



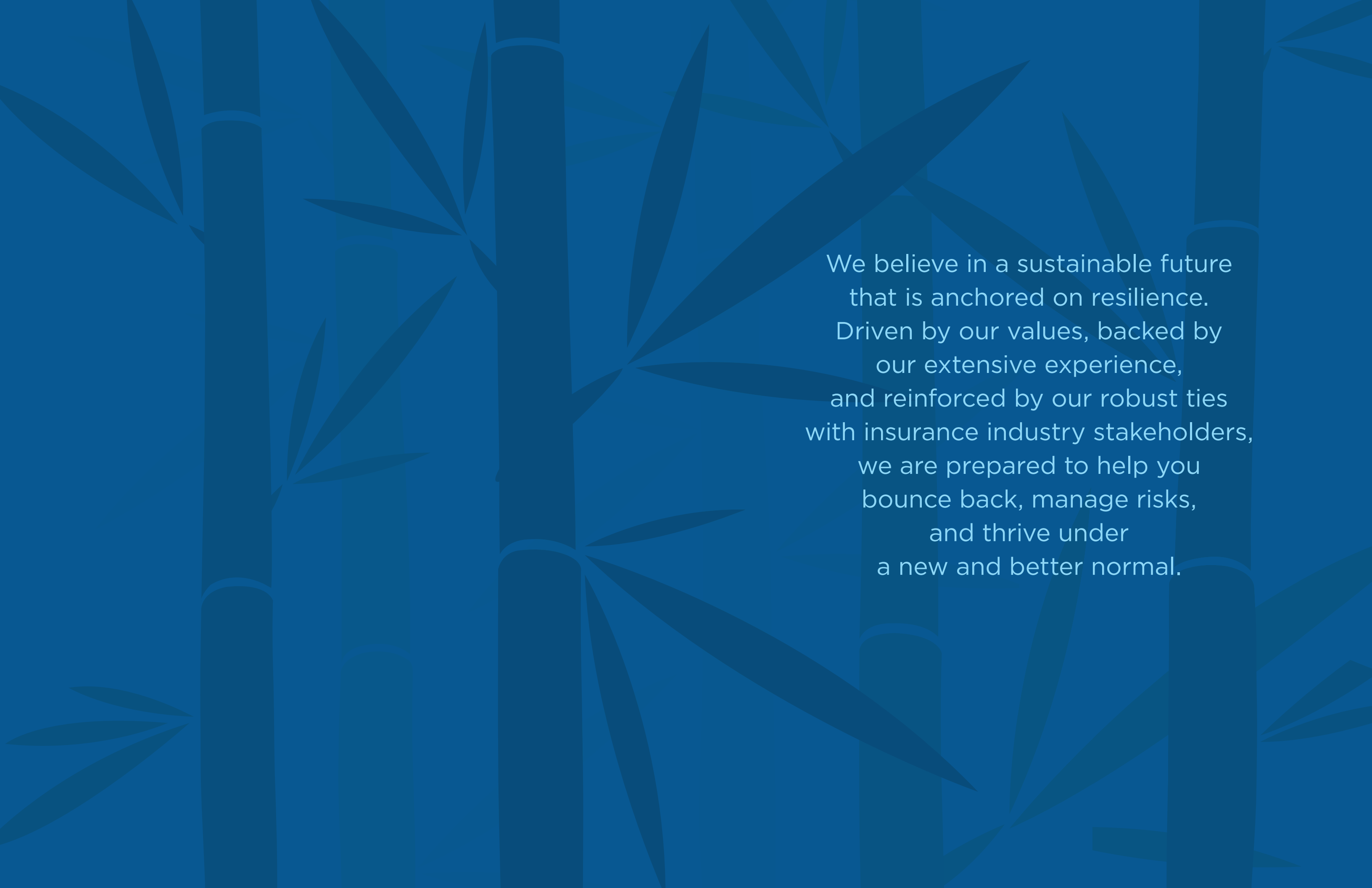
NATIONAL
REINSURANCE
CORPORATION
OF THE PHILIPPINES

Resilience is essential for a Sustainable Future

2020 INTEGRATED ANNUAL REPORT



2020 WINNER

The background of the slide is a solid dark blue color. Overlaid on this background are several stylized, light blue bamboo stalks and leaves. The stalks are vertical and segmented, while the leaves are long, narrow, and pointed, radiating from the stalks. The overall aesthetic is clean and modern, with a focus on natural elements.

We believe in a sustainable future
that is anchored on resilience.
Driven by our values, backed by
our extensive experience,
and reinforced by our robust ties
with insurance industry stakeholders,
we are prepared to help you
bounce back, manage risks,
and thrive under
a new and better normal.

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About This Report

We are pleased to present the 2020 National Reinsurance Corporation of the Philippines (Nat Re) Integrated Annual Report. This Report provides stakeholders material information on the company’s financial, operational, governance, and sustainability performance.

Company Profile

The National Reinsurance Corporation of the Philippines (“the Company” or “the Corporation”), doing business under the names and styles of Nat Re and Philippine National Reinsurance Company (PhilNaRe), recognizes that the actions of its directors, officers, and employees during its regular course of business may have profound impacts on the economy, environment, and society. The Company has come to understand that its responsibilities go beyond the expected services from a reinsurer, which is to provide reinsurance support and advisory services.

As such, Nat Re has conducted an assessment of the wider economic, environmental, and social impacts of its business, focusing on what it has already done and what it can do to encourage positive change and lessen negative outcomes. This 2020 Integrated Annual Report, with the theme **“Resilience is Essential for a Sustainable Future”**, presents the results of this assessment.

The National Reinsurance Corporation of the Philippines or Nat Re provides life and non-life reinsurance capacity, and, in relation to this, offers consultancy, technical, and advisory services to direct insurers. These services allow Nat Re’s clients to better manage their retentions and capital, to maximize their net premiums given their risk appetites, and to execute their roadmaps to competitiveness.

Nat Re also stimulates know-how transfer in the industry by helping build its clients’ capabilities in underwriting, product development, pricing, retention setting, and reinsurance program analysis. It continuously derives insights from experience and shares with its partners its knowledge of the Philippine insurance market, and curated global best practices in reinsurance.

Nat Re’s shares are listed on the Philippine Stock Exchange and are traded as the stock symbol NRCP.



OUR VISION

Nat Re strives to be the champion of insurers in the Philippines and a recognized partner in other emerging markets in Asia.

OUR MISSION

Nat Re exists to:

- Promote and develop a strong national insurance industry and support its integration in the country’s economic and social development
- Achieve a higher and sound national risk retention by developing a well-coordinated and efficient machinery in reinsurance
- Help maximize regional risk retention by participating in regional and international cooperation in insurance and reinsurance

We help:

- Insurers and reinsurers manage their retentions and capital, and support their growth objectives by providing reinsurance capacity, consulting and capacity-building services as well as sharing curated global best practices
- Our workforce to develop leaders and mentors in (re)insurance
- Governments to realize sustainable financial inclusion through (re)insurance public-private partnerships
- Our shareholders realize fair returns

OUR VALUES



DEPENDABILITY

You can rely on us to deliver on our promises and take responsibility for our actions and results. We are here for you for the long term.



INTEGRITY

We hold ourselves to the highest standards of ethics, professionalism, trustworthiness, and honor. We are committed to protect you and safeguard the privacy of your information.



SERVICE EXCELLENCE

We are fast, responsive, reliable and empathetic in meeting your needs. We aspire for the best quality in all that we do.



COLLABORATION

We believe in the synergy in working with other stakeholders to achieve our goals.



EMPIRICISM

We make sound decisions and recommendations based on credible data or empirical evidence. We continuously derive knowledge and insights from experience.



SUSTAINABILITY

In all that we do, we consider not only the long-term impact on our business and the domestic insurance industry but also our shared responsibility to the larger society, national economy, and global environment.

Chairman's and CEO's Message to Shareholders

"While Nat Re's financial performance in 2020 reflected financial market volatility caused by COVID-19 especially in the first half of the year, the company ensured operational resilience to continue delivering reinsurance-related services and serve its customers efficiently."



Wilfredo C. Maldia Chairman

Allan R. Santos President and CEO

Dear Shareholders,

The year 2020 was a tumultuous one, with the pandemic and multiple natural disasters upending lives and the many things we have considered part of everyday living. And with the new surge in COVID-19 infections, 2021 is fast shaping up to be another challenging year. As we reflect on these events, we are heartened to see that Nat Re has continued to play a unique role in supporting the nation, the insurance industry, and fellow Filipinos during these trying times.

The Philippine economy contracted by a record low in the past year, registering a negative 9.6% full-year GDP, the first contraction since the Asian Financial Crisis in 1998, and the worst recorded

since 1947. On a quarterly basis, the economy performed its worst in the second quarter, declining by 16%, when the country was put under "enhanced community quarantine," the strictest form of lockdown aimed at curbing the spread of the virus.

Looking at the global insurance industry, in 2020, direct written premiums registered a CAGR of 1.3% and negative 4.5% for Life and Non-Life, respectively. Global insurers paid USD 89 billion in claims from natural catastrophes (USD 81 billion) and manmade events (USD 8 billion).

In the Philippines, insurance industry premiums as of September 2020 declined by 3.7% over the same period last year. As of the same month, Life insurance total premiums grew by 1.0% from the year-ago number while Non-life insurance total net premiums written declined by 19.5%.

Indeed, these results reflect the unprecedented nature of 2020, with 189 natural calamities and 85 man-made disasters, making it the fifth costliest year since 1970 for the global insurance industry.

Apart from the COVID-19 pandemic, we, in the Philippines had to grapple with the eruption of Taal Volcano in January 2020 and three powerful typhoons—Quinta (Molave), Rolly (Goni), and Ulysses (Vamco)—in the last quarter of the year. Elsewhere, the industry had to deal with claims arising from the severe North Atlantic hurricane season, wildfires in the US and Australia, the Beirut explosion, and property damage related to social unrest in the US.

In spite of this volatile environment, Nat Re's diligent efforts and operating discipline resulted in its positive financial performance. In 2020, we were able to generate a net profit of 120 million pesos while growing gross written premiums (GWP) by 3% to 4.47 billion pesos. Underwriting income increased by 151% to 342 million pesos while investment and other income contributed 132 million pesos. Nat Re's combined ratio improved to 98%, the first time in five years for this metric to fall below 100%. Nat Re's outlook was also upgraded by AM Best to "stable" from "negative."

Our domestic Life GWP grew by 16.4% to 1.9 billion pesos and produced an underwriting income of 344 million pesos from 309 million pesos in 2019. Meanwhile, our domestic Non-life GWP grew by 1.1% to 1.03 billion pesos due to the creation of reinsurance facilities, an increase in the GSIS business, and optimization of shares in existing treaties. Underwriting income, however, was tempered by claims arising from the powerful typhoons. Finally, our foreign business GWP decreased, as intended, by 4.6% to 1.54 billion pesos and produced a slight underwriting income of 3 million pesos. This is a turn-around from the 2019 underwriting loss of 268 million pesos.

While Nat Re's financial performance in 2020 was affected by the market's volatility and the movement restrictions caused by COVID-19, the company ensured operational resilience to continue providing reinsurance-related services and serve its customers efficiently. More than ever, we took the opportunity to deliver on the mission and purpose of the company.

ECONOMIC: **Supporting economic recovery**

We have provided the country's insurers with reinsurance capacity to mitigate the volatility of their underwriting results, allowing them to pay claims promptly, especially in the face of large losses brought by the pandemic and the natural disasters throughout the year. In 2020, our paid claims stood at 1.6 billion pesos.

Furthermore, together with the Insurance Commission and the Philippine Insurers and Reinsurers Association, we have embarked on an initiative to create the Philippine Catastrophe Insurance Facility, which is designed to help the industry promote and manage catastrophe risk insurance more efficiently. In turn, the facility would afford the public more inclusive access to catastrophe protection and allow faster economic recovery from disasters.

Our investment strategy further demonstrates our commitment to the country's social and economic progress. We supported the development of infrastructure and the delivery of social services by investing about 60% of our 8.6-billion-peso investment portfolio in government bonds. The remaining 40% was invested in corporate bonds, including equities and short-term deposits, supporting the growth and the multiplier effect of the private sector.

SOCIAL: **Remaining committed to clients and stakeholders amidst the pandemic**

Indeed, 2020 was a litmus test not only in sustaining our business but also in mitigating the impact of COVID-19 on our clients and stakeholders. Recognizing the disruptions and financial difficulties brought about by the community quarantines, we provided clients with longer grace periods for the remittance of their reinsurance premiums. We supported the industry's clamor for simplified underwriting to overcome the challenges of obtaining the traditional medical evidence of insurability. We also developed new products providing financial help in case of death or hospitalization related to COVID-19. We organized webinars that delivered information and tools that insurers need in the current environment. These webinars tackled remote selling and underwriting, home-based medical examination, and pricing approaches for COVID-19-related products.

The company also made cash and in-kind donations to the University of the Philippines Medical Foundation, Inc. and the Lung Center of the Philippines to support both organizations' efforts against COVID-19. In the aftermath of Super Typhoon Rolly, we donated cash to support the victims of the calamity in Southern Luzon. Prior to the lockdown, with the active participation of employees, we also donated cash to Batangas residents displaced by the eruption of Taal Volcano. Both donations were made through the non-profit Citizens Disaster Response Center.

We moved expediently to protect our most important asset, our employees. To ensure that they remained safe and healthy, we implemented work-from-home arrangements for all 67 employees, providing them with the technology and other resources they need to adequately carry out their responsibilities remotely.

Taxes, licenses, and other related contributions to the government increased by 43% to 116 million pesos from 81 million pesos in the previous year. Our assistance to the community likewise increased, by 42% to P .43 million pesos from P .30 million pesos.

ENVIRONMENT: **Partnerships for a more disaster-resilient Philippines**

Our position as the country's national reinsurer gives us the unique opportunity to play a crucial role in developing awareness and acceptance of insurance-backed solutions for catastrophe and epidemics exposure. Through initiatives with our private and public sector partners, Nat Re championed environmental sustainability by promoting the understanding of climate risks and capacity-building for more disaster-resilient communities.

One of these initiatives is The Oasis Platform for Climate and Catastrophe Risk Assessment in Asia Project, or the Oasis Project, of which we are the Philippines project manager. Culminating in December 2020, the two-year project brought together the public and private sectors, academe, and the nonprofit, development, and

insurance sectors to develop the first open-access catastrophe model for flood in the Philippines. Nat Re will soon be distributing software licenses of the flood model to stakeholders and run ad-hoc model analyses for them.

We are also part of the Climate Risk Insurance National Task Force of Regulatory Framework Promotion of Pro-poor Insurance Markets in Asia III, a project chaired by the Department of Finance and funded by the German development aid agency GIZ. Through our membership in the

task force's technical working group, we are given an additional venue to engage the government to support the insurance industry in increasing climate risk awareness and developing sustainable climate-risk insurance solutions for low-income groups, and micro, small, and medium enterprises.

Our efforts in this regard did not go unnoticed, as Nat Re was recognized regionally as the 2020 Reinsurer of the Year at the 24th Asia Insurance Industry Awards organized by the Asia Insurance Review. We are very grateful for the recognition

of our efforts to promote climate-risk insurance, pursue reinsurance pooling opportunities, and advance risk-informed decision-making.

Platform for recovery and growth

It is in times like this that we at Nat Re reaffirm our mission of being a stable anchor and champion for the insurance industry and help create mechanisms that strengthen the country's resilience to financial shocks, especially those associated with natural catastrophes and epidemic diseases.

As we face 2021, we assure you, our shareholders, that we will continue to pursue excellence, dependability, sustainability, and profitability. For this, you can count on your Board of Directors, management, and all the men and women who make up your company. Thank you for your invaluable support in the past year, and in the years to come, as we further embed the insurance industry in the country's economic and social development.



W. Maldia
WILFREDO C. MALDIA
Chairman

Allan R. Santos
ALLAN R. SANTOS
President and CEO

Financial Highlights

KEY METRICS

Amounts in million pesos unless otherwise specified

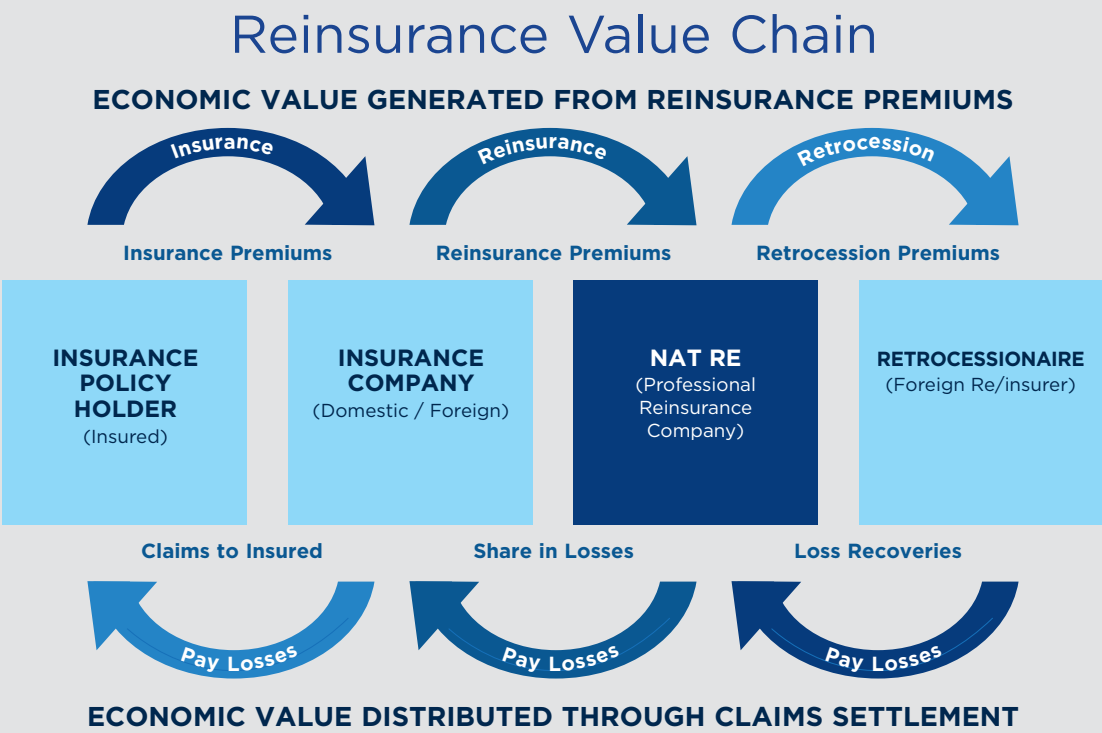
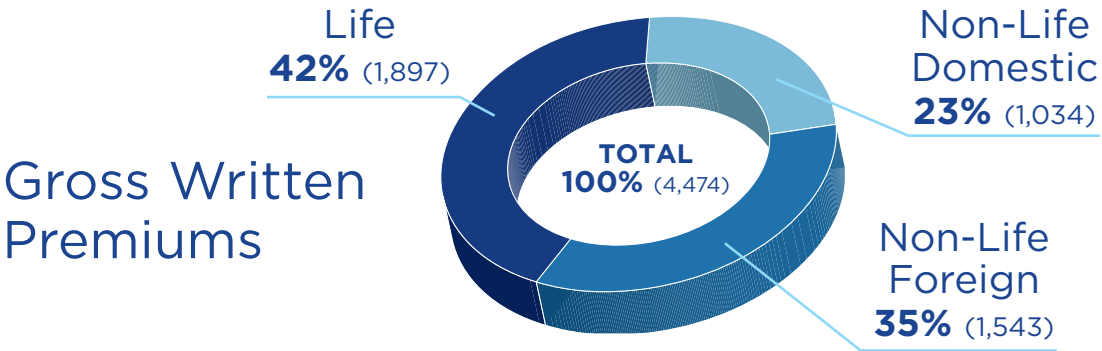
	2020	2019	2018	2017	2016	2015
Gross written premiums	4,474	4,339	3,683	3,205	3,384	2,183
Net written premiums	3,197	3,274	2,576	2,364	1,693	929
Underwriting income (loss)	342	136	153	237	119	230
Investment & Other Income	132	349	389	255	282	507
Net Profit	120	157	149	83	27	179
Total Assets	15,879	14,982	13,871	14,175	14,074	13,439
Stockholders' Equity	5,746	5,360	4,827	5,288	4,854	4,907
Book Value Per Share (in pesos)	2.71	2.52	2.27	2.49	2.29	2.31
Return on average equity	2.16%	3.08%	3.00%	1.60%	0.60%	3.60%
Expense Ratio	8%	8%	14%	15%	27%	56%
Commission Ratio	31%	30%	30%	27%	30%	28%
Loss Ratio	59%	65%	64%	62%	60%	46%
Combined Ratio	98%	104%	108%	104%	117%	130%

568
Number of Treaties

130
Number of Business Partners Globally

279%
End of 2020
Capital Adequacy Ratio
(Well beyond the 100% minimum at 98.5% level of sufficiency set by the regulator)

5 to 7 Days
Average turnaround time for cash call payments
For claims with complete documents



Management's Discussion and Analysis of Financial Condition and Results of Operations

REVIEW OF 2020 VERSUS 2019

RESULTS OF OPERATIONS

In Millions Php	For the years ended		Inc(dec)	
	31 Dec 2020	31 Dec 2019	Amount	%
REINSURANCE PREMIUM INCOME				
Reinsurance premiums, net of returns	P4,473.7	P4,338.5	P135.2	3.1%
Retroceded premiums	(1,276.7)	(1,064.2)	(212.5)	20.0%
Net written premiums	3,197.0	3,274.3	(77.3)	-2.4%
Decrease (increase) in premium reserves – net	182.3	(81.1)	263.4	-324.8%
	3,379.3	3,193.2	186.1	5.8%
UNDERWRITING DEDUCTIONS				
Share in reported losses – net	1,758.9	1,806.6	(47.7)	-2.6%
Share in unreported loss reserves – net	247.0	281.6	(34.6)	-12.3%
Commissions – net	1,031.7	968.6	63.1	6.5%
	3,037.6	3,056.8	(19.2)	-0.6%
NET UNDERWRITING INCOME	341.7	136.4	205.3	150.5%
Interest	294.0	314.8	(20.8)	-6.6%
Gain on sale of AFS	309.3	79.8	229.5	287.6%
Foreign currency losses	(28.7)	(26.2)	(2.5)	9.5%
Others	(442.9)	(19.1)	(423.8)	2218.8%
INVESTMENT AND OTHER INCOME AND EXPENSES- net	131.7	349.3	(217.6)	-62.3%
PROFIT AFTER INVESTMENT AND OTHER INCOME AND EXPENSES	473.4	485.7	(12.3)	-2.5%
GENERAL AND ADMINISTRATIVE EXPENSES	278.4	268.5	9.9	3.7%
PROFIT BEFORE TAX	195.0	217.2	-22.2	-10.2%
TAX EXPENSE	75.1	60.5	14.6	24.1%
NET PROFIT	P119.9	P156.7	(P36.8)	-23.5%

The Company recorded a net profit of P119.9 million for the year ended December 31, 2020, P36.8 million or 23.5% lower than the net profit recognized in 2019. The Net profit resulted from generating Net underwriting income of P341.7 million, and Investment and other income and expenses of P131.7 million negated by General and administrative expenses of P278.4 million and Tax Expense of P75.1 million.

UNDERWRITING RESULTS

Net underwriting income amounted to P341.7 million, higher by P205.3 million or 150.5% compared to 2019. This resulted from higher Reinsurance premium income recognized in 2020 by P186.1 million or 5.8% from P3.2 billion in 2019 to P3.4 billion in 2020 and better loss experience (loss ratios: 2020 - 59%; 2019 - 65%) where Share in reported and unreported losses were lower by P82.3 million or 3.9% compared to 2019, these were partly offset by higher commission ratio relative to earned premiums (commission ratios: 2020 - 31%; 2019 - 30%) which was P63.1 million or 6.5% higher compared to 2019.

Higher **reinsurance premium income** in 2020 resulted mainly from the growth in reinsurance premiums written from our life and non-life domestic business and was partially negated by the contraction in our non-life foreign business. The growth in our life business resulted mainly from higher premiums generated from our modified coinsurance treaties and the growth in the non-life domestic business primarily resulted from higher reported premiums for past underwriting years. These were partially negated by lower written premiums from other lines of business as these lines were negatively impacted by the economic slowdown brought about by the COVID-19 pandemic as well as the recapture of certain risks in the life business. The contraction in premiums written in non-life foreign business resulted mainly from the strengthening of the peso against certain foreign currencies and renewing certain treaties at a lower share.

Net written premiums were lower by P77.3 million or 2.4% from P3.3 billion in 2019 to 3.2 billion in 2020. The decrease resulted mainly from the lower net premiums written from our non-life domestic and foreign businesses which was partially negated by higher net premiums written from our life business. The decline in the non-life foreign business was due mainly to lower gross premiums written as discussed above while the decline in the non-life domestic business resulted mainly from higher cost on our excess of loss cover and higher ceded premiums through our proportional treaties. Higher net premiums written for the life business was driven mainly by higher premiums generated from our modified co-insurance treaties which are fully retained by the Company.

Share in reported losses, net and share in unreported loss reserves, net were lower by P82.3 million or 3.9% in 2020. Lower loss ratio for the year relative to earned premiums,

resulted mainly from lower foreign catastrophe losses in 2020 vs 2019 and favorable development from non-life domestic and foreign losses incurred in prior years. These were partially negated by losses incurred from the large domestic typhoons experienced in the last quarter of the year.

Commissions, net amounted to P1,031.7 million, P63.1 million or 6.5% higher from P968.6 million in 2019. Higher commissions resulted mainly from the Company's growth in the life modified co-insurance business, partly negated by lower commissions from non-life foreign and non-life domestic business.

Investment and Other income and expenses, net amounted to P131.7 million was lower by P217.6 million or 62.3% from 2019 which amounted to P349.3 million as Investment income was lower by P200.4 million while other expenses was higher by P17.2 million.

Investment income was lower by P200.4 million in 2020 resulting mainly from the impairment loss of P469.3 million recognized in the first quarter of the year from the Company's available-for-sale equity securities brought by COVID-19 outbreak and the ensuing economic slowdown that resulted to volatility in the local equity market. For the period from December 31, 2019 to March 31, 2020, the index of the local stock market dropped to 5,321.23 points which resulted in decline in market value of the Company's equity securities. These were partially negated by higher gain on sale of fixed income and equity securities amounting to P229.5 million.

Higher other expenses by P17.2 million resulted mainly to the movement in statutory reserves by P13.6 million, higher foreign exchange loss by P2.4 million in 2020 and higher other charges by P1.2 million. Movement in statutory reserves resulted from the co-insurance arrangement as discussed in accounts payable and accrued expenses.

General and administrative expenses amounted to P278.4 million, slightly higher compared to 2019 of P268.5 million mainly due to higher taxes during the year.

Tax expense amounted to P75.1 million was higher by P14.6 million or 24.1% from P60.5 million in 2019 resulting mainly from higher underwriting profit recognized in 2020.

FINANCIAL CONDITION

(includes explanation on material changes in the financial statements)

	Audited	Audited	Inc(dec)	
In Millions PhP	31 Dec 2020	31 Dec 2019	Amount	%
CASH AND CASH EQUIVALENTS	P950.9	P1,005.0	(P54.1)	-5.4%
REINSURANCE BALANCES RECEIVABLE - net	2,672.4	2,608.8	63.6	2.4%
AVAILABLE-FOR-SALE (AFS) FINANCIAL ASSETS	5,933.1	4,945.8	987.3	20.0%
HELD-TO-MATURITY (HTM) INVESTMENTS	1,958.5	2,227.9	(269.4)	-12.1%
LOANS AND RECEIVABLES	71.1	80.0	(8.9)	-11.1%
PROPERTY AND EQUIPMENT - net	60.0	70.4	(10.4)	-14.8%
REINSURANCE RECOVERABLE ON REPORTED LOSSES	2,426.9	2,288.4	138.5	6.1%
REINSURANCE RECOVERABLE ON CLAIMS RESERVES	330.6	319.6	11.0	3.4%
DEFERRED ACQUISITION COSTS	620.8	595.5	25.3	4.2%
DEFERRED REINSURANCE PREMIUMS	407.4	454.0	(46.6)	-10.3%
OTHER ASSETS	447.4	387.1	60.3	15.6%
TOTAL ASSETS	P15,879.1	P14,982.5	P896.6	6.0%
LIABILITIES AND EQUITY				
REINSURANCE BALANCES PAYABLE	P1,179.6	P1,185.5	(P5.9)	-0.5%
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	326.3	110.9	215.4	194.2%
LOSSES AND CLAIMS PAYABLE	4,825.0	4,554.3	270.7	5.9%
CLAIMS RESERVES	2,255.6	1,997.6	258.0	12.9%
PREMIUM RESERVES	1,539.3	1,768.3	-229.0	-13.0%
DEFERRED REINSURANCE COMMISSIONS	6.9	6.3	0.6	9.5%
TOTAL LIABILITIES	10,132.7	9,622.9	509.8	5.3%
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	(73.9)	(69.4)	(4.5)	6.5%
REVALUATION RESERVES	195.4	(75.9)	271.3	-357.4%
RETAINED EARNINGS	524.2	404.2	120.0	29.7%
TOTAL EQUITY	5,746.4	5,359.6	386.8	7.2%
TOTAL LIABILITIES AND EQUITY	P15,879.1	P14,982.5	P896.6	6.0%

The Company's shareholders' equity as at December 31, 2020 increased by P386.8 million or 7.2% from P5.4 billion in 2019 to P5.7 billion in 2020. The 7.2% increase resulted mainly from the other comprehensive income brought by market value movements of Available-for-Sale securities amounting to P271.3 million and the positive operating results of P119.9 million.

Cash and cash equivalents amounting to P950.9 million as at December 31, 2020 decreased by P54.1 million or 5.4% than the 2019 balance of P1.0 billion. The decrease in Cash and cash equivalents resulted mainly from the net cash used in investing activities amounting to P276.6 million negated by the net cash generated from operations amounting to P232.8 million.

AFS financial assets amounting to P5.9 billion as at December 31, 2020 increased by P987.3 million or 20.0% from P5.0 billion as at December 31, 2019. The movement in the account balance can be explained by the following:

	2020	2019
Cost		
Balance at beginning of year	P4,943.7	P4,946.3
Acquisitions	6,991.8	2,848.5
Disposals/maturities	(5,783.0)	(2,783.0)
Impairment losses	(469.3)	(57.5)
Unrealized foreign currency losses	(14.2)	(10.6)
	5,669.0	4,943.7
Fair value adjustment		
Balance at beginning of year	2.1	(366.4)
Changes in fair value	102.0	390.7
Fair value gains on disposal	(309.3)	(79.7)
Impairment losses	469.3	57.5
	264.1	2.1
Balance at end of year	P5,933.1	P4,945.8

The increase was mainly due to the net acquisition amounting to P1.2 billion (acquisitions net of disposals/maturities) partially negated by the impairment loss of P469.3 million and increase in fair value by P262.0 million.

HTM investments amounting to P2.0 billion as at December 31, 2020 decreased by P269.4 million or 12.1% from P2.2 billion as at December 31, 2019. The decrease in these investments mainly resulted from maturities amounting to P480.9 million, partially negated by the purchase and amortization of corporate bonds amounting to P200.0 million and P11.6 million respectively.

Loans and receivables amounting to P71.1 million as at December 31, 2020 decreased by P8.9 million or 11.1%. The decrease resulted mainly from lower accrued interest receivable due to low interest rates in 2020.

Property and Equipment - net amounting to P60.0 million as at December 31, 2020 decreased by P10.4 million or 14.8% from P70.4 million as at December 31, 2019 resulting mainly from the depreciation expense amounting P13.5 million. This was partially negated by the acquisitions amounting to P3.3 million.

Reinsurance recoverable on reported losses amounting to P2.4 billion as at December 31, 2020 increased by P138.5 million or 6.1% from the balance as at December 31, 2019 of P2.3 billion, the increase in the balance is aligned with the increase in Losses and claims payable and Claims reserves.

Deferred reinsurance premiums amounting to P407.4 million as at December 31, 2020 decreased by P46.6 million or 10.3% from P454.0 million as at December 31, 2019. The decline in the account balance is aligned with the decline in the Premium reserves account.

Other assets – net amounting to P447.4 million increased by P60.3 million or 15.6% from the balance as at December 31, 2019 of P387.1 million resulting mainly from the increase in deferred tax assets by P84.0 million. This was partially negated by the unfavorable revaluation adjustment of Funds at Lloyds by P8.0 million, decrease in intangible asset by P9.3 million and decrease in defined benefit asset and prepaid expenses by P5.8 million.

Accounts payable and accrued expenses amounting to P326.3 million as at December 31, 2020 increased by P215.4 million or 194.2% from P110.9 million as at December 31, 2019. The increase resulted mainly from the recognition of statutory reserves that accompanied a co-insurance arrangement entered into by the Company during the first quarter of 2020 which amounted to P180.0 million (see Note 16 of the notes to the financial statements).

Losses and claims payable and Claims reserves amounting to P7.1 billion increased by P528.7 million or 8.1% from the balance as at December 31, 2019 of P6.6 billion. The increase in the account balance resulted mainly from premiums earned during the year and loss reserves recognized for the domestic typhoons that occurred in the last quarter of 2020.

Premium reserves amounting to P1.5 billion decreased by P229.0 million or 13.0% from the balance as at December 31, 2019 of P1.8 billion. The decline in the account balance resulted mainly from lower written premiums from certain lines of business as these lines were negatively impacted by the economic slowdown brought about by the COVID-19 pandemic as well as the recapture of certain risks in the life business.

Deferred reinsurance commissions amounting to P6.9 million increased by P0.6 million or 9.5% from the balance as at December 31, 2019 of P6.3 million. The increase resulted mainly from higher ceded premiums through our proportional treaties.

JANUARY



NAT RE EMERGENCY RESPONSE TEAM TRAIN TO BE CERTIFIED FIRST AIDERS

The National Reinsurance Corporation of the Philippines (Nat Re) engaged the Philippine Red Cross (PRC) in training the members of Nat Re's emergency response team (ERT) to become certified first aid providers.

Sixteen members of the Nat Re ERT underwent a 32-hour training on Standard First Aid and Basic Life Support conducted by Dindo Cano

and Ariel Doza of the Rizal Chapter of the PRC. The training included lectures and physical exercises on conducting cardiopulmonary resuscitation; managing first aid for various emergency incidents such as injuries and burns; and, proper bandaging, splinting, and lifting. Each trainee should pass both the written and practical exams before they can be considered a certified first aid provider.

The Nat Re ERT was formed to respond to emergency incidents in the Nat Re office which may affect employees' health or safety.

FEBRUARY



Insurance Commissioner Dennis Funa (seated, center), Nat Re President/CEO Allan Santos (seated, left), and PIRA Executive Director Michael Rellosa (seated, right) sign the memorandum of understanding pledging to collaborate towards the implementation of a Philippine Catastrophe Insurance Facility. The Executive Secretary Salvador Medialdea (standing, center), Deputy Insurance Commissioner Ferdinand Florendo (standing, leftmost), Deputy Commissioner Erickson Balmes (standing, second from left), Deputy Commissioner George Ongkeko (standing, second from right), and Deputy Commissioner Randy Escolango (standing, rightmost) witness the signing.

CATASTROPHE INSURANCE FACILITY

The National Reinsurance Corporation of the Philippines (Nat Re), the Insurance Commission (IC), and the Philippine Insurers and Reinsurers' Association (PIRA) sign a memorandum of understanding (MOU) pledging to collaborate towards the implementation of a Philippine Catastrophe Insurance Facility, an initiative that will increase the country's financial resilience against natural disasters.

2020 Milestones

MARCH

NAT RE BUSINESS CONTINUITY PLAN IMPLEMENTATION

The National Reinsurance Corporation of the Philippines (Nat Re) is expected to be resilient even at times of crisis and disaster to protect and make available its financial services to its clients. We immediately activated our Business Continuity Plan (BCP) after the first Enhanced Community Quarantine (ECQ) was enforced in 2020 and it has been running steadily since.

APRIL



Nat Re published its first Sustainability Report covering 2019 non-financial information about economic, environmental, and social impacts with the theme "Creating Shared Value: The Way to a Sustainable Future". This is a requirement of the SEC to ensure that material and reportable non-financial and sustainability issues are disclosed.

NON-LIFE REINSURANCE FACILITIES

Nat Re launched its facility for voluntary cessions with respect to Terrorism Insurance and Directors & Officers Liability Insurance. Through these facilities, Nat Re is able to provide lead quotes and capture shares beyond the 10% compulsory cession.

Nat Re has partnered with leading global reinsurers to supplement domestic underwriting capacity for these lines of business and provide technical support to develop Nat Re's in-house technical capability.

JULY



NAT RE RECEIVES INVESTMENT GRADE RATING

The National Reinsurance Corporation of the Philippines (Nat Re), the Philippines' sole domestic professional reinsurer, was assigned a financial strength rating of PRS A by the Philippine Rating Services Corporation (PhilRatings).

A PRS A rating means that an insurer has strong financial security characteristics, but is somewhat more likely to be affected by adverse business conditions compared to higher-rated insurance companies.

The assigned financial strength rating takes into consideration Nat Re's: a) solid market franchise; b) shareholders of good standing; c) experienced management; d) sound investment portfolio; and e) improving profitability outlook, though improvement may be at a relatively tempered pace. PhilRatings also took into account the resilience of the insurance industry amid the COVID-19 pandemic, supported by regulatory relief measures.

As the only domestic professional reinsurance firm in the country, Nat Re is considered to have a solid market franchise. Nat Re has a unique advantage granted by the law, which is that of being entitled to take up a minimum 10% share of all the outward reinsurance business of domestic insurance companies, otherwise ceded abroad. This gives Nat Re significant access to domestic reinsurers' business, and also a broader view of their reinsurance requirements. The company's marketing strategy is supported by its technical know-how, industry track record and familiarity with the domestic market.

JUNE



NAT RE RECEIVES REVISED STABLE OUTLOOKS FROM AM BEST

AM Best has revised the outlooks to stable from negative and affirmed the Financial Strength Rating of B++ (Good) and the Long-Term Issuer Credit Rating of "bbb" of Nat Re.

The ratings reflect Nat Re's balance sheet strength, which AM Best categorizes as strong, as well as its adequate operating performance, neutral business profile and appropriate enterprise risk management (ERM).

The revision of the outlooks to stable reflects a trend of sustained improvement in underwriting performance over recent years, supported in part by tighter cost discipline and a shift in the company's business mix toward profitable domestic life reinsurance products. Overall operating results remain positive albeit modest, as strong investment income and realized gains have offset persistent underwriting losses over the past five years. Prospectively, A.M. Best expects Nat Re's technical performance to return to technical profitability through continued portfolio remediation measures and improved pricing conditions amid pockets of loss-affected global programs in which it participates.



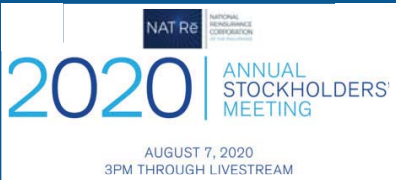
Nat Re Non-Life Reinsurance hosted the "Emerging into the Mainstream: The Increasing Relevance of Terrorism Insurance Webinar" which provided an overview of Terrorism Insurance cover as well as the factors to look out for when underwriting this product line. The mechanics of Nat Re's Terrorism Voluntary facility was also discussed during the session. The speaker also discussed market updates, trends and other considerations in underwriting this line of business.

2020 Milestones

AUGUST



Nat Re Non-Life Reinsurance hosted the “Opportunities in the Changing D&O (Directors & Officers) Insurance Landscape Webinar” which tackled key concepts, coverage, and rational for purchasing a D&O Policy. The mechanics of Nat Re’s D&O Voluntary facility was also discussed during the session. The speaker provided an overview of the current market conditions and highlighted opportunities that insurers can capitalize on.



Nat Re held its first virtual Annual Stockholders' Meeting last August 7, 2020 to ensure the safety and welfare of its various stakeholders. The Company opened its online registration and the voting portal for all stockholders of record and used the Zoom webinar platform for the livestream meeting.



Nat Re Life Reinsurance hosted “The New Norm in Life Underwriting,” a webinar on COVID-19 by infectious disease expert Dr. Rontgene M. Solante, of Aventus Medical, and legal implications of telemedicine by Atty. Ed Tordesillas (PLIA Legal Committee Chairperson).

OCTOBER

46TH ASEAN INSURANCE COUNCIL (AIC) MEETING



Nat Re President and CEO Allan R. Santos took on a significant role at this year’s 46th ASEAN Insurance Council Plenary Meeting, chairing the meeting’s organizing committee and welcoming industry partners and stakeholders virtually for the first time in the meeting’s history. Through a series of online events, the meeting gathered leaders of the life and non-life insurance sectors (including government regulators) across the ASEAN to discuss important issues confronting the insurance industry.



3RD ASEAN REINSURANCE WORKING COMMITTEE MEETING, OCTOBER 8, 2020



Nat Re President and CEO Allan R. Santos chaired the 3rd ASEAN Reinsurance Working Committee Meeting, as part of the 46th ASEAN Insurance Council Meeting that was held virtually for the first time in 2020. The meeting gathered the region’s reinsurers for a discussion and dialogue on the industry’s pressing issues.



NOVEMBER



NAT RE RECOGNITION AS REINSURER OF THE YEAR



Nat Re was recognized regionally for its contributions to the (re) insurance industry when it was awarded as the Reinsurer of the Year at the prestigious 24th Asia Insurance Industry Awards. The Company was lauded for its involvement in several initiatives aimed at promoting climate-risk insurance, pursuing reinsurance pooling opportunities and advancing risk-informed decision making.

DECEMBER



In December 2020, Nat Re officially wrapped up the Oasis Platform for Climate and Catastrophe Risk Assessment in Asia Project. The Oasis Project is a fully funded project by the International Climate Initiative (IKI) of the German federal government. For the past two years, Nat Re, along with Oasis Loss Modelling Framework (Oasis LMF), the Geodetic Engineering Department of the University of the Philippines Diliman, the Philippine Atmospheric, Geophysical, and Astronomical Services Administration (PAGASA), the Potsdam Institute for Climate Impact Research (PIK), KatRisk, Willis Towers Watson, and other local and international partners, worked together in building the first open-access catastrophe model for flood in the Philippines. This newly developed catastrophe model will build in-country scientific expertise in catastrophe risk modelling to strengthen the capabilities of the local insurance industry, government, and academe for catastrophe and climate risk modelling and analysis. This will aid in underwriting and risk selection, portfolio management and monitoring, technical pricing, risk reduction and mitigation, financial protection, disaster risk management, infrastructure planning, existing research augmentation, climate change and loss scenario analysis, among others.



Nat Re President and CEO Allan R. Santos was re-elected in December 2020 as the 2021 Chairman of the Philippine Insurers and Reinsurers Association (PIRA), his third term.

SEPTEMBER



Nat Re Life Reinsurance hosted “Covid 19: The Story in Numbers”, a webinar on COVID-19 fatality rates and current infection levels, led by Vic Tanjuakio, Nat Re Head of Life Reinsurance.

NEW LIFE REINSURANCE PRODUCTS

Nat Re has launched new COVID-19 insurance products to meet the need for pandemic protection. These products pay for death and/or hospitalization due to COVID-19. There is also an option for a quarantine benefit whose payout is triggered by a positive COVID-19 diagnosis.

Governance

Nat Re believes that fair and effective governance is vital in ensuring that its Board's, management's, and employees' decisions and actions contribute to sustainable development. Good governance within the Company is supported by the proper structure, effective policies, well-defined processes, adequate tools to implement those policies and having a competent and engaged Board.

BOARD OF DIRECTORS

The Board of Directors is the highest governing body tasked to formulate and approve the Company's business objectives and strategies and to oversee the development of priority activities identified to help achieve and implement such objectives and strategies. The Board fulfills these responsibilities to sustain the Company's long-term viability and strength.

The Board consists of thirteen (13) directors, three (3) of whom are independent, nine (9) are non-executive, and one (1) is an executive. The Chairman is a non-executive director.

There are six (6) board committees namely the Audit Committee, the Risk and Oversight Committee (ROC), the Governance and Related Party Transaction (GRPT) Committee, the Underwriting Committee, the Investment & Budget Committee, and the Nomination and Compensation Committee. The composition of the Board and Board Committees are available in the Company's website under the Corporate Governance page.

The members of the Board are elected by the Company's stockholders.

The Board is responsible for formulating clear and focused policies which integrate the guiding principles on sustainable development into the Company's activities, and for requiring the disclosure of material and reportable non-financial information and sustainability issues.

SENIOR LEADERS

Nat Re's senior executives or Senior Leaders are responsible for identifying and implementing priority activities to help achieve the business objectives and implement the strategies approved by the Board.

In addition to this, the Senior Leaders also ensure that the Company:

- Serves its stakeholders and its environment in a positive and progressive manner;
- Promotes business and environment sustainability practices in its workplace;
- Adopts a globally recognized standard/framework in reporting sustainability and non-financial issues such as the GRI (Global Reporting Initiatives) Sustainability Reporting Standards; and,
- Discloses material and reportable non-financial and sustainable issues.

All members of the Board of Directors and Senior Leaders are required to attend relevant annual seminars on corporate governance and/or related topics which also includes sustainability. The Directors conduct an annual self-assessment to evaluate their performance relative to their overall governance roles and responsibilities.

REMUNERATION OF BOARD OF DIRECTORS AND SENIOR EXECUTIVES

The Directors receive per diem for every meeting they attend. The amount is approved by the Company's shareholders during the annual stockholders' meeting.

The Senior Leaders, as Company employees, receive a regular and fixed monthly basic salary. They also receive a variable performance incentive (the amount

is approved by the Board of Directors) based on the achievement of performance targets. They are also entitled to Company benefits such as retirement pay. The remuneration and benefits of the Senior Leaders are subject to the approval of the Nomination and Compensation Board Committee.



Our Board of Directors



Yvonne S. Yuchengco
Vice Chairman



Allan R. Santos
President/CEO/Director



Nora M. Malubay
Director



Maria Consuelo A. Lukban
Director



Reginaldo Anthony B. Cariaso
Director



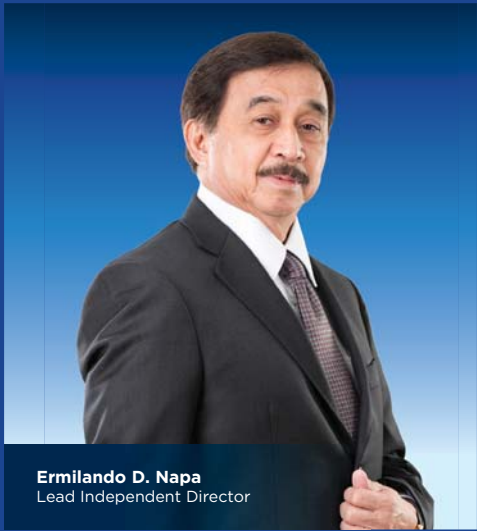
Wilfredo C. Maldia
Chairman



Joli Co Wu
Director/Treasurer



Antonio M. Rubin
Director



Ermilando D. Napa
Lead Independent Director



Medel T. Nera
Independent Director



Rex Maria A. Mendoza
Independent Director



Jocelyn DG Cabreza
Director



Rafael G. Ayuste, Jr.
Director

Noel A. Laman
Corporate Secretary

Ma. Pilar M. Pilares-Gutierrez
Assistant Corporate Secretary

R.G. Manabat & Co. (KPMG Phils.)
External Auditor

**Castillo Laman Tan Pantaleon
& San Jose Law Offices**
External Legal Counsel

Our Management Team



From left:
Regina S. Ramos, Victor R. Tanjuakio, Allan R. Santos,
Cherry Lou R. Lorenzo, Santino U. Sontillano, Daisy C. Salonga,
Alexander L. Reyes, Regina Lourdes D. Papa

ALLAN R. SANTOS
President/CEO

RISK & COMPLIANCE

REGINA S. RAMOS
Vice President
Head of Risk and Compliance

INTERNAL AUDIT

MARK QUINTIN G. NUÑEZ
Assistant Vice President
Head of Internal Audit

NON-LIFE REINSURANCE

ALEXANDER L. REYES
Senior Vice President
Head of Non-life Reinsurance

LIFE REINSURANCE

VICTOR R. TANJUAKIO
First Vice President
Head of Life Reinsurance

BLESILDA S. BESABE
Senior Assistant Vice President

ANELISA TRINIDAD M. MERIDA
Assistant Vice President

VON EDWARD M. EBRON
Assistant Vice President

INVESTMENTS

DAISY C. SALONGA
Vice President, Head of Investments

ANALYTICS

CHERRY LOU R. LORENZO
Senior Assistant Vice President
Head of Catastrophe Risk Management

FINANCE

SANTINO U. SONTILLANO
Senior Assistant Vice President
Head of Finance

HONORATA S. LUCOS
Assistant Vice President
Head of Collections
and Accounts Settlement

HUMAN RESOURCES AND OFFICE SERVICES

REGINA LOURDES D. PAPA
Senior Assistant Vice President
Head of Human Resources
and Office Services

Profiles of the Board of Directors and Senior Leaders

The Board of Directors

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 Vice Chairperson of Malayan Insurance Company, Inc. She is also the President of MICO Equities, Inc., as well as the President of Alto Pacific Corporation. She is likewise the Chairperson and President of the Philippine Integrated Advertising Agency, Inc. She is currently the Chairperson of the RCBC Capital Corporation; Chairperson and President of Yuchengco Tower Office Condominium Owners Asso. Inc.; Chairperson of 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 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, 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 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. He has held various leadership positions in several other 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 a Trustee in the Insurance Institute for Asia and the Pacific (IIAP).

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 the Philippines and the Society of Actuaries (US).

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 led 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.

MARIA 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 joined BPI in 2013 and is currently the Head of Strategy, Products and Support of the Corporate Banking unit of BPI. He oversees the Corporate Bank's Transaction Banking Services, Remittance and Fund Transfer, Strategic Marketing and Special

Accounts Management Division. Prior to this, he was President of BPI Capital, the investment banking arm of BPI. He serves on the boards of several corporations.

Before joining BPI, Mr. Cariaso worked in investment banking of JP Morgan and Nomura International based in Hong Kong covering Asia ex-Japan.

He has extensive experience (over 20 years) originating and executing corporate advisory and capital markets transactions, in a variety of industries, including financial institutions and real estate, across Asia and the Philippines. Since joining BPI Capital, the firm has executed a number of landmark transactions in the Philippines including some of the largest debt 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 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 Ompipay, Inc. starting April 2019. 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 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 the 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 the chairman of the Investment Committee of the company since July 2015. He is also a Senior Vice President and Group Head of the Trust and Investments Group of BDO Unibank, Inc. Prior to this, he was Senior Vice President of Wealth Advisory and Trust Group of BDO Private Bank, Inc. and 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, Citibank N.A. Philippines from 2008 to 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 of Securities Distribution of the Banco Santander Philippines, Inc. from 1999 to 2000; Vice President/Head of 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. He is a four term President and a multi-term Director of the Trust Officers Association of the Philippines (TOAP). He has attended various seminars such as Enterprise Risk Management, Financial Risk Management, and Corporate Governance. 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). He is the Chairman of the Audit Committee of Nat Re and 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, Independent Director of House of Investments, Inc. (HOI), 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, the Generika Group, Ionics, Inc. and Holcim Philippines, Inc. Mr. Nera is currently Chairman of Namit Kag Sulit Inc. His past experiences include: President & CEO of House of Investments, Inc.; President of Honda Cars Kalookan, 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. Educational Background: Master of Business Administration 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. Mr. Nera is a Certified Public Accountant.

REX MARIA A. MENDOZA
Filipino, Independent Director since June 2019.

Mr. Rex Mendoza is the President & CEO of Rampver Financials, a dynamic player in financial services specializing in investments, and one of the biggest distributors of mutual funds in the Philippines. He sits as Lead Independent Director of Globe Telecom and AyalaLand Logistics Holdings Corp., and Independent Director of Ayala Land Inc., all listed companies in the Philippine Stock Exchange. He is also the Chairman of Singapore Life Philippines and The Soldivo Funds, and Director of Esquire Financing, Seedbox Technologies, The Blue Leaf, The Cullinan Group, and Mobile Group, Inc. to name a few. 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, Trailblazing 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 and 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.

Senior Leaders

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 a 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.

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 also worked 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

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

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

CHERRY R. LORENZO
Head of Catastrophe Risk Management

Ms. Cherry Lorenzo has over ten years of experience in catastrophe modeling, (re) insurance pricing, model evaluation, project management, geographic information systems, and disaster risk financing and insurance. Before joining Nat Re, she was an Associate Director for Catastrophe Management at Aon Benfield Singapore, where she handled delivering, interpreting, and communicating catastrophe modeling analyses and was the territorial point of contact for Indonesia and key regional clients. At RR Donnelley where she was a Senior Catastrophe Research Analyst, she worked for ACE Insurance, servicing their Asia Pacific offices including those in Australia and New Zealand. She obtained her Bachelor of Science degree in Geodetic Engineering at the University of the Philippines Diliman.

Economy

Nat Re makes a unique contribution to promoting economic development through its business of providing reinsurance solutions and consultancy services and its mechanisms for stimulating the healthy development of the insurance industry. Nat Re also enables disaster-resilient and financially inclusive communities primarily through its partnerships with various external stakeholders such as insurance companies, cooperatives and mutual benefit associations, national government agencies, and international aid agencies.



THE ECONOMIC AND SOCIAL VALUE OF NAT RE’S BUSINESS

Nat Re provides insurers with reinsurance capacity so they may lessen volatility of their underwriting results and pay claims promptly to their policyholders, especially when large individual losses or catastrophic events hit. Ultimately, this service not only keeps insurers solvent but also helps insuring families, businesses, and governments recover financially from accidents, disasters, or family crises.

Nat Re, as the country's national reinsurer, also promotes the growth of the local insurance industry by rendering consultancy services and providing tools to its clients. For example, Nat Re offers its life clients access to the Nat Re Online Risk Manual (NORM), the first web-based life underwriting tool that accounts for unique Philippine conditions.

Nat Re also hosts capability building activities for its clients to help develop the domestic insurance market. Our Non-Life Reinsurance team facilitated seminars on various topics including briefings on relevant but underdeveloped lines of insurance for domestic insurers. These webinars cover discussions

of current industry concerns, key insurance concepts, product briefings, market updates and other underwriting considerations. Our Life Reinsurance Team conducted two webinars related to the Life Business. The first one was about COVID-19 presented by an expert in infectious diseases, telemedicine and its legal implications. In the second webinar, Nat Re’s Head of Life Reinsurance went on a closer look of COVID-19 fatality rates and infection levels. Representatives from life insurance, non-life insurance, mutual benefit associations, health maintenance organizations, and insurance brokerage attended both events.

To maximize premium retention within the country, Nat Re created underwriting facilities backed by domestic industry capacity. These facilities provide a mechanism for the redistribution of risks to local companies. Facultative risks ceded to Nat Re are retroceded to interested authorized companies based on their risk appetite and financial strength. These facilities allow Nat Re to increase its underwriting capacity and provide insurers a mechanism to increase premium retention by way of small shares in a broad number of risks written by other insurers.

With the Philippines being one of the most catastrophe exposed countries, Nat Re has also been actively collaborating with the Insurance Commission, the Philippine Insurers and Reinsurers Association and the World Bank in the development of a Philippine Catastrophe Insurance Facility (PCIF) to increase the country's catastrophe resilience by ensuring more inclusive access to catastrophe protection at sustainable rates. The Company is also working with the Philippine Crop Insurance Corporation on the creation of an Agri-Insurance Facility, with the aim of encouraging private insurers to actively develop and promote agri-insurance products.

Nat Re also has a long history of supporting the micro-insurance market (two mutual benefit associations are decades-old clients of the Company). Through these entities, Nat Re gives highly risk-exposed members of the military, police and peace-and-order keeping personnel; low-income religious service members; and senior citizens and their families and dependents, access to modern insurance products. The Company covers cooperatives based in provinces outside of Metro Manila.

In the midst of pandemic, Nat Re has developed products that satisfy societal need for COVID-19 protection. These products provide financial help in death, mandatory quarantine, and hospital confinement cases of COVID-19.

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

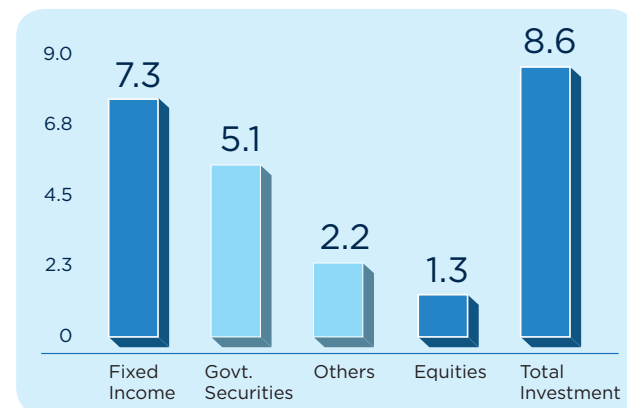
Amounts in million pesos

Disclosure Items	2020	2019
Direct Economic Value Generated	P3,329M	P3,623M
Net Written Premiums	P3,197M	P3,274M
Investment and Other Income, Net	P132M	P349M
Direct Economic Value Distributed	P3,371M	P3,363.3M
Claims Paid and Outstanding	P2,006M	P2,088M
Reinsurance Commission	P1,032M	P969M
Employee Wages and Benefits	P152M	P163M
Payment to external providers	P65M	P62M
Various Contributions to Government	P116M	P81M
Investment to community	P0.43M	P0.3M

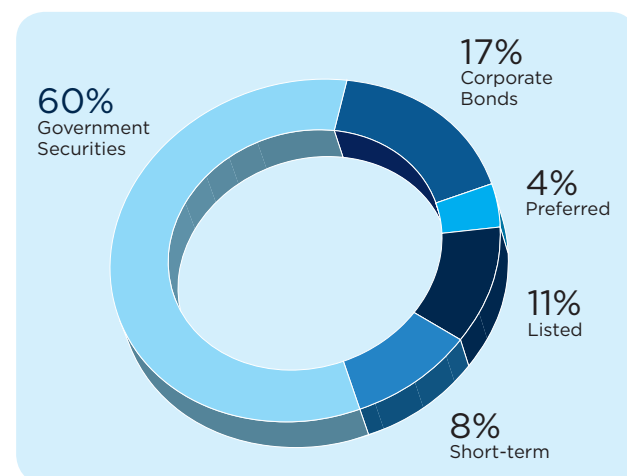
INDIRECT ECONOMIC IMPACT

Sixty percent (60%) of Nat Re's P8.6 billion investment portfolio is invested in government security bonds, allowing the Company to support funding of government infrastructure projects and social services. The remaining forty percent (40%) of the Company's investment portfolio consists of corporate bonds including equities and short-term deposits to support the private sector's growth.

TOTAL INVESTMENT ASSETS (In billion pesos)



NAT RE INVESTMENTS



BUSINESS RESILIENCY THRU NAT RE'S BUSINESS CONTINUITY PLAN (BCP)

Nat Re understands that because of the nature of its business, it is expected to be operational even at times of crisis and disaster in order to protect and make available its financial services to clients. For this reason, Nat Re takes planning for disaster and disruptive events seriously. Nat Re's business continuity plan addresses issues such as, technology outages, alternate resource allocation, alternate work site readiness, emergency response procedures, continuity of critical business functions, and utilization of recovery procedures for the quick restoration of critical business processes.

Nat Re maintains a Business Continuity Plan (BCP) that addresses risk scenarios and events of varying scope including, but not exclusively, loss of services or infrastructure, denial-of-service and cyber-attack. Nat Re's BCP is focused on maintaining critical processes, including fulfilling contractual and regulatory requirements, safeguarding reputation and brand image, providing customers with financial security and maintaining effective communications with our customers, staff and other stakeholders. The company aims to recover critical processes and systems within 24 hours of the activation of its BCP. Critical business processes, associated Recovery Time Objectives and Recovery Point Objectives, critical records and recovery teams are documented in departmental Business Impact Assessments (BIAs). In the event that operations cannot be continued from its main premises, Nat Re can fully support a work-from-home (WFH) arrangement for all its employees. Nat Re has been operating fully on a work-from-home arrangement since the start of the Enhance Community Quarantine (ECQ) until present, keeping in mind not only the continuation of business operations but the safety of its employees as well. Nat Re is committed to serve its ceding companies to the best of its capabilities.

Business Continuity Plan Leverages Technology

In an attempt to arrest the spread of the coronavirus, the government implemented a lockdown in March 2020 barring physical access to the office premises. In order for Nat Re to continue its operations,

employees have to work from home relying on their laptops and internet connection which are either on prepaid arrangement or personal wi-fi connection.

Prior to the lockdown, the Technology team has already put some planned improvements into action as part of the company's business continuity plan. This included providing all employees with a laptop, so they have the mobility to work even outside the office premises. Access to company files, documents and emails was simplified which requires only an internet connection to the Cloud. Redundancy measures on the back-end services were put in place, where critical systems can be accessed anytime on at least two locations via VPN.

Since all employees are working from home, calls through the office are redirected to the employee's mobile number so as not to miss an important business call. The company started to subscribe to online services, such as Zoom and Google Meet, to help our colleagues collaborate with clients and partners. A secure file transfer facility was offered to clients who wanted to send huge electronic documents as well.

As part of the BCP, the Technology team ensured that employees with critical functions but no internet connection at home were provided with mobile internet devices. Technology support is continually being provided via remote sessions and ensuring that our workforce is equipped with necessary software and hardware to process transactions from home until the time we will be allowed to go back to the office.

Nat Re's COVID-19 Response and Support to Business Partners

The Company provided support to its business partners who, due to certain financial concerns and constraints brought about by the Covid pandemic lockdown, requested for the extension of the premium payment period. The Non-Life Reinsurance Operations, for instance, extended reinsurance premium payment due dates to address such concerns. Despite the impact on collection and accounts settlement, however, Nat Re was still able to manage its cash flow to ensure continued operations.

Business Continuity Plan Covers the Health, Safety and Well-being of our Employees

The spread of the COVID-19 virus in the Philippines has affected our way of life and the way we do our work. Most industries were faced with a number of challenges as a result of disruptions in business such as employee layoffs, furloughs and even business closure, while others found the need to review their business models to prevent further losses.

Nat Re proved to be resilient in these trying times. Despite the financial challenges that many companies experienced in 2020, we were able to generate a positive income, and continued to provide job security to all our employees.

In January 2020, as part of emergency preparedness, sixteen (16) employees who are members of our Emergency Response Team, were trained by the Philippine Red Cross on Standard First Aid and Basic Life Support (BLS) – Cardiopulmonary Resuscitation CPR with Automated External Defibrillator (AED). This course on BLS-CPR with AED provided training to our selected employees to promptly recognize several life-threatening emergencies, to know how to give high-quality CPR, and to provide early use of AED. Fifteen (15) of the attendees were awarded their certification.

When Taal Volcano erupted, we activated our call tree system to check and ensure that everyone in our workforce was well and safe. The employees were likewise asked to work from home to ensure their safety. Upon their return to the office, protective N95 masks were distributed to employees to prepare them from possible ashfall.

Even before the enhanced community quarantine was implemented, we had set in place certain guidelines and measures to help ensure that our workforce could operate at near-full capacity despite various limitations. Our employees were all required to work from home and were equipped with both the necessary hardware and software to process transactions via online communications with our clients. Everyone was provided with laptops, prepaid pocket Wi-Fi (for those with unstable internet connections), mobile phones and prepaid load for selected employees.

Strict health protocols were implemented and continuously observed to ensure that the office workplace remained COVID-19-free for employees who needed access to the office.

Nat Re promoted positive mental health and general well-being among its employees through the issuance of safety reminders and health guidelines as well as facilitating employee attendance in health talks and physical wellness sessions. The Company also worked out an improved health maintenance organization (HMO) benefit to cover illnesses caused by the pandemic for employees and their dependents (at no additional cost to the employees). Nat Re also able to obtain an improved group term life insurance coverage for its employees, increasing possible maximum coverage from Php 16M to Php 50M.



Nat Re kept the employees engaged and addressed the social well-being concerns of its employees through various activities facilitated by the HROS Team. These activities included declaring February as Employee ‘Appreciation Month’ where employees were encouraged to show appreciation to one another, to recognize the support received from fellow employees and to show kindness to one another. The Nat Re Viber group was also created to ensure the quick and timely delivery of messages, news, announcements and reminders to employees not only on work-related concerns but also on personal matters such as greeting birthday celebrants, sharing good wishes to each other and keeping employees up to date on relevant current news and events. Virtual meet ups were also introduced which allowed employees to hold virtual meetings or group chats.

The Nat Re Kwentuhan is held every Friday. This is an after-office activity aimed to give employees a venue to relax while keeping in touch with one another, to enjoy each other’s company through virtual games, singing, exchanging stories or simply just having fun. There is also a ‘venti coffee break’ every Wednesday afternoon for employees who wish to just have a quick chat or consultation with the HROS team on anything that concerns them.

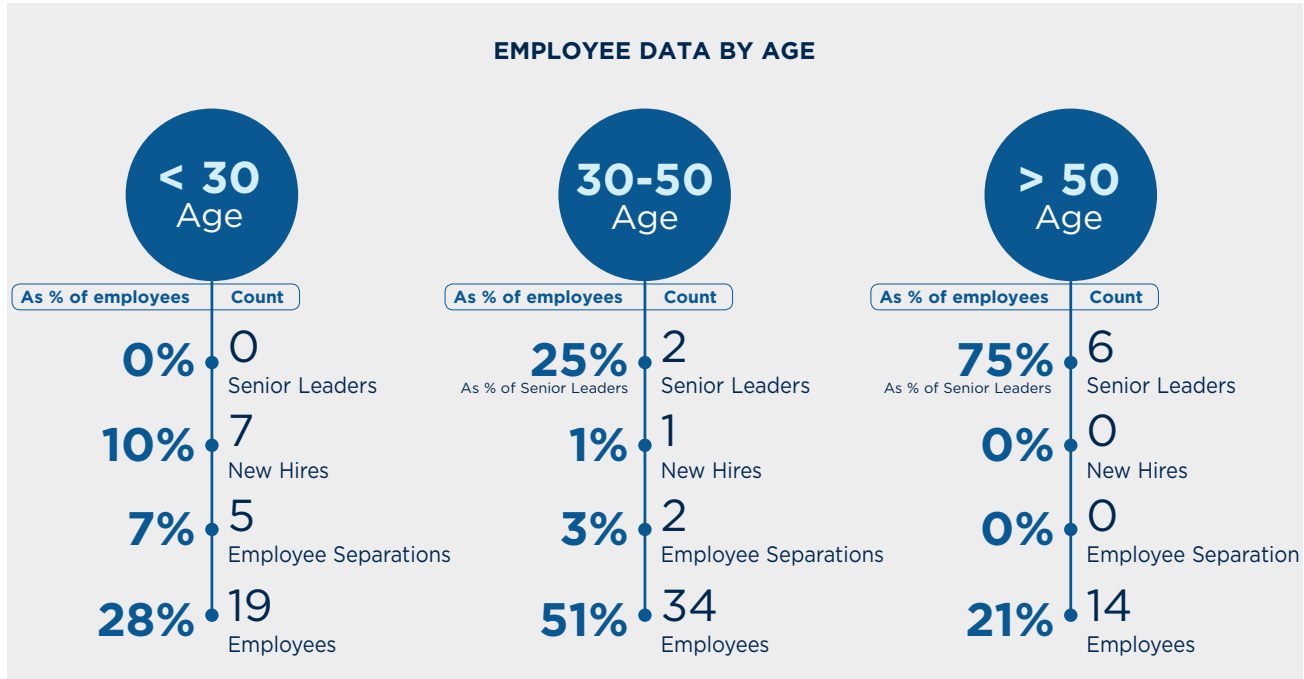
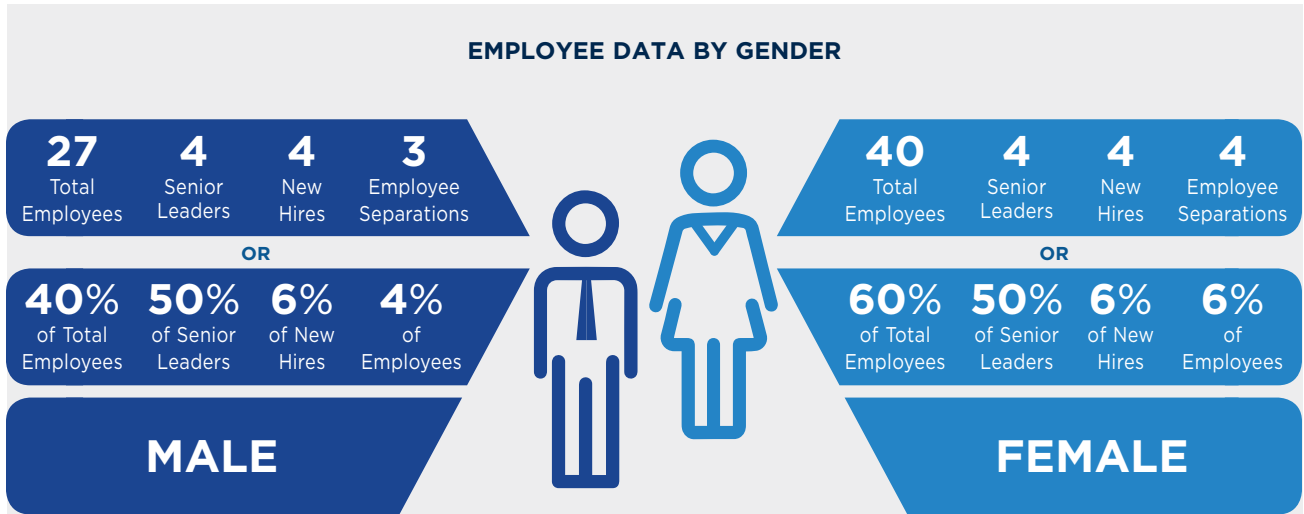
Nat Re continued to celebrate annual events that employees were accustomed to such as the Company Anniversary, “Trick or Treat”, the Year-End Party and the Year-End Toast but only this time, these were conducted virtually. We also had our Thanksgiving Mass as part of our 2020 year-end program. Many of our employees were also allowed to attend virtual international training programs while others attended locally held publicly run webinars. Nat Re continued to provide professional development programs to all its employees.

Finally, Nat Re employees were given performance incentives for their 2019 performance and additional Christmas gift for the hard work they had put in despite the challenges brought about by the pandemic.

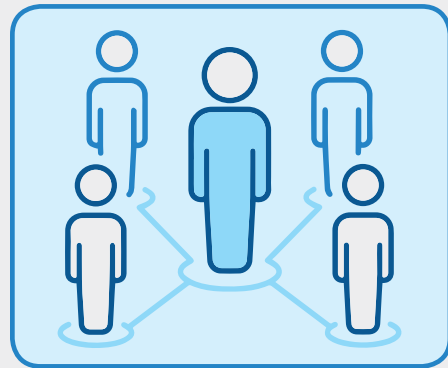
People

EMPLOYEE MANAGEMENT

Nat Re considers its people as its most important asset because they drive the company’s operations and help ensure the organization’s continued profitable growth. In contributing to the growth and profitability of the Company, Nat Re employees are responsible for carrying out the Company’s mission of promoting and developing a strong national insurance industry and supporting its integration in the country’s economic and social development. The company therefore ensures the promotion of the welfare and development of its employees and the creation of a culture that fosters sustainable practices, compliance, innovation and service excellence.



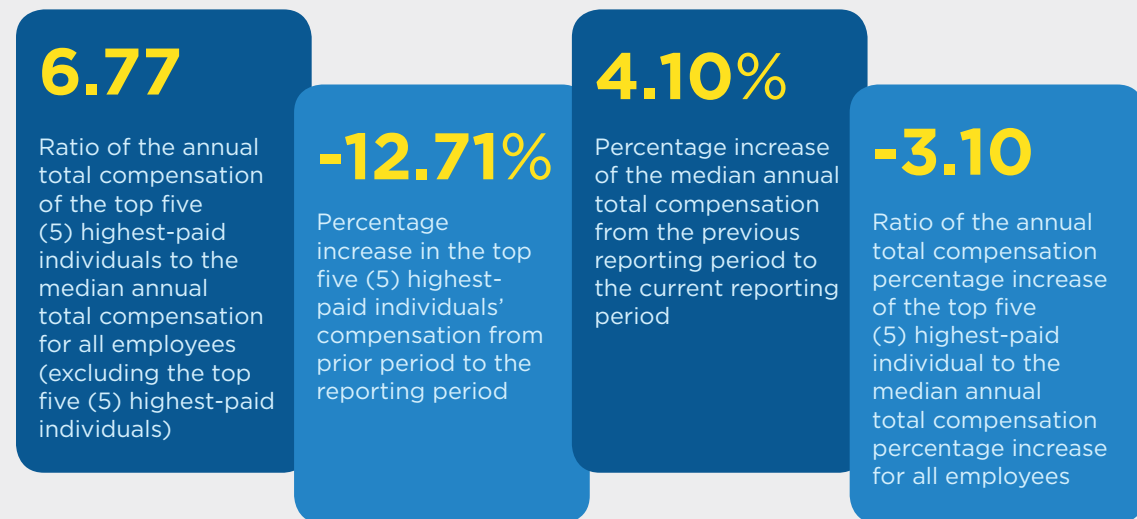
EMPLOYEE DATA BY EMPLOYEE STATUS



The Senior Leaders are composed of department heads directly reporting to the President and CEO. All of them were hired locally. There is no employee from an indigenous community and/or vulnerable sector.

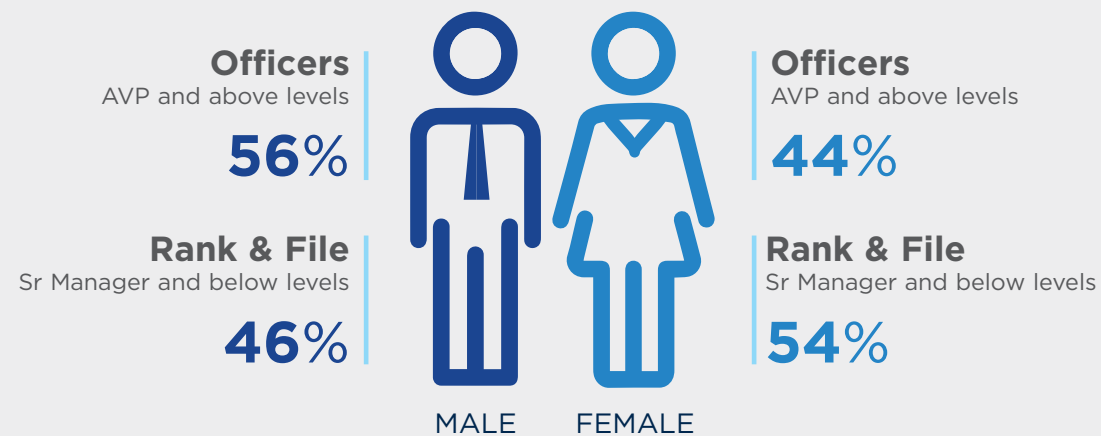
SALARIES AND WAGES

ANNUAL TOTAL COMPENSATION RATIO



RATIO OF BASIC SALARY AND REMUNERATION OF WOMEN TO MEN

As of December 31, 2020



TRAINING AND EDUCATION

Nat Re conducts an annual performance assessment of all employees' skills and competencies in relation to the performance of their duties and responsibilities. Employees can tap into an annual training budget and attend capacity-building seminars both in the Philippines and abroad. They are expected to echo learnings from their training to their colleagues.

EMPLOYEE TRAINING AND DEVELOPMENT



Total training hours provided to employees
268.5 hrs. | **499.5 hrs.**
 MALE | FEMALE

Average training hours provided to employees
7.9 hrs. | **9.1 hrs.**
 MALE | FEMALE

AVERAGE HOURS OF TRAINING PER YEAR PER EMPLOYEE

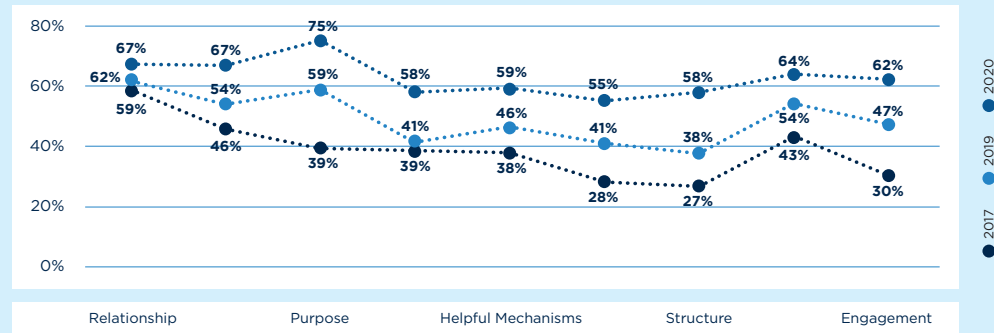
As of December 31, 2020



2020 EMPLOYEE ENGAGEMENT SURVEY RESULTS

The overall engagement score of the company has significantly improved over the years. More respondents are agreeing with the engagement statements presented. The improvement in the perception of the employees is brought about by the programs and developments introduced by the company over the years.

OVERALL TTB % PER CATEGORY FROM 2017 TO 2020



We continued to celebrate annual events which employees were accustomed to such as Trick or Treat, Year-End Party and the Year-End toast but only this time, virtually. We also had our Thanksgiving mass for our 2020 year-ender.



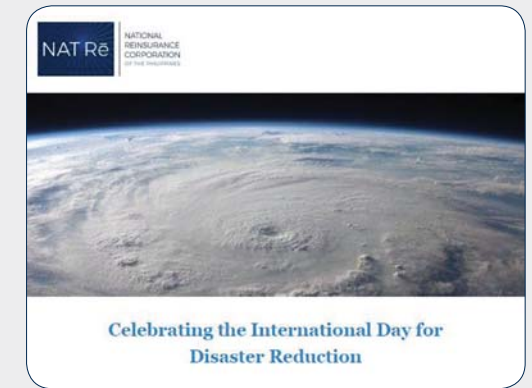
CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

Due to the lockdowns brought about by the pandemic, Nat Re was not able to organize CSR activities that usually entailed physical involvement of its employees. However, Nat Re continued to support its advocacies by donating to organizations who promoted the same cause and by raising awareness on mental health and disaster resilience among its employees.

Nat Re donated cash to the University of the Philippines Medical Foundation and donated face masks to the Philippine Lung Center to support both organizations' fight against COVID-19. In the wake of the onslaught of typhoon Rolly, Nat Re donated cash to support victims of the calamity. Prior to the lockdown the Company and its Employees were able to donate to the victims of the Taal Volcano eruption, both thru the Citizens Disaster Response Center (CDRC). Employees were also highly encouraged to make cash or in-kind donations to beneficiary organizations of their choice.

To coincide with global celebrations of such advocacies, in October 2020, Nat Re disseminated to its employees two e-mail newsletters which raised awareness on mental health and disaster risk

reduction. Helpful tips on protecting both physical and mental health during the lockdowns were also regularly shared with employees.

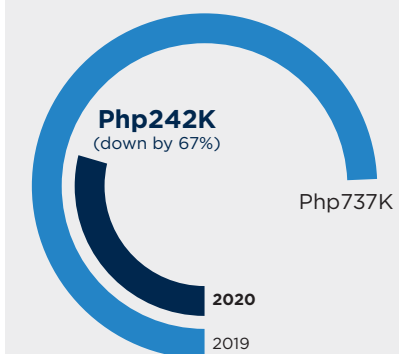


CARE FOR THE ENVIRONMENT

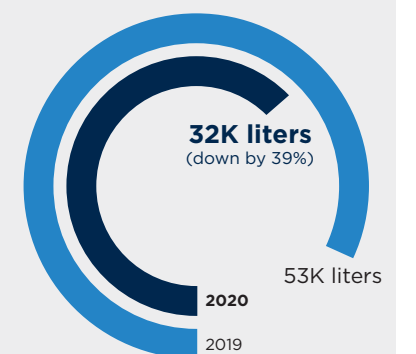
The Company implemented measures of conserving supplies that will contribute to the preservation of natural resources. When the Company shifted to the work-from-home arrangement due to the pandemic, paperless transactions were encouraged and this resulted in the decrease in consumption of office supplies, by 67% or from Php 737k worth of office supplies in 2019, down to Php 242k in 2020.

A reduction in 2020 fuel consumption was also observed. Officers' fuel consumption reduced by 39%, from 53k liters in 2019, down to 32k liters in 2020. This reduction was driven by the lockdown or work-from-home arrangement.

OFFICE SUPPLIES



FUEL CONSUMPTION OF OFFICERS



Materiality Sustainability Topics

REPORTING PROCESS

The following flowchart shows the general process undertaken in defining the report's content and topic boundaries.



MATERIAL TOPICS ON NAT RE'S SUSTAINABILITY

The following topics are identified by Nat Re as 'High' in materiality:

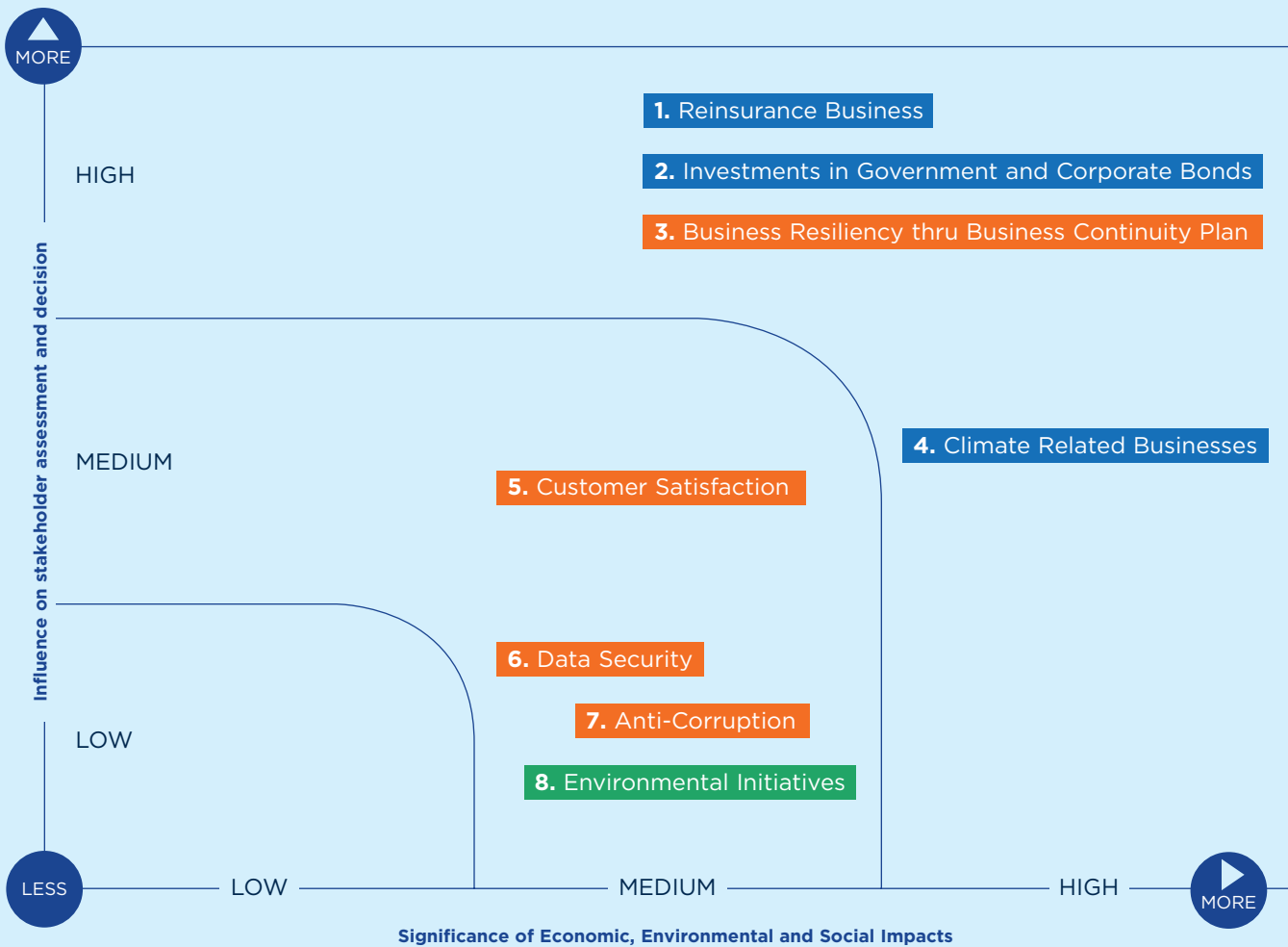
Topic Description	Topic	Boundaries	Definition and Relevance
Economic Performance - Reinsurance Business	Economic	Within Nat Re, Business Partners, Employees, External Service Providers, Shareholders, Government, Regulators	By providing reinsurance capacity to local insurance companies and serving as a mechanism for the efficient distribution of the reinsurance business locally through creation of reinsurance facilities, providing technical assistance and consultancy services to ceding/insurance companies, Nat Re contributes to the growth and stability of its client companies. Nat Re also helps optimize national risk retention for the insurance industry through the efficient distribution and diversification of risks thereby retaining insurance premium locally. This eventually contributes to the economic growth and sustainable development of the Philippine economy.
Indirect Economic Impact - Investments in Government / Corporate Bonds	Economic	Within Nat Re, Investment Team, External Fund Managers, Shareholders, Banks, Regulators, Government	By investing in government and/or corporate bonds, Nat Re helps provide funding for government projects and initiatives and helps support business expansions in the private sectors and all these contribute to the growth of the national economy.
Business Resiliency - Customer assistance, support and services and Employee Safety & Welfare	Economic / Social	Within Nat Re, Business Partners, Employees, External Service Providers	<p>The Company's reinsurance solutions afford its client companies greater stability and resiliency to extreme events. The Company also continues to facilitate capacity building by knowledge sharing done through free webinars related to insurance/reinsurance business and by promoting other insurance specialty lines to ceding /insurance companies.</p> <p>For its own resiliency and those of its employees, Nat Re already established its business continuity plans and makes its adjustments as necessary to ensure that it is able to continuously provide support and good service to its ceding companies. Nat Re also ensures the health, safety and well-being of its employees.</p>
Climate-Related Opportunities - Various Initiatives with External Parties	Economic	Within Nat Re, Member Organizations, Government	By continuing to partner with organizations in the public and private sectors, the Company creates effective and affordable solutions for more disaster-resilient communities.

MANAGEMENT APPROACH ON MATERIAL TOPICS

The following are strategies and action items identified by Nat Re as crucial in improving the Company's performance in the various sustainability aspects. These strategies will be reviewed by the Company annually.

TOPIC	Strategy	Action items
ECONOMIC	Promote financial inclusion and serve as an effective mechanism for distributing risk within the insurance industry which leads to higher and sound national (risk) retention	Continue helping companies manage their retentions and capital by providing reinsurance capacity. Create reinsurance facilities for catastrophe insurance, sabotage & terrorism, financial lines, and Agri-insurance facilities. The sharing of risks among local insurance companies through these insurance facilities help increase our national risk retention. Support the growth of microinsurance through product and technical assistance and additional capacity
	Promote and develop a strong national insurance industry	Starting January 2021, the Board approved the formation of a Special Board Committee tasked to study and recommend strategies and actions that will ensure the viability and growth of the company as well as review its vision and mission.
	Develop new products in response to current market needs in both non-life and life insurance business.	Continue to provide reinsurance solutions and value-added services, support capacity building and improve internal processes toward greater operational efficiency (e.g. faster claims settlement, more efficient collection process, etc.)
	Promote and help strengthen disaster and climate risk reduction and financing programs and initiatives.	Promote and actively participate in initiatives with external partners. Continue involvement in initiatives aimed at promoting climate risk insurance and advancing risk-informed decision making for stronger disaster resilience.
	Manage key risks	Conduct risk and control assessments, identify control gaps, and agree on key risk indicators are among the mitigating measures we adopt to improve risk management.
	Boost technology and operational resilience to secure business operations	Enhance Nat Re's business continuity management system, continuing policy documentation and process reviews toward improving operational efficiency
	Engage various stakeholders to identify and address material issues	Continue advancing mutual cooperation within the insurance industry in the region and pursuing mutually beneficial agreements with fellow reinsurers. Continue providing technical trainings and orientations through webinars for business partners on topics such as specialized insurance lines or products as part of value-added services. Our employees are also provided the opportunity to attend specialized and/or public run seminars to enhance their competency and thus contribute to their professional growth.
SOCIAL	Help soften the impact of COVID-19	Assist our clients and community to soften the impact of CoViD-19 by providing moratorium to clients relative to remittance of their reinsurance premiums, donation of surgical masks to the Philippine Lung Center and cash donations to the UP Medical Foundation.
	Continue to develop capabilities and professional competence of employees to improve talent retention and develop leaders and mentors in the (re)insurance industry	Continue to provide opportunities for employees to develop professional competence through continuous training, and technical development programs as well as improving employee benefits.
ENVIRONMENT	Promote a culture of awareness on environment sustainability within the organization	Incorporate new practices in the office or within the work from home environment through practices which helps promote environment sustainability and safety and well-being of employees.

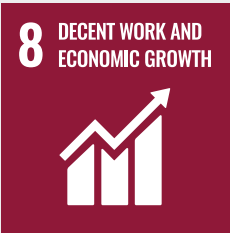
Materiality assessment 2020



ECONOMIC SOCIAL ENVIRONMENT

Note: Material Topic #3 covers the leveraging of technology, unwavering support to business partners, and having utmost concern for employee's welfare, health, safety, and well-being.

Nat Re’s Sustainability Development Goals



Sustainability Development Goal (SDG) and Target

Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries.

By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value

Nat Re’s Contribution

In 2020, the Company’s total Gross Written Premiums (GWP) were worth Php 4,474M, of which Php 2,913M came from its local business, Php1,561M from its foreign business. It paid claims worth Php1,556M and had movement in outstanding claims and claims reserves worth Php450M.

Nat Re paid P152 Million worth of employee wages and benefits. The average length of employees’ tenure is 6.02 years.

All Nat Re employees receive salary above the minimum wage. The salary of our lowest paid employee is 71% higher than the minimum wage.



Sustainability Development Goal (SDG) and Target

Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.

Nat Re’s Contribution

Nat Re participates in various public and private sector projects and initiatives towards disaster resilience.

The Oasis Platform for Climate and Catastrophe Risk Assessment in Asia Project, or the Oasis Project, is a fully funded project by the International Climate Initiative (IKI) of the German federal government. For the past two years, Nat Re, along with Oasis Loss Modelling Framework (Oasis LMF), the Geodetic Engineering Department of the University of the Philippines in Diliman, the Philippine Atmospheric, Geophysical, and Astronomical Services Administration (PAGASA), the Potsdam Institute for Climate Impact Research (PIK), KatRisk, Willis Towers Watson, and other local and international partners, worked together in building the first open-access catastrophe model for flood in the Philippines.

This newly developed catastrophe model will build in-country scientific expertise in catastrophe risk modelling to strengthen the capabilities of the local insurance industry, government, and academe for catastrophe and climate risk modelling and analysis. This will aid in underwriting and risk selection, portfolio management and monitoring, technical pricing, risk reduction and mitigation, financial protection, disaster risk management, infrastructure planning, existing research augmentation, climate change and loss scenario analysis, among others.



Sustainability Development Goal (SDG) and Target

Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.

Nat Re’s Contribution

Nat Re invests around P5.1 billion in government bonds and P3.5 billion in other commercial investments.



Sustainability Development Goal (SDG) and Target

By 2030, ensure the conservation of mountain ecosystems, including their biodiversity, in order to enhance their capacity to provide benefits that are essential for sustainable development.

Nat Re’s Contribution

Nat Re implemented the measures of conserving supplies that will contribute to the preservation of natural resources. Office supplies usage declined by 67% from prior year.

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REPORT OF THE AUDIT COMMITTEE

For the Year Ended December 31, 2020

In line with Article V. Board Committees of the Amended By-Laws of the National Reinsurance Corporation of the Philippines (Nat Re, the “Company”) the Audit Committee assists the Board of Directors (the “Board”) in carrying out its responsibilities as they relate to the oversight of the Company’s internal control, internal audit function, independent auditors, legal or regulatory compliance, and corporate governance.

The Audit Committee’s roles and responsibilities are likewise defined in the Audit Committee Charter approved by the Company’s Board of Directors.

In compliance with the Audit Committee Charter, we confirm that:

- The Audit Committee is composed of three (3) independent directors;
- We had five (5) meetings during the year. The Company’s President & Chief Executive Officer and other members of Management attended the Audit Committee meetings. External subject experts, such as the appointed Independent External Auditor and other consultants, were also invited to the meetings;
- The Audit Committee met with the Internal Audit Head and the Independent External Auditor in private sessions during the year;
- We have reviewed and discussed the quarterly unaudited financial statements and the annual audited financial statements of the Company with Management, who has the primary responsibility for the financial statements and the financial reporting process, and the reports of Internal Audit and R.G. Manabat & Co., the Independent External Auditor, who is responsible for expressing an opinion on the conformity of the Company’s annual audited financial statements with Philippine Financial Reporting Standards;
- We have reviewed the effectiveness of the system for monitoring compliance with laws and regulations;
- We have discussed and approved the overall scope and plans for the respective audit reviews of the Independent Internal and External Auditors. We have also discussed the results of their audits and their assessments of the Company’s internal controls and the overall quality of the financial reporting process;
- We have discussed and approved the overall scope and plans for the respective audit reviews of the Independent Internal and External Auditors. We have also reviewed and discussed the results of their audits and their assessments of the Company’s internal controls and the overall quality of the financial reporting process, advising Management to take appropriate corrective actions in a timely manner;
- We have reviewed the effectiveness of the internal audit function;
- We have reviewed and recommended for Board approval the audit and related services of R.G. Manabat & Co. to the Company for the year ended December 31, 2020 and the related fees for such services, in accordance with existing policies, standards and regulatory requirements; and
- We have evaluated the performance of the Audit Committee for the year ended December 31, 2020 and benchmarked the practices against the expectations set out in the Audit Committee Charter. We have ascertained that the Audit Committee continues to fulfill its responsibilities in accordance with global best practices and in compliance with the Manual of Corporate Governance and other relevant regulatory requirements.

Based on the reviews and discussions undertaken, and subject to the limitation of our roles and responsibilities, the Audit Committee recommended to the Board the inclusion of the audited financial statements in the Annual Report for the year ended December 31, 2020, filed with the Securities and Exchange Commission.

Considering the Independent External Auditor’s performance and qualifications, we recommended to the Board, subject to the ratification of the Stockholders during the annual stockholders meeting, the re-appointment of R.G. Manabat & Co. as the Independent External Auditor for the year 2021.

By the Audit Committee:


Ermilando D. Napa
Chairman


Medel T. Nera
Member


Rex Ma. A. Mendoza
Member



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, 2020 and 2019 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 (the Board) is responsible for overseeing the Company’s financial reporting process.

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

R.G. Manabat & Co. and Punongbayan & Araullo, the independent auditors appointed by the stockholders for the years ended December 31, 2020 and 2019, respectively, have audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, have expressed its opinion on the fairness of presentation upon completion of such audit.


WILFREDO C. MALDIA
Chairperson 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 25th day of March 2021.

SUBSCRIBED AND SWORN TO before me this 13th day of April 2021 at Makati City, Affiants exhibited to me their passport numbers.

NAME
WILFREDO C. MALDIA
JOLI CO WU
ALLAN R. SANTOS
SANTINO U. SONTILLANO

Doc. No. 42
Page No. 10
Book No. XVI
Series of 2021.

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NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

FINANCIAL STATEMENTS

December 31, 2020 and 2019

With Independent Auditors' Report



R.G. Manabat & Co.
The KMPG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

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 statement of financial position as at December 31, 2020, and the statements of income, comprehensive income (loss), changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audit 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 audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Revenue Recognition

(P4.47 billion, see statement of income and Notes 2, 3 and 18 to the financial statements)

The risk

Reinsurance premium is recognized as revenue over the period of the reinsurance contracts using the “24” method.” The Company’s reinsurance premium consists of actual amounts reported by the cedants and accrued reinsurance premiums based on the terms of the reinsurance contracts, historical experience and latest information provided by the cedants. The accrued reinsurance premiums were estimated based on assumptions and are therefore subject to considerable uncertainties and high degree of management judgment. Due to the material significance of the amount of reinsurance premiums and the associated uncertainties in the estimations made, this matter was of particular significance in the context of our audit.

Our response

As part of our audit procedures, we evaluated and tested the internal controls over the completeness, existence and accuracy of the reinsurance premium recognized in the financial statements. We vouched reinsurance contracts on sampling basis, performed cut-off testing including, among others, examining the date of approval and receipt date for reinsurance contracts near period-end and subsequent to period-end. For the reasonableness of recorded accrued reinsurance premiums, we analyzed historical experience and tested management’s estimates by comparing the actual premiums received with the previously reported accrual. We assessed the propriety of the assumptions underlying the estimate and determine whether there were any indicators of management bias.

Valuation of Reinsurance Balance Receivables

(P2.67 billion, see statement of financial position and Notes 2, 3 and 6 to the financial statements)

The risk

The risk in this area pertains to the valuation of reinsurance balances receivable including recoverability from cedants and retrocessionaires. In determining such valuation and recoverable amount, management exercised significant judgment on the credit risk assessment as well as both on the timing of recognition of impairment losses and the estimation of the amount of the impairment.

Our response

As part of our audit procedures, we evaluated the appropriateness of the Company’s accounting policy on impairment, and assessed and challenged the key assumptions used by management whether there were any indicators of management bias in its selection of method used to compute for the allowance for impairment losses on reinsurance balances receivable. We performed 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 and accounts from closed ceding companies and retrocessionaires.

Valuation of Claims Liabilities

(P2.26 billion, see statement of financial position and Notes 2, 3 and 17 to the financial statements)

The risk

Claims liabilities represent estimates of future payments of reported and unreported claims and related expenses. The valuation of claims reserves involves a high degree of subjectivity and complexity.

The Company uses a range of actuarial methodologies to estimate claims reserves. The expected value takes into account assumptions about premium, ultimate loss ratios and run-off periods that are based on actuarial estimate from historical experience. Other key factors include but are not limited to changes in exposure and business mix as well as inflation trends, claim emergence trends, and legal or regulatory decisions.



Our response

As part of our audit procedures, we tested the design, implementation and effectiveness of key controls established by the Company for estimating claims reserves, and tested the completeness and accuracy of the underlying data used in the estimation. After an assessment of independence, knowledge, skills and ability, actuarial specialists were engaged to assist us in assessing the reasonableness of the assumptions and methodologies used in the determination of claims reserves, recalculate the claims reserves and unexpired risk reserves in accordance with the relevant regulatory requirements, verified the accuracy of the amounts of claims reserves based on stratified sampling, and determined compliance with the liability adequacy test as required by the Insurance Commission and relevant accounting standards.

Valuation of Available-for-sale Financial Assets

(P5.93 billion, see statement of financial position and Notes 2, 3, 7 and 30 to the financial statements)

The risk

Due to the current coronavirus diseases 2019 pandemic, there is a significant focus in ensuring that the investments of the Company are valued in accordance with applicable standards, as it holds and manages a substantial available-for sale investment portfolio which comprise mainly of debt and equity investments to meet its obligations under the reinsurance contracts. As such, we determined this to be significant focused area during our audit.

The Company performs an impairment review of ns available-for-sale investments at the end of each reporting period and impairment is recognized when there has been a significant or prolonged dedine in the fair value of these investments below their costs. Significant management judgment is involved in evaluating the existence of objective evidence of impairment and the determination of what constitutes significant or prolonged dedine in the fair value.

Our response

As part of our audit procedures, we evaluated the appropriateness of the Company's impairment policy and the significant judgment used by management in evaluating the objective evidence of impairment for available-for-sale investments. We examined the impairment tests performed by the management in determining the amount of impairment losses. We also performed an independent impairment test to determine the adequacy of the impairment losses recognized using external information where available, or by analyzing the observable data that we considered to be an objective evidence of impairment.

Other Matter

The financial statements of the Company for the year ended December 31, 2019, were audited by another auditor who expressed an unmodified opinion on those financial statements on March 26, 2020.

Other Information

Management is responsible for the other information. The other information comprises the information induded 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 indude the financial statements and our auditors' report thereon, and the Annual Report for the year ended December 31, 2020. The SEC Form 20-IS (Definnive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 ar e 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 audit 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 audit, 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 PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsiibities 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, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with 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, actions taken to eliminate threats or safeguards applied.

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 the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 35 to the basic financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditors’ report is Tireso Randy F. Lapidez.

R.G. MANABAT & CO.


TIRESO RANDY F. LAPIDEZ

Partner
CPA License No. 0092183
IC Accreditation No. 92183-IC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements
SEC Accreditation No. 1472-AR-1, Group A, valid until July 2, 2021
Tax Identification No. 162-411-175
BIR Accreditation No. 08-001987-034-2020
Issued July 20, 2020; valid until July 19, 2023
PTR No. MKT 8533905

April 7, 2021
Makati City, Metro Manila

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019
(Amounts in thousands)

	Notes	2020	2019
ASSETS			
Cash and cash equivalents	5	₱950,914	₱1,004,977
Reinsurance balances receivable – net	6	2,672,352	2,608,807
Available-for-sale (AFS) financial assets	7	5,933,067	4,945,753
Held-to-maturity (HTM) investments	8	1,958,534	2,227,897
Loans and receivables	9	71,057	80,012
Property and equipment – net	10	59,973	70,394
Reinsurance recoverable on reported losses – net	11	2,426,926	2,288,383
Reinsurance recoverable on claims reserves	11	330,634	319,606
Deferred acquisition costs	12	620,854	595,480
Deferred reinsurance premiums	13	407,404	454,040
Other assets – net	14	447,396	387,102
TOTAL ASSETS		₱15,879,111	₱14,982,451
LIABILITIES AND EQUITY			
Liabilities			
Reinsurance balances payable	15	₱1,179,587	₱1,185,518
Accounts payable and accrued expenses	16	326,297	110,930
Losses and claims payable	17	4,824,992	4,554,326
Claims reserves	17	2,255,646	1,997,624
Premium reserves	18	1,539,347	1,768,249
Deferred reinsurance commissions	19	6,920	6,234
Total Liabilities		10,132,789	9,622,881
Equity	24	5,746,322	5,359,570
TOTAL LIABILITIES AND EQUITY		₱15,879,111	₱14,982,451

See Notes to the Financial Statements

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF INCOME
For the years ended December 31, 2020, 2019 and 2018
(Amounts in thousands, except Earnings Per Share)

	Notes	2020	2019	2018
Reinsurance premium income				
Reinsurance premiums – net of returns	18	₱4,473,702	₱4,338,535	₱3,682,906
Retroceded premiums	13	(1,276,690)	(1,064,246)	(1,106,771)
Net premiums retained		3,197,012	3,274,289	2,576,135
Decrease (Increase) in premium reserves – net	13, 18	182,266	(81,119)	(9,887)
		3,379,278	3,193,170	2,566,248
Underwriting deductions				
Share in reported losses – net	21.1	1,758,900	1,806,624	1,051,522
Share in unreported loss reserves – net	21.2	246,994	281,592	588,623
Commissions – net	21.3	1,031,659	968,591	773,369
		3,037,553	3,056,807	2,413,514
Net underwriting income		341,725	136,363	152,734
Investment and Other income and expenses – net	20	131,666	349,340	389,488
Profit after Investment and Other income and expenses		473,391	485,703	542,222
General and administrative expenses	22	278,419	268,501	350,328
Profit before tax		194,972	217,202	191,894
Tax expense	23	75,055	60,484	42,678
Net profit		₱119,917	₱156,718	₱149,216
Earnings Per Share - Basic and Diluted	27	₱0.056	₱0.074	₱0.070

See Notes to the Financial Statements.

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the years ended December 31, 2020, 2019 and 2018
(Amounts in thousands)

	Notes	2020	2019	2018
Net profit		₱119,917	₱156,718	₱149,216
Other comprehensive income (loss)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit asset	22.2	(4,462)	(1,814)	3,933
Items that are and will be reclassified subsequently to profit or loss				
Fair value gains (losses) on AFS financial assets during the year	7	102,105	390,713	(492,442)
Amortization of unrealized gains on reclassified HTM securities to profit or loss		9,186	9,510	1,065
Fair value gains on disposal of AFS financial assets reclassified to profit or loss	7	(309,260)	(79,772)	(131,059)
Impairment of AFS financial assets reclassified to profit or loss	7	469,312	57,511	7,810
Income tax effect		(46)	181	(371)
		271,297	378,143	(614,997)
Total other comprehensive income (loss)		266,835	376,329	(611,064)
Total comprehensive income (loss)		₱386,752	₱533,047	(₱461,848)

See Notes to the Financial Statements.

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2020, 2019 and 2018
(Amounts in thousands)

	Notes	Capital Stock		Additional Paid-in Capital (Note 24)	Treasury Shares at Cost (Note 24)	Revaluation Reserves			Retained Earnings		Total Equity
		No. of shares (in thousands)	Amount (Note 24)			AFS Financial Assets	HTM Investments	Defined Benefit Liability (Note 22)	Appropriated	Unappropriated	
Balance at January 1, 2020		2,181,955	₱2,181,955	₱3,019,218	(₱100,525)	(₱390)	(₱75,537)	(₱69,415)	₱43,408	₱360,856	₱5,359,570
Net profit		-	-	-	-	-	-	-	-	119,917	119,917
Other comprehensive income (loss):											
Items that will not be reclassified subsequently to profit or loss		-	-	-	-	-	-	(4,462)	-	-	(4,462)
Item that are and will be reclassified subsequently to profit or loss		-	-	-	-	262,111	9,186	-	-	-	271,297
Total comprehensive income (loss)		-	-	-	-	262,111	9,186	(4,462)	-	119,917	386,752
Appropriated for contingencies	24	-	-	-	-	-	-	-	11,992	(11,992)	-
Balance at December 31, 2020		2,181,955	₱2,181,955	₱3,019,218	(₱100,525)	₱261,721	(₱66,351)	(₱73,877)	₱55,400	₱468,781	₱5,746,322
Balance at January 1, 2019		2,181,955	₱2,181,955	₱3,019,218	(₱100,525)	(₱369,023)	(₱85,047)	(₱67,601)	₱27,736	₱219,810	₱4,826,523
Net profit		-	-	-	-	-	-	-	-	156,718	156,718
Other comprehensive income (loss):											
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 (loss)		-	-	-	-	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	₱2,181,955	₱3,019,218	(₱100,525)	(₱390)	(₱75,537)	(₱69,415)	₱43,408	₱360,856	₱5,359,570
Balance at January 1, 2018		2,181,955	₱2,181,955	₱3,019,218	(₱100,525)	₱157,671	₱3,256	(₱71,534)	₱12,815	₱85,515	₱5,288,371
Net profit		-	-	-	-	-	-	-	-	149,216	149,216
Other comprehensive income (loss):											
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		-	-	-	-	89,368	(89,368)	-	-	-	-
Total comprehensive income (loss)		-	-	-	-	(526,694)	(88,303)	3,933	-	149,216	(461,848)
Appropriated for contingencies		-	-	-	-	-	-	-	14,921	(14,921)	-
Balance at December 31, 2018		2,181,955	₱2,181,955	₱3,019,218	(₱100,525)	(₱369,023)	(₱85,047)	(₱67,601)	₱27,736	₱219,810	₱4,826,523

See Notes to the Financial Statements.

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2020, 2019 and 2018
(Amounts in thousands)

	Notes	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		₱194,972	₱217,202	₱191,894
Adjustments for:				
Impairment losses – net	7, 20	469,312	57,511	86,550
Gain on sale of AFS financial assets	7, 20	(309,260)	(79,772)	(131,059)
Interest income	20	(294,044)	(314,789)	(224,676)
Increase in share in loss reserves – net	21.2	246,994	281,592	588,623
(Decrease) Increase in premium reserves – net	13, 18	(182,266)	81,119	9,887
Increase in share in reported losses – net		51,435	40,920	(67,319)
Dividend income	7, 20	(46,285)	(43,713)	(43,672)
Increase in deferred acquisition costs – net		(24,688)	(184,668)	(129,066)
Depreciation and amortization	22	20,084	22,380	15,904
Unrealized foreign currency loss (gain)		9,784	29,169	(14,341)
(Gain) Loss on sale of non-financial assets	20	(17)	17	(11)
Loss on asset retirement	20	-	35	244
Operating income before working capital changes		136,021	107,003	282,958
Decrease (Increase) in:				
Reinsurance balances receivable		(110,276)	(374,500)	(321,747)
Loans and receivables		863	11,876	39,486
Reinsurance recoverable on reported losses		(102,193)	154,389	193,325
Other assets		17,334	26,175	4,100
Increase (Decrease) in:				
Reinsurance balances payable		933	34,177	(123,606)
Accounts payable and accrued expenses		175,178	12,826	15,332
Losses and claims payable		245,547	(42,916)	(123,078)
Cash generated from (used in) operations		363,407	(70,970)	(33,230)
Cash paid for income taxes		(130,591)	(95,839)	(56,460)
Net Cash From (Used in) Operating Activities		232,816	(166,809)	(89,690)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal/maturities of:				
AFS financial assets		₱6,092,297	₱2,862,762	₱2,519,925
Loans and receivable		-	50,000	50,000
HTM investments	8	480,937	338,672	-
Property and equipment		187	144	65
Interest received		299,373	300,491	223,247
Dividends received		46,660	42,505	47,873
Acquisitions of:				
AFS financial assets	7	(6,991,787)	(2,848,452)	(2,526,482)
Property and equipment	10	(3,290)	(7,942)	(7,657)
HTM investments	8	(200,000)	(722,206)	(340,830)
Intangible assets	14	(1,013)	(5,271)	(25,226)
Other investments		-	-	(5,000)
Net Cash (Used in) From Investing Activities		(276,636)	10,703	(64,085)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(43,820)	(156,106)	(153,775)
EFFECTS OF FOREIGN CURRENCY REVALUATION ON CASH AND CASH EQUIVALENTS		(10,243)	(816)	5,135
CASH AND CASH EQUIVALENTS - January 1	5	1,004,977	1,161,899	1,310,539
CASH AND CASH EQUIVALENTS - December 31	5	₱950,914	₱1,004,977	₱1,161,899

Supplemental Information on Noncash Investing Activity –

In 2018, the Company reclassified certain investments previously classified under AFS financial assets to HTM investments amounting to ₱473.13 million, and to Other assets amounting to ₱0.88 million (see Notes 7 and 8).

See Notes to the Financial Statements.

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(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 is licensed by the Insurance Commission to engage in business until December 31, 2021.

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, 2020 (including the comparative financial statements as at December 31, 2019 and for the years ended December 31, 2019 and 2018) were authorized for issue by the Company's Board of Directors (BOD) on March 25, 2021.

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 compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by International Accounting Standards Board. PFRSs which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations.

(b) Basis of Measurement

The financial statements have been prepared on the historical cost basis except for AFS financial assets which are measured at fair value basis and Defined benefit asset which is measured as the difference of the present value of the defined benefit obligation and fair value of the plan assets at each reporting date.

(c) Presentation of Financial Statements

The financial statements are presented in accordance with 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 (loss).

(d) 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 PFRSs and Framework

(a) Effective in 2020 that are Relevant to the Company

The FRSC approved the adoption of a number of amended standards and framework as part of PFRSs which the Company has adopted starting January 1, 2020. The adoption of these pronouncements did not have any significant impact on the Company's financial statements.

- PAS 1 (Amendments), *Presentation of Financial Statements* and PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*. 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. The application of these amendments had no significant impact on the Company's financial statements.
- Revised Conceptual Framework for Financial Reporting. 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. The application of these revisions had no significant impact on the Company's financial statements.

- PFRS 4 (Amendments), *Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts*, 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 on or 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.

(b) Effective Subsequent to 2020 but not Adopted Early

There are new and amended PFRSs effective for annual periods subsequent to 2020, which were adopted by the FRSC. Management is currently assessing the impact of these new and amended standards on the Company's financial statements.

- PFRS 9 (2014) (adoption deferred to January 1, 2023). 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 17, *Insurance Contracts* (effective January 1, 2023). The new standard will eventually replace PFRS 4, 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 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 income 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.

PFRS 17 is effective for annual periods beginning on or after January 1, 2023. Full retrospective application is required, unless it is impracticable, in which case the entity chooses to apply the modified retrospective approach or the fair value approach. However, if the entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it applies the fair value approach. Early application is permitted for entities that apply PFRS 9 on or before the date of initial application of PFRS 17.

- Classification of Liabilities as Current or Noncurrent (Amendments to PAS 1) (effective January 1, 2023). The amendments clarify that the classification of a liability as current or non-current liability is based on the rights that exist at the end of the reporting period; specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; add guidance about lending conditions and how these can impact the classification; and include requirements for liabilities that can be settled using an entity's own instruments.

The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

2.3 Reinsurance Contracts

Product Classification

Reinsurance contracts are those contracts under which the Company (the reinsurer) has accepted significant insurance risk from insurance and reinsurance companies (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. Contracts that transfer financial risks which create financial assets or financial liabilities, but do not expose the Company to significant insurance risk, are within the scope of PAS 39 and are recognized as Deposit liability under Accounts payable and accrued expenses.

Once a contract has been classified as reinsurance contract, it remains a 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.

Reinsurance recoverable on paid losses are included as part of Reinsurance balances receivable. These balances represent the retrocessionaires' share in the amounts paid to the cedants and are in accordance with the retroceded contract. Reinsurance recoverable on unpaid losses represents balances due from retrocessionaires for its share on the unpaid losses and Reinsurance recoverable on claims reserves represent the retrocessionaires' share for its losses in the loss reserves are presented under Reinsurance recoverable on reported losses and Reinsurance recoverable on claims reserves, respectively, in the statements of financial position. The recoverable amounts are estimated in a manner consistent with the losses and claims payable and claims reserves and are in accordance with the retroceded contract.

Reinsurance balances receivable, Reinsurance recoverable on reported losses and Reinsurance recoverable on claims reserves 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. Retroceded insurance risk does not relieve the Company from its obligations to ceding companies.

Reinsurance balances payable primarily represent premiums due to retrocessionaires. Amounts payable are estimated in a manner consistent with the associated retrocession contract.

Assets and liabilities arising from reinsurance activities 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, 2020 and 2019, 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, reinsurance balances receivable – net, loans and receivables, reinsurance recoverable on reported losses, and funds at Lloyd's, deposit 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. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization, if any, is included as part of Interest income presented under Investment and other income and expenses – net account in the statements of income.

(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.

HTM investments are subsequently measured at amortized cost using the effective interest method subject to any impairment loss. Interest income is recognized under Investment and other income and expenses – net account in the statements of income.

(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, Unit Investment Trust Fund (UITF) 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 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.

Evidence of impairment is the age of the receivable and/or any financial difficulties of the counterparty. Allowances are set up on the net balance, meaning all balances related to the same counterparty are considered. The amount of the allowance is set up in relation to the time a receivable has been due and any financial difficulties of the counterparty and can be as high as the outstanding net balance.

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 is 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.

Reclassification of AFS Financial Assets to HTM Investments

For a financial asset reclassified from AFS financial assets category to HTM investments, the Company shall reclassify the financial asset at its fair value on the date of reclassification which becomes its new amortized cost. Any previous gain or loss on that asset that has been recognized in other comprehensive income and any difference between the new amortized cost and maturity amount is amortized in profit or loss over the remaining life of the investments using the effective interest method similar to the amortization of a premium and a discount. This is presented as Revaluation reserves - HTM investments in the statements of changes in equity. If the financial asset is subsequently impaired, any gain or loss that has been recognized in other comprehensive income is reclassified from equity to profit or loss.

(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 is 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 and reinsurance recoverable on reported losses, relating to financial assets that are recognized in the statements of income are presented as part of Investment and Other income and expenses – net account. Provision for and reversal of impairment losses on reinsurance balances receivable and reinsurance recoverable on reported losses 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.

(e) *Fair Value Measurement of Financial Assets*

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset measured at fair value has a bid price, then the Company measures assets and long positions at a bid price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

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 part of Commission expense 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 Decrease (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 right-of-use (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).

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 – net account in the statements of income in the period the item is derecognized.

2.9 Other Assets

Other assets pertain to other present economic resources controlled by the Company as a result of past events. An economic resource is a right that has the potential to produce economic benefits 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 under Data, licenses and subscriptions and Repairs and maintenance as part of General and administrative expenses 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) *Deferred CWT*

Deferred CWT represents taxes to be withheld by the ceding companies upon payment of reinsurance premiums to the Company.

(e) *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.

(f) *Deferred Input VAT*

Deferred input VAT pertains to the 12% tax arising from acquisition of capital assets exceeding ₱1.00 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.

(g) *Deferred Withholding VAT*

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

(h) *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

The Company classifies its financial liabilities at initial recognition into the following categories: financial liabilities at FVTPL and other liabilities. The Company determines the classification of its financial liabilities at initial recognition, and were allowed and appropriate, re-evaluates such designation at every reporting date.

As at December 31, 2020 and 2019, the Company has no financial liabilities at FVTPL.

Other financial liabilities pertains to financial liabilities that are not designated or classified at FVTPL. Other financial liabilities are initially measured at their fair value and subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss.

The Company's other financial liabilities include Reinsurance balances payable, Losses and claims payable (excluding MfAD and loss adjustment expenses) and 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 part of Investment and other income and expenses – net account in the statements of income.

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. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, with the difference in the respective carrying amounts 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 – net 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. No similar transaction occurred in 2020. The Company has no outstanding derivative asset or liability as at December 31, 2020 and 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 financial position 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(c)]. 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 Commission income under Commissions – net in the statements of income.

2.14 Accounts Payable and Accrued Expenses

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) *Accounts payable and accrued expenses*

Accounts payable represents balances due to suppliers or for the purchase of goods or services. This includes accrued expenses pertaining to accruals of outside services, utilities, uniforms, membership dues and meeting expenses and the related input VAT.

(c) *Withholding tax payable*

Withholding tax payable represents amounts payable to the local tax authority mainly arising from taxes withheld by the Company from its suppliers of goods and services.

(d) *Dividends payable*

Dividends payable represents cash dividends declared by the Company that remain unpaid as of reporting date.

(e) *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.

Income and expenses are presented on a net basis only when permitted under PFRSs, such as in the case of any realized gains or losses arising from the Company's trading activities.

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* – Reinsurance premiums are recognized as revenue when the Company enters into a contract with cedants assuming insurance risks in exchange for reinsurance premium. Reinsurance premiums include premiums reported by cedants and accrued premiums. The Company records accrued premiums on a cedant-by-cedant basis taking into consideration the terms of the reinsurance treaty, historical experience and latest information from cedants.

Reinsurance 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.

Uncollected premiums net of deferred CWT and accrued premiums are recognized as due from ceding companies as part of Reinsurance balances receivable – net in 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 as part of Decrease (Increase) in premium reserves – net.

- (b) *Retroceded premiums* – Retroceded premiums are recognized as an expense when the Company enters into a contract with a retrocessionaire transferring insurance risks to the retrocessionaire in exchange for retroceded premiums. Retroceded premiums include premiums reported to the retrocessionaires and accrued retroceded premiums. The Company records accrued retroceded premiums based on individual retrocession treaties taking into consideration the terms of the treaty, historical experience and latest information relevant to the treaty.

- (c) *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.

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

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

- (f) *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.

Determining whether the Company is Acting as Principal or an Agent

The Company assesses its revenue arrangements against the following criteria to determine whether it is acting as a principal or an agent:

- whether the Company has primary responsibility for providing the services
- whether the Company has discretion in establishing prices; and
- whether the Company bears the credit risk.

If the Company has determined it is acting as a principal, the Company recognizes revenue on gross basis with the amount remitted to the other party being accounted as part of cost and expenses. If the Company has determined it is acting as an agent, only the net amount retained is recognized as revenue.

The Company has determined that it is acting as principal in its revenue arrangements.

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 retroceded under retrocession arrangements. Recoveries on paid, unpaid claims and claims reserves are recognized in the period the claims are made as Retrocessionaires' share in losses paid, Retrocessionaires' share in change in provision for claims reported and Retrocessionaires' share in change in provision for IBNR, respectively. The Retrocessionaires' share in losses paid and Retrocessionaires' share in change in provision for claims reported are presented under Share in reported losses – net while, Retrocessionaires' share in change in provision for IBNR is part of Share in unreported loss reserves – net in the statement of income. Uncollected balances are presented as part of Reinsurance balances receivable, Reinsurance recoverable on reported losses and Reinsurance recoverable on claims reserves accounts 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

For any new contracts entered into, 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 an 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 an ROU asset and lease liability, the payments in relation to these are recognized as an expense in statements of income on a straight-line basis over the lease term.

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

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 – net account (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 – net account 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 and any adjustment to tax payable in respect of previous years. 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 asset-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 asset-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

(i) 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 ₱469.31 million and ₱57.51 million are considered impairment in value as at December 31, 2020 and 2019, respectively (see Notes 7 and 20). Future changes in those information and circumstance might significantly affect the carrying amount of the assets.

(ii) 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, 2020 and 2019, the Company has recognized allowance for impairment loss amounting to ₱655.26 million and ₱702.08 million, respectively (see Notes 6 and 11).

(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, 2020 and 2019, 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.

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 Carried at Amortized Cost

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, reinsurance recoverable on reported losses and the analysis of allowance for impairment on such financial assets are shown in Notes 6 and 11.

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, 2020 and 2019, 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.

No impairment was recognized on the Company's non-financial assets as at December 31, 2020 and 2019.

(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, 2020 and 2019, the Company recognized net deferred tax assets amounting to ₱251.49 million and ₱167.52 million, respectively (see Note 23), 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 ₱634.41 million and ₱641.23 million as at December 31, 2020 and 2019, 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 Premiums

Reinsurance premiums include premiums reported by cedants and accrued reinsurance premiums. The Company records accrued premiums based on a cedant-by-cedant basis taking into consideration the terms of the reinsurance treaty, historical experience and latest information from cedants.

The Company accrued reinsurance premium amounting to ₱156.30 million, ₱339.25 million and ₱316.09 million in 2020, 2019 and 2018, respectively, as part of Reinsurance premiums – net of returns in the statements of income.

(h) Valuation of Retroceded Premiums

Retroceded premiums include premiums reported to the retrocessionaires and accrued retroceded premiums. The Company records retroceded premiums based on individual retroceded treaties taking into consideration the terms of the retroceded treaty, historical experience and latest information relevant to the treaty.

The Company accrued retroceded premium amounting to ₱31.86 million, ₱118.28 million and ₱64.21 million in 2020, 2019 and 2018, respectively, as part of Retroceded premiums in the statements of income.

(i) 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, 2020 and 2019, 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).

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 below and in the succeeding pages. Moreover, there are no changes in the Company's exposure to these risks, and objective, policies and processes for managing the risks from previous year.

4.1 Underwriting Risk

As a reinsurer, the Company underwrites reinsurance business from life and non-life insurance and reinsurance 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.

Retroceding 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 42% 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 re-evaluation 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, 2020		
	Gross Written Premiums (Note 18)	Retroceded Premiums (Note 13)	Net Written Premiums
Fire	₱1,659,411	₱446,852	₱1,212,559
Casualty	362,879	56,479	306,400
Motor	517,501	34,833	482,668
Life	1,896,444	735,516	1,160,928
Marine and aviation	37,467	3,010	34,457
	₱4,473,702	₱1,276,690	₱3,197,012

	December 31, 2019		
	Gross Written Premiums (Note 18)	Retroceded Premiums (Note 13)	Net Written Premiums
Fire	₱1,707,837	₱311,334	₱1,396,503
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
	₱4,338,535	₱1,064,246	₱3,274,289

	December 31, 2018		
	Gross Written Premiums	Retroceded Premiums	Net Written Premiums
Fire	₱1,355,115	₱453,449	₱901,666
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
	₱3,682,906	₱1,106,771	₱2,576,135

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 as at December 31, 2020 and 2019.

December 31, 2020												
Underwriting Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
At the end of the financial year	₱364,594	₱446,197	₱846,131	₱1,517,806	₱278,093	₱720,430	₱900,312	₱1,138,057	₱1,166,071	₱1,290,466	₱1,183,374	₱1,183,374
One year later	742,276	2,285,183	1,479,571	2,474,672	692,265	1,286,124	1,659,396	1,937,270	2,289,508	2,772,517	-	2,772,517
Two years later	870,396	2,444,928	1,553,907	2,756,250	663,639	1,239,501	1,537,864	2,064,256	2,362,975	-	-	2,362,975
Three years later	908,425	3,754,928	1,676,474	2,643,911	605,379	1,220,851	1,346,228	1,975,410	-	-	-	1,975,410
Four years later	996,770	3,837,886	1,701,021	2,559,103	539,079	1,166,945	1,236,293	-	-	-	-	1,236,293
Five years later	1,040,042	3,821,055	1,654,200	2,397,686	572,946	1,175,463	-	-	-	-	-	1,175,463
Six years later	1,022,502	3,796,121	1,609,139	2,399,282	574,258	-	-	-	-	-	-	574,258
Seven years later	943,528	3,806,419	1,609,110	2,399,100	-	-	-	-	-	-	-	2,399,100
Eight years later	916,914	3,790,200	1,604,687	-	-	-	-	-	-	-	-	1,604,687
Nine years later	924,787	3,785,807	-	-	-	-	-	-	-	-	-	3,785,807
Ten years later	923,926	-	-	-	-	-	-	-	-	-	-	923,926
Estimate of cumulative claims	923,926	3,785,807	1,604,687	2,399,100	574,258	1,175,463	1,236,293	1,975,410	2,362,975	2,772,517	1,183,374	19,993,810

December 31, 2019												
Underwriting Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019		Total
At the end of the financial year	₱364,594	₱446,197	₱846,131	₱1,517,806	₱278,093	₱720,430	₱900,312	₱1,138,057	₱1,166,071	₱1,290,466	₱1,290,466	
One year later	742,276	2,285,183	1,479,571	2,474,672	692,265	1,286,124	1,659,396	1,937,270	2,289,508	-	-	2,289,508
Two years later	870,396	2,444,928	1,553,907	2,756,250	663,639	1,239,501	1,537,864	2,064,256	-	-	-	2,064,256
Three years later	908,425	3,754,928	1,676,474	2,643,911	605,379	1,220,851	1,346,228	-	-	-	-	1,346,228
Four years later	996,770	3,837,886	1,701,021	2,559,103	539,079	1,166,945	-	-	-	-	-	1,166,945
Five years later	1,040,042	3,821,055	1,654,200	2,397,686	572,946	-	-	-	-	-	-	572,946
Six years later	1,022,502	3,796,121	1,609,139	2,399,282	-	-	-	-	-	-	-	2,399,282
Seven years later	943,528	3,806,419	1,609,110	-	-	-	-	-	-	-	-	1,609,110
Eight years later	916,914	3,790,200	-	-	-	-	-	-	-	-	-	3,790,200
Nine years later	924,787	-	-	-	-	-	-	-	-	-	-	924,787
Estimate of cumulative claims	924,787	3,790,200	1,609,110	2,399,282	572,946	1,166,945	1,346,228	2,064,256	2,289,508	1,290,466		17,453,728

December 31, 2019												
Underwriting Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019		Total
Estimate of cumulative claims	₱924,787	₱3,790,200	₱1,609,110	₱2,399,282	₱572,946	₱1,166,945	₱1,346,228	₱2,064,256	₱2,289,508	₱1,290,466	₱17,453,728	
Cumulative payments to date	(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)	(12,767,282)	
Total current estimate of loss reserves (2010-2019)	₱70,684	₱120,399	₱209,852	₱776,935	₱93,483	₱34,623	₱527,780	₱575,592	₱1,129,583	₱1,147,515	₱4,686,446	
Beginning balance of 2009 and prior underwriting years												1,685,701
Movement of 2009 and prior underwriting years, gross of settlement												16,539
Payments made during the year for 2009 and prior underwriting years												(38,033)
Foreign exchange revaluation and other adjustments												201,297
Total current estimate of loss reserves												₱6,551,950

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 as at December 31, 2020 and 2019.

December 31, 2020												
Underwriting Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
At the end of the financial year	₱304,021	₱388,456	₱752,041	₱871,508	₱213,369	₱408,903	₱611,372	₱1,019,477	₱1,070,831	₱1,104,462	₱993,097	₱993,097
One year later	482,633	580,212	1,166,414	1,316,239	530,461	633,978	1,300,749	1,858,551	2,026,991	2,230,141	-	2,230,141
Two years later	507,762	587,782	1,233,206	1,058,624	540,712	609,307	1,297,926	1,939,580	2,009,116	-	-	2,009,116
Three years later	482,904	1,257,465	1,127,832	1,083,323	517,872	602,343	1,275,113	1,907,942	-	-	-	1,907,942
Four years later	566,961	1,256,110	1,149,516	1,162,020	485,300	567,379	1,222,112	-	-	-	-	1,222,112
Five years later	596,987	1,279,786	1,088,884	1,145,255	507,988	569,312	-	-	-	-	-	569,312
Six years later	585,752	1,287,779	1,067,718	1,136,074	510,739	-	-	-	-	-	-	510,739
Seven years later	489,932	1,296,229	1,079,424	1,098,729	-	-	-	-	-	-	-	1,098,729
Eight years later	462,668	1,281,610	1,107,050	-	-	-	-	-	-	-	-	1,107,050
Nine years later	468,784	1,280,708	-	-	-	-	-	-	-	-	-	1,280,708
Ten years later	503,731	-	-	-	-	-	-	-	-	-	-	503,731
Estimate of cumulative claims	503,731	1,280,708	1,107,050	1,098,729	510,739	569,312	1,222,112	1,907,942	2,009,116	2,230,141	993,097	13,432,677

Forward

December 31, 2020												
Underwriting Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Estimate of cumulative claims	₱503,731	₱1,280,708	₱1,107,050	₱1,098,729	₱510,739	₱569,312	₱1,222,112	₱1,907,942	₱2,009,116	₱2,230,141	₱993,097	₱13,432,677
Cumulative payments to date	(421,542)	(1,252,918)	(1,069,792)	(1,053,294)	(442,900)	(547,334)	(1,130,424)	(1,571,133)	(1,542,557)	(901,543)	(52,724)	(9,986,161)
Total current estimate of loss reserves (2010-2020)	₱82,189	₱27,790	₱37,258	₱45,435	₱67,839	₱21,978	₱91,688	₱336,809	₱466,559	₱1,328,598	₱940,373	3,446,516
Beginning balance of 2009 and prior underwriting years												745,044
Movement of 2009 and prior underwriting years, gross of settlement												(39,378)
Payments made during the year for 2009 and prior underwriting years												(3,363)
Allowance for impairment (see Note 11)												99,444
Foreign exchange revaluation and other adjustments												74,815
Total current estimate of loss reserves, net												₱4,323,078

December 31, 2019												
Underwriting Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019		Total
At the end of the financial year	₱304,021	₱388,456	₱752,041	₱871,508	₱213,369	₱408,903	₱611,372	₱1,019,477	₱1,070,831	₱1,104,462	₱1,104,462	
One year later	482,633	580,212	1,166,414	1,316,239	530,461	633,978	1,300,749	1,858,551	2,026,991	-	-	2,026,991
Two years later	507,762	587,782	1,233,206	1,058,624	540,712	609,307	1,297,926	1,939,580	-	-	-	1,939,580
Three years later	482,904	1,257,465	1,127,832	1,083,323	517,872	602,343	1,275,113	-	-	-	-	1,275,113
Four years later	566,961	1,256,110	1,149,516	1,162,020	485,300	567,379	-	-	-	-	-	567,379
Five years later	596,987	1,279,786	1,088,884	1,145,255	507,988	-	-	-	-	-	-	507,988
Six years later	585,752	1,287,779	1,067,718	1,136,074	-	-	-	-	-	-	-	1,136,074
Seven years later	489,932	1,296,229	1,079,424	-	-	-	-	-	-	-	-	1,079,424
Eight years later	462,668	1,281,610	-	-	-	-	-	-	-	-	-	1,281,610
Nine years later	468,784	-	-	-	-	-	-	-	-	-	-	468,784
Estimate of cumulative claims	468,784	1,281,610	1,079,424	1,136,074	507,988	567,379	1,275,113	1,939,580	2,026,991	1,104,462		11,387,405

December 31, 2019												
Underwriting Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019		Total
Estimate of cumulative claims	₱468,784	₱1,281,610	₱1,079,424	₱1,136,074	₱507,988	₱567,379	₱1,275,113	₱1,939,580	₱2,026,991	₱1,104,462	₱11,387,405	
Cumulative payments to date	(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)	(8,433,154)	
Total current estimate of loss reserves	₱50,173	₱47,331	₱11,562	₱80,070	₱70,380	₱22,500	₱156,394	₱511,423	₱982,563	₱1,021,855		2,954,251
Beginning balance of 2009 and prior underwriting years												778,332
Movement of 2009 and prior underwriting years, gross of settlement												(12,368)
Payments made during the year for 2009 and prior underwriting years												(20,920)
Allowance for impairment (see Note 11)												124,003
Foreign exchange revaluation and other adjustments												120,663
Total current estimate of loss reserves, net												₱3,943,961

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)		Impact on Income after Income Tax Increase (Decrease)	
		2020	2019	2020	2019
Loss ratio	+5%	(P168,964)	(P159,659)	(P118,275)	(P111,761)
	-5%	168,964	159,659	118,275	111,761

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, debt instruments classified as AFS financial assets and HTM investments, reinsurance balances receivables, reinsurance recoverable on reported losses, loans and receivables, funds at Lloyd's, deposits and security fund. The carrying amounts of the financial assets best represent the maximum credit risk exposure at the reporting date.

As at December 31, 2020 and 2019, the exposure to credit risk for reinsurance balances receivable by region and source is as follows:

By Region	Note	2020	2019
Domestic		P1,560,028	P1,594,290
Foreign		1,668,137	1,592,598
	6	P3,228,165	P3,186,888

By Source	Note	2020	2019
Life		P796,892	P797,394
Nonlife		2,431,273	2,389,494
	6	P3,228,165	P3,186,888

As at December 31, 2020 and 2019, the exposure to credit risk for AFS financial assets – debt securities by type of security is as follows:

	Note	2020	2019
Government securities		P4,529,210	P3,418,483
Corporate bonds		58,368	61,297
	7	P4,587,578	P3,479,780

As at December 31, 2020 and 2019, the exposure to credit risk for HTM investments by type of security is as follows:

	Note	2020	2019
Corporate bonds		P1,383,352	P1,663,234
Government bonds		575,182	564,663
	8	P1,958,534	P2,227,897

As at December 31, 2020 and 2019, the exposure to credit risk for Reinsurance recoverable on reported losses (excluding MfAD) by region and source is as follows:

By Region	2020	2019
Domestic	P260,093	P241,310
Foreign	2,074,392	1,984,170
	P2,334,485	P2,225,480

By Source	2020	2019
Life	P18,366	P27,687
Nonlife	2,316,119	2,197,793
	P2,334,485	P2,225,480

The tables below provide information regarding the credit risk exposure of the Company as at December 31, 2020 and 2019 by classifying assets according to the Company's credit grading of counterparties.

December 31, 2020						
	Notes	Neither Past Due nor Impaired		Past Due but not Impaired	Impaired	Total
		Investment High Grade	Non-investment Grade			
Cash and cash equivalents	5	P950,914	P-	P-	P-	P950,914
Reinsurance balances receivable	6	1,762,703	519,906	389,743	555,813	3,228,165
AFS financial assets - debt securities	7	4,587,578	-	-	-	4,587,578
HTM investments	8	1,958,534	-	-	-	1,958,534
Loans and receivables	9	63,444	7,613	-	-	71,057
Reinsurance recoverable on reported losses		1,639,544	595,497	-	99,444	2,334,485
Funds at Lloyd's	14	142,476	-	-	-	142,476
Other assets		1,331	-	-	-	1,331
		P11,106,524	P1,123,016	P389,743	P655,257	P13,274,540

December 31, 2019						
	Notes	Neither Past Due nor Impaired		Past Due but not Impaired	Impaired	Total
		Investment High Grade	Non-investment Grade			
Cash and cash equivalents	5	P1,004,977	P-	P-	P-	P1,004,977
Reinsurance balances receivable	6	1,813,379	611,486	183,942	578,081	3,186,888
AFS financial assets - debt securities	7	3,479,780	-	-	-	3,479,780
HTM investments	8	2,227,897	-	-	-	2,227,897
Loans and receivables	9	71,535	8,477	-	-	80,012
Reinsurance recoverable on reported losses		1,084,424	1,017,053	-	124,003	2,225,480
Funds at Lloyd's	14	150,509	-	-	-	150,509
Other assets		1,331	-	-	-	1,331
		P9,833,832	P1,637,016	P183,942	P702,084	P12,356,874

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 ₱0.50 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 as at December 31 are as follows:

	2020	2019
More than six months but not more than one year	₱375,196	₱113,188
More than one year	14,547	70,754
	₱389,743	₱183,942

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:

	Notes	2020	2019
Reinsurance balances receivable	6	₱2,672,352	₱2,608,807
Reinsurance balances payable	15	1,179,587	1,185,518

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, 2020 and 2019, the Company’s obligations arising from reinsurance operations amounting to ₱2.79 billion and ₱2.76 billion, respectively, are expected to be settled within the normal operating cycle of the business. In addition, as at December 31, 2020 and 2019, other financial liabilities included as part of the Accounts payable and accrued expenses account in the statements of financial position amounted to ₱100.56 million and ₱46.76 million, respectively, and have contractual maturities within one year after the end of the reporting period.

As at December 31, 2020 and 2019, the Company has a current ratio of 2.29:1 and 2.05:1, respectively.

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 of ₱28.66 million and ₱26.25 million in 2020 and 2019, respectively, and net foreign currency gains of ₱43.22 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. The foreign currency denominated financial assets and liabilities of the Company is as follows:

	2020		2019	
	U.S. Dollars	Other Currencies	U.S. Dollars	Other Currencies
Financial assets	₱2,082,252	₱356,219	₱2,139,073	₱289,787
Financial liabilities	(1,205,091)	(218,420)	(1,131,651)	(165,448)
Total net exposure	₱877,161	₱137,799	₱1,007,422	₱124,339

The table below illustrates the sensitivity of the Company's profit before tax and equity 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.

	2020			2019		
	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	2.37%	P24,126	P16,888	4.46%	P51,591	P36,114
Php - Indian Rupee	4.81%	74	52	6.46%	108	76
Php - Singaporean Dollars	3.44%	(564)	(395)	3.67%	(722)	(505)
Php - Hongkong Dollars	2.57%	(497)	(348)	4.19%	(852)	(597)
Php - Euro	5.99%	4,550	3,185	4.34%	1,697	1,188
Php - Thailand Baht	6.80%	(22)	(15)	5.43%	(202)	(141)
Php - Vietnamese Dong	2.56%	(18)	(13)	4.21%	(312)	(219)
Php - Indonesian Rupiah	18.11%	6,504	4,553	6.36%	1,546	1,082
Php - Nepalese Rupee	4.67%	419	293	3.91%	459	321
Php - Japanese Yen	4.36%	(4)	(3)	7.77%	(8)	(5)
Php - China Yuan	3.62%	(9)	(6)	3.51%	(8)	(6)
Php - Sri Lankan Rupee	6.38%	(8)	(6)	4.94%	(7)	(5)
Php - British Pound	7.84%	(4,397)	(3,078)	8.10%	(3,265)	(2,286)
Php - Bhutanese	4.41%	(282)	(197)	-	-	-
Php - South Korean	5.82%	(1,615)	(1,131)	-	-	-
Php - Nepalese	5.18%	17	12	-	-	-
Total		P28,274	P19,791		P50,025	P35,017

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, 2020 and 2019, investments in listed equities accounted for 21% and 29% 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, 2020 and 2019 are summarized as follows:

	2020		2019	
	Observed Volatility Rates	Effect in Other Comprehensive Income	Observed Volatility Rates	Effect in Other Comprehensive Income
Common shares	33.04%	P305,884	9.49%	P99,021
Preferred shares	17.04%	56,217	9.58%	36,372
		P362,101		P135,393

If the volatility in market value resulted to depreciation in fair value of the AFS financial assets, with all other variables remaining constant, the effect would be the reverse of the amounts presented.

(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 77% and 70% of its total investment portfolio as at December 31, 2020 and 2019, 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.

	2020		
	Observed Volatility Rates	Effect in Other Comprehensive Income	
		Increase in variable	Decrease in variable
Peso-denominated securities:			
Government bonds	39.68%	(P52,396)	P232,882
U.S. Dollar-denominated securities:			
Government bonds	32.89%	(79)	(52)
Corporate bonds	18.02%	(12)	-
		(P52,487)	P232,830

	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

In 2020 and 2019, 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:

	2020	2019
Cash on hand and in banks	P259,627	P95,503
Short-term placements	691,287	909,474
	P950,914	P1,004,977

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 amounting to P11.85 million in 2020, P46.75 million in 2019, and P35.09 million in 2018, is presented as part of the Investment and Other income and expenses – net account in the statements of income (see Note 20).

Peso short-term placements earn annual interest ranging from 0.03% to 4.00% in 2020, 0.50% to 7.15% in 2019, and from 0.13% to 7.15% in 2018, while U.S. dollar short-term placements earn annual interest ranging from 0.02% to 1.88% in 2020, 1.00% to 2.40% in 2019, and 0.13% to 2.25% in 2018.

The Cash and cash equivalents account includes cash denominated in U.S. dollar amounting to \$2.65 million or P127.08 million in 2020 and \$4.59 million or P233.04 million in 2019.

6. REINSURANCE BALANCES RECEIVABLE – NET

The details of this account are as follows:

	2020	2019
Due from ceding companies	P2,741,537	P2,739,387
Due from reinsurers	1,060	1,261
Reinsurance recoverable on paid losses	328,005	344,609
Funds held by ceding companies	157,563	101,631
	3,228,165	3,186,888
Allowance for impairment	(555,813)	(578,081)
	P2,672,352	P2,608,807

The movements in these accounts are as follows:

	Notes	2020				
		Due from ceding companies	Due from Reinsurers	Reinsurance recoverable on paid losses	Funds held by ceding companies	Total
Balance at beginning of year		P2,739,387	P1,261	P344,609	P101,631	P3,186,888
Loss recoveries during the year	11, 21.1	-	-	371,075	-	371,075
Premiums written net of funds held during the year		4,139,899	-	-	-	4,139,899
Funds held during the year		-	-	-	333,803	333,803
Reclassified from due from ceding companies		275,340	-	-	(275,340)	-
Collections during the year		(4,364,722)	-	(369,780)	-	(4,734,502)
Write-off during the year		(27,592)	(201)	(9,509)	(1,419)	(38,721)
Foreign exchange revaluation		(20,775)	-	(8,390)	(1,112)	(30,277)
		2,741,537	1,060	328,005	157,563	3,228,165
Allowance for impairment		(206,546)	(1,060)	(326,756)	(21,451)	(555,813)
Balance at end of year		P2,534,991	P-	P1,249	P136,112	P2,672,352

	Notes	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	11, 21.1	-	-	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)
Foreign exchange revaluation		(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

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

Reinsurance balances receivables are reviewed for any indicators of impairment as of reporting date and allowance for impairment is recognized when necessary.

A reconciliation of the allowance for impairment at the beginning and end of 2020 and 2019 is shown below.

	Note	2020				
		Due from ceding companies	Due from reinsurers	Reinsurance recoverable on paid losses	Funds held by ceding companies	Total
Balance at beginning of year		P221,988	P1,261	P331,962	P22,870	P578,081
Write-off during the year		(27,592)	(201)	(9,509)	(1,419)	(38,721)
Reclassification	11	12,136	-	12,423	-	24,559
Revaluation		14	-	(8,120)	-	(8,106)
Balance at end of year		P206,546	P1,060	P326,756	P21,451	P555,813

	Note	2019				Total
		Due from ceding companies	Due from reinsurers	Reinsurance recoverable on paid losses	Funds held by ceding companies	
Balance at beginning of year		₱265,287	₱-	₱348,020	₱24,131	₱637,438
Reclassification	11	(42,360)	1,261	(13,637)	(1,261)	(55,997)
Revaluation		(939)	-	(2,421)	-	(3,360)
Balance at end of year		₱221,988	₱1,261	₱331,962	₱22,870	₱578,081

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:

	2020	2019
Debt securities	₱4,587,578	₱3,479,780
Equity securities - net	1,264,482	1,432,375
UITF	48,610	-
Investment in ARC shares	32,397	33,598
	₱5,933,067	₱4,945,753

Debt securities include investments in corporate bonds and government securities.

Debt securities earn interest at annual rates ranging from 0.95% to 8.00% in 2020, 3.25% to 8.00% in 2019 and 2.13% to 8.00% in 2018. Interest income amounting to ₱160.49 million in 2020, ₱148.94 million in 2019 and ₱101.02 million in 2018, is presented as part of Investment and Other income and expenses - net account in the statements of income (see Note 20).

The following presents the fair value of debt securities by contractual maturity dates:

	2020	2019
Due within one year	₱801,044	₱279,298
Due after one year through five years	2,773,497	1,542,863
Due after five years through ten years	669,473	970,427
Due after ten years	343,564	687,192
	₱4,587,578	₱3,479,780

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

	2020	2019
Cost:		
Quoted in the stock exchange	₱1,160,939	₱1,486,032
Not quoted in the stock exchange	14,745	15,517
	1,175,684	1,501,549
Unrealized foreign currency gains (losses)	(582)	95
Fair value gains (losses):		
Quoted in the stock exchange	95,409	(63,460)
Not quoted in the stock exchange	(6,029)	(5,809)
	89,380	(69,269)
	₱1,264,482	₱1,432,375

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

Dividend income from these equity securities amounting to ₱46.29 million and ₱43.71 million in 2020 and 2019, respectively, is presented under the Investment and Other income and expenses - net account in the statements of income (see Note 20).

UITF is a collective investment scheme, wherein funds of investors are pooled together. Subscription and/or redemption to these UITFs are reflected through units of participation. This is managed by a professional fund manager and is invested in various underlying instruments, such as time deposits and government securities.

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 ₱32.40 million and ₱33.60 million as at December 31, 2020 and 2019, respectively.

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

	Notes	2020	2019
Cost			
Balance at beginning of year		₱4,943,678	₱4,946,329
Acquisitions		6,991,787	2,848,452
Disposals/maturities		(5,783,037)	(2,782,990)
Impairment losses		(469,312)	(57,511)
Unrealized foreign currency losses		(14,235)	(10,602)
		5,668,881	4,943,678
Fair value adjustment			
Balance at beginning of year		2,075	(366,377)
Changes in fair value		102,059	390,713
Fair value gains on disposal	20	(309,260)	(79,772)
Impairment losses	20	469,312	57,511
		264,186	2,075
Balance at end of year		₱5,933,067	₱4,945,753

Fair value gains or losses recognized in the statements of comprehensive income (loss) amounted to fair value gains of ₱102.11 million and ₱390.71 million in 2020 and 2019, respectively, and fair value losses of ₱492.44 million in 2018.

In 2018, the Company reclassified certain investments classified under AFS financial assets to HTM investments amounting to ₱473.13 million (see Note 8) and to Other assets amounting to ₱0.88 million.

The Company recognized an impairment loss amounting to ₱469.31 million, ₱57.51 million and ₱7.81 million, in 2020, 2019 and 2018, 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 - net 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 ₱5.78 billion in 2020, ₱2.78 billion in 2019 and ₱2.39 billion in 2018. Accordingly, the Company recognized gain on sale of AFS financial assets amounting to ₱309.26 million, ₱79.77 million and ₱131.06 million in 2020, 2019 and 2018, respectively. These are presented as part of Investment and Other income and expenses - net 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 ₱309.26 million, ₱79.77 million and ₱131.06 million in 2020, 2019 and 2018, respectively (see Note 20).

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:

	2020	2019
Due within one year	₱384,547	₱480,142
Due after one year through five years	1,241,352	1,001,456
Due after five years through ten years	255,873	668,454
More than ten years	76,762	77,845
	₱1,958,534	₱2,227,897

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

	2020	2019
Balance at beginning of year	₱2,227,897	₱1,848,693
Additions	200,000	722,206
Maturities	(480,937)	(338,672)
Amortization	11,574	(4,330)
Balance at end of year	₱1,958,534	₱2,227,897

In September 2018, the Company's BOD approved the reclassification of certain government securities from AFS financial assets to HTM investments amounting to ₱473.13 million with face value of ₱562.50 million (see Note 7). 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 ₱1.09 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%.

As at December 31, 2020 and 2019, the fair value of the reclassified debt securities amounted to ₱1.28 billion and ₱1.37 billion, respectively, and the unamortized fair value gain (loss) that would have been recognized in other comprehensive income if the AFS financial assets had not been reclassified amounted to ₱96.56 million gain and ₱18.50 million loss for the years ended December 31, 2020 and 2019, respectively.

The carrying amount of the reclassified debt securities amounted to ₱1.18 billion and ₱1.39 billion as at December 31, 2020 and 2019, respectively.

In 2020, 2019 and 2018, the Company recognized interest income on HTM investments amounting to ₱119.52 million, ₱111.15 million and ₱82.59 million, respectively (see Note 20).

9. LOANS AND RECEIVABLES

This account is comprised of the following:

	Notes	2020	2019
Current:			
Loans and notes receivable		₱2,658	₱2,487
Dividend and interest receivable		63,444	71,535
	32	66,102	74,022
Non-current:			
Loans and notes receivable	32	4,955	5,990
		₱71,057	₱80,012

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%.

Interest income on Loans and notes receivable amounting to ₱0.43 million in 2020, ₱0.64 million in 2019, and ₱1.49 million in 2018, is presented as part of Investment and Other income and expenses – net 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 2020, 2019 and 2018.

10. PROPERTY AND EQUIPMENT

A reconciliation of the carrying amount at the beginning and end of 2020 and 2019 of property and equipment is shown below.

		2020				
		Condominium	Office Furniture and	Transportation	EDP	
	Note	Unit	Improvements	Equipment	Equipment	Total
<u>Cost</u>						
Balance at beginning of year		₱101,310	₱25,241	₱11,225	₱12,585	₱17,870
Additions		-	-	-	607	2,683
Disposals/retirement		-	-	-	(839)	(359)
Balance at end of year		101,310	25,241	11,225	12,353	20,194
<u>Accumulated Depreciation</u>						
Balance at beginning of year		68,103	5,154	7,042	6,390	11,148
Depreciation	22	3,377	2,522	1,404	2,284	3,954
Disposals/retirement		-	-	-	(839)	(189)
Balance at end of year		71,480	7,676	8,446	7,835	14,913
Net Book Value		₱29,830	₱17,565	₱2,779	₱4,518	₱5,281

		2019				
		Condominium	Office Furniture and	Transportation	EDP	
	Note	Unit	Improvements	Equipment	Equipment	Total
<u>Cost</u>						
Balance at beginning of year		₱101,310	₱25,234	₱11,183	₱11,906	₱14,406
Additions		-	7	57	929	6,949
Disposals/retirement		-	-	(15)	(250)	(3,485)
Balance at end of year		101,310	25,241	11,225	12,585	17,870
<u>Accumulated Depreciation</u>						
Balance at beginning of year		64,726	2,632	5,548	4,094	10,476
Depreciation	22	3,377	2,522	1,494	2,391	4,131
Disposals/retirement		-	-	-	(95)	(3,459)
Balance at end of year		68,103	5,154	7,042	6,390	11,148
Net Book Value		₱33,207	₱20,087	₱4,183	₱6,195	₱6,722

The Company sold and retired certain assets with book value of ₱0.17 million, ₱0.20 million and ₱0.30 million in 2020, 2019, and 2018, respectively, and recognized net gain amounting to ₱0.02 million in 2020, and net loss amounting to ₱0.05 million and ₱0.23 million in 2019 and 2018, respectively, and is presented under Gain (loss) on sale of non-financial assets and Loss on asset retirement under Investment and Other income and expenses – net 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 ₱16.02 million and ₱9.88 million as at December 31, 2020 and 2019, respectively.

ROU assets capitalized are recognized as part of EDP Equipment. As at December 31, 2020 and 2019, ROU assets and Lease liabilities amounted to ₱1.34 million and ₱2.88 million, respectively.

In 2020 and 2019, depreciation associated with ROU assets amounted to ₱2.57 million and ₱2.64 million, respectively.

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

The movements in the accounts are as follows:

	Notes	Reinsurance recoverable on reported losses	Reinsurance recoverable on claims reserves
December 31, 2020			
Balance at beginning of year		₱2,412,386	₱319,606
Claims reported during the year		505,900	-
Transferred to reinsurance recovered on paid losses	6, 21.1	(371,075)	-
Claims incurred but not reported, net of adjustments	21.2	-	11,028
Foreign exchange revaluation		(20,841)	-
		2,526,370	330,634
Allowance for impairment		(99,444)	-
Balance at end of year		₱2,426,926	₱330,634
December 31, 2019			
Balance at beginning of year		₱2,442,548	₱319,048
Claims reported during the year		239,556	-
Transferred to reinsurance recovered on paid losses	6, 21.1	(257,462)	-
Claims incurred but not reported, net of adjustments	21.2	-	558
Foreign exchange revaluation		(12,256)	-
		2,412,386	319,606
Allowance for impairment		(124,003)	-
Balance at end of year		₱2,288,383	₱319,606

All of the Company's reinsurance recoverable on reported losses and claims reserves have been reviewed for indicators of impairment. Certain reinsurance recoverable on reported losses was found to be impaired and provisions have been recorded accordingly.

The movement in the allowance for impairment with respect to Reinsurance recoverable on reported losses during the year is as follows:

	Note	2020	2019
Balance at beginning of year		₱124,003	₱68,006
Reclassification	6	(24,559)	55,997
Balance at end of year		₱99,444	₱124,003

12. DEFERRED ACQUISITION COSTS

The movements in this account are as follows:

	Note	2020	2019
Balance at beginning of year		₱595,480	₱405,104
Cost deferred		1,088,592	1,177,086
Cost recognized	21.3	(1,063,218)	(986,710)
Balance at end of year		₱620,854	₱595,480

The amortization 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:

	2020	2019
Balance at beginning of year	₱454,040	₱331,545
Premiums retroceded during the year	1,276,690	1,064,246
Premiums amortized during the year	(1,323,326)	(941,751)
Balance at end of year	₱407,404	₱454,040

The movement in deferred reinsurance premiums for the year is presented as part of Decrease (Increase) in premium reserves – net account in the statements of income amounted to a decrease of ₱46.64 million and increase of ₱122.50 million in 2020 and 2019, respectively.

14. OTHER ASSETS

This account is composed of the following:

	Notes	2020	2019
Deferred tax assets – net	23	₱251,486	₱167,518
Input VAT		206,218	207,007
Funds at Lloyd's		142,476	150,509
Intangible assets – net		17,516	26,819
Deferred withholding VAT		9,203	9,203
Defined benefit asset	22.2(b)	9,097	12,928
Prepayments		8,257	9,938
Deferred creditable tax		7,171	7,022
Investment properties – net		3,705	3,705
Deposit		687	687
Security fund		644	644
Deferred input VAT		431	617
Others		138	138
		657,029	596,735
Allowance for impairment		(209,633)	(209,633)
		₱447,396	₱387,102

In 2020 and 2019, there is no change in the amount of allowance for impairment with respect to the balances disclosed above.

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 ₱36.94 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, 2020 and 2019, Funds at Lloyd's amounted to U.S. \$2.97 million or ₱142.48 million and ₱150.51 million, respectively.

Intangible Assets – net

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, 2020 and 2019 are as follows:

	2020	2019
Cost	₱163,289	₱169,152
Accumulated amortization	(145,773)	(142,333)
Balance at end of year	₱17,516	₱26,819

A reconciliation of the carrying amount at the beginning and end of 2020 and 2019, of intangible assets is shown below.

	Note	2020	2019
Balance at beginning of year, net of accumulated amortization		₱26,819	₱30,013
Additions		1,013	5,271
Reclassification		(3,773)	-
Amortization	20	(6,543)	(8,465)
Balance at end of year, net of accumulated amortization		₱17,516	₱26,819

Prepayments

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

Investment Properties – net

Investment properties consist of land which are owned for capital appreciation. The carrying amount of the investment properties as at December 31, 2020 and 2019 is ₱3.71 million.

The total estimated fair value based on the latest available selling price of the properties obtained by the Company amounted to ₱20.76 million and ₱15.20 million as at December 31, 2020 and 2019, 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.

Deferred Input VAT

Deferred input VAT pertains to VAT from the purchase of goods and services that are due to the suppliers as at reporting date.

15. REINSURANCE BALANCES PAYABLE

The details of this account are as follows:

	2020	2019
Due to retrocessionaires	₱1,157,660	₱1,175,144
Funds held for retrocessionaires	12,753	5,691
Due to cedant	9,174	4,683
	₱1,179,587	₱1,185,518

Due to retrocessionaires

Due to retrocessionaires represent unpaid premiums payable to the Company’s retrocessionaires.

Funds held for 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.

	2020			
	Due to retrocessionaires	Funds held for retrocessionaires	Due to cedant	Total
Balance at beginning of year	₱1,175,144	₱5,691	₱4,683	₱1,185,518
Retroceded premiums net of funds held during the year	1,264,901	-	-	1,264,901
Funds held during the year	-	11,789	-	11,789
Funds released during the year	4,727	(4,727)	-	-
Payments made during the year	(1,280,248)	-	4,490	(1,275,758)
Foreign exchange revaluation	(6,864)	-	1	(6,863)
Balance at end of year	₱1,157,660	₱12,753	₱9,174	₱1,179,587

	2019			
	Due to retrocessionaires	Funds held for retrocessionaires	Due to cedant	Total
Balance at beginning of year	₱1,128,331	₱23,559	₱2,343	₱1,154,233
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)
Foreign exchange revaluation	(2,865)	-	(27)	(2,892)
Balance at end of year	₱1,175,144	₱5,691	₱4,683	₱1,185,518

16. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

This account includes the following:

	Note	2020	2019
Deposit liability		₱179,579	₱-
Income tax payable		59,685	31,207
Accounts payable and accrued expenses		53,083	44,215
Deferred output VAT		25,508	24,727
Withholding taxes payable		5,899	8,238
Dividends payable	24.3	2,543	2,543
		₱326,297	₱110,930

In February 13, 2020, the Company entered into an ordinary life coinsurance agreement with a ceding company for its specific in-force block of business, where it assumed a share of the gross premium in return for a proportionate share of the coverage of all benefits. An initial consideration of ₱211.10 million was transferred to the Company representing the statutory reserves of the underlying contracts. As the related insurance risk of the underlying contracts were not considered significant, this contract was accounted for as a Deposit liability. The statutory reserves are measured based on the assumptions consistent with the Life's valuation standards set by the IC. Movements resulting from the remeasurement of the statutory reserves amounting to ₱13.58 million in 2020 (nil in 2019) are recognized as Movement in deposit liability as reported under Investment and other income and expenses - net account (see Note 20). As at December 31, 2020, the statutory reserves amounted to ₱179.58 million.

Accounts payable represent balances due to suppliers or for the purchase of goods or services. This includes accrued expenses pertaining to accruals of outside services, utilities, uniforms, membership dues and meeting expenses and the related input VAT.

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.

Other than the statutory reserves discussed above, the 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.

	Notes	Losses and Claims Payable	Claims Reserves
December 31, 2020			
Balance at beginning of year		₱4,554,326	₱1,997,624
Claims incurred during the year - net		2,257,059	-
Claims incurred but not reported, net of adjustments	21.2	-	258,022
Claims paid during the year	21.1	(1,927,445)	-
Foreign exchange revaluation		(58,948)	-
Balance at end of year		₱4,824,992	₱2,255,646
December 31, 2019			
Balance at beginning of year		₱4,519,271	₱1,715,474
Claims incurred during the year - net		2,029,477	-
Claims incurred but not reported, net of adjustments	21.2	-	282,150
Claims paid during the year	21.1	(1,950,987)	-
Foreign exchange revaluation		(43,435)	-
Balance at end of year		₱4,554,326	₱1,997,624

18. PREMIUM RESERVES

The movements in Premium reserves are as follows:

	2020	2019
Balance at beginning of year	₱1,768,249	₱1,564,635
Premium written	4,473,702	4,338,535
Premiums earned	(4,702,604)	(4,134,921)
Balance at end of year	₱1,539,347	₱1,768,249

The increase or decrease in Premiums reserves for the year is presented as part of Decrease (Increase) in premium reserves - net account in the statements of income amounted to a decrease of ₱228.90 million and an increase of ₱203.61 million in 2020 and 2019, respectively.

19. DEFERRED REINSURANCE COMMISSIONS

The movements in Deferred reinsurance commissions are as follows:

	Note	2020	2019
Balance at beginning of year		₱6,234	₱526
Income deferred		32,245	23,827
Income recognized	21.3	(31,559)	(18,119)
Balance at end of year		₱6,920	₱6,234

The amortized 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 - NET

The details of this account are as follows:

	Notes	2020	2019	2018
Gain on sale of AFS	7	₱309,260	₱79,772	₱131,059
Interest income:				
Cash and cash equivalents	5	11,846	46,752	35,088
AFS financial assets	7	160,493	148,937	101,018
HTM investments	8	119,524	111,151	82,590
Loans and receivables	9	429	641	1,488
Others		1,752	7,308	4,492
Dividend income	7	46,285	43,713	43,672
Gain (loss) on sale of non-financial assets		17	(17)	11
Loss on asset retirement		-	(35)	(244)
Movement in deposit liability	16	(13,581)	-	-
Foreign currency gains (losses)		(28,661)	(26,245)	43,221
Impairment loss on AFS financial assets	7	(469,312)	(₱57,511)	(7,810)
Other charges		(6,386)	(5,126)	(45,097)
		₱131,666	₱349,340	₱389,488

In 2019, gain from settlement of derivative liabilities amounted to ₱4.06 million and reported under foreign currency gains. No similar transaction occurred in 2020.

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

	Notes	2020	2019	2018
Gross claims paid	17	₱1,927,445	₱1,950,987	₱1,389,814
Retrocessionaires' share in losses paid	6, 11	(371,075)	(257,462)	(176,069)
Gross change in provision for claims reported		362,314	105,837	(485,039)
Retrocessionaires' share in change in provision for claims reported		(159,784)	7,262	322,816
		₱1,758,900	₱1,806,624	₱1,051,522

21.2 Share in Unreported Loss Reserves – Net

	Notes	2020	2019	2018
Gross change in provision for IBNR	17	₱258,022	₱282,150	₱407,676
Retrocessionaires' share in change in provision for IBNR	11	(11,028)	(558)	180,947
		₱246,994	₱281,592	₱588,623

21.3 Commissions – Net

This account consists of the following:

	Notes	2020	2019	2018
Commission expense	12	₱1,063,218	₱986,710	₱777,877
Commission income	19	(31,559)	(18,119)	(4,508)
		₱1,031,659	₱968,591	₱773,369

Commission expense refers to the amortized portion of the fees deducted by ceding companies from reinsurance premiums assumed under reinsurance agreements, while commission income pertains to the amortization for the year of the 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:

	Notes	2020	2019	2018
Salaries and employee benefits	22.1	₱154,769	₱166,355	₱152,279
Taxes, licenses and fees		30,439	9,215	8,634
Data, licenses and subscriptions		21,194	13,666	13,272
Depreciation and amortization	10, 14	20,084	22,380	15,904
Professional fees		15,320	11,656	28,973
Repairs and maintenance		8,213	8,632	5,650
Outsourced functions		7,273	7,078	10,416
Communication and postages		6,141	5,501	7,430
Dues and fees		3,459	3,235	3,308
Light and water		1,656	1,792	2,106
Insurance		1,105	991	1,356
Advertising and publicity		702	2,962	3,321
Meetings, conferences and conventions		566	3,393	3,182
Rental	28.1	253	210	1,120
Printing and office supplies		242	738	891
Representation and entertainment		217	823	995
Impairment losses - net	6,11,14	-	-	78,740
Miscellaneous		6,786	9,874	12,751
		₱278,419	₱268,501	₱350,328

Taxes, Licences and Fees

Taxes, licenses and fees consists of payments made for the local and national taxes, tax deficiency assessments, business permits and licenses.

Data, licenses and Subscriptions

Data, licenses and subscription are the amortized portion of subscriptions paid for the use of various computer licensed software.

Professional Fees

Professional fees are the expenses charged for external services engaged such as, tax consultancy, external audit, legal and actuarial services.

22.1 Salaries and Employee Benefit Expense

The details of salaries and employee benefits are presented below.

	2020	2019	2018
Short-term employee benefits	₱140,264	₱153,286	₱139,697
Post-employment defined benefit	10,293	9,021	8,413
Compensated absences	4,212	4,048	4,169
	₱154,769	₱166,355	₱152,279

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 2020 and 2019. 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:

	2020	2019
Fair value of the plan assets	₱92,238	₱80,683
Present value of the obligation	(83,141)	(67,755)
	₱9,097	₱12,928

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

	2020	2019
Balance at beginning of year	₱80,683	₱64,704
Interest income	3,945	5,293
Return on plan assets	(2,683)	3,815
Contributions paid into the plan	10,293	9,021
Benefits paid by the plan	-	(2,150)
Balance at end of year	₱92,238	₱80,683

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

	2020	2019
Balance at beginning of year	₱67,755	₱51,077
Current service cost	10,293	9,021
Interest expense	3,314	4,178
Remeasurements – actuarial losses (gains) arising from:		
Experience adjustments	1,972	(1,450)
Changes in financial assumptions	(193)	7,079
Benefits paid by the plan	-	(2,150)
Balance at end of year	₱83,141	₱67,755

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

	2020	2019
Cash and cash equivalents	P8,734	P5,163
Philippine government securities	36,021	40,506
Equity securities	16,872	16,972
Corporate notes	19,872	16,816
Loans and receivables	9,687	2,179
Mutual fund	1,208	1,498
Accounts payable	(156)	(2,451)
	P92,238	P80,683

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 **P1.26** million and **P9.11** million in 2020 and 2019, respectively, and incurred a loss of **P3.43** million in 2018.

Plan assets do not comprise any of the Company's own financial instruments.

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:

	2020	2019	2018
<i>Reported in statements of income:</i>			
Current service cost	P10,293	P9,021	P8,413
Net interest income	(631)	(1,115)	(454)
	P9,662	P7,906	P7,959

	2020	2019	2018
<i>Reported in other comprehensive loss (income):</i>			
Actuarial losses (gains) arising from:			
Experience adjustments	P1,972	(P1,450)	(P1,712)
Changes in financial assumptions	(193)	7,079	(8,604)
Return on plan assets (excluding amounts included in net interest)	2,683	(3,815)	6,383
	P4,462	P1,814	(P3,933)

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 – net account (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:

	2020	2019	2018
Discount rate	3.4%	4.9%	8.2%
Expected rate of salary increase	3.0%	4.5%	6.0%
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 as follows:

(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, 2020	Impact on Defined Benefit Asset		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	+/- 1.0%	P4,799	(P5,466)
Salary growth	+/- 1.0%	(5,398)	4,944
Turn-over rate	+/- 10.0%	566	(566)

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)

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, 2020 and 2019 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 P9.10 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, 2020 and 2019, the maturity profile of undiscounted expected benefit payments from the plan for the next 20 years is as follows:

	2020	2019
Within one year	₱7,816	₱6,724
More than one year to five years	39,514	40,569
More than five years to 10 years	77,242	78,683
More than 10 years to 15 years	32,407	26,790
More than 15 years to 20 years	83,955	129,430
	₱240,934	₱282,196

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.

	2020	2019	2018
Current tax expense:			
Regular corporate income tax (RCIT)	₱98,520	₱53,614	₱116,553
Final tax at 20%, 7.5%, and 15%	60,549	60,303	42,678
Deferred tax benefit	(84,014)	(53,433)	(116,553)
	₱75,055	₱60,484	₱42,678

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:

	2020	2019	2018
Tax on pretax profit at 30%	₱58,491	₱65,161	₱57,568
Non-deductible expenses	144,607	17,256	2,704
Non-taxable income	(105,683)	(13,115)	(13,102)
Adjustment for income subjected to lower tax rates	(27,200)	(56,306)	(63,344)
Others	(1,241)	-	-
Tax effects of:			
Movements in unrecognized deferred tax assets:			
Losses and claims payable	31,002	(3,295)	(20,195)
Unrealized foreign currency losses	5,584	-	-
Accrued commission expense, net of deferred acquisition costs	10,522	-	-
Claims reserves	176	58,920	61,345
Accrued expense	(2,935)	968	4,044
Amortized past service cost	(6,599)	(4,466)	(4,466)
Premium reserves	(9,696)	(4,663)	(5,498)
Define benefit liability	(21,973)	-	-
Allowance for impairment of receivables	-	24	23,622
Tax expense reported in statements of income	₱75,055	₱60,484	₱42,678

Presented below is the composition of the deferred tax asset and deferred tax liabilities recognized as at December 31, 2020 and 2019 (see Note 14).

	2020		2019	
	Tax Base	Tax Amount	Tax Base	Tax Amount
Profit or loss:				
Claims reserves	₱1,117,904	₱335,371	₱836,040	₱250,812
Losses and claims payable	166,188	49,856	185,461	55,638
Defined benefit liability	73,877	22,163	-	-
Accrued commission expense, net of deferred acquisition costs	59,397	17,819	61,418	18,425
Past service cost	9,097	2,729	-	-
Accrued expenses	7,946	2,384	-	-
Prepaid expenses	(7,946)	(2,384)	(9,958)	(2,987)
Defined benefit asset	(82,974)	(24,892)	(82,342)	(24,703)
Reinsurance recoverable on claims reserves	(330,634)	(99,190)	(319,606)	(95,882)
Reinsurance recoverable on reported losses	(166,188)	(49,856)	(133,556)	(40,067)
Unrealized foreign currency gains	-	-	29,167	8,750
	846,667	254,000	566,624	169,986
Other comprehensive income:				
Revaluation reserves on AFS financial assets	(8,379)	(2,514)	(8,226)	(2,468)
Net deferred tax assets	₱838,288	₱251,486	₱558,398	₱167,518

The Company has not recognized deferred tax assets on the following temporary differences as at December 31, 2020 and 2019.

	2020		2019	
	Tax Base	Tax Amount	Tax Base	Tax Amount
Deferred tax assets:				
Claims reserves	₱1,137,741	₱341,322	₱1,137,152	₱341,146
Allowance for impairment	655,257	196,577	702,084	210,625
Losses and claims payable	163,752	49,126	60,412	18,124
Accrued commission expense, net of deferred acquisition costs	85,839	25,752	50,767	15,230
Unamortized past service cost	24,025	7,208	46,022	13,807
Premium reserves	20,112	6,034	52,432	15,730
Unrealized foreign currency gains	18,612	5,584	-	-
Accrued expense	9,364	2,809	19,148	5,744
Defined benefit liability	-	-	69,415	20,824
Unrecognized deferred tax assets	₱2,114,702	₱634,412	₱2,137,432	₱641,230

In 2020 and 2019, 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. The Company recognized RCIT as its current tax expense in 2020 and 2019.

24. EQUITY

The Company's equity is composed of the following:

	Notes	2020	2019
Capital stocks		₱2,181,955	₱2,181,955
Additional paid-in capital		3,019,218	3,019,218
Treasury shares	24.1	(100,525)	(100,525)
Revaluation reserves		121,493	(145,342)
Retained earnings		524,181	404,264
		₱5,746,322	₱5,359,570

24.1 Capital Stock

As at December 31, 2020 and 2019, the Company has authorized shares of 3,000,000,000 and has issued and outstanding shares amounting to ₱2.08 billion net of treasury shares, which is divided into 2,123,605,600 shares with a par value of ₱1 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 ₱3.80 per share.

As at December 31, 2020 and 2019, there are 271 holders of the listed shares. Such listed shares closed at ₱0.67 and ₱0.83 per share, as at those dates, respectively.

As at December 31, 2020 and 2019, total treasury shares amounted to ₱100.53 million representing 58,349,000 shares. There were no treasury stock transactions in 2020 and 2019.

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, 2020 and 2019, the Company appropriated ₱11.99 million and ₱15.67 million, respectively, for special reserve.

24.3 Retained Earnings

There was no declaration of cash dividends in 2020 and 2019. The total outstanding dividends payable amounted to ₱2.54 million as at December 31, 2020 and 2019. 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:

	2020		2019	
	Stockholders	Related Parties Under Common Ownership	Stockholders	Related Parties Under Common Ownership
Premiums	₱27,534	₱215,625	₱20,648	₱225,492
Retrocessions	(33)	-	-	8,646
Commission income	-	-	-	2,177
Commission expense	125	29,077	4,130	36,287
Losses incurred (reversal)	(2,917)	76,117	4,486	(123,761)
Loss recoveries	(220)	-	(28,514)	-

The outstanding balance of the Reinsurance balances receivable from and payable to related parties as at December 31, 2020 and 2019 are presented as follows:

	2020		2019	
	Stockholders	Related Parties Under Common Ownership	Stockholders	Related Parties Under Common Ownership
Due from ceding companies	₱164	₱62,700	₱2	₱56,514
Funds held for retrocessionaires	1	-	1	-
Reinsurance recoverable on reported losses	18,900	-	19,129	-
Claims payable	172,872	557,989	175,435	557,758
Due to retrocessionaires	8	5,667	41	5,154

The balances discussed above are non-interest bearing, unsecured and is common for all reinsurance agreements regardless of whether the counterparties are related or unrelated to the Company. Premiums receivable, premiums payable and the related commission income/expense are expected to be settled in cash in accordance with the underlying reinsurance contracts. Claims payable and claims recoverable are expected to be settled in cash when the insured/reinsured party has fully substantiated the underlying claim. The allowance for impairment recognized under Due from ceding companies amounted to ₱74.93 million and ₱75.16 million as at December 31, 2020 and 2019, respectively.

25.2 Other Transactions

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

		2020		2019	
		Amount of Transactions	Outstanding Balance	Amount of Transactions	Outstanding Balance
Stockholder:					
Cash and cash equivalents	(a)	P4,301	P61,580	(P22,660)	P57,279
AFS financial assets	(b)	20,338	79,774	(59,170)	59,436
HTM investments	(b)	50,000	50,000	-	-
Dividend receivables	(b)	(426)	-	426	426
Interest income - bank accounts	(a)	649	-	1,764	11
Interest income - bonds	(b)	606	183	-	-
Dividend income - AFS financial assets	(b)	445	-	3,013	-
Other expenses (reversals)	(d)	96	-	(44)	-
Related Party Under Common Ownership:					
Cash and cash equivalents	(a)	(283,390)	350,932	(14,532)	634,322
AFS financial assets	(b)	31,481	335,780	(11,583)	304,299
HTM investments	(b)	(99,422)	50,433	-	149,855
Loans and receivables	(c)	-	-	(50,000)	-
Interest income - bank accounts	(a)	-	-	7,112	-
Contributions paid	(d)	(10,293)	-	(9,021)	-
Benefits paid	(d)	-	-	(2,150)	-

(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 - net account in the statements of income (see Note 20).

(b) Investments

The Company has investment in shares of stock of a stockholder, and fixed income securities and UITF investments with related parties under common ownership classified as AFS financial assets and HTM investments. 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 - net 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 - net account in the statements of income (see Note 20). The LTNCD and notes receivable are unsecured and earn interest 5% in 2019 (nil for 2020). No impairment loss was recognized in 2020 and 2019.

(d) Investment Management and Custodianship

The Company has entered into "Investment Management Agreement" and "Custodianship Agreement" with related parties 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 related parties under common ownership 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 - net account in the statements of income (see Note 20).

25.3 Investment Management of Retirement Fund

The Company has existing "Retirement Fund Investment Management Agreement" with related parties under common ownership for the management of the investments of the Company's retirement funds subject to the terms and conditions in the said agreement.

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 two trustees covering all regular full-time employees. The Company's transactions with its retirement fund are limited to contributions made to the fund in 2020 and contributions and reimbursements in 2019. The retirement fund does not hold any security issued by the Company as at December 31, 2020 and 2019.

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:

	2020	2019	2018
Short-term benefits	P52,504	P49,528	P85,346
Post-employment defined benefit	3,776	3,920	2,953
	P56,280	P53,448	P88,299

26. SOLVENCY

Under the Amended 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:

	2020	2019	2018
Net profit available to common shareholders	P119,917	P156,718	P149,216
Divided by the average number of outstanding common shares (in thousands)	2,123,606	2,123,606	2,123,606
	P0.056	P0.074	P0.070

Diluted earnings per share is not determined since the Company does not have dilutive shares as at December 31, 2020, 2019 and 2018.

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, 2020 and 2019 is ₱0.87 million and ₱0.85 million, respectively, which is payable not later than one year.

Rental expense recognized amounted to ₱0.25 million, ₱0.21 million and ₱1.12 million in 2020, 2019 and 2018, 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, 2020 and 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. Further, the Company is also in receipt of formal letter of demand covering taxable period January 1, 2016 to December 31, 2016. These assessments are in pursuant to which the BIR has sought to investigate the tax periods identified 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 these matters.

As at December 31, 2020 and 2019, management believes that there is no probable reason that an outflow of resources will be required considering the merits of the Company's protest and the sufficiency and validity of the documents submitted to the local tax authorities to support the Company's position. Accordingly, the Company did not provide any provision for contingent tax liability.

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, 2020 and 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.

		2020		2019	
	Notes	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial assets:					
Loans and receivables:					
Cash and cash equivalents	5	₱950,914	₱950,914	₱1,004,977	₱1,004,977
Funds at Lloyd's	14	142,476	142,476	150,509	150,509
Loans and receivables	9	71,057	71,057	80,012	80,012
Reinsurance balances receivable	6	3,228,165	3,228,165	3,186,888	3,186,888
Reinsurance recoverable on reported losses		2,334,485	2,334,485	2,225,480	2,225,480
Other assets		1,331	1,331	1,331	1,331
		₱6,728,428	₱6,728,428	₱6,649,197	₱6,649,197

(Forward)

	Notes	2020		2019	
		Carrying Values	Fair Values	Carrying Values	Fair Values
AFS financial assets:					
Debt securities		₱4,587,578	₱4,587,578	₱3,479,780	₱3,479,780
Equity securities		1,264,482	1,264,482	1,432,375	1,432,375
UITF		48,610	48,610	-	-
Investment in ARC		32,397	32,397	33,598	33,598
	7	₱5,933,067	₱5,933,067	₱4,945,753	₱4,945,753
HTM investments	8	₱1,958,534	₱2,093,144	₱2,227,897	₱2,285,405
Financial liabilities:					
Reinsurance balances payable	15	₱1,179,587	₱1,179,587	₱1,185,518	₱1,185,518
Losses and claims payable		4,429,004	4,429,004	4,179,817	4,179,817
Accounts payable and other accrued expenses*	16	235,205	235,205	46,758	46,758
		₱5,843,796	₱5,843,796	₱5,412,093	₱5,412,093

*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).

	Notes	Level 1	Level 2	Level 3	Total
December 31, 2020					
AFS financial assets	7	P5,891,954	P1,220	P39,893	P5,933,067
December 31, 2019					
AFS financial assets	7	P4,902,448	P1,460	P41,845	P4,945,753

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

	2020	2019
Balance at beginning of year	P41,845	P51,416
Fair value gains	299	9,329
Disposal	(897)	(17,910)
Foreign currency losses	(1,354)	(990)
Balance at end of year	P39,893	P41,845

The Company has no financial liabilities measured at fair value as at December 31, 2020 and 2019. Also, there has been no transfer between levels in 2020 and 2019.

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, 2020 and 2019, 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) UITF

The fair value of the Company's UITF which is classified as money market funds and consist of units of participation on the Fund's investments in short-term fixed income instruments consisting of time deposits and government securities with tenors of less than one year is estimated by reference to the net asset value published by the fund managers and is categorized within Level 1.

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.

	Notes	Level 1	Level 2	Level 3	Total
December 31, 2020					
Financial assets:					
Cash and cash equivalents	5	P950,914	P-	P-	P950,914
HTM investments		2,093,144	-	-	2,093,144
Loans and receivables	9	-	-	71,057	71,057
Reinsurance balances receivable	6	-	-	3,228,165	3,228,165
Reinsurance recoverable on reported losses		-	-	2,334,485	2,334,485
Funds at Lloyd's	14	-	-	142,476	142,476
Other assets		-	-	1,331	1,331
		P3,044,058	P-	P5,777,514	P8,821,572
Financial liabilities:					
Reinsurance balances payable	15	P-	P-	P1,179,587	P1,179,587
Losses and claims payable		-	-	4,429,004	4,429,004
Accounts payable and other accrued expenses*	16	-	-	235,205	235,205
		P-	P-	P5,843,796	P5,843,796

*Excluding taxes payable

		Level 1	Level 2	Level 3	Total
December 31, 2019					
Financial assets:					
Cash and cash equivalents	5	P1,004,977	P-	P-	P1,004,977
HTM investments		2,285,405	-	-	2,285,405
Loans and receivables	9	-	-	80,012	80,012
Reinsurance balances receivable	6	-	-	3,186,888	3,186,888
Reinsurance recoverable on reported losses		-	-	2,225,480	2,225,480
Funds at Lloyd's	14	-	-	150,509	150,509
Other assets		-	-	1,331	1,331
		P3,290,382	P-	P5,644,220	P8,934,602
Financial liabilities:					
Reinsurance balances payable	15	P-	P-	P1,185,518	P1,185,518
Losses and claims payable		-	-	4,179,817	4,179,817
Accounts payable and other accrued expenses*	16	-	-	46,758	46,758
		P-	P-	P5,412,093	P5,412,093

*Excluding taxes payable

For financial assets other than 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, 2020 and 2019, the fair value of the investment properties is P20.76 million and P15.20 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

The following table provides an overview of the fair values as at December 31, 2020 and 2019, and the amounts of change in the fair values during the reporting period separately for financial assets that meet the SPPI criterion (i.e. financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, excluding any financial asset that meets the definition of held for trading in PFRS 9, or that is managed and whose performance is evaluated on a fair value basis) and all other financial assets:

2020					
	Notes	Financial assets that meet the SPPI criteria*		All other financial assets	
		Fair Value	Fair value change during the reporting period	Fair Value	Fair value change during the reporting period
Cash and cash equivalents	5	₱950,914	₱-	₱-	₱-
AFS financial assets	7	-	-	5,933,067	102,059
HTM investments		2,093,144	134,610	-	-
Loans and receivables	9	71,057	-	-	-
Funds at Lloyd's	14	142,476	-	-	-
Funds held by ceding companies	6	157,563	-	-	-
Other assets		1,331	-	-	-
		₱3,416,485	₱134,610	₱5,933,067	₱102,059

* Excluding any financial asset that meets the definition of held for trading in PFRS 9, or that is managed and whose performance is evaluated on a fair value basis.

2019					
	Notes	Financial assets that meet the SPPI criteria*		All other financial assets	
		Fair Value	Fair value change during the reporting period	Fair Value	Fair value change during the reporting period
Cash and cash equivalents	5	₱1,004,977	₱-	₱-	₱-
AFS financial assets	7	-	-	4,945,753	390,713
HTM investments		2,285,405	57,509	-	-
Loans and receivables	9	80,012	-	-	-
Funds at Lloyd's	14	150,509	-	-	-
Funds held by ceding companies	6	101,631	-	-	-
Other assets		1,331	-	-	-
		₱3,623,865	₱57,509	₱4,945,753	₱390,713

* Excluding any financial asset that meets the definition of held for trading in PFRS 9, or that is managed and whose performance is evaluated on a fair value basis.

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 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 ₱3,000,000,000 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 ₱400,000,000 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 ₱2.5 billion by December 31, 2019. The minimum net worth of the said companies shall remain unimpaired at all times and shall increase to ₱3.0 billion as at December 31, 2022.

As at December 31, 2020 and 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.

As at December 31, 2020 and 2019, the Company has complied with the risk-based capital requirements.

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 Amended 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 Amended 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:

	2020	2019
Goodwill, trade names, and other like intangible assets	₱17,515	₱26,819
Prepaid or deferred charges for expenses and commissions paid by such insurance company	1,049,595	1,073,694
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	4,845	3,889
Furniture, furnishing, fixtures, safes, equipment, library, stationery, literature, and supplies	12,578	17,100
Other non-admitted assets as determined by IC	9,097	12,928
Total Non-admitted Assets	₱1,093,630	₱1,134,430

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, 2020 and 2019.

	Notes	2020	2019
Current Assets:			
Cash and cash equivalents	5	₱950,914	₱1,004,977
Reinsurance balances receivable - net	6	1,584,022	1,453,519
AFS financial assets	7	5,933,067	4,945,753
HTM investments	8	384,547	480,142
Loans and receivables	9	66,102	74,022
Reinsurance recoverable on reported losses	11	485,255	474,610
Reinsurance recoverable on claim reserves	11	73,310	72,473
Deferred acquisition costs	12	282,653	343,203
Deferred reinsurance premiums	13	404,254	449,652
Other assets	14	154,492	164,843
Total Current Assets		₱10,318,616	₱9,463,194
Current Liabilities:			
Reinsurance balances payable	15	₱1,130,440	₱1,151,106
Accounts payable and accrued expenses	16	166,146	86,202
Losses and claims payable	17	1,162,720	1,153,160
Claims reserves	17	500,135	452,978
Premium reserves	18	1,534,016	1,766,402
Deferred reinsurance commissions	19	5,533	5,404
Total Current Liabilities		₱4,498,990	₱4,615,252

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, 2020 and 2019.

	Notes	2020	2019
Non-current Assets:			
Reinsurance balances receivable - net	6	₱1,088,330	₱1,155,288
HTM investments	8	1,573,987	1,747,755
Loans and receivables	9	4,955	5,990
Property and equipment - net	10	59,973	70,394
Reinsurance recoverable on reported losses	11	1,941,671	1,813,773
Reinsurance recoverable on claim reserves	11	257,324	247,133
Deferred acquisition costs	12	338,201	252,277
Deferred reinsurance premiums	13	3,150	4,388
Other assets	14	292,904	222,259
Total Non-current Assets		₱5,560,495	₱5,519,257
Non-current Liabilities:			
Reinsurance balances payable	15	₱49,147	₱34,412
Accounts payable and accrued expenses	16	160,151	24,728
Losses and claims payable	17	3,662,272	3,401,166
Claims reserves	17	1,755,511	1,544,646
Premium reserves	18	5,331	1,847
Deferred reinsurance commissions	19	1,387	830
Total Non-current Liabilities		₱5,633,799	₱5,007,629

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

On November 26, 2020, the Senate approved on third and final reading Senate Bill No. 1357, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act or CREATE, which seeks to reduce the corporate income tax rates and to rationalize the current fiscal incentives by making it time-bound, targeted, and performance-based.

Below are the salient features of CREATE bill that are relevant to the Company.

- (a) Corporate income tax rate is reduced from 30% to 25% for domestic corporations with total assets exceeding to ₱100.00 million. Said reductions are effective July 1, 2020.
- (b) MCIT rate is reduced from 2% to 1% effective July 1, 2020 to June 30, 2023.
- (c) The imposition of improperly accumulated earnings tax has been repealed.

As at March 25, 2021, the bill is yet to be approved by the President of the Philippines.

The enactment of the CREATE bill to law is a non-adjusting subsequent event thus, the current and deferred income taxes as of December 31, 2020 are measured using the applicable income tax rates as of December 31, 2020. Using the rate under the CREATE bill, the Company estimates that its current income tax and deferred tax benefit will decrease by ₱17.56 million and ₱23.40 million, respectively, and will be adjusted prospectively in the Company's financial statements.

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

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

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 2020, the Company declared output VAT amounting to ₱796,036, which is set off against input VAT, based on the following gross receipts:

	Tax Base	Output VAT
Exempt receipts	₱4,472,983,601	₱-
Commission earned on retrocession	4,927,507	591,301
Interest income on loans	426,698	51,204
Other miscellaneous income	1,279,422	153,531
	₱4,479,617,228	₱796,036

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 2020 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 2020 statements of income.

As at December 31, 2020, the Company also has deferred output VAT amounting to ₱25,507,607 pertaining to uncollected commission income from retrocessionaires (see Note 16).

(b) Input VAT

The movements of input VAT in 2020 are summarized below.

Balance at beginning of year	₱155,626,213
Services lodged under other accounts	4,229,774
Goods other than for resale or manufacture	310,804
Capital goods subject to amortization	72,684
Amortization of input VAT	186,558
Applied against output VAT	(796,036)
Input VAT on exempt sales	(4,792,604)
Balance at end of year	₱154,837,393

The balance of input VAT as at December 31, 2020 is recorded under Other assets - net account in the statements of financial position (see Note 14).

As at December 31, 2020, the Company also has deferred input VAT amounting to ₱430,611 pertaining to VAT on capital assets, and deferred withholding VAT amounting to ₱9,202,886 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 2020 since it does not have any importation.

(d) Excise Tax

The Company does not have excise tax in 2020 since it does not have any transactions which are subject to excise tax.

(e) Documentary Stamp Tax (DST)

Total DST accrued and paid in 2020 amounted to ₱7,740 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, 2020. Reinsurance contracts are not subject to DST.

(f) Taxes and Licenses

The details of taxes and licenses for 2020, which are presented under General and administrative expenses account in the statements of income are as follows:

Penalties	₱20,267,230
Municipal licenses and permits	7,520,999
Fringe benefit tax	2,017,862
Real estate taxes	368,139
Registration	237,850
DST	7,740
Miscellaneous	19,025
	₱30,438,845

(h) Withholding Taxes

The details of total withholding taxes for the year ended December 31, 2020 are shown below.

Compensation and benefits	₱31,737,043
Expanded	14,765,206
Final	205,444
	₱46,707,693

(i) Deficiency Tax Assessments and Tax Cases

The Company has ongoing tax assessment for the taxable period July 1, 2012 to December 31, 2012 and taxable year 2016 in relation to its value-added tax (VAT), inclusive of interest, amounting to ₱32,693,611 and ₱51,433,362, respectively.

On September 14, 2016, the Company received the Final Decision on Disputed Assessment on the 2012 VAT assessment dated September 13, 2016 from BIR. The Company filed a request for reconsideration with the Office of the Commissioner of the Internal Revenue on October 14, 2016. As of date, the request is still pending resolution.

While for the 2016 VAT assessment, the Company received the Preliminary Assessment Notice (PAN) dated December 3, 2020 to which the Company responded through a Formal Protest Letters on December 18, 2020. The BIR issued a Formal Letter of Demand dated March 8, 2021 relative to the PAN. As of date, the Company is yet to submit its response to the BIR.

As at December 31, 2020, aside from the aforementioned tax assessments, the Company does not have any other tax assessments from 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
TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING
WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and 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) as at and for the year ended December 31, 2020, included in this Form 17-A, on which we have rendered our report thereon dated April 7, 2021.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Company taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Company's management.

- Supplementary Schedules of Annex 68-J
- Reconciliation of Retained Earnings Available for Dividend Declaration

The above supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and is not a required part of the Company's basic financial statements. Such 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.

R.G. MANABAT & CO.



TIRESO RANDY F. LAPIDEZ
Partner
CPA License No. 0092183
IC Accreditation No. 92183-IC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements
SEC Accreditation No. 1472-AR-1, Group A, valid until July 2, 2021
Tax Identification No. 162-411-175
BIR Accreditation No. 08-001987-034-2020
Issued July 20, 2020; valid until July 19, 2023
PTR No. MKT 8533905

April 7, 2021
Makati City, Metro Manila

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

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NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
SUPPLEMENTAL SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

December 31, 2020 and 2019
(Amounts in thousands)

Ratio	Formula	2020	Formula	2019
Current ratio	Total Current Assets divided by Total Current Liabilities Total Current Assets Divide by: Total Current Liabilities Current ratio	2.29 10,318,616 4,498,990 2.29	Total Current Assets divided by Total Current Liabilities Total Current Assets Divide by: Total Current Liabilities Current ratio	2.05 9,463,194 4,615,252 2.05
Acid test ratio	Quick assets (Cash and cash equivalents + Reinsurance balances receivable - net + Loans and receivables) divided by Total Current Liabilities Cash and cash equivalents Reinsurance balances receivable - net Loans and receivables Quick Assets Divide by: Total Current Liabilities Acid test ratio	0.58 950,914 1,584,022 66,102 2,601,038 4,498,990 0.58	Quick assets (Cash and cash equivalents + Reinsurance balances receivable - net + Loans and receivables) divided by Total Current Liabilities Cash and cash equivalents Reinsurance balances receivable - net Loans and receivables Quick Assets Divide by: Total Current Liabilities Acid test ratio	0.55 1,004,977 1,453,519 74,022 2,532,518 4,615,252 0.55
Solvency ratio	Total Assets divided by Total Liabilities Total Assets Divide by: Total Liabilities Solvency ratio	1.57 15,879,111 10,132,789 1.57	Total Assets divided by Total Liabilities Total Assets Divide by: Total Liabilities Solvency ratio	1.56 14,982,451 9,622,881 1.56
Debt-to-equity ratio	Total Liabilities divided by Total Equity Total Liabilities Divide by: Total Equity Debt-to-equity ratio	1.76 10,132,789 5,746,322 1.76	Total Liabilities divided by Total Equity Total Liabilities Divide by: Total Equity Debt-to-equity ratio	1.80 9,622,881 5,359,570 1.80
Assets-to-equity ratio	Total Assets divided by Total Equity Total Assets Divide by: Total Equity Assets-to-equity ratio	2.76 15,879,111 5,746,322 2.76	Total Assets divided by Total Equity Total Assets Divide by: Total Equity Assets-to-equity ratio	2.80 14,982,451 5,359,570 2.80
Interest rate coverage ratio	Earnings before interest and taxes (EBIT) divided by Interest expense	N/A	Earnings before interest and taxes (EBIT) divided by Interest expense	N/A
Return on equity	Net Profit divided by Total Equity Net Profit Divide by: Total Equity Return on equity	0.02 119,917 5,746,322 0.02	Net Profit divided by Total Equity Net Profit Divide by: Total Equity Return on equity	0.03 156,718 5,359,570 0.03
Return on assets	Net Profit divided by Total Assets Net Profit Divide by: Total Assets Return on assets	0.01 119,917 15,879,111 0.01	Net Profit divided by Total Assets Net Profit Divide by: Total Assets Return on assets	0.01 156,718 14,982,451 0.01
Net profit margin	Net Profit divided by Total Revenue* Net Profit Divide by: Total Revenue* Net profit margin	0.04 119,917 3,379,278 0.04	Net Profit divided by Total Revenue* Net Profit Divide by: Total Revenue* Net profit margin	0.05 156,718 3,193,170 0.05

*Composed of Reinsurance premiums - net of returns, Retroceded premiums and (Increase) decrease in premium reserves - net

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
LIST OF SUPPLEMENTARY INFORMATION
December 31, 2020

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
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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
--	--	--	--	-----------------------------

I. LOANS AND RECEIVABLES

Cash and Cash Equivalents				
Cash on hand and in banks		259,627,094	259,627,094	259,847
Short-term placements		691,287,000	691,287,000	11,586,401
Total Cash and Cash Equivalents		950,914,094	950,914,094	11,846,248
Funds at Lloyds		142,476,492	142,476,492	901,361
Other Receivables				
Accrued interest receivable	61,804,486		61,804,486	-
Dividends receivable	1,639,212		1,639,212	-
Other accounts receivable	7,612,882		7,612,882	428,631
Other Assets				
Deposit	687,368		687,368	-
Security fund	643,925		643,925	-
TOTAL LOANS AND RECEIVABLES		1,165,778,459	1,165,778,459	13,176,239

II. AVAILABLE FOR SALE SECURITIES

INVESTMENT IN EQUITY SECURITIES:				
Aboitiz Equity Ventures	532,770	25,173,384	25,173,384	759,798
Aboitiz Power Corporation	416,200	11,050,110	11,050,110	853,376
Altus Property Ventures, Inc.	263	3,261	3,261	-
AREIT, Inc.	370,000	10,859,500	10,859,500	344,100
Asian Reinsurance Corporation	980	32,396,726	32,396,726	-
Ayala Corp.-Preferred Shares Class B	100,000	52,000,000	52,000,000	2,625,000
Ayala Corporation	106,830	88,348,410	88,348,410	853,253
Ayala Corporation (B Class)	79,830	41,152,365	41,152,365	1,924,462
Ayala Land, Inc.	971,800	39,746,620	39,746,620	918,374
Banco De Oro	552,630	59,020,884	59,020,884	935,439
Bank of the Philippine Islands	383,090	31,164,372	31,164,372	921,696
Batangas Venture (BAC)	220,000	84,573	84,573	61,600
Benguet Consolidated	18	62	62	-
Calatagan Golf Club, Inc.	1	120,000	120,000	-
Cirtek Holdings Philippines Corporation Pref. Series	250,000	8,046,030	8,046,030	735,552
Converge ICT Solutions Inc	19,200	286,080	286,080	-
Double Dragon	2,303,400	34,320,660	34,320,660	-
Double Dragon Prop. Corp.	500,000	51,300,000	51,300,000	3,238,900
First Gen Corporation	183,100	5,154,265	5,154,265	39,620
First Gen Series G Perp Preferred Shares	200,000	22,580,000	22,580,000	1,556,160
Globe Preferred	100,000	51,700,000	51,700,000	2,600,300
Globe Telecom	35,995	73,069,850	73,069,850	1,685,843
GT Capital Holdings, Inc.	22,542	13,187,070	13,187,070	245,412
GTCAP Series A	37,120	37,120,000	37,120,000	1,718,619
Int'l. Container Terminal Services	201,980	24,944,530	24,944,530	1,113,385
J.G. Summit Holdings Inc.	880,134	63,017,594	63,017,594	394,345
Makati Sports Club "A"	1	600,000	600,000	-
Manila Electric Company	93,910	27,421,720	27,421,720	2,376,049
Megaworld Corporation	1,311,300	5,350,104	5,350,104	49,011
Metro Pacific Investments Corporation	2,702,000	11,564,560	11,564,560	696,233
Metropolitan Bank and Trust Company	62,204	3,051,106	3,051,106	274,304
Orchard Golf Club - C	1	500,000	500,000	-
Petron Preferred Shares Series 3B	50,000	55,700,000	55,700,000	3,569,150
Phil Hotel C (HOT)	750	96,972	96,972	-
Philippine Long Distance Telephone Co.	45,035	60,346,900	60,346,900	2,385,755
Philippine National Bank	758,600	22,264,910	22,264,910	-
Philippine Nuclear	300	30,000	30,000	-
Pure Gold Price Club, Inc.	439,170	18,005,970	18,005,970	-
Robinsons Land Corporation	642,400	13,618,880	13,618,880	356,175
Robinsons Retail Holdings, Inc.	58,590	3,808,350	3,808,350	155,490
Roxas	2,628	2,628	2,628	-
Roxas C	46,653	2,078,082	2,078,082	-
Roxas Pref. others C (RXC-1)	74,044	3,298,187	3,298,187	-
San Miguel Corp 2C	133,000	10,374,000	10,374,000	798,000
San Miguel Corp.	21,830	2,796,423	2,796,423	18,022
Security Bank Corporation	10,500	1,407,000	1,407,000	50,910
Shell Co. (SHEP)	660	1,905,974	1,905,974	-
SM Investments Corp.	120,795	126,713,955	126,713,955	633,951
SM Prime Holdings Inc.	1,789,400	68,891,900	68,891,900	832,278
Universal Robina Corporation	532,490	81,204,725	81,204,725	365,574
Matured/Sold				10,199,014
SUBTOTAL-INVESTMENT IN EQUITY SECURITIES	17,364,144	1,296,878,692	1,296,878,692	46,285,151

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
--	--	--	--	-----------------------------

UNIT INVESTMENT TRUST FUND:				
BPI-MANAGED				
BPI Investment Short Term Fund	311,923	48,610,080	48,610,080	-
	311,923	48,610,080	48,610,080	-

INVESTMENT IN DEBT SECURITIES:				
A. NRCP-MANAGED				

Fixed Rate Treasury Bonds				
PIBD0321A236	100,000,000	100,171,178	100,171,178	903,118
PIBD0721C574	300,000,000	301,225,550	301,225,550	5,497,339
PIBD0522A747	50,000,000	50,992,891	50,992,891	841,564
PIBD0523C752	190,000,000	201,485,957	201,485,957	12,068,034
PIBD0323I252	50,000,000	50,494,024	50,494,024	366,146
PIBD0524J762	50,000,000	52,939,306	52,939,306	1,051,761
PIBD0726B627	200,000,000	228,817,487	228,817,487	4,394,839
PIBD1028C635	50,000,000	58,754,340	58,754,340	3,000,154
PIBD1029A644	100,000,000	124,481,803	124,481,803	4,245,573
PIBD2031G171	250,000,000	343,563,607	343,563,607	15,697,317
PIID0522L114	250,000,000	260,504,599	260,504,599	9,477,654
PIID0524C129	100,000,000	110,751,309	110,751,309	6,058,826
PIID0525H130	150,000,000	150,627,680	150,627,680	913,864
Matured/Sold				9,733,601
Subtotal-Peso Bonds	1,840,000,000	2,034,809,731	2,034,809,731	74,249,788

Treasury Bills				
PIBL1220A044	100,000,000.00	99,938,128	99,938,128	21,092
PIBL1220D176	50,000,000.00	49,834,439	49,834,439	844,154
PIBL1220E193	50,000,000.00	49,804,428	49,804,428	738,983
PIBL1220E200	50,000,000.00	49,790,594	49,790,594	763,118
Matured/Sold				371,574
Subtotal-Peso Bonds	250,000,000	249,367,589	249,367,589	2,738,921

ROP Bonds - USD				
US718286BY27	153,715,200	170,651,541	170,651,541	5,537,642

Corporate Bonds - USD				
XS1313432301	24,018,000	24,131,365	24,131,365	855,652
XS1673684509	9,607,200	10,010,702	10,010,702	294,273
XS0921226386	24,018,000	24,225,756	24,225,756	1,225,387
Matured/Sold				-
	57,643,200	58,367,823	58,367,823	2,375,311
Subtotal-Dollar Bonds	211,358,400	229,019,364	229,019,364	7,912,954
TOTAL NRCP-MANAGED	2,301,358,400	2,513,196,683	2,513,196,683	84,901,663

B. BPI-MANAGED				
Fixed Rate Treasury Bonds				

PIBD0721C574	40,000,000	40,163,407	40,163,407	1,236,100
PIBD0522A747	25,000,000	25,496,445	25,496,445	1,130,723
PIBD0322G247	191,000,000	197,907,231	197,907,231	1,063,673
PIBD0723D588	135,000,000	138,759,350	138,759,350	4,859,023
PIBD0724D595	39,290,000	41,629,011	41,629,011	1,729,354
PIBD1025I608	109,464,475	113,817,680	113,817,680	3,936,908
PIBD0726B627	175,000,000	200,215,301	200,215,301	9,491,599
PIID0522L114	50,000,000	52,100,920	52,100,920	2,312,500
PIID0323B101	185,000,000	192,806,512	192,806,512	5,163,489
PIID0524C129	708,600,000	784,783,775	784,783,775	2,840,243
Matured/Sold				30,668,966
TOTAL BPI-MANAGED	1,658,354,475	1,787,679,633	1,787,679,633	64,432,579

C. RCBC-MANAGED				
Fixed Rate Treasury Bonds				

PIBD0321A236	10,000,000	10,017,118	10,017,118	638,338
PIBD0721C574	35,000,000	35,142,981	35,142,981	1,100,045
PIBD0522A747	1,500,000	1,529,787	1,529,787	72,483
PIBD0322G247	10,000,000	10,361,635	10,361,635	463,210
PIBD0723D588	22,000,000	22,612,635	22,612,635	699,295
PIBD0724D595	7,000,000	7,416,724	7,416,724	341,523
PIBD0726B627	50,000,000	57,204,372	57,204,372	488,794
PIID0321F092	4,000,000	4,049,283	4,049,283	182,546
PIID0522L114	30,000,000	31,260,552	31,260,552	1,049,193
PIID0323B101	11,000,000	11,464,171	11,464,171	427,778
PIID1023HO46	25,000,000	25,641,323	25,641,323	812,500
PIID0524C129	30,000,000	33,225,393	33,225,393	1,573,457
Matured/Sold				2,878,432
Subtotal-Peso Bonds	235,500,000	249,925,973	249,925,973	10,727,594

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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Treasury Bills				
PIBL1220A044	6,500,000	6,495,978	6,495,978	233,928
PIBL1220D149	10,000,000	9,977,859	9,977,859	37,475
PIBL1220D167	5,432,000	5,415,621	5,415,621	17,003
PIBL1220H323	15,000,000	14,885,879	14,885,879	98,187
Matured/Sold				44,795
Subtotal-Peso Bills	36,932,000	36,775,338	36,775,338	431,388
TOTAL RCBC-MANAGED	272,432,000	286,701,311	286,701,311	11,158,982
SUBTOTAL-INVESTMENT IN DEBT SECURITIES	4,232,144,875	4,587,577,627	4,587,577,627	160,493,225

TOTAL AVAILABLE FOR SALE SECURITIES	4,249,820,942	5,933,066,398	5,933,066,398	206,778,376
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III. HELD-TO-MATURITY INVESTMENTS

Corporate Bonds				
ROCKFXBD2021	65,000,000	65,001,999	65,004,290	3,278,551
SMPH2FBD2021	50,000,000	49,979,163	50,148,100	2,254,750
SMCGPFBD2021	45,000,000	44,802,948	44,764,065	1,955,610
PCORFXBD2021	75,000,000	74,762,930	73,235,550	3,002,400
SMBFXBND2022	70,000,000	70,998,962	73,491,530	4,620,000
SMICFXBD2022	80,000,000	82,463,627	84,940,960	5,555,360
AEVFXBND2022	50,000,000	49,965,906	51,707,500	2,502,800
FLIFXBND2022	50,000,000	50,004,407	52,026,650	2,678,350
ACFXBOND2023	25,000,000	24,089,218	24,760,500	980,000
SMICFXBD2023	122,000,000	123,193,299	127,934,690	6,256,363
FDCFXBND2024	20,000,000	20,285,207	20,431,380	1,229,160
SMCFXBND2024	67,000,000	67,000,000	64,410,383	3,540,280
ACFXBOND2025	27,500,000	26,343,984	28,456,916	1,325,500
CHIBFXBD2021	50,000,000	50,000,000	50,030,750	2,850,000
SECBFXBD2021	50,000,000	50,000,000	50,832,300	2,937,500
PSBFXBND2021	50,000,000	50,000,000	50,880,006	2,800,000
BPI2FXBD2022	50,000,000	50,000,000	50,163,750	1,116,771
SMPHFXBD2023	30,500,000	30,500,000	30,597,356	1,727,215
ALIFXBND2028	110,000,000	110,634,718	116,142,642	6,114,545
ALIFXBND2024	40,801,000	38,620,795	41,735,096	2,666,509
PCORFXBD2024	50,000,000	50,000,000	53,857,900	3,909,150
SMPH2FBD2024	9,199,000	8,831,990	9,593,462	571,629
ALI2FXBD2026	50,000,000	50,000,000	55,795,400	3,184,500
SMPHFXBD2026	50,000,000	46,126,455	46,904,450	2,689,567
APC2FXBD2026	50,000,000	49,746,174	53,275,628	2,415,587
UBP 30 R25	50,000,000	50,000,000	51,262,150	2,238,542
Matured/Sold				19,732,908
	1,387,000,000	1,383,351,783	1,422,383,404	94,133,547
Government Bonds				
PIBD1025I608	562,500,000	498,420,318	584,869,614	20,390,625
PIBD2031G171	62,500,000	76,761,929	85,890,902	5,000,000
	625,000,000	575,182,247	670,760,516	25,390,625
TOTAL HELD-TO-MATURITY INVESTMENTS	2,012,000,000	1,958,534,030	2,093,143,920	119,524,172

GRAND TOTAL FINANCIAL ASSETS	9,057,378,887	9,191,988,778	339,478,787
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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, 2020

					Deductions		Ending Balance		
			Bal. at beg.		Amounts	Amounts			
Name of Employee	Designation	Date of Availment	of period	Additions	collected	Written off	Current	Non-Current	Balance at end of period
Emergency Loans									
1 Dian R Sales	Rank and File	04/01/2020	-	30,000	20,864	-	9,136	-	9,136
2 Enrico U Camince	Manager	01/28/2020	-	60,000	54,697	-	5,303	-	5,303
3 Ivy E Magtalas	Sr. Manager	11/25/2020	52,902	60,000	55,050	-	57,853	-	57,853
4 Jackilyn S Malana	Rank and File	08/26/2020	16,707	30,000	26,286	-	20,421	-	20,421
5 Lilybeth R Avila	Rank and File	05/21/2020	14,208	30,000	31,323	-	12,885	-	12,885
6 Nathalie S Magalona	Manager	09/06/2020	13,087	60,000	32,262	-	40,825	-	40,825
7 Nikkos Josef L Ignes	Sr. Manager	05/12/2020	-	60,000	36,631	-	23,369	-	23,369
8 Raul G Tumangday	Sr. Manager	08/19/2020	40,804	60,000	59,974	-	40,830	-	40,830
9 Angelo Matthew A Siason	Rank and File	07/01/2019	16,707	-	16,707	-	-	-	-
10 Camille C Aquino	Rank and File	05/09/2019	14,208	-	14,208	-	-	-	-
11 Carmel F Torralba	Rank and File	05/22/2019	14,208	-	14,208	-	-	-	-
12 Darius M De Guzman	Asst. Manager	07/03/2019	33,414	-	33,414	-	-	-	-
13 Maria Carmen C Ortiz	Manager	09/06/2019	45,677	-	45,677	-	-	-	-
14 Regina Lourdes D Papa	Sr. Asst. Vice President	04/02/2019	24,363	-	24,363	-	-	-	-
15 Rubylen T Villamer	Rank and File	10/21/2019	25,236	-	25,236	-	-	-	-
16 Jocelyn A Castillo	Rank and File	04/12/2019	10,414	-	10,414	-	-	-	-
17 Bethzayda G Manzano	Rank and File	05/07/2019	14,208	-	14,208	-	-	-	-
18 Patrick S. Basobas	Asst. Manager	05/10/2019	14,208	-	14,208	-	-	-	-
19 Michelle Ann Y Desacada	Rank and File	09/17/2019	15,222	-	15,222	-	-	-	-
20 Sean B Tabiola	Rank and File	10/01/2019	9	-	9	-	-	-	-
			365,585	390,000	544,962	-	210,623	-	210,623
Car Facility Loan									
1 Anelisa Trinidad M Merida	Asst. Vice President	10/24/2016	248,226	-	130,810	-	117,416	-	117,416
2 April Rose R Agsaway	Manager	06/27/2018	311,095	-	80,199	-	230,896	-	230,896
3 Blesilda S Besabe	Sr. Asst. Vice President	12/18/2020	82,957	600,000	82,957	-	600,000	-	600,000
4 Cherry Lou R Lorenzo	Sr. Asst. Vice President	08/31/2016	222,135	-	129,718	-	92,417	-	92,417
5 Daisy C Salonga	Vice President	02/20/2017	194,945	-	84,032	-	110,913	-	110,913
6 Edelita P Suyo	Manager	10/13/2017	254,952	-	84,867	-	170,085	-	170,085
7 Enrico U Camince	Manager	02/09/2021	86,106	-	86,106	-	-	-	-
8 Francis Albert J Alvarez	Sr. Manager	12/28/2018	398,692	-	88,068	-	310,624	-	310,624
9 Honorata S Lucos	Asst. Vice President	06/21/2017	329,851	-	124,096	-	205,755	-	205,755
10 Ivy E Magtalas	Sr. Manager	08/17/2016	158,992	-	92,845	-	66,147	-	66,147
11 Maria Carmen C Ortiz	Manager	11/13/2018	339,556	-	77,833	-	261,723	-	261,723
12 Marilyn T Dela Paz	Manager	12/18/2020	25,219	420,000	25,219	-	420,000	-	420,000
13 Marites B Balajadia	Sr. Manager	11/28/2017	302,962	-	96,027	-	206,935	-	206,935
14 Mark Quintin G Nuñez	Asst. Vice President	7/31/2019	558,636	-	105,074	-	453,562	-	453,562
15 Nathalie S Magalona	Manager	09/18/2017	251,550	-	85,150	-	166,400	-	166,400
16 Raul G Tumangday	Sr. Manager	06/29/2016	161,302	-	105,374	-	55,928	-	55,928
17 Regina Lourdes D Papa	Sr. Asst. Vice President	09/28/2016	237,714	-	131,757	-	105,958	-	105,958
18 Regina S Ramos	Vice President	01/31/2017	204,854	-	94,083	-	110,771	-	110,771
19 Russell B Agustin	Manager	07/18/2018	317,494	-	79,667	-	237,826	-	237,826
20 Sherwin T Parungao	Sr. Manager	08/30/2018	370,114	-	90,444	-	279,670	-	279,670
Victor Del Rosario									
21 Tanjuakio	First Vice President	12/11/2019	440,000	-	71,307	-	368,693	-	368,693
22 Von Edward M Ebron	Asst. Vice President	12/20/2018	492,385	-	108,764	-	383,620	-	383,620
			5,989,738	1,020,000	2,054,398	-	4,955,341	-	4,955,341

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	
C. Receivables from Employee (HMO & Car Insurance)									
1 Nathalie S Magalona	Manager		21,675	55,437	44,832	-	32,281	-	32,281
2 Regina S Ramos	Vice President		50,405	90,674	93,733	-	47,346	-	47,346
3 Ivy E Magtalas	Sr. Manager		7,613	11,700	9,904	-	9,409	-	9,409
4 Rojane C. Mendoza	Asst. Manager		64,020	50,368	75,402	-	38,987	-	38,987
5 Regina Lourdes D Papa	Sr. Asst. Vice President		91,451	13,339	95,897	-	8,893	-	8,893
6 Jackilyn S Malana	Rank and File		14,364	24,624	25,650	-	13,338	-	13,338
7 Daisy C Salonga	Vice President		5,223	11,677	11,736	-	5,163	-	5,163
Victor Del Rosario									
8 Tanjuakio	First Vice President		1,101	28,200	7,701	-	21,600	-	21,600
9 Russell B Agustin	Manager		1,400	30,775	21,868	-	10,307	-	10,307
10 Blesilda S Besabe	Sr. Asst. Vice President		31,835	188,253	198,751	-	21,337	-	21,337
11 Enrico U Camince	Manager		(0)	39,146	8,506	-	30,640	-	30,640
12 April Rose R Agsaway	Manager		88,327	17,827	12,618	-	93,535	-	93,535
13 Rubylen T Villamer	Rank and File		14,364	24,624	25,650	-	13,338	-	13,338
14 Cherry Lou R Lorenzo	Sr. Asst. Vice President		97,233	113,756	106,634	-	104,355	-	104,355
15 Darius M De Guzman	Asst. Manager		109,667	64,033	126,698	-	47,001	-	47,001
16 Anelisa Trinidad M Merida	Asst. Vice President		59,266	7,861	20,235	-	46,892	-	46,892
17 Marites B Balajadia	Sr. Manager		19,626	53,106	35,339	-	37,393	-	37,393
18 Maria Carmen C Ortiz	Manager		13,236	12,628	14,814	-	11,050	-	11,050
19 Edelita P Suyo	Manager		12,374	15,894	15,906	-	12,363	-	12,363
20 Evelyn N. Bueno	Manager		50,894	71,155	51,304	-	70,745	-	70,745
21 Allan R. Santos	President/ CEO		2,855	7,095	1,834	-	8,116	-	8,116
22 Patrick S. Basobas	Asst. Manager		32,290	1,776	32,290	-	1,776	-	1,776
23 Carmel F Torralba	Rank and File		37,757	-	14,364	-	23,393	-	23,393
24 Von Edward M Ebron	Asst. Vice President		31,293	51,922	54,310	-	28,905	-	28,905
25 Mark Quintin G Nuñez	Asst. Vice President		20,033	24,439	28,179	-	16,293	-	16,293
26 Irene G. Lozada	Manager		22,855	34,283	38,568	-	18,570	-	18,570
27 Janneth F. Roldan	Rank and File		-	61,428	50,963	-	10,466	-	10,466
28 Dianne Monique G. Garcia	Rank and File		-	24,624	11,286	-	13,338	-	13,338
29 Honorata S Lucos	Asst. Vice President		8,233	-	8,233	-	-	-	-
Alexander Dominador L.									
30 Reyes	Sr. Vice President		10,000	-	10,000	-	-	-	-
31 Marilyn T Dela Paz	Manager		3,452	-	3,452	-	-	-	-
32 Angelo Matthew A Siason	Rank and File		30,000	-	30,000	-	-	-	-
33 Camille C Aquino	Rank and File		30,000	-	30,000	-	-	-	-
34 Raul G Tumangday	Sr. Manager		7,766	-	7,766	-	-	-	-
35 Francis Albert J Alvarez	Sr. Manager		19,998	-	19,998	-	-	-	-
			1,010,604	1,130,645	1,344,421	-	796,828	-	796,828
Grand Total			7,365,927	2,540,645	3,943,781	-	5,962,791	-	5,962,791

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
**SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE
ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS**
December 31, 2020

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	

NA

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
SCHEDULE D - LONG-TERM DEBT
December 31, 2020

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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NA

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

SCHEDULE E - INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)

December 31, 2020

Name of related party (i)	Balance at beginning of period	Balance at end of period (ii)
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NA

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES

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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NA

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES
SCHEDULE G- CAPITAL STOCK

December 31, 2020

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 ALEGAR CORPORATION	Common	32,600.00	NIL	-	-	32,600
2 ALPHA INSURANCE & SURETY CO., INC.	Common	1,578,900.00	NIL	-	-	1,578,900
3 AP MADRIGAL STEAMSHIP CO. INC.	Common	3,300.00	NIL	-	-	3,300
4 ARAVAL, INC	Common	77,100.00	NIL	-	-	77,100
5 ASIA UNITED INSURANCE, INC	Common	1,252,300.00	NIL	-	-	1,252,300
6 BANCOM DEVELOPMENT CORP.	Common	8,300.00	NIL	-	-	8,300
7 BENEFICIAL LIFE INSURANCE COMPANY INC.	Common	3,193,500.00	NIL	-	-	3,193,500
8 B.F. GENERAL INSURANCE CO., INC.	Common	36,900.00	NIL	-	-	36,900
9 BF LIFE INSURANCE CORP.	Common	397,300.00	NIL	-	-	397,300
10 BPI/MS INSURANCE CORP.	Common	3,347,500.00	NIL	3,347,500	-	-
11 CENTENNIAL GUARANTEE ASSURANCE CORP.	Common	14,500.00	NIL	-	-	14,500
12 CONSOLIDATED INSURANCE CO., INC.	Common	144,600.00	NIL	-	-	144,600
COOPERATIVE INSURANCE SYSTEM OF THE PHILS.	Common	72,900.00	NIL	-	-	72,900
14 COUNTRY BANKERS INS. CORP.	Common	2,220,300.00	NIL	-	-	2,220,300
15 COUNTRY BANKERS LIFE INSURANCE CORP.	Common	30,000.00	NIL	-	-	30,000
16 EASTERN ASSURANCE & SURETY CORPORATION	Common	1,872,400.00	NIL	-	-	1,872,400
17 FEDERAL PHOENIX ASSURANCE COMPANY INC.	Common	3,786,300.00	NIL	-	-	3,786,300
18 FGU INSURANCE CORPORATION	Common	36,126,000.00	NIL	36,126,000	-	-
19 FIDELITY INSURANCE COMPANY INC.	Common	818,800.00	NIL	-	-	818,800
20 FIRST INTEGRATED BONDING & INS. CO INC.	Common	275,300.00	NIL	-	-	275,300
21 GREAT DOMESTIC INS. CO. OF THE PHILS.	Common	544,700.00	NIL	-	-	544,700
22 INSURANCE COMPANY OF NORTH AMERICA	Common	705,600.00	NIL	-	-	705,600
23 INSURANCE OF THE PHIL. ISLANDS CO., INC.	Common	59,100.00	NIL	-	-	59,100
24 INVESTOR'S ASSURANCE CORP.	Common	99,000.00	NIL	-	-	99,000
25 LUZON INSURANCE & SURETY CO., INC.	Common	32,300.00	NIL	-	-	32,300
26 MAA GENERAL ASSURANCE PHILS., INC.	Common	271,800.00	NIL	-	-	271,800
27 MABASA & COMPANY, INC.	Common	36,500.00	NIL	-	-	36,500
28 MALAYAN INSURANCE CO., INC.	Common	21,600.00	NIL	21,600	-	-
29 MANILA INSURANCE COMPANY INC.	Common	1,148,400.00	NIL	-	-	1,148,400
30 MANILA SURETY & FIDELITY CO., INC.	Common	3,168,400.00	NIL	-	-	3,168,400
31 MONARCH INSURANCE CO., INC.	Common	1,674,000.00	NIL	-	-	1,674,000
32 THE NEW INDIA ASSURANCE COMPANY, LIMITED	Common	4,168,300.00	NIL	-	-	4,168,300
33 ORIENTAL ASSURANCE CORPORATION	Common	3,560,800.00	NIL	-	-	3,560,800
34 PACIFIC UNION INSURANCE CO.	Common	1,351,600.00	NIL	-	-	1,351,600
35 PARAMOUNT LIFE & GENERAL INS. CORP.	Common	940,900.00	NIL	-	-	940,900
36 PEOPLE'S TRANS-EAST ASIA INS. CORP.	Common	2,435,300.00	NIL	-	-	2,435,300
37 PHILIPPINE AMERICAN LIFE INSURANCE CO.	Common	8,628,600.00	NIL	-	-	8,628,600
38 PHILIPPINE BRITISH ASSURANCE CO., INC.	Common	590,400.00	NIL	-	-	590,400
39 PHIL. PHOENIX SURETY & INS. INC.	Common	134,900.00	NIL	-	-	134,900
40 PHIL. PRUDENTIAL LIFE INS. CO., INC.	Common	1,771,900.00	NIL	-	-	1,771,900
41 PHILIPPINE REMNANTS CO., INC.	Common	399,300.00	NIL	-	-	399,300
42 PHILIPPINES FIRST INSURANCE CO., INC.	Common	11,075,200.00	NIL	-	-	11,075,200
43 PHIL. INT'L LIFE INSURANCE CO., INC.	Common	4,450,200.00	NIL	-	-	4,450,200
44 PLARIDEL SURETY & INSURANCE COMPANY INC.	Common	162,500.00	NIL	-	-	162,500
THE PREMIER INSURANCE & SURETY CORPORATION	Common	2,456,100.00	NIL	-	-	2,456,100
46 RITA LEGARDA., INC.	Common	13,700.00	NIL	-	-	13,700
47 RIVARA, INC.	Common	8,700.00	NIL	-	-	8,700
48 SOUTH SEA SURETY & INS. CO., INC.	Common	4,152,700.00	NIL	-	-	4,152,700
49 STERLING INSURANCE CO., INC.	Common	2,453,900.00	NIL	-	-	2,453,900
50 STRONGHOLD INSURANCE CO., INC.	Common	2,817,600.00	NIL	-	-	2,817,600
51 SUN LIFE ASSURANCE CO. OF CANADA	Common	305,700.00	NIL	-	-	305,700
52 SUSANA REALTY	Common	600.00	NIL	-	-	600
53 TABACALERA INSURANCE CO. INC.	Common	1,278,700.00	NIL	-	-	1,278,700
54 TIMES SURETY & INSURANCE CO., INC.	Common	7,500.00	NIL	-	-	7,500
55 TRAVELLER'S INSURANCE & SURETY CORP.	Common	696,100.00	NIL	-	-	696,100
56 UNION BANK OF THE PHILIS.	Common	5,000.00	NIL	-	-	5,000

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
57 UNION INSURANCE SOCIETY OF CANTON LTD.	Common	2,197,300.00	NIL	-	-	2,197,300
58 UNITED INSURANCE CO., INC	Common	2,006,600.00	NIL	-	-	2,006,600
59 UNITED LIFE ASSURANCE CORP.	Common	2,518,100.00	NIL	-	-	2,518,100
60 UTILITY ASSURANCE CORP.	Common	1,837,900.00	NIL	-	-	1,837,900
61 VISAYAN SURETY & INSURANCE CORP.	Common	3,545,500.00	NIL	-	-	3,545,500
62 WORLDWIDE INSURANCE & SURETY COMPANY	Common	100.00	NIL	-	-	100
63 ZENITH INSURANCE CORPORATION	Common	805,800.00	NIL	-	-	805,800
64 MAMERTA ANDAYA	Common	2,100.00	NIL	-	-	2,100
65 NORMANDO ANTONIO S. AGUILAR	Common	16,900.00	NIL	-	-	16,900
66 CONCEPCION S. ARANETA	Common	700.00	NIL	-	-	700
67 BASCO, AMERFIL V.	Common	11,800.00	NIL	-	-	11,800
68 JAYMERLI C. BAUTISTA	Common	298,100.00	NIL	-	-	298,100
69 FRANCISCO M. BAYOT	Common	1,100.00	NIL	-	-	1,100
70 VICENTE M. BAYOT	Common	1,100.00	NIL	-	-	1,100
71 VICTORIANO G. BELIZARIO	Common	300.00	NIL	-	-	300
72 PEDRO P. BENEDICTO JR.	Common	15,800.00	NIL	-	-	15,800
73 CONRADO BENITEZ	Common	7,400.00	NIL	-	-	7,400
74 ISABELITA M. CABANGUNAY	Common	14,500.00	NIL	-	-	14,500
75 DANILO J. CABERO	Common	7,200.00	NIL	-	-	7,200
76 NATIVIDAD CANTAJAL	Common	4,800.00	NIL	-	-	4,800
77 ANTONIO ROXAS CHUA	Common	1,089,500.00	NIL	-	-	1,089,500
78 JACQUELINE M. HALILI CO	Common	293,800.00	NIL	-	-	293,800
79 MANUEL U. CO	Common	100.00	NIL	-	-	100
80 FRANCISCO CORPUS	Common	100.00	NIL	-	-	100
81 DAVID C. COYUKIAT	Common	200.00	NIL	-	-	200
82 ALICIA S. CRUZ	Common	6,400.00	NIL	-	-	6,400
83 LUZ NER CRUZ	Common	13,400.00	NIL	-	-	13,400
84 ADELITA VERGEL DE DIOS	Common	171,500.00	NIL	-	-	171,500
85 MANUEL DYTOC	Common	900.00	NIL	-	-	900
86 EDUARDO ECHAUZ	Common	100.00	NIL	-	-	100
87 ROMEO ECHAUZ	Common	400.00	NIL	-	-	400
88 MANUEL B. ENRIQUEZ	Common	500.00	NIL	-	-	500
89 LILY VICTORIA G. GALO	Common	2,800.00	NIL	-	-	2,800
90 RAFAEL C. GALLAGA	Common	13,500.00	NIL	-	-	13,500
91 GARCIA, WINSTON F.	Common	442,300.00	NIL	-	-	442,300
92 EDITHA B. GERONIMO	Common	15,000.00	NIL	-	-	15,000
93 MERCEDES U. GONZALES	Common	200.00	NIL	-	-	200
94 LUCINA OCAMPO LEGASPI	Common	3,800.00	NIL	-	-	3,800
95 LUCIA R.C. LIMPE	Common	13,400.00	NIL	-	-	13,400
96 ROSARIO M. LLORA	Common	7,100.00	NIL	-	-	7,100
97 HONORATA S. LUCOS	Common	15,000.00	NIL	-	-	15,000
98 ANTONIO P. MADRIGAL	Common	4,200.00	NIL	-	-	4,200
99 CONSUELO P. MADRIGAL	Common	1,200.00	NIL	-	-	1,200
100 GERARDO A.S. MADRIGAL	Common	1,600.00	NIL	-	-	1,600
101 MACARIA P. MADRIGAL	Common	2,300.00	NIL	-	-	2,300
102 VICENTE A.S. MADRIGAL	Common	1,600.00	NIL	-	-	1,600
103 NELIA M. MALUBAY	Common	54,000.00	NIL	-	-	54,000
104 JENNIFER C. MARTIN	Common	294,000.00	NIL	-	-	294,000
105 HANS MENZI	Common	2,100.00	NIL	-	-	2,100
106 DAVID C. MERCADO	Common	27,300.00	NIL	-	-	27,300
107 SUSANA B. ORTIGAS	Common	1,100.00	NIL	-	-	1,100
108 MAURO PRIETO	Common	11,600.00	NIL	-	-	11,600
109 ANGELITA U. REYES	Common	2,800.00	NIL	-	-	2,800
110 JOSE R. RODAS	Common	100.00	NIL	-	-	100
111 LOURDES S. RODAS	Common	1,100.00	NIL	-	-	1,100
112 PAZ VDA. DE RODAS	Common	6,200.00	NIL	-	-	6,200
113 ROSARIO RODAS	Common	900.00	NIL	-	-	900
114 PACITA RODRIGUEZ	Common	13,400.00	NIL	-	-	13,400
115 PETER T. ROXAS-CHUA	Common	13,400.00	NIL	-	-	13,400
116 TAN KIM CHIONG DE ROXAS-CHUA	Common	92,300.00	NIL	-	-	92,300
117 ANTONIO S. ROXAS-CHUA JR.	Common	24,900.00	NIL	-	-	24,900
118 SEVERINO T. ROXAS-CHUA	Common	13,400.00	NIL	-	-	13,400
119 ANDRES E. SIOCHI	Common	11,700.00	NIL	-	-	11,700
120 EUGENIA G. SILVA	Common	2,800.00	NIL	-	-	2,800

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
121 MANUEL A. TORRES JR.	Common	79,100.00	NIL	-	-	79,100
122 MA. LUISA MADRIGAL VASQUEZ	Common	400.00	NIL	-	-	400
123 VICENTE B. VILLARAMA JR.	Common	2,800.00	NIL	-	-	2,800
124 BETTY RC YAO	Common	13,400.00	NIL	-	-	13,400
125 FRANCISCO JOSE ELIZALDE YTURREALDE	Common	75,700.00	NIL	-	-	75,700
126 MACROHON JR., IGNACIO	Common	100.00	NIL	-	-	100
127 LIM, PEDRO C.	Common	3,000.00	NIL	-	-	3,000
128 YAO, WILSON A.	Common	30,000.00	NIL	-	-	30,000
129 TAN, LOZANO A.	Common	100,000.00	NIL	-	-	100,000
130 VALENCIA, JESUS SAN LUIS	Common	2,100.00	NIL	-	-	2,100
131 PA, ANA GO &/OR GO KIM CRUZ, NAPOLEON D. CRUZ SR. &/OR LUISA I. &/OR NAPOLEON I. CRUZ JR.	Common	7,500,000.00	NIL	-	-	7,500,000
132 GALLAGA, RAFAEL C.	Common	5,000.00	NIL	-	-	5,000
133 LA'O, LUIS C.	Common	100.00	NIL	-	-	100
134 JACINTO JR., FERNANDO P.	Common	100.00	NIL	-	-	100
135 SALVADOR, BIENVENIDO C.	Common	100.00	NIL	-	-	100
137 BERNARDO, ROMEO L.	Common	100.00	NIL	-	-	100
138 CASTANEDA JR., CONSTANCIO T.	Common	100.00	NIL	-	-	100
139 KO PIO, RUFINO H.	Common	100.00	NIL	-	-	100
140 FRANCISCO, ROLANDO B.	Common	100.00	NIL	-	-	100
141 DESIDERIO JR., JOSE O.	Common	100.00	NIL	-	-	100
142 DESIDERIO, RODOLFO O.	Common	100.00	NIL	-	-	100
143 ONGKINGCO, FLORENCIO N.	Common	100.00	NIL	-	-	100
144 MARIANO JR., JORGE T.	Common	100.00	NIL	-	-	100
145 SAUCO, NORBERTO V.	Common	100.00	NIL	-	-	100
146 JUAN, FRISCO F. SAN	Common	100.00	NIL	-	-	100
147 CORPUS, SERGIO	Common	100.00	NIL	-	-	100
148 GO, GEORGE L.	Common	1,000.00	NIL	-	-	1,000
149 UY JR., CARLOS F.	Common	100.00	NIL	-	-	100
150 SALCEDO JR., ALFONSO L.	Common	100.00	NIL	-	-	100
151 ARAGON, BIENVENIDO M.	Common	200.00	NIL	-	-	200
152 CABANGON CHUA, ANTONIO L.	Common	100.00	NIL	-	-	100
153 TRINIDAD, ARMANDO C.	Common	100.00	NIL	-	-	100
154 BUENO, FRANCIS EDWIN I.	Common	100.00	NIL	-	-	100
155 HARI, ABDON M.	Common	100.00	NIL	-	-	100
156 REMO JR., JOSE H.	Common	100.00	NIL	-	-	100
157 CRUZ JR., ROMAN A.	Common	100.00	NIL	-	-	100
158 FRANCISCO, CLEOTILDE B.	Common	100.00	NIL	-	-	100
159 BELTRAN, AURELIO M.	Common	100.00	NIL	-	-	100
160 YUCHENGCO, YVONNE S.	Common	100.00	NIL	-	100.00	-
161 DEE, HELEN Y.	Common	100.00	NIL	-	-	100
162 PUYAT, ALFONSO G.	Common	100.00	NIL	-	-	100
163 FERNANDEZ, VICENTE T.	Common	100.00	NIL	-	-	100
164 LEON, JAIME S. DE	Common	100.00	NIL	-	-	100
165 RAMAJO, HONORIO J.	Common	100.00	NIL	-	-	100
166 UNSON, MA. ANICIA F.	Common	100.00	NIL	-	-	100
167 UNSON JR., ALEJANDRO F.	Common	100.00	NIL	-	-	100
168 VILLAMAYOR, ANTONIO S.	Common	100.00	NIL	-	-	100
169 CHENG, GEMA O.	Common	100.00	NIL	-	-	100
170 JUNTREAL JR., FILEMON A.	Common	100.00	NIL	-	-	100
171 COTOCO, NAZARIO	Common	100.00	NIL	-	-	100
172 COTOCO, DOMINGO	Common	100.00	NIL	-	-	100
173 PADIERNOS, GAY G.	Common	100.00	NIL	-	-	100
174 UNSON JR., EDMUNDO L.	Common	100.00	NIL	-	-	100
175 LIM, JAMES ORTEGA	Common	100.00	NIL	-	-	100
176 CUYEGKENG, ROSARIO W.	Common	100.00	NIL	-	-	100
177 FERNANDEZ, JAIME C.	Common	100.00	NIL	-	-	100
178 ALVENDIA, JOSE P.	Common	100.00	NIL	-	-	100
179 MERCADO JR., DANIEL M.	Common	100.00	NIL	-	-	100
180 ROMAN, VICTOR B.	Common	100.00	NIL	-	-	100

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
181 TANCO, EUSEBIO H.	Common	100.00	NIL	-	-	100
182 LEE, JOSE C.	Common	100.00	NIL	-	-	100
183 MORALES, RHODORA B.	Common	100.00	NIL	-	-	100
184 LOCSIN, JULIAN J.	Common	100.00	NIL	-	-	100
185 CARREDO, RAMON M.	Common	200.00	NIL	-	-	200
186 KOH, ANTONIO M.	Common	100.00	NIL	-	-	100
187 INDON, REYNALDO P.	Common	100.00	NIL	-	-	100
188 LICAROS, ABELARDO B.	Common	100.00	NIL	-	-	100
189 LICAROS JR., GREGORIO B.	Common	100.00	NIL	-	-	100
190 DOMINO, JUAN	Common	100.00	NIL	-	-	100
191 REYES, OSCAR C.	Common	200.00	NIL	-	-	200
192 MALONG, ALEJANDRO V.	Common	100.00	NIL	-	-	100
193 MERCADO JR., DAVID P.	Common	100.00	NIL	-	-	100
194 WONGAIHAM, ANTHONY T.	Common	200.00	NIL	-	-	200
195 MALLILLIN, MELECIO C.	Common	100.00	NIL	-	-	100
196 ROMUALDEZ, FERDINAND MARTIN G.	Common	3,000,000.00	NIL	-	-	3,000,000
197 OLIVA, DULCE MARIA S.	Common	20,000.00	NIL	-	-	20,000
198 BANK OF THE PHILIPPINE ISLANDS	Common	290,795,500.00	NIL	290,795,500	-	-
199 KO PIO, RODERICK C.	Common	100.00	NIL	-	-	100
200 KO PIO, RUFFY C.	Common	100.00	NIL	-	-	100
201 TEO, STEPHEN T. TEO &/OR TERESITA R.	Common	29,000.00	NIL	-	-	29,000
202 TURNER, PHILIP &/OR ELNORA	Common	1,000.00	NIL	-	-	1,000
203 PNB GENERAL INSURERS CO., INC. HYDEE MANAGEMENT & RESOURCE CORPORATION	Common	1,000.00	NIL	-	-	1,000
204 SM SAVINGS & LOAN ASSOCIATION	Common	264,000.00	NIL	-	-	264,000
205 SUDHAKAR, RANIPETA RANI	Common	70,000.00	NIL	-	-	70,000
206 REYES, CARLOS, R.	Common	100.00	NIL	-	-	100
207 GILI JR., GUILLERMO F.	Common	12,000.00	NIL	-	-	12,000
208 MENDIOLA, JORGE T.	Common	38,000.00	NIL	-	-	38,000
209 LIM, ROQUE A.	Common	20,000.00	NIL	-	-	20,000
210 CRISOL, ROBERTO B.	Common	66,000.00	NIL	-	-	66,000
211 CALLAR, CYRIL C. DEL CALLAR & /OR JOSEPHINE S. DEL	Common	1,000.00	NIL	-	-	1,000
212 SUNGA, PROSPERO S. SUNGA &/OR CLARITA J.	Common	1,896,000.00	NIL	-	-	1,896,000
213 YAN, LUCIO W. YAN &/OR CLARA Y. SUNGA, PETER EDWIN J. SUNGA &/OR ROSANNA MARIE S.	Common	375,000.00	NIL	-	-	375,000
214 GO, IRENE CHAN	Common	50,000.00	NIL	-	-	50,000
215 LO, JOSEPHINE NG	Common	300,000.00	NIL	-	-	300,000
216 LEE, LEA B.	Common	185,000.00	NIL	-	-	185,000
217 ALMEDA, VALERIANO &/OR TITA JANE &/OR RAYMOND JOSEPH ALMEDA	Common	71,000.00	NIL	-	-	71,000
218 PHILIPPINE GENERAL INSURANCE CORP.	Common	250,000.00	NIL	-	-	250,000
221 MANANSALA, CONSUELO D.	Common	40,000.00	NIL	-	-	40,000
222 VERGARA, ROBERT G.	Common	750,000.00	NIL	-	-	750,000
223 LEON, BEATRIZ P. DE	Common	1,000.00	NIL	-	-	1,000
224 PRIETO, MERCEDES R.	Common	1,000.00	NIL	-	-	1,000
225 PRIETO JR., BENITO R.	Common	1,933.00	NIL	-	-	1,933
226 PRIETO, MAURO R.	Common	1,933.00	NIL	-	-	1,933
227 TEODORO, MONICA P.	Common	1,934.00	NIL	-	-	1,934
228 PRIETO, MARTIN L.	Common	967.00	NIL	-	-	967
229 GOZO, DANILO A.	Common	967.00	NIL	-	-	967
230 NAPA, ERMILANDO D.	Common	1,000.00	NIL	-	-	1,000
231 NERA, MEDEL T.	Common	1,000.00	NIL	-	1,000.00	-
232 STERLING INSURANCE COMPANY, INC.	Common	1,000.00	NIL	-	1,000.00	-
233 TIU, ALFONSO SY	Common	300,000.00	NIL	-	-	300,000
234 CHUA, VICKY B.	Common	6,000.00	NIL	-	-	6,000
235 LAO, EDMUND Y.	Common	1,000.00	NIL	-	-	1,000
236 UY, ALVIN CHRIS SY	Common	6,000.00	NIL	-	-	6,000
237 WU, JOLI CO	Common	6,000.00	NIL	-	-	6,000
		344,100.00	NIL	-	344,100.00	-

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				Related parties	Directors, officers and employees	Others
238 BANZON JR., JOSE G.	Common	54,000.00	NIL	-	-	54,000
239 DIZON, VLADEMIR S.	Common	26,000.00	NIL	-	-	26,000
240 CRUZ, MARY ANN PINEDA DELA	Common	3,000.00	NIL	-	-	3,000
241 AYUSTE JR., RAFAEL G.	Common	100,000.00	NIL	-	100,000.00	-
242 CASTRO, WILLIAM Y.	Common	15,000.00	NIL	-	-	15,000
243 REGINA CAPITAL DEV. CORP.018414	Common	3,000.00	NIL	-	-	3,000
244 REGINA CAPITAL DEV. CORP. 018400	Common	6,000.00	NIL	-	-	6,000
245 VISAYAN SURETY & INSURANCE CORPORATION	Common	200,000.00	NIL	-	-	200,000
246 REYES, ROMAN FELIPE S.	Common	1,000.00	NIL	-	-	1,000
247 KAWSEK, PAUL L.	Common	80,000.00	NIL	-	-	80,000
248 MARILEX REALTY DEVELOPMENT CORPORATION	Common	1,933.00	NIL	-	-	1,933
249 HIDALGO, AUGUSTO PEDROSA III	Common	1,000.00	NIL	-	-	1,000
250 CHAVEZ, RAMON NONATO D.	Common	5,000.00	NIL	-	-	5,000
251 GONZALEZ, GIZELA M.	Common	600.00	NIL	-	-	600
252 ESTATE OF VICENTE M. WARNS	Common	600.00	NIL	-	-	600
253 OWEN NATHANIEL S. AU ITF LI MARCUS M. AU	Common	200.00	NIL	-	-	200
254 CUA, PAMELA S.	Common	6,000.00	NIL	-	-	6,000
255 FIRST LIFE FINANCIAL COMPANY INC.	Common	485,700.00	NIL	-	-	485,700
256 CABREZA, JOCELYN DE GUZMAN	Common	1.00	NIL	-	1.00	-
257 ANTONIO M. RUBIN	Common	1,000.00	NIL	-	1,000.00	-
258 ELIAS BENIZA DULALIA	Common	1,000.00	NIL	-	-	1,000
259 WILFREDO C. MALDIA	Common	1.00	NIL	-	1.00	-
260 MAR M. TANGLAO I	Common	180,000.00	NIL	-	-	180,000
261 SECOR HOLDINGS INC.	Common	50,000.00	NIL	-	-	50,000
262 ALLAN ROSSI SANTOS	Common	5,000.00	NIL	-	5,000.00	-
263 MARIA CONSUELO A. LUKBAN	Common	50.00	NIL	-	50.00	-
264 NORA M. MALUBAY	Common	1.00	NIL	-	1.00	-
265 M PIONEER INSURANCE INC.	Common	542,300.00	NIL	-	-	542,300
266 REX MARIA ARGUELLES MENDOZA	Common	1,000.00	NIL	-	1,000.00	-
267 REGINALDO ANTHONY B. CARIASO	Common	50.00	NIL	-	50.00	-
268 ALLIEDBANKERS INSURANCE CORPORATION	Common	100.00	NIL	-	-	100.00
269 AUGUSTO LOZADA TOLEDO II	Common	131,000.00	NIL	-	-	131,000.00
270 PCD NOMINEE CORP - FILIPINO	Common	1,676,866,787.00	NIL	820,181,497	-	856,685,290
271 PCD NOMINEE CORP - NON-FILIPINO	Common	5,223,010.00	NIL	-	-	5,223,010
TOTAL		2,123,605,600		1,150,472,097	453,303	972,680,200

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

As of December 31, 2020

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

Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning of the year	₱ 277,068,357
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Add: Net income actually earned/realized during the period	
Net income during the period closed to Retained Earnings	119,916,030
Less: Non-actual / unrealized income net of tax	-
Equity in net income if associate / joint venture	-
Unrealized foreign exchange gain (except those attributable to Cash and Cash Equivalents) and Unrealized actuarial gain	65,835,067
Fair value adjustment (M2M gains)	-
Fair value adjustment of Investment Property resulting to gain	-
Adjustment due to deviation from PFRS / GAAP – gain	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
Sub-total	54,080,963
Add: Non-actual losses	-
Depreciation on revaluation increment (after tax)	-
Adjustment due to deviation from PFRS/GAAP – loss	-
Loss on fair value adjustment of investment property (after tax)	-
Sub-total	-

Net income actually earned during the period	331,149,320
Add (Less):	
Dividend declarations during the period	-
Appropriations of Retained Earnings during the period	(11,991,603)
Reversals of appropriations	-
Effects of prior period adjustments	-
Treasury Shares	-

TOTAL RETAINED EARNINGS, END OF YEAR AVAILABLE FOR DIVIDEND *	₱ 319,157,717
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**This is still subject to Insurance Commissions’ requirements on declaration of dividends for insurance companies in the Philippines in accordance to Section 201 of the Amended Insurance Code.*

Contact Information

MAIN OFFICE

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