



Annual Report

1 message

Philippine Stock Exchange <no-reply@pse.com.ph>

Wed, Jun 3, 2020 at 2:01 PM

To: [REDACTED]

Dear Sir/Madam:

Your disclosure was successfully submitted. Details are as follows:

Company Name: National Reinsurance Corporation of the Philippines
Reference Number: 0016547-2020
Date and Time: Wednesday, June 03, 2020 14:01 PM
Template Name: Annual Report

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PSE EDGE

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Annual Report

1 message

Philippine Stock Exchange <no-reply@pse.com.ph>

Thu, Jun 4, 2020 at 7:16 AM

To: [REDACTED]

Dear Sir/Madam:

Your disclosure was approved as Company Report. Details are as follows:

Company Name: National Reinsurance Corporation of the Philippines

Reference Number: 0016547-2020

Date and Time: Thursday, June 04, 2020 07:16 AM

Template Name: Annual Report

Report Number: CR03348-2020

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended: **December 31, 2019**
2. SEC Identification Number: **80118** 3. BIR Tax Identification No.: **000-480-869**
4. Exact name of issuer as specified in its charter:
National Reinsurance Corporation of the Philippines, doing business under the names and styles of Nat Re; Philippine National Reinsurance Company; PhilNaRe
5. **Philippines**
Province, Country or other jurisdiction of incorporation or organization
6. (SEC Use Only)
Industry Classification Code:
7. **31st Floor, BPI-Philam Life Makati,
6811 Ayala Avenue,
Makati City, Philippines**
Address of principal office
- 1227**
Postal Code
8. **(632) 988-7400**
Issuer'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 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

<u>Title of Each Class</u>	<u>No. of Shares Outstanding</u>	<u>Amount</u>
Common Shares	2,123,605,600	Php2,123,605,600.00
TOTAL	2,123,605,600	Php2,123,605,600.00

11. Are any or all of these securities listed on a Stock Exchange?

Yes [] No []

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange Common

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [] No []

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

Yes [] No []

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in "Annex B").

Shares Held by Non-Affiliates	Market Value per share as of xx/xx/xx	Total Market Value
xxx	xxx	xxx

**APPLICABLE ONLY TO ISSUERS INVOLVED IN
INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS
DURING THE PRECEDING FIVE YEARS:**

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission. **N/A**

Yes [] No []

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

- (a) Any annual report to security holders;
- (b) Any information statement filed pursuant to SRC Rule 20;
- (c) Any prospectus filed pursuant to SRC Rule 8.1.

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PART I – BUSINESS AND GENERAL INFORMATION

ITEM 1. BUSINESS

A. BUSINESS DEVELOPMENT

National Reinsurance Corporation of the Philippines (the “Company” or the “Corporation”) provides life and non-life reinsurance capacity and support to insurance companies in the Philippines and neighboring insurance markets. With this, the Company promotes the development of the Philippine insurance industry and serves as a medium for regional and international cooperation in insurance.

The Company was incorporated in 1978 pursuant to Presidential Decree No. 1270. The Presidential Decree also designated the Company as the vehicle for the Philippines’ participation in the Asian Reinsurance Corporation, a multilateral reinsurance entity established to foster regional cooperation among insurance companies doing business in Asia.

In 2006, the Company became the country’s sole domestic professional reinsurance company following its merger with Universal Malayan Reinsurance Corporation, the country’s second largest domestic reinsurer.

In 2007, the Company listed its shares with the ticker symbol “NRCP” in the Philippine Stock Exchange, with the Government Service Insurance System (GSIS), the BPI Group, and the Malayan Group as significant shareholders.

The Company has no subsidiaries, and has not been a party to any bankruptcy, receivership or similar proceedings.

B. BUSINESS OF ISSUER

Principal Products & Services

Nat Re writes both life and non-life reinsurance through treaty and facultative contracts. Facultative reinsurance refers to individually written and negotiated reinsurance agreements, while treaty contracts are agreements either; to share proportionately in the specific portions of the business written by insurance company, or, to pay losses incurred by the insurer in excess of an agreed amount up to a specified limit.

The Company writes domestic and foreign reinsurance business with the domestic portfolio making up close to 61% of the Company’s total Gross Premiums Written. The domestic portfolio continued to show improving profitability with Net Underwriting Income increasing from PhP207M in 2018 to PhP406M in 2019.

The 61% of the domestic Gross Premiums Written comes from the Life Portfolio, which also accounts for 76% of domestic Net Underwriting Income.

Our Life reinsurance business had a stellar year in 2019. Gross written premiums from this line of business shot up 53% to P1.7 billion, which is more than triple the figures from just four years ago, and underwriting income grew by almost 48% to P307M. We expanded our client base by acquiring four new life cedants and starting to cover cooperatives in provinces outside of Metro Manila.

We continued building capabilities of our Life cedants’ technical professionals. We provided a host of training tailor-fit to our clients’ needs such as individual medical underwriting, group insurance pricing, and claims evaluation. We’ve also expanded the use of NORM, Nat Re’s

very own Life underwriting online manual, to twenty-one ceding companies out of the total twenty-eight companies.

By end of 2019 around 39% of total non-life business came from local risks, with 61% of the portfolio coming from a global book of geographically diversified exposures. Aside from writing global risks to diversify the Company's risks exposures, the Company also purposely reduced its concentration of exposures to Philippine catastrophe risks by entering into reciprocal exchanges with non-Philippine based reinsurers to replace its local exposures with globally diversified risks.

Fire remains Nat Re's main non-life product line accounting for 65% of its total non-life premiums, followed by Casualty lines at 19%, Motor at 14% and Marine at around 2%.

Close to 90% of the total portfolio comes from treaty business, with facultative contracts accounting for the difference. Foreign contracts, on the other hand, are exclusively treaty contracts.

Facultative contracts make up a more significant share of our domestic portfolio where it accounts for close to 23% of the domestic life portfolio and 9% of the domestic non-life Gross Premiums Written.

The Company's Life gross written premiums grew by 53% in 2019 with Underwriting Income improving from PhP208M to PhP307M. The Non-Life portfolio on the other hand saw just a 2.6% growth rate owing to the rebalancing of the domestic portfolio. The domestic non-life portfolio contracted 13% due to rebalancing of the portfolio towards more profitable contracts. This saw an improvement in Net Underwriting Income from PhP8Min 2018 to PhP97M in 2019. The Company has likewise opted to reduce its peak risk exposures in order to reduce portfolio volatility.

The Company's products include: Fire Insurance under broad named perils conditions as well as Commercial and Industrial All Risks; Engineering which includes Construction all Risks, Erection All Risks, Electronic Equipment Insurance, Machinery Breakdown and Boiler and Pressure Vessel Insurance; Liability Insurance which includes Comprehensive General Liability, Terrorism Insurance, Directors and Officers Liability, Products Liability and Errors and Omission; Money Securities and Payroll, Fidelity Guarantee; Property and Equipment Floaters; Personal Accident; and other Miscellaneous lines like Hole-In-One.

Competition

The Company is the only domestic professional reinsurance company in the Philippines. As the only national reinsurer it has the unique privilege granted by law, of being entitled to take up to a 10% share of all reinsurance business ceded abroad. This allows the Company special access to Philippine reinsurance business and an exceptional view of the domestic insurers' reinsurance requirements.

The Company competes primarily with Global reinsurers for treaty business. The Company's local character allows it to have a better understanding of market conditions and practices and enables the Company to engage the local market closely and more frequently. Its local presence enables it to provide technical guidance more efficiently and address, particularly, the local market's need for facultative reinsurance support. Its limited underwriting capacity, on the other hand, restricts its ability to write significant shares of larger risks.

In 2019, Nat Re launched its program to strengthen its role as a national reinsurer by creating various reinsurance facilities that would provide the mechanism for the distribution of risks to local insurers in order to increase national retention. The Company launched its Terrorism Facility and Liability and Financial Lines Facilities. These initiatives allow Nat Re to accept facultative risks and distribute the same to subscribing local companies based on their respective risk appetites and financial strength. Through these facilities, Nat Re would be able to maximize utilization of the 10% compulsory cession to the benefit of local insurers. By

aggregating the net underwriting capacity of participating local insurers, it is also able to be a convenient source of more significant facultative reinsurance capacity, thus allowing Nat Re to play a more active role in the facultative reinsurance market. It is estimated that facultative reinsurance accounts for around 70%¹ of total premiums ceded.

Employees

The Company has sixty-six (66) employees, of whom ten (10) occupy clerical positions; fifteen (15) are in professional-technical posts; thirty-four (34) are in managerial and officer levels; and seven (7) occupy executive positions.

Broken down by operations, there are six (6) employees in the Life Reinsurance Group, seven (7) in the Non-Life Reinsurance Group and fifty-three (53) employees in the support group, including Office of the President and CEO, Risk and Compliance, Internal Audit, Investments, Finance, Technology, Human Resources and Office Services, Data Administration and Analytics.

In the next twelve 12 months, the Company projects an increase in the number of employees of around four (4).

The Company's employees are not and have never been subject to any Collective Bargaining Agreement.

Risks

The occurrence of severe catastrophic events may have a material adverse effect on the financial results and conditions

Catastrophes, both natural and man-made, are one of the major threats to the solvency of an (re)insurance company. This is most important for the Company where majority of the portfolio is in the domestic market, which is highly exposed to natural catastrophes, such as earthquakes, typhoons and flood. The Company takes several steps in managing its catastrophe exposures. Exposure monitoring and assessment is done on a quarterly basis to quantify the Company's natural catastrophe accumulation. This is done using a probabilistic catastrophe model that the company licenses. The Company has invested in these modeling tools that help the company assess and quantify its exposures to natural catastrophes and extreme events. Currently, the Company has access to two earthquake models and one typhoon model for the Philippines. The Company is also working with industry experts in developing the first flood model for the country. However, the Company also acknowledges the limitations of these models and further carries out several other processes to better understand and manage these risks. Apart from this, the Company also monitors its exposures to perils that are not available to be analyzed using catastrophe models. The Company acknowledges that while earthquake and typhoon are the main perils in the Philippines, un-modeled perils such as monsoonal flood and volcanic eruption should not be overlooked. Detailed risk information is obtained for each ceded risk to allow for detailed location mapping and risk identification. Analysis using Geographic Information Systems (GIS) is then done to assess exposures to these perils.

The Company also secures several retrocession programs to further limit the Company's exposure to large losses and catastrophes. In 2019, for the Fire and Engineering portfolio, an Excess of Loss protection was bought to up to PHP 3.2 billion (3.0b xs 200m) which limits its risk and catastrophe exposure to only PHP 200 million per event. The Company also bought protection for its Marine and Motor portfolios to up to PHP 150 million (120m xs 30m) and PHP 350 million (320m xs 30m), respectively. Starting 2018, a catastrophe cover with a limit of PHP 600 million (570m xs 30m) was also bought to protect the Company's Life portfolio.

¹ Based on 2016 Insurance Commission Annual Report

The Company obtains these excess of loss protections from a panel of global reinsurers with investment grade financial strength ratings higher than its own rating. The cost is material and varies from year-to-year depending upon, among other things, the Company's history of claims and losses, catastrophe exposure, as well as the state of the global reinsurance market. In 2019, the Company paid its excess of loss reinsurers a total minimum deposit of PHP 169.7 million (Life and Non-Life).

A significant amount of the Company's invested assets will be subject to changes in interest rates, exchange rates and market volatility.

The strategic allocation of the Company's investment portfolio has been gradually adjusted in 2019 to 80% fixed income and 20% equities from 65% and 35% respectively. As of December 31, 2019, 86% of the total assets under management was invested in fixed income, higher than that of December 2018 while the balance of 14% was invested in equities traded in the Philippine Stock Exchange. As of year-end December 31, 2019, total invested assets amounted to Php7.95 billion, of which only 6% is invested in U.S denominated securities, and the remaining 94% in the local currency.

2019 was a bullish year for the economy and the financial industry as a whole with the local stock market closing 4.68% higher than the previous year and benchmark fixed income yields falling 282 basis points on average to close the year with a return of 19.23%. With geopolitical and trade related risks dampening across the globe and local inflation pressures subsiding, market players slowly took cues to remain weighted in riskier assets throughout the year. Central banks started becoming more dovish and adjusted monetary policy to a more accommodative stance. Particularly in the local scene, inflation slowed, and interest rates followed suit. The Company took this opportunity to employ a strategy throughout the year to gradually "de-risk" its investment portfolio in that it slowly and opportunistically reduced its strategic asset allocation in equities to 20% from 35%. On the fixed income space, the company picked up on longer duration securities and locked in higher yielding assets especially in the first half of the year. Though this was the strategy, the Investments team ensured that the portfolio's overall duration remained underweight against its benchmark to manage risk.

Since a substantial amount of the Company's invested assets are classified as securities available for sale, changes in the market value of these securities are reflected in shareholders' equity.

The Company's Board of Directors has established investment guidelines which involve diversifying the investment portfolio, limiting investments to instruments not exposed to significant risks, performing rigorous analysis of potential investments and establishing suitable benchmarks for targeted returns, among others. Part of its longer-term strategy includes reassessing the current strategic allocation of its investible funds and generating more stable income on the portfolio.

The Company currently invests only in instruments allowable under Chapter 3, Title 4, Investments of the Amended Insurance Code and by related issuances of the Insurance Commissioner. The Board of Directors of the Company has established an Investment Committee to implement the Company's investment strategy in accordance with approved investment guidelines.

The Company's financial condition may be affected by delays in the payment of premiums by cedants.

As of December 2019, reinsurance balance receivable amounted to P2,608.8 million, compared to P2,280.1 million in 2018, net of Allowance for Impairment of Php 0.6 million both in 2019 and 2018.

To mitigate the risk of non-payment of premiums, the Company regularly reviews and evaluates the financial capacity and payment history of the companies from which it accepts business. On

facultative acceptances, the Company generally provides its cedants a grace period of 120 days for the settlement of premiums. Within this 120-day premium payment warranty term, the company is obligated to pay legitimate claims arising from its acceptance of risk, even though it may not have yet received any premiums.

The Company's financial performance may be affected by the inability of its retrocessionaires to pay their share of losses

For the period ending December 31, 2019, the Company retroceded ₱ 1,064.2 million or 25% of its gross written premiums to retrocessionaires. The Company retroceded part of the gross premiums in order to transfer part of the risks to its retrocessionaires. As certain loss events occur, the Company is obligated to pay the legal claims made by its clients. The Company will then be entitled to recover part of the losses it paid to its clients from the retrocessionaires in accordance with the retrocession agreement. However, if any retrocessionaire is not able to pay the claims made by the Company, the latter will shoulder the losses it paid to its clients and this will negatively impact the Company's financials. As of end of 2019, reinsurance recoverable on paid and unpaid losses amounted to ₱ 2.3 billion compared to ₱ 2.4 billion in 2018, net of Allowance for Impairment of Php 0.5 million and PHp 0.4 million respectively.

In choosing its retrocessionaires, the Company takes into consideration the retrocessionaires financial capacity, credit rating which should not be lower than an A-rating, technical knowledge / expertise and industry reputation. The Company also considers the retrocessionaires record of paying claims and adverse balances. The Company adheres to these guidelines to ensure that this risk is mitigated and/or avoided.

ITEM 2. PROPERTIES

The net property and equipment of the Company as of December 31, 2019 amounted to P70.39 million, broken down as follows:

	Cost	Accumulated depreciation	Net book value
Condominium units	101,310	68,103	33,207
Office improvements	25,241	5,154	20,087
Office furniture and equipment	11,225	7,042	4,183
Transportation equipment	12,585	6,390	6,195
EDP equipment	17,870	11,148	6,722

in thousands (Philippine Pesos)

There are no liens, mortgages or encumbrance over the aforementioned properties of the Company. There is likewise no limitation on the ownership or usage of the said properties, except under standard rules of their respective condominium corporations.

There is no litigation or claims of material importance known to the Company to be pending or threatened against the Company's properties.

ITEM 3. LEGAL PROCEEDINGS.

The Company is currently a party to the following pending litigation cases and as of this reporting period, no new legal case is filed against or by the National Reinsurance Corporation of the Philippines:

1. *Oriental Assurance Corp. v. National Reinsurance Corporation of the Philippines and CBR Asia Insurance Brokers, Inc.*
Civil Case No. 73975
Regional Trial Court, Branch 157, Pasig City

This is a complaint for sum of money and damages filed by Oriental Assurance Corp. ("OAC") against NRCP and CBR Asia Reinsurance Brokers, Inc. ("CBR Asia").

While NRCP has paid the ₱100,000,000.00 maximum limit under the Reinsurance Policy, OAC has demanded a further sum of P7,986,422.67 representing "Sue and Labor" expenses allegedly incurred for the salvage of the vessel. NRCP has denied liability, citing the fact that its liability under the Reinsurance Policy cannot exceed ₱100,000,000.00.

This case is now at the trial stage.

In view of the Enhanced Community Quarantine (ECQ) which was in place until May 15, 2020 and the continued community quarantine in Metro Manila, the scheduled hearing on April 17, 2020 was suspended pursuant to Supreme Court Administrative Circular No. 34-2020.

2. *Final Assessment Notice for Deficiency Value Added Tax*
Bureau of Internal Revenue

On December 29, 2015, NRCP received a Preliminary Assessment Notice ("PAN") from the VAT Audit Group of the Bureau of Internal Revenue ("BIR") Large Taxpayers Service informing it of an alleged deficiency Value Added Tax amounting to ₱28,073,470.03 plus ₱16,444,131.21 in interest (from January 26, 2013 to December 31, 2015) for the taxable period from July 1, 2012 to December 31, 2012, or a total of ₱44,517,601.24, plus compromise penalty of ₱50,000.00.

Based on the PAN, the assessments arose from NRCP's alleged failure to pay VAT on the sale of some items of property plant and equipment (PPE) and taxable interest income, the disallowance of input tax on current purchases for alleged lack of substantiation, the disallowance of input tax from purchases from non-VAT suppliers, the reallocation of a specific portion of NRCP's input tax credits to exempt sales, and the disallowance of input tax carried over to the next period.

On January 13, 2016, NRCP sent a reply letter to the BIR contesting the PAN. The following day, the BIR Large Taxpayers Service issued its Formal Letter of Demand (or Formal Assessment Notice/FAN) reiterating the assessments stated in the PAN with interest penalty updated to January 31, 2016.

On February 12, 2016, the Company filed the Protest to contest the assessment. For practical considerations, the Company paid the deficiency VAT of ₱4,189,869.25, interest of ₱2,571,317.02, and compromise penalties of ₱50,000.00, or the aggregate amount of ₱6,811,186.27 on February 18, 2016.

On September 14, 2016, the Company received the Final Decision on Disputed Assessment (FDDA) dated September 13, 2016 (on the Protest) that was issued by OIC-Assistant Commissioner Teresita M. Angeles. The FDDA considered some of the arguments raised in the Protest and imposed upon the Company deficiency VAT in the reduced amount of ₱32,693,610.62, inclusive of interest.

On October 14, 2016, the Company filed with the Commissioner of Internal Revenue ("CIR") a request for reconsideration. The request is still pending resolution.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the stockholders during the fourth quarter of the fiscal year ending December 31, 2019.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5. MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

MARKET PRICE OF AND DIVIDENDS ON REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

1. Market Information

The common shares of the Company have been listed on the Philippine Stock Exchange since April 27, 2007. The high and low prices for each quarter of the last two years are as follows:

	2019		2018	
	High	High	High	Low
1st Quarter	1.37	0.87	1.93	0.70
2nd Quarter	1.08	0.88	1.39	0.91
3rd Quarter	1.17	0.91	1.15	0.83
4th Quarter	0.94	0.77	0.97	0.96

The closing price information as of the latest practicable trading date, June 2, 2020, was Php0.64 per share.

2. Holders

Approximate Number of Holders as of 31 December 2019

There were approximately 271 common shareholders of the Company as of December 31, 2019. The Top 20 shareholders as of December 31, 2019, with their corresponding shares and percentage ownership of the Company, are as follows:

	Name of Record Owner	No. of Shares Held	Percentage
1	PCD Nominee Corporation (Filipino) (Non-Filipino)	1,676,296,187 5,424,610	78.94% 0.26%
2	Bank of the Philippine Islands	290,795,500	13.69%
3	FGU Insurance Corporation	36,126,000	1.70%
4	Philippines First Insurance Co., Inc.	11,075,200	0.52%
5	Philippine American Life Insurance Co..	8,628,600	0.41%
6	Pa, Ana Go &/or Go Kim	7,500,000	0.35%
7	Phil. International Life Insurance Co., Inc	4,450,200	0.21%
8	The New India Assurance Co., Ltd.	4,168,300	0.20%
9	South Sea Surety & Insurance Co., Inc.	4,152,700	0.20%
10	Federal Phoenix Assurance Company	3,786,300	0.18%
11	Oriental Assurance Corporation	3,560,800	0.17%
12	Visayan Surety & Insurance Corporation	3,545,500	0.17%
13	BPI/MS Insurance Corporation	3,347,500	0.16%
14	Beneficial Life Insurance Company Inc	3,193,500	0.15%
15	Manila Surety & Fidelity Company, Inc.	3,168,400	0.15%
16	Romualdez, Ferdinand Martin G.	3,000,000	0.14%
17	Stronghold Insurance Company, Inc.	2,817,600	0.13%
18	United Life Assurance Corp.	2,518,100	0.12%
19	The Premier Insurance & Surety Corporation	2,456,100	0.12%
20	Sterling Insurance Co., Inc.	2,453,900	0.12%

Minimum Public Ownership as of 31 December 2019

The minimum public ownership report as of December 31, 2019 showed the Company's public float at 47.65%. This was computed in accordance with the guidelines provided under the Amended Rule on Minimum Public Ownership.

3. Dividends

It is the Company's policy to declare dividends regularly with the pay-out determined by the Company's performance as well as by the availability of unappropriated retained earnings for distribution. On May 16, 2013, the Company declared cash dividends of P0.02 per share for a total amount of P 42, 472,112 which was paid on June 14, 2013. The payment of dividends by insurance companies is governed in the Philippines by Section 201 of the Amended Insurance Code as well as by Section 43 of the Corporation Code, both of which establish the appropriate amount of retained earnings, which may be paid out for dividend distribution. Beyond these inherent limitations, there are no known restrictions or impediments to the Company's ability to pay dividends on common equity or are there likely to be any in the future.

4. Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

The Company had no recent sales of unregistered or exempt securities, including recent issuances of securities constituting an exempt transaction.

**ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS**

REVIEW OF 2019 VERSUS 2018

Results of Operations

In Millions PhP	For the years ended		Inc(dec)	
	31 Dec 2019	31 Dec 2018	Amount	%
REINSURANCE PREMIUM INCOME				
Reinsurance premiums, net of returns	P4,338.5	P3,682.9	P655.6	17.8%
Retroceded premiums	(1,064.2)	(1,106.8)	42.6	-3.8%
Net written premiums	3,274.3	2,576.1	698.2	27.1%
Increase in premium reserves – net	(81.1)	(9.9)	(71.2)	719.2%
	3,193.2	2,566.2	627.0	24.4%
UNDERWRITING DEDUCTIONS				
Share in reported losses – net	1,806.6	1,051.5	755.1	71.8%
Share in unreported loss reserves – net	281.6	588.6	(307.0)	-52.2%
Commissions – net	968.6	773.4	195.2	25.2%
	3,056.8	2,413.5	643.3	26.7%
NET UNDERWRITING INCOME	136.4	152.7	(16.3)	-10.7%
Interest	314.8	224.7	90.1	40.1%
Gain on sale of AFS	79.8	131.1	(51.3)	-39.1%
Foreign currency gains (losses)	(26.2)	43.2	(69.4)	-160.6%
Others	(19.1)	(9.5)	(9.6)	101.1%
INVESTMENT AND OTHER INCOME AND EXPENSES– Net	349.3	389.5	(40.2)	-10.3%
PROFIT AFTER INVESTMENT AND OTHER INCOME AND EXPENSES	485.7	542.2	(56.5)	-10.4%
GENERAL AND ADMINISTRATIVE EXPENSES	268.5	350.3	(81.8)	-23.4%
PROFIT BEFORE TAX	217.2	191.9	25.3	13.2%
TAX EXPENSE	60.5	42.7	17.8	41.7%
NET PROFIT	P156.7	P149.2	P7.5	5.0%

The Company recorded a net profit of P156.7 million for the year ended December 31, 2019, P7.5 million or 5.0% higher than the net profit recognized in 2018. The Net Profit resulted from generating Net Underwriting Income of P136.4 million, and Investment and Other Income and Expenses of P349.3 million negated by General and Administrative Expenses of P268.5 million and Tax Expense of P60.5 million.

Underwriting Results

Net underwriting income amounted to P136.4 million, lower by P16.3 million or 10.7% compared to 2018. Lower net underwriting income was mainly due to higher underwriting deductions by P643.3 million or 26.7% from P2.4 billion in 2018 to P3.1 billion in 2019 resulting mainly from higher share in reported losses and share in unreported loss reserves. This was partially negated by the increase in Earned premiums by P627.0 million or 24.4%. The increase in Earned premiums was mainly due to growth in reinsurance premiums written and higher retention ratio of premiums written in 2019 that resulted to higher net written premiums by P698.2 million or 27.1% from P2.6 billion in 2018 to P3.3 billion in 2019.

Higher net written premiums in 2019 primarily resulted from growth in both life and non-life businesses, actual reported premiums exceeding 2018 premium accruals, and lower retrocession costs in 2019.

Share in reported losses, net and Share in unreported loss reserves, net were higher by P448.1 million or 27.3% in 2019 resulting mainly from higher catastrophe losses, reserves strengthening due to the decline in discount rates and overall growth of our business.

Commissions, net amounted to P968.6 million, P195.2 million or 25.2% higher from P773.4 million in 2018, resulting mainly from higher premiums earned, partly negated by higher overriding commissions earned from our proportional retrocession facility.

Investment and Other income and expenses, net amounting to P349.3 million was lower by P40.2 million or 10.3% from 2018. This is mainly due to shift to foreign exchange loss of P26.2 million in 2019 from foreign exchange gain of P43.2 million in 2018, lower gain on sale of AFS by P51.3 million, and higher impairment losses recognized amounting to P57.5 million in 2019 compared to the P7.8 million in 2018. 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 amounting to P268.5 million was lower by P81.8 million or 23.4% from 2018 mainly due to the absence of impairment losses in 2019 and lower professional fees. The decrease is partly offset by the increase in manpower costs amounting to P14.1 million.

Tax expense amounting to P60.5 million was higher by P17.8 million or 41.7% from P42.7 million in 2018 mainly due to higher final taxes brought by higher interest income in 2019.

Financial Condition

(includes explanation on material changes in the financial statements)

In Millions PhP	Audited	Audited	Inc(dec)	
	31 Dec 2019	31 Dec 2018	Amount	%
CASH AND CASH EQUIVALENTS	P1,005.0	P1,161.9	(P156.9)	-13.5%
REINSURANCE BALANCES RECEIVABLE - Net	2,608.8	2,280.1	328.7	14.4%
AVAILABLE-FOR-SALE FINANCIAL ASSETS	4,945.8	4,580.0	365.8	8.0%
HELD-TO-MATURITY INVESTMENTS	2,227.9	1,848.7	379.2	20.5%
LOANS AND RECEIVABLES	80.0	112.5	(32.5)	-28.9%
PROPERTY AND EQUIPMENT - Net	70.4	76.6	(6.2)	-8.1%
REINSURANCE RECOVERABLE ON REPORTED LOSSES	2,288.4	2,374.5	(86.1)	-3.6%
REINSURANCE RECOVERABLE ON CLAIMS RESERVES	319.6	319.0	0.6	0.2%
DEFERRED ACQUISITION COSTS	595.5	405.1	190.4	47.0%
DEFERRED REINSURANCE PREMIUMS	454.0	331.6	122.4	36.9%
OTHER ASSETS	387.1	381.3	5.8	1.5%
TOTAL ASSETS	P14,982.5	P13,871.3	P1,111.2	8.0%
<u>LIABILITIES AND EQUITY</u>				
REINSURANCE BALANCES PAYABLE	P1,185.5	P1,154.2	P31.3	2.7%
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	110.9	90.7	20.2	22.3%
LOSSES AND CLAIMS PAYABLE	4,554.3	4,519.3	35.0	0.8%
CLAIMS RESERVES	1,997.6	1,715.5	282.1	16.4%
PREMIUM RESERVES	1,768.3	1,564.6	203.7	13.0%
DEFERRED REINSURANCE COMMISSIONS	6.3	0.5	5.8	1160.0%
TOTAL LIABILITIES	9,622.9	9,044.8	578.1	6.4%
CAPITAL STOCK	2,182.0	2,182.0	-	0.0%
TREASURY STOCK	(100.5)	(100.5)	-	0.0%
ADDITIONAL PAID-IN CAPITAL	3,019.2	3,019.2	-	0.0%
REMEASUREMENT OF DEFINED BENEFIT LIABILITY	(69.4)	(67.6)	(1.8)	-2.7%
REVALUATION RESERVES	(75.9)	(454.1)	378.2	83.3%
RETAINED EARNINGS	404.2	247.5	156.7	63.3%
TOTAL EQUITY	5,359.6	4,826.5	533.1	11.0%
TOTAL LIABILITIES AND EQUITY	P14,982.5	P13,871.3	P1,111.2	8.0%

The Company's shareholders' equity as at December 31, 2019 increased by P533.1 million or 11.0% from P4.8 billion in 2018 to P5.4 billion in 2019. The 11.0% increase resulted mainly

from the other comprehensive income brought by market value movements of our Available for Sale securities amounting to P376.4 million and the positive operating results of P156.7 million.

Cash and cash equivalents amounting to P1.0 billion was P156.9 million or 13.5% lower than the 2018 balance of P1.2 billion. The decrease in Cash and cash equivalents resulted mainly from the net cash used in operations amounting to P166.8 million, partly offset by the net cash generated from investing activities amounting to P10.7 million.

Reinsurance balances receivables amounting to P2.6 billion increased by P328.7 million or 14.4% from the 2018 balance of P2.3 billion. The increase in account is consistent with the growth of the Company's underwriting operations as discussed in the Results of Operations.

AFS financial assets amounting to P4.9 billion as at December 31, 2019 increased by P365.8 million or 8.0% from P4.6 billion as at December 31, 2018. The increase was mainly due to the market value gains from bonds amounting to P390.7 million, acquisitions amounting to P2,848.5 million in both debt and equity securities, and fair value gains on disposal amounting to P79.8 million. These were partially offset by disposal of P2,783.0 million, and foreign exchange loss of P10.6 million.

Held-to-maturity (HTM) investments amounting to P2.2 billion as at December 31, 2019 increased by P379.2 million or 20.5% from P1.8 billion as at December 31, 2018. The increase in these investments mainly resulted from the purchase of corporate bonds amounting to P722.2 million, partly offset by maturities amounting to P338.7 million.

Loans and receivables amounting to P80.0 million as at December 31, 2019 decreased by P32.5 million or 28.9% mainly due to the maturity of certain bank notes amounting to P50 million, partly negated by the increase in dividend and interest receivable by P29.3 million.

Property and Equipment - net amounting to P70.4 million as at December 31, 2019 decreased by P6.2 million or 8.1% from P76.6 million as at December 31, 2018 mostly attributed to the depreciation expense amounting P13.9 million, partly offset by capital expenditures amounting to P7.9 million.

Deferred acquisition costs amounting to P595.5 million as at December 31, 2019 increased by P190.4 million from the balance as at December 31, 2018 of P405.1 million. The increase is consistent with the increase in commissions, net as discussed under Results of operations.

Deferred reinsurance premiums amounting to P454.0 million as at December 31, 2019 increased by P122.4 million or 36.9% from P331.6 million as at December 31, 2018. The increase in Deferred reinsurance premiums is consistent with the increase in retroceded premiums in 2019 as discussed under Results of operations.

Accounts payable and accrued expenses amounting to P110.9 million as at December 31, 2019 increased by P20.2 million or 22.3% from P90.7 million as at December 31, 2018 mainly due to the increase in income tax payable.

Claims reserves amounting to P2.0 billion increased by P282.1 million or 16.4% from the balance as at December 31, 2018 of P1.7 billion. The movement is due to the growth of the Company's underwriting operations in 2019.

Premium reserves amounting to P1.8 billion increased by P203.7 million or 13.0% from the balance as at December 31, 2018 of P1.6 billion. The increase is consistent with the increase in gross written premiums in 2019.

Deferred reinsurance commissions amounting to P6.3 million increased by P5.8 million 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.

REVIEW OF 2018 VERSUS 2017

Results of Operations

In Millions PhP	For the years ended		Inc(dec)	
	31 Dec 2018	31 Dec 2017	Amount	%
REINSURANCE PREMIUM INCOME				
Reinsurance premiums, net of returns	P3,682.9	P3,205.1	P477.8	14.9%
Retroceded premiums	(1,106.7)	(841.4)	265.3	31.5%
Net written premiums	2,576.2	2,363.7	212.5	9.0%
Increase in premium reserves – net	(9.9)	(209.2)	199.3	-95.3%
	2,566.3	2,154.5	411.8	19.1%
UNDERWRITING DEDUCTIONS				
Share in reported losses – net	1,051.5	1,026.4	(25.1)	2.4%
Share in unreported loss reserves – net	588.6	308.2	(280.4)	91.0%
Commissions – net	773.3	583.3	(190.0)	32.6%
	2,413.4	1,917.9	(495.6)	25.8%
NET UNDERWRITING INCOME	152.7	236.6	(83.8)	-35.4%
Interest	224.7	192.5	32.2	16.7%
Gain on sale of AFS	131.1	120.8	10.3	8.5%
Foreign currency gain (losses)	43.2	(30.7)	73.9	-240.8%
Others	(9.5)	(27.8)	18.3	-65.8%
INVESTMENT AND OTHER INCOME AND EXPENSES– Net	389.5	254.8	134.7	52.9%
PROFIT AFTER INVESTMENT AND OTHER INCOME AND EXPENSES	542.2	491.4	50.8	10.3%
GENERAL AND ADMINISTRATIVE EXPENSES	350.3	317.4	(33.0)	10.4%
PROFIT BEFORE TAX	191.9	174.0	17.9	10.3%
TAX EXPENSE	42.7	91.0	48.4	-53.1%
NET PROFIT	P149.2	P83.0	P66.2	79.8%

The Company recorded a net profit of P149.2 million for the year ended December 31, 2018, P66.2 million or 79.8 % higher than the net profit recognized in 2017. The Net Profit resulted from generating Net Underwriting Income of P152.7 million, and Investment and Other Income and Expenses of P389.5 million negated by General and Administrative Expenses of P350.3 million and Tax Expense of P42.7 million.

Underwriting Results

Net underwriting income amounted to P152.7 million, lower by P83.8 million or 35.4% compared to 2017. Lower net underwriting income is mainly due to higher underwriting deductions by P495.6 million or 25.8% from P1.9 billion in 2017 to P2.4 billion in 2018. This is partially negated by the increase in Earned premium by P411.8 million or 19.1%. The increase in Earned premium can be mainly attributed to higher retention of premiums written in 2018 by P212.5 million or 9.0% from P2.4 billion in 2017 to P2.6 billion in 2018.

Higher premiums earned in 2018 primarily resulted from the growth in foreign business where net written premiums grew by P394 million or 33% from P1.2 billion in 2017 to P1.6 billion in 2018 as the company continued to diversify risks generated from non-life business. Net earned premiums from foreign non-life business grew by P555 million or 60% from P931 million to P1.4 billion in 2018.

Share in reported losses, net is higher by P25.1 million or 2.4% in 2018, while Share in unreported loss reserves, net is higher by 280.4 million or 91% in 2018. These increases resulted mainly from the growth in the Company's underwriting operations, exposure to large property losses in the Philippines.

Commissions, net amounted to P773.3 million or P190 million or 32.6% higher from P583.3 million in 2017, resulting mainly from higher premiums earned and from assuming contracts with higher acquisition cost.

Investment and Other income and expenses, net amounting to P389.5 million is higher by P134.7 million or 52.9% from 2017. This is mainly due to higher foreign exchange gain by P73.9 million from P30.7 foreign exchange loss in 2017 to P43.2 million foreign exchange gain in 2018, higher interest income by P32.2 million from P192.5 million in 2017 to P224.7 million in 2018 and higher gain on sale of AFS by P10.3 million from P120.8 million in 2017 to P131.1 million in 2018.

General and administrative expenses amounting to P350.3 million is higher by P33 million or 10.4% mainly due to higher manpower cost as the Company started to fill some of its vacancies and higher other tax expense.

Tax expense amounting to P42.7 million is lower by P48.4 million or 53.1% from P91 million in 2017 as the Company recognized deferred tax assets from a portion of its loss reserves.

Financial Condition

(includes explanation on material changes in the financial statements)

In Millions PhP	Audited	Audited	Inc(dec)	
	31 Dec 2018	31 Dec 2017	Amount	%
CASH AND CASH EQUIVALENTS	P1,161.9	P1,310.5	(148.6)	-11.3%
REINSURANCE BALANCES RECEIVABLE - Net	2,280.1	1,949.9	330.2	16.9%
AVAILABLE-FOR-SALE FINANCIAL ASSETS	4,580.0	5,527.1	(947.2)	-17.1%
HELD-TO-MATURITY INVESTMENTS	1,848.7	1,034.7	814.0	78.7%
LOANS AND RECEIVABLES	112.5	201.9	(89.4)	-44.3%
PROPERTY AND EQUIPMENT - Net	76.6	80.0	(3.4)	-4.3%
REINSURANCE RECOVERABLE ON REPORTED LOSSES	2,374.5	2,748.4	(373.9)	-13.6%
REINSURANCE RECOVERABLE ON CLAIMS RESERVES	319.0	500.0	(180.9)	-36.2%
DEFERRED ACQUISITION COSTS	405.1	280.9	124.2	44.2%
DEFERRED REINSURANCE PREMIUMS	331.5	202.9	128.6	63.4%
OTHER ASSETS	381.3	338.9	42.4	12.5%
TOTAL ASSETS	P13,871.3	P14,175.3	(P304.0)	-2.1%
<u>LIABILITIES AND EQUITY</u>				
REINSURANCE BALANCES PAYABLE	P1,154.2	P1,269.6	(P115.4)	-9.1%
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	90.6	75.3	15.4	20.4%
LOSSES AND CLAIMS PAYABLE	4,519.3	4,802.6	(283.3)	-5.9%
CLAIMS RESERVES	1,715.5	1,307.8	407.7	31.2%
PREMIUM RESERVES	1,564.6	1,426.1	138.5	9.7%
DEFERRED REINSURANCE COMMISSIONS	0.5	5.4	(4.9)	-90.3%
TOTAL LIABILITIES	9,044.8	8,886.9	157.9	1.8%
CAPITAL STOCK	2,182.0	2,182.0	-	0.0%
TREASURY STOCK	(100.5)	(100.5)	-	0.0%
ADDITIONAL PAID-IN CAPITAL	3,019.2	3,019.2	-	0.0%
REMEASUREMENT OF DEFINED BENEFIT LIABILITY	(67.6)	(71.5)	3.9	-5.5%
REVALUATION RESERVES	(454.1)	160.9	(615.0)	-382.2%
RETAINED EARNINGS	247.5	98.3	149.2	151.7%
TOTAL EQUITY	4,826.5	5,288.4	(461.8)	-8.7%
TOTAL LIABILITIES AND EQUITY	P13,871.3	P14,175.3	(P304.0)	-2.1%

The Company's shareholders' equity as at December 31, 2018 declined by P461.8 million or 8.7% from P5.2 billion in December 31, 2017 to P4.8 billion in 2018. The 8.7% decrease resulted mainly from the other comprehensive loss as a result of market value movements

amounting to P613.4 million, this was partially negated by positive operating results of P149.2 million.

Cash and cash equivalents amounting to P1.1 billion was P148.6 million or 11.3% lower than the 2017 balance of P1.3 billion. The decrease in Cash and cash equivalents resulted mainly from the net cash used in the Company's operating and investing activities amounting to P89.8 million and P64.1 million, respectively.

Reinsurance balances receivables amounting to P2.2 billion increased by P330.2 million or 16.9% from the 2017 balance of P1.9 billion. The increase in this account is consistent with the growth the Company's underwriting operations discussed in the Results of Operations.

AFS financial assets and Held-to-maturity (HTM) investments

Investments in AFS financial assets amounting to P4.6 billion as at December 31, 2018 decreased by P947.2 million or 17.1% from P5.5 billion as at December 31, 2017. The decrease in these investments mainly resulted from the reclassification of certain corporate bonds to HTM investments and other assets amounting to P563.3 million and decline in fair value of P492 million. The impact of the transfer and changes in fair value were partially negated by the net acquisition of new securities amounting to P141 million.

HTM Investments amounting to P1.8 billion as at December 31, 2018 increased by P814 million or 78.7% from P1.0 billion as at December 31, 2017. The increase in these investments mainly resulted from the transfer from AFS amounting to P473.1 million and additions amounting to P340 million.

Loans and receivables amounting to P112.5 million as at December 31, 2018 decreased by P89.4 million or 44.3% due to the collection and maturity of certain loans receivable.

Reinsurance recoverable on reported losses amounting to P2.4 billion as at December 31, 2018 decreased by P373.9 million from P2.7 billion as at December 31, 2017. The decline in the account balance was mainly due to the collection of these receivables and downward adjustment of the related claims.

Reinsurance recoverable on reserves amounting to P319 million as at December 31, 2018 decreased by P180.9 million from P500 million as at December 31, 2017. The decline in the account balance was mainly due to adjustment of claims reserves.

Deferred acquisition costs amounting to P405.1 million as at December 31, 2018 increased by P124.2 million from the balance as at December 31, 2017 of P280.9 million is consistent with the growth experienced in the Company's reinsurance operations.

Deferred reinsurance premiums amounting to P331.5 million as at December 31, 2018 increased by P128.6 million or 63.4% from P202.9 million as at December 31, 2017. The increase in Deferred reinsurance premiums is consistent with the increase in retroceded premiums in 2018, as a result of the shift in accounting for retrocession premiums to align with the accounting for premiums assumed.

Reinsurance balances payable amounting to P1.1 billion as at December 31, 2018 decreased by P115.4 million or 9.1% from P1.3 billion as at December 31, 2017 due to timing differences as the due dates of certain premiums are spread throughout the year.

Accounts payable and accrued expenses amounting to P90.6 million as at December 31, 2018 increased by P15.4 million or 20.4% from P75.3 million as at December 31, 2017. The increase was mainly due to increase in accounts payable due to our service providers.

Premium reserves amounting to P1.6 billion increased by P138.5 million or 9.7% from the balance as at December 31, 2017 of P1.4 billion. The increase is consistent with the increase in gross written premiums in 2018.

Losses and claims payable amounting to P4.5 billion decreased by P283.3 million or 5.9% from the balance as at December 31, 2017 of P4.8 billion due to payment and downward adjustment of the related claims.

Claims reserves amounting to P1.7 billion increased by P407.7 million or 31.2% from the balance as at December 31, 2017 of P1.3 billion. The increase is expected due to the growth in foreign non-life business where actual losses are normally reported at a later date versus contracts written locally.

REVIEW OF 2017 VERSUS 2016

Results of Operations

(includes explanation on material changes in the financial statements)

In Millions PhP	For the years ended		Inc(dec)	
	31 Dec 2017	31 Dec 2016	Amount	%
REINSURANCE PREMIUM INCOME				
Reinsurance premiums, net of returns	P3,205.1	P3,383.9	(P178.8)	-5.3%
Retroceded premiums	(841.4)	(1,690.7)	849.3	-50.2%
Net written premiums	2,363.7	1,693.2	670.5	39.6%
Increase in premium reserves – net	(209.2)	(475.9)	266.7	-56.0%
	2,154.5	1,217.3	937.2	77.0%
UNDERWRITING DEDUCTIONS				
Share in reported losses – net	1,026.4	498.0	(528.4)	106.1%
Share in unreported loss reserves – net	308.2	235.7	(72.5)	30.8%
Commissions – net	583.3	364.3	(219.0)	60.1%
	1,917.9	1,098.0	(819.9)	74.7%
NET UNDERWRITING INCOME	236.6	119.3	117.3	98.3%
Interest	192.5	196.7	(4.2)	-2.1%
Gain on sale of AFS	120.8	25.6	95.2	371.9%
Foreign currency gain (losses)	(30.7)	21.3	(52.0)	-244.3%
Others	(27.8)	38.0	(65.8)	-173.2%
INVESTMENT AND OTHER INCOME AND EXPENSES– Net	254.8	281.6	(26.8)	-9.5%
PROFIT AFTER INVESTMENT AND OTHER INCOME AND EXPENSES	491.4	400.9	90.5	22.6%
GENERAL AND ADMINISTRATIVE EXPENSES	317.4	322.9	5.5	-1.7%
PROFIT BEFORE TAX	174.0	78.0	96.0	123.2%
TAX EXPENSE	91.0	50.7	(40.3)	79.5%
NET PROFIT	P83.0	P27.3	P55.7	204.7%

The Company recorded a net profit of P83 million for the year ended December 31, 2017, P55.7 million or 204.7% higher than the net profit recognized in 2016. The Net Profit resulted from generating Net Underwriting Income of P236.6 million, and Investment and Other Income and Expenses, net of P254.8 million which was negated by General and Administrative Expenses of P317.4 million and Tax Expense of P91.0 million.

Underwriting Results

Net underwriting income amounted to P236.6 million, higher by P117.3 million or 98.3% compared to 2016. The improvement in the Net underwriting income mainly resulted from higher Earned premium recognized in 2017 by P937.2 million or 77% from P1.2 billion in 2016 to P2.1 billion in 2017. The increase in Earned premium can be mainly attributed to higher retention of premiums written in 2017 by P670.5 million or 39.6% from P1.7 billion in 2016 to P2.4 billion in 2017. This was partially negated by higher Share in reported losses, net by P528.4 million, share in unreported loss reserves, net by P72.5 million and Commissions, net by P219.0 million from P498 million, P235.7 million and P364.3 million to P1 billion, P308.2 million and P583.3 million, respectively.

Higher retention of premiums was due mainly to the Company's decision to write more foreign non-life business and domestic life business to further diversify its portfolio in line with its underwriting strategy. Net premiums from foreign non-life business grew by P485.9 or 68.9%, from P0.7 billion to P1.2 billion while net premiums from domestic life business grew by P153.2 million or 45.8% from P334.4 million to P487.6 million.

Higher Share in reported losses and unreported loss reserves, net by P528.4 million or 106.1%, P72.5 million or 30.8% respectively, resulted mainly from the growth in the Company's underwriting operations and exposure to large losses in both domestic and foreign non-life businesses such as certain hurricane losses experienced in North America and large fire losses in the Philippines.

Commissions, net is P219.0 million or 60.1% higher from P364.3 million in 2017 to P583.3 million in 2018 mainly due to higher acquisition costs incurred on certain domestic and foreign contracts.

Investment and Other income and expenses amounting to P254.8 million resulted mainly from generating interest income of P192.5 million and dividend income of P55.9 million. Compared to 2016, Investment and Other income and expenses was lower by P26.8 million or 9.5% as the Company recognized an impairment loss on certain available-for-sale (AFS) financial assets amounting to P64.9 million and foreign currency loss of P30.7 million.

General and administrative expenses amounting to P317.4 million is generally aligned with the 2016 balance amounting to P322.9 million.

Tax expense amounting to P91.0 million is higher by P40.3 million or 79.5% from P50.7 million in 2016. Higher income tax expense recognized in 2017 resulted mainly from the growth in the Company's underwriting operations.

Financial Condition

(includes explanation on material changes in the financial statements)

In Millions PhP	Audited	Audited	Inc(dec)	
	31 Dec 2017	31 Dec 2016	Amount	%
CASH AND CASH EQUIVALENTS	P1,310.5	P920.4	P390.1	42.4%
REINSURANCE BALANCES RECEIVABLE - Net	1,949.9	1,445.9	504.0	34.9%
AVAILABLE-FOR-SALE FINANCIAL ASSETS	5,527.1	5,857.6	(330.5)	-5.6%
HELD-TO-MATURITY INVESTMENTS	1,034.7	-	1,034.7	-
LOANS AND RECEIVABLES	201.9	464.9	(263.0)	56.6%
PROPERTY AND EQUIPMENT - Net	80.0	66.0	14.0	21.3%
REINSURANCE RECOVERABLE ON REPORTED LOSSES	2,748.4	3,601.3	(852.9)	23.7%
REINSURANCE RECOVERABLE ON CLAIMS RESERVES	500.0	497.4	2.6	0.5%
DEFERRED ACQUISITION COSTS	280.9	258.6	22.3	8.6%
DEFERRED REINSURANCE PREMIUMS	202.9	394.8	(191.9)	48.6%
OTHER ASSETS	338.9	567.1	(228.2)	40.2%
TOTAL ASSETS	P14,175.2	P14,074.0	P101.2	0.7%
<u>LIABILITIES AND EQUITY</u>				
REINSURANCE BALANCES PAYABLE	P1,269.6	P1,086.9	P182.7	16.8%
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	75.3	128.8	(53.5)	41.5%
LOSSES AND CLAIMS PAYABLE	4,802.6	5,556.8	(754.2)	13.6%
CLAIMS RESERVES	1,307.8	997.1	310.7	31.2%
PREMIUM RESERVES	1,426.1	1,408.8	17.3	1.2%
DEFERRED REINSURANCE COMMISSIONS	5.4	41.2	(35.8)	86.8%
TOTAL LIABILITIES	8,886.8	9,219.6	(332.8)	-3.6%
CAPITAL STOCK	2,182.0	2,182.0	-	0.0%
TREASURY STOCK	(100.5)	(100.5)	-	0.0%
ADDITIONAL PAID-IN CAPITAL	3,019.2	3,019.2	-	0.0%
REMEASUREMENT OF DEFINED BENEFIT LIABILITY	(71.5)	(75.1)	3.6	-4.8%
REVALUATION RESERVES	160.9	(186.4)	347.3	-186.3%
RETAINED EARNINGS	98.3	15.3	83.0	541.6%
TOTAL EQUITY	5,288.4	4,854.4	433.9	8.9%
TOTAL LIABILITIES AND EQUITY	P14,175.3	P14,074.0	P101.2	0.7%

The company's shareholders' equity as at December 31, 2017 increased by P433.9 million or 8.9% from P4.8 billion in December 31, 2016 to P5.3 billion in 2017. The 8.9% increase resulted mainly from the other comprehensive income as a result of market value movements amounting to P351.1 million and partially negated by positive operating results of P83 million.

Cash and cash equivalents amounting to P1.3 billion was P390.1 million or 42.4% higher than the 2016 balance of P920.4 million. The increase in Cash and cash equivalents resulted mainly from the increase in cash equivalents used in the Company's investing activities which increased by P143.7 million or 17.1% from P838.3 million in 2016 to P982.0 million in 2017.

Reinsurance balances receivables amounting to P1.9 billion increased by P504.0 million or 34.9% from the 2016 balance of P1.4 billion. The increase in this account is consistent with the growth the Company's underwriting operations discussed in the Results of Operations.

AFS financial assets and Held-to-maturity (HTM) investments

Investments in AFS financial assets amounting to P5.5 billion as at December 31, 2017 decreased by P330.5 million or 5.6% from P5.9 billion as at December 31, 2016. The decrease in these investments mainly resulted from the reclassification of certain corporate bonds amounting to P1.0 billion to HTM investments. The impact of the transfer was partially negated by the increase in market value of AFS financial assets amounting to P407.0 million and net acquisition of new securities amounting to P482.1 million.

Loans and receivables amounting to P201.9 million as at December 31, 2017 decreased by P263.0 million or 56.6% due to the collection and maturity of certain loans receivable and long term notes receivable.

Reinsurance recoverable on reported losses amounting to P2.7 billion as at December 31, 2017 decreased by P852.9 million or 23.7% from P3.6 billion as at December 31, 2016. The decline in the account balance is consistent with the decline in Losses and claims payable due to settlement and favorable development.

Deferred reinsurance premiums amounting to P202.9 million as at December 31, 2017 decreased by P191.9 million from P394.8 million as at December 31, 2016. The decline in Deferred reinsurance premiums is consistent with the decline in retroceded premiums following the Company's decision to retain most of the premiums written in 2017.

Reinsurance balances payable amounting to P1,269.6 million as at December 31, 2017 decreased by P182.7 million or 16.8% from P1,086.9 million as at December 31, 2016. The balance pertains to premiums due to the Company's retrocessionaires and final settlement of claims due to the Company's cedants. The increase in the balance is mainly due to timing differences as the due dates of certain premiums are spread throughout the year.

Accounts payable and accrued expenses amounting to P75.3 million as at December 31, 2017 decreased by P53.5 million or 41.5% from P128.8 million as at December 31, 2016. The decrease in the account was mainly due to the absence of non-recurring provisions and lower Deferred output value-added-tax (VAT) as at balance sheet date.

Losses and claims payable amounting to P4.8 billion decreased by P754.2 million or 13.6% from the balance as at December 31, 2016 of P5.5 billion mainly due to settlement and favorable development of the related claims.

Claims reserves amounting to P1.3 billion increased by P310.7 million or 31.2% from the balance as at December 31, 2016 of P997.1 million mainly due to large losses in both domestic and foreign non-life businesses such as certain hurricane losses experienced in North America and large fire losses in the Philippines.

KEY PERFORMANCE INDICATORS

	2019	2018	2017
Net Profit (Loss)	P157 million	P149 million	P83 million
Earnings per share	P0.074	P0.070	P0.039
Retention ratio	75%	70%	74%
Combined ratio	104%	108%	104%
Return on average equity	3.08%	3.00%	1.60%

The company's key performance ratios for the last three years are described hereunder:

Net Profit (Loss) – The Company's net income increased to P157 million in 2019 from P149 million in 2018 and P83 million in 2017.

Earnings per share (EPS) - EPS is computed by dividing net profit by the weighted average number of shares issued and outstanding. The company's EPS was P0.074, P0.070 and P0.039 for the years ended December 31, 2019, 2018 and 2017, respectively.

Retention ratio - indicates the total amount of business risk retained by the company, computed by dividing reinsurance premiums retained by reinsurance premiums (Gross Premiums Written or GPW). Retention ratio in 2019 is 75%, higher than retention ratio of 70% in 2018 and 74% in 2017.

Combined ratio- a measure of performance used by the Company as this measures profitability of its insurance operations. A ratio below 100% indicates that the company is making underwriting profit while a ratio above 100% means that it is paying more claims and expenses than it should be receiving from premiums. Combined ratio is the sum of loss ratio, commission ratio and expense ratio. The combined ratio for the subject three years was 104% in 2019, 108% in 2018, 104% in 2017.

Return on average equity (ROE) - measures the rate of return on the ownership interest (shareholders' equity) of the common stock owners, computed by dividing net income by average equity. ROE for the last three years were 3.08%, 3.00%, 1.60% for 2019, 2018 and 2017 respectively.

FINANCIAL SOUNDNESS INDICATORS*

	2019	2018	2017
Current Ratio	3.56	3.02	2.15
Asset to Equity Ratio	2.80	2.87	2.68
Total Liabilities/Equity	1.80	1.87	1.68

Material Event/s and Uncertainties:

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

- a. Any known trends, demands, commitments, events or uncertainties that will have a material impact on its liquidity.
- b. Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

- c. 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.
- d. Any material commitments for capital expenditures.
- e. 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.
- f. Any significant elements of income or loss that did not arise from the issuer's continuing operations.
- g. Any seasonal aspects that had a material effect on the financial condition or results of operations.

ITEM 7. FINANCIAL STATEMENTS

Please refer to the attached Audited Financial Statements for 2019, audited by the accounting firm of Punongbayan & Araullo, and signed by partner Mr. Anthony L. Ng.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Punongbayan & Araullo has served as the independent auditor of the Company's financial statements since 2003. The Company has not had any material disagreements on accounting or financial disclosure matters with Punongbayan & Araullo

External Audit Fees

The following are the aggregate fees (in Philippine Pesos) billed for each of the last three fiscal years for professional services rendered by Punongbayan & Araullo:

	2019	2018	2017
Audit and audit-related fees	P1,481,200	P1,481,200	P2,464,000
Other assurance and related services	56,000	56,000	56,000
Total	P1,537,200	P1,537,200	P2,520,000

The Audit Committee reviewed the external auditor's engagement letter covering their scope of work and the reasonableness of the related professional fee. The Audit Committee recommended for approval of the Board the appointment of the external audit service provider for the subject audit year. The Board approved the appointment subject to ratification by the stockholders during the Company's annual stockholders meeting.

PART III – CONTROL AND COMPENSATION INFORMATION

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

1. Directors, Including Independent Directors, and Executive Officers

The Company's Articles of Incorporation provide for a 13-seat Board of Directors. Following is the list of the incumbent members of the Board:

Name	Position	Age	Citizenship
Wilfredo C. Maldia	Chairman	71	Filipino
Yvonne S. Yuchengco	Vice Chairman of the Board	66	Filipino
Allan R. Santos	President and Chief Executive Officer	53	Filipino
Joli Co Wu	Treasurer	53	Filipino
Ma. Consuelo A. Lukban	Director	55	Filipino
Reginaldo Antony B. Cariaso	Director	52	Filipino
Jocelyn DG Cabreza	Director	63	Filipino
Nora M. Malubay	Director	61	Filipino
Rafael G. Ayuste, Jr.	Director	56	Filipino
Antonio M. Rubin	Director	69	Filipino
Rex Maria A. Mendoza	Independent Director	57	Filipino
Ermilando D. Napa	Independent Director	70	Filipino
Medel T. Nera	Independent Director	64	Filipino

Following is the list of the Corporation's key executive officers as of the date of this report:

Name	Position	Age	Citizenship
Allan R. Santos	President and Chief Executive Officer	53	Filipino
Noel A. Laman	Corporate Secretary	80	Filipino
Ma. Pilar M. Pilaes-Gutierrez	Assistant Corporate Secretary	43	Filipino
Alexander L. Reyes	Senior Vice President and Head, Non-Life Reinsurance	59	Filipino
Victor R. Tanjuakio	First Vice President and Head, Life Reinsurance	53	Filipino
Daisy C. Salonga	Vice President and Head, Investments	53	Filipino
Regina S. Ramos	Vice President and Head, Risk & Compliance	57	Filipino
Regina Lourdes D. Papa	Senior Assistant Vice President, Human Resources and Office Services	52	Filipino
Santino U. Sontillano	Senior Assistant Vice President, Head of Finance	43	Filipino

Term of Office

The term of office of the Directors and executive officers is one (1) year from their election as such until their successors are duly elected and qualified.

Business experience of the Directors and Officers during the past five (5) years/ Other directorships held in reporting companies naming each company

Wilfredo C. Maldia, Filipino, Chairman of the Board since June 2019, Director of the Corporation since December 2017.

Mr. Maldia has been a member of the Government Service Insurance System (GSIS) Board of Trustees since December 2016. He sits as an independent director in the Board of the First Valley Development Bank and as member of the Board of ROTECO, Yamang Lupa't Dagat Corporation, and CEAM Corporation. Prior to his appointment to the GSIS Board, he served as senior adviser to the Ropali Group of Companies, and as director of the Farmers Savings & Loan Bank, Inc. and Banco Alabang Inc. (A Rural Bank). He also worked as a consultant to the Asian Development Bank as financial & organizations specialist for Agricultural Development Bank of Nepal, Agricultural Credit Specialist for Bangladesh Krishi Bank, and as rural credit specialist of the Estanislao Lavin & Associates. He was likewise the financial specialist/expert of the Urban Integrated Consultants, Incorporated and Livestock Development Program Office (LDPO) & the Kilusang Kabuhayan at Kaunlaran (KKK). He also worked as Farm Manager at Universal Robina Corporation, a private company engaged in food manufacturing business. Mr. Maldia has also worked in the government sector for about 40 years, of which, 36 years were spent at the Land Bank of the Philippines (LANDBANK). He started his career at LANDBANK as a senior project analyst in 1976 (for 3 years), after a short stint working as an agronomist and researcher in the Bureau of Plant Industry and Bureau of Agricultural Economics, respectively, from 1971 to 1974. With his passion to work, he consistently rose from the ranks. In 2007, he became the Executive Vice President and head of the LANDBANK's Agrarian and Domestic Banking Sector (ADBS) covering the agrarian, banking and lending operations until his retirement in 2012. With his leadership, Mr. Maldia has developed and introduced various innovative lending programs in the field of agriculture and finance. As ADBS head, he also chaired various committees, namely: Domestic Banking Loans Committee, Branch Operations Committee, Official Development Assistance Bids and Awards Committee, ADBS Sectoral Committee. He was likewise a member of the Board of LANDBANK subsidiaries (i.e., Masaganang Sakahan Incorporated and LANDBANK Insurance Brokerage Inc), and member of the Governing Board of the Agricultural Guarantee Fund Pool. In 2008, he was recognized as one of the most distinguished alumni of the University of the Philippines – Los Baños. Mr. Maldia graduated with a Bachelor of Science degree in Agriculture, major in Agricultural Economics from the University of the Philippines Los Baños, Laguna in 1969. In 1979, he also completed his Bachelor's degree in Commerce major in Accounting from the Polytechnic University of the Philippines, and immediately obtained his license as a Certified Public Accountant (CPA). He earned his Master's degree in Business Administration from the Philippine Christian University in 1984.

Yvonne S. Yuchengco, Filipino, Vice Chairperson since June 2019, Director of the Corporation since June 2006.

Ms. Yuchengco is the President and Director of Malayan Insurance Company, Inc. and MICO Equities, Inc. since 1995, Alto Pacific Corporation, and Philippine Integrated Advertising Agency, Inc. She is currently the Chairperson and Director of the RCBC Capital Corporation; Chairperson and President of Yuchengco Tower Office Condominium Corporation, Y Tower II Office Condominium Owners Asso. Inc. and Malayan Securities Corp; Chairperson of First Nationwide Assurance Corporation and XYZ Assets Corporation; Advisory Board Member of Rizal Commercial Banking Corporation; Director, Vice President and Treasurer of Pan Managers, Inc.; Treasurer and Director of Pan Malayan Management & Investment Corporation, Honda Cars Kalookan, Inc, Mona Lisa Development Corp., Malayan High School of Science, Inc. and Petroenergy Resources Corporation; Director of Pan Malayan Realty

Corporation, Malayan Insurance (H.K), Malayan International Insurance Corporation, Manila Memorial Park, Inc., La Funeraria Paz Sucat Inc., iPeople Inc., Seafront Resources Corporation, House of Investments, Inc., HYDee Management and Resource Corporation, Malayan Colleges, Inc. (operating under the name Mapua Institute of Technology, Luisita Industrial Park Corporation, Malayan Colleges Laguna, Inc., Asia-Pac Reinsurance Co., Ltd., AY Holdings, Inc., Pan Malayan Express, Inc., Pan Pacific Computer, Inc., Shayamala Corporation, and YGC Corporate Services, Inc.; Trustee of AY Foundation, and Philippine Asia Assistance Foundation, Inc.; Trustee and Chairperson of the Malayan Plaza Condominium Owners Asso., Inc.; Trustee and Vice Chairperson of Yuchengco Museum, Inc.; and Assistant Treasurer of Enrique T. Yuchengco Inc. She was also formerly President of the PIA/Phil-Asia Assistance Foundation, Inc. She graduated with a Bachelor of Arts degree from Ateneo de Manila University in 1977 and took up further studies in UAP under SBEP program.

Allan R. Santos, Filipino, Director, President and Chief Executive Officer from August 2018.

Mr. Allan R. Santos, President and Chief Executive Officer, has 25+ years of experience in local and international insurance/reinsurance markets in the US, Asia and Europe. Prior to his current role, he was Nat Re's Chief Operating Officer, overseeing Finance, Investments, Data and Analytics, HR, and Technology. He has held various leadership positions in several companies including Chief Operating Officer for the Affiliate Companies of Philam Life, Regional Chief Financial Officer for Europe at Cigna, Global Head of Product Development at Cigna, and Chief Actuary for Asia at Allied World Assurance Company. He is also the current Chairman of the Philippine Insurers and Reinsurers Association (PIRA), and Chairman of the ASEAN Reinsurance Working Committee.

Mr. Santos holds a Master's Degree in Applied Math and Bachelor of Science in Math both from the University of the Philippines. He is a Fellow of both the Actuarial Society of Philippines and the Society of Actuaries (US), and is a Member of the American Academy of Actuaries.

Joli Co Wu, Filipino, Treasurer from January 2017, Director of the Corporation from 2013-2014 and since July 2015.

Ms. Joli Co Wu is currently the Chief Underwriting Officer of Paramount Life & General Insurance Corporation. Prior to this, she was the President and CEO of QBE Seaboard Insurance Philippines, Inc. until the acquisition of QSIP by Paramount. She started her insurance career with Seaboard Eastern Insurance and eventually lead the company as its President/CEO until March 2014. She has extensive experience in various Insurance lines as an underwriter as well as in Insurance Operations. Throughout her career, she has attended various management, insurance and reinsurance courses, both local and international. She is currently a Trustee of the Philippine Insurance and Reinsurance Association as well as the Insurance Institute for Asia and the Pacific. Ms. Wu attended the Immaculate Concepcion Academy for her primary and secondary education and graduated with a degree in Bachelor of Arts, Major in Financial Management from the Catholic University of America, Washington DC.

Ma. Consuelo A. Lukban, Filipino, Director of the Corporation since October 2018.

Ms. Lukban is the Head of the Strategic and Corporate Planning Department of Bank of the Philippine Islands (BPI). She is primarily responsible for financial planning and capital management, investor relations and enterprise development projects. She has over 30 years of banking experience, taking on various senior roles within BPI in its asset management and trust business, insurance business, corporate banking marketing and deposit product management. Ms. Lukban completed her MBA at the University of Chicago in 1992 and BS Management Engineering in 1986 at the Ateneo de Manila University.

Reginaldo Anthony B. Cariaso, Filipino. Director of the Corporation since June 2019.

Mr. Cariaso is Head of Strategy, Products and Support under Corporate Banking Group of the Bank of the Philippine Islands (BPI). He is also Chairman of BPI Securities, the brokerage arm of BPI. Mr. Cariaso joined BPI Capital, the investment banking subsidiary of BPI in 2013 and served as its President from January 2018 to April 2019. Prior to joining BPI Capital, Mr. Cariaso worked in investment banking for JP Morgan and Nomura International based in Hong Kong covering Asia ex- Japan. He has over 20 years of investment banking and extensive experience originating advisory and capital markets transactions, in a variety of industries, including financial institutions, across Asia and the Philippines. While at BPI Capital, Mr. Cariaso led a number of landmark transactions in the Philippines including some of the largest debt capital markets deals, innovative project and structured financing, complex advisory assignments, and brought some of the most familiar names to the public equity markets.

Mr. Cariaso was a Lieutenant in the United States Navy and received a B.A. degree from the University of Pennsylvania.

Antonio M. Rubin, Filipino, Director of the Corporation since January 2018.

Prior to his retirement, Mr. Rubin was the Executive Vice President of Malayan Insurance Company, Chairman of the Board of Directors of Bankers Assurance Corporation (BAC), and President of the First Nationwide Assurance Corporation (FNAC). Mr. Rubin is a seasoned underwriter in the insurance industry, having been in the practice of insurance for more than twenty-five years. Mr. Rubin headed various divisions in Malayan Insurance, namely: the Risk Analysis Department, the Fire and Motor Car Underwriting Divisions, the Sales Division, and finally, the entire Underwriting Division. He was also the Chairman of the Board of Directors of the Philippine Insurance Rating Association (PIRA) and Philippine Machinery Management Services Corporation (MacPool), and Head of Risk Management Group of the National Steel Corporation.

His expertise in the industry was further solidified and reinforced by the various specialized seminars, conventions and trainings he attended locally and abroad. Mr. Rubin went to Mindanao State University in 1974 for his degree in Bachelor of Science in Mechanical Engineering and Ateneo De Manila University for his MBA.

Jocelyn De Guzman Cabreza, Filipino, Director of the Corporation since December 2016.

Ms. Cabreza is a member of the Board of Trustees of the Government Service Insurance System (GSIS) and chairs its Audit Committee. She is also a member of GSIS Board's Risk Oversight Committee, Corporate Governance Committee, Legal Oversight Committee and GSIS Provident Fund Committee of Trustees. She is also a director of Banco Laguna, Inc. Ms. Cabreza was a former Executive Vice President of Land Bank of the Philippines, Director of Land Bank Resources Development Corp and Land Bank Countryside Development Foundation. She is a certified public accountant, a master's degree holder and a seasoned banker with 37 years of extensive experience in different areas of banking and finance, internal audit and operations and strategic policy formulation and implementation.

Nora M. Malubay, Filipino, Director of the Corporation from 2016-2017 and since January 2019.

Atty. Nora M. Malubay graduated from the Pamantasan ng Lungsod ng Maynila with Bachelor of Science in Business Administration major in Accountancy, Magna cum laude in 1979. She passed the CPA board examination on that same year. In 1979, she worked as Staff Auditor at

Sycip, Gorres, Velayo & Co. Believing that it is time for her to step up and make a difference, she chose to serve in public office and entered Government Service Insurance System (GSIS) in 1981. She finished her Bachelor of Laws at San Beda College in 1995 and passed the Bar Examination in September of same Year.

Rose from the ranks, she has been assigned to different Departments of GSIS from Internal Auditor I to Senior Vice President of National Capital Region (NCR) Operations Group. In 2016, she was appointed by the GSIS Board of Trustees as the Officer-in-Charge President and General Manager of GSIS, until the President of the Philippines appointed a new PGM in November 2017. Currently she is the Executive Vice President for Core Business Sector which covers the operations for Social Insurance, Housing, and General Insurance.

Rafael G. Ayuste, Jr., Filipino, Director of the Corporation since June 2012.

Mr. Rafael G. Ayuste, Jr. is a Senior Vice President (Wealth Advisory and Trust Group) of BDO Private Bank, Inc. Prior to this, he was First Senior Vice President and Head of the Trust Banking Group of Philippine National Bank from 2009-2013; Vice President and Head of Retail Branch Business, Citibank Savings of Citibank N.A. Philippines from August 2008 to November 2009; Senior Vice President/Deputy Group Head of Trust banking of the Metropolitan Bank and Trust Company through merger with Global Business Bank from 2000 to 2008; Vice President/Head- Securities Distribution of the Banco Santander Philippines, Inc. from 1999 to 2000; Vice President/Head- Trust Division, Security Bank Corporation from 1996 to 1999; Assistant Vice President and Head of Peso and Dollar Trading Desks of Citibank, N.A., Citibank Global Asset Management (CGAM) from 1989 to 1996. Concurrently, he is the President and Director of the Trust Officers Association of the Philippines (TOAP) and former Director from 2003 to 2006 where he was elected President in 2005. He has attended various seminars such as Risk Management, Citibank Phils., 1995; Financial Risk Management, Pi Eta Singapore, 2004; Risk Management, BNP Paribas, 2006; Corporate Governance, Bankers Association of the Philippines (BAP), 2007. He obtained his Bachelor of Science degree major in Business Administration from the University of Sto. Tomas in 1986.

Ermilando D. Napa, Filipino, Independent Director since June 2011.

Mr. Napa is the Founding CEO of Manila Consulting & Management Co., Inc., and Catanauan Resources and Development Corporation. Currently, Mr. Napa is an Independent Director at the National Reinsurance Corporation of the Philippines (Nat Re) and House of Investments Inc. (HOI). He is the Chairman of the Audit Committee of Nat Re and Chairman of the Risk Oversight Committee of HOI as well as the Chairman of the Interim Governance Board of the National Life Insurance Company of the Philippines (NLIC). He is also the Chairman of the Court Appointed Board of Liquidators of Capitol Hills Golf and Country Club Inc. His previous professional experience includes being a President and CEO, and Vice Chairman of the Board of Trade and Investment Development Corporation aka Philippine Export – Import Credit Agency, Partner of SyCip Gorres & Velayo Company (Philippines), a Principal of Kassim Chan & Company in Kuala Lumpur, Malaysia (a former member firm of SGV Group and Deloitte Haskins & Sells International), and a Manager of Arthur Andersen in New York. In 2013, he was appointed as Conservator of the National Life Insurance Company (NLIC) and spearheaded its rehabilitation. Mr. Napa has attended special trainings and various courses such as Strategic Management and IMPACT Productivity Improvement in Chicago and Corporate Finance in New York and various corporate governance courses. He holds a bachelor's degree in Business Management from Aquinas University (1970) and a master's degree in Management from the Asian Institute of Management (1980).

Medel T. Nera, Filipino, Independent Director since July 2011.

Independent Director of the Corporation since July 2011. Mr. Medel T. Nera is a Director of House of Investments, Inc., iPeople inc., EEI Corp., Seafront Resources Corp and the Generika Group. Mr. Nera is currently Chairman of Greyhounds Security & Investigation Agency Corp and Namit Kag Sulit Corp. His past experiences include: President & CEO of

House of Investments, Inc.; Director and President of RCBC Realty Corp.; Director and Chairman of the Risk Oversight Committee and Member of the Audit Committee of the Rizal Commercial Banking Corp.; Director and Treasurer of CRIBS Foundation, Inc., and Senior Partner at Sycip Gorres Velayo & Co where he served as Financial Services Practice Head. Mr. Nera obtained his Master of Business Administration degree from the Stern School of Business, New York University, USA and Bachelor of Science in Commerce from the Far Eastern University, Philippines, International Management Program from the Manchester Business School, UK, Pacific Rim Bankers Program from the University of Washington, USA.

Rex Maria A. Mendoza, Filipino, Independent Director since June 2019.

Mr. Rex Mendoza is the President & CEO of Rampver Financials, a dynamic niche player in financial services specializing in investments, and the biggest distributor of mutual funds in the Philippines. He sits as an independent director of publicly-listed Globe Telecom and Ayala Land Logistics Holdings Corp. Mr Medoza's directorships also include Esquire Financing, Inc., the Cullinan Group, TechnoMarine Philippines, Seven Tall Trees Events Company, Inc., and Mobile Group, Inc. Rex is also a member of Bro. Bo Sanchez' Mastermind Group, and is cited by many as one of the best leadership and business speakers in the country. He is the author of the books, Traiblazing Success and Firing on all Cylinders, a certified national bestseller. Rex served as the President & CEO of Philam Life, one of the country's most trusted financial services conglomerates and was Chairman of its affiliates and subsidiaries. He was also Senior Adviser to the Chief Executive Officer of the AIA Group. Prior to this, he was previously Senior Vice President and Chief Marketing and Sales Officer of Ayala Land, Inc. He was also Chairman of Ayala Land International Sales, Inc., President of Ayala Land Sales, Inc., and Avida Sales Corporation.

He has a Master's Degree in Business Management with distinction from the Asian Institute of Management. He was one of the 10 Outstanding Graduates of his batch at the University of the Philippines where he obtained a BSBA degree with a double major in marketing and finance. Rex was awarded Most Distinguished Alumnus of the UP Cesar Virata School of Business. He is also a Fellow with Distinction at the Life Management Institute of Atlanta, Georgia, USA, a Registered Financial Planner (RFP) and a four-time member of the Million Dollar Round Table (MDRT). Rex was a professor of Marketing and Computational Finance at the De La Salle University Graduate School of Business. He taught strategic marketing, services marketing and services strategy. He has served as Chairman of the Marketing Department and was awarded as one of the University's most outstanding professors.

Noel A. Laman, Filipino, Corporate Secretary since June 2007.

Atty. Noel A. Laman is a founder and a Senior Partner of Castillo Laman Tan Pantaleon & San Jose Law Offices. He serves as Corporate Secretary of Boehringer Ingelheim (Phils.), Inc., Merck Inc. and Eli Lilly (Phils.), Inc. He also serves as Corporate Secretary of DMCI Holdings, Inc. and its various subsidiaries. He obtained his Bachelor of Jurisprudence and Bachelor of Laws degrees from the University of the Philippines College of Law. He obtained a Master of Laws degree in 1963 from the University of Michigan Law School as a De Witt scholar. His law practice concentrates on corporation and general business law, foreign investments, mergers and acquisitions and intellectual property law. He is an active member of the Intellectual Property Association of the Philippines, the Intellectual Property Foundation, and the Philippine Bar Association. Atty. Laman is the recipient of a number of awards, plaques, citations, and certificates of appreciation as invited speaker, resource person and conference chairman of various law and business symposia. He is the firm representative to the SGC Legal, an international association of law firms and to the German Philippines Chamber of Commerce (Makati City).

Ma. Pilar M. Pilares-Gutierrez, Filipino, Assistant Corporate Secretary since December 2002.

She is presently a Senior Partner at Castillo Laman Tan Pantaleon & San Jose Law Offices. She obtained her Bachelor of Science degree major in Legal Management from the Ateneo de Manila University in 1997 and her Bachelor of Laws Degree from the University of the Philippines, College of Law in 2001. She is the Assistant Corporate Secretary of DMCI Holdings, Inc. and its various subsidiaries. She holds the position of Corporate Secretary/Assistant Corporate Secretary in several other Philippine corporations.

Alexander L. Reyes, Filipino, Senior Vice President & Head, Non-Life Reinsurance.

Mr. Reyes joined the Company in October 2014 as Senior Vice President and Head of Claims. Prior to this, Mr. Reyes held various senior management positions covering Marketing, Sales, Underwriting and Claims operations in leading non-life insurance direct-writing Companies in the Philippines. He graduated from the University of the Philippines, Diliman with a B.S. in Business Administration degree in 1982.

Victor R. Tanjuakio, Filipino, First Vice-President & Head, Life Reinsurance.

Mr. Victor Tanjuakio joined the Company in September 2014 as Head of Life Reinsurance. Prior to this, Mr. Tanjuakio was Head of Corporate Solutions of Philippine AXA Life. He is an actuary by profession and was Chief Actuary of various companies including Maxicare Healthcare Corporation, Asian Life and General Assurance, and Great Pacific Life (now Sunlife Grepa). He is a Fellow of the Actuarial Society of the Philippines and has served as member of its Board of Governors many times. He also chaired the Technical Committee of the Philippine Life Insurance Association in 2002-2004. He earned his B.S. Mathematics degree from Ateneo de Manila University in 1988.

Daisy C. Salonga, Filipino, Vice President & Head, Investments.

Ms. Daisy Salonga joined the Company in July 2011 as Head of Investments. She held various executive positions in treasury covering foreign exchange, fixed income, sales and market studies in leading financial institutions like Citibank N.A. Manila, Credit Agricole Indosuez Offshore Bank Manila, China Banking Corporation, and Greenwich Associates. She was nominated as one of the Most Astute Investors in the Philippine Peso Bonds by The Asset Benchmark Research for three consecutive years from 2012 to 2014. She earned her degree in Bachelor of Science in Commerce, major in Business Management from De La Salle University.

Regina S. Ramos, Filipino, Vice President and Head, Risk and Compliance.

Ms Regina Ramos, Vice President and Head of Risk and Compliance, is a Certified Public Accountant and a Certified Internal Auditor. Prior to joining Nat Re in July 2000, Ms. Ramos held positions in various capacities in Accounting, Finance and Operations in a non-life direct insurer. She was also with the SyCip, Gorres, Velayo & Co., CPAs (SGV), the largest professional services firm in the Philippines. She obtained her degree in Bachelor of Science in Commerce, major in Accounting from St. Paul College Manila.

Santino U. Sontillano, Senior Assistant Vice President and Head of Finance, Filipino.

Mr. Santino Sontillano is a Certified Public Accountant. Prior to joining Nat Re in January 2016 as Head of Internal Audit, Mr. Sontillano worked with various big 4 auditing firms in the Philippines, Singapore and Bermuda. He obtained his degree in Bachelor of Science in Accountancy from Ateneo de Zamboanga.

Regina Lourdes D. Papa, Head of Human Resources and Office Services, Filipino

Ms. Regina Lourdes D. Papa joined the Company in February 2011 as Head of Human Resources and assumed additional function as Office Services Head in 2018. She has over twenty-five years of experience in Human Resources Talent Acquisition, Learning and Development, Compensation Planning and Administration, Performance Management and Employee Relations. Prior to her current role in Nat Re, she served as Treasurer and Managing Director of Integral Consultants, Inc., spearheading business planning and overseeing the company's career management group operations. She also designed and conducted Management and soft skills training programs as a Human Resources Management Consultant. As an Assistant Vice President at Mapfre Asian Insurance Corporation, she was responsible for formally setting up the company's Human Resources Management Department as well as providing strategic advice on organization development initiatives.

Directorships in Other Listed Companies

Yvonne S. Yuchengco	iPeople Inc. Seafront Resources Corporation, House of Investments, Inc. Petro Energy Resources Corporation
Ermilando D. Napa	House of Investments, Inc.
Medel T. Nera	House of Investments, Inc iPeople, Inc. EEI Corporation Seafront Resources Corporation

2. Significant Employees

Although the Corporation has and will likely continue to rely significantly on the continued individual and collective contributions of its senior management team, the Corporation is not dependent on the services of any particular employee. It does not have any special arrangements to ensure that any employee will remain with the Corporation and will not compete with the Company upon termination.

3. Family Relationships

There is no family relationship up to the fourth civil degree, either by consanguinity or affinity, among directors, executive officers, or nominees for election as directors.

4. Involvement in Certain Legal Proceedings

To the best of the Corporation's knowledge, there has been no occurrence during the past 5 years up to the present date of this report of any of the following events that are material to an evaluation of the ability and integrity of any director, any nominee for election as director, executive officer, or controlling person of the Corporation:

- Any bankruptcy petition filed by or against any business of which the person was a general partner or executive officer, either at the time of the bankruptcy or within 2 years prior to that time;
- Any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, traffic violations and other minor offenses;
- Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
- Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

5. Annual Continuing Training of Directors and Key Officers

Name of Director/Officer	Date of Training	Program	Name of Training Institution
1. Wilfredo C. Maldia (Chairman)	October 24-25, 2019	BOT Strategic Planning Conference	GSIS
	September 23, 2019	Investment Briefing	GSIS
	September 9, 2019	Overview on Public/Private Partnership	GSIS
	December 13, 2018	CG Wrap-Up 2018	Good Governance Advocates and Practitioners of the Philippines (GGAPP)
	February 21, 2018	Corporate Governance	Institute of Corporate Directors
2. Yvonne S. Yuchengco (Vice Chairperson)	June 18, 2019	Revised Corporation Code	Institute of Corporate Directors
	October 26, 2019	Annual CG Seminar for Directors and Key Officers	RCBC Group
	October 27, 2018	Annual CG Seminar for Directors and Key Officers	RCBC Group
	September 26, 2017	Cyber Security & AMLC	FireEye and IBM Security Services
	November 12, 2016	Corporate Governance	ROAM, Inc.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
	September 5, 2015	Corporate Governance	SGV & Co.
3. Allan R. Santos (Director, President and CEO)	June 18, 2019	Revised Corporation Code	Institute of Corporate Directors
	September 20, 2019	Annual Technical Forum	Nat Re
	October 9-11, 2019	19 th Reinsurance Summit	Taiping Reinsurance Co. Ltd
	November 26-29, 2019	45th ASEAN Insurance Council Meeting (Myanmar)	ASEAN Insurance Council
	May 6-9, 2018	29th East Asian Insurance Congress (EAIC)	Philippine Insurers and Reinsurers Association (PIRA) and EAIC
	June 8, 2018	CEO Forum 2018: Harnessing the Power of People and Technology	Nat Re
	September 3, 2018	Training on IFRS 17	PIRA
	September 14, 2018	4th Annual Non-life and Life Technical Forum	Nat Re
	October 18, 2018	Training on IFRS 17	Actuarial Society of the Philippines
	November 15-16, 2018	59th Actuarial Society of the Philippines (ASP) Annual Convention	Actuarial Society of the Philippines
	November 28, 2018	Association of Southeast Asian Nations (ASEAN) Insurance Summit	ASEAN
	December 6, 2018	Sustainability Reporting and Audit Committee Effectiveness	SGV & Co.
	December 7, 2017	Corporate Governance	SGV & Co.
	September 15, 2017	CEO Forum on Insurance Regulations & Governance	Insurance Commission and Institute of Corporate Directors
	September 20, 2019	Annual Technical Forum	Nat Re
	June 8, 2018	CEO Forum	Nat Re
	September 15, 2017	CEO Forum on Insurance Regulations & Governance	Insurance Commission and
4. Joli Co Wu (Director, Treasurer)			

Name of Director/Officer	Date of Training	Program	Name of Training Institution
	November 12, 2016	Corporate Governance	Institute of Corporate Directors
	September 5, 2015	Corporate Governance	SGV & Co.
5. Rafael G. Ayuste, Jr. (Director)	June 18, 2019	Revised Corporation Code	Institute of Corporate Directors
	December 13, 2018	Corporate Governance Wrap-up	GGAPP
	August 10, 2017	Corporate Governance	Institute of Corporate Directors
	August 18, 2016	Corporate Governance	SGV & Co.
	December 9, 2015	Corporate Governance	SGV & Co.
6. Antonio M. Rubin (Director)	October 26, 2019	Annual CG Seminar for Directors and Key Officers	RCBC Group
	February 13, 2018	Distinguished Corporate Governance	Institute of Corporate Directors
	June 8, 2018	CEO Forum	Nat Re
7. Ma. Consuelo A. Lukban (Director)	August 9, 2019	Advanced Corporate Governance Training	Ayala Group
	September 10, 2018	Ayala Group Corporate Governance & Risk Management Summit	Ayala Group
8. Reginaldo Anthony B. Cariaso	September 25, 2019	Enhancing Board Performance	Institute of Corporate Directors
9. Nora M. Malubay (Director)	June 18, 2019	Revised Corporation Code	Institute of Corporate Directors
	June 26, 2019	Investor Relations as a Profession	Institute of Corporate Directors
10. Jocelyn DG Cabreza (Director)	June 18, 2019	Revised Corporation Code	Institute of Corporate Directors
	December 6, 2018	Sustainability Reporting and Audit Committee Effectiveness	SGV & Co.
	March 22, 2017	Corporate Governance	Institute of Corporate Directors
11. Rex Ma. A. Mendoza (Independent Director)	August 9, 2019	Advanced Corporate Governance Training	Ayala Group
12. Ermilando D. Napa	June 18, 2019	Revised Corporation Code	Institute of Corporate Directors

Name of Director/Officer	Date of Training	Program	Name of Training Institution
(Independent Director)	October 26, 2019	Annual CG Seminar for Directors and Key Officers	RCBC Group
	October 27, 2018	Annual CG Seminar for Directors and Key Officers	RCBC Group
	September 26, 2017	Cyber Security & Anti-Money Laundering updates	RCBC Group
	November 12, 2016	Corporate Governance	ROAM, Inc.
	September 5, 2015	Corporate Governance	SGV & Co.
13. Medel T. Nera (Independent Director)	October 26, 2019	Annual CG Seminar for Directors and Key Officers	RCBC Group
	October 27, 2018	Annual CG Seminar for Directors and Key Officers	RCBC Group
	September 26, 2017	Cyber Security Seminar	FireEye and IBM Security Services
	November 12, 2016	Corporate Governance	ROAM, Inc.
	December 9, 2015	Corporate Governance	SGV & Co.
14. Alexander L. Reyes (Senior Vice President)	September 20, 2019	Annual Technical Forum	Nat Re
	June 8, 2018	CEO Forum	Nat Re
	September 15, 2017	CEO Forum on Insurance Regulations & Governance	Insurance Commission and Institute of Corporate Directors
	November 10, 2016	Corporate Governance: Board Effectiveness Best Practices	Center for Global Best Practices
	October 15-16, 2015	Corporate Governance and Risk Management (for Publicly-Listed Companies)	Ateneo Center for Continuing Education
15. Victor R. Tanjuakio (First Vice President)	September 20, 2019	Annual Technical Forum	Nat Re
	June 8, 2018	CEO Forum	Nat Re
	September 15, 2017	CEO Forum on Insurance Regulations & Governance	Insurance Commission and Institute of Corporate Directors
	August 3, 2016	SEC Corporate Governance Forum	Securities & Exchange Commission (SEC)
	May 29, 2015	Corporate Governance Seminar	Risks, Opportunities, Assessment and

Name of Director/Officer	Date of Training	Program	Name of Training Institution
			Management (ROAM), Inc.
16. Daisy C. Salonga (Vice President)	June 18, 2019	Annual Technical Forum	Nat Re
	June 8, 2018	CEO Forum	Nat Re
	December 7, 2017	Corporate Governance	SGV & Co.
	September 15, 2017	CEO Forum on Insurance Regulations & Governance	Insurance Commission and Institute of Corporate Directors
17. Regina S. Ramos (Vice President)	October 25, 2019	Corporate Governance Forum	PSE and SEC
	July 18, 2018	ASEAN Corporate Governance Scorecard for Publicly Listed Companies	Institute of Corporate Directors
	October 09, 2018	Corporate Governance Conference on Sustainability	SEC-PSE
	October 23, 2018	The 5 th SEC-PSE Corporate Governance Forum	Institute of Corporate Directors
	September 26, 2017	Corporate Governance Conference: Competing Against Risk	Insurance Commission Corporate Directors
	September 15, 2017	CEO Forum on Insurance Regulations & Governance	Institute of Corporate Directors
	August 10, 2017	Corporate Governance	Institute of Corporate Directors
	June 14, 2016	Corporate Governance	ROAM, Inc.
July 24, 2015	Corporate Governance	ROAM, Inc.	
18. Regina Lourdes D. Papa	September 10, 2019	Annual Technical Forum	Nat Re
19. Santino U. Sontillano	September 20, 2019	Annual Technical Forum	Nat Re
	December 6, 2018	Sustainability Reporting and Audit Committee Effectiveness	SGV & Co.

ITEM 10. EXECUTIVE COMPENSATION

ANNUAL COMPENSATION IN PHILIPPINE PESOS

Name	Year	Salary	Bonus	Other annual compensation
CEO and key executive officers named	2017	22,483,357.50	3,758,601.00	6,066,536.00
All other officers and directors as a group unnamed		6,476,419.43	1,077,850.00	17,252,881.09*
<i>*includes retirement pay for 2 officers</i>				
CEO and key executive officers named	2018	26,330,402.51	9,687,940.86	9,350,386.47
All other officers and directors as a group unnamed		7,141,663.40	1,192,380.97	1,969,964.78
<i>*includes retirement pay for 2 officers</i>				
CEO and key executive officers named	2019	27,886,186.65	4,663,500.00	14,147,488.19
All other officers and directors as a group unnamed		13,113,708.60	1,482,050.00	2,242,866.97
CEO and key executive officers named	2020 (estimates)	30,115,212.00	5,019,202.00	15,698,079.71
All other officers and directors as a group unnamed		13,382,050.00	1,396,360.00	3,119,951.39

Officers and directors named for 2019 include the following:

1. Allan R. Santos, President and CEO
2. Alexander L. Reyes, Senior Vice President and Head, Non-Life Reinsurance;
3. Victor R. Tanjuakio, First Vice President and Head, Life Reinsurance;
4. Regina S. Ramos, Vice President and Head, Risk and Compliance; and
5. Daisy C. Salonga, Vice President, Investments

The Corporation's Amended By-Laws (Article III, Section 8) provide that such per diem as the Board of Directors may approve shall be paid to each director for attendance at any meeting of the Board; provided however, that nothing herein contained shall be construed to preclude any director from receiving such bonuses, other than per diems, as provided elsewhere in the Corporation's Amended By-Laws, or from serving in any other capacity and receiving compensation there from, subject to approval thereof by the vote of stockholders representing at least a majority of the outstanding capital stock at a regular or special stockholders' meeting. In this connection, Section 30 of the Corporation Code of the Philippines states that "in no case shall the total yearly compensation of directors, as such directors, exceed ten percent (10%) of the net income after tax of the corporation during the preceding year."

Each director of the Corporation receives a per diem based on the following schedule for attendance in meetings of the Board of Directors/ Committees:

A. Board Meetings	
Chairman	₱ 50,000

Vice-Chairman	45,000
Treasurer	37,500
Independent Directors	20,000
Regular Directors	17,000
B. Committee Meetings	
Independent Directors	₱ 6,000
Regular Directors	5,000

Aside from the above, no other resolution relating to director's remuneration has been adopted by the Board of Directors.

As of date, none of the Corporation's common shares are subject to outstanding options or warrants to purchase, or securities convertible into common shares of the Corporation.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS AND MANAGEMENT

1. Security Ownership of Certain Record and Beneficial Owners

The following table sets forth as of December 31, 2019, the record and/or beneficial owners of more than 5% of the outstanding Common Shares of the Corporation and the amount of such record and/or beneficial ownership.

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name and Address of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Held	Percent of Class
Common	Bank of Philippine Islands, Ayala Avenue corner Paseo de Roxas, Makati City	Bank of Philippine Islands, Ayala Avenue corner Paseo de Roxas, Makati City	Filipino	290,795,500	13.69%
Common	PCD Nominee Corporation (Filipino) ¹ , G/F MSE Building, 6754 Ayala Avenue, Makati City	Government Service Insurance System ² , New GSIS Headquarters, Financial Center, Pasay City	Filipino	546,465,397	25.73%
Common	PCD Nominee Corporation (Filipino) ¹ , G/F MSE Building, 6754 Ayala Avenue, Makati City	MICO Equities Inc. ² Yuchengco Bldg., 484 Quintin Paredes Street Manila	Filipino	273,716,100	12.89%

^{1,2}The PCD is not related to the Company. The 546,465,397 shares and 273,716,100 shares beneficially owned by GSIS and MICO Equities, respectively, form part of the 1,676,296,187 shares registered in the name of PCD Nominee Corporation (Filipino).

2. Security Ownership of Management

The following table sets forth as of December 31, 2019 the record or beneficial stock ownership of each Director of the Corporation and all Officers and Directors as a group.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Wilfredo C. Maldia	1 Record	Filipino	0.000000%
Common	Allan R. Santos	5,000 Record	Filipino	0.000000%
Common	Joli Co Wu	344,100 Record 260,000	Filipino	0.028446%

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
		Beneficial		
Common	Yvonne S. Yuchengco	100 Record 26,000 Beneficial	Filipino	0.001229%
Common	Maria Consuelo A. Lukban	50 Record	Filipino	0.000002%
Common	Ermilando D. Napa	1,000 Record	Filipino	0.000047%
Common	Rex Maria A. Mendoza	1,000 Record	Filipino	0.000047%
Common	Medel T. Nera	1,000 Record	Filipino	0.000047%
Common	Rafael G. Ayuste, Jr.	100,000 Record	Filipino	0.004709%
Common	Reginaldo Anthony B. Cariaso	50 Record	Filipino	0.00002%
Common	Jocelyn DG Cabreza	1 Record	Filipino	0.00000%
Common	Antonio M. Rubin	1,000 Record 10,000 Beneficial	Filipino	0.00000%
Common	Nora M. Malubay	1 Record	Filipino	0.00000%
	TOTAL FOR DIRECTORS	749,303		0.040000%
	GRAND TOTAL	749,303		0.035284%

All the above named directors and officers of the Corporation are the record and beneficial owners of the shares of stock set forth opposite their respective names.

Voting Trust Holders of 5% or more

The Corporation is not aware of any person holding more than 5% of the shares of the Corporation under a voting trust or similar agreement which may result in a change in control of the Corporation.

Changes in Control

From January 1, 2019 to date, there has been no change in control of the Corporation. Neither is the Corporation aware of any arrangement which may result in a change in control of it.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company's corporate governance manual provide that related party transactions shall be fully disclosed and conducted on terms that are comparable to normal commercial practices to safeguard the best interest of the Corporation and its stakeholders.

The following table show (in millions of Philippine Pesos) **premiums, retrocession and related income and expense accounts** between the Corporation, its Principal Shareholders, related parties under common ownership and companies represented by other members of the Board of Directors. For 2019 and 2018 information (refer to Note 25 of the accompanying audited financial statements):

Shareholder/Related Party/Director Corporation	2019						
	In Million PHP	Premiums	Commission Expenses	Retrocession	Commission Income	Losses Incurred	Loss Recoveries
GSIS		20.6	4.1	-	-	4.5	(28.5)
BPI-Philam Life		103.5	3.6	-	-	25.4	-
BPI/MS Insurance		63.7	24.6	8.6	2.2	(64.9)	-
FLT Prime Insurance		-	-	-	-	(6.0)	-
Total BPI Group		167.1	28.1	8.6	2.2	(45.5)	-
First Nationwide Assurance Corp.		-	-	-	-	-	-
Sunlife GREPA Financial		12.4	(0.0)	-	-	-	-
Malayan Insurance		46.0	8.2	-	-	(78.3)	-
Total Malayan Group		58.4	8.2	-	-	(78.3)	-
GRAND TOTAL		246.1	40.4	8.6	2.2	(119.3)	(28.5)

Shareholder/Related Party/Director Corporation	2018						
	In Million PHP	Premiums	Commission Expenses	Retrocession	Commission Income	Losses Incurred	Loss Recoveries
GSIS		(11.2)	(1.4)	(0)	-	5.7	(1.8)
BPI-Philam Life		33.6	-	13.8	-	18.3	-
BPI/MS Insurance		63.5	21.5	-	-	58.0	-
FLT Prime Insurance		-	-	-	-	(21.5)	-
Total BPI Group		97.1	21.5	13.8	-	54.8	-
First Nationwide Assurance Corp.		-	-	-	-	-	-
Sunlife GREPA Financial		7.8	0	-	-	5.9	-
Malayan Insurance		78.9	14.5	-	-	77.0	-
Total Malayan Group		86.7	14.5	-	-	82.7	-
GRAND TOTAL		172.6	34.6	13.8	-	143.2	(1.8)

The following tables show (in millions of Philippine Pesos) **reinsurance balances receivable from and payable to related parties** as a result of the above transactions as of December 31, 2019 and 2018 (refer to Note 25 of the accompanying audited financial statements):

Shareholder/ Related Party/Director Corporation	2019					
	In Million PHP	Due from Ceding Cos.	Reinsurance recoverable on losses	Funds held by Ceding Cos.	Claims Payable	Due to Retro- cessionaire
GSIS	0.0	19.1	-	175.4	0.0	0.0
BPI-Philam Life	43.3	-	-	-	5.2	-
BPI/MS Insurance	7.5	-	-	390.2	-	-
FLT Prime Insurance	-	-	-	10.0	-	-
Total BPI Group	50.8	-	-	400.2	5.2	-
Sunlife GREPA Financial	-	-	-	6.3	-	-
Malayan Insurance	5.7	-	-	151.3	-	-
Total Malayan Group	5.7	-	-	157.6	-	-
GRAND TOTAL	56.5	19.1	-	733.2	5.2	0.0

Shareholder/ Related Party/Director Corporation	2018						
	In Million PHP	Due from Ceding Cos.	Reinsurance recoverable on losses	Funds held by Ceding Cos.	Claims Payable	Due to Retro- cessionaire	Funds held for retro
GSIS	-	19.2	-	-	172.8	-	-
BPI-Philam Life	31.2	-	-	-	-	-	-
BPI/MS Insurance	31.5	-	14.9	491.6	-	-	
FGU Insurance Corp	-	-	-	-	-	-	
Total BPI Group	62.7	-	14.9	491.6	-	-	
Sunlife GREPA Financial	-	-	-	7.9	-	-	
Malayan Insurance	8.2	-	-	371.2	-	-	
Total Malayan Group	8.2	-	-	379.1	-	-	
GRAND TOTAL	70.9	19.2	14.9	1,043.5	-	-	

In addition to the foregoing, the Corporation has entered into agreements with the following:

1. *Custodianship Agreement:* The Corporation entered into a Custodianship Agreement with the Bank of Philippine Islands Asset Management and Trust Corporation (BPI-AMTC) for purposes of opening and maintaining a custodianship account with BPI-AMTC over certain securities owned by the Corporation. BPI-AMTC acts as a depository of such securities. For services rendered, BPI-AMTC is entitled to the custodianship fees based on the value of the securities held. The Agreement shall continue in full force and effect unless sooner terminated by either of the parties concerned for any reason whatsoever upon giving the other party at least 30 days advance written notice of termination.
2. *Investment Management Agreement.* The Corporation entered into separate Investment Management Agreement with BPI-AMTC and Rizal Commercial Banking Corporation (RCBC), for purposes of investing a portion of the Company's investible funds. BPI-AMTC and RCBC, as Investment Managers shall invest and reinvest the funds deposited with them through an investment management account. As compensation for services, both BPI-AMTC and RCBC shall be entitled to collect such reasonable compensation to be paid out of the respective funds maintained. The respective Agreements shall continue in full force and effect unless sooner terminated by either of the parties concerned for any reason whatsoever upon giving the other party at least 30 days advance written notice of termination.
3. *Retirement Fund Agreement.* The Board of Trustees of the National Reinsurance Corporation Employees Retirement Plan entered into separate Trust Agreement with BPI-AMTC and RCBC, to manage and administer the Corporation's retirement fund and to make such investments or reinvestments of the fund as deemed to be reasonable or advisable. As compensation for services, BPI-AMTC and RCBC shall be entitled to collect such reasonable compensation to be paid out of the respective funds maintained. The respective Agreements shall continue in full force and effect unless sooner terminated by either of the parties concerned for any reason whatsoever upon giving the other party at least 30 days advance written notice of termination.

There are no other parties, aside from the related parties discussed herein, with whom the Corporation has a relationship, being a stockholder and a related party under common ownership, that enables the parties to negotiate terms of material transactions that may not be available to other more clearly independent parties on an arm's length basis.

PART IV – CORPORATE GOVERNANCE

ITEM 13. CORPORATE GOVERNANCE

Per SEC Memorandum Circular No. 5, Series of 2013, Item V, The Corporate Governance section in the Annual Report (SEC Form 17-A) shall be deleted.

PART V – EXHIBITS AND SCHEDULES

ITEM 14. EXHIBITS AND REPORTS

(a) Exhibits – See accompanying Index of Exhibits

(b) Reports on SEC Form 17-C

Items reported under SEC Form 17C during the last six months include the following:

- December 18, 2019 re: Press Release - AGCIA
- November 20, 2019 re: Press Release – Nat Re Wins at the 2019 Asset Benchmark Research Awards
- November 15, 2019 re: Insurance Commission Synopsis of 2018 Annual Statement
- November 15, 2019 re: Press Release – Nat Re and TPre sign MOU
- November 7, 2019 re: Request for Extension to File SEC Form 17-Q
- October 31, 2019 re: Press Release – 2019 SIRC Supplement Article by Allan Santos
- October 18, 2019 re: Resignation of Christian Ladoux
- October 9, 2019 re: Change in Contact Details
- September 27, 2019 re: Policy on Material Related Party Transactions
- August 16, 2019 re: Press Release – Nat Re and FEED promote Urban Gardening to Nat Re Employees
- July 17, 2019 re: Press Release – ASEAN Reinsurance Working Committee
- July 3, 2019 re: Certification of Independent Directors

a) EXHIBIT TABLE

	Description	17-A
(3)	Plan of Acquisition, Reorganization, Arrangement, Liquidation, or Succession	N.A.
(5)	Instruments Defining the Rights of Security Holders, Including Indentures	N.A.
(8)	Voting Trust Agreement	N.A.
(10)	2019 Annual Report (SEC Form 17-A) Financial Statements and Independent Auditors' Report (with notarized Statement of Management Responsibility and SEC Supplementary Schedules)	Attached
(13)	Letter re: Change in Certifying Accountant	N.A.
(15)	Letter re: Change in Accounting Principles	N.A.
(16)	Report Furnished to Security Holders	N.A.
(18)	Subsidiaries of the Registrant	N.A.
(19)	Published Report Regarding Matters Submitted to Vote of Security Holders	N.A.
(20)	Consents of Experts and Independent Counsel	N.A.
(21)	(a) Power of Attorney (b) Power of Attorney—Foreign Registrant	N.A.
(29)	Additional Exhibits	N.A.

N.A. – Not applicable or require no answer.

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on May 28, 2020.

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
Issuer

By:



ALLAN R. SANTOS
Principal Executive Officer
President & CEO



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




NOEL A. LAMAN
Corporate Secretary

SUBSCRIBED AND SWORN to before me this MAY 28 2020 day of 2020 affiant(s) exhibiting to me their Passport Nos., as follows:

NAMES	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE

Doc. No.: 486 ;
Page No.: 99 ;
Book No.: I ;
Series of 2020.




Notary Public
PORTIA JESSICA J. MACLAN
Appointment No. M-54
Notary Public for Makati City
Until December 31, 2021
Castillo Laman Tan Pantaleon
& San Jose Law Firm
The Valero Tower, 122 Valero Street
Salcedo Village, Makati City
PTR No. 8116532; 01-02-2020; Makati City
IBP No. 102138; 01-02-2020; Makati Chapter
Roll No. 73308

Annex A: Reporting Template

(For additional guidance on how to answer the Topics, organizations may refer to Annex B: Topic Guide)

Contextual Information

Company Details	
Name of Organization	National Reinsurance Corporation of the Philippines

Nat Re's 2019 Sustainability Report can be viewed in this link:

[https://www.nat-re.com/naresite/wp-content/uploads/2020/06/2019 Nat Re Sustainability Report 15 April 2020.pdf](https://www.nat-re.com/naresite/wp-content/uploads/2020/06/2019_Nat_Re_Sustainability_Report_15_April_2020.pdf)

Business Model, including Primary Activities, Brands, Products, and Services	
Reporting Period	
Highest Ranking Person responsible for this report	

**If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.¹

--

¹ See [GRI 102-46](#) (2016) for more guidance.



NATIONAL
REINSURANCE
CORPORATION
OF THE PHILIPPINES

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**


The management of **National Reinsurance Corporation of the Philippines** (the Company), is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2019 and 2018 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.


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

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.


WILFREDO C. MALDIA
Chairman of the Board


ALLAN R. SANTOS
President & Chief Executive Officer


JOLI CO WU
Treasurer


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

Signed this MAY 26 2020 day of _____ 2020.

MAY 26 2020
SUBSCRIBED AND SWORN TO before me this _____ day of _____ 2020 at Makati City, Affiants exhibited to me their passport numbers.

Name	Passport No.	Date Issued	Place of issue
[REDACTED]			

Doc. No. 479
Page No. 97
Book No. 1
Series of 2020.




PORTIA JESSICA J. MACLAN
Notary Public
Appointment No. M-54
Notary Public for Makati City
Until December 31, 2021
Castillo Laman Tan Pantaleon
& San Jose Law Firm
The Valero Tower, 122 Valero Street
Salcedo Village, Makati City
PTR No. 8116532; 01-02-2020; Makati City
BP No. 102138; 01-02-2020; Makati Chapter
Roll No. 73308

**CERTIFICATE ON THE COMPILATION SERVICES FOR THE PREPARATION OF THE
FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS**

I hereby certify that I am the Certified Public Accountant (CPA) who performed the compilation services related to the preparation and presentation of financial information of an entity in accordance with an applicable financial reporting framework and reports as required by accounting and auditing standards for the **NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES** for the period ending **31 DECEMBER 2019**.

In discharging this responsibility, I hereby declare that (check one (1)):

✓ I, am the **SR. ASSISTANT VICE PRESIDENT & HEAD OF FINANCE** of the **NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES**.

_____ I, am the (position) of (name of organization/person) and was contracted to perform this service.

Furthermore, in my compilation services for the preparation of the Financial Statements and Notes to the Financial Statements, I was not assisted by or did not avail of the services of **PUNONGBAYAN & ARAULLO** who/which is the external auditor who rendered the audit opinion for the said Financial Statements and Notes to the Financial Statements.

I hereby declare, under penalties of perjury and violation of Republic Act No.9298, that my statements are true and correct.

MAY 26 2020

SIGNATURE OVER PRINTED NAME:


SANTINO U. SONTILLANO

PROFESSIONAL IDENTIFICATION CARD NO.:
VALID UNTIL:



ACCREDITATION NUMBER:
VALID UNTIL:




NOTARY PUBLIC

Doc.No. 480
Page No. 97
Book No. I
Series of 2020.





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Grant Thornton

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FOR SEC FILING

Financial Statements and
Independent Auditors' Report

**National Reinsurance Corporation of
the Philippines**

December 31, 2019, 2018 and 2017

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 988 2288

Report of Independent Auditors

The Board of Directors and the Stockholders
National Reinsurance Corporation of the Philippines
31st floor BPI-Philam Life Makati
6811 Ayala Avenue, Makati City

Report on the Audit of the Financial Statements

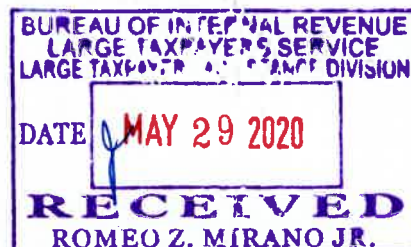
Opinion

We have audited the financial statements of National Reinsurance Corporation of the Philippines (the Company), which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years ended December 31, 2019, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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





Emphasis of a Matter

We draw attention to Note 34 to the financial statements, which describes management's assessment of the likely negative impact on the Company's financial statements of the business disruption as a result of the coronavirus outbreak to the Company's financial condition and performance after the end of the reporting period. Our opinion is not modified in respect to this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(a) Recognition of Reinsurance Premiums and the Related Commission Expense, and Retroceded Premiums and the Related Commission Income

Description of the Matter

Revenue is one of the key performance measures used to assess business performance. There is a risk that the amount of revenue presented in the financial statements is higher than what has been actually generated by the Company. The Company recognizes premiums from short duration insurance contracts over the period of the contracts using the "24th method". The related commission expense is deferred and charged to profit or loss in proportion to premium revenue recognized. Retroceded premium and the related commission income are also recognized using the "24th method". For the year ended December 31, 2019, the reinsurance premium and retroceded premium accounts and the related commission expense and income accounts recognized in the 2019 statement of income amounted to P4,338.5 million, P1,064.2 million, P986.7 million and P18.1 million, respectively. Based on the possible effects of misstatement in the recording of revenue transactions and the related expense accounts, and the materiality of the amounts involved to the financial statements, we have concluded that the Company's revenue and expense recognition is considered to be a matter of audit significance.

The Company's policies and related disclosures on recognition of reinsurance premiums and the related commission expense, and retroceded premiums and the related commission income are discussed in Notes 2, 13, 18, 19 and 21.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement on the recognition of premium revenue and related direct expense, which was considered to be a significant risk, included:

- testing the design and operating effectiveness of internal controls related to the Company's process of recognition and measurement of reinsurance premiums assumed, retroceded premiums, commission expense and commission income;
- testing the existence and validity of premium income and the related receivables by sending positive confirmation, on sample basis, and testing the subsequent collections and reviewing originating documents for non-responding cedants;
- testing the reasonableness of the balances of reserves for unexpired risks on both premiums assumed and ceded by validating the propriety of the data used by the independent actuary in computing the unexpired risk reserves (URR);





- testing the reasonableness of the premium income recognized and the related outstanding unearned premium reserves, deferred reinsurance premiums, deferred acquisition costs and deferred reinsurance commissions using the "24th method";
- testing the reasonableness of recorded accruals of reinsurance premiums assumed and retroceded premiums for treaty contracts and analysis of assumptions used in order to determine the propriety of recorded accrual balances;
- performing detailed analysis of reinsurance premiums, commission expense, retroceded premiums and commission income by appropriate measures, such as, but not limited to, premiums assumed and retroceded by source (life and non-life) and by major line of business (treaty and facultative); and,
- performing premium cut-off test, including, among others, examining date of approval and receipt date for insurance contracts near period-end and subsequent to period-end.

(b) Impairment of Reinsurance Balances Receivable

Description of the Matter

Reinsurance balances receivable is measured at amortized cost and the carrying amount is reduced by the amount of allowance for impairment. In determining impairment, the Company first assesses whether objective evidence of impairment exists for reinsurance balances receivable that are individually significant, and individually or collectively for reinsurance balances receivable that are not significant. If there is objective evidence that an impairment loss on reinsurance balances receivable carried at amortized cost exists, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. The allowance for impairment of reinsurance balances receivable is considered to be a matter of significance as it requires the application of judgment and use of subjective assumptions by management. In addition, the outstanding balance of reinsurance receivable amounting to P2,608.8 million as of December 31, 2019 is material to the financial statements.

The Company's policy on impairment of reinsurance balances receivable is discussed in Note 2, while the disclosures on the movements in the account and reconciliation of the allowance for impairment are included in Note 6.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to the impairment of reinsurance balances receivable included:

- evaluating the appropriateness of the Company's accounting policy on impairment and the method to compute for the allowance for impairment on receivables;
- testing the reasonableness of the amount recognized as allowance for impairment using the criteria and method used by management, including testing of the basis of estimates and judgments;
- determining the consistency of the application of the method and criteria used throughout the period and from prior periods; and,
- performing analysis of the adequacy of the impairment allowance by testing the aging of reinsurance balances receivable and identifying potential troubled accounts considering, among others, past due accounts, accounts under litigation, accounts receivable of related companies, and customers with prior credit issues, and whether changes should be made to reflect a more accurate estimate of allowance for impairment.





(c) Valuation of Claims Liabilities

Description of the Matter

The valuation of the Company's losses and claims payable and claims reserves was a key focus area in our audit due to the degree of complexity involved in valuing these liabilities and the significance of the judgments and estimates made by management. Claims reserves include the provisions for incurred but not reported (IBNR) losses which are estimated through the use of past claims settlement trends to predict future claims settlement trends and the estimate of the ultimate loss. These estimates are ascertained by an independent actuary with the use of additional qualitative judgments to assess the extent to which the full tail of the claim development is influenced by the different internal and external factors. In addition, in compliance with an IC circular, the Company's claims liabilities include certain percentage of margin for adverse deviation (MfAD) to allow for inherent uncertainty of the best estimate of the policy reserves arising from the variability of claims experience, the diversification between classes of business and conservatism in the best estimate. For the year ended December 31, 2019, the losses and claims payable and claims reserves accounts recognized in the 2019 statement of income amounted to P4,554.3 million, and P1,997.6 million, respectively.

The Company's policies on valuation of claims liabilities are discussed in Note 2 while the related disclosures are presented in Note 17.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to the valuation of losses and claims payable and claims reserves included:

- testing of design and operating effectiveness of internal controls related to the Company's process of recognition and measurement of claims liabilities;
- evaluating the appropriateness and sufficiency of the data used by the independent actuary in computing the IBNR, and evaluating the reasonableness of the assumptions and methodologies used in the determination of IBNR;
- engaging a third-party actuary in recalculating the IBNR and URR in accordance with the relevant regulatory requirements and verifying the accuracy of a significant portion of the reserves based on stratified sampling;
- testing the reasonableness of the amount of IBNR following the methodology applied by the actuary;
- validating the reasonableness of the Company's liability adequacy test in compliance with the requirements of the Insurance Commission (IC) and PFRS 4, *Insurance Contracts*;
- performing detailed analysis of claims and loss adjustment expenses by appropriate measures, such as, but not limited to, claims liability by source (life and non-life) and by major line of business (treaty and facultative);
- examining relevant reports and documents to establish the propriety of the outstanding claims; and,
- testing subsequent disbursements and performing cut-off tests to determine whether disbursements represent previously unrecorded losses and claims payable.





(d) Valuation of Available-for-sale Financial Assets

Description of the Matter

The fair valuation of the Company's available-for-sale (AFS) financial assets was a key focus area in our audit because the outstanding balance amounting to P4,945.8 million as of December 31, 2019 is material to the financial statements. The Company's AFS financial assets comprise a portfolio of debt and equity investments measured at fair value with the corresponding fair value change recognized in other comprehensive income. The fair value of majority of these financial instruments is determined based on their quoted market prices, while a portion is measured by reference to the investee's book value using the most recent available financial data.

Moreso, impairment assessment on the Company's AFS financial assets requires significant judgment when determining whether the decline in market value is considered significant or prolonged.

The Company's disclosures about AFS financial assets and the basis of fair value measurement are included in Notes 7 and 30, respectively.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to valuation of AFS financial assets included:

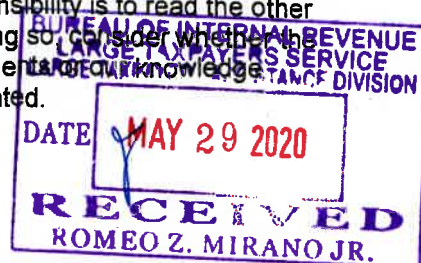
- evaluating the appropriateness of the valuation process of investments and tested the inputs against reliable market sources and the valuation formulas used in fair market valuation;
- evaluating whether fair value prices used were appropriate;
- recomputing the fair values based on the inputs and comparing with the market values used by the Company;
- testing the validity of the Company's assessment on whether there is any objective evidence that AFS financial assets are impaired; and,
- evaluating the appropriateness of the Company's basis in determining whether the decline in value of the AFS financial assets is significant or prolonged.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Company's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement) and SEC Form 17-A, both of which do not include the financial statements and our auditors' report thereon, and the Annual Report for the year ended December 31, 2019. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.





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

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

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

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

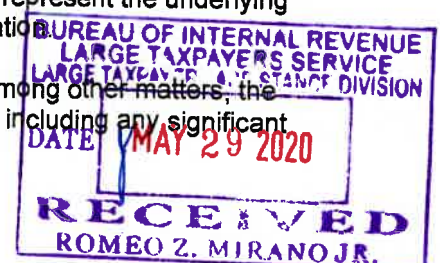
Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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



We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2019 required by the Bureau of Internal Revenue as disclosed in Note 35 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS; neither it is a required disclosure under the Revised Securities Regulation Code Rule 68 of the SEC. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The engagement partner on the audits resulting in this independent auditors' report is Anthony L. Ng.

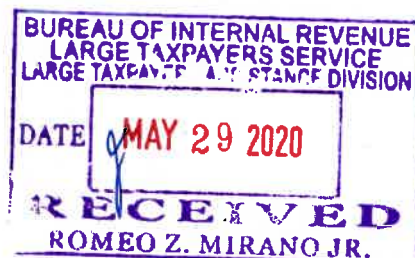
PUNONGBAYAN & ARAULLO



By: Anthony L. Ng
Partner

CPA Reg. No. 0109764
TIN 230-169-270
PTR No. 8116552, January 2, 2020, Makati City
SEC Group A Accreditation
Partner - No. 1638-A (until May 29, 2020)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-038-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

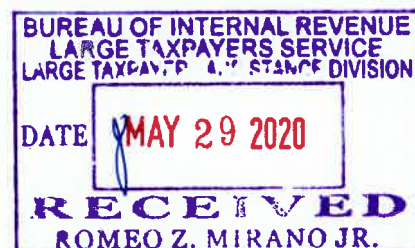
March 26, 2020



NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018
(Amounts in thousands)

	<i>Notes</i>	2019	2018
ASSETS			
Cash and cash equivalents	5	P1,004,977	P1,161,899
Reinsurance balances receivable -- net	6	2,608,807	2,280,122
Available-for-sale (AFS) financial assets	7	4,945,753	4,579,952
Held-to-maturity (HTM) investments	8	2,227,897	1,848,693
Loans and receivables	9	80,012	112,543
Property and equipment -- net	10	70,394	76,563
Reinsurance recoverable on reported losses	11	2,288,383	2,374,542
Reinsurance recoverable on claims reserves	11	319,606	319,048
Deferred acquisition costs	12	595,480	405,104
Deferred reinsurance premiums	13	454,040	331,545
Other assets -- net	14	387,102	381,300
TOTAL ASSETS		P14,982,451	P13,871,311
LIABILITIES AND EQUITY			
Liabilities			
Reinsurance balances payable	15	P1,185,518	P1,154,233
Accounts payable and accrued expenses	16	110,930	90,649
Losses and claims payable	17	4,554,326	4,519,271
Claims reserves	17	1,997,624	1,715,474
Premium reserves	18	1,768,249	1,564,635
Deferred reinsurance commissions	19	6,234	526
Total Liabilities		9,622,881	9,044,788
Equity	24	5,359,570	4,826,523
TOTAL LIABILITIES AND EQUITY		P14,982,451	P13,871,311

See Notes to the Financial Statements.



NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

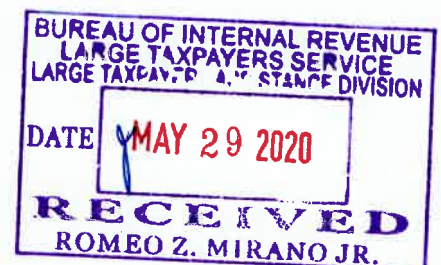
STATEMENTS OF INCOME

For the years ended December 31, 2019, 2018 and 2017

(Amounts in thousands, except Earnings Per Share)

	<i>Notes</i>	2019	2018	2017
Reinsurance premium income	4			
Reinsurance premiums – net of returns		P4,338,535	P3,682,906	P3,205,114
Retroceded premiums		(1,064,246)	(1,106,771)	(841,429)
Net premiums retained		3,274,289	2,576,135	2,363,685
Increase in premium reserves – net	13, 18	(81,119)	(9,887)	(209,188)
		3,193,170	2,566,248	2,154,497
Underwriting deductions				
Share in reported losses – net	21.1	1,806,624	1,051,522	1,026,415
Share in unreported loss reserves – net	21.2	281,592	588,623	308,179
Commissions – net	21.3	968,591	773,369	583,329
		3,056,807	2,413,514	1,917,923
Net underwriting income		136,363	152,734	236,574
Investment and Other income and expenses – net	20	349,340	389,488	254,807
Profit after Investment and Other income and expenses		485,703	542,222	491,381
General and administrative expenses	22	268,501	350,328	317,342
Profit before tax		217,202	191,894	174,039
Tax expense	23	60,484	42,678	91,043
Net profit		P156,718	P149,216	P82,996
Earnings Per Share - Basic and Diluted	27	P0.074	P0.070	P0.039

See Notes to the Financial Statements.



NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

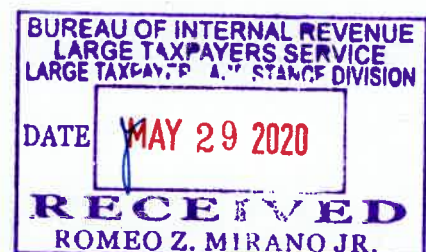
STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2019, 2018 and 2017

(Amounts in thousands)

	<i>Notes</i>	2019	2018	2017
Net profit		P156,718	P149,216	P82,996
Other comprehensive income (loss)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit asset	22.2	(1,814)	3,933	3,613
Items that are and will be reclassified subsequently to profit or loss				
Fair value gains (losses) on available-for-sale financial assets during the year	7	390,713	(492,442)	407,025
Amortization of unrealized gains (losses) on reclassified HTM securities to profit or loss		9,510	1,065	(1,519)
Fair value gains on disposal of AFS financial assets reclassified to profit or loss	7	(79,772)	(131,059)	(120,783)
Impairment of AFS financial assets reclassified to profit or loss	7	57,511	7,810	64,873
Income tax effect		181	(371)	(2,276)
		378,143	(614,997)	347,320
Total other comprehensive income (loss)		376,329	(611,064)	350,933
Total comprehensive income (loss)		P533,047	(P461,848)	P433,929

See Notes to the Financial Statements.



NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2019, 2018 and 2017
(Amounts in thousands)

	Notes	Capital Stock		Additional Paid-in Capital	Treasury Shares at Cost	Revaluation Reserves			Retained Earnings		Total Equity
		No. of shares (in thousands)	Amount			AFS Financial Assets	HTM Investments	Defined Benefit Liability	Appropriated	Unappropriated	
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 profit		-	-	-	-	-	-	-	-	156,718	156,718
Other comprehensive income:											
Items that will not be reclassified subsequently to profit or loss		-	-	-	-	-	-	(1,814)	-	-	(1,814)
Item that are and will be reclassified subsequently to profit or loss		-	-	-	-	368,633	9,510	-	-	-	378,143
Total comprehensive income	7, 22	-	-	-	-	368,633	9,510	(1,814)	-	156,718	533,047
Appropriated for contingencies	24	-	-	-	-	-	-	-	15,672	(15,672)	-
Balance at December 31, 2019		2,181,955	P2,181,955	P3,019,218	(P100,525)	(P390)	(P75,537)	(P69,415)	P43,408	P360,856	P5,359,570
Balance at January 1, 2018		2,181,955	P2,181,955	P3,019,218	(P100,525)	P157,671	P3,256	(P71,534)	P12,815	P85,515	P5,288,371
Net profit		-	-	-	-	-	-	-	-	149,216	149,216
Other comprehensive income:											
Items that will not be reclassified subsequently to profit or loss		-	-	-	-	-	-	3,933	-	-	3,933
Item that are and will be reclassified subsequently to profit or loss		-	-	-	-	(616,062)	1,065	-	-	-	(614,997)
Reclassification	8	-	-	-	-	89,368	(89,368)	-	-	-	-
Total comprehensive income	7, 22	-	-	-	-	(526,694)	(88,303)	3,933	-	149,216	(461,848)
Appropriated for contingencies	24	-	-	-	-	-	-	-	14,921	(14,921)	-
Balance at December 31, 2018		2,181,955	P2,181,955	P3,019,218	(P100,525)	(P369,023)	(P85,047)	(P67,601)	P27,736	P219,810	P4,826,523



Notes	Capital Stock		Additional Paid-in Capital	Treasury Shares at Cost	Revaluation Reserves			Retained Earnings		Total Equity
	No. of shares (in thousands)	Amount			AFS Financial Assets	HTM Investments	Defined Benefit Liability	Appropriated	Unappropriated	
Balance at January 1, 2017	2,181,955	P2,181,955	P3,019,218	(P100,525)	(P186,393)	P-	(P75,147)	P7,805	P7,529	P4,854,442
Net profit	-	-	-	-	-	-	-	-	82,996	82,996
Other comprehensive income:										
Items that will not be reclassified subsequently to profit or loss	-	-	-	-	-	-	3,613	-	-	3,613
Item that are and will be reclassified subsequently to profit or loss	-	-	-	-	348,840	(1,520)	-	-	-	347,320
Reclassification	-	-	-	-	(4,776)	4,776	-	-	-	-
Total comprehensive income	-	-	-	-	344,064	3,256	3,613	-	82,996	433,929
Appropriated for contingencies	-	-	-	-	-	-	-	5,010	(5,010)	-
Balance at December 31, 2017	2,181,955	P2,181,955	P3,019,218	(P100,525)	P157,671	P3,256	(P71,534)	P12,815	P85,515	P5,288,371



NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

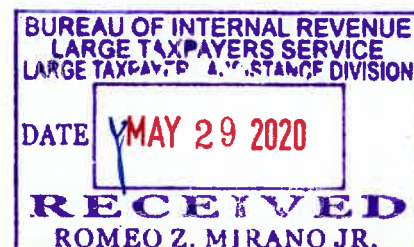
STATEMENTS OF CASH FLOWS

For the years ended December 31, 2019, 2018 and 2017

(Amounts in thousands)

	<i>Notes</i>	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P217,202	P191,894	P174,039
Adjustments for:				
Interest income	20	(314,789)	(224,676)	(192,510)
Increase in share in loss reserves – net	21	281,592	588,623	308,179
Increase in deferred acquisition costs – net	12, 19	(184,668)	(129,066)	(58,095)
Increase in premium reserves – net	13, 18	81,119	9,887	209,188
Gain on sale of AFS financial assets	20	(79,772)	(131,059)	(120,783)
Impairment losses – net	20, 22	57,511	86,550	147,391
Dividend income	20	(43,713)	(43,672)	(55,885)
Increase (Decrease) in share in reported losses – net		40,920	(67,319)	(25,700)
Unrealized foreign currency loss (gain)		29,169	(14,341)	35,458
Depreciation and amortization	22	22,380	15,904	12,139
Loss on asset retirement	20	35	244	8,179
Loss (Gain) on sale of non-financial assets	20	17	(11)	(202)
Operating income before working capital changes		107,003	282,958	441,398
Decrease (Increase) in:				
Reinsurance balances receivable		(374,500)	(321,747)	(454,267)
Loans and receivables		11,876	39,486	(35,992)
Reinsurance recoverable on reported losses		154,389	193,325	726,269
Other assets		26,175	4,100	(33,530)
Increase (Decrease) in:				
Reinsurance balances payable		34,177	(123,606)	186,489
Accounts payable and accrued expenses		12,826	15,332	13,159
Losses and claims payable		(42,916)	(123,078)	(621,906)
Cash generated from (used in) operations		(70,970)	(33,230)	221,620
Cash paid for income taxes		(95,839)	(56,460)	(36,602)
Net Cash From (Used in) Operating Activities		(P166,809)	(P89,690)	P185,018

Forward



	Notes	2019	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal/maturities of:				
AFS financial assets	7	P2,862,762	P2,519,925	P2,428,510
Loans and receivable	9	50,000	50,000	305,070
HTM investments	8	338,672	—	73,000
Property and equipment	10	144	65	3,030
Interest received		300,491	223,247	193,168
Dividends received		42,505	47,873	51,798
Acquisitions of:				
AFS financial assets	7	(2,848,452)	(2,526,482)	(2,789,783)
Property and equipment	10	(7,942)	(7,657)	(35,047)
HTM investments	8	(722,206)	(340,830)	(15,100)
Intangible assets	14	(5,271)	(25,226)	(5,786)
Other investments	9	—	(5,000)	—
Net Cash from (Used in) Investing Activities		10,703	(64,085)	208,860
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(156,106)	(153,775)	393,878
EFFECTS OF FOREIGN CURRENCY REVALUATION ON CASH AND CASH EQUIVALENTS		(816)	5,135	(3,766)
CASH AND CASH EQUIVALENTS - January 1		1,161,899	1,310,539	920,427
CASH AND CASH EQUIVALENTS - December 31		P1,004,977	P1,161,899	P1,310,539

Supplemental Information on Noncash Investing Activities:

In 2018 and 2017, the Company reclassified certain investments previously classified under AFS financial assets to HTM investments amounting to P473.13 million and P1.09 billion, respectively, and to Other assets amounting to P0.88 million and P0.84 million, respectively (see Note 7).

In 2019, the Company recognized right-of-use assets and lease liabilities amounting to P5.51 million (see Note 2).

See Notes to the Financial Statements.



NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(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.

The financial statements of the Company as at and for the year ended December 31, 2019 (including the comparative financial statements as at December 31, 2018 and for the years ended December 31, 2018 and 2017) were authorized for issue by the Company's Board of Directors (BOD) on March 26, 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

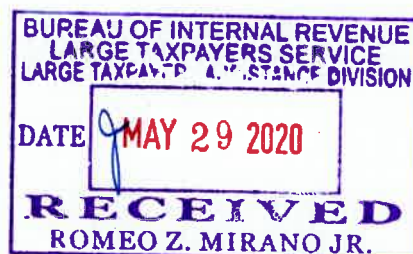
The significant accounting policies that have been used in the preparation of these financial statements are summarized below and in the succeeding pages. The policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy.

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



(b) *Presentation of Financial Statements*

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Company presents the statement of comprehensive income in two statements: a statement of income and a statement of comprehensive income.

(c) *Functional and Presentation Currency*

These 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 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) *Effective in 2019 that are Relevant to the Company*

The Company has adopted the following PFRS, amendments, and interpretation starting January 1, 2019. The adoption of these pronouncements did not have any significant impact on the Company's financial statements.

- PAS 19 (Amendments), *Employee Benefits – Plan Amendment, Curtailment or Settlement*. The amendments clarify that past service cost and gain or loss on settlement is calculated by measuring the net defined benefit liability or asset using updated actuarial assumptions and comparing the benefits offered and plan assets before and after the plan amendment, curtailment or settlement but ignoring the effect of the asset ceiling that may arise when the defined benefit plan is in a surplus position. Further, the amendments now require that if an entity remeasures its net defined benefit liability or asset after a plan amendment, curtailment or settlement, it should also use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the change to the plan. The application of these amendments had no significant impact on the Company's financial statements.
- PFRS 16, *Leases*. The new standard replaced PAS 17, *Leases*, and its related interpretation, International Financial Reporting Interpretations Committee (IFRIC) 4, *Determining Whether an Arrangement Contains a Lease*, Standard Interpretations Committee (SIC) 15, *Operating Leases – Incentives* and SIC 27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. For lessees, it requires an entity to account for leases "on-balance sheet" by recognizing a "right-of-use" (ROU) asset and lease liability arising from contract that is, or contains, a lease.

The Company has adopted PFRS 16 using the modified retrospective approach as allowed under the transitional provisions of the standard. The adoption of the standard has resulted in adjustments to the amounts recognized in the financial statements as at January 1, 2019, with the cumulative effect recognized in equity as an adjustment to the opening balance of Retained earnings for the current period. Accordingly, comparative information were not restated.

The new accounting policies of the Company as a lessee are disclosed in Note 2.18(i) were not significantly affected.

Discussed below are the relevant information arising from the Company's adoption of PFRS 16 and how the related accounts are measured and presented on the Company's financial statements as at January 1, 2019.

- a. For contracts in place at the date of initial application, the Company has elected to apply the definition of a lease from PAS 17 and IFRIC 4 and has not applied PFRS 16 to arrangements that were previously not identified as leases under PAS 17 and IFRIC 4.
- b. 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 Company's incremental borrowing rate as of January 1, 2019. The Company's weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 8%.
- c. The Company has elected not to include initial direct costs in the measurement of ROU assets at the date of initial application. The Company also elected to measure the ROU assets at its carrying amount as if PFRS 16 had been applied since the commencement date of the lease, but discounted using the weighted average incremental rate as of January 1, 2019, which is 8%.
- d. For leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the Company has applied the optional exemptions to not recognize ROU assets but to account for the lease expense on a straight-line basis over the remaining lease term.

The change in accounting policies resulted into a recognition of ROU assets and lease liabilities amounting to P5.51 million on January 1, 2019. There is no impact on Retained earnings on January 1, 2019.

A reconciliation of the opening lease liabilities recognized at January 1, 2019 and the total operating lease commitments determined under PAS 17 at December 31, 2018 is shown below.

Future minimum lease payables	P10,825
Less: Future minimum rentals payable on short-term leases	4,702
Operating lease liabilities before discounting	<u>6,123</u>
Discount using incremental borrowing rate	611
Lease liabilities, January 1, 2019	<u><u>P5,512</u></u>

- IFRIC 23, *Uncertainty over Income Tax Treatments*. This 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. The application of this interpretation had no significant impact to the Company's financial statements.
- Annual Improvements to PFRS 2015-2017 Cycle. Among the improvements, PAS 12 (Amendments), *Income Taxes – Tax Consequences of Dividends* are relevant to the Company. The amendments clarify that an entity should recognize the income tax consequence of dividend payments in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions that generated the distributable profits. The application of this interpretation had no significant impact to the Company's financial statements.

(b) *Effective Subsequent to 2019 but not Adopted Early*

There are new PFRS, amendments and interpretation to existing standards effective for annual periods subsequent to 2019, which were adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions:

- PAS 1 (Amendments), *Presentation of Financial Statements* and PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material* (effective from January 1, 2020). The amendments provide a clearer definition of 'material' in PAS 1 by including the concept of 'obscuring' material information with immaterial information as part of the new definition, and clarifying the assessment threshold (i.e., misstatement of information is material if it could reasonably be expected to influence decisions made by primary users, which consider the characteristic of those users as well as the entity's own circumstances). The definition of material in PAS 8 has been accordingly replaced by reference to the new definition in PAS 1. In addition, amendment has also been made in other Standards that contain definition of material or refer to the term 'material' to ensure consistency.

- Revised Conceptual Framework for Financial Reporting (effective from January 1, 2020). The revised conceptual framework will be used in standard-setting decisions with immediate effect. Key changes include (a) increasing the prominence of stewardship in the objective of financial reporting, (b) reinstating prudence as a component of neutrality, (c) defining a reporting entity, which may be a legal entity, or a portion of an entity, (d) revising the definitions of an asset and a liability, (e) removing the probability threshold for recognition and adding guidance on derecognition, (f) adding guidance on different measurement basis, and, (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised framework from January 1, 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised framework.

- PFRS 9 (2014), *Financial Instruments*. This new standard on financial instruments will replace PAS 39, *Financial Instruments* 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.

PFRS 4 (Amendments), *Applying PFRS 9 with PFRS 4*, provide two options for entities that issue insurance contracts within the scope of PFRS 4:

- an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets (the “overlay approach”); and,
- an optional temporary exemption from applying PFRS 9 for entities whose predominant activity is issuing contracts within the scope of PFRS 4 (the “deferral approach”).

The Company has selected to apply the second option as allowed by this amendment, effectively deferring application of PFRS 9 (2014) to periods beyond January 2023, 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 as of December 31, 2015, the Company's latest annual reporting date immediately preceding 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 management's assessment, liabilities arising from insurance contracts represents over 90% 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.

Consequently, the Company will continue to apply its existing accounting policy on financial instruments.

- PFRS 17, Insurance Contracts (effective January 1, 2023). The new standard will eventually replace PFRS 4, Insurance Contracts, that will set out the principles for the recognition, measurement, presentation and disclosure of insurance contracts within its scope.

This new standard requires a current measurement model where estimates are remeasured in each reporting period. Moreover, contracts are measured using the building blocks of:

- discounted probability-weighted cash flows;
- an explicit risk adjustment; and,
- a contractual service margin (CSM) representing the unearned profit of the contract which is recognized as revenue over the coverage period.

PFRS 17 further allows a choice between recognizing changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for financial assets under PFRS 9.

In addition, the standard provides an optional, simplified premium allocation approach for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

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 December 31, 2019 and 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.

(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 24th method [see Note 2.17 (b)] except for DAC from modified co-insurance arrangements. The portion of the commissions that relates to the unexpired periods of the contracts 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.

For modified co-insurance arrangements, the related commissions are initially capitalized as DAC and amortized as Commission Expense in the profit or loss throughout the term of the contract.

2.6 Deferred Reinsurance Premiums (DRP)

The ceded reinsurance premiums that pertain to the unexpired period of the contracts 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 24th 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

The Company depreciates ROU assets included as part of property and equipment on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term [see Note 2.18(i)].

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.

Transfers to, or from, investment properties shall be made when and only when there is a change in use or purpose for such property.

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.

Derivative financial instruments are classified under financial assets or financial liabilities at FVTPL, unless these are designated as hedging instruments in an effective hedge or financial guarantee contracts. Derivatives are initially recorded at fair value on the date at which the derivative contract is entered into and are subsequently remeasured at fair value. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as cash flow hedges) are taken directly to the statements of income and are included in Investment and Other income and expenses account [see Note 20].

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. In 2019, derivatives consisted of a non-deliverable forward contract to hedge the risk associated with foreign currency fluctuations. The Company has no outstanding derivative asset or liability as at December 31, 2019.

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. Claims reserves are measured on a discounted basis, using actuarial estimates of historical claims expense, adjusted for current trends and conditions. These estimates are continually reviewed and the ultimate liability may vary significantly from the amount recognized, which are reflected in losses and claims payable in the statement of income in the period in which they are determined.

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 retrocession 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 contracts 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 relevant accounting standards.

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

- (a) *Reinsurance premiums* – Premiums are recognized over the coverage period of the contracts using the 24th method. The 24th method assumes that the average date of issue of all contracts written during any one month is the middle of that month. Accordingly, 1/24th of the net premiums are considered earned in the month the reinsurance contracts are issued and 2/24th for every month thereafter (or 1/24th for every 15-day period after the issue month). The portion of the gross reinsurance premiums that relates to the unexpired periods of the contracts 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 contracts 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.

- (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.
- (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

(i) Accounting for Leases in Accordance with PFRS 16 (2019)

For any new contracts entered into on or after January 1, 2019, the Company considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Company recognizes a ROU asset and a lease liability in the statement of financial position. The ROU asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequently, the Company depreciates the ROU asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The Company also assesses the ROU asset for impairment when such indicators exist (see Note 2.20).

On the other hand, the Company measures the lease liability at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed) less lease incentives receivable, if any, variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options (either renewal or termination) reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the ROU asset, or profit and loss if the ROU asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a ROU asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, ROU assets and lease liabilities have been presented as part of Property, plant and equipment and Accounts payable and accrued expenses, respectively.

(ii) *Accounting for Leases in Accordance with PAS 17 (2018)*

Leases which transfer to the Company substantially all risks and benefits incidental to ownership of the leased item are classified as finance leases and are recognized as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property at the inception of the lease or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance costs are recognized in profit or loss. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Finance lease obligations, net of finance charges, are included in Interest-bearing Loans and Borrowings account in the statement of financial position.

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 (net of any incentive received from the lessor) are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and 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 or identified asset or assets and the arrangement conveys a right to use the asset for a period of time in exchange for consideration.

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 20).

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, unless there is a plan amendment, curtailment or settlement during the reporting period.

The calculation also takes into 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.

Based on the requirement of SEC Memorandum Circular 2019-10, *Rules of Material Related Party Transactions for Publicly-listed Companies*, transactions amounting to ten percent (10%) or more of the total assets based on the latest audited financial statements that were entered into by the Company with related parties are considered material.

All individual material related party transactions shall be approved by at least two-thirds vote of the board of directors, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within a 12-month period that breaches the materiality threshold of ten percent (10%) of the Company's total assets based on the latest audited financial statements, the same board approval would be required for the transaction(s) that meets and exceeds the materiality threshold covering the same related party.

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 24.2).

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 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 or 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 P57.51 million and P7.81 million are considered impairment in value as at December 31, 2019 and 2018, respectively (see Note 7). 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.

As at December 31, 2019 and 2018, the Company has recognized allowance for impairment loss amounting to P578.08 million and P637.44 million, respectively (see Note 6).

(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 December 31, 2019 and 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 28.

(d) *Determination of Lease Term of Contracts with Renewal and Termination Options (2019)*

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

The Company did not include the renewal period as part of the lease term for leases of a number of EDP equipment as these may no longer be optimal at the time of expiration of the lease, and alternative EDP equipment could be sourced and introduced into the operations without significant cost or disruption.

The lease term is reassessed if the renewal option is actually exercised or not exercised, or if the Company becomes obliged to exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Company.”

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. An 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 6.

The carrying values of HTM investments and loans and receivables are shown in Notes 8 and 9, 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 7.

(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 10, and of investment properties and intangible assets in Note 14. Based on management's assessment as at December 31, 2019 and 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 December 31, 2019 and 2018, the Company recognized net deferred tax assets amounting to P167.52 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 P641.23 million and P593.20 million as at December 31, 2019 and 2018, respectively (see Note 23).

(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.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit obligation, as well as the significant assumptions used in estimating such obligation, are presented in Note 22.2.

(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.

As at December 31, 2019 and 2018, the carrying value of provision for claims reported and IBNR losses are recognized as Losses and claims payable and Claims reserves accounts, respectively, in the statements of financial position (see Note 17).

(b) *Determination of Appropriate Discount Rate in Measuring Lease Liabilities (2019)*

The Company measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Company's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of financial risks from both its operating and investing activities. The Company's main risk mitigation strategies generally include adoption of underwriting and investment policies and guidelines, annual budget provision and internal audit checks and assessments.

The Company has implemented an Enterprise Risk Management Process, which is an organization-wide approach to the identification, assessment, communication and management of enterprise risks which are, defined as issues which may prevent the Company from achieving its strategic objectives. This process has been fully integrated into the Company's operations and is overseen by a Risk Management Team, who reports the results of the review and risk assessment to members of senior management. At the same time, a Risk Oversight Committee has been established by the Company's BOD to assist them in the development and oversight of the Company's risk management program. The Risk Oversight Committee is required to provide the BOD with a comprehensive enterprise risk assessment at least annually and to establish plans to ensure that risks are being managed and monitored effectively. The Risk Oversight Committee's main task is to oversee that risk management is an integral part of the planning and operations of the Company in order to meet corporate goals and objectives.

The Company's risk management, in close cooperation with the respective duly constituted Board Committees on Underwriting, Investment and Budget, Risk Oversight and Audit, focuses on implementing risk control measures addressing underwriting acceptances, catastrophe exposures, retrocession programs, claims control, and securing short to medium-term cash flows by minimizing financial market risks while managing long-term financial investments to generate expected returns.

The most significant financial risks to which the Company may be exposed to are described in the succeeding pages.

4.1 Underwriting Risk

As a reinsurer, the Company underwrites reinsurance business from life and non-life insurance companies and intermediaries, with the objective of realizing profits and being a dependable partner to its clients. To attain this objective, it is essential for the Company to have a balanced portfolio, wherein there is diversification of risks. For non-life business, each risk that is accepted or treaty arrangement entered into is carefully evaluated based on the Company's underwriting guidelines, such as maximum limits per type of risk, existing exposures, premium adequacy and financial condition of the client.

The Company's retention on the larger risks that the Company accepts, or possible accumulation of the same in a given area, including losses that could arise from catastrophes such as earthquakes and typhoons, is protected by an excess of loss coverage to limit the Company's exposure up to a specified amount. Significant risk concentrations may result in potential losses not only in certain areas but also within a particular type of business such as property, motor and casualty. The Company monitors and controls its exposures in various lines.

Retrocession or reinsuring what the Company had earlier accepted as reinsurance is resorted to enable the Company to write risk with amounts in excess of its retention, and to reduce the volatility of its results and protect its capital. In doing so, the Company also sets minimum requirements and standards in determining with whom it retrocedes to, foremost of which is the rating of the retrocessionaires by international rating agencies such as Standard and Poor's and A.M. Best.

On the other hand, life business, which constitutes about 30% of gross premium written, follows a schedule of retention per life or group life as set by the Underwriting Committee. Any amount in excess of this is retroceded with reputable foreign reinsurers whose ratings from the same rating agencies are above par and meet the Company's standards.

Starting 2015, the Company repositioned itself as a lead-role reinsurer. Consequently, this triggered a reevaluation of company retention. The retention limits appropriate for mandatory 10% share are not advantageous to the Company when applied to lead contracts where share is 80% or 100%.

As a lead reinsurer, the Company is pushing for the adoption of underwriting guidelines which may be accessed through the Company's web portal.

Also, the Company continues to practice prudent claims management control. In evaluating a claim, the Company follows set of guidelines such as setting up of reserves upon its receipt of a preliminary loss advice, and requiring the cedant-claimant to submit other necessary documents such as the adjuster's report, affidavits and proof of loss, among others. In addition, the Company establishes claim reserves to provide for losses that have been incurred but not yet paid. At the end of each reporting date, the Company assesses the adequacy of reserves for future claims that are not yet reported by setting up IBNR best estimate and inclusion of MfAD as ascertained by an independent actuary.

Concentration of Insurance Risk

The tables below set out the concentration of premiums by line of risk.

	December 31, 2019		
	Gross Written Premiums	Retroceded Premiums	Net Written Premiums
Fire	P1,707,837	P311,334	P1,396,503
Casualty	510,280	20,696	489,584
Motor	375,551	18,904	356,647
Life	1,698,065	704,738	993,327
Marine and aviation	46,802	8,574	38,228
	P4,338,535	P1,064,246	P3,274,289

	December 31, 2018		
	Gross Written Premiums	Retroceded Premiums	Net Written Premiums
Fire	P1,355,115	P453,449	P901,666
Casualty	638,415	31,703	606,712
Motor	538,443	14,896	523,547
Life	1,108,980	600,836	508,144
Marine and aviation	41,953	5,887	36,066
	P3,682,906	P1,106,771	P2,576,135

	December 31, 2017		
	Gross Written Premiums	Retroceded Premiums	Net Written Premiums
Fire	P1,194,578	P286,671	P907,907
Casualty	635,959	93,009	542,950
Life	977,938	475,081	502,857
Motor	340,909	10,262	330,647
Marine and aviation	55,730	7,333	48,397
Adjustments	-	(30,927)	30,927
	P3,205,114	P841,429	P2,363,685

Claims Development

The Company aims to maintain strong reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. As claims develop and the ultimate cost of claims becomes more certain, adverse claims experiences are eliminated which results in the release of reserves from earlier accident/underwriting years. In order to maintain strong reserves, the Company transfers much of this release to current accident/underwriting year reserves when the development of claims is less mature and there is much greater uncertainty attaching to the ultimate cost of claims.

The risks vary significantly in relation to the location of the risk insured by the Company, type of risks insured and in respect of commercial and business interruption by industry.

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 December 31, 2019 and 2018, net of foreign exchange revaluation of P45.55 million and P87.78 million, respectively.

December 31, 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	P1,305,765	P1,305,765
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	2,291,699	-	2,291,699
Two years later	-	870,396	2,444,928	1,553,907	2,756,250	663,639	1,239,501	1,541,089	2,111,210	-	-	2,111,210
Three years later	-	908,425	3,754,928	1,676,474	2,643,911	605,379	1,221,244	1,381,816	-	-	-	1,381,816
Four years later	-	996,770	3,837,886	1,701,021	2,559,103	538,642	1,167,963	-	-	-	-	1,167,963
Five years later	-	1,040,042	3,821,055	1,654,200	2,400,590	572,578	-	-	-	-	-	572,578
Six years later	-	1,022,502	3,796,121	1,609,999	2,401,034	-	-	-	-	-	-	2,401,034
Seven years later	-	943,528	3,806,755	1,610,569	-	-	-	-	-	-	-	1,610,569
Eight years later	-	917,084	3,830,616	-	-	-	-	-	-	-	-	3,830,616
Nine years later	-	926,269	-	-	-	-	-	-	-	-	-	926,269
Ten years later	2,111,408	-	-	-	-	-	-	-	-	-	-	2,111,408
Estimate of cumulative claims	2,111,408	926,269	3,830,616	1,610,569	2,401,034	572,578	1,167,963	1,381,816	2,111,210	2,291,699	1,305,765	19,710,927
Cumulative payments to date	437,246	854,103	3,669,801	1,399,258	1,622,347	479,463	1,132,322	818,448	1,488,664	1,159,925	142,951	13,204,528
Total current estimate of loss reserves	P1,674,162	P72,166	P160,815	P211,311	P778,687	P93,115	P35,641	P563,368	P622,546	P1,131,774	P1,162,814	P6,506,399

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
Nine years later	2,087,688	-	-	-	-	-	-	-	-	-	2,087,688
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 December 31, 2019 and 2018, net of foreign exchange revaluation of P23.44 million and P35.19 million, respectively.

December 31, 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-	P304,021	P388,456	P752,041	P871,508	P213,369	P408,903	P611,372	P1,019,477	P974,497	P1,127,670	P1,127,670
One year later	-	482,633	580,212	1,166,414	1,316,239	530,461	633,978	1,300,749	1,852,647	2,028,455	-	2,028,455
Two years later	-	507,762	587,782	1,233,206	1,058,624	540,712	609,307	1,298,378	1,986,014	-	-	1,986,014
Three years later	-	482,904	1,257,465	1,127,832	1,083,323	517,872	602,258	1,310,028	-	-	-	1,310,028
Four years later	-	566,961	1,256,110	1,149,516	1,162,020	484,850	568,335	-	-	-	-	568,335
Five years later	-	596,987	1,279,786	1,088,884	1,140,621	507,431	-	-	-	-	-	507,431
Six years later	-	585,752	1,287,779	1,067,683	1,136,257	-	-	-	-	-	-	1,136,257
Seven years later	-	489,932	1,298,717	1,080,460	-	-	-	-	-	-	-	1,080,460
Eight years later	-	462,883	1,321,783	-	-	-	-	-	-	-	-	1,321,783
Nine years later	-	470,123	-	-	-	-	-	-	-	-	-	470,123
Ten years later	926,789	-	-	-	-	-	-	-	-	-	-	926,789
Estimate of cumulative claims	926,789	470,123	1,321,783	1,080,460	1,136,257	507,431	568,335	1,310,028	1,986,014	2,028,455	1,127,670	12,463,345
Cumulative payments to date	229,129	418,611	1,234,279	1,067,862	1,056,004	437,608	544,879	1,118,719	1,428,157	1,044,428	82,607	8,662,283
Total current estimate of loss reserves	P697,660	P51,512	P87,504	P12,598	P80,253	P69,823	P23,456	P191,309	P557,857	P984,027	P1,045,063	P3,801,062

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	489,320	-	-	-	-	489,320
Five years later	-	596,987	1,279,786	1,088,884	1,196,386	-	-	-	-	-	1,196,386
Six years later	-	585,752	1,287,779	1,153,127	-	-	-	-	-	-	1,153,127
Seven years later	-	489,932	1,319,916	-	-	-	-	-	-	-	1,319,916
Eight years later	-	463,007	-	-	-	-	-	-	-	-	463,007
Nine years later	1,414,944										1,414,944
Estimate of cumulative claims	1,414,944	463,007	1,319,916	1,153,127	1,196,386	489,320	602,258	1,298,378	1,892,067	974,497	10,803,900
Cumulative payments to date	208,209	413,145	1,229,971	1,061,124	1,045,934	426,035	531,592	1,034,145	825,192	76,580	6,851,927
Total current estimate of loss reserves	P1,206,735	P49,862	P89,945	P92,003	P150,452	P63,285	P70,666	P264,233	P1,066,875	P897,917	P3,951,973

Sensitivities

As a reinsurer, the insurance contract liabilities of the Company are sensitive to key factors such as claims experience, the observed claims reporting and payment patterns, and the occurrence of catastrophic events as observed in the historical loss ratios of the Company.

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on the Company's income before income tax. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these variables are nonlinear.

	Change in Assumption	Impact on Income before Income Tax	
		Increase (Decrease)	
		2019	2018
Loss ratio	+5%	(P159,659)	(P128,312)
	-5%	159,659	128,312

4.2 Credit Risk

Credit risk is the risk of financial loss to the Company if a counterparty to a reinsurance contract or financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk primarily through its cash and cash equivalents, investments, reinsurance receivables, loans and receivables, funds at Lloyd's, deposits and security fund. The carrying amounts of reinsurance receivables and financial assets best represent the maximum credit risk exposure at the reporting date.

The table below and in the succeeding page provides information regarding the credit risk exposure of the Company as at December 31, 2019 and 2018 by classifying assets according to the Company's credit grading of counterparties.

	December 31, 2019				
	Neither Past Due nor Impaired		Past Due but not Impaired	Impaired	Total
	Investment High Grade	Non-investment Grade			
Cash and cash equivalents	P1,004,977	P-	P-	P-	P1,004,977
Reinsurance balances receivable	1,813,379	611,486	183,942	578,081	3,186,888
AFS financial assets - debt securities	3,479,780	-	-	-	3,479,780
HTM investments	2,227,897	-	-	-	2,227,897
Loans and receivables	71,535	8,477	-	-	80,012
Funds at Lloyd's	150,509	-	-	-	150,509
Other assets	1,331	-	-	-	1,331
	P8,749,408	P619,963	P183,942	P578,081	P10,131,394

	December 31, 2018				
	Neither Past Due nor Impaired		Past Due but not Impaired	Impaired	Total
	Investment High Grade	Non-investment Grade			
Cash and cash equivalents	P1,161,899	P-	P-	P-	P1,161,899
Reinsurance balances receivable	1,528,292	636,861	114,969	637,438	2,917,560
AFS financial assets - debt securities	2,494,960	-	-	-	2,494,960
HTM investments	1,848,693	-	-	-	1,848,693
Loans and receivables	97,190	15,353	-	-	112,543
Funds at Lloyd's	196,557	-	-	-	196,557
Other assets	1,364	-	-	-	1,364
	P7,328,955	P652,214	P114,969	P637,438	P8,733,576

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.

The Company continuously monitors defaults of ceding companies and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on ceding companies and other counterparties are obtained and used. The Company’s policy is to deal only with creditworthy counterparties.

As part of Company’s policy, substantially all bank deposits are only maintained with reputable financial institution having high quality external credit ratings. Cash in banks which are insured by the Philippine Deposit Insurance Corporation (PDIC) up to a maximum coverage of P0.50 million per depositor per banking institution, as provided for under Republic Act (RA) No. 9576, *Amendment to Charter of PDIC*, are still exposed to credit risk. However, the credit risk for cash and cash equivalents is considered negligible, since the majority of the counterparties are reputable banks with high quality external credit ratings.

The reinsurance balances receivable that are past due but not impaired are as follows:

	2019	2018
More than six months but not more than one year	P113,188	P38,627
More than one year	70,754	76,342
	P183,942	P114,969

None of the Company's reinsurance receivables and financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents as described in the preceding page. Further, the Company's reinsurance balances are subject to enforceable master netting agreements, each agreement between the Company and counterparties allows for net settlement of the relevant reinsurance liabilities when both elect to settle on a net basis.

Reinsurance balances as at December 31 are as follows.

	<i>Notes</i>	2019	2018
Reinsurance balances receivable	<i>6</i>	P2,608,807	P2,280,122
Reinsurance balances payable	<i>15</i>	1,185,518	1,154,233

4.3 Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with its reinsurance contracts and financial liabilities that are settled by delivering cash or another financial asset.

The Company manages its cash and investment position to meet its obligations arising from reinsurance agreements and other financial liabilities. Currently, the Company's excess cash is invested in short-term placements and AFS financial assets.

As at December 31, 2019 and 2018, the Company's obligations arising from reinsurance agreements totaling P1.19 billion and P1.15 billion, respectively, have contractual maturities within the normal operating cycle of the business. In addition, as at December 31, 2019 and 2018, other financial liabilities included as part of Accounts payable and accrued expenses account in the statements of financial position amounted to P46.76 million and P56.02 million, respectively, and have contractual maturities within one year after the end of the reporting period.

As at December 31, 2019 and 2018, the Company has a current ratio of 3.56:1 and 3.02:1, respectively, which does not include losses and claims payable and claims reserves.

4.4 Market Risk

Market risk embodies potential losses due to market fluctuations and includes foreign exchange risk, equity price risk and interest rate risk.

The Company's market risk is managed on a daily basis in accordance with internal and regulatory policies and procedures while overall market positions are reported to the Investment Committee of the Company.

The market risks to which the Company may be exposed are as follows:

(a) *Foreign Exchange Risk*

Foreign currency risk is the risk that fluctuations in foreign exchange rates will adversely affect the fair value or cash flow of a recognized financial instrument. The Company may invest in financial instruments and enter into transactions denominated in currencies other than its functional currency. Consequently, the Company is exposed to risk that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Company's assets or liabilities denominated in currencies other than in Philippine peso.

Exposures to currency exchange rates arise from the foreign currency denominated short-term placements, investments, receivables and payables. The Company recognized net foreign currency losses P26.25 million and P30.70 million in 2019 and 2017, respectively, and net foreign currency gains P43.22 million in 2018 (see Note 20).

To mitigate the Company's exposure to foreign exchange risk, foreign-currency denominated cash flows and positions are monitored and hedged as it deems necessary.

	2019		2018	
	U.S. Dollars	Other Currencies	U.S. Dollars	Other Currencies
Financial assets	P1,951,072	P78,650	P1,989,994	P35,801
Financial liabilities	(1,774,123)	(254,912)	(1,306,288)	(190,517)
Total net exposure	P176,949	(P176,262)	P683,706	(P154,716)

The table below illustrates the sensitivity of the Company's profit before tax with respect to changes on Philippine peso (Php) against foreign currencies exchange rates. The percentage changes in rates have been determined based on the average market volatility rates, using standard deviation, in the previous 12 months. If the Philippine peso had strengthened against the foreign currencies, the effect is presented below.

	2019			2018		
	Reasonably Possible Change in Rate	Effect in Profit Before Tax	Effect in Equity	Reasonably Possible Change in Rate	Effect in Profit Before Tax	Effect in Equity
Php - U.S. Dollars	13.37%	P23,652	P16,556	4.70%	P32,101	P22,471
Php - Indian Rupee	19.38%	339	237	6.85%	(15,970)	(11,179)
Php - Singaporean Dollars	11.01%	(2,356)	(1,649)	6.48%	(1,728)	(1,209)
Php - Hongkong Dollars	12.57%	(2,217)	(1,552)	4.81%	(849)	(594)
Php - Euro	13.02%	2,802	1,961	9.57%	1,640	1,147
Php - Thailand Baht	16.28%	(504)	(353)	9.71%	(476)	(333)
Php - Vietnamese Dong	12.63%	(963)	(674)	5.24%	(59)	(41)
Php - Indonesian Rupiah	19.07%	(8,474)	(5,931)	7.47%	(4,618)	(3,233)
Php - Nepalese Rupee	11.73%	1,505	1,053	8.83%	149	105
Php - Japanese Yen	23.30%	(26)	(18)	13.93%	(106)	(74)
Php - China Yuan	10.53%	(24)	(17)	8.71%	(20)	(14)
Php - Sri Lankan Rupee	14.81%	(26)	(18)	5.61%	(10)	(7)
Php - British Pound	24.31%	(11,344)	(7,941)	11.08%	(5,525)	(3,868)
Php - Malaysian Ringgit	-	-	-	9.53%	904	633
Php - South Korean Won	-	-	-	5.12%	(1,083)	(758)
Php - Bhutanese Ngultrum	-	-	-	3.43%	(50)	(35)
Total		P2,364	P1,654		P4,300	P3,011

If the Philippine peso had weakened against the foreign currencies, the effect would be the reverse of the amounts presented.

Exposures to foreign currency rates vary during the year depending on the volume of foreign currency denominated transactions. Nonetheless, the analysis is considered to be a representative of the Company's currency risk.

(b) Equity Price Risk

Equity price risk is the probability that the value of an equity investment would deteriorate due to changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

The Company, through its Investment Committee, has established conservative guidelines and policies and constantly reviews them to align with the Company's risk appetite, business profile, targets, and better control the risks inherent in equity investments.

The Company's own investment policy requires that it invests only in shares of common stock of companies listed in the PSE. Also, these listed companies must have profitable business operations and market capitalizations supportive of the overall strategic direction of the Company.

The Investment Committee regularly reviews and approves a list of publicly traded stocks authorized for investments on the basis of the foregoing considerations. Furthermore, the Investment Committee seeks to avoid unwarranted concentration of funds in a single asset class by regularly monitoring and limiting the proportion of equity investments to the Company's total investment portfolio. Further, exposure limits to a group of entities and single entities are established and monitored regularly.

As at December 31, 2019 and 2018, investments in listed equities accounted for 13% and 24% of the Company's total investment portfolio, respectively.

The observed volatility rates of the fair value of the Company's AFS financial assets held at fair value and their impact on the Company's other comprehensive income for the years ended December 31, 2019 and 2018 are summarized as follows:

	2019		2018	
	Observed Volatility Rates	Effect in Other Comprehensive Income	Observed Volatility Rates	Effect in Other Comprehensive Income
Common shares	9.49%	P99,021	14.45%	P252,640
Preferred shares	9.58%	36,372	17.34%	49,218
		P135,393		P301,858

(c) *Interest Rate Risk*

There are two types of interest rate risk:

- Fair Value Interest Rate Risk - the probability that the value of a financial instrument would deteriorate due to changes in market interest rates; and
- Cash Flow Interest Rate Risk - the probability that future cash flows of a financial instrument would deteriorate due to changes in market interest rates.

Significant portion of the Company's investments is composed mainly of fixed interest-bearing debt instruments carried at fair value. Its total consolidated bond holdings accounted for 72% and 62% of its total investment portfolio as at December 31, 2019 and 2018, respectively. As a result, the Company is exposed to fair value interest rate risk.

The Company does not carry debt instruments with variable interest rate and, thus, is not exposed to cash flow interest rate risk.

Risk limits on issuer exposure, credit ratings, duration, and gapping of its portfolio are being monitored and managed to ensure protection of capital and address the Company's liquidity needs as they arise.

The analysis below details the impact of changes in market interest rate to the fair value of the Company's investment in fixed-rate debt instruments. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	2019		
	Observed Volatility Rates	Effect in Other Comprehensive Income	
		Increase in variable	Decrease in variable
Peso-denominated securities:			
Government bonds	10.86%	(P86,360)	P30,355
U.S. Dollar-denominated securities:			
Government bonds	22.90%	(97)	7
Corporate bonds	19.17%	(16)	12
		(P86,473)	P30,374
		2018	
	Observed Volatility Rates	Effect in Other Comprehensive Income	
		Increase in variable	Decrease in variable
Peso-denominated securities:			
Government bonds	11.31%	(P68,061)	P80,954
U.S. Dollar-denominated securities:			
Government bonds	26.49%	(10,371)	4,627
Corporate bonds	16.93%	(1,758)	798
		(P80,190)	P86,379

In 2019 and 2018, the Company determined the reasonably possible change in interest rate based on the historical percentage changes in weighted average yield rates of outstanding investments of the Company.

5. CASH AND CASH EQUIVALENTS

This account consists of:

	2019	2018
Cash on hand and in banks	P95,503	P117,928
Short-term placements	909,474	1,043,971
	P1,004,977	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 20).

Peso short-term placements earn annual interest ranging from 0.50% to 7.15% in 2019, 0.13% to 7.15% in 2018, from 0.50% to 2.63% in 2017, while U.S. dollar short-term placements earn annual interest ranging from 1.00% to 2.40% in 2019, 0.13% to 2.25% in 2018, and 0.50% to 1.38% in 2017.

The Cash and cash equivalents account includes cash denominated in U.S. dollar

amounting to \$4.59 million or P233.04 million in 2019 and \$6.30 million or P331.98 million in 2018.

6. REINSURANCE BALANCES RECEIVABLE

The details of this account are as follows:

	2019	2018
Due from ceding companies	P2,739,387	P2,444,102
Due from reinsurers	1,261	25,568
Reinsurance recoverable on paid losses	344,609	372,202
Funds held by ceding companies	101,631	75,688
	3,186,888	2,917,560
Allowance for impairment	(578,081)	(637,438)
	P2,608,807	P2,280,122

The movements in these accounts are as follows:

	2019				
	Due from ceding companies	Due from Reinsurers	Reinsurance recoverable on paid losses	Funds held by ceding companies	Total
Balance at beginning of year	P2,444,102	P25,568	P372,202	P75,688	P2,917,560
Loss recoveries during the year	-	-	257,462	-	257,462
Premiums written net of funds held during the year	4,312,524	-	-	-	4,312,524
Funds held during the year	-	-	-	26,011	26,011
Reclassified from due from ceding companies	(3,297)	-	-	3,297	-
Collections during the year	(3,971,803)	(24,307)	(281,384)	-	(4,277,494)
Revaluation adjustment	(42,139)	-	(3,671)	(3,365)	(49,175)
	2,739,387	1,261	344,609	101,631	3,186,888
Allowance for impairment	(221,988)	(1,261)	(331,962)	(22,870)	(578,081)
Balance at end of year	P2,517,399	P-	P12,647	P78,761	P2,608,807

	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 2019 and 2018 is shown below.

	2019				Total
	Due from ceding companies	Due from reinsurers	Reinsurance recoverable on paid losses	Funds held by ceding companies	
Balance at beginning of year	P265,287	P-	P348,020	P24,131	P637,438
Reclassification	(42,360)	1,261	(13,637)	(1,261)	(55,997)
Revaluation	(939)	-	(2,421)	-	(3,360)
Balance at end of year	P221,988	P1,261	P331,962	P22,870	P578,081

	2018				Total
	Due from ceding companies	Reinsurance recoverable on paid losses	Funds held by ceding companies		
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.

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

This account is composed of the following:

	2019	2018
Bonds	P3,479,780	P2,494,960
Equity securities - net	1,432,375	2,049,801
Investment in ARC shares	33,598	35,191
	P4,945,753	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, 2018 and 2017. Interest income is presented as part of Investment and Other income and expenses account in the statements of income (see Note 20).

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

	2019	2018
Due within one year	P279,298	P335,957
Due after one year through five years	1,542,863	1,196,614
Due after five years through ten years	970,427	732,972
Due after ten years	687,192	229,417
	P3,479,780	P2,494,960

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

	2019	2018
Cost:		
Quoted in the stock exchange	P1,486,032	P2,151,650
Not quoted in the stock exchange	15,517	33,416
	1,501,549	2,185,066
Unrealized foreign currency losses	95	590
Fair value losses:		
Quoted in the stock exchange	(63,460)	(119,659)
Not quoted in the stock exchange	(5,809)	(16,196)
	(69,269)	(135,855)
	P1,432,375	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 20).

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 P33.60 million and P35.19 million as at December 31, 2019 and 2018, respectively.

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

	2019	2018
Cost		
Balance at beginning of year	P4,946,329	P5,367,174
Acquisitions	2,848,452	2,526,482
Reclassification	-	(563,380)
Disposals/maturities	(2,782,990)	(2,385,525)
Impairment losses	(57,511)	(7,810)
Unrealized foreign currency gains (losses)	(10,602)	9,388
	4,943,678	4,946,329
Fair value adjustment		
Balance at beginning of year	(366,377)	159,946
Changes in fair value	390,713	(492,442)
Fair value gains on disposal	(79,772)	(131,059)
Impairment losses	57,511	7,810
Reclassification	-	89,368
	2,075	(366,377)
Balance at end of year	P4,945,753	P4,579,952

Fair value gains or losses recognized in the statements of comprehensive income amounted to fair value gains of P390.71 million and P407.03 million in 2019 and 2017, respectively, and fair value losses of P492.44 million in 2018.

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

The Company recognized an impairment loss amounting to P57.51 million, P7.81 million and P3.30 million, in 2019, 2018 and 2017, respectively, which pertains to certain investments in equity securities with significant or prolonged decline in fair values. These were recorded as part of Investment and Other income and expenses account in the statements of income (see Note 20) after transferring the same amount of fair value losses on AFS financial assets from the Other comprehensive income account.

The Company sold AFS financial assets with carrying amount of P2.78 billion in 2019, P2.39 billion in 2018 and P2.31 billion in 2017. Accordingly, the Company recognized gain on sale of AFS financial assets amounting to P79.77 million, P131.06 million and P120.78 million in 2019, 2018 and 2017, respectively. These are presented as part of Investment and Other income and expenses account in the statements of income (see Note 20).

Fair value gains reclassified to profit or loss, as presented in the statements of comprehensive income, amounted to P79.77 million, P131.06 million and P120.78 million in 2019, 2018 and 2017, 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 30.2).

8. HELD-TO-MATURITY INVESTMENTS

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

	2019	2018
Due within one year	P480,142	P170,878
Due after one year through five years	1,001,456	978,712
Due after five years through ten years	746,299	699,103
	P2,227,897	P1,848,693

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

	2019	2018
Balance at beginning of year	P1,848,693	P1,034,687
Reclassification	-	473,132
Additions	722,206	340,830
Maturities	(338,672)	-
Amortization	(4,330)	44
Balance at end of year	P2,227,897	P1,848,693

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 P562.50 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 P82.59 million and P55.14 million in 2018 and 2017, respectively, (see Note 20) and nil fair value gain or loss as a result of the reclassification had not been made, a decrease of P4.74 million and P130.00 million on the fair value of the bonds as at December 31, 2018 and 2017, respectively, would have been recognized directly in other comprehensive income.

9. LOANS AND RECEIVABLES

This account is comprised of the following:

	2019	2018
Current:		
Loans and notes receivable	P2,487	P8,073
Time deposits	-	5,000
Dividend and interest receivable	71,535	42,190
	74,022	55,263
Non-current:		
Loans and notes receivable	5,990	57,280
	P80,012	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 periods of 140 days in 2019, 2018 and 2017. The annual interest rate of these deposits is 4.50% in 2019 and 2018, and 5.00% in 2017.

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 20).

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 recognized for loans and receivables in 2019, 2018 and 2017.

10. PROPERTY AND EQUIPMENT

A reconciliation of the carrying amount at the beginning and end of 2019 and 2018 of property and equipment is shown below.

	2019					Total
	Condominium Unit	Office Improvements	Office Furniture and Equipment	Transportation Equipment	EDP Equipment	
Cost						
Balance at beginning of year	P101,310	P25,234	P11,183	P11,906	P14,406	P164,039
Additions	–	7	57	929	6,949	7,942
Disposals/retirement	–	–	(15)	(250)	(3,485)	(3,750)
Balance at end of year	101,310	25,241	11,225	12,585	17,870	168,231
Accumulated Depreciation						
Balance at beginning of year	64,726	2,632	5,548	4,094	10,476	87,476
Depreciation	3,377	2,522	1,494	2,391	4,131	13,915
Disposals/retirement	–	–	–	(95)	(3,459)	(3,554)
Balance at end of year	68,103	5,154	7,042	6,390	11,148	97,837
Net Book Value	P33,207	P20,087	P4,183	P6,195	P6,722	P70,394
	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 with book value of P0.20 million, P0.30 million and P6.95 million in 2019, 2018, and 2017, respectively, and recognized net loss amounting to P0.05 million, P0.23 million and P3.92 million in 2019, 2018, and 2017, respectively, and is presented as part of Loss on asset retirement under Investment and Other income and expenses account in the statements of income (see Note 20).

The original cost of fully depreciated property and equipment that are still in use amounted to P9.88 million and P10.30 million as at December 31, 2019 and 2018, respectively.

ROU assets capitalized are recognized as part of under EDP Equipment. As of December 31, 2019, ROU assets and Lease liability amounted P2.88 million.

In 2019, depreciation associated with ROU assets amounted to P2.64 million.

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

The movements in the accounts follow:

	<u>Reinsurance recoverable on reported losses</u>	<u>Reinsurance recoverable on claims reserves</u>
December 31, 2019		
Balance at beginning of year	P2,442,548	P319,048
Claims reported during the year	239,556	-
Transferred to reinsurance recovered on paid losses	(257,462)	-
Claims incurred but not reported, net of adjustments	-	558
Revaluation adjustment	(12,256)	-
	<u>2,412,386</u>	<u>319,606</u>
Allowance for impairment	(124,003)	-
Balance at end of year	<u>P2,288,383</u>	<u>P319,606</u>
December 31, 2018		
Balance at beginning of year	P2,748,350	P499,995
Claims reported during the year	(133,581)	-
Transferred to reinsurance recovered on paid losses	(176,069)	-
Claims incurred but not reported, net of adjustments	-	(180,947)
Revaluation adjustment	3,848	-
	<u>2,442,548</u>	<u>319,048</u>
Allowance for impairment	(68,006)	-
Balance at end of year	<u>P2,374,542</u>	<u>P319,048</u>

All of the Company's reinsurance recoverable on reported losses and claims reserves have been reviewed for indicators of impairment. In 2019, the Company reclassified the allowance for impairment from Reinsurance balance receivable – net to Reinsurance recoverable on reported losses amounting to P55.99 million. 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 (see Note 22).

12. DEFERRED ACQUISITION COSTS

The movements in this account are as follows:

	2019	2018
Balance at beginning of year	P405,104	P280,947
Cost deferred	1,177,086	902,034
Cost recognized	(986,710)	(777,877)
Balance at end of year	P595,480	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 21.3).

13. DEFERRED REINSURANCE PREMIUMS

The movements in this account are as follows:

	2019	2018
Balance at beginning of year	P331,545	P202,935
Premiums retroceded during the year	1,064,246	1,106,771
Premiums amortized during the year	(941,751)	(978,161)
Balance at end of year	P454,040	P331,545

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

14. OTHER ASSETS

This account is composed of the following:

	<i>Notes</i>	2019	2018
Input VAT		P207,007	P210,085
Deferred tax assets – net	23	167,518	113,905
Funds at Lloyd's		150,509	196,557
Intangible assets – net		26,819	30,013
Defined benefit asset	22.2(b)	12,928	13,627
Prepayments		9,938	4,712
Deferred withholding VAT		9,203	9,203
Deferred creditable tax		7,022	7,092
Investment properties - net		3,705	3,705
Deposit		687	720
Security fund		644	644
Deferred input VAT	35(b)	617	532
Others		138	138
		596,735	590,933
Allowance for impairment		(209,633)	(209,633)
		P387,102	P381,300

Input VAT

The reconciliation of the allowance for impairment of input VAT is as follows:

	2019	2018
Balance at beginning of year	P209,633	P215,233
Reclassification	–	(5,600)
Balance at end of year	P209,633	P209,633

In 2017, the Company provided allowance for impairment on its input VAT as management assessed that the amount may not be realizable. Impairment loss recognized in 2017 is presented as part of Impairment losses – net under General and administrative expenses account in the statements of income (see Note 22).

Funds at Lloyd's

In December 2016, the Company entered into a quota share reinsurance treaty contract with a member of the Society of 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 equivalent to P36.94 million. In 2019, there was a cash call paid amounting to U.S.\$ 0.76 million equivalent to 38.67 million. As at December 31, 2019 and 2018, Funds at Lloyd's amounted to U.S. \$2.97 or P150.51 million and \$3.73 million or P196.56 million, respectively.

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 December 31, 2019 and 2018 are as follows:

	2019	2018
Cost	P169,152	P163,881
Accumulated amortization	(142,333)	(133,868)
Balance at end of year	P26,819	P30,013

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

	2019	2018
Balance at beginning of year, net of accumulated amortization	P30,013	P9,881
Additions	5,271	25,226
Amortization	(8,465)	(5,094)
Balance at end of year, net of accumulated amortization	P26,819	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 2019 and 2018 is shown below.

	2019	2018
Balance at beginning of year	P3,705	P2,825
Reclassification	-	880
Balance at end of year	P3,705	P3,705

The total estimated fair value based on the latest available selling price of the properties obtained by the Company amounted to P15.20 million and P12.20 million as at December 31, 2019 and 2018, respectively (see Note 30.4).

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.

15. REINSURANCE BALANCES PAYABLE

The details of this account are as follows:

	2019	2018
Due to retrocessionaires	P1,175,144	P1,128,331
Funds held for retrocessionaires	5,691	23,559
Due to cedant	4,683	2,343
	P1,185,518	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.

	2019			Total
	Due to retrocessionaires	Funds held for retrocessionaires	Due to cedant	
Balance at beginning of year	P1,128,331	P23,559	P2,343	P1,154,233
Retroceded premiums net of funds held during the year	1,060,761	-	-	1,060,761
Funds held during the year	-	3,485	-	3,485
Funds released during the year	21,353	(21,353)	-	-
Payments made during the year	(1,032,436)	-	2,367	(1,030,069)
Revaluation adjustment	(2,865)	-	(27)	(2,892)
Balance at end of year	P1,175,144	P5,691	P4,683	P1,185,518

	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

16. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

This account includes the following:

	Notes	2019	2018
Accounts payable		P41,550	P45,332
Income tax payable		31,207	6,553
Deferred output VAT	35(a)	24,727	24,003
Withholding taxes payable		8,238	4,070
Accrued expenses		2,665	8,148
Dividends payable	24.3	2,543	2,543
		P110,930	P90,649

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.

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

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.

17. 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 and in the succeeding page.

December 31, 2019	Losses and Claims Payable	Claims Reserves
Balance at beginning of year	P4,519,271	P1,715,474
Claims incurred during the year – net	2,028,267	-
Claims incurred but not reported, net of adjustments	-	282,150
Claims paid during the year	(1,950,987)	-
Revaluation adjustment	(42,225)	-
Balance at end of year	P4,554,326	P1,997,624

December 31, 2018	Losses and Claims Payable	Claims Reserves
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	P1,715,474

18. PREMIUM RESERVES

The movements in Premium reserves are as follows:

	2019	2018
Balance at beginning of year	P1,564,635	P1,426,138
Premium written	4,338,535	3,682,906
Premiums earned	(4,134,921)	(3,544,409)
Balance at end of year	P1,768,249	P1,564,635

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

19. DEFERRED REINSURANCE COMMISSIONS

The movements in Deferred reinsurance commissions are as follows:

	2019	2018
Balance at beginning of year	P526	P5,435
Income deferred	23,827	(401)
Income recognized	(18,119)	(4,508)
Balance at end of year	P6,234	P526

The increase or decrease in Deferred reinsurance commissions for the year is presented as part of Commissions – net under Underwriting deductions in the statements of income (see Note 21.3).

20. INVESTMENT AND OTHER INCOME AND EXPENSES

The details of this account follows:

	<i>Notes</i>	2019	2018	2017
Interest income	<i>5,7,8,9</i> <i>22.2,25.2</i>	P314,789	P224,676	P192,510
Gain on sale of AFS	<i>7, 25.2</i>	79,772	131,059	120,783
Dividend income	<i>7, 25.2</i>	43,713	43,672	55,885
Gain (loss) on sale of non-financial assets	<i>10</i>	(17)	11	202
Loss on asset retirement	<i>10</i>	(35)	(244)	(8,179)
Foreign currency gains (losses)		(26,245)	43,221	(30,698)
Impairment loss on AFS financial assets	<i>7</i>	(57,511)	(7,810)	(64,873)
Other charges	<i>25.2</i>	(5,126)	(45,097)	(10,823)
		P349,340	P389,488	P254,807

In 2019, gain from settlement of derivative liabilities amounted to P4.06 million and reported under foreign currency gains.

21. 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.

21.1 Share in Reported Losses – Net

	2019	2018	2017
Gross claims paid	P1,950,987	P1,389,814	P1,159,242
Retrocessionaires' share in losses paid	(257,462)	(176,069)	(211,492)
Gross change in provision for claims reported	105,837	(485,039)	(724,760)
Retrocessionaires' share in change in provision for claims reported	7,262	322,816	803,425
	P1,806,624	P1,051,522	P1,026,415

21.2 Share in Unreported Loss Reserves – Net

	2019	2018	2017
Gross change in provision for IBNR	P282,150	P407,676	P310,757
Retrocessionaires' share in change in provision for IBNR	(558)	180,947	(2,578)
	P281,592	P588,623	P308,179

21.3 Commissions – Net

This account consists of the following:

	2019	2018	2017
Commission expense	P986,710	P777,877	P651,716
Commission income	(18,119)	(4,508)	(68,387)
	P968,591	P773,369	P583,329

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.

22. GENERAL AND ADMINISTRATIVE EXPENSES

The details of this account are as follows:

	<i>Notes</i>	2019	2018	2017
Salaries and employee benefits	22.1	P166,355	P152,279	P128,145
Depreciation and amortization	10,14	22,380	15,904	12,139
Data, licenses and subscriptions		13,666	13,272	9,177
Professional fees		11,656	28,973	29,835
Taxes, licenses and fees	35(f)	9,215	8,634	6,962
Repairs and maintenance		8,632	5,650	5,533
Outsourced functions		7,078	10,416	13,547
Communication and postages		5,501	7,430	7,221
Meetings, conferences and conventions		3,393	3,182	3,274
Dues and fees		3,235	3,308	2,896
Advertising and publicity		2,962	3,321	1,954
Light and water		1,792	2,106	2,095
Insurance		991	1,356	1,529
Representation and entertainment		823	995	850
Printing and office supplies		738	891	572
Rental	28.1	210	1,120	1,309
Impairment losses - net	6,11,14	-	78,740	82,517
Miscellaneous		9,874	12,751	7,787
		P268,501	P350,328	P317,342

22.1 Salaries and Employee Benefit Expense

The details of salaries and employee benefits are presented below.

	2019	2018	2017
Short-term employee benefits	P153,286	P139,697	P113,648
Post-employment defined benefit	9,021	8,413	9,050
Compensated absences	4,048	4,169	5,447
	P166,355	P152,279	P128,145

22.2 Post-employment Defined Benefit

(a) Characteristics of the Defined Benefit Plan

The Company maintains a wholly-funded, tax-qualified, non-contributory post-employment defined benefit plan retirement plan that is being administered by a trustee covering all regular full-time employees.

The normal retirement age is 60 with a minimum of 10 years of credited service. The plan also provides for an early retirement at age 50 with a minimum of 10 years of credited service. Normal retirement benefit is an amount equivalent to 175% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

(b) *Explanation of Amounts Presented in the Financial Statements*

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below and in the succeeding pages are based on the actuarial valuation reports obtained from an independent actuary in 2019 and 2018. The amount of defined benefit asset presented as part of Other assets - net (see Note 14) and recognized in the statements of financial position are determined as follows:

	2019	2018
Fair value of the plan assets	P80,683	P64,704
Present value of the obligation	(67,755)	(51,077)
	P12,928	P13,627

The movements in the fair value of plan assets is presented below.

	2019	2018
Balance at beginning of year	P64,704	P60,165
Interest income	5,293	2,954
Return on plan assets	3,815	(6,383)
Contributions paid into the plan	9,021	8,413
Benefits paid by the plan	(2,150)	(445)
Balance at end of year	P80,683	P64,704

The movements in the present value of the retirement benefit obligation are as follows:

	2019	2018
Balance at beginning of year	P51,077	P50,925
Current service cost	9,021	8,413
Interest expense	4,178	2,500
Remeasurements – actuarial losses (gains) arising from:		
Experience adjustments	(1,450)	(1,712)
Changes in financial assumptions	7,079	(8,604)
Benefits paid by the plan	(2,150)	(445)
Balance at end of year	P67,755	P51,077

The composition of the fair value of plan assets at the end of the reporting period by category and risk characteristics is shown below.

	2019	2018
Cash and cash equivalents	P5,163	P4,310
Philippine government securities	40,506	25,998
Equity securities	16,972	7,317
Corporate notes	16,816	34,934
Loans and receivables	2,179	1,477
Mutual fund	1,498	–
Accounts payable	(2,451)	(9,332)
	P80,683	P64,704

The fair value of the equity and government bonds are determined based on quoted market prices in active markets.

The plan assets earned a return of P9.11 million in 2019, incurred a loss of P3.43 million in 2018 and earned a return of P1.54 million in 2017.

Plan assets do not comprise any of the Company's own financial instruments or any of its assets occupied and/or used in its operations.

The components of amounts recognized in the statements of income and in other comprehensive income in respect of the defined benefit post-employment plan are as follows:

	2019	2018	2017
<i>Reported in statements of income:</i>			
Current service cost	P9,021	P8,413	P9,050
Net interest income	(1,115)	(454)	(608)
	P7,906	P7,959	P8,442
<i>Reported in other comprehensive loss (income):</i>			
Actuarial losses (gains) arising from:			
Experience adjustments	(P1,450)	(P1,712)	(P2,630)
Changes in financial assumptions	7,079	(8,604)	(2,356)
Return on plan assets (excluding amounts included in net interest)	(3,815)	6,383	1,373
	P1,814	(P3,933)	(P3,613)

Current service cost and settlement gain, if any, are presented as part of Salaries and employee benefits; while net interest income or expense is presented as part of Interest income under Investment and Other income and expenses, respectively (see Note 20).

Amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of the defined benefit post-employment obligation, the following significant actuarial assumptions were used:

	2019	2018	2017
Discount rate	4.9%	8.2%	4.9%
Expected rate of salary increase	4.5%	6.0%	5.0%
Employee turn-over rate	10.0%	10.0%	10.0%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 65 is 39. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bond with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Retirement Plan*

The plan exposes the Company to actuarial risks such as investment risk, interest rate risk, longevity risk, salary risk and inflation risk.

(i) *Investment and Interest Risks*

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has investments in equity securities, debt securities, cash and cash equivalents, and loans and receivables. Due to the long-term nature of the plan obligation, a level of continuing equity and debt investments is an appropriate element of the Company's long-term strategy to manage the plan efficiently.

(ii) *Longevity and Salary Risks*

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(iii) *Inflation Risk*

A significant proportion of the defined benefit obligation is linked to inflation. The increase in inflation will increase the Company's liability. A portion of the plan assets are inflation-linked debt securities which will mitigate some of the effects of inflation.

(d) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions, the Company's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described below and in the succeeding page.

(i) *Sensitivity Analysis*

The following tables summarize the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit asset:

December 31, 2019	Impact on Defined Benefit Asset		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	+/- 1.0%	P4,189	(P4,724)
Salary growth	+/- 1.0%	(4,668)	4,302
Turn-over rate	+/- 10.0%	495	(495)

December 31, 2018	Impact on Defined Benefit Asset		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	+/- 1.0%	P3,163	(P3,482)
Salary growth	+/- 1.0%	(3,561)	3,349
Turn-over rate	+/- 10.0%	199	(199)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit asset recognized in the statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) *Asset-liability Matching Strategies*

The Company applies asset-liability matching techniques to maximize investment returns at the least risk to reduce contribution requirements while maintaining a stable retirement fund. Retirement funds are invested to ensure that liquid funds are available when benefits become due, to minimize losses due to investment pre-terminations, and maximize opportunities for higher potential returns at the least risk.

The Company is guided by a formal Asset-Liability Management Study conducted by an independent actuary. In the study, expected benefit payments are projected and classified into short-term, medium-term or long-term liabilities. Investment instruments that would match the liabilities are identified. Finally, the investment mixes that would yield the maximum returns at certain risk levels are identified.

The study is conducted annually to capture changes in the demographic profile of the employees and changes in the economic environment affecting the amounts of maturing obligations and rates of return of available investment instruments.

In view of this, investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets.

A large portion of the plan assets as at December 31, 2019 and 2018 consists of debt and equity securities, although the Company also invests in cash equivalents, mutual fund and loans and receivables. The Company believes that debt securities offer the most secure returns over the long term as they have the least acceptable level of risk which is in line with their asset-liability matching techniques.

There has been no change in the Company's strategies to manage its risks from previous periods.

(iii) *Funding Arrangements and Expected Contributions*

The plan is currently overfunded by P12.93 million based on the latest actuarial valuation. Therefore, the Company is not expected to make any contribution to the plan during the next reporting period, unless the plan becomes underfunded.

As at December 31, 2019 and 2018, the maturity profile of undiscounted expected benefit payments from the plan for the next 20 years follows.

	2019	2018
Within one year	P6,724	P3,075
More than one year to five years	40,569	33,006
More than five years to 10 years	78,683	93,432
More than 10 years to 15 years	26,790	35,186
More than 15 years to 20 years	129,430	168,572
	P282,196	P333,271

The weighted average duration of the defined benefit obligation at the end of the reporting period is 14 years.

23. CURRENT AND DEFERRED TAXES

The components of tax expense as reported in statements of income.

	2019	2018	2017
Current tax expense:			
Regular corporate income tax (RCIT)	P53,614	P116,553	P74,581
Final tax at 20%, 7.5%, and 15%	60,303	42,678	36,602
Application of MCIT	-	-	(20,140)
Deferred tax benefit	(53,433)	(116,553)	-
	P60,484	P42,678	P91,043

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

	2019	2018	2017
Tax on pretax profit at 30%	P65,161	P57,568	P52,212
Non-deductible expenses	17,256	2,704	63,458
Non-taxable income	(13,115)	(13,102)	(52,507)
Adjustment for income subjected to lower tax rates	(56,306)	(63,344)	(19,954)
Tax effects of:			
Movements in unrecognized deferred tax assets:			
Claims reserves	58,920	61,345	92,455
Losses and claims payable	(3,295)	(20,195)	(7,710)
Allowance for impairment of receivables	24	23,622	—
Accrued expense	968	4,044	14,402
Premium reserves	(4,663)	(5,498)	4,417
Amortized past service cost	(4,466)	(4,466)	(4,466)
Application of MCIT	—	—	(20,140)
Reversal of allowance for impairment	—	—	(19,091)
Write-off of receivables	—	—	(12,033)
Tax expense reported in statements of income	P60,484	P42,678	P91,043

Below is the movement of the deferred tax asset and deferred tax liabilities recognized as at December 31, 2019 and 2018.

	2019		2018	
	Tax Base	Tax Amount	Tax Base	Tax Amount
Profit or loss:				
Claims reserves	P836,040	P250,812	P774,721	P232,416
Losses and claims payable	185,461	55,638	53,071	15,922
Accrued commission expense, net of deferred acquisition costs	61,418	18,425	39,113	11,734
Defined benefit asset	(82,342)	(24,703)	(81,228)	(24,368)
Prepaid expenses	(9,958)	(2,987)	(4,712)	(1,414)
Unrealized foreign currency gains	29,167	8,750	(20,340)	(6,102)
Reinsurance recoverable on claims reserves	(319,606)	(95,882)	(319,048)	(95,714)
Reinsurance recoverable on reported losses	(133,556)	(40,067)	(53,071)	(15,921)
	566,624	169,986	388,506	116,553
Other comprehensive income:				
Revaluation reserves on AFS financial assets	(8,226)	(2,468)	(8,829)	(2,648)
Net deferred tax assets	P558,398	P167,518	P379,677	P113,905

In accordance with the applicable accounting standards, the Company has taken a conservative position of not recognizing the deferred tax assets on the following temporary differences as at December 31, 2019 and 2018:

	2019		2018	
	Tax Base	Tax Amount	Tax Base	Tax Amount
Deferred tax assets:				
Claims reserves	P1,137,152	P341,146	P940,753	P282,226
Losses and claims payable	60,412	18,124	71,396	21,419
Premium reserves	52,432	15,730	67,976	20,393
Accrued commission expense, net of deferred acquisition costs	50,767	15,230	50,767	15,230
Allowance for impairment	702,084	210,625	702,004	210,601
Unamortized past service cost	46,022	13,807	60,908	18,272
Accrued expense	19,148	5,744	15,920	4,776
Defined benefit liability	69,415	20,824	67,601	20,280
Unrecognized deferred tax assets	P2,137,432	P641,230	P1,977,325	P593,197

In 2019 and 2018, the Company opted to claim itemized deductions in determining its tax expense.

The Company is subject to MCIT which is computed at 2% of gross income, or RCIT, whichever is higher. MCIT incurred in 2016 and 2015 were all applied against RCIT due in 2017.

24. EQUITY

24.1 Capital Stock

As at December 31, 2019 and 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 Philippine 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 December 31, 2019 and 2018, there are 271 holders of the listed shares. Such listed shares closed at P0.83 and P0.91 per share, as at those dates, respectively.

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

24.2 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 years ended December 31, 2019 and 2018, the Company appropriated P15.67 million and P14.92 million, respectively, for special reserve.

24.3 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 December 31, 2019 and 2018. These are presented as Dividends payable under Accounts payable and accrued expenses account in the statements of financial position (see Note 16).

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.

25. 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.

25.1 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:

	2019		2018	
	Stockholders	Related Parties Under Common Ownership	Stockholders	Related Parties Under Common Ownership
Premiums	P20,648	P225,492	P131,137	P41,521
Retrocessions	-	8,646	(19)	13,765
Commission income	-	2,177	-	-
Commission expense	4,130	36,287	34,560	(5)
Losses incurred	4,486	(123,761)	5,673	137,692
Loss recoveries	(28,514)	-	1,842	-

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

	2019		2018	
	Stockholders	Related Parties Under Common Ownership	Stockholders	Related Parties Under Common Ownership
Due from ceding companies	P2	P56,514	P39,777	P31,247
Reinsurance recoverable on losses	19,129	-	19,183	-
Funds held by ceding companies	-	-	14,879	-
Claims payable	175,435	557,758	172,811	870,716
Due to retrocessionaires	41	P5,154	-	-
Funds held for retrocessionaires	1	-	-	-

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 P75.16 million and P75.42 million allowance for impairment as at December 31, 2019 and 2018, respectively.

25.2 Other Transactions

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

		2019		2018	
		Amount of Transactions	Outstanding Balance	Amount of Transactions	Outstanding Balance
Stockholder:					
Cash and cash equivalents	(a)	(P22,660)	P57,279	P19,756	P79,939
AFS financial assets	(b)	(59,170)	59,436	4,245	118,606
Dividend receivables	(b)	426	426	–	–
Interest income - bank accounts	(a)	1,764	11	2,324	246
Dividend income - AFS financial assets	(b)	3,013	–	–	–
Other expenses(reversals)	(d)	(44)	–	–	–
Service fees	(d)	3,763	–	989	–
Related Party Under Common Ownership:					
Cash and cash equivalents	(a)	(14,532)	634,322	(118,181)	648,854
AFS financial assets	(b)	(11,583)	304,299	290,679	315,882
Loans and receivables	(c)	(50,000)	–	(40)	50,000
Interest income - bank accounts	(a)	7,112	–	20,472	–

(a) Cash and Cash Equivalents

The Company maintains several savings, time deposits 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 20).

(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 20).

(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 20). The LTNCD and notes receivable are unsecured and earn interest of 5% and 8%, respectively in 2019 and 2018. As at 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.

The total service fees paid is charged against Other charges under Investment and Other income and expenses account (see Note 20) in the statements of income. As at December 31, 2019 and 2018, outstanding liabilities from these transactions amounted to nil. Such payables are noninterest-bearing, unsecured, and settled in cash within twelve months.

25.3 *Investment Management of Retirement Fund*

In 2007, the Company entered into a “Retirement Fund Investment Management Agreement” with a certain stockholder for the management of the investments of the Company’s retirement funds subject to the terms and conditions in the said agreement.

25.4 *Transactions with Retirement Fund*

As discussed in Note 22.2, 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 December 31, 2019 and 2018.

25.5 *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:

	2019	2018	2017
Short-term benefits	P49,528	P85,346	P44,729
Post-employment defined benefit	3,920	2,953	12,415
	P53,448	P88,299	P57,144

26. 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.

27. EARNINGS PER SHARE

The earnings per share are presented as follows:

	2019	2018	2017
Net profit available to common shareholders	P156,718	P149,216	P82,996
Divided by the average number of outstanding common shares (in thousands)	2,123,606	2,123,606	2,123,606
	P0.074	P0.070	P0.039

Diluted earnings per share is not determined since the Company does not have dilutive shares as at December 31, 2019, 2018 and 2017.

28. COMMITMENTS AND CONTINGENCIES

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

28.1 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 December 31, 2019 and 2018 is P0.85 million and P10.83 million, respectively.

Rental expense recognized amounted to P0.21 million, P1.12 million and P1.31 in 2019, 2018 and 2017, respectively, and is presented in the statements of income as Rental under General and administrative expenses (see Note 22).

28.2 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 December 31, 2019 will not have a material adverse effect on the Company's financial position.

28.3 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 December 31, 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.

28.4 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 December 31, 2019, if any, that may arise from these commitments and contingencies will not have any material effect on the financial statements.

29. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

29.1 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.

	2019		2018	
	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial assets:				
Loans and receivables:				
Cash and cash equivalents	P1,004,977	P1,004,977	P1,161,899	P1,161,899
Funds at Lloyd's	150,509	150,509	196,557	196,557
Loans and receivables	80,012	80,012	112,543	112,543
Other assets	1,331	1,331	1,364	1,364
	P1,236,829	P1,236,829	P1,472,363	P1,472,363
AFS financial assets:				
Debt securities	P3,479,780	P3,479,780	P2,494,960	P2,494,960
Equity securities	1,432,375	1,432,375	2,049,801	2,049,801
Investment in ARC	33,598	33,598	35,191	35,191
	P4,945,753	P4,945,753	P4,579,952	P4,579,952
HTM investments	P2,227,897	P2,285,405	P1,848,693	P1,864,766
Financial liabilities –				
Accounts payable and other accrued expenses*	P46,758	P46,758	P56,023	P56,023

*Excluding taxes payable

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.

See Notes 2.4 and 2.10 for a description of the accounting policies for each category of financial instrument including the determination of fair value. A description of the Company's risk management objectives and policies for financial instruments is provided in Note 4.

29.2 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.

30. FAIR VALUE MEASUREMENT AND DISCLOSURES

30.1 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.

30.2 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).

	Level 1	Level 2	Level 3	Total
December 31, 2019				
AFS financial assets	P4,902,448	P1,460	P41,845	P4,945,753
December 31, 2018				
AFS financial assets	P4,527,541	P995	P51,416	P4,579,952

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

	2019	2018
Balance at beginning of year	P51,416	P48,773
Fair value gains	9,329	1,242
Disposal	(17,910)	–
Foreign currency gains (losses)	(990)	1,401
Balance at end of year	P41,845	P51,416

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

d) *Derivative Liabilities*

The fair value of the Company's derivative liabilities are calculated by reference to the prevailing spot exchange rate as of statement of condition date and is categorized within Level 2. The Company has no outstanding derivative liability as at December 31, 2019 and 2018.

30.3 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.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2019				
Financial assets:				
Cash and cash equivalents	P1,004,977	P-	P-	P1,004,977
HTM investments	2,285,405	-	-	2,285,405
Loans and receivables	-	-	80,012	80,012
Funds at Lloyd's	-	-	150,509	150,509
Other assets	-	-	1,331	1,331
	P3,290,382	P-	P231,852	P3,522,234
Financial liabilities –				
Accounts payable and other accrued expenses*	P-	P-	P46,758	P46,758
<i>*Excluding taxes payable</i>				

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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
<i>*Excluding taxes payable</i>				

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.

30.4 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 December 31, 2019 and 2018, the fair value of the investment properties is P15.20 million and P12.20 million, respectively, classified under Level 3 of the fair value hierarchy (see Note 14). 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.

30.5 Fair Value Measurement for Financial Assets Grouped Based on Nature of Cash Flows

As at December 31, 2019 and 2018, the fair value of financial assets with contractual terms that give rise to cash flows that are solely for payments of principal and interest on the principal amounted to P5.77 billion and P5.73 billion, respectively, with increase in fair value during the year in 2019 and 2018 amounting to P362.09 million and P319.34 million, respectively. Fair value of other financial assets amounted to P1.43 billion and P2.08 billion as at December 31, 2019 and 2018, respectively, with decrease in fair value amounting to P166.02 million and P293.58 million in 2019 and 2018, respectively.

31. 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 Insurance Commission (IC) and by aligning the Company's operational strategy to its corporate goals. The capital requirements and limitations are as follows:

31.1 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 net worth of at least P2.5 billion by December 31, 2019. The minimum net worth of the said companies shall remain unimpaired at all times and shall increase to P3.0 billion as at December 31, 2022.

As at December 31, 2019, the Company has complied with the minimum capital requirements.

31.2 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.

31.3 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 year 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.

31.4 Non-admitted Assets

Various assets, included on the enumeration of Section 203 of RA 10607, are considered non-admitted assets for the purposes of determining the Company's financial condition.

The estimated non-admitted assets as defined in the Insurance Code are measured in accordance with PFRS and included in the statements of financial position. These assets, which are subject to final determination by the IC, are as follows:

	2019	2018
Goodwill, trade names, and other like intangible assets	P26,819	P30,013
Prepaid or deferred charges for expenses and commissions paid by such insurance company	1,073,694	758,641
Advances to officers (other than policy loans), which are not adequately secured and which are not previously authorized by the Commissioner, as well as advances to employees, agents, and other persons on mere personal security	3,889	8,587
Furniture, furnishing, fixtures, safes, equipment, library, stationery, literature, and supplies	17,100	17,378
Other non-admitted assets as determined by IC	12,928	13,627
Total Non-admitted Assets	P1,134,430	P828,246

32. CURRENT AND NON-CURRENT CLASSIFICATION

The Company expects that the following asset or liability line items are expected to be recovered or settled no more than twelve months after December 31, 2019 and 2018.

	2019	2018
Current Assets:		
Cash and cash equivalents	P1,004,977	P1,161,899
Reinsurance balances receivable - net	1,453,519	1,371,150
AFS financial assets	4,625,705	2,098,035
HTM investments	2,053,121	170,878
Loans and receivables	74,022	55,263
Reinsurance recoverable on reported losses	474,610	791,787
Reinsurance recoverable on claim reserves	72,473	99,610
Deferred acquisition costs	343,203	318,101
Deferred reinsurance premiums	449,652	330,062
Other assets	164,843	12,256
Total Current Assets	P10,716,125	P6,409,041
Current Liabilities:		
Reinsurance balances payable	P1,151,106	P1,146,481
Accounts payable and accrued expenses	86,202	66,646
Losses and claims payable	1,153,160	1,537,725
Claims reserves	452,978	535,590
Premium reserves	1,766,402	906,160
Deferred reinsurance commissions	5,404	526
Total Current Liabilities	P4,615,252	P4,193,128

On the other hand, the Company expects that the following asset or liability items are expected to be recovered or settled more than twelve months after December 31, 2019 and 2018.

	2019	2018
Non-current Assets:		
Reinsurance balances receivable - net	P1,155,288	P908,972
AFS financial assets	320,048	2,481,917
HTM investments	174,776	1,677,815
Loans and receivables	5,990	57,280
Property and equipment – net	70,394	76,563
Reinsurance recoverable on reported losses	1,813,773	1,582,755
Reinsurance recoverable on claim reserves	247,133	219,438
Deferred acquisition costs	252,277	87,003
Deferred reinsurance premiums	4,388	1,483
Other assets	222,259	369,044
Total Non-current Assets	P4,266,326	P7,462,270
Non-current Liabilities:		
Reinsurance balances payable	P34,412	P7,752
Accounts payable and accrued expenses	24,728	24,003
Losses and claims payable	3,401,166	2,981,546
Claims reserves	1,544,646	1,179,884
Premium reserves	1,847	658,475
Deferred reinsurance commissions	830	–
Total Non-current Liabilities	P5,007,629	P4,851,660

33. OTHER INFORMATION REQUIRED BY THE SECURITIES AND EXCHANGE COMMISSION

On February 20, 2019, Republic Act No. 11232, *An Act Providing for the Revised Corporation Code of the Philippines* (RCC) was signed into law and published in the Official Gazette on February 21, 2019. The RCC took effect on March 8, 2019. The significant provision, among others, of the RCC that would have financial reporting impact on the Company, is the removal of the maximum 50-year corporate term for stock corporations. The RCC states that corporations shall now have perpetual existence unless their articles of incorporation provide otherwise. Further, it clarifies that even corporations with certificates of incorporation issued prior to the effectivity of the RCC, and which continue to exist, shall have perpetual existence, unless the corporation, upon a vote of its stockholders representing majority of its outstanding capital stock, notifies SEC that it elects to retain its specific corporate term pursuant to its articles of incorporation. Provided, that any change in the corporate term is without prejudice to the appraisal right of dissenting stockholders in accordance with the provisions of the RCC. The Company intends to amend Article IV of the Articles of Incorporation in order to indicate that the Company shall have a perpetual existence, consistent with the RCC. The new provisions of the RCC or any amendments thereof have no significant impact to the Company's financial statements.

34. EVENTS AFTER THE REPORTING PERIOD

In December 2019, a novel strain of corona virus (COVID-19) was reported to have surfaced in China. The World Health Organization has declared the outbreak as a 'public health emergency of international concern.' COVID-19 started to become widespread in the Philippines in early March 2020 causing the government to declare the country in a state of public health emergency followed by implementation of enhanced quarantine and social distancing measures and restrictions within the Luzon area with other cities and provinces in the country enacting similar measures thereafter. This resulted in a wide-ranging business suspension - disrupting the supply chains, affecting production and sales across a range of industries, and weakening the stock market.

The COVID-19 outbreak and the ensuing economic slowdown resulted to volatility in the local equity market. For the period from December 31, 2019 to March 26, 2020, the Company's equity portfolio declined by P489.94 million. While the government and the Bangko Sentral ng Pilipinas have reacted with monetary interventions designed to stabilize the economic condition, the duration and extent of the impact of the COVID-19 outbreak, as well as the effectiveness of such responses, remains unclear at this time.

In support and compliance with the government measures to protect the welfare and interest of the Company's employees and stakeholders, including its counterparties, the Company has implemented safety measures and activated its business continuity procedures. Management believes that these measures can mitigate the further negative impact of the outbreak to the Company's business and to its financial condition and performance.

The Company has determined that these events are non-adjusting subsequent events. Accordingly, their impact was not reflected in the Company's financial statements as of and for the year ended December 31, 2019.

35. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE (BIR)

Presented in the succeeding pages are the supplementary information which is required by the BIR under its existing Revenue Regulation (RR) No. 15-2010 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

The information on taxes, duties and license fees paid or accrued during the taxable year required under RR No. 15-2010 are presented below and in the succeeding page.

(a) *Output VAT*

In 2019, the Company declared output VAT amounting to P594,752, which is set off against input VAT, based on the following gross receipts:

	Tax Base	Output VAT
Exempt receipts	P3,621,867,883	P-
Commission earned on retrocession	1,888,399	226,608
Sale of ordinary assets	191,220	22,946
Interest income on loans	510,318	61,238
Other miscellaneous income	2,366,335	283,960
	P3,626,824,155	P594,752

Pursuant to RR No. 04-07 effective April 6, 2007, “Non-life insurance premiums are subject to VAT whereas non-life reinsurance premiums are not subject to VAT, the latter being already subject to VAT upon receipt of the insurance premiums.”

The tax bases of commission earned on retrocession are included as net of Underwriting deductions account in the 2019 statements of income. The tax bases for commission are based on the Company’s gross receipts for the year, hence, may not be the same with the amounts accrued in the 2019 statements of income.

As at December 31, 2019, the Company also has deferred output VAT amounting to P24,726,760 pertaining to uncollected commission income from retrocessionaires (see Note 16).

(b) *Input VAT*

The movements in input VAT in 2019 are summarized below.

Balance at beginning of year	P156,132,635
Services lodged under other accounts	5,530,818
Goods other than for resale or manufacture	496,954
Capital goods subject to amortization	253,992
Applied against output VAT	(594,752)
Input VAT on exempt sales	(6,193,434)
Balance at end of year	P155,626,213

The balance of input VAT as at December 31, 2019 is recorded under Other assets - net account in the statements of financial position (see Note 14).

As at December 31, 2019, the Company also has deferred input VAT amounting to P617,169 pertaining to VAT on capital assets, and deferred withholding VAT amounting to P9,202,886 representing VAT on unapplied input VAT on unpaid premiums on ceded out transactions to the Company from a certain government entity.

(c) *Taxes on Importation*

The Company does not have any customs duties or tariff fees in 2019 since it does not have any importation.

(d) *Excise Tax*

The Company does not have excise tax in 2019 since it does not have any transactions which are subject to excise tax.

(e) *Documentary Stamp Tax (DST)*

Total DST accrued and paid in 2019 amounted to P15,906 which pertains to car loan transactions of the Company. The Company is also liable to DST when it issues original shares of stocks or transfer certificate of stock. The Company did not issue original shares of stocks nor transfer certificate of stocks for the year ended December 31, 2019. Reinsurance contracts are not subject to DST.

(f) *Taxes and Licenses*

The details of taxes and licenses for 2019, which is presented under General and administrative expenses account in the statements of income is presented as follows:

Municipal licenses and permits	P5,833,699
Fringe benefit tax	2,789,025
Real estate taxes	293,674
Registration	237,850
DST	15,906
Miscellaneous	44,674
	<u>P9,214,828</u>

(g) *Withholding Taxes*

The details of total withholding taxes for the year ended December 31, 2019 are shown below.

Compensation and benefits	P31,439,624
Expanded	14,478,693
Final	208,000
	<u>P46,126,317</u>

(h) *Deficiency Tax Assessments and Tax Cases*

The Company has final deficiency tax assessment on VAT amounting to P32,693,611 for the taxable period July 1, 2012 to December 31, 2012.

As at December 31, 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.

As at December 31, 2019, the Company does not have any other final deficiency tax assessments with the BIR or tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open taxable years.



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**Report of Independent Auditors
on Components of
Financial Soundness Indicators**

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The Board of Directors and the Stockholders
National Reinsurance Corporation of the Philippines
31st floor BPI-Philam Life Makati
6811 Ayala Avenue, Makati City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of National Reinsurance Corporation of the Philippines (the Company) for the year ended December 31, 2019 and 2018, on which we have rendered our report dated March 26, 2020. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2019 and 2018 and for each of the two years in the period ended December 31, 2019 and no material exceptions were noted.

PUNONGBAYAN & ARAULLO

By: Anthony L. Ng
Partner



CPA Reg. No. 0109764
TIN 230-169-270
PTR No. 8116552, January 2, 2020, Makati City
SEC Group A Accreditation
Partner - No. 1638-A (until May 29, 2020)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-038-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

March 26, 2020

Certified Public Accountants

Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd

Offices in Cavite, Cebu, Davao
BOA/PRC Cert of Reg. No. 0002
SEC Accreditation No. 0002-FR-5

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NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
Supplemental Schedule of Financial Soundness Indicators
December 31, 2019 and 2018
(Amounts in thousands)

Ratio	Formula	2019	Formula	2018
Current ratio	Total Current Assets divided by Total Current Liabilities*	2.57	Total Current Assets divided by Total Current Liabilities*	1.75
	Total Current Assets 10,716,125 Divide by: Total Current Liabilities* 4,162,142 Current ratio 2.57		Total Current Assets 6,409,741 Divide by: Total Current Liabilities* 3,657,538 Current ratio 1.75	
Acid test ratio	Quick assets (Cash and cash equivalents + Reinsurance balances receivable – net + Loans and receivables) divided by Total Current Liabilities*	0.61	Quick assets (Cash and cash equivalents + Reinsurance balances receivable – net + Loans and receivables) divided by Total Current Liabilities*	0.71
	Cash and cash equivalents 1,004,977 Reinsurance balances receivable – net 1,453,519 Loans and receivables 74,022 Quick Assets 2,532,518 Divide by: Total Current Liabilities* 4,162,142 Acid test ratio 0.61		Cash and cash equivalents 1,161,899 Reinsurance balances receivable – net 1,371,150 Loans and receivables 55,263 Quick Assets 2,588,312 Divide by: Total Current Liabilities* 3,657,538 Acid test ratio 0.71	
Solvency ratio	Total Liabilities divided by Total Assets	0.64	Total Liabilities divided by Total Assets	0.65
	Total Liabilities 9,622,749 Divide by: Total Assets 14,982,451 Solvency ratio 0.64		Total Liabilities 9,044,788 Divide by: Total Assets 13,871,311 Solvency ratio 0.65	
Debt-to-equity ratio	Total Liabilities divided by Total Equity	1.80	Total Liabilities divided by Total Equity	1.87
	Total Liabilities 9,622,749 Divide by: Total Equity 5,359,570 Debt-to-equity ratio 1.80		Total Liabilities 9,044,788 Divide by: Total Equity 4,826,523 Debt-to-equity ratio 1.87	
Assets-to-equity ratio	Total Assets divided by Total Equity	2.80	Total Assets divided by Total Equity	2.87
	Total Assets 14,982,451 Divide by: Total Equity 5,359,570 Assets-to-equity ratio 2.80		Total Assets 13,871,311 Divide by: Total Equity 4,826,523 Assets-to-equity ratio 2.87	
Interest rate coverage ratio	Earnings before interest and taxes (EBIT) divided by Interest expense	941.27	EBIT divided by Interest expense	-
	EBIT 217,433 Divide by: Interest expense 231 Interest rate coverage ratio 941.27		EBIT 191,894 Divide by: Interest expense - Interest rate coverage ratio -	
Return on equity	Net Profit divided by Total Equity	0.03	Net Profit divided by Total Equity	0.03
	Net Profit 156,718 Divide by: Total Equity 5,359,570 Return on equity 0.03		Net Profit 149,216 Divide by: Total Equity 4,826,523 Return on equity 0.03	
Return on assets	Net Profit divided by Total Assets	0.01	Net Profit divided by Total Assets	0.01
	Net Profit 156,718 Divide by: Total Assets 14,982,451 Return on assets 0.01		Net Profit 149,216 Divide by: Total Assets 13,871,311 Return on assets 0.01	
Net profit margin	Net Profit divided by Total Revenue**	0.03	Net Profit divided by Total Revenue**	0.04
	Net Profit 156,718 Divide by: Total Revenue** 4,808,214 Net profit margin 0.03		Net Profit 149,216 Divide by: Total Revenue** 4,135,228 Net profit margin 0.04	

*Excluding claims reserves

**Composed of Reinsurance premiums – net of returns, Commission income and Investment and Other income

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

List of Supplementary Information

December 31, 2019

Statement of Management's Responsibility for the Financial Statements

**Independent Auditor's Report on the SEC Supplementary Schedules
Filed Separately from the Basic Financial Statements**

**Supplementary Schedules to Financial Statements
(Form 17-A, item 7)**

Schedule	No. of Pages
A Financial Assets	3
B Amounts Receivable from Directors, Officers, Employees, Related Parties & Principal stockholders other than related parties	2
C Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements	N/A
D Long-term Debt	N/A
E Indebtedness to related parties (Long-term loans from related companies)	N/A
F Guarantees of securities of other Issuers	N/A
G Capital Stock	4

**Supplementary Schedule to Financial Statements
(SEC Circular 11)**

Reconciliation of Retained Earnings for Dividend Declaration 1

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
SCHEDULE A. Financial Assets

Name of issuing entity and association of each issue (I)	Number of shares or principal amount of bonds and notes (II)	Amount shown in the balance sheet (II)	Valued based on market quotation at end of reporting	Income received and accrued
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I. LOANS AND RECEIVABLES

Cash and Cash Equivalents				
Cash on hand and in banks		95,502,516	95,502,516	115,215
Short-term placements		809,474,245	809,474,245	46,636,501
Total Cash and Cash Equivalents		1,004,976,761	1,004,976,761	46,751,716
Funds at Lloyds		150,508,517	150,508,517	3,817,432
Long Term Time Deposit and Investments				
Matured/Sold				86,875
Bank Note				2,000,684
Matured/Sold				
Other Receivables				
Accrued interest receivable		69,521,508	69,521,508	
Dividends receivable		2,014,196	2,014,196	
Other accounts receivable		8,476,337	8,476,337	554,412
Other Assets				
Deposit		687,368	687,368	-
Security fund		643,925	643,925	-
TOTAL LOANS AND RECEIVABLES		1,236,828,612	1,236,828,612	53,211,130

II. AVAILABLE FOR SALE SECURITIES

INVESTMENT IN EQUITY SECURITIES:

Ayala Corporation	147,105	115,550,978	115,550,978	1,034,222
Ayala Corp. Class "B" Series 1 Pref.	79,830	40,314,150	40,314,150	2,626,000
Aboitiz Equity Ventures, Inc.	100,000	49,800,000	49,800,000	1,391,880
Alliance Global Group, Inc.	37,120	36,748,800	36,748,800	-
Ayala Land, Inc.	1,359,400	70,009,100	70,009,100	1,098,856
Aboitiz Power Corporation	40,902	34,643,994	34,643,994	1,645,665
Ayala Corp. B Class	2,200,000	845,725	845,725	-
Batangas Venture(BAC)	160,900	4,432,795	4,432,795	-
BDO Unibank, Inc.	750	96,972	96,972	512,538
Bank of the Philippine Islands	1,673,640	19,514,642	19,514,642	3,012,809
Cebu Air, Inc.	104,870	20,449,650	20,449,650	316,680
Calatagan Golf Club, Inc.	200,000	22,380,000	22,380,000	-
Century Pacific Food, Inc.	980	1,905,974	1,905,974	33,012
DoubleDragon Properties Corp	376,360	59,464,880	59,464,880	3,238,900
DMCI Holdings, Inc.	3,328,070	151,427,185	151,427,185	559,162
D and L Industries, Inc.	77,015	80,326,845	80,326,845	181,295
San Miguel Food and Beverage, Inc. Preferred 2	676,177	59,435,958	59,435,958	2,828,450
First Gen Corporation	18	62	62	18,205
First Gen Corporation - Series G Pref.	11,810	1,056,995	1,056,995	778,080
Globe Telecom, Inc. -	64,270	8,265,122	8,265,122	91,000
Globe Telecom, Inc. - Perpetual Pref.	163,500	2,330,130	2,330,130	2,600,300
GT Capital Holdings, Inc.	118,730	25,645,680	25,645,680	82,259
GT Capital Holdings, Inc. - Series A Perpetual	500,000	50,250,000	50,250,000	1,716,619
Phil. Hotel C (Hot)	50,000	52,750,000	52,750,000	-
Int'l Container Terminal Services, Inc.	10,800	1,738,400	1,738,400	283,600
Jollibee Foods Corporation	277,820	22,431,696	22,431,696	221,048
JG Summit Holdings, Inc.	475,300	5,894,094	5,894,094	282,625
Metropolitan Bank and Trust Company	630,724	41,817,001	41,817,001	849,105
Megaworld Corporation	3,684,300	14,774,043	14,774,043	184,340
Manila Electric Company	38,870	12,321,790	12,321,790	379,874
Metro Pacific Investments Corporation	8,185,500	28,485,540	28,485,540	1,133,910
Makati Sports Club "A"	50,000	49,850,000	49,850,000	-
Manila Water Co., Inc.	133,000	10,307,500	10,307,500	86,788
Orchard Golf Club - C	4,000	8,080,000	8,080,000	-
Petron Corporation	87,000	5,025,000	5,025,000	128,106
Puregold Price Club, Inc.	1	900,000	900,000	218,656
Philippine Nuclear	100,000	50,000,000	50,000,000	-
Phil. Nuclear (PN)	2,628	2,628	2,628	-
Petron Corp.-Perpetual Pref. Series 3B	18	50,000	50,000	1,784,575
Robinson Land Corporation	1,023,300	34,996,880	34,996,880	459,935
Roxas	46,653	2,078,082	2,078,082	25,021
Roxas C	382,170	30,573,600	30,573,600	1,474,856
Robinsons Retail Holdings, Inc.	104,000	1,077,440	1,077,440	275,162
Roxas Pref. others C (RXC-1)	74,044	3,298,187	3,298,187	2,542,501
Samarra Mining and Power Corporation	1,634,900	68,829,290	68,829,290	153,800
Security Bank Corporation	1	500,000	500,000	1,232,775
Shell Co. (SHEP)	39,200	862,400	862,400	-
SM Investments Corporation	276,500	1,067,290	1,067,290	876,022
San Miguel Corporation	40,015	39,534,820	39,534,820	25,851
San Miguel Corporation Series 2-B Pref.	226,250	32,806,250	32,806,250	760,594
San Miguel Corporation Series 2-C Pref.	3,874,820	25,612,560	25,612,560	997,500
San Miguel Corporation Series 2-D Pref.	498,400	4,734,800	4,734,800	373,301
SM Prime Holdings, Inc.	376,840	14,971,440	14,971,440	64,295
Phil. Long Distance Telephone Co.	100	10,000	10,000	3,170,160
Universal Robina Corporation	290	20,000	20,000	1,004,411
Clirtek Holdings Philippines Corporation	250,000	12,178,560	12,178,560	794,474
Asian Reinsurance Corporation	980	33,597,778	33,597,778	-
Disposed/Sold				142,590
SUBTOTAL-INVESTMENT IN EQUITY SECURITIES	33,868,861	1,465,972,485	1,465,972,485	43,712,904

Name of issuing entity and association of each issue (I)	Number of shares or principal amount of bonds and notes (II)	Amount shown in the balance sheet (II)	Valued based on market quotation at end of reporting	Income received and accrued
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INVESTMENT IN DEBT SECURITIES:

A. NRCP-MANAGED

Fixed Rate Treasury Bonds

PIBD0721C574	100,000,000	99,826,793	99,826,793	5,656,484
PIBD0523C752	190,000,000	197,825,152	197,825,152	11,754,066
PIBD1025I808	197,000,000	192,175,391	192,175,391	13,255,382
PIBD1028C635	50,000,000	55,255,811	55,255,811	2,193,280
PIBD1029A644	50,000,000	57,682,946	57,682,946	2,028,836
PIBD2031G171	200,000,000	251,900,949	251,900,949	4,982,886
PIID0320D087	200,000,000	200,280,878	200,280,878	6,564,382
PIID0522L114	200,000,000	203,831,822	203,831,822	6,508,731
PIID0524C129	200,000,000	215,157,645	215,157,645	6,953,591
Matured/Sold				12,571,586
Subtotal-Peso Bonds	1,367,000,000	1,473,737,386	1,473,737,386	75,469,236

ROP Bonds - USD

US718286BY27	3,200,000	174,859,764	174,859,764	5,682,083
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Corporate Bonds - USD

RCBC Bond - 2021	500,000	25,533,873	25,533,873	451,396
BDO 2023	200,000	10,215,275	10,215,275	308,698
SMC US\$	500,000	25,592,736	25,592,736	659,172
Matured				135,938

Subtotal-Dollar Bonds

	4,400,000	236,201,649	236,201,649	7,227,266
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TOTAL NRCP-MANAGED

	1,381,400,000	1,709,939,035	1,709,939,035	82,706,603
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B. BPI-MANAGED

Fixed Rate Treasury Bonds

PIBD0721C574	60,000,000	59,896,076	59,896,076	1,839,754
PIBD1022G545	15,632,706	16,283,318	16,283,318	929,802
PIBD0522A747	50,000,000	50,210,732	50,210,732	1,999,387
PIID0522L114	50,000,000	50,957,956	50,957,956	2,325,347
PIBD0723D588	135,000,000	133,930,408	133,930,408	4,880,145
PIID0524C129	25,000,000	26,894,706	26,894,706	1,250,481
PIBD0724D595	39,290,000	39,943,995	39,943,995	1,739,405
PIBD1025I808	109,464,475	106,783,646	106,783,646	3,874,914
PIBD1027E817	10,000,000	10,202,349	10,202,349	317,758
PIBD1028A644	271,000,000	312,641,585	312,641,585	7,702,439
PIBD2031G171	179,000,000	225,436,887	225,436,887	10,660,037
PIBD2039A232	125,000,000	146,904,408	146,904,408	5,336,700
PIBD2540I116	67,344,100	62,950,112	62,950,112	3,131,868
PIBD0726B627	175,000,000	191,120,085	191,120,085	4,015,320
PIID0320D087	45,000,000	45,080,613	45,080,613	197,111
Matured/Sold				2,558,454
TOTAL BPI-MANAGED	1,356,731,281	1,479,216,856	1,479,216,856	52,759,102

C. RCBC-MANAGED

Fixed Rate Treasury Bonds

PIID0320D087	5,000,000	5,007,022	5,007,022	277,546
PIBD0520H735	27,000,000	26,963,091	26,963,091	900,732
PIBD0321A236	10,000,000	10,042,814	10,042,814	460,977
PIBD0721C574	30,000,000	29,948,038	29,948,038	978,661
PIID0321F082	4,000,000	4,050,968	4,050,968	56,147
PIBD0522A747	1,500,000	1,506,322	1,506,322	72,388
PIBD0322G247	10,000,000	10,192,677	10,192,677	201,028
PIBD0723D588	22,000,000	21,825,896	21,825,896	704,890
PIID1023H048	25,000,000	24,553,869	24,553,869	817,014
PIID0524C129	30,000,000	32,273,647	32,273,647	488,869
PIBD1024H595	50,000,000	50,210,935	50,210,935	1,818,761
PIBD0725D618	5,000,000	5,338,966	5,338,966	588,768
PIBD0726B627	3,164,400	3,455,888	3,455,888	75,264
PIID1528J019	20,000,000	21,926,487	21,926,487	720,496
PIBD1028A644	12,000,000	13,843,907	13,843,907	436,951
PIBD0724D595	7,000,000	7,116,517	7,116,517	174,078
PIID0522L114	20,000,000	20,381,617	20,381,617	444,704
Matured/Sold				882,723
Subtotal-Peso Bonds	281,664,400	288,638,461	288,638,461	10,097,812

Treasury Bills

PIBL1219D141	2,000,000	1,986,116	1,986,116	65,796
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MATURED/SOLD				3,308,056
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Subtotal-Peso Bills	2,000,000	1,986,116	1,986,116	3,373,855
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TOTAL RCBC-MANAGED

	283,664,400	290,624,577	290,624,577	13,471,667
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SUBTOTAL-INVESTMENT IN DEBT SECURITIES

	3,031,785,681	3,479,780,468	3,479,780,468	148,937,271
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TOTAL AVAILABLE FOR SALE SECURITIES

	3,065,764,542	4,945,752,953	4,945,752,953	192,650,176
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Name of issuing entity and association of each issue (I)	Number of shares or principal amount of bonds and notes (II)	Amount shown in the balance sheet (II)	Valued based on market quotation at end of reporting	Income received and accrued
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III. HELD-TO-MATURITY INVESTMENTS

Corporate Bonds

ACFXBOND2023	25,000,000	23,757,325	23,553,650	985,444
ACFXBOND2025	27,500,000	26,097,939	25,223,193	1,332,864
AEV2FXBD2020	50,000,000	50,110,865	49,639,100	2,248,523
AEVFXBND2022	50,000,000	49,946,710	49,107,800	2,516,704
ALIFXBD2024	40,801,000	37,996,288	40,948,538	2,485,099
AL2FXBD2026	50,000,000	50,000,000	50,966,200	2,078,771
ALIFXBD2028	60,000,000	60,000,000	59,855,700	3,571,814
CHIBFXBD2021	50,000,000	50,000,000	50,723,900	1,116,250
EDCFXBD2020	60,000,000	59,873,811	59,946,000	2,508,841
SMCSDNES2020	50,000,000	50,000,000	50,185,250	2,639,583
FDCFBD2024	20,000,000	20,370,296	19,925,320	1,235,989
FLIFXBD2020	50,000,000	49,981,956	49,516,150	2,441,589
FLIFXBD2022	50,000,000	50,008,049	48,767,450	2,683,230
MBTFXBD2020	100,000,000	100,123,372	102,456,300	6,898,726
PCORFXBD2021	75,000,000	74,486,839	74,092,875	3,019,080
PCORFXBD2024	50,000,000	50,000,000	54,608,600	3,930,868
PSBFXBD2021	50,000,000	50,000,000	51,013,650	1,221,111
RCBFXBD2020	100,000,000	100,000,000	101,442,500	6,170,542
ROCKFXBD2021	85,000,000	85,032,119	85,417,495	3,303,615
SECBFXBD2021	80,000,000	83,887,873	84,052,240	1,493,229
SMICFXBD2022	80,000,000	83,887,873	84,052,240	4,728,205
SMICFXBD2023	122,000,000	123,571,820	123,114,592	6,296,063
SMBFXBD2022	70,000,000	71,784,212	72,650,351	4,645,667
SMCFXBD2024	67,000,000	66,999,565	62,876,485	3,559,948
SMCGFFBD2021	45,000,000	44,445,181	43,730,505	1,866,475
SMPH2FBD2021	50,000,000	49,854,044	50,230,355	2,267,276
SMPH2FBD2024	9,189,000	8,736,026	8,941,880	527,112
SMPHFXBD2023	30,500,000	30,500,000	30,204,843	1,736,811
SMPHFXBD2026	50,000,000	45,538,873	44,639,850	1,699,268
UBPFXBD2020	70,000,000	70,051,981	71,811,883	4,857,455
Matured/Sold				4,197,331
	1,887,000,000	1,863,235,054	1,670,808,753	90,383,493

Government Bonds

PIBD1025/608	562,500,000	486,816,610	536,977,943	20,503,906
PIBD2031G171	62,500,000	77,844,877	77,618,802	263,889
	625,000,000	564,661,587	614,596,745	20,767,795

TOTAL HELD-TO-MATURITY INVESTMENTS

	2,292,000,000	2,227,896,641	2,285,405,498	111,181,288
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GRAND TOTAL FINANCIAL ASSETS

		8,410,478,207	8,467,867,063	357,012,593
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NATIONAL REINSURANCE CORPORATION OF THE PHILS.
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties
and Principal Stockholders' (Other than Related Parties)
December 31, 2019

Name of employee	Designation	Date of Availment	Bal. at beg. of period	Additions	Deductions		Ending Balance		Balance at end of period
					Amounts collected	Amounts Written off	Current	Non-Current	
A. Emergency Loans									
1 Aquino Camille C	Rank & File	10/27/2019	-	30,000	15,792	-	14,208	-	14,208
2 Basobas Patrick S	Asst. Manager	10/27/2019	-	30,000	15,792	-	14,208	-	14,208
3 Castillo Jocelyn A	Rank & File	02/02/2017	6,934	20,000	16,521	-	10,414	-	10,414
4 Cruz Bethzayda M	Rank & File	05/23/2018	8,585	30,000	24,378	-	14,208	-	14,208
5 De Guzman Darius	Rank & File	10/27/2019	-	60,000	26,598	-	33,414	-	33,414
6 Magalona Natalie S	Manager	04/12/2018	15,207	50,000	52,119	-	13,087	-	13,087
7 Magtalas Ivy E	Senior Manager	11/07/2017	44,072	60,000	51,170	-	52,902	-	52,902
8 Maina Jacklyn S	Manager	11/15/2016	9,464	30,000	22,757	-	16,707	-	16,707
9 Ortiz Maria Carmen C	Manager	09/06/2018	36,030	60,000	50,352	-	45,677	-	45,677
10 Papa Regina Lourdes P	Senior Asst. Vice President	04/25/2019	-	60,000	55,637	-	24,363	-	24,363
11 Reyes Lilybeth B	Senior Vice President	05/23/2018	8,588	30,000	24,360	-	14,208	-	14,208
12 Sison Angelo Matthew A	Supervisor	10/27/2019	-	30,000	13,283	-	16,707	-	16,707
13 Tabiola Sean B	Rank & File	10/01/2019	17,629	-	17,620	-	9	-	9
14 Torralba Carmel F	Senior Manager	10/27/2019	-	30,000	15,792	-	14,208	-	14,208
15 Tumangday Raul G	Senior Manager	04/18/2017	31,948	60,000	51,143	-	40,804	-	40,804
16 Villamer Rubyen T	Rank & File	06/18/2017	16,905	30,000	21,667	-	25,238	-	25,238
17 Yap Michelle Ann A	Rank & File	05/23/2018	10,346	20,000	15,124	-	15,222	-	15,222
			205,688	650,000	490,102	-	365,587	-	365,587
B. Car Facility Loan									
1 Agsaway, April Rose R	Manager	07/19/2018	385,138	-	74,043	-	-	311,095	311,095
2 Agustin, Russell B	Manager	06/27/2018	391,045	-	73,652	-	-	317,494	317,494
3 Basabe, Biesilda Santos	Senior Asst. Vice President	07/29/2015	216,479	-	133,522	-	-	82,957	82,957
4 Caminca, Enrico	Manager	10/30/2015	177,418	-	91,313	-	-	86,106	86,106
5 Dela Paz, M.	Manager	03/31/2015	121,206	-	95,887	-	-	25,219	25,219
6 Edellita Suyo	Manager	10/13/2017	333,305	-	78,353	-	-	254,952	254,952
7 Francis Albert J. Alvarez	Senior Manager	12/29/2018	480,000	-	81,308	-	-	398,692	398,692
8 Lorenzo, Cherry Lou R	Asst. Vice President	08/31/2016	341,896	-	119,781	-	-	222,115	222,115
9 Lucos, Honorata	Asst. Vice President	06/21/2017	444,421	-	114,570	-	-	329,851	329,851
10 Magalona, Natalie	Manager	08/18/2017	330,164	-	78,814	-	-	251,550	251,550
11 Magtalas, Ivy E	Senior Manager	08/17/2018	244,711	-	85,719	-	-	158,992	158,992
12 Marites Balajadia	Senior Manager	11/28/2017	391,619	-	88,856	-	-	302,962	302,962
13 Merida, Anelisa Trinidad M	Asst. Vice President	10/24/2016	389,062	-	120,838	-	-	248,226	248,226
14 Nunez, Mark Quintin G	Asst. Vice President	07/31/2019	-	600,000	41,364	-	-	558,636	558,636
15 Ortiz, Maria Carmen C	Manager	11/13/2018	411,415	-	71,858	-	-	339,556	339,556
16 Papa, Regina	Senior Asst. Vice President	09/28/2018	359,357	-	121,643	-	-	237,714	237,714
17 Parungao, Sherwin T	Manager	08/30/2018	453,616	-	83,502	-	-	370,114	370,114
18 Ramos, Regina	Vice President	01/31/2017	291,715	-	86,881	-	-	204,834	204,834
19 Rolly Velasquez	Manager	11/07/2017	338,556	-	338,556	-	-	-	-
20 Salonga, Daisy Cua	Vice President	02/20/2017	272,527	-	77,582	-	-	194,945	194,945
21 Tanjuakio, Victor Del Rosario	Vice President	08/12/2014	73,507	440,000	73,507	-	-	440,000	440,000
22 Tumangday, Raul	Senior Manager	06/29/2016	258,587	-	87,285	-	-	161,302	161,302
23 Von Edward Ebron	Asst. Vice President	01/10/2019	582,800	-	100,415	-	-	482,385	482,385
			7,279,545	1,040,000	2,329,806	-	-	5,989,738	5,989,738
C. Receivables from Employee (HMO & Car Insurance)									
1 Agsaway, April Rose R	Manager		7,036	12,254	13,163	-	6,127	-	6,127
2 Alvarez, Francis Albert J	Senior Manager		16,540	43,844	38,758	-	21,427	-	21,427
3 Basabe, Biesilda S	Senior Asst. Vice President		25,062	52,831	45,858	-	31,835	-	31,835
4 Balajadia, Marites B	Senior Manager		31,158	34,283	45,815	-	19,626	-	19,626
5 Basobas, Patrick S	Asst. Manager		6,235	24,624	28,589	-	2,290	-	2,290
6 Bueno, Evelyn N	Manager		10,260	71,410	30,780	-	50,890	-	50,890
7 De Guzman, Darius	Rank & File		31,802	64,021	48,167	-	49,657	-	49,657
8 Dela Paz, Marilyn T	Manager		1,968	8,284	6,798	-	3,452	-	3,452
9 Ebron, Von Edward M	Asst. Vice President		16,263	69,258	51,716	-	33,804	-	33,804
10 Iguera, Nikkos Josef L	Asst. Vice President		23,010	-	42,854	-	(19,844)	-	(19,844)
11 Ladoux, Christian Andre Francois	Chief Underwriting Officer		41,275	-	41,275	-	-	-	-
12 Lorenzo, Cherry Lou R	Asst. Vice President		67,279	113,224	83,270	-	97,233	-	97,233
13 Lozada, Irene G	Asst. Manager		28,649	34,263	11,428	-	22,855	-	22,855
14 Lucos, Honorata S	Asst. Vice President		9,516	16,466	17,749	-	8,233	-	8,233
15 Magalona, Nathalie S	Manager		24,161	34,283	36,789	-	21,675	-	21,675
16 Magtalas, Ivy E	Senior Manager		6,624	9,136	8,147	-	7,613	-	7,613
17 Maiendaz, Jacklyn M	Rank & File		10,260	24,824	20,520	-	14,364	-	14,364
18 Mendoza, Rojane C	Rank & File		51,384	88,845	76,008	-	64,020	-	64,020
19 Merida, Anelisa Trinidad M	Asst. Vice President		35,669	51,928	28,331	-	59,266	-	59,266
20 Ortiz, Maria Carmen C	Manager		15,806	13,811	16,382	-	13,236	-	13,236
21 Parungao, Sherwin T	Manager		9,519	-	9,518	-	0	-	0
22 Ramos, Regina S	Vice President		33,560	89,747	72,902	-	50,405	-	50,405
23 Reyes, Alexander Dominador L	Senior Vice President		-	3,610	3,610	-	0	-	0
24 Santos, Allan R	CEO and President		18,496	5,502	22,394	-	1,605	-	1,605
25 Salonga, Daisy C	Vice President		1,966	10,900	7,643	-	5,223	-	5,223
26 Suyo, Edellita P	Manager		17,239	14,142	19,006	-	12,374	-	12,374
27 Tanjuakio, Victor D	Vice President		7,539	-	7,540	-	(0)	-	(0)
28 Torralba, Carmel F	Senior Manager		-	48,017	10,280	-	37,757	-	37,757
29 Tumangday, Raul G	Senior Manager		4,853	9,319	6,406	-	7,766	-	7,766
30 Villamer, Rubyen T	Rank & File		10,260	24,624	20,520	-	14,364	-	14,364
			563,388	972,669	870,156	-	637,252	-	637,252
GRAND TOTAL			8,048,821	2,662,669	3,890,064	-	1,002,638	5,989,738	6,992,676

NATIONAL REINSURANCE CORPORATION OF THE PHILS.
Schedule C - Amounts Receivable from Related Parties which are
eliminated during the consolidation of financial statements
December 31, 2019

Name of employee	Designation	Bal. at beg. of period	Additions	Deductions		Ending Balance		Balance at end of period
				Amounts collected	Amounts Written off	Current	Non-Current	

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NATIONAL REINSURANCE CORPORATION OF THE PHILS.
Schedule D - Long-term Debt
December 31, 2019

Title of issue and type of obligation (I)	Amount Authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet (III)
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NATIONAL REINSURANCE CORPORATION OF THE PHILS.
Schedule E - Indebtedness to Related Parties (Long-Term Loans from Related
December 31, 2019

Name of related party (i)	Balance at beginning of period	Balance at end of period (ii)
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NATIONAL REINSURANCE CORPORATION OF THE PHILS.
Schedule F - Guarantees of Securities of Other Issuers
December 31, 2019

Name of issuing entity of securities guaranteed by the company for which this statement is file	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding (I)	Amount owned by person for which statement is file	Nature of guarantee (II)
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NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
Schedule G- Capital Stock
December 31, 2019

Name of Stockholders	Title of Issue	No. of shares issued & outstanding as shown under the related balance sheet caption	No. of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
1 ADELITA VERGEL DE DIOS	Common	171,500.00	NIL	-	-	171,500
2 ALEGAR CORPORATION	Common	32,800.00	NIL	-	-	32,800
3 ALICIA S. CRUZ	Common	6,400.00	NIL	-	-	6,400
4 ALLAN ROSSI SANTOS	Common	5,000.00	NIL	-	5,000	-
5 ALLIEDBANKERS INSURANCE CORPORATION	Common	100.00	NIL	-	-	100
6 ALMEDA, VALERIANO &/OR TITA JANE &/OR F	Common	40,000.00	NIL	-	-	40,000
7 ALPHA INSURANCE & SURETY CO., INC.	Common	1,578,900.00	NIL	-	-	1,578,900
8 ALVENDIA, JOSE P.	Common	100.00	NIL	-	-	100
9 ANDRES E. SIOCHI	Common	11,700.00	NIL	-	-	11,700
10 ANGELITA U. REYES	Common	2,800.00	NIL	-	-	2,800
11 ANTONIO M. RUBIN	Common	1,000.00	NIL	-	1,000	-
12 ANTONIO P. MADRIGAL	Common	4,200.00	NIL	-	-	4,200
13 ANTONIO ROXAS CHUA	Common	1,089,500.00	NIL	-	-	1,089,500
14 ANTONIO S. ROXAS-CHUA JR.	Common	24,900.00	NIL	-	-	24,900
15 AP MADRIGAL STEAMSHIP CO. INC.	Common	3,300.00	NIL	-	-	3,300
16 ARAGON, BIENVENIDO M.	Common	200.00	NIL	-	-	200
17 ARAVAL, INC	Common	77,100.00	NIL	-	-	77,100
18 ASIA UNITED INSURANCE, INC	Common	1,252,300.00	NIL	-	-	1,252,300
19 AYUSTE JR., RAFAEL G.	Common	100,000.00	NIL	-	100,000	-
20 B.F. GENERAL INSURANCE CO., INC.	Common	36,900.00	NIL	-	-	36,900
21 BANCOM DEVELOPMENT CORP.	Common	8,300.00	NIL	-	-	8,300
22 BANK OF THE PHILIPPINE ISLANDS	Common	290,795,500.00	NIL	290,795,500	-	-
23 BANZON JR., JOSE G.	Common	54,000.00	NIL	-	-	54,000
24 BASCO, AMERFIL V.	Common	11,800.00	NIL	-	-	11,800
25 BELTRAN, AURELIO M.	Common	100.00	NIL	-	-	100
26 BENEFICIAL LIFE INSURANCE COMPANY INC	Common	3,193,500.00	NIL	-	-	3,193,500
27 BERNARDO, ROMEO L.	Common	100.00	NIL	-	-	100
28 BETTY RC YAO	Common	13,400.00	NIL	-	-	13,400
29 BF LIFE INSURANCE CORP.	Common	397,300.00	NIL	-	-	397,300
30 BPI/MS INSURANCE CORP.	Common	3,347,500.00	NIL	3,347,500	-	-
31 BUENO, FRANCIS EDWIN I.	Common	100.00	NIL	-	-	100
32 CABANGON CHUA, ANTONIO L.	Common	100.00	NIL	-	-	100
33 CABREZA, JOCELYN DE GUZMAN	Common	1.00	NIL	-	1	-
34 CALLAR, CYRIL C. DEL CALLAR &/OR JOSEPH	Common	1,896,000.00	NIL	-	-	1,896,000
35 CARREDO, RAMON M.	Common	200.00	NIL	-	-	200
36 CASTANEDA JR., CONSTANCIO T.	Common	100.00	NIL	-	-	100
37 CASTRO, WILLIAM Y.	Common	15,000.00	NIL	-	-	15,000
38 CENTENNIAL GUARANTEE ASSURANCE COR	Common	14,500.00	NIL	-	-	14,500
39 CHAVEZ, RAMON NONATO D.	Common	5,000.00	NIL	-	-	5,000
40 CHENG, BERCK Y.	Common	500,000.00	NIL	-	-	500,000
41 CHENG, GEMA O.	Common	100.00	NIL	-	-	100
42 CHUA, VICKY B.	Common	1,000.00	NIL	-	-	1,000
43 CONCEPCION S. ARANETA	Common	700.00	NIL	-	-	700
44 CONRADO BENITEZ	Common	7,400.00	NIL	-	-	7,400
45 CONSOLIDATED INSURANCE CO., INC.	Common	144,600.00	NIL	-	-	144,600
46 CONSUELO P. MADRIGAL	Common	1,200.00	NIL	-	-	1,200
47 COOPERATIVE INSURANCE SYSTEM OF THE	Common	72,900.00	NIL	-	-	72,900
48 CORPUS, SERGIO	Common	100.00	NIL	-	-	100
49 COTOCO, DOMINGO	Common	100.00	NIL	-	-	100
50 COTOCO, NAZARIO	Common	100.00	NIL	-	-	100
51 COUNTRY BANKERS INS. CORP.	Common	2,220,300.00	NIL	-	-	2,220,300
52 COUNTRY BANKERS LIFE INSURANCE CORP	Common	30,000.00	NIL	-	-	30,000
53 CRISOL, ROBERTO B.	Common	1,000.00	NIL	-	-	1,000
54 CRUZ JR., ROMAN A.	Common	100.00	NIL	-	-	100
55 CRUZ, MARY ANN PINEDA DELA	Common	3,000.00	NIL	-	-	3,000
56 CRUZ, NAPOLEON D. CRUZ SR. &/OR LUISA I.	Common	5,000.00	NIL	-	-	5,000
57 CUA, PAMELA S.	Common	6,000.00	NIL	-	-	6,000
58 CUYEGKENG, ROSARIO W.	Common	100.00	NIL	-	-	100
59 DANILO J. CABERO	Common	7,200.00	NIL	-	-	7,200
60 DAVID C. COYUKIAT	Common	200.00	NIL	-	-	200
61 DAVID C. MERCADO	Common	27,300.00	NIL	-	-	27,300
62 DEE, HELEN Y.	Common	100.00	NIL	-	-	100
63 DESIDERIO JR., JOSE O.	Common	100.00	NIL	-	-	100
64 DESIDERIO, RODOLFO O.	Common	100.00	NIL	-	-	100
65 DIZON, VLADEMIR S.	Common	28,000.00	NIL	-	-	28,000
66 DOMINO, JUAN	Common	100.00	NIL	-	-	100
67 EASTERN ASSURANCE & SURETY CORPORA	Common	1,872,400.00	NIL	-	-	1,872,400

Name of Stockholders	Title of Issue	No. of shares issued & outstanding as shown under the related balance sheet caption	No. of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
68 EDITHA B. GERONIMO	Common	15,000.00	NIL	-	-	15,000
69 EDUARDO ECHAUZ	Common	100.00	NIL	-	-	100
70 ELIAS BENIZA DULALIA	Common	1,000.00	NIL	-	-	1,000
71 ESTATE OF VICENTE M. WARNS	Common	600.00	NIL	-	-	600
72 EUGENIA G. SILVA	Common	2,800.00	NIL	-	-	2,800
73 FEDERAL PHOENIX ASSURANCE COMPANY I	Common	3,786,300.00	NIL	-	-	3,786,300
74 FERNANDEZ, JAIME C.	Common	100.00	NIL	-	-	100
75 FERNANDEZ, VICENTE T.	Common	100.00	NIL	-	-	100
76 FGU INSURANCE CORPORATION	Common	36,126,000.00	NIL	36,126,000	-	-
77 FIDELITY INSURANCE COMPANY INC.	Common	818,800.00	NIL	-	-	818,800
78 FIRST INTEGRATED BONDING & INS. CO INC.	Common	275,300.00	NIL	-	-	275,300
79 FIRST LIFE FINANCIAL COMPANY INC.	Common	485,700.00	NIL	-	-	485,700
80 FRANCISCO CORPUS	Common	100.00	NIL	-	-	100
81 FRANCISCO JOSE ELIZALDE YTURREALDE	Common	75,700.00	NIL	-	-	75,700
82 FRANCISCO M. BAYOT	Common	1,100.00	NIL	-	-	1,100
83 FRANCISCO, CLEOTILDE B.	Common	100.00	NIL	-	-	100
84 FRANCISCO, ROLANDO B.	Common	100.00	NIL	-	-	100
85 GALLAGA, RAFAEL C.	Common	100.00	NIL	-	-	100
86 GARCIA, WINSTON F.	Common	442,300.00	NIL	-	-	442,300
87 GERARDO A. S. MADRIGAL	Common	1,600.00	NIL	-	-	1,600
88 GILI JR., GUILLERMO F.	Common	38,000.00	NIL	-	-	38,000
89 GO, GEORGE L.	Common	1,000.00	NIL	-	-	1,000
90 GO, IRENE CHAN	Common	185,000.00	NIL	-	-	185,000
91 GONZALEZ, GIZELA M.	Common	600.00	NIL	-	-	600
92 GOZO, DANILO A.	Common	1,000.00	NIL	-	-	1,000
93 GREAT DOMESTIC INS. CO. OF THE PHILS.	Common	544,700.00	NIL	-	-	544,700
94 HANS MENZI	Common	2,100.00	NIL	-	-	2,100
95 HARI, ABDON M.	Common	100.00	NIL	-	-	100
96 HIDALGO, AUGUSTO PEDROSA III	Common	1,000.00	NIL	-	-	1,000
97 HONORATA S. LUCOS	Common	15,000.00	NIL	-	-	15,000
98 HYDEE MANAGEMENT & RESOURCE CORPO	Common	264,000.00	NIL	-	-	264,000
99 INDON, REYNALDO P.	Common	100.00	NIL	-	-	100
100 INSURANCE CO. OF NORTH AMERICA	Common	705,600.00	NIL	-	-	705,600
101 INSURANCE OF THE PHIL. ISLANDS CO., INC.	Common	59,100.00	NIL	-	-	59,100
102 INVESTOR'S ASSURANCE CORP.	Common	99,000.00	NIL	-	-	99,000
103 ISABELITA M. CABANGUNAY	Common	14,500.00	NIL	-	-	14,500
104 JACINTO JR., FERNANDO P.	Common	100.00	NIL	-	-	100
105 JACQUELINE M. HALILI CO	Common	293,800.00	NIL	-	-	293,800
106 JAYMERLI C. BAUTISTA	Common	298,100.00	NIL	-	-	298,100
107 JENNIFER C. MARTIN	Common	294,000.00	NIL	-	-	294,000
108 JOSE R. RODAS	Common	100.00	NIL	-	-	100
109 JUAN, FRISCO F. SAN	Common	100.00	NIL	-	-	100
110 JUNTREAL JR., FILEMON A.	Common	100.00	NIL	-	-	100
111 KAWSEK, PAUL L.	Common	80,000.00	NIL	-	-	80,000
112 KO PIO, RODERICK C.	Common	100.00	NIL	-	-	100
113 KO PIO, RUFFY C.	Common	100.00	NIL	-	-	100
114 KO PIO, RUFINO H.	Common	100.00	NIL	-	-	100
115 KOH, ANTONIO M.	Common	100.00	NIL	-	-	100
116 LAO, EDMUND Y.	Common	6,000.00	NIL	-	-	6,000
117 LA'O, LUIS C.	Common	100.00	NIL	-	-	100
118 LEE, JOSE C.	Common	100.00	NIL	-	-	100
119 LEE, LEA B.	Common	250,000.00	NIL	-	-	250,000
120 LEON, BEATRIZ P. DE	Common	1,933.00	NIL	-	-	1,933
121 LEON, JAIME S. DE	Common	100.00	NIL	-	-	100
122 LICAROS JR., GREGORIO B.	Common	100.00	NIL	-	-	100
123 LICAROS, ABELARDO B.	Common	100.00	NIL	-	-	100
124 LILY VICTORIA G. GALO	Common	2,800.00	NIL	-	-	2,800
125 LIM, JAMES ORTEGA	Common	100.00	NIL	-	-	100
126 LIM, PEDRO C.	Common	3,000.00	NIL	-	-	3,000
127 LIM, ROQUE A.	Common	66,000.00	NIL	-	-	66,000
128 LO, JOSEPHINE NG	Common	71,000.00	NIL	-	-	71,000
129 LOCSIN, JULIAN J.	Common	100.00	NIL	-	-	100
130 LOURDES S. RODAS	Common	1,100.00	NIL	-	-	1,100
131 LUCINA OCAMPO LEGASPI	Common	3,800.00	NIL	-	-	3,800
132 LUCITA R. C. LIMPE	Common	13,400.00	NIL	-	-	13,400
133 LUZ NER CRUZ	Common	13,400.00	NIL	-	-	13,400
134 LUZON INSURANCE & SURETY CO., INC.	Common	32,300.00	NIL	-	-	32,300
135 M PIONEER INSURANCE INC.	Common	542,300.00	NIL	-	-	542,300
136 MA. LUISA MADRIGAL VASQUEZ	Common	400.00	NIL	-	-	400
137 MAA GENERAL ASSURANCE PHILS., INC.	Common	271,800.00	NIL	-	-	271,800
138 MABASA & COMPANY, INC.	Common	36,500.00	NIL	-	-	36,500

Name of Stockholders	Title of issue	No. of shares issued & outstanding as shown under the related balance sheet caption	No. of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
139 MACARIA P. MADRIGAL	Common	2,300.00	NIL	-	-	2,300
140 MACROHON JR., IGNACIO	Common	100.00	NIL	-	-	100
141 MALAYAN INSURANCE CO., INC.	Common	21,600.00	NIL	21,600	-	-
142 MALLILLIN, MELECIO C.	Common	100.00	NIL	-	-	100
143 MALONG, ALEJANDRO V.	Common	100.00	NIL	-	-	100
144 MAMERTA ANDAYA	Common	2,100.00	NIL	-	-	2,100
145 MANANSALA, CONSUELO D.	Common	1,000.00	NIL	-	-	1,000
146 MANILA INSURANCE COMPANY INC.	Common	1,148,400.00	NIL	-	-	1,148,400
147 MANILA SURETY & FIDELITY CO., INC.	Common	3,168,400.00	NIL	-	-	3,168,400
148 MANUEL A. TORRES JR.	Common	79,100.00	NIL	-	-	79,100
149 MANUEL B. ENRIQUEZ	Common	500.00	NIL	-	-	500
150 MANUEL DYTOC	Common	900.00	NIL	-	-	900
151 MANUEL U. CO	Common	100.00	NIL	-	-	100
152 MAR M. TANGLAO I	Common	180,000.00	NIL	-	-	180,000
153 MARIA CONSUELO A. LUKBAN	Common	50.00	NIL	-	50	-
154 MARIANO JR., JORGE T.	Common	100.00	NIL	-	-	100
155 MARILEX REALTY DEVELOPMENT CORPORA	Common	1,933.00	NIL	-	-	1,933
156 MAURO PRIETO	Common	11,600.00	NIL	-	-	11,600
157 MENDIOLA, JORGE T.	Common	20,000.00	NIL	-	-	20,000
158 MERCADO JR., DANIEL M.	Common	100.00	NIL	-	-	100
159 MERCADO JR., DAVID P.	Common	100.00	NIL	-	-	100
160 MERCEDES U. GONZALES	Common	200.00	NIL	-	-	200
161 MONARCH INSURANCE CO., INC.	Common	1,674,000.00	NIL	-	-	1,674,000
162 MORALES, RHODORA B.	Common	100.00	NIL	-	-	100
163 NAPA, ERMILANDO D.	Common	1,000.00	NIL	-	1,000	-
164 NATIVIDAD CANTAJAL	Common	4,800.00	NIL	-	-	4,800
165 NELIA M. MALUBAY	Common	54,000.00	NIL	-	-	54,000
166 NERA, MEDEL T.	Common	1,000.00	NIL	-	1,000	-
167 NORA M. MALUBAY	Common	1.00	NIL	-	1	-
168 NORMANDO ANTONIO S. AGUILAR	Common	16,900.00	NIL	-	-	16,900
169 OLIVA, DULCE MARIA S.	Common	20,000.00	NIL	-	-	20,000
170 ONGKINGCO, FLORENCIO N.	Common	100.00	NIL	-	-	100
171 ORIENTAL ASSURANCE CORPORATION	Common	3,580,800.00	NIL	-	-	3,580,800
172 OWEN NATHANIEL S. AU ITF LI MARCUS M. A	Common	200.00	NIL	-	-	200
173 PA, ANA GO &/OR GO KIM	Common	7,500,000.00	NIL	-	-	7,500,000
174 PACIFIC UNION INSURANCE CO.	Common	1,351,600.00	NIL	-	-	1,351,600
175 PACITA RODRIGUEZ	Common	13,400.00	NIL	-	-	13,400
176 PADIERNOS, GAY G.	Common	100.00	NIL	-	-	100
177 PARAMOUNT LIFE & GENERAL INS. CORP.	Common	940,900.00	NIL	-	-	940,900
178 PAZ VDA. DE RODAS	Common	6,200.00	NIL	-	-	6,200
179 PCD NOMINEE CORP - FIL	Common	1,676,298,187.00	NIL	820,477,497	-	855,818,690
180 PCD NOMINEE CORP - NON-FIL	Common	5,424,610.00	NIL	-	-	5,424,610
181 PEDRO P. BENEDICTO JR.	Common	15,800.00	NIL	-	-	15,800
182 PEOPLE'S TRANS-EAST ASIA INS. CORP.	Common	2,435,300.00	NIL	-	-	2,435,300
183 PETER T. ROXAS-CHUA	Common	13,400.00	NIL	-	-	13,400
184 PHIL. INT'L LIFE INSURANCE CO., INC.	Common	4,450,200.00	NIL	-	-	4,450,200
185 PHIL. PHOENIX SURETY & INS. INC.	Common	134,900.00	NIL	-	-	134,900
186 PHIL. PRUDENTIAL LIFE INS. CO., INC.	Common	1,771,900.00	NIL	-	-	1,771,900
187 PHILIPPINE AMERICAN LIFE INSURANCE CO.	Common	8,628,600.00	NIL	-	-	8,628,600
188 PHILIPPINE BRITISH ASSURANCE CO., INC.	Common	590,400.00	NIL	-	-	590,400
189 PHILIPPINE GENERAL INSURANCE CORP.	Common	750,000.00	NIL	-	-	750,000
190 PHILIPPINE REMNANTS CO., INC.	Common	399,300.00	NIL	-	-	399,300
191 PHILIPPINES FIRST INSURANCE CO., INC.	Common	11,075,200.00	NIL	-	-	11,075,200
192 PLARIDEL SURETY & INSURANCE COMPANY	Common	162,500.00	NIL	-	-	162,500
193 PNB GENERAL INSURERS CO., INC.	Common	1,000.00	NIL	-	-	1,000
194 PRIETO JR., BENITO R.	Common	1,933.00	NIL	-	-	1,933
195 PRIETO, MARTIN L.	Common	967.00	NIL	-	-	967
196 PRIETO, MAURO R.	Common	1,934.00	NIL	-	-	1,934
197 PRIETO, MERCEDES R.	Common	1,933.00	NIL	-	-	1,933
198 PUYAT, ALFONSO G.	Common	100.00	NIL	-	-	100
199 RAFAEL C. GALLAGA	Common	13,500.00	NIL	-	-	13,500
200 RAMAJO, HONORIO J.	Common	100.00	NIL	-	-	100
201 REGINA CAPITAL DEV. CORP. 018400	Common	6,000.00	NIL	-	-	6,000
202 REGINA CAPITAL DEV. CORP. 018414	Common	3,000.00	NIL	-	-	3,000
203 REGINALDO ANTHONY B. CARIASO	Common	50.00	NIL	-	50	-

Name of Stockholders	Title of Issue	No. of shares issued & outstanding as shown under the related balance sheet caption	No. of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
204 REMO JR., JOSE H.	Common	100.00	NIL	-	-	100
205 REX MARIA ARGUELLES MENDOZA	Common	1,000.00	NIL	-	1,000	-
206 REYES, CARLOS, R.	Common	12,000.00	NIL	-	-	12,000
207 REYES, OSCAR C.	Common	200.00	NIL	-	-	200
208 REYES, ROMAN FELIPE S.	Common	1,000.00	NIL	-	-	1,000
209 RITA LEGARDA., INC.	Common	13,700.00	NIL	-	-	13,700
210 RIVARA, INC.	Common	8,700.00	NIL	-	-	8,700
211 ROMAN, VICTOR B.	Common	100.00	NIL	-	-	100
212 ROMEO ECHAUZ	Common	400.00	NIL	-	-	400
213 ROMUALDEZ, FERDINAND MARTIN G.	Common	3,000,000.00	NIL	-	-	3,000,000
214 ROSARIO M. LLORA	Common	7,100.00	NIL	-	-	7,100
215 ROSARIO RODAS	Common	900.00	NIL	-	-	900
216 SALCEDO JR., ALFONSO L.	Common	100.00	NIL	-	-	100
217 SALVADOR, BIENVENIDO C.	Common	100.00	NIL	-	-	100
218 SAUCO, NORBERTO V.	Common	100.00	NIL	-	-	100
219 SECOR HOLDINGS INC.	Common	50,000.00	NIL	-	-	50,000
220 SEVERINO T. ROXAS-CHUA	Common	13,400.00	NIL	-	-	13,400
221 SM SAVINGS & LOAN ASSOCIATION	Common	70,000.00	NIL	-	-	70,000
222 SOUTH SEA SURETY & INS. CO., INC.	Common	4,152,700.00	NIL	-	-	4,152,700
223 STERLING INSURANCE CO., INC.	Common	2,453,900.00	NIL	-	-	2,453,900
224 STERLING INSURANCE COMPANY, INC.	Common	300,000.00	NIL	-	-	300,000
225 STRONGHOLD INSURANCE CO., INC.	Common	2,817,600.00	NIL	-	-	2,817,600
226 SUDHAKAR, RANIPETA RANI	Common	100.00	NIL	-	-	100
227 SUN LIFE ASSURANCE CO. OF CANADA	Common	305,700.00	NIL	-	-	305,700
228 SUNGA, PETER EDWIN J. SUNGA &/OR ROSA	Common	300,000.00	NIL	-	-	300,000
229 SUNGA, PROSPERO S. SUNGA &/OR CLARITA	Common	375,000.00	NIL	-	-	375,000
230 SUSANA B. ORTIGAS	Common	1,100.00	NIL	-	-	1,100
231 SUSANA REALTY	Common	600.00	NIL	-	-	600
232 TABACALERA INSURANCE CO. INC.	Common	1,278,700.00	NIL	-	-	1,278,700
233 TAN KIM CHIONG DE ROXAS-CHUA	Common	92,300.00	NIL	-	-	92,300
234 TAN, LOZANO A.	Common	100,000.00	NIL	-	-	100,000
235 TANCO, EUSEBIO H.	Common	100.00	NIL	-	-	100
236 TEO, STEPHEN T. TEO &/OR TERESITA R.	Common	29,000.00	NIL	-	-	29,000
237 TEODORO, MONICA P.	Common	967.00	NIL	-	-	967
238 THE NEW INDIA ASSURANCE COMPANY, LIM	Common	4,168,300.00	NIL	-	-	4,168,300
239 THE PREMIER INSURANCE & SURETY CORP	Common	2,456,100.00	NIL	-	-	2,456,100
240 TIMES SURETY & INSURANCE CO., INC.	Common	7,500.00	NIL	-	-	7,500
241 TIU, ALFONSO SY	Common	6,000.00	NIL	-	-	6,000
242 TRAVELLER'S INSURANCE & SURETY CORP.	Common	696,100.00	NIL	-	-	696,100
243 TRINIDAD, ARMANDO C.	Common	100.00	NIL	-	-	100
244 TURNER, PHILIP &/OR ELNORA	Common	1,000.00	NIL	-	-	1,000
245 UNION BANK OF THE PHILIS.	Common	5,000.00	NIL	-	-	5,000
246 UNION INSURANCE SOCIETY OF CANTON LTI	Common	2,197,300.00	NIL	-	-	2,197,300
247 UNITED INSURANCE CO., INC	Common	2,006,600.00	NIL	-	-	2,006,600
248 UNITED LIFE ASSURANCE CORP.	Common	2,518,100.00	NIL	-	-	2,518,100
249 UNSON JR., ALEJANDRO F.	Common	100.00	NIL	-	-	100
250 UNSON JR., EDMUNDO L.	Common	100.00	NIL	-	-	100
251 UNSON, MA. ANICIA F.	Common	100.00	NIL	-	-	100
252 UTILITY ASSURANCE CORP.	Common	1,837,800.00	NIL	-	-	1,837,800
253 UY JR., CARLOS F.	Common	100.00	NIL	-	-	100
254 UY, ALVIN CHRIS SY	Common	6,000.00	NIL	-	-	6,000
255 VALENCIA, JESUS SAN LUIS	Common	2,100.00	NIL	-	-	2,100
256 VERGARA, ROBERT G.	Common	1,000.00	NIL	-	-	1,000
257 VICENTE A.S. MADRIGAL	Common	1,600.00	NIL	-	-	1,600
258 VICENTE B. VILLARAMA JR.	Common	2,800.00	NIL	-	-	2,800
259 VICENTE M. BAYOT	Common	1,100.00	NIL	-	-	1,100
260 VICTORIANO G. BELIZARIO	Common	300.00	NIL	-	-	300
261 VILLAMAYOR, ANTONIO S.	Common	100.00	NIL	-	-	100
262 VISAYAN SURETY & INSURANCE CORP.	Common	3,545,500.00	NIL	-	-	3,545,500
263 VISAYAN SURETY & INSURANCE CORPORAT	Common	200,000.00	NIL	-	-	200,000
264 WILFREDO C. MALDIA	Common	1.00	NIL	-	1	-
265 WONGAIHAM, ANTHONY T.	Common	200.00	NIL	-	-	200
266 WORLDWIDE INSURANCE & SURETY COMPA	Common	100.00	NIL	-	-	100
267 WU, JOLI CO	Common	344,100.00	NIL	-	344,100	-
268 YAN, LUCIO W. YAN &/OR CLARA Y.	Common	50,000.00	NIL	-	-	50,000
269 YAO, WILSON A.	Common	30,000.00	NIL	-	-	30,000
270 YUCHENGCO, YVONNE S.	Common	100.00	NIL	-	100	-
271 ZENITH INSURANCE CORPORATION	Common	805,800.00	NIL	-	-	805,800
Total		2,123,805,600		1,160,788,097	453,303	972,384,200

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
31st floor BPI-Philam Life Makati, 6811 Ayala Avenue, Makati City

Reconciliation of Retained Earnings Available for Dividend Declaration
For the Year Ended December 31, 2019

Unappropriated Retained Earnings at Beginning of Year as reported	P	219,810,555
Less Prior Years' Outstanding Reconciling Items, net of tax		
Net deferred tax asset	(<u>113,904,612</u>)
		105,905,943
Net Profit Realized during the Year		
Net profit per audited financial statements	P	156,717,543
Deferred tax benefit	(53,432,684)
Unrealized foreign exchange loss	<u></u>	<u>25,107,526</u>
		128,392,385
Other Transactions During the Year		
Appropriated for contingencies	(<u>15,671,754</u>)
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year	P	<u>218,626,574</u>