,218

The roll-forward analysis of AFS financial assets follows:

	2019	2018
Balance at beginning of year	₱1,241,430,218	₱1,585,538,896
Additions	438,625,802	46,834,342
Disposals/maturities	(93,360,097)	(142,083,604)
Net premium amortization	(4,873,712)	(7,725,345)
Fair value gain (loss) recognized in other comprehensive income	396,517,359	(241,134,071)
Balance at end of year	₱1,978,339,570	₱1,241,430,218

The movement in unrealized fair value gains (losses) of AFS financial assets follows:

	2019	2018
Balance at beginning of year	(₱441,666,692)	(₱237,345,378)
Changes in fair value of available-for-sale financial assets	396,517,359	(241,134,071)
Realized loss (gain) transferred to statements of income	(89,888)	36,812,757
Net change during the year	396,427,471	(204,321,314)
Balance at end of year	(₱45,239,221)	(₱441,666,692)

Annual interest rates of AFS government and corporate bonds range as follows:

		From	To
2019	Government bonds	3.38%	10.25%
	Corporate bonds	3.92%	6.08%
2018	Government bonds	3.38%	9.50%
	Corporate bonds	3.92%	6.08%

Interest earned amounted to ₱90.34 million and ₱81.62 million in 2019 and 2018, respectively (see Note 17).



AFS government securities with total face value of ₱137.5 million and aggregate market value of ₱183.28 million and ₱146.43 million as of December 31, 2019 and 2018, respectively, are deposited with the Insurance Commission pursuant to the provisions of the Insurance Code as security for the benefit of policyholders and creditors of the Company.

(c) *Loans and Receivables*

This account consists of:

	2019	2018
Accounts receivable held in IIFs (Note 6)	₱237,181,013	₱23,243,382
Policy loans	117,716,763	108,088,008
Inter-fund receivables	70,688,248	109,213,308
Due from related parties (Note 15)	1,306,386	1,306,386
Security fund contribution	141,244	141,244
Other receivables	2,998,945	9,245,852
	₱430,032,599	₱251,238,180

Accounts receivable held in IIFs includes receivable on unsettled sales of equities and subscriptions. These are normally settled within one year.

Inter-fund receivables pertain to accrued management fees of IIFs and unsettled redemptions.

Policy loans pertain to loans issued to policyholders. A policy loan is secured with the cash surrender value and earned dividends on the policy. Interest rates charged range from 7.00% to 8.00% per annum in 2019 and 7.50% to 8.00% per annum in 2018.

The security fund, which is held by the Insurance Commission in compliance with Sections 365 and 367 of the Code, as amended under Presidential Decree 1640, is to be used for payment of valid claims against insolvent insurance companies.

6. Insurance Investment Funds (IIFs)

The Company issues unit-linked insurance contracts where the payments to policyholders are linked to insurance investment funds set up by the Company.

The debt and equity securities of these funds are included in the financial assets at FVPL of the Company (see Note 5).

The IIFs are set up using a fund-in-fund approach. Under this structure, the IIFs purchase units of a pool of assets, which are referred to as Underlying Funds (UF). The UFs consist of Peso Bond Pool, Peso Money Market Pool, Peso Equity Pool, US Dollar Bond Pool, Dynamic Asset Allocation, Peso Cash Pool, Power House Pool, Global Target Income Pool, Asia Pacific Bond Pool, Asean Growth Pool, Chinabank Dollar Fixed Income VUL fund, Asia First Pool, Asia Pacific Property Income Pool (PHP) (set up in 2019), and Asia Pacific Property Income Pool (USD) (set up in 2019).

The Company and Hongkong and Shanghai Banking Corporation (HSBC) entered into a non-fiduciary fund administration agreement whereby HSBC shall act as the Administrator of the UFs. The Administration is limited to performing administrative services and does not have any discretion or control with respect to the management or disposition of the UFs. The administration fee of HSBC is charged directly against the UFs.



On September 12, 2017, the Company and Manulife Asset Management and Trust Corporation (MAMTC), an affiliate, entered into an investment management agreement whereby MAMTC shall act as the investment manager of the UFs. Management fees charged by MAMTC are billed on a monthly basis and are payable within 30 days from receipt of billing statement. The management fees paid to MAMTC is recognized as ‘Management fees’ under ‘General and administrative expenses’ in the statements of income.

The details of the IIFs are as follows:

December 31, 2019

	Net assets	Due to unit linked holders	Seed Capital	Total
Peso Dynamic Allocation Fund	₱3,825,625,332	₱3,823,650,931	₱1,974,401	₱3,825,625,332
Peso Bond Fund	80,178,644	78,169,593	2,009,051	80,178,644
Peso Stable Fund	48,158,175	46,153,739	2,004,436	48,158,175
Peso Equity Fund	142,572,896	140,581,625	1,991,271	142,572,896
Peso Secure Fund	1,636,047,919	1,634,040,964	2,006,955	1,636,047,919
Peso Diversified Value Fund	1,696,767,911	1,694,763,884	2,004,027	1,696,767,911
Peso Growth Fund	5,502,405,822	5,500,414,432	1,991,390	5,502,405,822
Peso Balanced Fund	64,988,662	63,012,524	1,976,138	64,988,662
Peso Target Income Fund	213,389,654	211,623,809	1,765,845	213,389,654
Peso Target Distribution Fund	6,288,186,698	6,286,442,792	1,743,906	6,288,186,698
Wealth Optimizer 2026 Fund	218,807,785	216,872,761	1,935,024	218,807,785
Wealth Optimizer 2031 Fund	45,232,052	43,325,690	1,906,362	45,232,052
Wealth Optimizer 2036 Fund	23,416,625	21,530,196	1,886,429	23,416,625
US Dollar Bond Fund	94,424,274	92,311,151	2,113,123	94,424,274
US Dollar Secure Fund	414,214,733	412,186,214	2,028,519	414,214,733
Peso Cash Fund	10,569,952	9,567,296	1,002,656	10,569,952
Powerhouse Fund	5,247,025,331	5,244,938,850	2,086,481	5,247,025,331
Global Target Income Fund	7,288,273,451	7,286,016,414	2,257,037	7,288,273,451
Asia Pacific Bond Fund	98,402,204	96,318,970	2,083,234	98,402,204
Asean Growth Fund	589,651,006	587,592,884	2,058,122	589,651,006
Asia First Fund	31,745,498	29,408,911	2,336,587	31,745,498
CBC Fixed Income VUL Fund	101,792,651	99,582,907	2,209,744	101,792,651
Asia Pacific Property Income Fund (Peso)	430,220,223	428,188,362	2,031,861	430,220,223
Asia Pacific Property Income Fund (Dollar)	829,028,369	826,883,477	2,144,892	829,028,369
	₱34,921,125,867	₱34,873,578,376	₱47,547,491	₱34,921,125,867

December 31, 2018

	Net assets	Due to unit linked holders	Seed Capital	Total
Peso Dynamic Allocation Fund	₱3,805,642,471	₱3,803,643,484	₱1,998,987	₱3,805,642,471
Peso Bond Fund	87,687,706	84,207,651	3,480,055	87,687,706
Peso Stable Fund	55,111,126	51,634,138	3,476,988	55,111,126
Peso Equity Fund	174,123,488	169,813,076	4,310,412	174,123,488
Peso Secure Fund	1,759,217,058	1,756,254,547	2,962,511	1,759,217,058
Peso Diversified Value Fund	1,743,573,732	1,740,159,933	3,413,799	1,743,573,732
Peso Growth Fund	5,477,551,830	5,471,275,857	6,275,973	5,477,551,830
Peso Balanced Fund	71,368,583	69,347,732	2,020,851	71,368,583
Peso Target Income Fund	200,467,055	198,784,895	1,682,160	200,467,055
Peso Target Distribution Fund	6,035,021,484	6,033,356,439	1,665,045	6,035,021,484
Wealth Optimizer 2026 Fund	193,949,787	192,133,791	1,815,996	193,949,787
Wealth Optimizer 2031 Fund	43,460,380	41,637,266	1,823,114	43,460,380
Wealth Optimizer 2036 Fund	25,765,769	23,946,928	1,818,841	25,765,769
US Dollar Bond Fund	104,687,635	101,402,945	3,284,690	104,687,635
US Dollar Secure Fund	529,469,224	521,572,160	7,897,064	529,469,224
Peso Cash Fund	29,228,117	28,220,750	1,007,367	29,228,117

(forward)



	Net assets	Due to unit linked holders	Seed Capital	Total
Powerhouse Fund	₱4,172,247,547	₱4,170,193,490	₱2,054,057	₱4,172,247,547
Global Target Income Fund	6,153,604,819	6,151,346,560	2,258,259	6,153,604,819
Asia Pacific Bond Fund	141,000,202	138,865,284	2,134,918	141,000,202
Asean Growth Fund	670,218,773	667,788,528	2,430,245	670,218,773
Asia First Fund	11,040,590	8,964,789	2,075,801	11,040,590
CBC Fixed Income VUL Fund	150,530,195	44,964,878	105,565,317	150,530,195
	₱31,634,967,571	₱31,469,515,121	₱165,452,450	₱31,634,967,571



The breakdown of the net assets of the IIFs is as follows:

December 31, 2019

	Peso Bond Pool	Peso Money Market Pool	Peso Equity Pool	USD Bond Pool	Dynamic Asset Allocation Equity Pool	Peso Cash Pool	Powerhouse Pool	Global Target Income Pool	Asia Pacific Bond Pool	Asean Growth Pool	Asia First Pool	CBC Fixed Income VUL Pool	Asia Pacific Property Income Pool (Peso)	Asia Pacific Property Income Pool (Dollar)	Accrued Management Fees	Total
Peso Dynamic Allocation Fund	₱1,755,060,836	₱-	₱-	₱-	₱ 2,077,860,321	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱-	(₱7,295,825)	₱ 3,825,625,332
Peso Bond Fund	80,280,517	-	-	-	-	-	-	-	-	-	-	-	-	-	(101,873)	80,178,644
Peso Stable Fund	28,430,021	10,009,051	9,790,851	-	-	-	-	-	-	-	-	-	-	-	(71,748)	48,158,175
Peso Equity Fund	-	-	142,816,269	-	-	-	-	-	-	-	-	-	-	-	(243,373)	142,572,896
Peso Secure Fund	1,638,468,690	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,420,771)	1,636,047,919
Peso Diversified Value Fund	1,007,887,145	349,541,362	342,209,147	-	-	-	-	-	-	-	-	-	-	-	(2,869,743)	1,696,767,911
Peso Growth Fund	-	-	5,512,897,682	-	-	-	-	-	-	-	-	-	-	-	(10,491,860)	5,502,405,822
Peso Balanced Fund	29,811,052	-	-	-	35,288,270	-	-	-	-	-	-	-	-	-	(110,660)	64,988,662
Peso Target Income Fund	106,832,977	43,534,830	-	-	63,347,328	-	-	-	-	-	-	-	-	-	(325,481)	213,389,654
Peso Target Distribution Fund	3,148,538,859	1,282,979,393	-	-	1,867,581,525	-	-	-	-	-	-	-	-	-	(10,913,079)	6,288,186,698
Wealth Optimizer 2026 Fund	77,349,886	2,560,384	139,279,401	-	-	-	-	-	-	-	-	-	-	-	(381,886)	218,807,785
Wealth Optimizer 2031 Fund	7,214,599	123,926	37,972,678	-	-	-	-	-	-	-	-	-	-	-	(79,151)	45,232,052
Wealth Optimizer 2036 Fund	1,921,228	22,427	21,514,031	-	-	-	-	-	-	-	-	-	-	-	(41,061)	23,416,625
US Dollar Bond Fund	-	-	-	94,550,575	-	-	-	-	-	-	-	-	-	-	(126,301)	94,424,274
US Dollar Secure Fund	-	-	-	414,858,599	-	-	-	-	-	-	-	-	-	-	(643,866)	414,214,733
Peso Cash Fund	-	-	-	-	-	10,571,301	-	-	-	-	-	-	-	-	(1,349)	10,569,952
Powerhouse Fund	-	-	-	-	-	-	5,255,884,377	-	-	-	-	-	-	-	(8,859,046)	5,247,025,331
Global Target Income Fund	-	-	-	-	-	-	-	7,300,415,427	-	-	-	-	-	-	(12,141,976)	7,288,273,451
Asia Pacific Bond Fund	-	-	-	-	-	-	-	-	98,520,117	-	-	-	-	-	(117,913)	98,402,204
Asean Growth Fund	-	-	-	-	-	-	-	-	-	590,311,617	-	-	-	-	(660,611)	589,651,006
Asia First Fund	-	-	-	-	-	-	-	-	-	-	31,804,281	-	-	-	(58,783)	31,745,498
CBC Fixed Income VUL Fund	-	-	-	-	-	-	-	-	-	-	-	101,947,455	-	-	(154,804)	101,792,651
Asia Pacific Property Income Fund (Peso)	-	-	-	-	-	-	-	-	-	-	-	-	430,988,637	-	(768,414)	430,220,223
Asia Pacific Property Income Fund (Dollar)	-	-	-	-	-	-	-	-	-	-	-	-	-	830,540,155	(1,511,786)	829,028,369
	₱7,881,795,810	₱ 1,688,771,373	₱ 6,206,480,059	₱ 509,409,174	₱ 4,044,077,444	₱ 10,571,301	₱ 5,255,884,377	₱ 7,300,415,427	₱ 98,520,117	₱ 590,311,617	₱ 31,804,281	₱ 101,947,455	₱ 430,988,637	₱ 830,540,155	(₱60,391,360)	₱ 34,921,125,867



December 31, 2018

	Peso Bond Pool	Peso Money Market Pool	Peso Equity Pool	USD Bond Pool	Dynamic Asset Allocation Equity Pool	Peso Cash Pool	Powerhouse Pool	Global Target Income Pool	Asia Pacific Bond Pool	Asean Growth Pool	Asia First Pool	CBC Fixed Income VUL Pool	Asia Pacific Property Income Pool (Peso)	Asia Pacific Property Income Pool (Dollar)	Accrued Management Fees	Total
Peso Dynamic Allocation Fund	P1,516,308,274	P-	P-	P-	P 2,296,622,692	P-	P-	P-	P-	P-	P-	P-	P-	P-	(P7,288,495)	P 3,805,642,471
Peso Bond Fund	87,799,703	-	-	-	-	-	-	-	-	-	-	-	-	-	-	87,687,706
Peso Stable Fund	31,844,130	11,570,508	11,778,511	-	-	-	-	-	-	-	-	-	-	-	(82,023)	55,111,126
Peso Equity Fund	-	-	174,420,503	-	-	-	-	-	-	-	-	-	-	-	(297,015)	174,123,488
Peso Secure Fund	1,761,837,170	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,620,112)	1,759,217,058
Peso Diversified Value Fund	1,011,488,686	364,570,235	370,485,492	-	-	-	-	-	-	-	-	-	-	-	(2,970,681)	1,743,573,732
Peso Growth Fund	-	-	5,488,025,473	-	-	-	-	-	-	-	-	-	-	-	(10,473,643)	5,477,551,830
Peso Balanced Fund	28,428,841	-	-	-	43,061,673	-	-	-	-	-	-	-	-	-	(121,931)	71,368,583
Peso Target Income Fund	78,117,386	57,450,436	-	-	65,202,943	-	-	-	-	-	-	-	-	-	(303,710)	200,467,055
Peso Target Distribution Fund	2,352,616,655	1,730,217,191	-	-	1,962,717,732	-	-	-	-	-	-	-	-	-	(10,530,094)	6,035,021,484
Wealth Optimizer 2026 Fund	56,463,546	1,700,782	136,124,013	-	-	-	-	-	-	-	-	-	-	-	(338,554)	193,949,787
Wealth Optimizer 2031 Fund	5,086,407	65,870	38,383,831	-	-	-	-	-	-	-	-	-	-	-	(75,728)	43,460,380
Wealth Optimizer 2036 Fund	1,879,897	23,334	23,907,447	-	-	-	-	-	-	-	-	-	-	-	(44,909)	25,765,769
US Dollar Bond Fund	-	-	-	104,827,467	-	-	-	-	-	-	-	-	-	-	(139,832)	104,687,635
US Dollar Secure Fund	-	-	-	530,282,573	-	-	-	-	-	-	-	-	-	-	(813,349)	529,469,224
Peso Cash Fund	-	-	-	-	-	29,231,336	-	-	-	-	-	-	-	-	(3,219)	29,228,117
Powerhouse Fund	-	-	-	-	-	-	4,179,276,247	-	-	-	-	-	-	-	(7,028,700)	4,172,247,547
Global Target Income Fund	-	-	-	-	-	-	-	6,164,087,484	-	-	-	-	-	-	(10,482,665)	6,153,604,819
Asia Pacific Bond Fund	-	-	-	-	-	-	-	-	141,167,642	-	-	-	-	-	(167,440)	141,000,202
Asean Growth Fund	-	-	-	-	-	-	-	-	-	671,009,016	-	-	-	-	(790,243)	670,218,773
Asia First Fund	-	-	-	-	-	-	-	-	-	-	11,040,590	-	-	-	-	11,040,590
CBC Fixed Income VUL Fund	-	-	-	-	-	-	-	-	-	-	-	150,530,195	-	-	-	150,530,195
	P6,931,870,695	P 2,165,598,356	P 6,243,125,270	P 635,110,040	P 4,367,605,040	P 29,231,336	P 4,179,276,247	P 6,164,087,484	P 141,167,642	P 671,009,016	P 11,040,590	P 150,530,195	P-	P-	(P54,684,340)	P 31,634,967,571



The underlying funds included in the above pool of assets are composed of the following assets and liabilities:

	2019	2018
Cash in banks (Note 4)	₱664,672,031	₱1,215,997,375
Debt securities (Note 5)		
Government bonds	8,383,003,941	8,447,799,719
Corporate bonds	482,267,088	325,565,006
UITFs	3,136,689,972	2,110,429,052
Equity securities (Note 5)		
Common shares	14,526,547,392	14,197,125,717
Other equity securities	7,462,316,394	5,279,014,326
Accounts receivable (Note 5)	237,181,013	23,243,382
Accrued income (Note 7)	88,839,396	90,477,334
Accrued management fees (Note 12)	(60,391,360)	(54,684,340)
	₱34,921,125,867	₱31,634,967,571

Underlying assets in the IIFs are consolidated line by line with the other accounts of the Company.

In 2019 and 2018, the IIFs incurred investment income (loss) amounting to ₱4.45 billion and (₱2.57) billion, respectively. Redemptions amounted to ₱11.97 billion and ₱11.94 billion in 2019 and 2018, respectively.

7. Accrued Income

This account consists of:

	2019	2018
Accrued interests:		
AFS debt financial assets		
Government bonds	₱17,310,614	₱13,601,442
Corporate bonds	1,125,538	300,368
Debt financial assets designated at FVPL (Note 6)	80,581,679	83,444,478
Cash and cash equivalents	29,481	27,234
	99,047,312	97,373,522
Accrued dividends:		
Equity financial assets designated at FVPL (Note 6)	8,257,717	7,032,855
	₱107,305,029	₱104,406,377



8. Property and Equipment

The rollforward analysis of this account follows:

December 31, 2019

	EDP Equipment	Leasehold Improvements	Furniture and Fixtures	Transportation Equipment	Total
Cost					
At beginning of year	₱99,452,209	₱2,002,350	₱315,799	₱53,792,236	₱155,562,594
Additions	1,976,714	–	–	14,490,096	16,466,810
At end of year	101,428,923	2,002,350	315,799	68,282,332	172,029,404
Accumulated depreciation and amortization					
At beginning of year	96,847,991	1,798,478	168,706	36,815,702	135,630,877
Depreciation and amortization (Note 19)	1,674,828	161,929	55,160	6,596,080	8,487,997
At end of year	98,522,819	1,960,407	223,866	43,411,782	144,118,874
Net book value	₱2,906,104	₱41,943	₱91,933	₱24,870,550	₱27,910,530

December 31, 2018

	EDP Equipment	Leasehold Improvements	Furniture and Fixtures	Transportation Equipment	Total
Cost					
At beginning of year	₱103,047,626	₱2,002,350	₱315,799	₱48,045,450	₱153,411,225
Additions	1,982,436	–	–	6,546,786	8,529,222
Disposals	–	–	–	(800,000)	(800,000)
Derecognized	(5,577,853)	–	–	–	(5,577,853)
At end of year	99,452,209	2,002,350	315,799	53,792,236	155,562,594
Accumulated depreciation and amortization					
At beginning of year	99,087,073	1,636,549	113,546	30,920,733	131,757,901
Depreciation and amortization (Note 19)	3,338,771	161,929	55,160	6,081,635	9,637,495
Disposals	–	–	–	(186,666)	(186,666)
Derecognized	(5,577,853)	–	–	–	(5,577,853)
At end of year	96,847,991	1,798,478	168,706	36,815,702	135,630,877
Net book value	₱2,604,218	₱203,872	₱147,093	₱16,976,534	₱19,931,717

As of December 31, 2019 and 2018, fully depreciated property and equipment that are still in use amounted to ₱137.01 million and ₱126.97 million, respectively.

9. Other Assets

This account consists of:

	2019	2018
Prepayments	₱34,558,807	₱27,302,127
Deposits	3,591,612	4,655,818
Creditable withholding taxes	2,554,315	4,421,144
Pension asset (Note 20)	11,994,329	2,664,027
	52,699,063	39,043,116
Allowance for impairment losses - deposits	(698,206)	(698,206)
	₱52,000,857	₱38,344,910

Prepayments include local business taxes and advanced salaries.



10. Insurance Contract Liabilities

This account consists of:

	2019	2018
Legal policy reserves	₱39,687,345,550	₱35,247,063,816
Policy and contract claims payable	71,115,763	40,965,257
IBNR	20,156,736	23,454,653
Other insurance contract liabilities	90,758,150	50,586,078
	₱39,869,376,199	₱35,362,069,804

Legal policy reserves may be analyzed as follows:

	2019			2018		
	Legal Policy Reserves	Reinsurers' Share of Liabilities	Net of reinsurance	Legal Policy Reserves	Reinsurers' Share of Liabilities	Net of reinsurance
Unit-linked						
Due to unit-linked holders (Note 6)	₱34,873,578,376	₱-	₱34,873,578,376	₱31,469,515,121	₱-	₱31,469,515,121
Legal policy reserves	4,694,933	327,176	4,367,757	4,393,272	348,640	4,044,632
Ordinary life	4,705,908,281	4,054,529,695	651,378,586	3,702,182,441	3,502,114,330	200,068,111
Group life	45,118,148	-	45,118,148	43,411,047	-	43,411,047
Accident and health	58,045,812	1,148,055	56,897,757	27,561,935	3,007,670	24,554,265
Total	₱39,687,345,550	₱4,056,004,926	₱35,631,340,624	₱35,247,063,816	₱3,505,470,640	₱31,741,593,176

	2019	2018
Gross		
Insurance contracts with discretionary participation features	₱4,268,626,913	₱3,633,138,645
Insurance contracts without discretionary participation features	35,418,718,637	31,613,925,171
	39,687,345,550	35,247,063,816
Recoverable from reinsurers		
Insurance contracts with discretionary participation features	4,035,321,465	3,480,103,557
Insurance contracts without discretionary participation features	20,683,461	25,367,083
	4,056,004,926	3,505,470,640
Net		
Insurance contracts with discretionary participation features	233,305,448	153,035,088
Insurance contracts without discretionary participation features	35,398,035,176	31,588,558,088
	₱35,631,340,624	₱31,741,593,176



The movements in legal policy reserves are as follows:

	2019			2018		
	Legal Policy Reserves	Reinsurers' Share of Liabilities	Net of reinsurance	Legal Policy Reserves	Reinsurers' Share of Liabilities	Net of reinsurance
At January 1	₱35,247,063,816	₱3,505,470,640	₱31,741,593,176	₱34,544,586,916	₱3,850,134,684	₱30,694,452,232
Due to change in discount rates	688,060,712	617,940,662	70,120,050	(474,345,402)	(402,434,146)	(71,911,256)
Due to change in policies and assumptions	348,157,766	(67,406,376)	415,564,142	209,218,023	57,770,102	151,447,921
Due to change in segregated funds	3,404,063,256	-	3,404,063,256	967,604,279	-	967,604,279
At December 31	₱39,687,345,550	₱4,056,004,926	₱35,631,340,624	₱35,247,063,816	₱3,505,470,640	₱31,741,593,176

The movements in the legal policy reserves due to change in discount rates are recorded under 'Remeasurement loss (gain) on policy reserves', net of tax. The rollforward analyses of this account follow:

	2019	2018
At January 1	₱57,620,349	(₱14,290,907)
Arising during the year, net of tax	(49,084,034)	71,911,256
Tax effect of remeasurement gain in legal policy reserves recognized in prior years (Note 21)	(17,286,105)	-
At December 31	(₱8,749,790)	₱57,620,349

The movements during the year in policy and contract claims payable, IBNR and other insurance contract liabilities are as follows:

	2019	2018
At beginning of year	₱115,005,988	₱102,970,531
Additions during the year (Note 18)	108,013,765	147,955,862
Paid during the year	(40,989,104)	(135,920,405)
At end of year	₱182,030,649	₱115,005,988

Other insurance contract liabilities consist mainly of policy related disbursements such as policy surrenders and maturities.

11. Insurance Contract Liabilities and Reinsurance Assets - Terms, Assumptions and Sensitivities

Life Insurance Contracts

For life insurance contracts with fixed and guaranteed terms, estimates are made in two stages. At the inception of the contracts, the Company determines assumptions in relation to future deaths, voluntary terminations, investment returns and administration expenses. These assumptions are used for calculating the liabilities during the life of the contract. A margin for risk and uncertainty is added to these assumptions. Assumptions are evaluated subsequently to ensure realistic and reasonable valuation. Actual past experience, current internal and external data, and industry experience are used as basis to update the assumptions every reporting period.

Terms

Life insurance contracts offered by the Company mainly include whole life, term insurance, endowments and unit-linked products.



Whole life and term insurance are conventional products where lump sum benefits are payable on death, provided death occurs within the terms of the policy.

Endowment products are products where lump sum benefits are payable after a fixed period or upon death if it occurs before the period is completed.

Unit-linked products differ from conventional policies in that premium, net of applicable charges, are allocated to units in a pooled investment fund and the policyholder benefits directly from the total investment growth and income of the fund.

Key Assumptions

Material judgment is required in determining the liabilities and in the choice of assumptions relating to insurance and contracts. Assumptions used are based on past experience, current internal data and conditions and external market indices and benchmarking, which reflect current observable market prices and other published information. Such assumptions are determined as appropriate and prudent estimates at the date of valuation, and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations. Assumptions are also subject to the provisions of the Code and guidelines set by the Insurance Commission.

The key assumptions to which the estimation of liabilities is particularly sensitive follows:

- *Mortality and morbidity*

The mortality and morbidity assumptions are based on rates of mortality and morbidity that are appropriate to the nature of the risks covered based on the Company's actual experience. The mortality assumption is based on the Company's 2015 Mortality Study, which covers actual death claims experience for policies issued from January 1, 1998 to December 31, 2013. The morbidity assumptions are consistent with the IC approved rates used in product pricing.

- *Discount rates*

Discount rates relate to the time value of money. The risk-free discount rate shall be the equivalent zero-coupon spot yield of the above yield curve with matching duration for durations less than or equal to 20 years. The valuation interest rate assumptions are consistent with risk free rates as provided by the IC. Discount rates used as of December 31, 2019 and 2018 follow:

	2019	2018
Peso	BVAL PHP Reference Yield Curve 3.69% - 5.62%	BVAL PHP Reference Yield Curve 6.27% - 6.76%
Dollar	International Yield Curve 2.01% - 3.27%	International Yield Curve 3.26% - 4.01%

The assumptions are reviewed and revised at each reporting date. A decrease in discount rate would result in remeasurement loss on life insurance reserves.

- *Expenses*

The expense assumptions are based on the Company's results of the 2016 Expense Study.

- *Lapses and/or persistency rates*

Lapse and/or persistency rates reflective of the Company's actual experience are taken as the best estimate lapse and/or persistency assumption, with regard to changing Company practices and market conditions. The lapse assumptions used for Traditional and its rider products were



based from the Company's 2018 study while premium-paying riders attached to unit-linked (UL) products were based from 2019 UL rider lapse study.

The estimation of liabilities include margin for adverse deviations (MfADs) of +/-10% of the best estimate assumptions as prescribed by IC Circular 2016-66.

Reinsurance - Assumptions and Methods

The Company limits its exposure to loss within insurance operations through participation in reinsurance arrangements. The majority of the business ceded is placed on surplus-share basis with retention limits varying by product. Amounts receivable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the statements of financial position as reinsurance assets.

Even though the Company may have reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

Reinsurance Agreement with Manulife Philippines

On January 1, 2008, the Company entered into a reinsurance agreement with Manulife Philippines. The reinsurance premiums to be paid by the Company to Manulife Philippines will be net of distribution loading, commission, premium taxes, documentary stamp taxes, value added taxes (VAT), local government and withholding taxes.

On June 30, 2014, the reinsurance agreement with Manulife Philippines was terminated. The reinsurance agreement continues to be valid for all policies covered by such agreement. As of December 31, 2019 and 2018, the Company's insurance payable to Manulife Philippines amounted to ₱1.04 billion and ₱0.95 billion, respectively.

As of December 31, 2019 and 2018, the Company's reinsurance assets related to this agreement amounted to ₱4.68 billion and ₱3.97 billion, respectively. The balance as of December 31, 2019 and 2018 comprised of reinsurers' share of insurance contract liabilities of ₱4.06 billion and ₱3.51 billion, respectively and receivable related to death claims ceded by the Company to Manulife Philippines of ₱626.79 million and ₱462.24 million, respectively.

Reinsurance Agreement with ModCo

The Company has entered into a Quota Share Reinsurance Agreement with Munich RE (the reinsurer) in September 2017, effective July 1, 2017, whereby the Company will cede to the reinsurer proportionate share of premiums reinsured as stipulated in the agreement.

The proportionate share of the Reinsurer in the benefits reinsured are recorded by the Company as 'Reinsurers' share of gross premiums earned on insurance contracts' in the statements of income. Reinsurance allowance due from the Reinsurer are recorded as 'Other income' in the statements of income.

As of December 31, 2019 and 2018, the Company's insurance payable to ModCo amounted to ₱300.33 million and ₱137.40 million, respectively.

As of December 31, 2019 and 2018, the Company's reinsurance assets related to this agreement amounted to ₱515.07 million and ₱306.24 million, respectively.



12. Accounts Payable and Accrued Expenses

This account consists of:

	2019	2018
Accrued expenses	₱331,800,123	₱249,965,018
Advance premiums and other policy-related liabilities	20,828,780	76,437,257
Commissions payable (Note 15)	19,728,441	23,283,167
Taxes payable	4,761,655	13,339,378
	₱377,118,999	₱363,024,820

Accrued expenses pertain to accruals for agency conferences, management fees related to IIFs amounting to ₱60.39 million and ₱54.68 million as of December 31, 2019 and 2018, respectively (Note 6) and various liabilities to suppliers. This also includes liabilities for Philhealth, Social Security System (SSS) contributions and salary loans, Home Development Mutual Fund (HDMF) contributions and loans, and other miscellaneous liabilities.

Advance premiums and other policy-related liabilities include premiums received from policy holders awaiting the issuance or reinstatement of policies.

Taxes payable consists of withholding taxes related to the cost allocation from the Parent Company, fringe benefits and premium taxes. These are normally settled within one year.

13. Capital Stock

Capital stock of the Company as of the December 31, 2019 and 2018 consists of the following:

	Number of shares	Amount
Authorized capital stock - par value ₱100	5,000,000	₱500,000,000
Issued capital stock - par value	5,000,000	₱500,000,000
Additional paid-in capital	-	525,000,000
		₱1,025,000,000

14. Contingency Surplus

On March 22, 2019, the Parent Company and China Banking Corporation infused additional capital of ₱60.00 million and ₱40.00 million to the Company, respectively. The capital injection was recognized as contingency surplus presented within equity in the 2019 statement of financial position.



15. Related Party Transactions

The Company has entered into various transactions with related parties. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control (referred to as affiliates). Related parties may be individuals or corporate entities.

Outstanding balances at year end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party payables or receivables. The Company has not recognized any impairment losses on amounts due from related parties for the years ended December 31, 2019 and 2018. This assessment is undertaken at each financial year through a review of the financial position of the related party and the market in which the related party operates.

The Company has the following volume of transactions and net outstanding balances due to related parties:

As of December 31, 2019

	Entities	Financial Statement Account	Nature	Terms and Conditions	Transactions during the year	Outstanding Balance
Parent Company	Manulife Philippines	Insurance Payable	99% of in-force business ceded to the Parent Company and 1% retained by the Company	Unsecured, non-interest bearing, due and demandable	₱90,175,094	₱1,040,207,035
		Reinsurance Assets	Reinsurance assets	No term	715,088,922	4,682,795,541
		Due to Related Parties	Management fee related to unit-linked investments ceded out to Parent Company	Unsecured, non-interest bearing, due and demandable	(45,299,066)	132,662,999
		Due to Related Parties	Cost allocation for services rendered	Unsecured, non-interest bearing, due and demandable	(104,528,186)	67,776,934
Ultimate Parent Company	Manulife Financial Corporation	Due from Related Parties	Reimbursement of expenses	Unsecured, non-interest bearing, no impairment	–	1,306,386
Under Common Control	Manulife Business Processing Services	Due to Related Parties	Accrued Portia charge	Unsecured, non-interest bearing, due and demandable	8,081	710,285
	Manulife Regional Office	Due to Related Parties	Reimbursement of expenses	Unsecured, non-interest bearing, due and demandable	403,921	783,305
	Manulife Asset Management and Trust Corporation	Due to Related Parties	Trust fees	Per investment management agreement and investment advisory agreement	110,972,297	7,174,809

(Forward)



As of December 31, 2019

Entities	Financial Statement Account	Nature	Terms and Conditions	Transactions during the year	Outstanding Balance
	Due to Related Parties	Payable pertaining to withholding tax	Non-interest bearing	₱-	₱325,727
Bancassurance China Banking Corporation	Commission Payable	Sales commissions	Unsecured, non-interest bearing, due and demandable	283,519,308	19,728,441

As of December 31, 2018

Entities	Financial Statement Account	Nature	Terms and Conditions	Transactions during the year	Outstanding Balance
Parent Company	Insurance Payable	99% of in-force business ceded to the Parent Company and 1% retained by the Company	Unsecured, non-interest bearing, due and demandable	₱97,446,648	₱950,031,941
	Reinsurance Assets	Reinsurance assets	No term	(173,853,891)	3,967,706,619
	Due to Related Parties	Management fee related to unit-linked investments ceded out to Parent Company	Unsecured, non-interest bearing, due and demandable	94,816,499	177,962,065
	Due to Related Parties	Cost allocation for services rendered	Unsecured, non-interest bearing, due and demandable	(82,326,526)	172,305,120
Ultimate Parent Company	Due to Related Parties	Accrued Portia charge	Unsecured, non-interest bearing, due and demandable	(424,351)	-
	Due from Related Parties	Reimbursement of expenses	Unsecured, non-interest bearing, no impairment	-	1,306,386
Under Common Control	Due to Related Parties	Accrued Portia charge	Unsecured, non-interest bearing, due and demandable	(144,401)	702,204
	Due to Related Parties	Reimbursement of expenses	Unsecured, non-interest bearing, due and demandable	-	379,384
	Due to Related Parties	Trust fees	Per investment Management Fee Agreement	(5,651,470)	5,899,480
	Due to Related Parties	Payable pertaining to withholding tax	Non-interest bearing	-	325,727
Bancassurance China Banking Corporation	Commission Payable	Sales commissions	Unsecured, non-interest bearing, due and demandable	(7,949,289)	23,283,167



On September 12, 2017, the Company entered into an Investment Advisory Agreement (IAA) and Investment Management Agreement (IMA) with MAMTC.

The Company entered into the IAA to avail of advisory services relative to the management of the investible funds of the unit-linked holders. The Company is charged by MAMTC 0.05% of the net asset value of accounts under management plus VAT, accrued daily and collected monthly in accordance with the IAA.

The Company entered into the IMA to avail of services for the management and investments of its investible funds. The Company is charged by MAMTC fees ranging from 0.18% to 0.90% of the net asset value of accounts under management plus VAT, accrued daily and collected monthly in accordance with the IMA.

The Company entered into a Bancassurance agreement with China Banking Corporation (CBC) in which the Company is allowed to conduct business in its bank premises. In return, CBC receives commission fees from the Company for every successful sale.

All transactions with related parties are to be settled in cash.

Outstanding balances as at December 31, 2019 and 2018 are unsecured and non-interest bearing and settlement occurs in cash.

16. Net Insurance Premiums Earned

The details of net insurance premiums earned follow:

	2019	2018
Gross premiums earned on insurance contracts:		
Unit-linked	₱7,179,656,033	₱8,385,773,589
Ordinary life insurance	521,618,701	335,714,293
Accident and health	54,637,980	5,741,652
Group life insurance	159,644,182	85,464,794
	7,915,556,896	8,812,694,328
Reinsurers' share of gross premiums earned on insurance contracts:		
Ordinary life insurance	53,300,669	113,776,910
Unit-linked	275,070,827	138,516,450
	328,371,496	252,293,360
	₱7,587,185,400	₱8,560,400,968



17. Investment and Other Income

Investment income consists of:

	2019	2018
Interest income on:		
AFS financial assets (Note 5)	₱90,338,120	₱81,624,246
Cash and cash equivalents (Note 4)	938,102	8,847,324
Loans and receivables (Note 5)	9,048,468	811,835
	₱100,324,690	₱91,283,405

Interest income pertains to the interest earned on government and corporate bonds, policy loans, and time deposits.

Other income consists of:

	2019	2018
Revenue from contracts with customers:		
Management fee income	₱521,915,731	₱425,409,982
Revenue outside the scope of PFRS 15:		
Reinsurance allowance	526,573,753	390,776,160
Cost of insurance	325,269,914	239,650,270
Processing fee	76,239,453	54,801,549
Miscellaneous revenue	107,624,347	68,802,766
	1,035,707,467	754,030,745
	₱1,557,623,198	₱1,179,440,727

Management fee income refers to the income from management and administration of assets by the Company charged to the unit linked funds.

Cost of insurance are charges to policyholders used to provide for the mortality component of unit linked products.

Reinsurance allowance are allowances given by reinsurers to cover upfront charges of back-end unit-linked products ceded.

Processing fee pertains to the periodic charges to policyholders to service the insurance contracts during its life.

Miscellaneous revenue consists of the policy administration services and monthly load charges.



18. Benefits and Claims

Gross benefits and claims incurred on insurance contracts during the year consist of:

	2019	2018
Death and hospitalization benefits	₱77,251,741	₱109,694,689
Surrenders	14,785,591	4,466,419
Maturities	15,976,433	33,794,754
	₱108,013,765	₱147,955,862

Gross insurance contract benefits and claims incurred on insurance contracts consist of:

	2019	2018
Ordinary life insurance	₱24,248,543	₱11,678,410
Group life insurance	35,050,060	55,041,402
Accident and health	5,590,261	992,973
Unit-Linked	43,124,901	80,243,077
	₱108,013,765	₱147,955,862

Reinsurer's share of benefits and claims incurred on insurance contracts during the year consist of:

	2019	2018
Unit- linked	(₱17,711,142)	(₱49,404,101)
Ordinary life insurance	(2,558,906)	(3,416,688)
	(₱20,270,048)	(₱52,820,789)

Gross change in legal policy reserves during the year consist of:

	2019	2018
Unit-linked	₱6,821,822,169	₱8,035,361,223
Ordinary life insurance	315,665,128	185,228,222
Group life insurance	1,707,100	7,031,707
Accident and health	30,483,878	15,259,625
	₱7,169,678,275	₱8,242,880,777

The reinsurers' share of gross change in legal policy reserves in 2019 and 2018 amounted to (₱67.41) million and ₱57.77 million, respectively.



19. General and Administrative Expenses

This account consists of:

	2019	2018
Salaries, wages and employee benefits	₱333,723,342	₱338,839,706
Advertising	171,489,871	131,061,780
Administrative charges	150,177,783	128,040,874
Management fees	110,972,297	78,128,381
Travel	27,342,838	12,565,292
Telephone and communications	24,706,772	22,888,436
Outside services	9,348,860	8,894,434
Depreciation and amortization (Note 8)	8,487,997	9,637,495
Equipment and supplies	6,038,687	6,146,066
Retirement costs (Note 20)	5,983,003	6,305,150
Repairs and maintenance	3,672,043	2,057,020
Taxes and licenses	3,274,479	3,482,896
Professional and other fees	2,526,941	3,355,924
Others	23,761,117	28,108,196
	₱881,506,030	₱779,511,650

Administrative charges

The Company and Manulife Philippines entered into an Administrative Services Agreement on October 1, 2007. On September 29, 2014, the parties executed an addendum to the Administrative Services Agreement. As amended, the agreement requires the Company to pay Manulife Philippines for services rendered equal to:

- the Actual cost incurred by Manulife Philippines in rendering the services plus 5% mark-up on life insurance policies issued after the effective date of the addendum (i.e., July 1, 2014); and
- the Net Costs incurred by Manulife Philippines in rendering the services plus 5% mark-up on life insurance policies issued prior to effective date.

Management fees

This refers to management fees paid to MAMTC in relation to the Investment Advisory Agreement (IAA) and Investment Management Agreement (IMA) entered into on September 12, 2017. (See Note 15)

20. Retirement Cost

As discussed in Note 2, the Company maintains a defined contribution (DC) plan which under PIC Q&A 2013-03 should be accounted for as a defined benefit plan.

Republic Act (RA) No. 7641, Retirement Pay Law, requires provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however, that the employee's retirement benefits of any collective bargaining and other agreements shall not be less than what is provided under the law. The law does not require minimum funding of the plan.



The Company established a formal defined contribution retirement plan for its regular employees. The retirement plan is non-contributory and of the defined contribution type. It provides a benefit at normal retirement equal to one hundred percent (100%) of the Member's Account Balance (Company contributions ranging from 5% to 10% of Plan Salary plus credited earnings depending on the tenure of eligible employees) or the benefit due under RA 7641, whichever is greater. The benefit is paid in a lump sum upon retirement or separation in accordance with the terms of the retirement plan. If the value of the Member's Company Account is less than the retirement benefits to which the Member is entitled under RA No. 7641, any forfeited Company contributions and earnings remaining in the retirement fund shall be used to satisfy the difference. Should such forfeited amounts be insufficient for the purpose, the Company shall pay the amount of any remaining shortfall directly to the Member.

The assets of the plan are held separately from those of the Company in a fund under the control of a trustee bank.

The latest actuarial valuation study of the Company's minimum retirement obligation under RA No. 7641 was made as of December 31, 2019.

The following table compares the present value of the Company's DB obligation and the projected DC obligation as of December 31, 2019 and 2018.

	2019	2018
DC obligation ¹	₱19,572,644	₱17,628,309
DB obligation ²	22,702,224	22,011,640
Excess of DB over DC obligation	₱3,129,580	₱4,383,331

1. Determined on an employee by employee basis as the present value of the projected benefits at retirement attributable to Company contributions to the DC plan, then prorated by accrued service over total service.
2. Determined on an employee by employee basis as the present value of the projected benefits based on the minimum guaranteed benefits under RA. 7641

In 2019 and 2018, contributions made by the Company amounted to ₱6.81 million and ₱5.51 million, respectively, while retirement expense amounted to ₱5.98 million and ₱6.31 million, respectively.

In 2019 and 2018, certain employees of an affiliate were transferred to the Company with various effective dates in 2019 and 2018, respectively. Consequently, the Company acquired the defined benefit obligation and plan assets pertaining to the pension of the transferred employees. The difference between the transferred defined benefit obligation and plan assets was recognized as 'Due from related parties'.

The following table summarizes the components of the net benefit expense recognized in the statements of income and amounts recognized in the statements of financial position for the plan.

Net benefits expenses follows:

	2019	2018
Current service cost	₱6,442,584	₱6,077,084
Net interest cost (income)	(459,581)	228,066
	₱5,983,003	₱6,305,150



Remeasurement effects recognized in other comprehensive income follow:

	2019	2018
Actuarial gain	₱4,941,716	₱10,752,878
Gain (loss) on plan assets	3,595,484	(3,290,954)
	₱8,537,200	₱7,461,924

The amounts recognized in the statements of financial position follow:

	2019	2018
Present value of DB obligation	₱22,702,224	₱22,011,640
Fair value of plan assets	(34,696,553)	(24,675,667)
	(₱11,994,329)	(₱2,664,027)

Changes in the present value of the defined benefit obligation follow:

	2019	2018
At January 1	₱22,011,640	₱26,232,325
Current service cost	6,442,584	6,077,084
Interest cost	1,510,812	1,425,185
Benefits paid	(2,499,522)	(988,654)
Actuarial loss (gain) arising from:		
Experience adjustments	(7,484,461)	(9,877,620)
Changes in financial assumptions	2,542,745	(2,615,961)
Changes in demographic assumptions	-	1,740,703
Acquired obligation	178,426	18,578
At December 31	₱22,702,224	₱22,011,640

Changes in the fair value of the plan assets follow:

	2019	2018
At January 1	₱24,675,667	₱22,232,567
Interest income included in net interest cost	1,970,393	1,197,119
Gain (Loss) on plan assets	3,595,484	(3,290,954)
Actual contributions	6,810,260	5,509,564
Benefits paid	(2,499,522)	(988,654)
Acquired plan assets	144,271	16,025
At December 31	34,696,553	₱24,675,667
Actual return on plan assets	₱5,565,877	(₱2,093,835)

The principal assumptions used in determining the defined benefit obligation for the Company are as follows:

	2019	2018
Discount rate		
At January 1	7.31%	5.70%
At December 31	5.08%	7.31%
Annual rate of increase in compensation projection	7.00%	6.00%



The sensitivity analysis below showing estimated increase (decrease) in the retirement benefit obligation has been determined based on reasonably possible changes of each relevant significant assumption as at December 31, 2019 and 2018, assuming all other assumptions were held constant.

	Change in basis points	2019	2018
Discount rate	+100	(₱1,031,259)	(₱540,198)
	-100	1,294,983	816,656
Salary increase rate	+100	1,278,553	833,737
	-100	(1,034,619)	(560,232)

The retirement fund is co-owned by the Company, the Parent Company, and its affiliates, MAMTC and Manulife IT Delivery Center Asia (MITDC), which is in the form of a trust administered by a trustee bank. The carrying values of the plan assets as of December 31, 2019 and 2018, which approximate their fair values, are as follows:

	2019	2018
Cash	₱11,281,615	₱11,635
Investments in government debt securities	349,510,047	268,724,581
Accrued income receivable	5,596,946	4,230,857
Total	366,388,608	272,967,073
Liabilities	33,853,345	31,114,842
	₱332,535,263	₱241,852,231

As of December 31, 2019 and 2018, the plan assets pertaining to the Company amounted to ₱38.29 million and ₱24.68 million, respectively.

The Company expects to contribute ₱1.95 million to the retirement plan in 2020.

Shown below is the maturity profile of the undiscounted benefit payments:

	2019	2018
Less than one year	₱2,289,686	₱2,682,794
One to less than five years	12,520,761	22,790,989
Five to less than ten years	18,016,692	22,434,455
Ten to less than fifteen years	36,334,821	36,432,906
Fifteen to less than twenty years	54,394,808	38,789,894
Twenty years and above	77,368,622	67,292,994

21. Income Taxes

The provision for income tax consists of:

	2019	2018
Current		
RCIT	₱92,768,047	₱-
Final taxes on interest income	19,463,402	18,316,245
MCIT	-	19,151,869
Deferred	(41,388,606)	-
	₱70,842,843	₱37,468,114



As of December 31, 2019 and 2018, components of the net deferred tax assets recognized in the statement of financial position follow:

	2019	2018
Deferred tax assets:		
Accrued expenses	₱31,791,026	₱-
Provision for IBNR	6,047,021	-
Unrealized fair value loss on financial assets at FVPL	4,828,057	-
Remeasurement loss on legal policy reserves	3,749,910	-
Provision for policyholder's dividends	1,084,607	-
Provision for doubtful accounts	209,462	-
NOLCO	-	1,373,664
	47,710,083	1,373,664
Deferred tax liability on:		
Unrealized foreign exchange gain	2,571,567	1,373,664
	₱45,138,516	₱-

In 2019, the Company utilized NOLCO and MCIT amounting to ₱194.26 million and ₱37.96 million, respectively, as offset against income tax payable during the year.

As of December 31, 2018, the Company did not recognize the deferred tax assets on the following deductible temporary differences, NOLCO and MCIT since management believes that the benefits may not be realized.

NOLCO	₱189,680,133
MCIT	37,957,333
Provision for IBNR	23,454,653
Accrued expenses	3,310,668
Allowance per impairment losses	696,369

Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used. The Company will reassess the unrecognized deferred tax assets on the above deductible temporary differences and will recognize previously unrecognized deferred tax asset to the extent that it has become probable that future taxable income would allow the deferred tax asset to be recovered.

The reconciliation of tax expense computed based on the pretax income at the statutory tax rate to the provision for income tax follows:

	2019	2018
Income before income tax	₱599,328,577	₱241,781,514
Income tax expense at statutory income tax rate	179,798,573	72,534,454
Additions to (reductions in) income tax expense resulting from:		
Effect of change in recognized/unrecognized deferred tax assets – net	(104,717,069)	(43,058,200)
Interest income - net of final tax	(7,788,296)	(8,268,430)
Exempt loss (gain) on sale of long-term investment in bonds	(26,966)	11,043,827
Nondeductible expenses	3,576,601	5,216,460
	₱70,842,843	₱37,468,114



22. Risk Management Policies

Governance Framework

The Company has established a risk management function with clear terms of reference and with the responsibility for developing group wide policies on market, credit, liquidity, insurance and operational risk. It also supports the effective implementation of policies at the overall group and the individual business unit levels.

The policies define the Company's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

Insurance Risk

The risk under insurance contract is the possibility of the occurrence of an insured event and the uncertainty of the amount and timing of the resulting claim. The principal risk the Company faces under such insurance contracts is that the actual claims and benefit payments or the timing thereof differs from expectations. This could occur due to any of the following:

Occurrence Risk

The possibility that the number of insured events will differ from those expected.

Severity Risk

The possibility that the cost of the events will differ from those expected.

Development Risk

The possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period.

The variability of risks is improved by the diversification of the risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by changes in any subset of the portfolio, as well as unexpected outcomes. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The business of the Company comprises life insurance contracts. For contracts where death is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected.

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

There are no mitigating terms and conditions that reduce the insured risk accepted for contracts with fixed and guaranteed benefits and fixed future premiums.



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

- Actuarial models based on past experience and statistical techniques aid in pricing decisions and monitoring claims patterns.
- Guidelines are issued for concluding insurance contracts and assuming insurance risks.
- Proactive claims handling procedures are followed to investigate and adjust claims thereby preventing settlement of dubious or fraudulent claims.
- Reinsurance is used to limit the Company's exposure to large claims by placing risk with reinsurers providing high security.
- Diversification is accomplished by achieving sufficiently large population of risks to reduce the variability of the expected outcome. The diversification strategy seeks to ensure that underwritten risks are well-diversified in terms of type and amount of risk, industry and geography.

Insurance risk is also affected by the policyholders' rights to terminate the contract, pay reduced premiums, refusal to pay premiums or to avail the guaranteed annuity option. Thus, the resultant insurance risk is subject to the policyholders' behavior and decisions.

The Company's concentration of insurance risk, before and after reinsurance, in relation to the type of insurance contract is as follows:

	2019	2018
Whole Life insurance		
Gross	₱1,765,377,526	₱1,591,751,210
Net	724,716,961	556,189,063
Endowment		
Gross	4,497,364,533	3,705,579,518
Net	1,182,019,050	347,761,399
Term policies		
Gross	2,885,746,098	2,243,057,825
Net	1,478,630,162	1,251,036,719
Variable unit-linked policies		
Gross	71,253,706,299	62,871,057,864
Net	49,476,445,537	41,334,768,980
Accident and health		
Gross	429,518,272	450,996,574
Net	373,731,841	391,932,888
Group insurance		
Gross	26,759,536,863	26,647,605,363
Net	26,759,536,863	26,647,605,363
Total		
Gross	107,591,249,591	97,510,048,354
Net	79,995,080,414	70,529,294,412



Underwriting Risk

Underwriting risk represents the exposure to loss resulting from actual policy experience adversely deviating from assumptions made in the product pricing. Underwriting risks are brought about by a combination of the following:

- Mortality risk - risk of loss arising due to policyholder's death experience being different than expected.
- Morbidity risk - risk of loss arising due to policyholder's health experience being different than expected.
- Expense risk - risk of loss arising from expense experience being different than expected.
- Policyholder decision risk - risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected.

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures.

Underwriting limits are in place to enforce appropriate risk selection criteria.

The Company's retention limit on any single life is: (a) ₱3.00 million or \$75,000 in the order of basic individual life, accelerated and standalone dread disease benefit, female benefits which include accelerated major disease benefit, accidental death benefit, accidental death and dismemberment, Maccimax benefit; or (b) 20% of the amount of the female accelerated dread disease ceded for female cancer benefit and female surgical benefit; or (c) ₱3.00 million or \$75,000 of basic group life and group accidental death and dismemberment.

The Company is cognizant of the need to exercise good judgment in the selection and approval of both domestic and foreign companies participating in its reinsurance programs. While reinsurance arrangements do not relieve the Company from its direct obligations to its insured, an efficient and effective reinsurance program substantially limits the Company's exposure to potentially significant losses.

Type	2019		2018	
	Number of Policies	Amount of Insurance	Number of Policies	Amount of Insurance
Whole Life	986	₱1,765,377,526	826	₱1,591,751,210
Endowment	8,191	4,497,364,533	7,832	3,705,579,518
Term	596	2,885,746,098	539	2,243,057,825
Variable unit-linked	63,824	71,253,706,299	51,609	62,871,057,864
Accident and health	487	429,518,272	491	450,996,574
Group life	24	26,759,536,863	16	26,647,605,363
	74,108	₱107,591,249,591	61,313	₱97,510,048,354

There are no mitigating terms and conditions that reduce the insured risk accepted for contracts with fixed and guaranteed terms.

The insurance risk disclosed above is also affected by the contract holders' right to pay reduced or no future premiums, or to terminate the contract completely. As a result, the amount of insurance risk is also subject to contract holder behavior. On the assumption that the contract holder can make decisions rationally, overall insurance risk can be assumed to be aggravated by such behavior.



Where a derivative is a part of an insurance contract (i.e., embedded derivative), it is treated as an insurance contract and valued as part of the host contract. The valuation of these embedded derivatives are based on the expected future market conditions at maturity arising from variation in interest rates, foreign currency rates and price of equities.

Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumption changes had to be done on an individual basis. It should also be noted that movements in these assumptions are non-linear and the degree of impacts cannot easily be gleaned from these results.

December 31, 2019					
	Change in assumptions	Increase (decrease) in gross liabilities	Increase (decrease) in net liabilities	Increase (decrease) in profit before tax	Increase (decrease) in equity*
			(In Thousands)		
Mortality	+10%	₱21,299	₱8,196	(₱8,196)	(₱8,196)
Valuation interest Rate	-1%	529,879	107,453	(107,453)	(107,453)
	+1%	(529,879)	(107,453)	107,453	107,453

*Impact on equity reflects adjustments for tax, when applicable

December 31, 2018					
	Change in Assumptions	Increase (decrease) in gross liabilities	Increase (decrease) in net liabilities	Increase (decrease) in profit before tax	Increase (decrease) in equity*
			(In Thousands)		
Mortality	+10%	₱15,421	₱5,443	(₱5,443)	₱-
Valuation interest rate	+1%	(458,975)	(65,756)	-	65,756
	-1%	458,975	65,756	-	(65,756)

*Impact on equity reflects adjustments for tax, when applicable

The carrying values of insurance contract liabilities as of December 31, 2019 and 2018 amounted to ₱39.87 billion and ₱35.36 billion, respectively (see Note 10).

Investment Risk

The investment risk represents the exposure to loss resulting from cash flows from invested assets, primarily long-term fixed rate investments, being less than the cash flows required to meet the obligations of the expected policy and contract liabilities and the necessary return on investments.

In addition, there exists a future investment risk associated with certain policies currently in force which will have premium receipts in the future. That is, the investment of those future premium receipts may be at yield below that required to meet future policy liabilities.

To maintain an adequate yield to match the interest necessary to support future policy liabilities, management focus is to reinvest in proceeds of the maturing securities and to invest the future premium receipts while continuing to maintain satisfactory investment quality.



The Company adopts an investment strategy to invest primarily in high quality securities while maintaining diversification to avoid significant exposure to issuer, industry and/or country concentrations. The Company also adopts a strategy to produce cash flows required to meet maturing insurance liabilities. The Company invests in debt securities which are subject to declines in fair value. Generally, insurance regulations restrict the type of assets in which an insurance company may invest. When permitted by regulatory authorities and when deemed necessary to protect insurance assets including invested assets, from adverse movements of foreign currency exchange rates and interest rates, the Company may also enter into derivative transactions as end users.

The Company uses asset-liability matching as a management tool to determine the composition of the invested assets and appropriate investment and marketing strategies. As part of these strategies, the Company may determine that it is economically advantageous to be temporarily in an unmatched position due to anticipated interest rate or other economic changes.

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.

Market risks arise from open positions in interest rates, 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 the interest rate risk.

Credit Risk

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

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

The Company further restricts its credit risk exposure by entering into master netting arrangements with counterparties with which it transacts significant volumes of transactions. Such arrangements do not generally result in offset of assets and liabilities since transactions are usually settled on a gross basis. However, the credit risk associated with such balances is reduced in the event of a default, when such balances are settled on a net basis. The situation may substantially change within a short period following the reporting date because the exposure is affected by transactions subject to the arrangement.

The Company issues unit-linked investment policies where the policyholder bears the investment risk on the assets held in the unit-linked funds, as the policy benefits are directly linked to the value of the assets in the fund. Therefore, the Company has no material credit risk on unit linked financial assets. Loans to policyholders are granted against the surrender value of policies.



The table below shows the maximum exposure of the Company to credit risk for the components of the statements of financial position. The maximum exposure is shown net of impairment losses, but before the effect of mitigation through the use of master netting or collateral agreements.

	December 31, 2019		
	Non-Linked	Unit-linked	Total
Financial assets designated at FVPL			
Debt securities			
Government bonds	P-	P8,383,003,941	P8,383,003,941
Corporate bonds	-	482,267,088	482,267,088
UITFs	-	3,136,689,972	3,136,689,972
Equity securities			
Common shares	-	14,526,547,392	14,526,547,392
Other equity securities	-	7,462,316,394	7,462,316,394
AFS financial assets			
Debt securities			
Government bonds	1,846,185,800	-	1,846,185,800
Corporate bonds	132,153,770	-	132,153,770
Cash and cash equivalents			
Cash in banks	1,146,847,253	-	1,146,847,253
Short term deposits in banks	207,792,154	-	207,792,154
Cash and cash equivalents held in IIFs			
Cash in bank	-	664,672,031	664,672,031
Loans and receivables			
Inter-fund receivables	70,688,248	-	70,688,248
Policy loans	117,716,763	-	117,716,763
Insurance receivable	6,841,371	-	6,841,371
Accounts receivable held in IIFs	-	237,181,013	237,181,013
Due from related parties	1,306,386	-	1,306,386
Security fund contribution	141,244	-	141,244
Other receivables	2,998,945	-	2,998,945
Accrued income			
Accrued interests			
AFS debt financial assets	18,436,152	-	18,436,152
Debt financial assets designated at FVPL	-	80,581,679	80,581,679
Cash and cash equivalents	29,481	-	29,481
Accrued dividends			
Equity financial assets designated at FVPL	-	8,257,717	8,257,717
	P3,551,137,567	P34,981,517,227	P38,532,654,794

	December 31, 2018		
	Non-Linked	Unit-linked	Total
Financial assets designated at FVPL			
Debt securities			
Government bonds	P-	P8,447,799,719	P8,447,799,719
Corporate bonds	-	325,565,006	325,565,006
UITFs	P-	P2,110,429,052	P2,110,429,052
Equity securities			
Common shares	-	14,197,125,717	14,197,125,717
Other equity securities	-	5,279,014,326	5,279,014,326
AFS financial assets			
Debt securities			
Government bonds	1,214,891,503	-	1,214,891,503
Corporate bonds	26,538,715	-	26,538,715

(Forward)



	December 31, 2018		
	Non-Linked	Unit-linked	Total
Cash and cash equivalents			
Cash in banks	₱603,047,873	₱ –	₱603,047,873
Short term deposits in banks	30,953,829	–	30,953,829
Cash and cash equivalents held in IIFs			
Cash in bank	–	1,215,997,375	1,215,997,375
Loans and receivables			
Inter-fund receivables	109,213,308	–	109,213,308
Policy loans	108,088,008	–	108,088,008
Insurance receivable	9,830,976	–	9,830,976
Accounts receivable held in IIFs	–	23,243,382	23,243,382
Due from related parties	1,306,386	–	1,306,386
Security fund contribution	141,244	–	141,244
Other receivables	9,245,852	–	9,245,852
Accrued income			
Accrued interests			
AFS debt financial assets	13,901,810	–	13,901,810
Debt financial assets designated at FVPL	–	83,444,478	83,444,478
Cash and cash equivalents	27,234	–	27,234
Accrued dividends			
Equity financial assets designated at FVPL	–	7,032,855	7,032,855
	₱2,127,186,738	₱31,689,651,910	₱33,816,838,648

The following tables provide information regarding the credit risk exposure of the Company as of December 31, 2019 and 2018 by classifying financial assets according to credit ratings of the counterparties:

	As of December 31, 2019			
	Neither past due nor impaired			
	Investment Grade	Non-investment Grade Satisfactory	Not Rated	Total
Financial assets designated at FVPL				
Debt securities				
Government bonds	₱8,383,003,941	₱–	₱–	₱8,383,003,941
Corporate bonds	482,267,088	–	–	482,267,088
UITFs	–	–	3,136,689,972	3,136,689,972
Equity securities				
Common shares	–	–	14,526,547,392	14,526,547,392
Other equity securities	–	–	7,462,316,394	7,462,316,394
AFS financial assets				
Debt securities				
Government bonds	1,846,185,800	–	–	1,846,185,800
Corporate bonds	–	132,153,770	–	132,153,770
Cash and cash equivalents				
Cash in banks	1,146,847,253	–	–	1,146,847,253
Short term deposits in banks	207,792,154	–	–	207,792,154
Cash and cash equivalents held in IIFs				
Cash in bank	664,672,031	–	–	664,672,031
Loans and receivables				
Inter-fund receivables	–	–	70,688,248	70,688,248
Policy loans	–	–	117,716,763	117,716,763
Insurance receivable	–	6,841,371	–	6,841,371
Accounts receivable held in IIFs	–	–	237,181,013	237,181,013

(forward)



As of December 31, 2019				
Neither past due nor impaired				
	Investment Grade	Non- investment Grade Satisfactory	Not Rated	Total
Due from related parties	P-	P-	P1,306,386	P1,306,386
Security fund contribution	-	-	141,244	141,244
Other receivables	-	-	2,998,945	2,998,945
Accrued income				
Accrued interests				
AFS debt financial assets	18,436,152	-	-	18,436,152
Debt financial assets designated at FVPL	80,581,679	-	-	80,581,679
Cash and cash equivalents	29,481	-	-	29,481
Accrued dividends				
Equity financial assets designated at FVPL	-	-	8,257,717	8,257,717
	P12,829,815,579	P138,995,141	P25,563,844,074	P38,532,654,794

As of December 31, 2018				
Neither past due nor impaired				
	Investment Grade	Non-investment Grade Satisfactory	Not Rated	Total
Financial assets designated at FVPL				
Debt securities				
Government bonds	P8,447,799,719	P-	P-	P8,447,799,719
Corporate bonds	325,565,006	-	-	325,565,006
UITFs	-	-	2,110,429,052	2,110,429,052
Equity securities				
Common shares	-	-	14,197,125,717	14,197,125,717
Other equity securities	-	-	5,279,014,326	5,279,014,326
AFS financial assets				
Debt securities				
Government bonds	1,214,891,503	-	-	1,214,891,503
Corporate bonds	-	26,538,715	-	26,538,715
Cash and cash equivalents				
Cash in banks	603,047,873	-	-	603,047,873
Short term deposits in banks	30,953,829	-	-	30,953,829
Cash and cash equivalents held in IIFs				
Cash in bank	1,215,997,375	-	-	1,215,997,375
Loans and receivables				
Inter-fund receivables	-	-	109,213,308	109,213,308
Policy loans	-	-	108,088,008	108,088,008
Insurance receivable	-	9,830,976	-	9,830,976
Accounts receivable held in IIFs	-	-	23,243,382	23,243,382
Due from related parties	-	-	1,306,386	1,306,386
Security fund contribution	-	-	141,244	141,244
Other receivables	-	-	9,245,852	9,245,852
Accrued income				
Accrued interests				
AFS debt financial assets	13,901,810	-	-	13,901,810
Debt financial assets designated at FVPL	83,444,478	-	-	83,444,478
Cash and cash equivalents	27,234	-	-	27,234
Accrued dividends				
Equity financial assets designated at FVPL	-	-	7,032,855	7,032,855
	P11,935,628,827	P36,369,691	P21,844,840,130	P33,816,838,648



The credit quality of the financial assets was determined as follows:

a) *Cash and Cash Equivalents*

These are deposited, placed or invested in foreign and local banks belonging to the top banks in the Philippines in terms of resources and profitability.

b) *Investment Securities*

In respect of investment securities pertaining to financial assets at FVPL and AFS financial assets, the Company secures satisfactory credit quality by setting maximum limits of portfolio securities with a single or group of issuers, excluding those secured on specific assets and setting the minimum ratings for the issuer.

The Company uses Standard and Poor's credit ratings as basis to determine whether a security is investment grade or non-investment grade. In the financial market, securities with credit rating of at least BBB are considered as investment grade securities while securities with credit rating lower than BBB are considered as non-investment grade. Investment grade financial assets are assets which have strong capacity to meet the issuer's financial commitments and are unsusceptible to adverse effects of changes in economic conditions. Non-investment grade financial assets, on the other hand, are assets that are likely to be impaired in adverse economic conditions. However, no default or impairment is expected on these securities as these are issued by the Philippine Government.

All of the Company's securities are lodged in the Registry of Scripless Securities (RoSS) to mitigate misplacement of physical inventory of assets.

c) *Loans and Receivables*

The Company sets a maximum amount and limits that may be advanced to or placed with individual corporate counterparties which are set by reference to their long term ratings.

Credit risk exposure in respect of all other counterparties is managed by setting standard business terms that are required to be met by all counterparties. The credit risk in respect of customer balances, incurred on non-payment of premiums or contributions, will only persist during the grace period specified in the policy document or trust deed on the expiry of which the policy is either paid up or terminated.

Those accounts that are classified as not rated include UITFs, quoted equity securities, policy loans, inter-fund receivables, due from related parties, security fund contributions and other receivables for which the Company has not yet established a credit rating system.

As of December 31, 2019 and 2018, bulk of the Company's FVPL and AFS investments pertains to Philippine government securities (see Note 5).

The Company did not have other significant concentration of credit risk with a single counterparty or group of counterparties, geographical and industry segments as of December 31, 2019 and 2018.

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 inability to generate cash inflows as anticipated. The major liquidity risk confronting the Company is the daily operating cash requirements.



The Company manages liquidity through its liquidity risk policy, which determines what constitutes liquidity risk for the Company:

- Specify minimum proportion of funds to meet emergency calls
- Setting up contingency funding plans; specifies the sources of funding and the events that would trigger the plan and concentrates on funding sources
- Reporting of liquidity risk exposures and breaches to the monitoring authority
- Monitoring compliance with liquidity risk policy and review of liquidity risk policy for pertinence and changing environment.

The Company uses all its outstanding financial assets to manage liquidity risks.

The tables below analyze financial assets and financial liabilities of the Company into their relevant maturity groups based on the remaining periods at the reporting date to their contractual maturities or expected repayment dates.

	December 31, 2019						Variable Unit-Linked	Total
	Up to a year	1-3 years	3-5 years	Over 5 years	No Term			
Financial assets designated at FVPL								
Debt securities								
Government bonds	P-	P-	P-	P-	P-	₱8,383,003,941	₱8,383,003,941	
Corporate bonds	-	-	-	-	-	482,267,088	482,267,088	
UITFs	-	-	-	-	-	3,136,689,972	3,136,689,972	
Equity securities								
Common shares	-	-	-	-	-	14,526,547,392	14,526,547,392	
Other equity securities	-	-	-	-	-	7,462,316,394	7,462,316,394	
AFS financial assets								
Debt securities								
Government bonds	105,428,613	200,519,727	213,863,477	2,835,385,714	-	-	3,355,197,531	
Corporate bonds	6,763,095	13,526,190	30,644,190	127,956,950	-	-	178,890,425	
Cash and cash equivalents								
Cash in banks	1,146,847,253	-	-	-	-	-	1,146,847,253	
Short-term deposits in banks	207,792,154	-	-	-	-	-	207,792,154	
Cash and cash equivalents held in IIFs	-	-	-	-	-	664,672,031	664,672,031	
Loans and receivables								
Inter-fund receivables	70,688,248	-	-	-	-	-	70,688,248	
Policy loans	117,716,763	-	-	-	-	-	117,716,763	
Insurance receivables	6,841,371	-	-	-	-	-	6,841,371	
Due from related parties	-	-	-	-	-	237,181,013	237,181,013	
Accounts receivable held in IIFs	1,306,386	-	-	-	-	-	1,306,386	
Security fund contribution	-	-	-	-	141,244	-	141,244	
Other receivables	2,998,945	-	-	-	-	-	2,998,945	
Accrued income								
Accrued interests								
AFS debt financial assets	18,436,152	-	-	-	-	-	18,436,152	
Debt financial assets designated at FVPL	-	-	-	-	-	80,581,679	80,581,679	
Cash and cash equivalents	29,481	-	-	-	-	-	29,481	
Accrued dividends								
Equity financial assets designated at FVPL	-	-	-	-	-	8,257,717	8,257,717	
Total financial assets	1,684,848,461	214,045,917	244,507,667	2,963,342,664	141,244	34,981,517,227	40,088,403,180	
Other financial liabilities								
Policy and contract claims payable	71,115,763	-	-	-	-	-	71,115,763	
Other insurance contract liabilities	90,758,150	-	-	-	-	-	90,758,150	
Policyholders' dividends	236,040,617	-	-	-	-	-	236,040,617	
Insurance payables	1,340,541,925	-	-	-	-	-	1,340,541,925	
Accounts payable and accrued expenses*								
Accounts and other payables	20,828,780	-	-	-	-	-	20,828,780	
Accrued expenses	331,800,123	-	-	-	-	-	331,800,123	
Commissions payable	19,728,441	-	-	-	-	-	19,728,441	
Held in IIFs:								
Accrued management fees	-	-	-	-	-	60,391,360	60,391,360	
Due to related parties	209,434,059	-	-	-	-	-	209,434,059	
Total financial liabilities	2,320,247,858	-	-	-	-	60,391,360	2,380,639,218	
Net excess liquidity (deficit)	(₱635,399,397)	₱214,045,917	₱244,507,667	₱2,963,342,664	₱141,244	₱34,921,125,867	₱37,707,763,962	

*Amount excluding statutory liability



	December 31, 2018						
	Up to a year	1-3 years	3-5 years	Over 5 years	No Term	Variable Unit-Linked	Total
Financial assets designated at FVPL							
Debt securities							
Government bonds	P-	P-	P-	P-	P-	P8,447,799,719	P8,447,799,719
Corporate bonds	-	-	-	-	-	325,565,006	325,565,006
UITFs	-	-	-	-	-	2,110,429,052	2,110,429,052
Equity securities							
Common shares	-	-	-	-	-	14,197,125,717	14,197,125,717
Other equity securities	-	-	-	-	-	5,279,014,326	5,279,014,326
AFS financial assets							
Debt securities							
Government bonds	111,840,313	175,911,877	170,743,126	2,619,814,002	-	-	3,078,309,318
Corporate bonds	16,919,550	3,089,100	9,089,100	29,822,500	-	-	58,920,250
Cash and cash equivalents							
Cash in banks	603,047,873	-	-	-	-	-	603,047,873
Short-term deposits in banks	30,953,829	-	-	-	-	-	30,953,829
Cash and cash equivalents held in IIFs							
Cash in bank	-	-	-	-	-	1,215,997,375	1,215,997,375
Loans and receivables							
Inter-fund receivables	109,213,308	-	-	-	-	-	109,213,308
Policy loans	112,273,454	-	-	-	-	-	112,273,454
Insurance receivables	9,830,976	-	-	-	-	-	9,830,976
Due from related parties	1,306,386	-	-	-	-	-	1,306,386
Accounts receivable held in IIFs	-	-	-	-	-	23,243,382	23,243,382
Security fund contribution	-	-	-	-	141,244	-	141,244
Other receivables	9,245,852	-	-	-	-	-	9,245,852
Accrued income							
Accrued interests							
AFS debt financial assets	13,901,810	-	-	-	-	-	13,901,810
Debt financial assets designated at FVPL	-	-	-	-	-	83,444,478	83,444,478
Cash and cash equivalents	27,234	-	-	-	-	-	27,234
Accrued dividends							
Equity financial assets designated at FVPL	-	-	-	-	-	7,032,855	7,032,855
Total financial assets	1,018,560,585	179,000,977	179,832,226	2,649,636,502	141,244	31,689,651,910	35,716,823,444
Other financial liabilities							
Policy and contract claims payable	40,965,257	-	-	-	-	-	40,965,257
Other insurance contract liabilities	50,586,078	-	-	-	-	-	50,586,078
Policyholders' dividends	192,110,863	-	-	-	-	-	192,110,863
Insurance payables	1,087,437,506	-	-	-	-	-	1,087,437,506
Accounts payable and accrued expenses*							
Accounts and other payables	76,437,257	-	-	-	-	-	76,437,257
Accrued expenses	249,965,018	-	-	-	-	-	249,965,018
Commissions payable	23,283,167	-	-	-	-	-	23,283,167
Held in IIFs:							
Accrued management fees	-	-	-	-	-	54,684,340	54,684,340
Due to related parties	357,573,980	-	-	-	-	-	357,573,980
Total financial liabilities	2,557,081,003	-	-	-	-	54,684,340	2,611,765,343
Net excess liquidity (deficit)	(P1,059,798,543)	P179,000,977	P179,832,226	P2,649,636,502	P141,244	P31,634,967,570	P33,583,779,976

*Amount excluding statutory liability

As of December 31, 2019 and 2018, the debt securities held in IIFs have maturities beyond 5 years.

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

AFS debt securities are expected to be held indefinitely and would be realized based on the funding requirement of the Company. For other assets, the analysis into maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier, the expected date the assets will be realized.



Market Risk

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

The Company manages market risk by minimizing the duration gap of its assets and liabilities, by ensuring that its liabilities are correctly matched to assets and by setting exposure limits.

The Company structures the levels of market risk it accepts through a group market risk policy that determines what constitutes market risk for the Company; basis used to fair value financial assets and liabilities; asset allocation and portfolio limit structure; diversification benchmarks by type of instrument and geographical area; and sets out the net exposure limits by each counterparty or group of counterparties, geographical and industry segments.

The Company's principal transactions with insurance and investment policyholders comprise of unit-linked contracts in which the unit prices (i.e., obligation to the policyholders) are based on fair values of investments and other assets within the portfolio. Therefore, there is no foreign currency, equity and interest rate risk for these contracts. However, the Company's exposure to such contracts is the risk of volatility in asset management fees due to the impact of interest rate and market price movements on the fair value of assets held in the linked funds, on which investment management fees are based. Within this category of contracts, there are insurance contracts with minimum guaranteed death benefits that expose the Company to the risk of decline in the value of underlying investments as a result of change in interest rates.

The Company issues unit linked investment policies where the policyholder bears the investment risk on the assets held in the unit-linked funds, as the policy benefits are directly linked to the value of the assets in the fund. Therefore, the Company has no material market risk on unit linked financial assets.

Currency Risk

The Company holds foreign currency denominated assets and liabilities, thus, fluctuations on the foreign exchange rates can affect the financial and cash flows of the Company. Exposure to currency risk arises mainly when financial assets and liabilities are denominated in a currency other than the Company's functional currency or will be denominated in such a currency in the planned course of business.

The Company invests in dollar bonds to meet its dollar obligations from its dollar insurance products. The following table shows the details of the Company's currency exposure in original currency (US\$) and Philippine Peso equivalent (PHP) as of December 31, 2019 and 2018:

Assets	2019		2018	
	US\$	PHP	US\$	PHP
Cash and cash equivalents	\$16,360,368	₱828,407,234	\$3,892,585	₱204,672,119
Loans and receivables	4,948,604	250,572,564	85,374	4,488,965
	21,308,972	1,078,979,798	3,977,959	209,161,084
Policy and contract claims	132,438	6,705,998	233,636	12,284,581
Net exposures	\$21,176,534	₱1,072,273,800	\$3,744,323	₱196,876,503



Foreign currency risk is monitored and analyzed systematically. The Company's policy is to maintain foreign currency exposure within existing regulations, and within acceptable risk limits. The Company believes in ensuring that its foreign currency is at all times within limits prescribed for companies who are engaged in the same type of businesses.

The exchange rate used to restate the Company's Philippine dollar-denominated assets and liabilities is ₱50.635 to \$1 and ₱52.58 to \$1 as of December 31, 2019 and 2018, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar exchange rate, with all variables held constant, of the Company's income before tax (due to changes in the fair value of monetary assets and liabilities).

2019		
	Change in Variable	Increase (Decrease) on Income before Tax
USD	3.70%	₱39,644,750
	-3.70%	(39,644,750)
2018		
	Change in Variable	Increase (Decrease) on Income before Tax
USD	+5.31%	₱10,449,083
	-5.31%	(10,449,083)

The sensitivity analysis above has been determined assuming that the change in interest rates has occurred at the reporting date and has been applied to the exposure to interest rate risk for interest bearing financial instruments in existence at that date. The increase or decrease in basis points represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date.

Fair Value Interest Rate Risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company's fixed rate investments in particular are exposed to such risk.

The Company manages fair value interest rate risk by minimizing the duration gap of its assets and liabilities.

The following tables show information relating to the Company's financial instruments as of December 31, 2019 and 2018 that are exposed to fair value interest rate risk presented by maturity profile (see Note 5):

Fixed Rate Instruments	Interest Rate	December 31, 2019				Total
		<1 year	1 - 5 years	Over 5 years	No term	
Financial assets						
AFS financial assets						
Debt securities						
Government bonds	3.38%-10.25%	₱4,991,535	₱15,302,896	₱1,825,891,369	₱-	₱1,846,185,800
Corporate bonds	3.92%-6.08%	-	16,958,628	115,195,142	-	132,153,770
Loans and receivables						
Policy loans	7.00%-8.00%	117,716,763	-	-	-	117,716,763
Short-term deposits	0.75%-1.00%	207,792,154	-	-	-	207,792,154
Cash in banks	1.25%-4.00%	1,811,519,284	-	-	-	1,811,519,284
		₱2,142,019,736	₱32,261,524	₱1,941,086,511	₱-	₱4,115,367,771



Fixed Rate Instruments	Interest Rate	December 31, 2018				Total
		<1 year	1 - 5 years	Over 5 years	No term	
Financial assets						
AFS financial assets						
Debt securities						
Government bonds	3.38% - 9.50%	₱25,352,802	₱4,733,575	₱1,184,805,126	₱-	₱1,214,891,503
Corporate bonds	3.92% - 6.08%	-	5,006,820	21,531,895	-	26,538,715
Loans and receivables						
Policy loans	7.50% - 8.00%	112,273,454	-	-	-	112,273,454
Short-term deposits	0.75% - 1.00%	30,953,829	-	-	-	30,953,829
Cash in banks	1.25% - 5.00%	1,819,045,248	-	-	-	1,819,045,248
		₱1,987,625,333	₱9,740,395	₱1,206,337,021	₱-	₱3,203,702,749

The table below demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's other comprehensive income through the impact of AFS financial assets.

Currency	Change in basis points	Impact on OCI	
		2019	2018
Philippine Peso	+100	(₱131,153,086)	(₱122,678,187)
Philippine Peso	-100	₱131,153,086	₱122,678,187

The Company determined the reasonably possible change in fair value interest rate risk by using the trend analyses of the Company's monthly sustainable portfolio yields for the past three years.

Equity Price Risk

The Company has no price risk exposure at year-end related to underlying equity financial assets of insurance investment funds. While the values of these equity financial assets will fluctuate as a result of changes in market prices, such fluctuation will not affect either the Company's income before tax or other comprehensive income.

Financial Instruments - Fair Value Measurement

Due to the short-term nature of cash and cash equivalents, insurance receivables, policy loans, accounts receivables held in IIFs, due from related parties, other receivables, accrued income, insurance payables, due to related parties, accounts payable and accrued expenses, their carrying values reasonably approximate their fair values at year-end.

The fair values of financial assets at FVPL and AFS financial assets that are actively traded in organized financial markets are determined by reference to quoted prices, at the close of business on the reporting date.

The carrying amounts of policyholders' dividends and premium deposit fund approximate fair values considering that these are due and demandable.



The following table shows the analysis of financial assets recorded at fair value and financial assets for which fair value is required to be disclosed by level of the fair value hierarchy:

	December 31, 2019			Total
	Level 1	Level 2	Level 3	
AFS financial assets				
Debt securities				
Government bonds	₱360,518,536	₱1,485,667,264	₱-	₱1,846,185,800
Corporate bonds	36,039,172	96,114,598	-	132,153,770
Financial assets designated at FVPL				
Debt securities held in IIFs				
Government bonds	6,613,602,311	1,769,401,630	-	8,383,003,941
Corporate bonds	189,751,895	292,515,193	-	482,267,088
UITFs	-	3,136,689,972	-	3,136,689,972
Equity securities held in IIFs				
Common stock	14,526,547,392	-	-	14,526,547,392
Other equity securities	7,462,316,394	-	-	7,462,316,394
Total	₱29,188,775,700	₱6,780,388,657	₱-	₱35,969,164,357

	December 31, 2018			Total
	Level 1	Level 2	Level 3	
AFS financial assets				
Debt securities				
Government bonds	₱4,733,575	₱1,210,157,928	₱-	₱1,214,891,503
Corporate bonds	26,538,715	-	-	26,538,715
Financial assets designated at FVPL				
Debt securities held in IIFs				
Government bonds	4,358,959,185	4,088,840,534	-	8,447,799,719
Corporate bonds	122,761,280	202,803,726	-	325,565,006
UITFs	-	2,110,429,052	-	2,110,429,052
Equity securities held in IIFs				
Common stock	14,197,125,717	-	-	14,197,125,717
Other equity securities	5,279,014,326	-	-	5,279,014,326
Total	₱23,989,132,798	₱7,612,231,240	₱-	₱31,601,364,038

There were no changes in the valuation technique used by the Company. In 2019 and 2018, there have been no transfers between Level 1 and Level 2, and no transfers into and out of Level 3.

23. Regulatory Requirements

Capital Management Framework

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

The Company fully complied with the externally imposed capital requirements during the reported financial periods and no changes were made to its capital base, objectives, policies and processes from the previous year.



The Company's risk management function has developed and implemented certain minimum stress and scenario tests for identifying the risks to which each of its business units and the Company as a whole is exposed, quantifying their impact on the volatility of economic capital. The results of these tests, particularly the anticipated impact on the realistic financial position and revenue account of each business unit, are reported to the Company's risk management function. The risk management function then considers the aggregate impact of the overall capital requirement revealed by the stress testing to assess how much capital is needed to mitigate the risk of insolvency to a selected remote level.

Regulatory Framework

A substantial portion of the Company's long-term insurance business comprises policies where the investment risk is borne by policyholders. Risk attributable to policyholders is actively managed keeping in view their investment objectives and constraints.

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

The operations of the Company are subject to the regulatory requirements of the Insurance Commission. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions, (e.g., fixed capitalization requirements and RBC requirements) to minimize the risk of default and insolvency on the part of the insurance companies to meet the unforeseen liabilities as these arise.

Fixed Capitalization Requirements

On August 5, 2013, the President of the Philippines approved the Republic Act No. 10607, known as the "New Insurance Code" (Amended Code), which provides the new capitalization requirements of all existing insurance companies based on networth on a staggered basis starting June 30, 2013 up to December 31, 2022. The following presents the amount of required networth and the schedule of compliance per Amended Insurance Code:

Networth	Compliance Date
₱250,000,000	June 30, 2013
550,000,000	December 31, 2016
900,000,000	December 31, 2019
1,300,000,000	December 31, 2022

On January 13, 2015, the IC issued CL No. 02-2015 which provide clarifications on the minimum capitalization requirements under Sections 194, 197, 200 and 289 of the Amended Code. It also supersedes DO No. 15-2012, DO No. 27-2006, CL No. 22-2008 and CL No. 26-2008. According to the CL, the minimum networth requirement would be ₱250,000,000 by December 31, 2013. The minimum networth shall be unimpaired at all times and shall increase to the amounts as follows:

Minimum Networth	Compliance Date
₱550,000,000	December 31, 2016
900,000,000	December 31, 2019
1,300,000,000	December 31, 2022

As of December 31, 2019 and 2018, the required minimum statutory net worth for the Company is ₱900 million. The Company has complied with the minimum paid-up capital requirement.



Solvency Requirement

Under the revised Insurance Code (RA 10607), a life insurance company doing business in the Philippines shall at all times maintain the minimum paid-up capital, and net worth requirements as prescribed by the Commissioner. Such solvency requirements shall be based on internationally accepted solvency frameworks and accepted only after due consultation with the insurance industry association.

The amounts of estimated non-admitted assets, as defined in the Code, are as follows:

	2019 (Estimated)	2018 (Actual)
Loans and receivables	₱2,140,350	₱4,849,491
Property and equipment – net	25,004,424	15,325,148
Other assets	43,530,873	44,323,105
	₱70,675,647	₱44,323,105

The Excess Solvency shall be the excess of the value of its admitted assets (as defined under the same Code), over the amount of its liabilities and the required minimum capital/net worth.

If an insurance company fails to meet the minimum required capital, the Insurance Commission is authorized to suspend or revoke all certificates of authority granted to such company, its officers and agents, and no new business shall be done by and for such company until its authority is restored by the Insurance Commission.

The final amount of the net worth as of December 31, 2019 and 2018 can be determined only after the accounts of the Company have been examined by the Insurance Commission, specifically as to admitted and non-admitted assets as defined under the Code.

The following table shows the total equity available for Minimum Capital as of December 31:

	2019 (Estimated)	2018 (Actual)
Total admitted assets	₱39,553,759,237	₱34,524,533,275
Total liabilities	37,874,927,589	33,805,919,481
Total net worth	1,678,831,648	718,613,794
Required Minimum Capital / Net Worth	900,000,000	550,000,000
	₱778,831,648	₱168,613,794

Unimpaired Capital Requirement

In August 7, 2008, the Insurance Commission issued IMC 22-2008 providing that for purposes of determining compliance with the law, rules and regulations requiring that the paid-up capital should remain intact and unimpaired at all times, the statements of financial position should show that the net worth or equity is at least equal to the actual paid-up capital. The Company has complied with the unimpaired capital requirement.

Risk-Based Capital (RBC) Requirements

Pursuant to Section 194 of the Amended Insurance Code (R.A 10607), the Insurance Commission conducted a review of the current Risk Based Capital (RBC) Framework contained in Insurance Memorandum Circular Numbered 6-2006 and 7-2006 both dated October 5, 2006. On June 10, 2015, the Insurance Commission issued Circular Letter No. 2015-30 requiring all life and non life insurance companies to participate in parallel runs for the RBCQ15 (Quantitative Impact Study).



In 2016, IC issued Circular Letter No. 2016-68, *Amended Risk-Based Capital (RBC2) Framework*, prescribes that all insurance companies must satisfy the minimum statutory RBC ratio of 100% and not fail the Trend Test as stated under Section 3 of this Circular. The RBC ratio of an insurance company shall be equal to the Total Available Capital (TAC) divided by the RBC requirement.

IC Circular Letter No. 2016-69, *Implementation Requirements for Financial Reporting, Valuation Standards for Insurance Policy Reserves and Amended Risk-Based Capital (RBC2) Framework*, provides that the level of sufficiency for the RBC2 Framework shall be at 95% level in 2017, 97.50% in 2018 and 99.50% in 2019.

The following table shows how the RBC ratio was determined as of December 31, 2019 and 2018:

	2019	2018
	(Estimated)	(Actual)
Total Available Capital (TAC)	₱1,764,749,374	₱746,787,990
RBC requirement	260,717,057	292,436,225
RBC ratio	677%	255%

RBC2 Ratio is computed by dividing TAC with Required Capital. RBC TAC is computed by deducting non-admitted assets from PFRS Equity, plus sum of Excess capital from subsidiaries and 50% of PV dividends less IT equipment and Investment in subsidiaries. While Required Capital requirement of an insurance company is the capital that is required to be held appropriately to the risks an insurance company is exposed to. The minimum RBC ratio is set at 100%. All insurance companies are required to maintain the minimum RBC ratio and not fail the Trend Test as required by Circular 2016-68.

The final RBC ratio can only be determined after the accounts of the Company have been examined by IC.

Dividend Declaration

Under Section 201 of the Amended Code, no insurance company shall declare and distribute any dividend on its outstanding stocks unless it has met the minimum paid-up capital and net worth requirements and except from profits attested in a sworn statement to the Commissioner by the president or treasurer of the corporation to be remaining on hand after retaining unimpaired : (a) the entire paid-up capital stock, (b) the solvency requirements, (c) in the case of life insurance corporations, the legal reserve fund, and (d) a sum sufficient to pay all net losses reported, or in the course of settlement, and all liabilities for expenses and taxes. If the Commissioner finds that any such corporation has declared or distributed any such dividend in violation of this section, he may order such corporation to cease and desist from doing business until the amount of such dividend or the portion thereof in excess of the amount allowed under this section has been restored to said corporation.



24. Current and Non-Current classification

The Company's classification of its account is as follows:

	2019			2018		
	Current	Non-current	Total	Current	Non-current	Total
Assets						
Cash and cash equivalents	₱2,019,407,191	₱-	₱2,019,407,191	₱1,850,094,830	₱-	₱1,850,094,830
Insurance receivables	6,841,371	-	6,841,371	9,830,976	-	9,830,976
Reinsurance assets	5,197,869,605	-	5,197,869,605	4,273,945,905	-	4,273,945,905
Financial assets						
Financial assets at fair value through profit or loss	33,990,824,787	-	33,990,824,787	30,359,933,820	-	30,359,933,820
Available-for-sale financial assets	4,991,534	1,973,348,036	1,978,339,570	25,352,802	1,216,077,416	1,241,430,218
Loans and receivables	429,891,355	141,244	430,032,599	251,096,936	141,244	251,238,180
Accrued income	107,305,029	-	107,305,029	104,406,377	-	104,406,377
Property and equipment	-	27,910,530	27,910,530	-	19,931,717	19,931,717
Deferred tax assets	-	45,138,516	45,138,516	-	-	-
Other assets	48,409,245	3,591,612	52,000,857	34,387,298	3,957,612	38,344,910
	₱41,805,540,117	₱2,050,129,938	₱43,855,670,055	₱36,909,048,944	₱1,240,107,989	₱38,149,156,933
Liabilities						
Insurance contract liabilities	34,894,079,332	4,975,296,867	39,869,376,199	31,632,334,977	3,729,734,827	35,362,069,804
Insurance payable	1,340,541,925	-	1,340,541,925	1,087,437,506	-	1,087,437,506
Policyholders' dividends	236,040,617	-	236,040,617	192,110,863	-	192,110,863
Accounts payable and accrued expenses	377,118,999	-	377,118,999	363,024,820	-	363,024,820
Due to related parties	209,434,059	-	209,434,059	357,573,980	-	357,573,980
Income tax payable	72,966,452	-	72,966,452	3,828,422	-	3,828,422
	₱37,130,181,384	₱4,975,296,867	₱42,105,478,251	₱33,636,310,568	₱3,729,734,827	₱37,366,045,395

25. Subsequent Events

In a move to contain the COVID-19 pandemic, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region (NCR) effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an Enhanced Community Quarantine (ECQ) throughout the island of Luzon until April 12, 2020, unless earlier lifted or extended. The ECQ was extended until May 15, 2020 in NCR and other areas. Starting May 16, 2020, a modified enhanced community quarantine (MECQ) was imposed in NCR and other areas until May 31, 2020. Subsequent to May 31, 2020, a general community quarantine (GCQ) was imposed in NCR and other areas until June 30, 2020, unless extended. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continues to evolve.

The Company, during the duration of the ECQ, instituted a company-wide and successful Work from Home (WFH) arrangement for all its employees. This is a by-product of a working and tested Business Continuity Plan that the Company has in place even before this COVID-19 pandemic. The measures adopted by the Company have ensured the continuity of its operations in this new circumstance and environment.



In this “new normal”, the Company was still able to honor commitments to policy owners, suppliers and regulators as disbursements were all done by way of online transfers making it easier for policyholders and suppliers to get their benefits or funds and the regulator to receive the Company's tax payments. And through digitalization efforts, the Company has made it easier for current policyholders and potential buyers to buy the Company’s products or for clients to file claims electronically.

To support the distribution channels, the Company shifted its focus to digital selling with the use of its digital selling platform. This has ensured that the Company’s distribution channels are equipped to overcome the hurdles posed by the travel restrictions and strict social distancing guidelines currently in place in the country.

The Company, whose core values include ‘Obsess with customers’ and ‘Share your humanity’, made it easier for policyholders to pay premiums and file claims by extending the premium payment period by 60 days as well as waiving the 30 day notification and 90 day requirements submission for filing COVID-19 related claims, respectively. The Company also provided additional benefits to policyholders diagnosed with COVID-19 at no additional costs. Further, the Company provided free insurance coverage to the country's top app-based delivery service providers during the quarantine period as a token of appreciation to the country's delivery frontliners who keep businesses moving and community safe during the ECQ.

The Company considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended December 31, 2019.

