COVER SHEET

8 0 1 1 8

SEC Registration Number

NATIONAL REINSURANCE
CORPORATION OF THE PHILIPPINES

(Company's Full Name)

31F BPI-PHILAM LIFE MAKATI
6811 AYALA AVENUE MAKATI

(Business Address: No., Street City / Town / Province)

Regina S. Ramos
Contact Person

(02) 988-7400
Company Telephone Number

1 2	3 1	SEC Form 17-Q 2nd Quarter ending June 30, 2019	4th Wednesday of June
Month	Day	FORM TYPE	Month Day
Fiscal Year			Annual Meeting

Secondary License Type, If Applicable

Dept Requiring this Doc

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning

108142019003755

SECURITIES AND EXCHANGE COMMISSION

SECBuilding,EDSA,Greenhills,MandaluyongCity,MetroManila,Philippines
Tel:(632) 726-0931 to 39 Fax:(632) 725-5293 Email: mis@sec.gov.ph

Barcode Page

The following document has been received:

Receiving Officer/Encoder : Lourence N. Tampus
Receiving Branch : SEC Head Office
Receipt Date and Time : August 14, 2019 04:21:25 PM
Received From : Head Office

Company Representative

Doc Source

Company Information

SEC Registration No.	0000080118
Company Name	NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES DOING BUSINESS UNDER THE NAMES AND STYLES OF NA'
Industry Classification	
Company Type	Stock Corporation

Document Information

Document ID	108142019003755
Document Type	17-Q (FORM 11-Q:QUARTERLY REPORT/FS)
Document Code	17-Q
Period Covered	June 30, 2019
No. of Days Late	0
Department	CFD
Remarks	

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE
SECURITIES REGULATIONS ACT AND SRC RULE 17 (2) (b) THEREUNDER

1. For the quarter ended **June 30, 2019**

2. Commission identification Number **80118**

3. BIR Tax Identification Number **000-480-869-000**

4. **NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES** doing business **under the name and style of Nat Re; Philippine National Reinsurance Company; PhilNaRe**
   Exact name of registrant as specified in its charter

5. **PHILIPPINES**
   Province, country or other jurisdiction of incorporation or organization

6. Industry classification code [ ] (SEC Use Only)

7. **31st FLOOR, BPI-PHILAM, 6811 AYALA AVENUE MAKATI CITY, PHILIPPINES 1227**
   Address of registrant's principal office Postal Code

8. **(632) 988-7400**
   Registrant's telephone number, including area code

9. **N/A**
   Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 4 and 8 of the RSA as at quarter ended:

Title of Each Class	Number of Shares of Common Stock Outstanding
Common	**2,123,605,600**

11. Are any or all of the securities listed on the Philippine Stock Exchange?
    Yes [✓]**No [ ]**

12. Indicate by check mark whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period the registrant was required to file such report);

    Yes [✓]No [ ]

    (b) has been subject to such filing requirements for the past 90 days.

    Yes [✓]No [ ]

PART I. - FINANCIAL INFORMATION

Item 1. Financial Statements

The financial statements listed below and covering pages 14 to 79 of this report are filed as part of this Form 17-Q:

a. Statements of Financial Position as at June 30, 2019 and December 31, 2018.

b. Statements of Income:
   i. For the three-month ended June 30, 2019 and 2018.
   ii. For the six-month ended June 30, 2019 and 2018.

c. Statements of Comprehensive Income:
   i. For the three-month ended June 30, 2019 and 2018.
   ii. For the six-month ended June 30, 2019 and 2018.

d. Statements of Changes in Equity for the six-month ended June 30, 2019 and 2018.

e. Statements of Cash Flows:
   i. For the three-month ended June 30, 2019 and 2018.
   ii. For the six-month ended June 30, 2019 and 2018.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

I. RESULTS OF OPERATIONS

a. For the six-month ended June 30, 2019 and 2018

	For the six-month ended		Inc(dec)	
In Million PhP	**June 30, 2019**	**June 30, 2018 (As restated)**	**Amount**	**%**
REINSURANCE PREMIUM INCOME				
Gross premiums written, net of returns	2,063.0	1,748.6	314.5	18%
Retroceded premiums	(551.9)	(628.0)	76.1	-12%
Net premiums written	1,511.1	1,120.5	390.6	35%
Decrease (increase) in premium reserves - net	(57.1)	72.5	(129.6)	-179%
	1,454.0	1,193.0	261.0	22%
UNDERWRITING DEDUCTIONS				
Share in reported losses – net	(909.3)	(575.0)	(334.3)	58%
Share in loss reserves – net	(53.2)	(364.5)	311.2	-85%
Commissions – net	(360.8)	(334.2)	(26.6)	8%
	(1,323.4)	(1,273.7)	(49.6)	4%
NET UNDERWRITING PROFIT/(LOSS)	130.6	(80.7)	211.2	-262%
INVESTMENT AND OTHER INCOME AND EXPENSES – Net	246.3	324.2	(77.9)	-24%
PROFIT AFTER INVESTMENT AND OTHER INCOME AND EXPENSES	376.8	243.5	133.3	55%
GENERAL AND ADMINISTRATIVE EXPENSES	(130.6)	(157.6)	27.0	-17%
PROFIT BEFORE TAX	246.3	85.9	160.4	187%
TAX EXPENSE	(46.6)	(67.4)	20.8	-31%
NET PROFIT	199.6	18.5	181.1	980%

Underwriting Results

Underwriting profit of P130.6 million is higher by P211.2 million than the same period of 2018. Positive underwriting results in 2019 mainly resulted from higher earned premiums, better loss experience (loss ratios: 2019 - 66%; 2018 - 79%) and lower commission costs (commission ratios: 2019 – 25%; 2018 – 28%) relative to premiums earned. Higher earned premiums in 2019 was due largely to higher net premiums written which grew by P390.6 million or 35%, partially negated by increase in premiums reserves by P57.1 million.

Gross premiums written for the period amounted to P2,063.0 million, P314.5 million or 18% higher than the same period of 2018. Higher gross premiums written resulted mainly from business growth in both life and non-life businesses and actual reported premiums exceeding 2018 premium accruals.

Net premiums written for the period amounted to P1,511.1 million, P390.6 million or 35% higher than the same period of 2018 resulting mainly from business growth, lower retrocession cost in 2019 and benefit of non-recurring premium refund of P46 million from a retrocession contract that terminated in March 2019.

Net premiums earned for the period amounted to P1,454.0 million, P260.9 million or 22% higher than the same period of 2018. Higher net premiums earned in 2019 resulted mainly from higher net premiums written in 2019.

Share in reported losses, net and Share in loss reserves, net amounted to P962.5 million, higher by P23.1 million or 2% compared to the same period in 2018 which amounted to P939.5 million. Higher share in loss and loss reserves resulted mainly from the business growth discussed above. Lower loss ratio for the period relative to earned premiums, was mainly due to fewer incidence of large domestic fire losses in 2019 and better loss experience on non-life foreign business compared to the same period in 2018.

	For the six-month ended		Inc (dec)	
	June 30, 2019	June 30, 2018	Amount	%
Share in reported losses – net (A)	909.3	575.0	334.3	58%
Share in loss reserves – net (B)	53.2	364.5	(311.2)	-85%
Total share in loss and loss reserves ('C) [A+B]	**962.5**	**939.5**	**23.1**	**2%**
Total earned premiums (D)	**1,453.9**	**1,193.1**	**260.9**	**22%**
Loss ratio (C/D)	**66%**	**79%**		

Commissions, net amounted to P360.8 million, P26.6 million or 8% higher than the same period in 2018 which amounted to P334.2 million. Higher commissions resulted mainly from the Company's business growth and partially negated by higher overriding commissions earned from our proportional retrocession facility.

Investment and other income and expenses, net amounted to P246.3 million, P77.9 million or 24% lower than the same period of 2018 which amounted to P324.2 million. Lower Investment and other income and expenses, net was mainly due to lower gain on sale of AFS and foreign exchange loss, these were partially negated by higher interest income in 2019. Foreign exchange loss resulted mainly from strengthening of Peso against USD.

General and administrative expenses amounted to P130.6 million, lower by P27 million or 17% than the same period of 2018 mainly due to the absence of impairment losses.

Tax expense amounted to P46.6 million, lower by P20.8 million or 31% than the same period of 2018 as the Company benefited from higher reported losses in the first half of 2019.

b. For the three-month ended June 30, 2019 and 2018

In Million PhP	For the three-month ended June 30, 2019	June 30, 2018 (As restated)	Inc(dec) Amount	%
REINSURANCE PREMIUM INCOME				
Gross premiums written, net of returns	1,052.8	991.0	61.8	6%
Retroceded premiums	(389.8)	(429.6)	39.8	-9%
Net premiums written	663.0	561.4	101.6	18%
(Increase) decrease in premium reserves - net	57.0	66.1	(9.1)	-14%
	720.0	627.5	92.5	15%
UNDERWRITING DEDUCTIONS				
Share in reported losses – net	(459.1)	(286.6)	(172.5)	60%
Share in loss reserves – net	(58.1)	(203.5)	145.4	-71%
Commissions – net	(179.9)	(173.1)	(6.9)	4%
	(697.1)	(663.2)	(33.9)	5%
NET UNDERWRITING PROFIT/(LOSS)	22.9	(35.7)	58.6	-164%
INVESTMENT AND OTHER INCOME AND EXPENSES – Net	76.8	131.4	(55)	-42%
PROFIT AFTER INVESTMENT AND OTHER INCOME AND EXPENSES	99.7	95.7	4.0	4%
GENERAL AND ADMINISTRATIVE EXPENSES	(66.0)	(90.4)	24.4	-27%
PROFIT BEFORE TAX	33.7	5.3	28.4	536%
TAX EXPENSE	(19.6)	(36.3)	16.8	-46%
NET PROFIT	14.1	(31.0)	45.1	-146%

Underwriting Results

Underwriting profit of P22.9 million is higher than the second quarter of 2018 results by P58.6 million or 164%. Positive underwriting results in 2019 mainly resulted from higher earned premiums, better loss experience (loss ratios: 2019 - 72%; 2018 - 78%) and lower commission costs (commission ratios: 2019 - 25%; 2018 - 28%) relative to premiums earned. Higher earned premiums in 2019 was due largely to higher net premiums written which grew by P92.5 million or 51%.

Gross premiums written for the quarter amounted to P1,052.8 million, P61.8 million or 6% higher than the second quarter of 2018. Higher gross premiums written resulted mainly from business growth in both life and non-life domestic businesses and actual reported premiums exceeding 2018 premium accruals.

Net premiums written for the quarter amounted to P663 million, P101.6 million or 18% higher than the second quarter of 2018 resulting mainly from business growth and lower cost of excess of loss facility in 2019.

Net premiums earned for the quarter amounted to P720 million, P92.5 million or 15% higher than the second quarter of 2018. Higher net premiums earned in 2019 resulted mainly from higher net premiums written in 2019.

Share in reported losses, net and Share in loss reserves, net amounted to P517.2 million, higher by P27.1 million or 6% compared to the second quarter of 2018 which amounted to P490.1 million. Higher share in loss and loss reserves resulted mainly from the business growth discussed above. Lower loss ratio for the period relative to earned premiums was mainly due to fewer incidence of large domestic fire losses, favorable development of past years' losses and impact of the movement in foreign exchange on loss reserves of non-life foreign business.

	For the three-month ended		Inc (dec)	
	June 30, 2019	June 30, 2018	Amount	%
Share in reported losses – net (A)	459.1	286.6	172.5	60%
Share in loss reserves – net (B)	58.1	203.5	(145.4)	-71%
Total share in loss and loss reserves ('C) [A+B]	**517.2**	**490.1**	**27.1**	**6%**
Total earned premiums (D)	**720.0**	**627.5**	**92.5**	**15%**
Loss ratio (C/D)	**72%**	**78%**		

Commissions, net amounted to P179.9 million, P6.8 million or 4% higher than the second quarter of 2018 which amounted to P173.1 million. Higher commissions resulted mainly from the Company's business growth and partially negated by higher overriding commissions earned from our proportional retrocession facility.

Investment and other income and expenses, net amounted to P76.8 million, P54.6 million or 42% lower than the second quarter of 2018 which amounted to P131.4 million. Lower investment and other income and expenses, net was mainly due to foreign exchange loss, lower gain on sale of AFS and dividend income. These were partially negated by higher interest income for the second quarter of 2019.

General and administrative expenses amounted to P66 million, lower by P24.4 million or 27% than the second quarter of 2018 which amounted to P90.4 million mainly due to the absence of impairment losses.

Tax expense amounted to P19.6 million, lower by P16.7 million or 46% than the second quarter of 2018 as the Company benefited from higher reported losses in 2019 compared to the same period of 2018.

II. FINANCIAL CONDITIONS

In Million PhP	Unaudited June 30, 2019	Audited December 31, 2018	Inc(dec) Amount	%
CASH AND CASH EQUIVALENTS	960.6	1,161.9	(201.3)	-17%
REINSURANCE BALANCES RECEIVABLE - Net	2,469.9	2,280.1	189.7	8%
AVAILABLE-FOR-SALE FINANCIAL ASSETS	5,021.0	4,580.0	441.0	10%
HELD-TO-MATURITY INVESTMENTS	2,149.4	1,848.7	300.7	16%
LOANS AND RECEIVABLES	118.8	112.5	6.3	6%
PROPERTY AND EQUIPMENT - Net	75.6	76.6	(1.0)	-1%
REINSURANCE RECOVERABLE ON REPORTED LOSSES	2,204.3	2,374.5	(170.2)	-7%
REINSURANCE RECOVERABLE ON CLAIMS RESERVES	381.1	319.0	62.1	19%
DEFERRED ACQUISITION COSTS	455.0	405.1	49.9	12%
DEFERRED REINSURANCE PREMIUMS	479.3	331.5	147.8	45%
OTHER ASSETS - Net	368.0	381.3	(13.3)	-3%
TOTAL ASSETS	14,683.0	13,871.2	811.8	6%
LIABILITIES AND EQUITY				
REINSURANCE BALANCES PAYABLE	1,273.2	1,154.2	119.0	10%
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	147.5	90.6	56.9	63%
LOSSES AND CLAIMS PAYABLE	4,421.4	4,519.3	(97.9)	-2%
CLAIMS RESERVES	1,830.8	1,715.5	115.3	7%
PREMIUM RESERVES	1,769.5	1,564.6	204.9	13%
DEFERRED REINSURANCE COMMISSIONS	4.7	0.5	4.2	804%
TOTAL LIABILITIES	9,447.1	9,044.7	402.4	4%
EQUITY	5,235.9	4,826.5	409.4	8%
TOTAL LIABILITIES AND EQUITY	14,683.0	13,871.2	811.8	6%

Cash and cash equivalents amounting to P960.6 million decreased by P201.3 million or 17% from the balance as at December 31, 2018 of P1,161.9 million. The decline resulted mainly from the cash used by the Company on its investing activities amounting to P289.2 million, partially negated by the cash generated from the Company's operating activities amounting to P90.9 million.

Reinsurance balances receivables, net amounting to P2,469.9 million increased by P189.8 million or 8% from the balance as at December 31, 2018 of P2,280.1 million. The increase resulted mainly from assuming certain foreign contracts that had longer settlement periods.

Available for sale financial assets amounting to P5,021 million increased by P441.1 million or 10% from the balance as at December 31, 2018 of P4,580.0 million. The increase was mainly due to the acquisition of equity securities amounting to P1,472.1 million and P204.9 million increase in market value as the local equity and bond market recovered during the first half of 2019, partially negated by disposal of P893.2 million of equity securities, P334.7 million of fixed income and foreign exchange loss of P7.5 million.

Held to maturity investments amounting to P2,149.4 million increased by P300.7 million or 16% from the balance as at December 31, 2018 of P1,848.7 million as the Company used the proceeds from income generated from its investing activities to invest in corporate bonds.

Loans and Receivables amounting to P118.8 million increased by P6.3 million or 6% from the balance of P112.5 million as at December 31, 2018. The increase in the balance is temporary as the receivables resulted from sale of available for sale securities.

Reinsurance recoverable on reported losses amounting to P2,204.3 million decreased by P170.2 million or 7% from P2,374.5 million as at December 31, 2018. The decline in the account balance was mainly due to settlement of certain claims and adjustment of reported losses as advised by the cedants.

Reinsurance recoverable on claims reserves amounting to P381.1 million increased by P62.1 million or 19% from P319.0 million as at December 31, 2018. The increase in the balance resulted mainly from the growth experienced in the Life business, as the company normally retrocedes portions of the risk assumed to its retrocessionaires.

Deferred acquisition costs amounting to P455 million increased by P49.9 million or 12% from P405.1 million as at December 31, 2018. The increase is consistent with the increase in commissions, net as discussed under Results of operations.

Deferred reinsurance premiums amounting to P479.3 million increased by P147.8 million or 45% from the balance as at December 31, 2018 of P331.5 million resulted mainly from the Company's excess of loss facility which started from April 2019 to the first quarter of 2020.

Reinsurance balances payable amounting to P1,273.2 million increased by P118.9 million or 10% from the balance as at December 31, 2018 of P1,154.2 million was due mainly to the timing of the settlement of premiums to foreign retrocessionaires.

Losses and claims payable amounting to P4,421.4 million decreased by P97.8 million or 2% from P4,519.3 million as at December 31, 2018. The decline resulted mainly from settlement of losses amounting to P872.1 million during the first half of 2019.

Claims reserves amounting to P1,830.8 million increased by P115.3 million or 7% from P1,715.5 million as at December 31, 2018. The movement is due to the growth of the Company's underwriting operations in 2019.

Premium reserves amounting to P1,769.5 million increased by P204.9 million or 13% from the balance as at December 31, 2018 of P1,564.6 million. The movement is consistent with the increase in gross written premiums discussed under Results of operations.

Deferred Reinsurance Commissions amounting to P4.7 million increased by P4.2 million or 804% from the balance as at December 31, 2018 of P0.5 million. The increase resulted mainly from higher overriding commissions from our proportional retrocession facility as discussed under Results of operations.

III. KEY PERFORMANCE INDICATORS:

	For the six-month ended June 30, 2019	For the six-month ended June 30, 2018 (As restated)	% Inc.(Dec).
1. Net profit/ (loss)	**P199.6 million**	P18.5 million	980%
2. Earnings Per Share (EPS) [a]	**P0.09**	P0.01	980%
3. Retention Ratio[b]	**73%**	64%	14%
4. Combined Ratio[c]	**100%**	120%	(17%)
5. Return on Average Equity (ROE)	**4%**	0.4%	972%

(a) Net income divided by weighted average number of shares issued.
(b) Net Premium written (NPW) divided by gross premiums written (GPW).
(c) Sum of following:

	2019	**2018**
Loss Ratio	66%	79%
Commission Ratio	25%	28%
Expense Ratio	9%	13%
Total	100%	120%

IV. FINANCIAL SOUNDNESS INDICATORS

	As at June 30, 2019	As at Dec. 31, 2018
Current Ratio	2.36 : 1.00	2.96 : 1.00
Asset to Equity Ratio	2.80 : 1.00	2.87 : 1.00
Total Liabilities/Equity	1.80 : 1.00	1.87 : 1.00

V. MATERIAL EVENT/S AND UNCERTAINTIES:

Other than the disclosure described in the preceding sections, the Company has nothing to report on the following:

1. Any known trends, demands, commitments, events or uncertainties that will have a material impact on its liquidity.

2. Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

3. Material off balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

4. Any material commitments for capital expenditures.

5. Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.

6. Any significant elements of income or loss that did not arise from the issuer's continuing operations.

7. Any seasonal aspects that had a material effect on the financial condition or results of operations.

VI. FINANCIAL RISK DISCLOSURE

The Company's investments are regulated under the pertinent provisions of the new Insurance Code, otherwise known as Republic Act (R.A.) 10607. The Insurance Code generally requires all insurance companies to obtain prior approval of the Insurance Commission (IC) for any and all investments. The Company provides the IC with a monthly report on all investments made during the previous month. The IC reviews these investment reports and may require the immediate sale or disposal of any investment found to be risky.

A portion of the Company's funds is invested in equities. Section 207 of the new Insurance Code provides that insurance companies may invest in listed equities of other financial institutions without need of prior approval by the Commissioner. Beyond the provisions of the Insurance Code, the Company, through its Investment Committee, has established additional guidelines to control the risk inherent in equity investments. The Company's own investment policy requires that the Company invest only in shares of common stock of companies that are listed on the Philippine Stock Exchange. Furthermore, these listed companies must have profitable business operations and market capitalization, which are on a scale that would qualify them as blue chips.

The Company also invests in fixed income securities. The Company attempts to limit interest rate risk by establishing limits on the duration and average maturity of its fixed income portfolio. Investments in fixed income securities are made primarily to ensure adequate cash flow from investments to meet cash requirements. Moreover, investment in fixed income securities are limited only to securities issued by entities of undisputedly strong creditworthiness and to those instruments, which have active secondary or resale markets to allow for transparent valuation and immediate liquidation in the event of market turmoil.

A certain portion of the Company's investments is in foreign currencies, particularly the U.S. Dollar. These investments are monitored closely and are limited largely to dollar-denominated obligations backed by the full faith and credit of the Republic of the Philippines (ROP's).

The Company does not invest in foreign securities nor does it invest in complex financial securities or derivatives. The Company's financial assets are generally classified as available-for-sale (AFS) and are measured at fair value.
For investments that are actively traded in organized financial markets, fair value is determined by reference to quoted market bid prices at the close of business on the balance sheet date. The Company has not made nor does it intend to make any reclassification of financial assets held as investments.

VII. OTHER DISCLOSURE

Pursuant to SEC Memorandum Circular No. 8 (Series of 2016), which provides guidance to non-bank financial institutions that are covered by Foreign Account Tax Compliance Act (FATCA) regulations, the Company is still evaluating/assessing the potential effects of FATCA to its business. Based on the regulation, the Company is a 'Non-financial foreign Entity' (NFFE), which may either be an "exempt NFFE" or "non-exempt NFFE". Under the regulations also, excepted NFFEs such as publicly traded corporations are generally exempt from withholding tax as required by FATCA if a proper FATCA certification is provided to the payor.

The Bureau of Internal Revenue (BIR) advised all concerned Philippine Financial Institutions to take necessary steps to prepare for full implementation of the Inter-Governmental Agreement (IGA) on FATCA between the Philippines and the United States of America, which was signed on July 13, 2015. On December 01, 2016 President Duterte ratified the FATCA agreement and its transmitted to the Senate on December 06, 2016 for concurrence.

II. – OTHER INFORMATION

B. No other material information.

NATIONAL REINSURANCE CORPORATION
OF THE PHILIPPINES
(Registrant)

SANTINO U. SONTILLANO
Senior Assistant Vice President
& Head of Finance

ALLAN R. SANTOS
President & Chief Executive Officer

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and December 31, 2018

(Amounts in thousands)

	Notes	**June 30, 2019**	December 31, 2018
ASSETS			
Cash and cash equivalents	*4*	**P960,585**	P1,161,899
Reinsurance balances receivable – net	*5*	**2,469,863**	2,280,122
Available-for-sale (AFS) financial assets	*6*	**5,021,038**	4,579,952
Held-to-maturity (HTM) investments	*7*	**2,149,383**	1,848,693
Loans and receivables	*8*	**118,771**	112,543
Property and equipment – net	*9*	**75,606**	76,563
Reinsurance recoverable on reported losses	*10*	**2,204,340**	2,374,542
Reinsurance recoverable on claims reserves	*10*	**381,137**	319,048
Deferred acquisition costs	*11*	**454,920**	405,104
Deferred reinsurance premiums	*12*	**479,335**	331,545
Other assets – net	*13*	**368,032**	381,300
TOTAL ASSETS		**P14,683,010**	P13,871,311
LIABILITIES AND EQUITY			
Liabilities			
Reinsurance balances payable	*14*	**P1,273,155**	P1,154,233
Accounts payable and accrued expenses	*15*	**147,491**	90,649
Losses and claims payable	*16*	**4,421,430**	4,519,271
Claims reserves	*16*	**1,830,790**	1,715,474
Premium reserves	*17*	**1,769,548**	1,564,635
Deferred reinsurance commissions	*18*	**4,713**	526
Total Liabilities		**9,447,127**	9,044,788
Equity	*22*	**5,235,883**	4,826,523
TOTAL LIABILITIES AND EQUITY		**P14,683,010**	P13,871,311

See Notes to the Financial Statements.

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF INCOME
For the six months ended June 30, 2019 and 2018
(Amounts in thousands, except Earnings Per Share)

	Notes	June 30, 2019	June 30, 2018 (As restated)
Reinsurance premium income			
Reinsurance premiums – net of returns	*5*	**P2,063,023**	P1,748,563
Retroceded premiums	*14*	**(551,960)**	(628,024)
Net premiums retained		**1,511,063**	1,120,539
Decrease (increase) in premium reserves – net	*12, 17*	**(57,123)**	72,519
		1,453,940	1,193,058
Underwriting deductions			
Share in reported losses – net	*20.1*	**909,315**	575,049
Share in unreported loss reserves – net	*20.2*	**53,227**	364,470
Commissions – net	*20.3*	**360,836**	334,220
		1,323,378	1,273,739
Net underwriting income (loss)		**130,562**	(80,681)
Investment and Other income and expenses – net	*19*	**246,282**	324,182
Profit after Investment and Other income and expenses		**376,844**	243,501
General and administrative expenses	*21*	**130,588**	157,610
Profit before tax		**246,256**	85,891
Tax expense		**46,622**	67,405
Net profit		**P199,634**	P18,486
Earnings Per Share - Basic and Diluted	*25*	**P0.09**	P0.01

See Notes to the Financial Statements.

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF INCOME
For the three months ended June 30, 2019 and 2018
(Amounts in thousands, except Earnings Per Share)

	Notes	June 30, 2019	June 30, 2018 (As restated)
Reinsurance premium income			
Reinsurance premiums – net of returns	*5*	**P1,052,803**	P990,994
Retroceded premiums	*14*	**(389,787)**	(429,599)
Net premiums retained		**663,016**	561,395
Increase in premium reserves – net	*12, 17*	**57,006**	66,094
		720,022	627,489
Underwriting deductions			
Share in reported losses – net	*20.1*	**459,108**	286,639
Share in unreported loss reserves – net	*20.2*	**58,068**	203,489
Commissions – net	*20.3*	**179,922**	173,068
		697,098	663,196
Net underwriting income (loss)		**22,924**	(35,707)
Investment and Other income and expenses – net	*19*	**76,769**	131,423
Profit after Investment and Other income and expenses		**99,693**	95,716
General and administrative expenses	*21*	**65,974**	90,385
Profit before tax		**33,719**	5,331
Tax expense		**19,592**	36,348
Net profit (loss)		**P14,127**	(P31,017)
Earnings Per Share - Basic and Diluted	*25*	**P0.01**	(P0.01)

See Notes to the Financial Statements.

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF COMPREHENSIVE INCOME
For the six months ended June 30, 2019 and 2018
(Amounts in thousands)

	Notes	June 30, 2019	June 30, 2018 (As restated)
Net profit		**P199,634**	P18,486
Other comprehensive income (loss)			
Items that are and will be reclassified subsequently to profit or loss			
Fair value gains (losses) during the period	*6*	**292,886**	(477,815)
Amortization of unrealized gains (losses) on reclassified HTM securities to profit or loss		**4,722**	(777)
Fair value gains on disposal of AFS financial assets reclassified to profit or loss	*6*	**(87,813)**	(121,724)
Income tax effect		**(69)**	(413)
Total other comprehensive income (loss)		**209,726**	(600,729)
Total comprehensive income (loss)		**P409,360**	(P582,243)

See Notes to the Financial Statements.

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF COMPREHENSIVE INCOME
For the three months ended June 30, 2019 and 2018
(Amounts in thousands)

	Notes	June 30, 2019	June 30, 2018 (As restated)
Net profit		**P14,127**	(P31,017)
Other comprehensive income (loss)			
Items that are and will be reclassified subsequently to profit or loss			
Fair value gains (losses) during the period	*6*	**80,053**	(244,561)
Amortization of unrealized gains (losses) on reclassified HTM securities to profit or loss		**2,488**	(387)
Fair value gains on disposal of AFS financial assets reclassified to profit or loss	*6*	**(10,485)**	(15,499)
Income tax effect		**(72)**	(309)
Total other comprehensive income (loss)		**71,984**	(260,756)
Total comprehensive income (loss)		**P86,111**	(P291,773)

See Notes to the Financial Statements.

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

STATEMENTS OF CHANGES IN EQUITY

For the six months ended June 30, 2019 and 2018

(Amounts in thousands)

		Capital Stock				Revaluation Reserves			Retained Earnings (Deficit)		
	Notes	No. of shares *(in thousands)*	Amount	Additional Paid-in Capital	Treasury Shares at Cost	AFS Financial Assets	HTM Investments	Defined Benefit Liability	Appropriated	Unappropriated	Total Equity
Balance at January 1, 2019		**2,181,955**	**P2,181,955**	**P3,019,218**	**(P100,525)**	**(P369,023)**	**(P85,047)**	**(P67,601)**	**P27,736**	**P219,810**	**P4,826,523**
Net income		–	–	–	–	–	–	–	–	**199,634**	**199,634**
Other comprehensive income:											
Item that are and will be reclassified subsequently to profit or loss		–	–	–	–	**205,004**	**4,722**	–	–	–	**209,726**
Total comprehensive income	*6,19*	–	–	–	–	**205,004**	**4,722**	–	–	**199,634**	**409,360**
Balance at June 30, 2019		**2,181,955**	**P2,181,955**	**P3,019,218**	**(P100,525)**	**(P164,019)**	**(P80,325)**	**(P67,601)**	**P27,736**	**P419,444**	**P5,235,883**
Balance at January 1, 2018											
As previously reported		2,181,955	P2,181,955	P3,019,218	(P100,525)	P157,671	P3,256	(P71,534)	P12,815	P50,934	P5,253,790
Prior period restatements		–	–	–	–	–	–	–	–	34,581	34,581
As restated		2,181,955	P2,181,955	P3,019,218	(P100,525)	P157,671	P3,256	(P71,534)	P12,815	85,515	5,288,371
Net income		–	–	–	–	–	–	–	–	18,486	18,486
Other comprehensive income:											
Item that are and will be reclassified subsequently to profit or loss		–	–	–	–	(599,952)	(777)	–	–	–	(600,729)
Total comprehensive income	*6,19*	–	–	–	–	(599,952)	(777)	–	–	18,486	(582,243)
Balance at June 30, 2018		2,181,955	P2,181,955	P3,019,218	(P100,525)	(P442,281)	P2,479	(P71,534)	P12,815	P104,001	P4,706,128

See Notes to the Financial Statements.

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF CASH FLOWS
For the six months ended June 30, 2019 and 2018
(Amounts in thousands)

	Notes	June 30, 2019	June 30, 2018 (As restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**P246,256**	P85,891
Adjustments for:			
Increase in share in loss reserves	*10, 16*	**53,227**	553,853
Increase (decrease)in premium reserves – net	*12, 17*	**57,123**	(72,519)
Interest income	*19*	**(156,481)**	(106,338)
Impairment losses – net	*21*	**–**	32,824
Gain on sale of AFS financial assets	*19*	**(87,813)**	(121,724)
Increase in deferred acquisition costs – net	*11, 18*	**(45,629)**	(58,687)
Dividend income	*19*	**(27,983)**	(29,888)
Unrealized foreign currency loss (gain)		**22,953**	(48,435)
Depreciation and amortization	*21*	**10,971**	6,986
Increase (decrease) in share in reported losses		**37,869**	(211,203)
Gain on sale of non-financial assets	*19*	**–**	(11)
Operating income before working capital changes		**110,493**	30,749
Decrease (Increase) in:			
Reinsurance balances receivable		**(220,380)**	(231,344)
Loans and receivables		**9,699**	19,325
Reinsurance recoverable on unpaid losses		**217,303**	(34,955)
Other assets		**(4,853)**	12,972
Increase (Decrease) in:			
Reinsurance balances payable		**121,753**	203,392
Accounts payable and accrued expenses		**56,925**	17,704
Losses and claims payable		**(162,383)**	88,753
Cash generated from operations		**128,557**	106,596
Cash paid for income taxes		**(37,637)**	(24,853)
Net Cash From Operating Activities		**90,920**	81,743

Forward

	Notes	**June 30, 2019**	June 30, 2018 (As restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal/maturities of:			
AFS financial assets	*6*	**1,321,113**	1,380,467
Loans and receivables		**–**	50,000
Property and equipment	*9*	**–**	11
Interest received		**211,245**	105,680
Dividends received		**26,933**	28,905
Acquisitions of:			
AFS financial assets	*6*	**(1,472,097)**	(1,293,723)
Property and equipment	*9*	**(6,035)**	(4,030)
HTM investments	*7*	**(370,293)**	(190,724)
Intangible assets	*13*	**(73)**	(5,322)
Net Cash from (Used in) Investing Activities		**(289,207)**	71,264
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(198,287)**	153,007
EFFECTS OF FOREIGN CURRENCY REVALUATION ON CASH AND CASH EQUIVALENTS		**(3,027)**	12,130
CASH AND CASH EQUIVALENTS - January 1		**1,161,899**	1,310,541
CASH AND CASH EQUIVALENTS - June 30		**P960,585**	P1,475,678

See Notes to the Financial Statements

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF CASH FLOWS
For the three months ended June 30, 2019 and 2018
(Amounts in thousands)

	Notes	June 30, 2019	June 30, 2018 (As restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**P33,719**	P5,331
Adjustments for:			
Increase in share in loss reserves	*10, 16*	**58,068**	368,749
Increase in premium reserves – net	*12, 17*	**(57,006)**	(66,094)
Interest income	*19*	**(81,601)**	(54,138)
Impairment losses – net	*21*	**–**	25,926
Gain on sale of AFS financial assets	*19*	**(10,485)**	(15,498)
Increase in deferred acquisition costs – net	*11, 18*	**(26,665)**	(50,519)
Dividend income	*19*	**(9,839)**	(15,379)
Unrealized foreign currency loss (gain)		**24,793**	(40,791)
Depreciation and amortization	*21*	**5,493**	3,651
Increase (decrease) in share in reported losses		**17,396**	(185,733)
Gain on sale of non-financial assets	*19*	**–**	(6)
Operating income before working capital changes		**(46,127)**	(24,502)
Decrease (Increase) in:			
Reinsurance balances receivable		**(191,515)**	(92,579)
Loans and receivables		**39,945**	(12,724)
Reinsurance recoverable on unpaid losses		**215,287**	(27,556)
Other assets		**776**	(10,357)
Increase (Decrease) in:			
Reinsurance balances payable		**243,149**	262,066
Accounts payable and accrued expenses		**53,865**	7,826
Losses and claims payable		**(252,230)**	40,793
Cash generated from operations		**63,150**	142,967
Cash paid for income taxes		**(17,478)**	6,204
Net Cash From Operating Activities		**45,672**	149,171

Forward

	Notes	**June 30, 2019**	June 30, 2018 (As restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal/maturities of:			
AFS financial assets	*6*	**411,558**	481,849
Loans and receivables		**–**	50,000
Property and equipment	*9*	**–**	5
Interest received		**131,238**	42,301
Dividends received		**13,696**	17,755
Acquisitions of:			
AFS financial assets	*6*	**(925,759)**	(317,215)
Property and equipment	*9*	**(507)**	(1,950)
HTM investments	*7*	**(153,950)**	(110,000)
Intangible assets	*13*	**–**	(4,392)
Net Cash from (Used in) Investing Activities		**(523,724)**	158,353
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(478,052)**	307,524
EFFECTS OF FOREIGN CURRENCY REVALUATION ON CASH AND CASH EQUIVALENTS		**(3,913)**	5,781
CASH AND CASH EQUIVALENTS - March 31		**1,442,550**	1,162,373
CASH AND CASH EQUIVALENTS - June 30		**P960,585**	P1,475,678

See Notes to the Financial Statements

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
NOTES TO FINANCIAL STATEMENTS
(Amounts in thousands)

1. CORPORATE INFORMATION

National Reinsurance Corporation of the Philippines (the Company) was incorporated on June 7, 1978 by virtue of Presidential Decree No. 1270 (the Decree), as a domestic professional reinsurance firm to provide life and non-life reinsurance capacity to the Philippines and neighboring insurance markets. Under the Decree, it became the vehicle for the Philippine insurance industry's participation in the Asian Reinsurance Corporation (ARC), a multi-government-initiated reinsurance entity, based in Bangkok, Thailand, which was established to foster regional cooperation among insurance companies doing business in Asia. The Company's shares are listed in the Philippine Stock Exchange (PSE).

The Company's registered office and principal place of business is located at 31st floor BPI-Philam Life Makati, 6811 Ayala Avenue, Makati City.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are consistent with those followed in the preparation of the Company's financial statements as at and for the year ended December 31, 2018, except for adoption of new and amended standards, as summarized below and in the succeeding pages.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The accompanying interim condensed financial statements of the Company have been prepared in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*. Accordingly, the condensed financial statements do not include all of the information and disclosures required in the December 31, 2018 audited financial statements, and should be read in conjunction with the Company's audited financial statements as at and for the year ended December 31, 2018.

(b) Basis of Measurement

The interim condensed financial statements have been prepared using the measurement bases specified by Philippine Financial Reporting Standards (PFRS) for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(c) Functional and Presentation Currency

These interim condensed financial statements are presented in Philippine peso, the Company's functional and presentation currency, and amounts are presented in thousands except when otherwise indicated.

Items included in the interim condensed financial statements of the Company are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the entity operates.

2.2 Adoption of New and Amended PFRS

(a) New and Amended Standards Adopted by the Company

A number of new and amended standards became applicable for the current reporting period. Management adopted the following relevant pronouncements in accordance with their transitional provisions:

- PFRS 16, *Leases* (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases*.

  For lessees, it requires to account for leases "on-balance sheet" by recognizing a "right of use" asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the "right-of-use" asset is accounted for similarly to a purchased asset and depreciated or amortized. The lease liability is accounted for similarly to a financial liability using the effective interest method.

  However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee's benefit).

  The Company adopted PFRS 16, retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on January 1, 2019.

  On adoption of PFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as operating leases; under the principles of PAS 17, *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate of 8% as of January 1, 2019.

  The Company applied the standard from its mandatory adoption date of January 1, 2019. The impact of the adoption of the new leasing standard and the new accounting policies are disclosed under Note 2.18.

In applying PFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The associated right-of-use assets were measured on a retrospective basis as if the new rules had always been applied.

(b) Effective in 2018 that are Relevant to the Company

The Company has adopted the following amendments, standard and interpretation starting January 1, 2018. The adoption of these amendments to standards did not have any significant impact on the Company's financial statements.

- PFRS 4 (Amendments), *Insurance Contracts – Applying PFRS 9 with PFRS 4.* The amendments address the temporary accounting consequences of the different effective dates of PFRS 9, *Financial Instruments*, and the anticipated new insurance contracts standard by introducing the following options: (a) overlay approach, which is an option for all entities that issue insurance contracts to adjust profit or loss for eligible financial assets by removing any additional accounting volatility that may arise as a result of PFRS 9; or, (b) an optional temporary exemption from applying PFRS 9 for entities whose activities are predominantly connected with insurance. These entities will be permitted to continue to apply the existing financial instrument requirements of PAS 39, *Financial Measurements: Recognition and Measurement.* The Company has selected to apply the second option as allowed by this amendment since the Company was able to meet the following criteria:

  - it has not previously applied any version of PFRS 9; and,

  - its activities are predominantly connected with insurance at its annual reporting date that immediately precedes April 1, 2016, and no reassessment is required as the activities of the Company did not change at subsequent dates after initial assessment and before the effective date of PFRS 9.

  Based on the management's assessment, liabilities arising from insurance contracts represents 99% of the total carrying amount of all the Company's total liabilities. These liabilities include reinsurance balances payable, losses and claims payable, premium reserves and deferred reinsurance commissions.

- PFRS 40 (Amendments), *Investment Property – Reclassification to and from Investment Property.* The amendments state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The amendment provide a non-exhaustive list of examples constituting change in use. The application of these amendments have no impact on the Company's financial statements.

- PFRS 15, *Revenue from Contract with Customers,* together with the *Clarifications to PFRS 15* (herein referred to as PFRS 15). This standard will replace PAS 18, *Revenue*, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: International Financial Reporting Interpretations Committee (IFRIC) 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreement for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and Standing Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services.* This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

  The Company's significant sources of revenue are generated from its insurance and investment activities which are covered by PFRS 4 and PAS 39, respectively. Significant amount of the Company's revenues are out of scope of PFRS 15. Recognition and measurement of revenue streams within the scope of PFRS 15 did not vary from PAS 18.

- IFRIC 22, *Foreign Currency Transactions and Advance Consideration – Interpretation on Foreign Currency Transactions and Advance Consideration.* The interpretation provides more detailed guidance on how to account for transactions that include the receipt or payment of advance consideration in a foreign currency. The interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary asset (arising from advance payment) or liability (arising from advance receipt). If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. Management has initially assessed that this interpretation has no material impact on the Company's financial statements.

(c) Effective Subsequent to 2018 but not Adopted Early

There are new PFRS, amendments and interpretation to existing standards effective for annual periods subsequent to 2018, which were adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions:

- IFRIC 23, *Uncertainty over Income Tax Treatments* (effective from January 1, 2019). The interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Company to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Company has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above.

  Management is currently assessing the impact of this interpretation on the Company's financial statements.

- PFRS 9 (2014). This new standard on financial instruments will replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:

  - three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;

  - an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,

  - a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

  In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

  In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

  The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

Management exercised the second option provided by PFRS 4 (Amendments) effectively deferring application of PFRS 9 (2014) to periods beyond January 2022. Consequently, the Company will continue to apply its existing accounting policy on financial instruments.

As at June 30, 2019, the fair value of the financial assets with contractual terms that give rise to cash flows that are solely for payments of principal and interest amounted to P9.11 billion with increase in fair value amounting to P127.48 million. Fair value of other financial assets amounted to P1.77 billion with decrease in fair value amounting to P102.63 million.

The table below provides information regarding the credit risk exposure of the Company's financial assets as at June 30, 2019 by classifying assets according to the Company's credit grading of counterparties:

	Neither Past Due nor Impaired				
	Investment High Grade	**Non-investment Grade**	**Past Due but not Impaired**	**Impaired**	**Total**
Cash and cash equivalents	P960,585	P–	P–	P–	P960,585
Reinsurance balances receivable	1,582,584	119,671	187,800	579,808	2,469,863
AFS financial assets - debt securities	3,255,314	–	–	–	3,255,314
HTM investments	2,149,383	–	–	–	2,149,383
Loans and receivables	108,080	10,691	–	–	118,771
Funds at Lloyd's	191,464	–	–	–	191,464
Other assets	1,331	–	–	–	1,331
	P8,248,741	P130,362	P187,800	P579,808	P9,146,771

The Company uses a credit grading system based on the borrowers and counterparties overall credit worthiness, as described below.

Investment High Grade – This pertains to accounts with a very low probability of default as demonstrated by the borrower's strong financial position and reputation. The borrower has the ability to raise substantial amounts of funds through credit facilities with financial institutions. The borrower has a strong debt service record and a moderate use of leverage.

Non-investment Grade - Satisfactory – This pertains to current accounts with no history of default or which may have defaulted in the past, but the conditions and circumstances directly affecting the borrower's ability to pay has abated already. The borrower is expected to be able to adjust to the cyclical downturns in its operations. Any prolonged adverse economic conditions would however ostensibly create profitability and liquidity issues. The use of leverage may be above industry or credit standards but remains stable.

Past Due but not Impaired – Rating given to borrowers and counterparties where outstanding obligation is already past due without impairment indicator.

Impaired – This pertains to accounts with impairment indicator and uncertain collectability. Allowance for impairment losses were recognized by the Company for these accounts.

- PFRS 17, *Insurance Contracts (*effective January 1, 2022). The new standard will solve the comparison problems created by International Financial Reporting Standards (IFRS) 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investor and insurance companies. Insurance obligations will be accounted for using current values instead of historical cost, ending the practice of using data from when a policy was taken out.

  The standard introduces insurance contract measurement principles requiring current, explicit and unbiased estimates of future cash flows, discount rates that reflect the characteristics of the contracts' cash flows, and explicit adjustment for non-financial risk.

  Management is currently assessing the impact of this new standard on the Company's financial statements.

2.3 Reinsurance Contracts

Product Classification

Reinsurance contracts are those contracts under which the Company (the reinsurer) has accepted significant insurance risk from another party (the cedants) by agreeing to compensate the cedants if a specified uncertain future event (the insured event) adversely affects the cedants. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid when an insured event occurs with benefits payable if the insured event did not occur. Reinsurance contracts can also transfer financial risks.

Once a contract has been classified as reinsurance contract, it remains reinsurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during the period, unless all rights and obligations are extinguished or expired.

Retrocession Contracts Held

Contracts entered into by the Company with retrocessionaires under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for reinsurance contracts above are classified as retroceded contracts held. Contracts that do not meet those classification requirements are classified as financial assets.

The Company retrocedes insurance risk in the normal course of business. Reinsurance recoverable on unpaid losses represents balances due from retrocessionaires for its share on the unpaid losses incurred by the Company. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the retroceded contract. Reinsurance recoverable on paid losses are included as part of Reinsurance balances receivable.

Reinsurance receivables are reviewed for impairment at the end of each reporting period or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the cedants and retrocessionaires can be measured reliably.

The impairment loss is recognized as part of General and administrative expenses in the statements of income.

Ceded insurance risk does not relieve the Company from its obligations to ceding companies.

The Company also assumes insurance risks in the normal course of business for reinsurance contracts. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to ceding companies and retrocessionaires. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

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

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

2.4 Financial Assets

Financial assets are recognized when the Company becomes a party to an agreement and agrees to sell goods or services for a fixed amount of money. 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, i.e., the date that the Company commits to purchase the asset.

For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

(a) Classification and Measurement of Financial Assets

Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at FVTPL, loans and receivables, HTM investments and AFS financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Financial assets are recognized initially at fair value of the consideration given. Except for financial assets at FVTPL, the initial measurement of financial assets includes transaction costs.

As at June 30, 2019 and December 31, 2018, the Company has no financial assets classified as FVTPL.

(i) *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These arise when the Company provides money or services directly to a debtor with no intention of trading the receivables.

The Company's financial assets categorized as loans and receivables are presented as cash and cash equivalents, loans and receivables, and funds at Lloyd's, deposits and security fund (presented under Other assets – net account in the statements of financial position). Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amount of cash and which are subject to insignificant risk of changes in value.

Loans and receivables are subsequently measured at amortized cost using the effective interest method subject to any impairment loss.

(ii) *HTM Investments*

This category includes non-derivative financial assets with fixed or determinable payments and fixed maturity, and that the Company has the intention and ability to hold to maturity other than: (a) those that Company designates as financial assets at FVTPL upon initial recognition; (b) those that the Company designates as AFS; and, (c) those that meet the definition of loans and receivables. This category includes corporate bonds and government securities which the Company has the intent and ability to hold until maturity.

HTM investments are subsequently measured at amortized cost using the effective interest method subject to any impairment loss.

(iii) *AFS Financial Assets*

This category includes non-derivative financial assets that are designated as AFS financial assets or are not classified as loans and receivables, HTM investments or financial assets at FVTPL. The Company's AFS financial assets include listed and unlisted equity securities, and government and corporate bonds.

All financial assets within this category are subsequently measured at fair value, except for certain equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost less any impairment loss. Fair value gains and losses are recognized in other comprehensive income, and are reported as part of the Revaluation reserves account in the statements of changes in equity except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognized in the statements of income.

When the financial asset is disposed of or is determined to be impaired, that is, when there is a significant or prolonged decline in the fair value of the security below its cost, the cumulative fair value losses recognized in other comprehensive income is reclassified from equity to statements of income and is presented as reclassification adjustment within other comprehensive income even though the financial asset has not been derecognized.

(b) Impairment of Financial Assets

The Company assesses at the end of each reporting period whether there is an objective evidence that a financial asset or group of financial assets is impaired. The Company recognizes impairment loss based on the category of financial assets as follows:

(i) *Carried at Amortized Cost – Loans and Receivables and HTM Investments*

If there is objective evidence that an impairment loss on financial assets carried at cost has been incurred, the amount of the impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in the statements of income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date of the impairment is reversed.

The amount of the reversal is recognized in the statements of income.

(ii) *Carried at Fair Value – AFS Financial Assets*

When a decline in the fair value of an AFS financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss – measured as the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in statements of income – is reclassified from Revaluation reserves to statements of income as a reclassification adjustment even though the financial asset has not been derecognized.

Impairment losses recognized in statements of income on equity instruments are not reversed through profit or loss. Reversal of impairment losses is recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

(c) Items of Income and Expense Related to Financial Assets

All income and expenses, except for recognition and reversal of impairment loss on reinsurance balances receivable, relating to financial assets that are recognized in the statements of income are presented as part of Investment and Other income and expenses. Provision for and reversal of impairment losses on reinsurance balances receivable are presented at net as part of Impairment losses – net under General and administrative expenses account in the statements of income.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in the statements of income when earned, regardless of how the related carrying amount of financial assets is measured.

(d) Derecognition of Financial Assets

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.5 Deferred Acquisition Costs (DAC)

Commissions are recognized as expense over the coverage period of the policy using the 24^{th} method [see Note 2.17 (b)]. The portion of the commissions that relates to the unexpired periods of the policies at the end of the reporting period is accounted for as DAC and is presented in the Assets section of the statements of financial position. The net change in the account between each end of reporting periods are recognized as Increase (decrease) in DAC under Commissions – net account in the statements of income.

2.6 Deferred Reinsurance Premiums (DRP)

The ceded reinsurance premiums that pertain to the unexpired period of the policies at the end of the reporting period are accounted for as DRP and presented in the Assets section of the statements of financial position. Subsequent to initial recognition, the amount is amortized using the 24^{th} method [see Note 2.16 (a)]. The net change in the account between each end of reporting periods are recognized as Increase (decrease) in DRP under Increase in premium reserves – net in the statements of income.

2.7 Reinsurance Recoverable on Reported Losses and Reinsurance Recoverable on Claims Reserves

Reinsurance recoverable on reported losses and reinsurance recoverable on claims reserves represent the amount recoverable from retrocessionaires under retroceded contracts as their share on unpaid losses, including unreported losses and loss adjustment expenses, net of salvage of recoveries.

2.8 Property and Equipment

Property and equipment represents tangible items that are held for use in the Company's business operations or for administrative purposes and are expected to be used more than one year. An item of property and equipment that qualifies for recognition as an asset shall be measured at its cost less any accumulated depreciation, and any accumulated impairment losses.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized, while expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Condominium unit	40 years
Office improvements	10 years
Office furniture and equipment	5 years
Transportation equipment	5 years
Electronic data processing (EDP) equipment	5 years

Fully depreciated assets are retained in the accounts until these are no longer in use. No further charge of depreciation is made in respect of those assets.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.20).

The residual values, estimated useful lives and method of depreciation of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property and equipment, including the related accumulated depreciation and impairment losses, 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 from the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included as part of Investment and Other income and expenses account in the statements of income in the period the item is derecognized.

2.9 Other Assets

Other assets pertain to other resources controlled by the Company as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably. They may include the following accounts:

(a) Investment Properties

Investment properties are property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the supply of services or for administrative purposes.

Except for land, investment properties are stated at cost less accumulated depreciation and any impairment in value. Land is stated at cost less any impairment in value. The cost of the investment properties comprise their purchase price and directly attributable costs incurred such as legal fees, transfer taxes and other transaction costs.

Depreciation is computed using the straight-line basis over the estimated useful life of the property which is 10 years.

The carrying amount of investment properties is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.20).

Investment properties are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of the investment properties are recognized in the statements of income in the period of retirement or disposal.

(b) *Intangible Assets*

Intangible assets include acquired software licenses which are accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of other considerations given up to acquire the asset at the time of its acquisition. Capitalized costs are amortized on a straight-line basis over five years as the lives of these intangible assets are considered finite. In addition, intangible assets are subject to impairment testing as described in Note 2.20.

Acquired computer software licenses are capitalized on the cost incurred to acquire and install the specific software. Costs associated with maintaining computer software and those costs associated with research activities are recognized as expense in the statements of income as incurred.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in the statements of income.

(c) *Creditable Withholding Tax (CWT)*

CWT mainly arises from taxes withheld by the ceding companies upon payment of reinsurance premiums to the Company.

CWT is recorded at cost. It can either be used to offset against future income tax liabilities or be claimed as a tax refund from the Bureau of Internal Revenue (BIR).

(d) *Input Value-added Tax (VAT)*

The input VAT pertains to the 12% tax paid by the Company on commissions and local purchase of goods or services.

The input VAT is recorded at cost. It is used to offset against output VAT due to the BIR. Excess input VAT is recorded under the Other assets – net account in the statements of financial position.

(e) *Deferred Input VAT*

Deferred input VAT pertains to the 12% tax arising from acquisition of capital assets exceeding P1.00 million. Deferred input VAT arising from capital assets is amortized to input VAT over the useful lives of the capital assets or 60 months, whichever is shorter.

(f) *Deferred Withholding VAT*

Deferred withholding VAT pertains to the unapplied input VAT on unpaid premiums from a certain government entity.

(g) *Prepayments*

Prepayments pertain to expenditure paid for in one (1) accounting period, but for which the underlying asset will not be consumed until a future period. When the asset is eventually consumed, it is charged to expense. If consumed over multiple periods, there may be a series of corresponding charges to expense.

2.10 Financial Liabilities

Financial liabilities, which include Accounts payable and accrued expenses (excluding deferred output VAT and other taxes payable), are recognized when the Company becomes a party to an agreement and agrees to purchase goods or services for a fixed amount of money. All interest-related charges are recognized as expense in the statements of income.

Accounts payable and accrued expenses are initially recognized at their fair value and subsequently measured at amortized cost, using the effective interest method for those with maturities beyond one (1) year, less settlements.

Dividend distributions to shareholders are recognized as financial liabilities upon declaration by the Company.

Financial liabilities are derecognized from the statements of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in the statements of income.

2.11 Losses and Claims Payable and Claims Reserves

Losses and claims payable represent the present value of the estimated ultimate cost of all reported claims at the end of the reporting period, together with related claims handling costs and reduced for the expected value of salvage and other recoveries. This includes outstanding claim reserves, loss adjustment expenses payable plus a Margin for Adverse Deviation (MfAD) based on a certain percentage of the total outstanding claim reserves and loss adjustment expenses payable to allow for inherent uncertainty of the best estimate of the policy reserves.

Claims reserves represent the estimated ultimate cost of all incurred but not reported claims (IBNR), including incurred but not enough reported claims plus MfAD at the end of the reporting period.

2.12 Premium Reserves

Premium reserves refer to unearned premium reserves (UPR) plus any deficiency resulting from the liability adequacy test.

UPR refers to the portion of the premiums attributable to the unexpired risks at the balance sheet date and is recognized as revenue over the coverage period of the policy using the 24th method [see Note 2.16 (a)].

Liability Adequacy Test

Liability adequacy tests are performed at end of each reporting period, to ensure the adequacy of premium reserves. The test is performed by comparing the UPR, net of related DAC, and the present value of the current best estimates of future cash flows including claims handling and policy administration expenses. Any deficiency is charged to the statements of income and is recognized as premium reserves.

2.13 Deferred Reinsurance Commissions (DRC)

Commissions earned from reinsurance contracts are recognized as revenue over the coverage period of the policy using the 24th method [see Note 2.16 (a)]. The portion of the commissions that relates to the unexpired periods of the policies at end of the reporting period is accounted for as Deferred reinsurance commissions and is presented in the Liabilities section of the statements of financial position. The net change in the account between each end of reporting periods are recognized as Increase (decrease) in Deferred reinsurance commissions under Commissions – net in the statements of income.

2.14 Other Liabilities

These represent other liabilities which cannot be appropriately classified under the foregoing liability accounts. These comprise, among others, the following accounts:

(a) Provisions and Contingencies

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

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using pre-tax rate that reflects market assessments and the risks specific to the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases, where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

(b) Deferred Output VAT

Deferred output VAT, presented as part of Accounts payable and accrued expenses, represents the 12% tax due on commission income on retroceded premiums and other goods based on amounts still to be collected from counterparties. Such amounts are still not due for remittance to the BIR until the receivables are collected.

2.15 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount is reported in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right to offset must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

2.16 Revenue and Income Recognition

Revenue is recognized only when (or as) the Company satisfies a performance obligation by transferring control of the promised services to the customer. Expenses and costs, if any, are recognized in the statement of income upon utilization of the resources or services or at the date these are incurred. All finance costs are reported on an accrual basis.

The Company's significant revenues pertain to net reinsurance premiums and investment income (loss) which are accounted for by the Company in accordance with PFRS 4 and PAS 39, respectively. The Company also earns other income from sale of non-financial assets, which is recognized as income once the Company transferred the goods. These are accounted for by the Company in accordance with PFRS 15.

The following provides information about the specific recognition criteria of revenues recognized in accordance with PFRS 4, PAS 39 and PFRS 15:

(a) *Reinsurance premiums* – Premiums are recognized over the coverage period of the contracts using the 24^{th} method. The 24^{th} method assumes that the average date of issue of all policies written during any one month is the middle of that month. Accordingly, $1/24^{th}$ of the net premiums are considered earned in the month the reinsurance contracts are issued and $2/24^{th}$ for every month thereafter (or $1/24^{th}$ for every 15-day period after the issue month). The portion of the gross reinsurance premiums that relates to the unexpired periods of the policies at the end of the reporting period is accounted for as Premium reserves and is presented in the Liabilities section of the statements of financial position while the portion of the retroceded reinsurance premiums that relates to the unexpired periods of the policies at the end of the reporting period is accounted for as Deferred reinsurance premiums and is presented in the Assets section of the statements of financial position.

The net changes in the Unearned premium reserves and Deferred reinsurance premiums accounts between the end of the reporting periods are recognized in the statements of income (see Note 2.6).

(b) *Commission on retrocession* – Commission is deferred and is subjected to the same amortization as the retroceded reinsurance premiums. Deferred portion is presented in the statements of financial position as Deferred reinsurance commissions (see Note 18).

(c) *Interest income* – Interest income for all interest-bearing financial instruments are recognized using the effective interest rate method.

(d) *Dividend income* – Revenue is recognized when the Company's right to receive the dividend is established.

(e) *Gain on sale of assets* – Revenue is recognized when the risks and rewards of ownership of the investments have passed to the buyer or at a point in time when the control of the non-financial assets transfers to the customer.

2.17 Expense Recognition

Expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distribution to equity participants.

(a) *Claims and Losses Recognition*

Share in claims and losses relating to insurance contracts are accrued when insured events occur. These arise from events that have occurred up to reporting date even if these have not yet been reported to the Company. The share in claims (including those for IBNR losses) are based on the estimated ultimate cost of settling the claims and are discounted for time value of money. The method of determining such estimates and establishing reserves are continually reviewed and updated. Changes in estimates of claims and losses resulting from the continuous review process and differences between estimates and payments for claims are recognized as income or expense in the period in which the estimates are changed or payments are made.

Share in recoveries on claims are evaluated in terms of the aggregate share of the retrocessionaire on the claims and losses and adjustment expenses of the Company on business ceded under reinsurance arrangements. Recoveries on paid and unpaid claims are recognized in statements of income in the period the claims are made. Uncollected balances are presented as part of Reinsurance balances receivable account in the statements of financial position.

(b) *Acquisition Costs*

Costs that vary with and are primarily related to the acquisition of new and renewal reinsurance contracts such as commissions and certain underwriting costs, are recognized as expense over the period of the contracts using the 24th method. Unamortized acquisition costs are presented in the statements of financial position as Deferred acquisition costs (see Note 2.5).

(c) *General and Administrative Expenses*

Costs and expenses are recognized in the statements of income upon utilization of goods or services at the date they are incurred.

2.18 Leases – Company as Lessee

Leases which do not transfer to the Company substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the statements of income on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

The Company determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

In light of the adoption at of the new leases standard, the Company applied the simplified transition approach and did not restate comparative amounts for the year prior to first adoption. The Company recognized lease liabilities in relation to leases which had previously been classified as operating leases under PAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate of 8% as of January 1, 2019.

Right-of-use assets for operating leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to that lease recognized in the statement of financial position as at January 1, 2019.

From January 1, 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is recognized as expense over the lease period. The right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease is initially measured on a present value basis. Lease liabilities include the present value of the fixed and variable lease payments.

The change in accounting policy increased Right-of-use assets and Lease liabilities by P5.51 million on January 1, 2019. There is no impact on retained earnings on January 1, 2019.

In applying PFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- The accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases, and
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

The Company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying PAS 17 and IFRIC 4, *Determining whether an Arrangement contains a lease.*

2.19 Foreign Currency Transactions and Translation

The accounting records of the Company are maintained in Philippine peso. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at closing exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statements of income as part of Investment and Other income and expenses (see Note 19).

2.20 Impairment of Non-financial Assets

The Company's property and equipment, investment properties, intangible assets and other non-financial assets are subject to impairment testing. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

Impairment loss is recognized in the statements of income for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount which is the higher of its fair value less costs to sell and its value-in-use. In determining value-in-use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

2.21 Employee Benefits

The Company provides post-employment benefits to employees through a defined benefit plan.

(a) Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Company, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Company's defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified, non-contributory and administered by a trustee.

The asset recognized in the statements of financial position for a defined benefit plan is the fair value of plan assets less the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation (asset) is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of a zero coupon government bonds [using the reference rates as published by Bloomberg using its valuation technology, Bloomberg Valuation (BVAL), that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. BVAL provides evaluated prices that are based on market observations from contributed sources.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest), are reflected immediately in the statements of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Interest income under Investment and Other income and expenses in the statements of income.

Past service costs are recognized immediately in the statements of income in the period of plan amendment and curtailment.

(b) Compensated Absences

Compensated absences are recognized for the number of paid leave days remaining at the end of the reporting period. These are included in the Accounts payable and accrued expenses account in the statements of financial position at the undiscounted amount that the Company expects to pay as a result of the unused entitlement.

2.22 Income Taxes

Tax expense recognized in the statements of income comprises the sum of final tax, current tax and deferred tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or current tax liabilities are recognized as a component of tax expense in the statements of income.

Deferred tax is accounted for using the liability method, on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or deferred tax liabilities are recognized as a component of tax expense in the statements of income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

2.23 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Company and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close member of the family of any such individual; and, (d) the Company's funded retirement plan.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.24 Equity

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital includes any premiums received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Treasury shares are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Company's holders until the shares are cancelled, reissued or disposed of.

Revaluation reserves comprise gains and losses due to the revaluation of AFS financial assets, unamortized fair value gains and losses from HTM investments, and remeasurements of defined benefit plan.

Retained earnings represent all current and prior period results of operations as reported in the statements of income, reduced by the amounts of dividends declared. The appropriated portion of the retained earnings is intended as additional reserve for contingencies (see Note 22.2).

2.25 Earnings Per Share

Basic earnings per share is determined by dividing net profit by the weighted average number of shares issued, adjusted for stock dividends and stock split, less shares held in treasury during the period.

Diluted earnings per share is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares.

2.26 Segment Reporting

For purposes of segment reporting, the Company does not have other reportable segments. The Company has one reportable business segment which is the reinsurance market. The financial information about the sole business segment is presented in the financial statements.

The management monitors the operating results of its business segment for the purpose of making decisions about resource allocation and performance assessment. The segment performance is evaluated based on operating profit or loss and is measured consistently with the income before income tax in the financial statements.

2.27 Events After the End of the Reporting Period

Any event subsequent to the balance sheet date that provides additional information about the Company's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Events subsequent to the balance sheet date that are not adjusting events, if any, are disclosed when material to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes.

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. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Company's accounting policies, management has made the judgments as presented below and in the succeeding pages, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements.

(a) *Impairment of Financial Assets*

Financial Assets at Fair Value – AFS Financial Assets

The Company considers that investments are impaired when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is significant or prolonged decline requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share/market price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

Based on the recent evaluation of information and circumstance affecting the Company's AFS financial assets, management concluded that decline in fair value of certain AFS financial assets amounting to nil and P7.81 million are considered impairment in value as at June 30, 2019 and December 31, 2018, respectively (see Note 6). Future changes in those information and circumstance might significantly affect the carrying amount of the assets.

Financial Assets at Amortized Cost

The Company reviews its financial assets at amortized cost to assess impairment at least on an annual basis, or as the need arises due to significant movements on certain accounts. These financial assets that are individually significant are assessed to determine whether objective evidence of impairment exists on an individual basis, while those that are not individually significant are assessed for objective evidence of impairment either on an individual or on collective basis.

In determining whether an impairment loss should be recorded in the statements of income, the Company makes judgment as to whether there are any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets before the decrease can be identified with an individual financial asset in that portfolio.

(b) *Classification of Financial Instruments*

The Company exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as a financial asset, financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset or liability. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position. In addition, the Company classifies assets by evaluating among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether the quoted prices are readily and regularly available and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

As at June 30, 2019 and December 31, 2018, the Company classified its financial instruments as AFS financial assets, HTM investments, loans and receivables, and other financial liabilities.

(c) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and contingencies are discussed in Note 2.14(a) and relevant disclosures are presented in Note 26.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next reporting period:

(a) Impairment of Financial Assets

Management uses estimates based on historical loss experience for assets with credit risk characteristics. Adequate amount of allowance for impairment is made for specific and groups of accounts, where objective evidence of impairment exists. The Company evaluates the amount of allowance for impairment based on available facts and circumstances, including, but not limited to, the length of the Company's relationship with the counterparties, the counterparties' current credit status based on known market forces, average age of accounts, collection experience and historical loss experience.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The carrying value of reinsurance balances receivable and the analysis of allowance for impairment on such financial assets are shown in Note 5.

The carrying values of HTM investments and loans and receivables are shown in Notes 7 and 8, respectively.

(b) Fair Value Measurement of AFS Financial Assets

The Company carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. In cases when active market quotes are not available, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument. The amount of changes in fair value would differ if the Company utilized different valuation methods and assumptions. Any change in fair value of these financial assets and liabilities would affect profit or loss and other comprehensive income.

The carrying value of the Company's AFS financial assets and the amounts of fair value changes recognized are disclosed in Note 6.

(c) Estimation of Useful Lives of Property and Equipment, Investment Properties and Intangible Assets

The Company estimates the useful lives of property and equipment, investment properties and intangible assets based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment, investment properties and intangible assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amount of property and equipment is analyzed in Note 9, and of investment properties and intangible assets in Note 13. Based on management's assessment as at June 30, 2019 and December 31, 2018, there is no change in the estimated useful lives of those assets during these years. Actual results, however, may vary due to changes in estimates brought about by the changes in factors mentioned above.

(d) Impairment of Non-financial Assets

The Company's policy on estimating the impairment of non-financial assets is discussed in Note 2.20. Though management believes that the assumptions used in the estimation of fair value reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

(e) Determination of Realizable Amount of Deferred Tax Assets

The Company reviews its deferred tax assets at each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Any deferred tax asset will be re-measured if it might result to derecognition where the expected tax law to be enacted has a possible risk on the realization.

As at June 30, 2019 and December 31, 2018, the Company recognized net deferred tax assets amounting to P113.97 million and P113.91 million, respectively, as management has assessed that it is probable that sufficient taxable profit will be available to allow the benefit of the deferred tax assets to be utilized. However, unrecognized deferred tax assets amounted to P616.45 million and P535.52 million as at June 30, 2019 and December 31, 2018, respectively.

(f) Valuation of Post-employment Defined Benefit Obligation

The determination of the Company's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by an independent actuary in calculating such amounts. Those assumptions include, among others, discount rates, salary rate increase and employee turnover rate.

A significant change in any of these actuarial assumptions may generally affect the recognized expense and the carrying amount of the post-employment benefit obligation in the next reporting period.

(g) Valuation of Reinsurance Contract Liabilities

The Company's Reinsurance contract liabilities are composed of premium liabilities and claim liabilities. Premium liabilities are the premium reserves while claim liabilities are equal to the present value of Losses and claims payable and Claims reserves accounts in the statements of financial position which include outstanding losses, IBNR losses, loss adjustment expenses payable plus the MfAD. Claim liabilities are discounted for the time value of money.

The Company estimates the present value of future cash flows, used in performing the liability adequacy test and in determining claims liabilities, through the use of historical claims experience and claims settlement patterns. The principal assumption underlying the claim liability estimates is that the Company's future claims development will depend on the estimate of the ultimate loss during a period of time for a particular risk exposure and then estimate the percentage of this ultimate loss that was not reported as of the reporting date.

The Company's claim liability estimates, as ascertained by an independent actuary, are determined by calculating the estimated ultimate losses as the sum of reported losses plus IBNR losses. Ultimate losses were estimated using generally accepted actuarial methods such as the Chain Ladder Method, Bornhuetter-Ferguson Method and the Expected Loss Ratio Method. The Company also included MfAD as a percentage of the total outstanding losses, IBNR best estimate and loss adjustment expenses payable, to allow for inherent uncertainty of the best estimate of the policy reserves.

Additional qualitative judgments are used by the independent actuary to assess the extent to which the full tail of the claims development is influenced by the different factors, for example, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix and policy conditions. Judgment is further used to assess the extent to which external factors such as juridical decisions and government legislation affect the estimates.

The following tables shows the estimates of cumulative incurred claims, gross of retrocession, for each underwriting year at each reporting date, together with cumulative claims paid at June 30, 2019 and December 31, 2018, net of foreign exchange revaluation of P65.78 million and P93.77 million, respectively.

June 30, 2019

Underwriting Year	2010 and prior	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
At the end of the financial year	P–	P364,594	P446,197	P846,131	P1,517,806	P278,093	P720,430	P900,312	P1,138,057	P1,156,134	P282,006	P282,006
One year later	–	742,276	2,285,183	1,479,571	2,474,672	692,265	1,286,124	1,659,396	1,936,767	1,829,408		1,829,408
Two years later	–	870,396	2,444,928	1,553,907	2,756,250	663,639	1,239,501	1,541,089	2,113,969			2,113,969
Three years later	–	908,425	3,754,928	1,676,474	2,643,911	605,379	1,221,244	1,461,940				1,461,940
Four years later	–	996,770	3,837,886	1,701,021	2,559,103	538,642	1,210,490					1,210,490
Five years later	–	1,040,042	3,821,055	1,654,200	2,400,590	547,676						547,676
Six years later	–	1,022,502	3,796,121	1,609,999	2,420,109							2,420,109
Seven years later	–	943,528	3,806,755	1,613,043								1,613,043
Eight years later	–	917,084	3,849,565									3,849,565
Nine years later	–	926,756										926,756
Estimate of cumulative claims	2,116,078	926,756	3,849,565	1,613,043	2,420,109	547,676	1,210,490	1,461,940	2,113,969	1,829,408	282,006	18,371,040
Cumulative payments to date	421,523	847,638	3,665,551	1,391,931	1,609,446	472,256	1,129,491	746,244	1,310,485	603,164	(17,253)	12,180,476
Total current estimate of loss reserves	P1,694,555	P79,118	P184,014	P221,112	P810,663	P75,420	P80,999	P715,696	P803,484	P1,226,244	P299,259	P6,190,564

December 31, 2018											
Underwriting Year	**2010 and prior**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**Total**
At the end of the financial year	P–	P364,594	P446,197	P846,131	P1,517,806	P278,093	P720,430	P900,312	P1,138,057	P1,156,134	P1,156,134
One year later	–	742,276	2,285,183	1,479,571	2,474,672	692,265	1,286,124	1,659,396	1,936,767		1,936,767
Two years later	–	870,396	2,444,928	1,553,907	2,756,250	663,639	1,239,501	1,541,089			1,541,089
Three years later	–	908,425	3,754,928	1,676,474	2,643,911	605,379	1,221,244				1,221,244
Four years later	–	996,770	3,837,886	1,701,021	2,559,103	538,642					538,642
Five years later	–	1,040,042	3,821,055	1,654,200	2,400,590						2,400,590
Six years later	–	1,022,502	3,796,121	1,609,999							1,609,999
Seven years later	–	943,528	3,806,755								3,806,755
Eight years later	–	917,084									917,084
Estimate of cumulative claims	2,087,688	917,084	3,806,755	1,609,999	2,400,590	538,642	1,221,244	1,541,089	1,936,767	1,156,134	17,215,992
Cumulative payments to date	399,213	844,042	3,622,767	1,384,353	1,597,720	451,098	1,119,192	645,908	841,755	162,976	11,069,024
Total current estimate of loss reserves	P1,688,475	P73,042	P183,988	P225,646	P802,870	P87,544	P102,052	P895,181	P1,095,012	P993,158	P6,146,968

The following tables shows the estimates of cumulative incurred claims, net of retrocession, for each underwriting year at each reporting date, together with cumulative claims paid at June 30, 2019 and December 31, 2018, net of foreign exchange revaluation of P37.68 million and P58.58 million, respectively.

June 30, 2019

Underwriting Year	2010 and prior	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
At the end of the reporting period	P–	P304,021	P388,456	P752,041	P871,508	P213,369	P408,903	P611,372	P1,019,477	P974,497	P226,648	P226,648
One year later	–	482,633	580,212	1,166,414	1,316,239	530,461	633,978	1,300,749	1,892,067	1,624,468		1,624,468
Two years later	–	507,762	587,782	1,233,206	1,058,624	540,712	609,307	1,298,378	1,969,495			1,969,495
Three years later	–	482,904	1,257,465	1,127,832	1,083,323	517,872	602,258	1,359,706				1,359,706
Four years later	–	566,961	1,256,110	1,149,516	1,162,020	484,850	596,635					596,635
Five years later	–	596,987	1,279,786	1,088,884	1,140,621	492,664						492,664
Six years later	–	585,752	1,287,779	1,067,683	1,152,786							1,152,786
Seven years later	–	489,932	1,298,717	1,065,549								1,065,549
Eight years later	–	462,883	1,341,890									1,341,890
Nine years later	–	472,828										472,828
Estimate of cumulative claims	932,464	472,828	1,341,890	1,065,549	1,152,786	492,664	596,635	1,359,706	1,969,495	1,624,468	226,648	11,235,133
Cumulative payments to date	209,498	414,463	1,230,771	1,063,667	1,051,759	432,954	542,391	1,056,810	1,250,715	497,022	(25,641)	7,724,409
Total current estimate of loss reserves	P722,966	P58,365	P111,119	P1,882	P101,027	P59,710	P54,244	P302,896	P718,780	P1,127,446	P252,289	P3,510,724

December 31, 2018 Underwriting Year	2010 and prior	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
At the end of the financial year	P–	P304,021	P388,456	P752,041	P871,508	P213,369	P408,903	P611,372	P1,019,477	P974,497	P974,497
One year later	–	482,633	580,212	1,166,414	1,316,239	530,461	633,978	1,300,749	1,892,067		1,892,067
Two years later	–	507,762	587,782	1,233,206	1,058,624	540,712	609,307	1,298,378			1,298,378
Three years later	–	482,904	1,257,465	1,127,832	1,083,323	517,872	602,258				602,258
Four years later	–	566,961	1,256,110	1,149,516	1,162,020	484,850					484,850
Five years later	–	596,987	1,279,786	1,088,884	1,140,621						1,140,621
Six years later	–	585,752	1,287,779	1,067,683							1,067,683
Seven years later	–	489,932	1,298,717								1,298,717
Eight years later	–	462,883									462,883
Estimate of cumulative claims	920,020	462,883	1,298,717	1,067,683	1,140,621	484,850	602,258	1,298,378	1,892,067	974,497	10,141,974
Cumulative payments to date	195,878	410,868	1,188,003	1,058,972	1,040,033	411,797	534,244	961,339	781,985	84,507	6,667,626
Total current estimate of loss reserves	P724,142	P52,015	P110,714	P8,711	P100,588	P73,053	P68,014	P337,039	P1,110,082	P889,990	P3,474,348

As at June30, 2019 and December 31, 2018 the carrying value of provision for claims reported and IBNR losses are recognized as Losses and claims payable in the statements of financial position (see Note 16).

4. CASH AND CASH EQUIVALENTS

This account consists of:

	June 30, 2019	December 31, 2018
Cash on hand and in banks	**P90,323**	P117,928
Short-term placements	**870,262**	1,043,971
	P960,585	P1,161,899

Cash in banks generally earn interest at rates based on daily bank deposit rates.

Short-term placements include time deposits and special deposit accounts made for varying periods of up to three months depending on the liquidity requirements of the Company.

Interest income recognized from cash in banks and short-term placements is presented as part of the Investment and Other income and expenses account in the statements of income (see Note 19).

Peso short-term placements earn annual interest ranging from 2.75% to 7.15% in 2019 and from 0.13% to 7.15% in 2018, while U.S. dollar short-term placements earn annual interest ranging from 1.60% to 2.40% in 2019 and 0.13% to 2.25% in 2018.

The Cash and cash equivalents account includes cash denominated in U.S. dollar amounting to $0.78 million or P39.83 million and $6.30 million or P331.98 million as at June 30, 2019 and December 31, 2018, respectively.

5. REINSURANCE BALANCES RECEIVABLE

The details of this account are as follows:

	June 30, 2019	December 31, 2018
Due from ceding companies	**P2,592,419**	P2,444,102
Due from reinsurers	**1,261**	25,568
Reinsurance recoverable on paid losses	**362,614**	372,202
Funds held by ceding companies	**93,377**	75,688
	3,049,671	2,917,560
Allowance for impairment	**(579,808)**	(637,438)
	P2,469,863	P2,280,122

The movements in these accounts are as follows:

	June 30, 2019				
	Due from ceding companies	**Due from reinsurers**	**Reinsurance recoverable on paid losses**	**Funds held by ceding companies**	**Total**
Balance at beginning of period	P2,444,102	P25,568	P372,202	P75,688	P2,917,560
Loss recoveries during the period	–	–	56,445	–	56,445
Premiums written net of funds held during the period	2,042,664	–	–	–	2,042,664
Funds held during the period	–	–	–	20,359	20,359
Reclassified to due from ceding companies	1,167	–	–	(1,167)	–
Collections during the period	(1,865,475)	(24,307)	(63,748)	–	(1,953,530)
Revaluation adjustment	(30,039)	–	(2,285)	(1,503)	(33,828)
	2,592,419	1,261	362,614	93,377	3,049,671
Allowance for impairment	(220,506)	(1,261)	(333,910)	(24,131)	(579,808)
Balance at end of period	**P2,371,913**	**P–**	**P28,704**	**P69,246**	**P2,469,863**

	December 31, 2018				
	Due from ceding companies	**Due from reinsurers**	**Reinsurance recoverable on paid losses**	**Funds held by ceding companies**	**Total**
Balance at beginning of year	P1,998,132	P–	P477,897	P104,245	P2,580,274
Loss recoveries during the year	–	–	176,069	–	176,069
Premiums written net of funds held during the year	3,506,872	–	–	–	3,506,872
Funds held during the year	–	–	–	77,158	77,158
Reclassified to due from ceding companies	98,876		–	(98,876)	–
Collections during the year	(3,106,749)	–	(283,484)	–	(3,390,233)
Write-off during the year	(37,829)	–	–	(4,689)	(42,518)
Reclassified to due from reinsurers	(25,568)	25,568	–	–	–
Revaluation adjustment	10,368	–	1,720	(2,150)	9,938
	2,444,102	25,568	372,202	75,688	2,917,560
Allowance for impairment	(265,287)	–	(348,020)	(24,131)	(637,438)
Balance at end of year	**P2,178,815**	**P25,568**	**P24,182**	**P51,557**	**P2,280,122**

The Company's collections of these reinsurance receivable include collections equivalent to underwriting costs and claims deducted by cedants from their statements of accounts.

All of the Company's reinsurance balances receivables have been reviewed for indicators of impairment. Certain reinsurance balances receivable was found to be impaired and provisions have been recorded accordingly.

A reconciliation of the allowance for impairment at the beginning and end of June 30, 2019 and December 31, 2018 is shown below.

	June 30, 2019				
	Due from ceding companies	**Due from reinsurers**	**Reinsurance recoverable on paid losses**	**Funds held by ceding companies**	**Total**
Balance at beginning of period	P265,287	P–	P348,020	P24,131	P637,438
Reclassification	11,140	P1,261	(11,140)	–	1,261
Reversal	(54,968)	–	–	–	(54,968)
Revaluation	(953)	–	(2,970)	–	(3,923)
Balance at end of period	**P220,506**	**P1,261**	**P333,910**	**P24,131**	**P579,808**

	December 31, 2018			
	Due from ceding companies	**Reinsurance recoverable on paid losses**	**Funds held by ceding companies**	**Total**
Balance at beginning of year	P303,314	P302,000	P25,030	P630,344
Write-off during the year	(37,829)	–	(4,689)	(42,518)
Impairment	21,174	24,672	7,406	53,252
Reclassification	(15,584)	21,184	–	5,600
Revaluation	(5,788)	164	(3,616)	(9,240)
Balance at end of year	P265,287	P348,020	P24,131	P637,438

The fair value of these short-term financial assets is not individually determined as the carrying amount is considered reasonable approximation of their fair value.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

This account is composed of the following:

	June 30, 2019	December 31, 2018
Bonds	**P3,255,314**	P2,494,960
Equity securities - net	**1,731,447**	2,049,801
Investment in ARC shares	**34,277**	35,191
	P5,021,038	P4,579,952

Bonds include investments in corporate bonds and government securities.

Bonds earn interest at annual rates ranging from 2.13% to 8.00% in 2019 and 2018. Interest income is presented as part of Investment and Other income and expenses account in the statements of income (see Note 19).

The following presents the fair value of investment in bonds by contractual maturity dates:

	June 30, 2019	December 31, 2018
Due within one year	**P684,300**	P335,957
Due after one year through five years	**1,312,385**	1,196,614
Due after five years through ten years	**783,173**	732,972
Due after ten years	**475,456**	229,417
	P3,255,314	P2,494,960

The balance of equity securities classified as AFS financial assets consists of:

	June 30, 2019	December 31, 2018
Cost:		
Quoted in the stock exchange	**P1,835,962**	P2,151,650
Not quoted in the stock exchange	**33,416**	33,416
	1,869,378	2,185,066
Unrealized foreign currency losses	**248**	590
Fair value gains (losses):		
Quoted in the stock exchange	**(122,058)**	(119,659)
Not quoted in the stock exchange	**(16,121)**	(16,196)
	(138,179)	(135,855)
	P1,731,447	P2,049,801

Equity securities consist mainly of investment in companies listed in the PSE.

Dividend income from these equity securities is presented under the Investment and Other income and expenses account in the statements of income (see Note 19).

The shares of ARC have been issued in the name of the Government of the Philippines (GoP) as the Philippine government's participation in the joint undertaking of Asian countries to organize a reinsurance company that will service the needs of the region. The GoP assigned such shares, including any interest accruing thereon, to the Company. The GoP designated the Company as the national institution authorized to subscribe and pay for the said shares of stock. The shares of stock of ARC, while not for sale, were classified under this category since these do not qualify for inclusion in any other categories of financial assets. The fair value of investment in ARC shares amounted to P34.28 million and P35.19 million as at June 30, 2019 and December 31, 2018, respectively.

The reconciliation of the carrying amount of AFS financial assets is as follows:

	June 30, 2019	December 31, 2018
Cost		
Balance at beginning of period	**P4,946,329**	P5,367,174
Acquisitions	**1,472,097**	2,526,482
Reclassification	**–**	(563,380)
Disposals/maturities	**(1,228,442)**	(2,385,525)
Impairment losses	**–**	(7,810)
Unrealized foreign currency gains (loss)	**(7,503)**	9,388
	5,182,481	4,946,329
Fair value adjustment		
Balance at beginning of period	**(366,377)**	159,946
Changes in fair value	**292,747**	(492,442)
Fair value gains on disposal	**(87,813)**	(131,059)
Impairment losses	**–**	7,810
Reclassification	**–**	89,368
	(161,443)	(366,377)
Balance at end of period	**P5,021,038**	P4,579,952

Fair value gains or losses recognized in the statements of comprehensive income amounted to a fair value gains of P292.89 million and fair value losses of P477.82 million in 2019 and 2018, respectively.

In 2018, the Company reclassified certain investments classified under AFS financial assets to HTM investments and Other assets amounting to P473.13 million and P0.88 million, respectively.

No impairment was recognized for the six months ended June 30, 2019 and 2018.

The Company sold AFS financial assets with carrying amount of P1.23 billion and P1.26 billion in the six months ended June 31, 2019 and 2018, respectively.

Accordingly, the Company recognized gain on sale of AFS financial assets amounting to P87.81 million and P121.72 million in 2019 and 2018, respectively. These are presented as part of Investment and Other income and expenses account in the statements of income (see Note 19).

Fair value gains reclassified to profit or loss, as presented in the statements of comprehensive income, amounted to P87.81 million and P121.72 million in 2019 and 2018, respectively.

The fair value of majority of the AFS financial assets has been determined directly by reference to published prices in active market (see Note 28.2).

7. HELD-TO-MATURITY INVESTMENTS

In September 2018, the Company reclassified certain government securities from AFS financial assets to HTM investments amounting to P473.13 million with face value of P562.5 million. These are earmarked as security for the benefit of cedants and creditors of the Company in accordance with the provisions of the Insurance Code. The new effective interest rate at the date of reclassification is 7.13%.

In May 2017, the Company's BOD approved the reclassification of certain investment in corporate bonds amounting to P1.09 billion previously classified as AFS financial assets to HTM investments due to change in intention to collecting interest coupons until maturity. New effective interest rates at the date of reclassification range from 2.36% to 6.24%.

The Company recognized interest income of P59.90 million and P55.14 million in 2018 and 2017, respectively, (see Note 19) and nil fair value gain or loss as a result of the reclassification. If the reclassification had not been made, a decrease of P216.11 million and P4.74 million on the fair value of the bonds as at June 30, 2019 and December 31, 2018, respectively, would have been recognized directly in other comprehensive income.

The reconciliation of the carrying amount of HTM investment is as follows:

	June 30, 2019	December 31, 2018
Balance at beginning of period	**P1,848,693**	P1,034,687
Reclassification	**–**	473,132
Additions	**370,293**	340,830
Amortization	**(69,603)**	44
Balance at end of period	**P2,149,383**	P1,848,693

The following presents the carrying value of corporate bonds and government securities by contractual maturity dates:

	June 30, 2019	December 31, 2018
Due within one year	**P209,800**	P170,878
Due after one year through five years	**1,322,348**	978,712
Due after five years through ten years	**617,235**	699,103
	P2,149,383	P1,848,693

8. LOANS AND RECEIVABLES

This account is comprised of the following:

	June 30, 2019	December 31, 2018
Current:		
Loans and notes receivable	**P4,420**	P8,073
Time deposits	**–**	5,000
Dividend and interest receivable	**58,080**	42,190
	62,500	55,263
Non-current:		
Loans and notes receivable	**56,271**	57,280
	P118,771	P112,543

Loans and notes receivable mainly pertain to bank notes with original maturities of 10 years and an effective interest rate of 5.38%.

Loans and notes receivable also include car loans extended to certain officers as part of their benefits. These loans are collected through salary deductions for a period of five years with an annual effective interest rate of 8.00%.

Time deposits are not subject to any restrictions or covenants and have original maturity dates of 140 days and the annual interest rate of these deposits is 5.00%.

Dividend income and interest income on Time deposits and Loans and notes receivable are presented as part of Investment and Other income and expenses account in the statements of income (see Note 19).

The carrying value of these financial assets approximate their fair value as the interest rates approximate the prevailing market interest rates. No impairment loss was recorded for loans and receivables in 2019 and 2018.

9. PROPERTY AND EQUIPMENT

A reconciliation of the carrying amount at the beginning and end of June 30, 2019 and December 31, 2018 of property and equipment is shown below.

	June 30, 2019					
	Condominium Unit	Office Improvements	Office Furniture and Equipment	Transportation Equipment	EDP Equipment	Total
<u>Cost</u>						
Balance at beginning of period	P101,310	P25,234	P11,183	P11,906	P14,406	P164,039
Additions	–	–	42	–	5,993	6,035
Balance at end of period	101,310	25,234	11,225	11,906	20,399	170,074
<u>Accumulated Depreciation</u>						
Balance at beginning of period	64,726	2,632	5,548	4,094	10,476	87,476
Depreciation	1,689	1,261	747	1,190	2,105	6,992
Balance at end of period	66,415	3,893	6,295	5,284	12,581	94,468
Net Book Value	**P34,895**	**P21,341**	**P4,930**	**P6,622**	**P7,818**	**P75,606**

	December 31, 2018					
	Condominium Unit	Office Improvements	Office Furniture and Equipment	Transportation Equipment	EDP Equipment	Total
Cost						
Balance at beginning of year	P101,310	P25,154	P10,940	P9,516	P11,730	P158,650
Additions	–	80	308	4,530	2,739	7,657
Disposals/retirement	–	–	(65)	(2,140)	(63)	(2,268)
Balance at end of year	101,310	25,234	11,183	11,906	14,406	164,039
Accumulated Depreciation						
Balance at beginning of year	61,349	227	4,126	3,820	9,117	78,639
Depreciation	3,377	2,405	1,487	2,154	1,387	10,810
Disposals/retirement	–	–	(65)	(1,880)	(28)	(1,973)
Balance at end of year	64,726	2,632	5,548	4,094	10,476	87,476
Net Book Value	P36,584	P22,602	P5,635	P7,812	P3,930	P76,563

The Company sold and retired certain assets fully depreciated assets and recognized gains amounting to P5,201 in 2018 and is presented as part of Gain on sale of non-financial assets and Loss on asset retirement under Investment and Other income and expenses account in the statements of income (see Note 19).

The original cost of fully depreciated property and equipment that are still in use amounted to P135.57 million and P10.30 million as at June 30, 2019 and December 31, 2018, respectively.

10. REINSURANCE RECOVERABLE ON REPORTED LOSSES AND REINSURANCE RECOVERABLE ON CLAIMS RESERVES

The movement in the accounts follow:

	Reinsurance recoverable on reported losses	**Reinsurance recoverable on claims reserves**
June 30, 2019		
Balance at beginning of period	**P2,442,548**	**P319,048**
Claims reported during the period	**(50,500)**	**–**
Transferred to reinsurance recoverable on paid losses	**(56,445)**	**–**
Claims incurred but not reported, net of adjustments	**–**	**62,089**
Revaluation adjustment	**(7,555)**	**–**
	2,328,048	**381,137**
Allowance for impairment	**(123,708)**	**–**
Balance at end of period	**P2,204,340**	**P381,137**
December 31, 2018		
Balance at beginning of year	P2,748,350	P499,995
Claims reported during the year	(133,581)	–
Transferred to reinsurance recoverable on paid losses	(176,069)	–
Claims incurred but not reported, net of adjustments	–	(180,947)
Revaluation adjustment	3,848	–
	2,442,548	319,048
Allowance for impairment	(68,006)	–
Balance at end of year	P2,374,542	P319,048

All of the Company's reinsurance recoverable on reported losses and claims reserves have been reviewed for indicators of impairment. In 2018, the Company recognized an impairment loss amounting to P68.01 million which was recorded as part of Impairment loss under General and administrative expenses in the 2018 statement of income.

11. DEFERRED ACQUISITION COSTS

The movements in this account is as follows:

	June 30, 2019	December 31, 2018
Balance at beginning of period	**P405,104**	P280,947
Cost deferred	**416,941**	902,034
Cost recognized	**(367,125)**	(777,877)
Balance at end of period	**P454,920**	P405,104

The increase or decrease of deferred acquisition costs for the year is presented as part of Commissions – net under Underwriting deductions in the statements of income (see Note 20.3).

12. DEFERRED REINSURANCE PREMIUMS

The movements in this account are as follows:

	June 30, 2019	December 31, 2018
Balance at beginning of period	**P331,545**	P202,935
Premiums retroceded during the period	**551,960**	1,106,771
Premiums amortized during the period	**(404,170)**	(978,161)
Balance at end of period	**P479,335**	P331,545

The increase or decrease in deferred reinsurance premiums for the year is presented as part of Increase in premium reserves – net account in the statements of income.

13. OTHER ASSETS

This account is composed of the following:

	June 30, 2019	December 31, 2018
Input VAT	**P207,183**	P210,085
Funds at Lloyd's	**191,464**	196,557
Deferred tax assets – net	**113,973**	113,905
Intangible assets – net	**27,321**	30,013
Defined benefit asset	**9,674**	13,627
Deferred withholding VAT	**9,203**	9,203
Deferred creditable tax	**7,661**	7,092
Prepayments	**5,605**	4,712
Investment properties - net	**3,705**	3,705
Deposit	**687**	720
Security fund	**644**	644
Deferred input VAT	**407**	532
Others	**138**	138
	577,665	590,933
Allowance for impairment	**(209,633)**	(209,633)
	P368,032	P381,300

Input VAT

In 2017, the Company provided allowance for impairment on its input VAT as management assessed that the amount may not be realizable. There was no movement in the allowance for impairment of Input VAT during the period.

Funds at Lloyd's

In December 2016, the Company entered into a quota share reinsurance treaty contract with a member of the Lloyd's effective January 1, 2017, whereby the Company was required to establish its share of the Funds at Lloyd's amounting to U.S. $3.00 million.

In 2017, the Company deposited additional funds amounting to £0.56 million. As at June 30, 2019 and December 31, 2018, Funds at Lloyd's amounted to U.S. $3.89 million.

Intangible Assets

Intangible assets pertain to acquired computer software licenses used in operation and administration. The gross carrying amount and accumulated amortization of intangible assets as at June 30, 2019 and December 31, 2018 are as follows:

	June 30, 2019	December 31, 2018
Cost	**P165,168**	P163,881
Accumulated amortization	**(137,847)**	(133,868)
Balance at end of period	**P27,321**	P30,013

A reconciliation of the carrying amount at the beginning and end of June 30, 2019 and December 31, 2018 of intangible assets is shown below.

	June 30, 2019	December 31, 2018
Balance at beginning of period, net of accumulated amortization	**P30,013**	P9,882
Additions	**1,346**	25,226
Retirement	**(59)**	–
Amortization	**(3,979)**	(5,095)
Balance at end of period, net of accumulated amortization	**P27,321**	P30,013

Prepayments

Prepayments pertain to software licenses and support maintenance costs and prepaid health and group life insurance premiums of the Company.

Investment Properties

Investment properties consist mainly of land, with improvements, which are owned for capital appreciation. The reconciliation of the carrying amount of the investment properties at the beginning and end of June 30, 2019 and December 31, 2018 is shown below:

	June 30, 2019	December 31, 2018
Balance at beginning of period	**P3,705**	P2,825
Additions	**–**	880
Balance at end of period	**P3,705**	P3,705

These properties are classified as Level 3 in the fair value hierarchy. The total estimated fair value based on the latest available selling price of the properties obtained by the Company amounted to P19.16 million and P18.20 million as at June 30, 2019 and December 31, 2018, respectively (see Note 28.4).

Security Fund

Security fund represents amount deposited with the IC, as required by the IC, and in instances of the Company becoming insolvent, can be used as payment for valid claims against the Company. The balance of the fund earns interest at rates determined by the IC annually.

14. REINSURANCE BALANCES PAYABLE

The details of this account are as follows:

	June 30, 2019	December 31, 2018
Due to retrocessionaires	**P1,272,279**	P1,128,331
Funds held for retrocessionaires	**(79)**	23,559
Due to cedant	**955**	2,343
	P1,273,155	P1,154,233

Due to retrocessionaires are unpaid retroceded premiums of retrocessionaires. Funds held for retrocessionaires represent portion of the reinsurance premium ceded to retrocessionaires, which were withheld by the Company in accordance with reinsurance agreements. The Company's payments of these reinsurance liabilities are netted by the retrocessionaires' share in underwriting costs and losses paid.

The movements in these accounts are shown below.

	June 30, 2019			
	Due to retrocessionaires	**Funds held for retrocessionaires**	**Due to cedant**	**Total**
Balance at beginning of period	**P1,128,331**	**P23,559**	**P2,343**	**P1,154,233**
Retroceded premiums net of funds held during the period	**550,937**	**–**	**–**	**550,937**
Funds held during the period	**–**	**1,023**	**–**	**1,023**
Funds released during the period	**24,661**	**(24,661)**	**–**	**–**
Payments made during the period	**(428,793)**	**–**	**(1,414)**	**(430,207)**
Reclassified to due to cedant	**(53)**	**–**	**53**	**–**
Revaluation adjustment	**(2,804)**	**–**	**(27)**	**(2,831)**
Balance at end of period	**P1,272,279**	**(P79)**	**P955**	**P1,273,155**

	December 31, 2018			
	Due to retrocessionaires	Funds held for retrocessionaires	Due to cedant	Total
Balance at beginning of year	P1,235,348	P34,290	P–	P1,269,638
Retroceded premiums net of funds held during the year	1,106,565	–	–	1,106,565
Funds held during the year	–	206	–	206
Funds released during the year	11,315	(11,315)	–	–
Payments made during the year	(1,230,377)	–	–	(1,230,377)
Reclassified to due to cedant	(2,316)	–	2,316	–
Revaluation adjustment	7,796	378	27	8,201
Balance at end of year	P1,128,331	P23,559	P2,343	P1,154,233

15. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

This account includes the following:

	Note	**June 30, 2019**	December 31, 2018
Accounts payable		**P95,751**	P45,332
Deferred output VAT		**24,103**	24,003
Accrued expenses		**12,293**	8,148
Income tax payable		**8,249**	6,553
Withholding taxes payable		**4,552**	4,070
Dividends payable	*22.3*	**2,543**	2,543
		P147,491	P90,649

Accounts payable includes non-interest bearing amounts that are already due to suppliers and advances received for services to be rendered in the future.

Deferred output VAT pertains to VAT from the sale of goods and services that are still outstanding as at year-end. These amounts are not due for remittance to the BIR until the receivables are collected.

Accrued expenses include amounts pertaining to accruals of outside services, utilities, uniforms, membership dues and meeting expenses.

Management considers the carrying amount of accounts payable and accrued expenses recognized in the statements of financial position to be a reasonable approximation of their fair value due to their short duration.

16. LOSSES AND CLAIMS PAYABLE AND CLAIMS RESERVES

Losses and claims payable and claims reserves are losses due to ceding companies under reinsurance agreements inclusive of reserves for IBNR losses, loss adjustment expenses payable and MfAD as shown below.

June 30, 2019	**Losses and Claims Payable**	**Claims Reserves**
Balance at beginning of period	P4,519,271	P1,715,474
Claims incurred during the period – net	856,794	–
Claims incurred but not reported, net of adjustments	–	115,316
Claims paid during the period	(928,516)	–
Revaluation adjustment	(26,119)	–
Balance at end of period	**P4,421,430**	**P1,830,790**
December 31, 2018		
Balance at beginning of year	P4,802,609	P1,307,798
Claims incurred during the year – net	1,089,076	–
Claims incurred but not reported, net of adjustments	–	407,676
Claims paid during the year	(1,389,814)	–
Revaluation adjustment	17,400	–
Balance at end of year	P4,519,271	P 1,715,474

17. PREMIUM RESERVES

The movements in Premium reserves are as follows:

	June 30, 2019	December 31, 2018
Balance at beginning of period	**P1,564,635**	P1,426,138
Premium written	**2,063,023**	3,682,906
Premiums earned	**(1,858,110)**	(3,544,409)
Balance at end of period	**P1,769,548**	P1,564,635

The increase or decrease in Premiums reserves for the period is presented as part of Increase in premium reserves - net account in the statements of income.

18. DEFERRED REINSURANCE COMMISSIONS

The movements in Deferred reinsurance commissions are as follows:

	June 30, 2019	December 31, 2018
Balance at beginning of period	**P526**	P5,435
Income deferred	**10,476**	(401)
Income recognized	**(6,289)**	(4,508)
Balance at end of period	**P4,713**	P526

The increase or decrease in Deferred reinsurance commissions for the period is presented as part of Commissions – net under Underwriting deductions in the statements of income (see Note 20.3).

19. INVESTMENT AND OTHER INCOME AND EXPENSES

The details of this account follows:

	Notes	June 30, 2019	June 30, 2018
Interest income	*4,7,8,23.2*	**P156,481**	P106,338
Gain on sale of AFS	*6, 23.2*	**87,813**	121,724
Dividend income	*6, 23.2*	**27,983**	29,888
Foreign currency gains (losses)		**(24,467)**	69,089
Gain on sale of non-financial assets	*9*	**–**	11
Other charges	*23.2*	**(1,528)**	(2,868)
		P246,282	P324,182

20. UNDERWRITING DEDUCTIONS

The accounts below represent the aggregate amount of the Company's share in net losses and claims relative to its acceptances under reinsurance agreements.

20.1 Share in Reported Losses – Net

	June 30, 2019	June 30, 2018 (As restated)
Gross claims paid	**P928,516**	P623,273
Retrocessionaires' share in losses paid	**(56,445)**	(80,203)
Gross change in provision for claims reported	**(56,888)**	(3,625)
Retrocessionaires' share in change in provision for claims reported	**94,132**	35,604
	P909,315	P575,049

20.2 Share in Loss Reserves – Net

	June 30, 2019	June 30, 2018 (As restated)
Gross change in provision for IBNR	**P115,316**	P377,610
Retrocessionaires' share in change in provision for IBNR	**(62,089)**	(13,140)
	P53,227	P364,470

20.3 Commissions – Net

This account consists of the following:

	June 30, 2019	June 30, 2018
Commission expense	**P367,125**	P336,844
Commission income	**(6,289)**	(2,624)
	P360,836	P334,220

Commission expense refers to fees deducted by ceding companies from reinsurance premiums assumed under reinsurance agreements, while commission income pertains to fees charged by the Company related to reinsurance premiums retroceded under retrocession agreements.

21. GENERAL AND ADMINISTRATIVE EXPENSES

The details of this account are as follows:

	Notes	**June 30, 2019**	June 30, 2018
Salaries and employee benefits	*21.1*	**P 80,165**	P 71,816
Depreciation and amortization	*9, 13*	**10,971**	6,986
Taxes, licenses and fees		**7,164**	7,498
Data, licenses and subscriptions		**6,264**	7,367
Repairs and maintenance		**4,948**	3,093
Professional fees		**4,698**	9,196
Outsourced functions		**2,973**	2,746
Communication and postages		**2,651**	3,620
Dues and fees		**2,457**	2,497
Advertising and publicity		**999**	986
Light and water		**919**	1,103
Meetings, conferences and conventions		**868**	1,239
Insurance		**697**	587
Printing and office supplies		**389**	401
Representation and entertainment		**329**	346
Rental	*26.1*	**15**	543
Impairment losses - net	*5, 10, 13*	**–**	32,824
Miscellaneous		**4,081**	4,762
		P130,588	P157,610

21.1 Salaries and Employee Benefit Expense

The details of salaries and employee benefits are presented below.

	June 30, 2019	June 30, 2018
Short-term employee benefits	**P75,655**	P67,610
Post-employment defined benefit	**4,510**	4,206
	P80,165	P71,816

22. EQUITY

22.1 Capital Stock

As at June 30, 2019 and December 31, 2018, the Company has authorized shares of 3,000,000,000 and has issued and outstanding shares amounting to P2.08 billion net of treasury shares, which is divided into 2,123,605,600 shares with a par value of P1 per share.

On April 27, 2007, the Securities and Exchange Commission (SEC) approved the listing of the Company's shares totalling 741,902,600. The shares were initially issued at an offer price of P3.80 per share.

As at June 30, 2019 and December 31, 2018, there are 272 and 271 holders of the listed shares, respectively. Such listed shares closed at P0.97 and P0.91 per share as at those dates, respectively.

As at June 30, 2019 and December 31, 2018, total treasury shares amounted to P100.53 million representing 58,349,000 shares. There were no treasury stock transactions in 2019 and 2018.

22.2 Appropriation for Special Reserve

In 1989, the BOD approved the establishment of a special reserve for extraordinarily high loss occurrences or severe catastrophic losses. As such, 10% of profit is set aside as special reserve provided there is no deficit. For the periods June 30, 2019 and December 31, 2018, the Company appropriated nil and P14.92 million, respectively, for special reserve.

22.3 Retained Earnings

There was no declaration of cash dividends in 2019 and 2018. The total outstanding dividends payable amounted to P2.54 million as at June 30, 2019 and December 31, 2018. These are presented as Dividends payable under Accounts payable and accrued expenses account in the statements of financial position (see Note 15).

The Company's retained earnings are restricted to the extent of the cost of the treasury shares as of the end of the reporting periods.

23. RELATED PARTY TRANSACTIONS

The Company's related parties include its stockholders, related parties under common ownership, retirement plan and the Company's key management personnel with which the Company had transactions as described below and in the succeeding pages.

23.1 Reinsurance Contracts with Related Parties

The Company accepts and cedes insurance business under various reinsurance contracts with related parties. The details of which are presented as follows:

	June 30, 2019		June 30, 2018	
	Stockholders	**Related Parties Under Common Ownership**	Stockholders	Related Parties Under Common Ownership
Premiums	**P20,490**	**P136,033**	P337,010	P30,257
Retroceded premiums	**0**	–	–	–
Commission expense	**4,098**	**12,747**	66,728	1,205
Losses incurred (reversal)	**910**	**(165,960)**	281,329	–
Loss recoveries (reversal)	**(28,492)**	–	36,794	–

Reinsurance balances receivable from and payable to related parties arising from above transactions are presented as follows:

	June 30, 2019		December 31, 2018	
	Stockholders	**Related Parties Under Common Ownership**	Stockholders	Related Parties Under Common Ownership
Due from ceding companies	**P201**	**P79,502**	P39,777	P31,247
Reinsurance recoverable on losses	**19,152**	–	19,183	–
Funds held for retrocessionaires	**1**	–	–	–
Funds held by ceding companies	–	–	14,879	–
Claims payable	**173,495**	**583,192**	172,811	870,716

The balance of Reinsurance balances receivable which is noninterest-bearing, unsecured and is expected to be settled in cash within twelve months, is presented net of P74.85 million and P75.42 million allowance for impairment as at June 30, 2019 and December 31, 2018, respectively.

23.2 Other Transactions

The Company's other transactions with related parties are presented as follows:

		June 30, 2019		December 31, 2018	
		Amount of Transactions	**Outstanding Balance**	Amount of Transactions	Outstanding Balance
Stockholder:					
Cash and cash equivalents	(a)	**P18,325**	**P98,264**	P19,756	P79,939
AFS financial assets	(b)	**(19,275)**	**99,331**	4,245	118,606
Interest income - bank accounts	(a)	**1,165**	**29**	2,324	246
Dividend income	(b)	**2,272**	–	–	–
Service fees	(d)	**1,842**	–	989	–
Other expenses		**165**	–	–	–
Related Party Under Common Ownership:					
Cash and cash equivalent	(a)	**(365,077)**	**283,777**	(118,181)	648,854
AFS financial assets	(b)	**(19,950)**	**295,932**	290,679	315,882
Loans and receivables	(c)	–	**50,000**	(40)	50,000
Interest income - bank accounts	(a)	**13,235**	–	20,472	–

(a) Cash and Cash Equivalents

The Company maintains several savings and current accounts with a stockholder and related party under common ownership. Interest income recognized is presented as part of Interest income under Investment and Other income and expenses account in the statements of income (see Note 19).

(b) AFS Financial Assets

The Company has investment in shares of stock of a stockholder and fixed income securities of a related party under common ownership classified as AFS financial assets. Relative to these transactions, the Company recognized dividend income, interest income and trading gains which are presented as part of Investment and Other income and expenses account in the statements of income (see Note 19).

(c) Loans and Receivables

The Company has long-term negotiable certificate of deposit (LTNCD) and note receivables with certain related parties under common ownership. Relative to this, the Company recognized interest income which is presented as part of Interest income under Investment and Other income and expenses account in the statements of income (see Note 19). The LTNCD and notes receivable are unsecured and earn interest of 5.00% in 2019 and 2018. As at June 30, 2019 and December 31, 2018, management assessed that these receivables are not impaired.

(d) Investment Management and Custodianship

The Company has entered into "Investment Management Agreement" and "Custodianship Agreement" with a stockholder and an entity under common ownership for the management and custodianship of certain investible funds of the Company subject to terms and conditions in the said agreements. In consideration for the services rendered, the Company pays the stockholder and the affiliate bank service fees equivalent to a certain percentage of the market value of the investments.

Total service fees paid is charged against Other charges under Investment and Other income and expenses account (see Note 19) in the statements of income. As at June 30, 2019 and December 31, 2018, outstanding liabilities from these transactions amounted to nil. Such payables are noninterest-bearing, unsecured, and settled in cash within twelve months.

23.3 Investment Management of Retirement Fund

In 2007, the Company entered into a "Retirement Fund Investment Management Agreement" with a certain stockholder and an entity under common ownership for the management of the investments of the Company's retirement funds subject to the terms and conditions in the said agreement.

23.4 Transactions with Retirement Fund

The Company maintains a wholly-funded, tax-qualified, non-contributory retirement plan that is being administered by a trustee covering all regular full-time employees. The Company has no transactions with its retirement fund in 2019 and 2018. Equity securities of the retirement fund consist of investments in corporations listed in the PSE. The retirement fund does not hold any shares of stock of the Company as at June 30, 2019 and December 31, 2018.

23.5 Key Management Personnel Compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including director, whether executive or otherwise, of the Company.

The compensation of key management personnel is presented as follows:

	June 30, 2019	June 30, 2018
Short-term benefits	**P26,548**	**P27,335**
Post-employment defined benefit	**1,960**	**1,476**
	P28,508	**P28,811**

24. SOLVENCY

Under the New Insurance Code, an 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 IC Commissioner. Such solvency requirements shall be based on internationally accepted solvency frameworks and adopted only after due consultation with the insurance industry associations.

Whenever the aforementioned requirement is found to be less than the required to be maintained, the IC Commissioner shall direct the Company to make good any such deficiency by cash, to be contributed by all stockholders of record in proportion with their respective interests, and paid to the treasurer of the Company, within 15 days from receipt of the order. Provided, that the Company in the interim shall not be permitted to take any new risk of any kind or character unless and until it makes good any such deficiency.

In case that a stockholder pays the contribution due from another stockholder by reason of failure or refusal of the latter to do so, shall have a lien on the certificates of stock of the Company appearing in its books in the name of the defaulting stockholder on the date of default, as well as on any interests or dividends that have accrued or will accrue to the said certificates of stocks, until the corresponding payment or reimbursement is made by the defaulting stockholder.

25. EARNINGS PER SHARE

The earnings per share are presented as follows:

	June 30, 2019	June 30, 2018 (As restated)
Net profit available to common shareholders	**P199,634**	P18,486
Divided by the average number of outstanding common shares (in thousands)	**2,123,606**	2,123,606
	P0.09	P0.01

Diluted earnings per share is not determined since the Company does not have dilutive shares as at June 30, 2019 and 2018.

26. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Company:

26.1 Operating Lease Commitments – Company as Lessee

The Company is a lessee under various operating leases covering warehouse and parking lots having a term of one year with renewal options. The future minimum rentals payable under this non-cancellable operating lease as at June 30, 2019 and December 31, 2018 is P1.17 million.

Rental expense recognized amounted to P0.02 million and P0.54 million in 2019 and 2018, respectively, and is presented in the statements of income as Rental under General and administrative expenses (see Note 21).

26.2 Legal Claims

The Company is currently involved in various legal proceedings. In consultation with the legal counsel, the related risk has been analyzed as to likelihood of occurrence and amount of future obligation. The Company believes that the outcome of these proceedings as at June 30, 2019 will not have a material adverse effect on the Company's financial position.

26.3 Deficiency Tax Assessments

The Company is in receipt of certain final deficiency tax assessment covering taxable period July 1, 2012 to December 31, 2012, pursuant to which the BIR has sought to investigate a certain tax period against the Company and consequently examine certain books, records and accounts that relate to transactions in the ordinary course of business. Pursuant to the Company's policy of addressing such actions and in line with prudent business practice, the Company has engaged tax counsel in relation to this matter.

As at June 30, 2019, the final deficiency tax assessment is still under protest. Management believes that the Company has enough basis in law and evidence to support their claim that the Company is not liable for any tax deficiency; hence, no provisions were recognized in the financial statements.

26.4 Others

In the normal course of business, the Company makes various commitments and incurs certain contingent liabilities that are not given recognition in the accompanying financial statements. Management believes that losses as at June 30, 2019, if any, that may arise from these commitments and contingencies will not have any material effect on the financial statements.

27. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

27.1 Comparison of Carrying Amounts and Fair Values

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the statements of financial position are shown below.

	June 30, 2019		December 31, 2018	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial assets:				
Loans and receivables:				
Cash and cash equivalents	**P960,585**	**P960,585**	P1,161,899	P1,161,899
Funds at Lloyd's	**191,464**	**191,464**	196,557	196,557
Loans and receivables	**118,771**	**118,771**	112,543	112,543
Other assets	**1,331**	**1,331**	1,364	1,364
	P1,272,151	**P1,272,151**	P1,472,363	P1,472,363
AFS financial assets:				
Debt securities	**P3,255,314**	**P3,255,314**	P2,494,960	P2,494,960
Equity securities	**1,731,447**	**1,731,447**	2,049,801	2,049,801
Investment in ARC	**34,277**	**34,277**	35,191	35,191
	P5,021,038	**P5,021,038**	P4,579,952	P4,579,952
HTM investments	**P2,149,383**	**P2,062,072**	P1,848,693	P1,864,766
Financial liabilities –				
Accounts payable and other accrued expenses	**P110,587**	**P110,587**	P56,023	P56,023

Due to the short-term duration, management considers the carrying value of the Company's loans and receivables and financial liabilities at amortized cost approximate their fair value as at the end of the reporting periods.

27.2 Offsetting of Financial Assets and Financial Liabilities

For financial assets and financial liabilities, subject to enforceable master netting agreements or similar arrangements, each agreement between the Company and counterparties, including related parties, allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis.

28. FAIR VALUE MEASUREMENT AND DISCLOSURES

28.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

28.2 Financial Instruments Measured at Fair Value

The table below shows the fair value hierarchy of the Company's financial assets measured at fair value in the statements of financial position on a recurring basis (amounts in thousands Philippine Peso).

	Level 1	Level 2	Level 3	Total
June 30, 2019				
AFS financial assets	**P4,969,465**	**P17,296**	**P34,277**	**P5,021,038**
December 31, 2018				
AFS financial assets	P4,527,541	P17,220	P35,191	P4,579,952

The movements of the AFS financial assets classified under Level 3 in the fair value hierarchy is shown below:

	June 30, 2019	December 31, 2018
Balance at beginning of period	**P35,191**	P32,548
Fair value gains (losses)	**(230)**	1,242
Foreign currency gains (losses)	**(684)**	1,401
Balance at end of period	**P34,277**	P35,191

The Company has no financial liabilities measured at fair value as at June 30, 2019 and December 31, 2018.

Described below are the information about how the fair value of the Company's classes of financial assets are determined.

a) *Equity securities*

As at June 30, 2019 and December 31, 2018, instruments included in Level 1 comprise equity securities classified as AFS financial assets. These securities were valued based on their market prices quoted in the PSE at the end of each reporting period.

Golf club shares classified as AFS financial assets are included in Level 2 as their prices are not derived from market considered as active due to lack of trading activities among market participants at the end or close to the end of the reporting period. Moreover, investment in equity securities held in a private company is included in Level 3 since its market value is not quoted in an active market, hence, measured by reference to the private company's book value using the most recent available financial data. The estimated fair value will increase (decrease) if the book value increases (decreases).

b) *Debt securities*

The fair value of the Company's debt securities, which consist of government and corporate bonds, is estimated by reference to quoted bid price in active market at the end of the reporting period and is categorized within Level 1.

c) *Mutual funds*

The fair value of the Company's investment in mutual funds which consist of money market placements and minimal equity securities is estimated by reference to the net asset value provided by the fund managers and is categorized within Level 2.

28.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below summarizes the fair value hierarchy of the Company's financial assets and financial liabilities which are not measured at fair value in the statements of financial position but for which fair value is disclosed.

	Level 1	Level 2	Level 3	Total
June 30, 2019				
Financial assets:				
Cash and cash equivalents	**P960,585**	**P–**	**P–**	**P960,585**
HTM investments	**2,062,072**	**–**	**–**	**2,062,072**
Loans and receivables	**–**	**–**	**118,771**	**118,771**
Funds at Lloyd's	**–**	**–**	**191,464**	**191,464**
Other assets	**–**	**–**	**1,331**	**1,331**
	P3,022,657	**P–**	**P311,566**	**P3,334,223**
Financial liabilities –				
Accounts payable and other accrued expenses	**P–**	**P–**	**P110,587**	**P110,587**

December 31, 2018				
Financial assets:				
Cash and cash equivalents	P1,161,899	P–	P–	P1,161,899
HTM investments	1,864,766	–	–	1,864,766
Loans and receivables	–	–	112,543	112,543
Funds at Lloyd's	–	–	196,557	196,557
Other assets	–	–	1,364	1,364
	P3,026,665	P–	P310,464	P3,337,129
Financial liabilities –				
Accounts payable and other accrued expenses	P–	P–	P56,023	P56,023

For financial assets other than AFS investments with fair value included in Level 1 and HTM investments, management considers that the carrying amount of those short-term financial instruments approximate their fair value.

28.4 Fair Value Measurement for Non-financial Assets

The Company used market comparable approach as a valuation technique in measuring the fair value of its investment properties to arrive at fair value that is more representative of the investment properties' highest and best use. As at June 30, 2019 and December 31, 2018, the fair value of the investment properties is P19.16 million and P18.20 million, respectively, classified under Level 3 of the fair value hierarchy (see Note 13). The most significant input into this valuation approach is the price per square meter, hence, the higher the price per square meter, the higher the fair value.

29. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company's capital management objectives are (a) to ensure the Company's ability to continue as a going concern; and, (b) to provide an adequate return to shareholders by complying with the capital requirements and limitation enforced by the IC and by aligning the Company's operational strategy to its corporate goals. The capital requirements and limitations are as follows:

29.1 Minimum Capitalization

Under Section 289 of the RA No. 10607 (The New Insurance Code), any partnership, association, or corporation authorized to transact solely reinsurance business must have a capitalization of at least P3,000,000,000 paid in cash of which at least 50% is paid-up capital and the remaining portion thereof is contributed surplus, which in no case shall be less than P400,000,000 or such capitalization as may be determined by the Secretary of Finance, upon the recommendation of the IC Commissioner.

The IC issued Circular Letter (CL) No. 2015-02-A dated January 13, 2015, to clarify the minimum capitalization requirements under Sections 194, 197, 200 and 289 of RA No. 10607. Under the said CL, all existing reinsurance companies authorized to transact solely reinsurance business must have a networth of at least P2.25 billion by December 31, 2016. The minimum networth of the said companies shall remain unimpaired at all times and shall increase to the amounts as follows:

Minimum Networth	Compliance Date
P 2,500,000,000	December 31, 2019
3,000,000,000	December 31, 2022

As at June 30, 2019 and December 31, 2018, the Company has complied with the minimum capital requirements.

29.2 Risk-Based Capital Requirements

As per IC CL No. 2016-68, Amended Risk-Based Capital (RBC2) Framework, all insurance companies must satisfy the annual minimum statutory RBC Ratio set at 100%. RBC ratio is computed by dividing the Company's Total Available Capital (TAC) by the RBC requirement. TAC is the aggregate of Tier 1 and Tier 2, minus deductions, subject to applicable limits and determinations. Tier 1 capital represents capital that is fully available to cover losses of the insurer at all times on a going-concern and winding up basis and is considered to be the highest quality capital available to the insurer. Tier 2 refers to capital not having the same high quality characteristics of Tier 1, but can provide additional buffer to the insurer. RBC requirement or the total required capital of an insurance company is the capital that is required to be held appropriately to the risks an insurance company is exposed to.

29.3 Limitation on Dividend Declaration

The Company's BOD is authorized to declare dividends. A cash dividend declaration does not require any further approval from the stockholders. However, a stock dividend declaration requires further approval of the stockholders holding or representing not less than two-thirds of the Company's outstanding capital stock. Dividends may be declared and paid out of the unrestricted retained earnings which shall be payable in cash, property, or stock to all stockholders on the basis of outstanding stock held by them, as and at such times as the BOD may determine and in accordance with law.

Section 201 of the New Insurance Code provides that no domestic insurance company shall declare or distribute dividends on its outstanding stock unless it has met the minimum paid-up capital and net worth requirements under Section 194 and except from profits attested in a sworn statement to the Commissioner by the president or treasurer of the corporation to be remaining on hand after retaining unimpaired:

- the entire paid-up capital stock;
- the solvency requirements defined by Section 200;
- the legal reserve fund required by Section 219; and,
- a sum sufficient to pay all net losses reported, or in the course of settlement, and all liabilities for expenses and taxes.

The Company is required to report such dividend declaration or distribution to the IC within 30 days from the date of such declaration. Moreover, the SEC, through its Memorandum Circular 11 dated December 5, 2008 has set guidelines in determining the appropriate amount of Retained Earnings available for dividend distribution. This shall be based on the net profit for the period based on the audited financial statements, adjusted for unrealized items which are considered not available for dividend declaration. These unrealized items consist of the following:

- share/equity in net income of the associate or joint venture;
- unrealized foreign currency gains, except those attributable to cash and cash equivalents;
- unrealized actuarial gains arising from the exercise of the option of recognizing actuarial gains or losses directly to the statements of comprehensive income;
- fair value adjustment arising only from marked-to-market valuation which are not yet realized;

- the amount of deferred tax asset that reduced the amount of income tax expense;
- adjustment due to deviation from PFRS/Generally Accepted Accounting Principles which results to gain; and,
- other unrealized gains or adjustments to the retained earnings.

30. SELECTED FINANCIAL PERFORMANCE INDICATORS

The following basic ratios measure the financial performance of the Company:

	June 30, 2019	December 31, 2018
Asset-to-equity	**2.80 : 1.00**	2.87 : 1.00
Liability-to-equity	**1.80 : 1.00**	1.87 : 1.00

31. OTHER SEC REQUIREMENTS

The following information, as a minimum, should be disclosed in the notes to financial statements, if material and if not disclosed elsewhere in the interim financial report:

• Explanatory comments about the seasonality or cyclicality of interim operations	• Nothing to report.
• The nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidents	• Nothing to report.
• The nature and amount of changes in estimates of amounts reported in prior interim years of the current fiscal year or changes in estimates of amounts reported prior financial years, if those changes have a material effect in the current interim year	• Refer to Note 3 for the development of claims liabilities.
• Issuances, repurchases, and repayments of debt and equity securities	• Nothing to report.
• Dividends paid (aggregate or per share) separately for ordinary shares and other shares	• Nothing to report.
• Segment revenue and segment result for business segments or geographical segments, whichever is the issuer's primary basis of segment reporting. (This shall be provided only if the issuer is required to disclose segment information in its annual financial statements)	• Nothing to report.
• Material events subsequent to the end of the interim year that have not been reflected in the financial statements for the interim year	• Nothing to report
• The effect of changes in the composition of the issuer during the interim year, including business combinations, acquisitions or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations	• Nothing to report.
• Changes in contingent liabilities or contingent assets since the last annual balance sheet date	• Nothing to report.
• Existence of material contingencies and any other events or transactions that are material to an understanding of the current interim year.	• Nothing to report.

AGING OF REINSURANCE BALANCES RECEIVABLE
As at June 30, 2019
(In million pesos)

	Total	Below 360 days	Over 360 days	Not due
Due from ceding companies	P2,592	P164	P149	P2,279
Reinsurance recoverable on paid losses	363	7	281	75
	2,955	171	430	2,354
Allowance for impairment*	(580)			
	P2,375			

*The Company's policy on providing allowance for impairment is primarily based on specific identification of accounts, which are deemed uncollectible after taking into consideration the result of collection efforts, age of receivables and company status or perceived degree of financial capacity.