Etiqa Life and General Assurance Philippines, Inc.
(Formerly AsianLife and General Assurance Corporation)

Financial Statements
December 31, 2020 and 2019

and

Independent Auditor's Report

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Etiqa Life and General Assurance Philippines, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Etiqa Life and General Assurance Philippines, Inc. (the Company), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulation No. 15-2010 in Note 31 to the 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 information is the responsibility of the management of Etiqa Life and General Assurance Philippines, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Bernalette L. Ramos
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February 1, 2021, valid until January 31, 2024
PTR No. 8534351, January 4, 2021, Makati City

March 15, 2021

ETIQA LIFE AND GENERAL ASSURANCE PHILIPPINES, INC.
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2020	2019
ASSETS		
Cash and cash equivalents - net (Notes 6, 26 and 27)	**₱1,791,838,486**	₱892,727,395
Insurance receivables - net (Note 7 and 27)	**726,377,647**	553,930,660
Reinsurance assets (Note 7)	**74,384,843**	19,616,422
Financial assets (Notes 8 and 27)		
At fair value through profit or loss (FVTPL)	**315,865,475**	264,692,314
At fair value through other comprehensive income (FVOCI)	**1,778,219,841**	1,596,364,800
Loans and receivables - net (Notes 8 and 27)	**395,662,865**	395,240,606
Accrued interest receivable (Notes 6, 8 and 27)	**10,514,476**	13,783,028
Due from related parties (Note 26)	**32,334**	1,584,244
Segregated fund assets (Note 13)	**1,956,311,907**	1,214,808,609
Right-of-use assets - net (Note 10)	**41,401,499**	43,530,829
Property and equipment - net (Note 9)	**29,916,205**	32,560,833
Intangible assets - net (Note 9)	**10,948,448**	12,109,462
Deferred acquisition costs (Note 11)	**153,125,617**	167,533,144
Deferred tax assets - net (Note 25)	**103,757,243**	25,400,712
Other assets (Notes 12 and 27)	**39,714,980**	61,516,339
	₱7,428,071,866	₱5,295,399,397
LIABILITIES AND EQUITY		
Liabilities		
Insurance contract liabilities (Notes 13 and 27)	**₱2,161,980,941**	₱1,504,839,801
Accounts payable and other liabilities (Notes 14 and 27)	**598,087,955**	454,937,146
Insurance payables (Note 15 and 27)	**188,236,532**	109,706,852
Lease liabilities (Note 10 and 27)	**46,519,030**	47,542,631
Due to related parties (Note 26)	**17,233,002**	11,674,434
Segregated fund liabilities (Note 13 and 27)	**1,956,311,907**	1,214,808,609
Income tax liability	**89,188,678**	–
Net pension liability (Note 23)	**10,642,134**	13,666,585
Total Liabilities	**₱5,068,200,179**	₱3,357,176,058
Equity		
Capital stock - Issued and outstanding (Note 16)		
Common stock	**₱1,161,720,830**	₱1,161,720,830
Preferred stock	**5,005,960**	5,005,960
Contributed surplus (Note 16)	**39,784,362**	39,784,362
Other comprehensive income (loss)		
Unrealized gains on financial assets at FVOCI (Note 8)	**20,175,937**	7,054,271
Actuarial losses on pension liability (Note 23)	**(10,962,240)**	(3,512,746)
Remeasurement loss on life insurance reserves (Note 13)	**(19,087,370)**	(10,232,093)
Retained earnings	**1,163,234,208**	738,402,755
Total Equity	**2,359,871,687**	1,938,223,339
	₱7,428,071,866	₱5,295,399,397

See accompanying Notes to Financial Statements.

ETIQA LIFE AND GENERAL ASSURANCE PHILIPPINES, INC.
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2020	2019
INCOME		
Gross earned premiums on insurance contracts	**₱4,826,565,477**	₱4,210,786,668
Reinsurers' share of gross earned premiums on insurance contracts	**(183,009,476)**	(41,402,243)
Net insurance premiums earned (Note 17)	**4,643,556,001**	4,169,384,425
Interest income (Note 18)	**83,563,948**	121,073,742
Gain on sale of financial assets at FVOCI (Note 8)	**78,235,206**	40,449,942
Fair value gains (loss) on financial assets at FVTPL - net (Note 8)	**(691,660)**	6,157,870
Service and network fees (Note 18)	**125,438,295**	73,984,492
Third party administration fees (Note 18)	**13,462,486**	25,874,847
Others (Note 18)	**15,083,708**	19,611,214
	315,091,983	287,152,107
	4,958,647,984	4,456,536,532
EXPENSES		
Underwriting Expenses - Net		
Net benefits and claims incurred on insurance contracts (Note 19)	**2,093,569,708**	2,122,296,120
Transfer to segregated funds (Note 13)	**1,084,834,269**	1,205,573,203
Expenses for the acquisition of insurance contracts (Note 20)	**627,653,578**	452,012,927
Net change in legal policy reserves (Note 13)	**17,168,715**	7,196,648
	3,823,226,270	3,787,078,898
Other Expenses		
General and administrative expenses (Note 21)	**530,785,090**	389,514,684
Interest expense (Notes 10 and 14)	**3,759,919**	5,141,890
	534,545,009	394,656,574
	4,357,771,279	4,181,735,472
INCOME BEFORE INCOME TAX	**600,876,705**	274,801,060
PROVISION FOR INCOME TAX (Note 25)	**175,744,894**	57,743,352
NET INCOME	**425,131,811**	217,057,708
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Changes in fair value of debt financial assets at FVOCI during the year (Note 8)	**13,121,666**	62,670,312
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:		
Actuarial loss on pension liability - net of tax effect (Note 23)	**(7,449,494)**	(9,566,609)
Remeasurement loss on life insurance reserves (Note 13)	**(8,855,277)**	(9,414,911)
	(3,183,105)	43,688,792
TOTAL COMPREHENSIVE INCOME	**₱421,948,706**	₱260,746,500

See accompanying Notes to Financial Statements.

ETIQA LIFE AND GENERAL ASSURANCE PHILIPPINES, INC.
STATEMENTS OF CHANGES IN EQUITY

	Capital Stock - Issued and Outstanding (Note 16)			Other Comprehensive Income (Loss)					
	Common Stock	Preferred Stock	Contributed Surplus (Note 16)	Unrealized Gains (Losses) on Financial Assets at FVOCI (Note 8)	Actuarial Gains (Losses) on Pension Liability (Note 23)	Remeasurement loss on life insurance reserves (Note 13)	Retained Earnings (Note 16)	Total
As at January 1, 2020	**₱1,161,720,830**	**₱5,005,960**	**₱39,784,362**	**₱7,054,271**	**(₱3,512,746)**	**(₱10,232,093)**	**₱738,402,755**	**₱1,938,223,339**
Net income	**–**	**–**	**–**	**–**	**–**	**–**	**425,131,811**	**425,131,811**
Other comprehensive income (loss)	**–**	**–**	**–**	**13,121,666**	**(7,449,494)**	**(8,855,277)**	**–**	**(3,183,105)**
Total comprehensive income (loss)	**–**	**–**	**–**	**13,121,666**	**(7,449,494)**	**(8,855,277)**	**425,131,811**	**421,948,706**
Cumulative preferred stock dividends	**–**	**–**	**–**	**–**	**–**	**–**	**(300,358)**	**(300,358)**
As at December 31, 2020	**₱1,161,720,830**	**₱5,005,960**	**₱39,784,362**	**₱20,175,937**	**(₱10,962,240)**	**(₱19,087,370)**	**₱1,163,234,208**	**₱2,359,871,687**
As at January 1, 2019	₱1,161,720,830	₱5,005,960	₱39,784,362	(₱55,616,041)	₱6,053,863	(₱817,182)	₱521,645,404	₱1,677,777,196
Net income	–	–	–	–	–	–	217,057,708	217,057,708
Other comprehensive income (loss)	–	–	–	62,670,312	(9,566,609)	(9,414,911)	–	43,688,792
Total comprehensive income (loss)	–	–	–	62,670,312	(9,566,609)	(9,414,911)	217,057,708	260,746,500
Cumulative preferred stock dividends	–	–	–	–	–	–	(300,357)	(300,357)
As at December 31, 2019	₱1,161,720,830	₱5,005,960	₱39,784,362	₱7,054,271	(₱3,512,746)	(₱10,232,093)	₱738,402,755	₱1,938,223,339

See accompanying Notes to Financial Statements.

ETIQA LIFE AND GENERAL ASSURANCE PHILIPPINES, INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱600,876,705**	₱274,801,060
Adjustments for:		
Increase in reserves for claims IBNR (Note 13)	**186,469,784**	14,056,634
Depreciation and amortization (Notes 9, 10 and 24)	**35,743,903**	29,455,501
Net change in legal policy reserves (Note 13)	**17,168,715**	7,196,648
Pension expense (Notes 22 and 23)	**7,591,691**	5,205,968
Interest expense (Notes 10 and 14)	**3,759,919**	5,141,890
Fair value losses (gains) on financial assets at FVTPL (Note 8)	**691,660**	(6,157,870)
Provision for (recovery from) from impairment of:		
Loans and receivables (Note 8)	**42,960,543**	(1,684,483)
Premiums due and uncollected (Note 7)	**18,238,955**	17,434,125
Other assets (Note 12)	**1,911,937**	–
Cash and cash equivalents (Note 6)	**566,259**	(1,500,779)
Financial assets at FVOCI (Note 8)	**439,861**	(6,217,666)
Gain on pre-termination of lease (Notes 10 and 18)	**–**	(563,699)
Gain on sale of financial assets at FVOCI (Note 8)	**(78,235,206)**	(40,449,942)
Interest income (Note 18)	**(83,563,948)**	(121,073,742)
Operating income before working capital changes	**754,620,778**	175,643,645
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Loans and receivables	**47,824,647**	(87,958,905)
Other assets	**19,889,422**	(31,715,323)
Deferred acquisition costs	**14,407,527**	(167,533,144)
Reinsurance assets	**(54,768,421)**	17,593,506
Insurance receivables	**(190,685,942)**	(167,586,935)
Increase (decrease) in:		
Insurance contract liabilities	**444,647,364**	399,580,597
Insurance payables	**78,529,680**	(9,827,483)
Accounts payable and other liabilities	**142,850,451**	26,119,922
Net cash generated from operations	**1,257,315,506**	154,315,880
Interest paid	**(63,596)**	(541,519)
Contribution to the retirement fund (Note 23)	**(21,258,276)**	(6,843,739)
Income taxes paid	**(163,660,454)**	(56,638,644)
Net cash provided by operating activities	**1,072,333,180**	90,291,978
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**60,738,117**	62,875,836
Proceeds from:		
Disposal and maturities of financial assets at FVOCI (Note 8)	**5,695,830,929**	1,941,379,834
Disposal of financial assets at FVTPL (Note 8)	**257,905,515**	186,792,413
Collections of salary loans (Note 8)	**131,155,512**	103,849,284
Acquisitions of:		
Intangible assets (Note 9)	**(713,873)**	(826,519)
Property and equipment (Note 9)	**(7,699,660)**	(24,983,915)

(Forward)

	Years Ended December 31	
	2020	2019
Salary loans (Note 8)	**(₱222,929,220)**	(₱255,885,445)
Financial assets at FVTPL (Note 8)	**(309,770,336)**	(201,725,821)
Financial assets at FVOCI (Note 8)	**(5,758,734,229)**	(1,931,310,084)
Net cash used in investing activities	**(154,217,245)**	(119,834,417)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in amounts in due to related parties	**5,558,568**	197,968
Decrease (increase) in amounts in due from related parties	**1,551,910**	(1,584,244)
Payment of interest on lease liabilities (Note 10)	**(3,696,323)**	(4,600,371)
Payment of principal portion of lease liabilities (Note 10)	**(22,418,999)**	(15,481,186)
Net cash used in financing activities	**(19,004,844)**	(21,467,833)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**899,111,091**	(51,010,272)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**892,727,395**	943,737,667
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱1,791,838,486**	₱892,727,395

See accompanying Notes to Financial Statements.

1. Corporate Information

Etiqa Life and General Assurance Philippines, Inc. (ELGAP or the "Company") was incorporated on October 4, 2010 as AsianLife and General Insurance Corporation (ALGA), the successor-in-interest of a corporate entity which also bears the same name (the "Old ALGA" - with SEC No. 14341), the corporate term of which expired on August 22, 2008.

The Company's primary purpose is to carry on the business of insurance upon lives of individuals and the business of non-life insurance; to grant contract of insurance and reinsurance providing for all risks, hazards, guarantees and contingencies to which life, accidents or health insurance is applicable and to grant or effect assurance of all kinds of payment of money by way of single payment or by several payments, or by any person of immediate or referred annuities upon the death of or upon reaching a given age by any person or persons subject or not such death or age requirement or happening of any contingency or event dependent upon human life or upon a fixed or given date.

On September 25, 2013, Maybank ATR KimEng Financial Corporation (formerly ATR KimEng Financial Corporation) which owned 95.24% of the outstanding common stock and was deemed the parent company of the Company sold all its 95.24% ownership interest over ALGA shares to its affiliate, Maybank ATR KimEng Capital Partners, Inc. (MATRKECP). MATRKECP, an investment house with trust license, is a domestic corporation owned by Maybank KimEng Holdings Limited (MAKEHL) and ATR Holdings, Inc. (ATRH). ATRH is a domestic corporation, while MAKEHL is a conglomerate whose shares are listed in the Singapore Stock Exchange. The Insurance Commission (IC) approved the sale on October 17, 2013.

On December 1, 2014, ATRH sold the Company's preferred shares representing 50.30% voting interest of the latter to Etiqa International Holdings Sdn. Bhd (EIHSB or the Parent Company), a subsidiary of Maybank in Malaysia.

On the same date, MATRKECP and EIHSB executed a Joint Voting Agreement (JVA), which provided that EIHSB shall vote all of its shares in the Company on any and all matters requiring the resolution of the shareholders of the Company in such manner as MATRKECP. The JVA shall be effective unless terminated by mutual agreement by MATRKECP and EIHSB. The IC approved the transfer of shares on April 10, 2015. This JVA was terminated in 2016.

On December 20, 2016, the Board of Directors (BOD) and Stockholders of the Company approved a resolution approving the amendment of the Articles of Incorporation to increase the authorized common stock from 49,499,404 common shares with par value of ₱10 per share to 124,499,404 common shares with par value of ₱10 per share (see Note 16). This resulted to an increase in authorized capital stock from ₱500,000,000 to ₱1,250,000,000. The increase in capital stock was endorsed by IC last January 3, 2017 and was approved by the Securities and Exchange Commission (SEC) last August 31, 2017.

On June 1 and June 8, 2017, EIHSB infused additional capital amounting to ₱330,000,000 and ₱305,000,000, respectively, totaling ₱635,000,000 corresponding to 63,500,000 common shares.

On June 14, 2017, E-MARC Consultants, Inc. infused additional capital amounting to ₱31,726,790 corresponding to 3,172,679 common shares

In 2019, the Company underwent a rebranding campaign and changed its corporate name from AsianLife and General Assurance Corporation to Etiqa Life and General Assurance Philippines, Inc., in a drive to establish a more unified visual identity for the Etiqa Group in Southeast Asia and to strengthen the “Etiqa” brand and its ability to gain greater recognition regionally. The change in corporate name was approved by the BOD on June 17, 2019 and by the SEC on June 19, 2019.

In a move to contain the Coronavirus Disease 2019 (COVID-19) outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region (NCR) effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, which was subsequently extended to May 15, 2020. Afterwards, the Philippine government imposed modified enhanced community quarantine (MECQ) over NCR and other high-risk areas effective until May 31, 2020. Beginning June 1, 2020, NCR was put on general community quarantine (GCQ) which is a more relaxed quarantine measures allowing more offices or industries to operate at full or partial capacity. These measures have caused disruptions to businesses and economic activities.

The pandemic and the resulting government measures impacted the Company’s onsite operations, as the Company shifted to a blend of remote working and skeleton team arrangement. Some of the Company’s employees that were afflicted with the disease successfully recovered, with no casualties. To protect its employees and clients, the Company employed health, safety and security measures, such as observance of social distancing, face mask wearing and frequent, regular sanitizing of workstations. Protective personal equipment was likewise procured to relevant staff assigned to high-risk areas such as hospitals and clinics. The Company adheres to all measures, policies and guidelines issued by government agencies.

The Company’s financial position and condition were not adversely affected significantly, and management believes there is no reason to question the Company’s ability to continue as a going concern as at statement of position date and beyond.

As of December 31, 2020 and 2019, EIHSB owns 68.31% of the total outstanding and issued shares of ELGAP, MATRKECP owns 28.36%, and the remaining 3.33% is owned by E-MARC Consultants, Inc.

The Company’s ultimate Parent Company is Malayan Banking Berhad of Malaysia.

The Company’s registered office address, which is also its principal place of business, is 3rd Floor, Morning Star Center, Sen. Gil J. Puyat Avenue, Makati City.

2. **Basis of Preparation**

The financial statements of the Company have been prepared on a historical cost basis, except for fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI) financial assets, and segregated fund assets which are carried at fair value.

The financial statements are presented in Philippine Peso (₱) which is the Company’s functional currency. All values are rounded to the nearest peso, unless otherwise indicated.

Statement of Compliance
The Company's financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

3. Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2020. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements of the Company.

- Amendments to PFRS 3, *Business Combinations, Definition of a Business*

  The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments may impact future periods should the Company enter into any business combinations.

- Amendments to PFRS 7, *Financial Instruments: Disclosures and PFRS 9, Financial Instruments, Interest Rate Benchmark Reform*

  The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

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

  The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

  The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

  The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, COVID-19-related Rent Concessions

  The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

  The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

  The Company did not have any lease concessions related to its contracts.

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

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs* 2018-2020 Cycle
  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
  - Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*
  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- PFRS 17, *Insurance Contracts*

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

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

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, re-measured every reporting period (the fulfilment cash flows).
- A Contractual Service Margin ("CSM") that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profitability of the insurance contracts to be recognized in profit or loss over the service period (i.e., coverage period).
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognized in profit or loss over the remaining contractual service period.
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.
- The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period.
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the income statement, but are recognized directly on the balance sheet.
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense.
- Extensive disclosures to provide information on the recognized amounts from insurance contracts and the nature and extent of risks arising from these contracts.

The standard is effective for annual periods beginning on or after 1 January 2023. Early application is permitted, provided the entity also applies PFRS 9 and PFRS 15 on or before the date it first applies PFRS 17. On May 18, 2020, the Insurance Commission issued circular 2020-62 which defers the implementation of PFRS 17 in the Philippines to 1 January 2020 or for an additional two (2) years from the date of global adoption. An entity shall apply PFRS 17 retrospective approach for estimating the CSM on the transition date. However, if full retrospective application for estimating the CSM, is impracticable, an entity is required to choose one of the following two alternatives:

- Modified retrospective approach

Based on reasonable and supportable information available without undue cost and effort to the entity, certain modifications are applied to the extent full retrospective application is not possible, but still with the objective to achieve the closest possible outcome to retrospective application.

- Fair value approach

  The CSM is determined as the positive difference between the fair value determined in accordance with PFRS 13 Fair Value Measurement and the fulfilment cash flows (any negative difference would be recognized in retained earnings at the transition date).

Both the modified retrospective approach and the fair value approach provide transitional reliefs for determining the grouping of contracts. If an entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, it is required to apply the fair value approach.

Assessment is currently being made across the region for all Etiqa entities, where the Etiqa group has established a project team, with assistance from the Actuarial, Finance, Risk, IT and various Business sectors to study the implication and to evaluate the potential impact of adopting this standard on the required effective date.

Deferred effectivity

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

4. Summary of Significant Accounting Policies

Revenue Recognition
The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has assessed its revenue arrangements against these criteria and concluded that it is acting as a principal in all direct business arrangements and as an agent in all its ceded-out businesses. The following specific recognition criteria must also be met before revenue is recognized:

Premiums Revenue - Life
Premiums arising from life insurance contracts are generally recognized as income when received and on the issue date which coincides with the effective date of the insurance policies for the first-year premiums. Premiums from short-duration insurance contracts, such as from group health and group life are recognized as revenue over the period of the contracts using the 365th method.

For the renewal business, premiums are recognized as income when still in-force and in the process of collection. Renewal premiums from life insurance contracts are recognized as revenue by the Company and payable by the policyholder. Receivables are recorded at the date when payments are due. Premiums are shown before deduction of commissions and reinsurers' share on gross premiums.

The Company cedes insurance risk in the normal course of business as part of its risk management policy. Ceded premiums are presented in "Reinsurers' share of gross earned premiums on insurance contracts" portion of the statement of comprehensive income.

Premiums Revenue - Nonlife
Gross insurance written premiums from non-life insurance comprise the total premiums receivable for the whole covered period provided by contracts entered into during the accounting period and are recognized on the date which the policy incepts. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior periods.

Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 365th method.

The portion of the premiums written that relate to the unexpired periods of the policies at end of the reporting period is accounted for as Provision for unearned premiums as part of "Insurance Contract Liabilities" in the statement of financial position. The net changes in these accounts between each end of reporting periods are recognized in profit or loss.

The Company assumes and cedes insurance risk in the normal course of business. Premiums on reinsurance assumed are recognized as revenue in the same manner as they would be if the reinsurance were considered as direct business, taking into account the product classification of the reinsured business. Ceded premiums are presented in "Reinsurers' share of gross earned premiums on insurance contracts" portion of the statement of comprehensive income.

Service and network fees
Service and network fees are recognized when earned normally upon performance of the service and fulfillment of the Company's obligation for the issuance of health cards to give network access to the policyholders.

Fees from variable insurance
Fees from variable insurance are recognized when earned normally upon performance of the service and fulfillment of the Company's obligation of issuance of the policy (policy fees), and administration of the policyholder's fund (administrative fees). Surrender fees are also charged to policyholders who wish to terminate their policy earlier than the holding period.

Third party administration fee
Revenue is recognized when earned, which is upon the performance of the obligation for administration (based on the terms of the contract) of policyholder's medical and health expenses. This is satisfied upon actual processing of the client's utilization.

Interest income
For all interest-bearing financial assets measured at amortized cost, interest income is recognized using the effective interest method. The effective interest rate (EIR) exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or a shorter period, where appropriate, to the net carrying amount of the financial asset. The change in carrying amount is recorded as interest income for the period.

Once the recorded value of a financial asset or group of similar financial assets has been reduced due to an impairment loss, future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss.

Dividend income
Dividend income is recognized when the Company's right to receive the payment is established.

<u>Benefits, Claims and Expenses Recognition</u>
Benefits and claims - Life
Benefits and claims consist of benefits and claims paid to policyholders as well as changes in the valuation of insurance contract liabilities and reserve for policyholders' dividends. These are recorded when notices of claims have been received and dividends have been incurred or when policies reach maturity. For unpaid benefits, a liability is recognized for the estimated cost of all claims made but not settled as of reporting date less reinsurance recoveries. Provision is also made

for the cost of claims incurred as of reporting date but not reported (IBNR) until after the reporting date based on the Company's experience and historical data. Differences between the provision for outstanding claims at the reporting date and subsequent revisions and settlements are included in profit or loss in the statement of comprehensive income of subsequent years. Unpaid benefits to life policies form part of policy and contract claims payable included in “Insurance Contract Liabilities” in the statement of financial position.

Benefits and claims - Non-life
Benefits and claims for non-life include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Direct costs and expenses - Life and Non-life
Commissions and other expenses for the acquisition of insurance contracts are expensed as incurred. The portion of acquisition costs for group life, group health and non-life businesses incurred during the financial period but relate to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins.

Deferred Acquisition Costs (DAC)
Commissions and other acquisition costs incurred during the financial period, pertaining to the group health and life, as well as for non-life businesses, that vary with and are related to securing new insurance contracts and or renewing existing insurance contracts, but which relates to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins. All other acquisition costs are recognized as expense when incurred.

Subsequent to initial recognition, these costs are amortized on a straight-line basis using the 365th method over the life of the contract. Amortization is charged against profit or loss. The unamortized acquisition costs are shown as ‘Deferred acquisition costs’ in the statement of financial position.

An impairment review is performed at each end of the reporting period or more frequently when an indication of impairment arises. The carrying value is written down to the recoverable amount. The impairment loss is charged to profit or loss. Deferred acquisition costs are also considered in the liability adequacy test for each end of the reporting period.

General and administrative expenses
General and administrative expenses constitute costs of administering the business. These are recognized when incurred.

Interest expense
Interest expense on accumulated policyholders' dividends and premium deposit fund is recognized in profit or loss in the statement of comprehensive income as it accrues and is calculated using the effective interest method. Accrued interest is credited to the liability account every policy anniversary date.

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

Insurance Receivables
Insurance receivables are recognized when due and measured on initial recognition at the fair value of the consideration to be received. The carrying value of premiums due and uncollected is reviewed for impairment whenever events or circumstances indicate the carrying amount may not be recoverable, with the impairment loss recorded in profit or loss in the statements of comprehensive income.

Insurance receivables are derecognized following the derecognition criteria for financial instruments.

Classification and Measurement of Financial Instruments
Financial assets
Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Company's business model for managing financial assets. The Company classifies its financial assets into the following categories: financial assets at FVTPL, financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments), financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) and financial assets measured at amortized cost. Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

Classification and measurement
Under PFRS 9, the classification and measurement of financial assets is driven by the entity's contractual cash flow characteristics of the financial assets and business model for managing the financial assets.

As part of its classification process, the Company assesses the contractual terms of financial assets to identify whether they meet the 'solely payments of principal and interest' (SPPI) test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (e.g. if there are repayments of principal or amortization of the premium or discount).

Business model assessment
The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- The expected frequency, value and timing of sales are also important aspects of the Company's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The Company's measurement categories are described below:

Financial assets at fair value through OCI
The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, and;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Financial assets included within the FVOCI category are initially recognized and subsequently measured at fair value. Movements in the carrying amount should be recorded through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit and loss. Where the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss.

The Company's debt instruments at fair value through OCI are composed of investments in government and corporate debt securities. It includes both those directly held by the Company and those under investment management agreement (IMA) with ATRAM Trust Corporation.

Financial assets at amortized cost
The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost includes Salary loans, Mortgage loans, Accounts receivable, Policy loans, Due from policyholders, Receivable from third party administration, Receivable from unit-linked funds, and Other receivables.

Financial assets at fair value through profit or loss
Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes government and corporate debt securities, listed equity securities and proprietary shares, as well as investments in Mutual Funds and Unit Investment Trust Funds (UITFs) both held by the Company and those under its 02-IM-01 account (IMA account) managed by ATRAM Trust Corporation.

Other Financial Liabilities
Issued financial instruments or their components, which are not classified as FVTPL, are classified as other financial liabilities, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial instrument to the holder or lender, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments.

After initial measurement, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR. The amortization is included as part of interest expense for the period. This category includes the Company's accounts payable and other liabilities (except government and statutory liabilities), due to related parties, life insurance deposit, premium deposit fund, and "claims payable and policyholders' dividends" (included under "Insurance Contract Liabilities" account in the statements of financial position).

Reclassifications
The Company reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Company and any previously recognized gains, losses or interest shall not be restated. The Company does not reclassify its financial liabilities.

The Company is required to reclassify the following financial assets:

- from amortized cost to FVTPL if the objective of the business model changes so that the amortized cost criteria are no longer met;
- from FVTPL to amortized cost if the objective of the business model changes so that the amortized cost criteria start to be met and the instrument's contractual cash flows meet the amortized cost criteria; and
- from FVOCI to amortized cost if the objective of the business model changes so that the fair value criteria are no longer met but the amortized cost criteria is still met and the instrument's contractual cash flows meet the amortized cost criteria

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

Impairment of Financial Instruments
Expected Credit Loss ("ECL") represents credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions.

ECL allowances are measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.

The Company records ECL for all loans and receivables and other debt financial assets not classified as FVTPL, together with loan commitments and financial guarantee contracts.

The Company's cash and cash equivalents and government securities are rated as investment grade by the global rating agency. Accordingly, these investments are considered to be low credit risk investments. The ECL calculation is based on historical loss experience adjusted for current conditions and forecasts of future economic conditions using reasonable and supportable information available as of the reporting date. The Company applied simplified approach in calculating ECLs on these investments and does not track changes in credit risk but instead recognizes an allowance based on lifetime ECL at each reporting period.

Staging Assessment

The Company applies a three-stage approach based on the change in credit quality since initial recognition:

Stage 1 – includes financial instruments that have not had a significant increase in credit risk ("SICR") since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month ECL are recognized and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL is the ECL that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12 months.

Stage 2 – includes financial instruments that have had a SICR since initial recognition but do not have objective evidence of impairment. For these assets, lifetime ECL is recognized, but interest revenue is still calculated on the gross carrying amount of the asset. Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument.

Stage 3 – includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL is recognized and interest revenue is calculated on the net carrying amount (that is, net of credit allowance).

Definition of "default"
The Company defines a financial instrument as in default when it is credit impaired or becomes past due on its contractual payments for more than 90 days. As part of a qualitative assessment of whether a customer is in default, the Company considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Company carefully considers whether the event should result in treating the customer as defaulted.

Significant increase in credit risk
The credit risk of a particular exposure is deemed to have increased significantly since initial recognition, if based on the Company's aging information, the customer becomes past due over 90 days. In subsequent periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the Company shall revert to recognizing a 12-month ECL.

ECL parameters and methodologies
ECL is a function of the probability of default (PD), loss given default (LGD) and exposure at default (EAD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgment.

The PD is an estimate of the likelihood of default over a 12-month horizon for Stage I or lifetime horizon for Stage 2. The PD for each individual instrument is modelled based on historical data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Company segmented its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behavior of the accounts and materiality of the segment as compared to the total portfolio.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

Forward-looking information
The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. A broad range of forward-looking information are considered as economic inputs, such as gross domestic product (GDP) growth, consumer price index, interest rate, lending rate and other economic indicators. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Write-off
The Company writes-off its financial assets when it has been established that all efforts to collect and/or recover the loss has been exhausted. This may include the other party being insolvent, deceased or the obligation being unenforceable.

Impairment on DepEd Salary loans
The Company adopts flow rate matrix approach in calculating ECL on DepEd salary loans. The Company considers historical aging data of its loan portfolio to determine the loss rates per aging bucket that will be used in calculating for ECL.

However, driven by the challenges and in the light of uncertainty resulting from the COVID-19 pandemic, the Company has adopted additional assumptions and overlay using the best available information for the computation of ECL in 2020. One of the factors considered is the "Bayanihan I and II", a government measure which provides relief on loan amortizations for four (4) months and effectively extends the collection due dates for loans. The Company has also provided additional impairment allowance for loans with a significant number of missed payments, as it remains to be seen when the environment will revert to normal.

Derecognition of Financial Assets and Liabilities

Financial asset

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

- The right to receive cash flows from the asset has expired;
- The Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- The Company has transferred its right to receive cash flows from the asset and either has: (a) transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Financial liability

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. 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 profit or loss.

Fair Value Measurement

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

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

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

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

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

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

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

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

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

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

<u>Reinsurance</u>
Contracts entered into by the Company with reinsurers which compensate the Company for losses on one or more contracts insured by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Insurance contracts entered into by the Company under which the contract holder is another insurer (inward reinsurance) are classified as insurance contracts. Income from reinsurance contracts are classified within "Gross premiums on insurance contracts" in the statements of comprehensive income. Contracts that do not meet these classification requirements are classified as financial assets.

The benefits recoverable by the Company under its reinsurance contracts are recognized as reinsurance assets. These assets consist of amounts due from reinsurers classified as "Financial assets at amortized cost". Due to reinsurers for reinsurance contracts are recognized as an expense upon recognition of premiums on the related insurance contract, classified as "Insurance payables". Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with terms of each reinsurance contract.

The Company assesses its reinsurance assets for impairment at least annually. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance assets to its recoverable amount and recognizes that impairment loss in profit or loss in the statement of comprehensive income. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process for financial assets held at amortized cost. The impairment loss is also calculated following the same method used for financial assets.

<u>Related Party Transactions</u>
Related party relationships exist when one party has the ability to control or influence the other party, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and its key management personnel, directors, or its stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely legal form.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation, amortization and any impairment loss. The initial cost of property and equipment comprises its purchase price and other costs directly attributable to bringing the asset to its working condition and location for its intended use.

Depreciation and amortization are computed using the straight-line method over the estimated useful life (EUL) of the assets. Leasehold improvements are amortized over the EUL of the improvements or the term of the related lease, whichever is shorter. The EUL of the different categories of property and equipment are as follows:

	Years
Office furniture, fixtures and equipment	3 - 5
Leasehold improvements	5
Transportation equipment	5
Software	5

Subsequent costs are included in the asset's carrying amount or are recognized as asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance are charged to current operations when incurred.

The asset’s residual values, useful lives, and depreciation and amortization method are reviewed at each reporting date and adjusted, if appropriate, to ensure that these factors and assumptions are consistent with the expected pattern of consumption of future economic benefits embodied in the asset.

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

Leases

Right-of-use assets (ROU)

At inception of a contract, the Company assesses whether a contract is, or contains, a lease arrangement based on whether the contract that conveys to the user ("the lessee") the right to control the use of an identified asset for a period of time in exchange for consideration. If a contract contains more than one lease component, or a combination of leasing and services transactions, the consideration is allocated to each of these lease and non-lease components on conclusion and on each subsequent re-measurement of the contract on the basis of their relative stand-alone selling prices. The Company combines lease and non-lease components, in cases where splitting the non-lease component is not possible.

The Company recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option.

The recognized ROU assets are depreciated on a straight-line basis over the lease term of the related contract.

Lease liabilities
At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below ₱0.3 million). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

<u>Impairment of Non-financial Assets</u>
The Company assesses whether there is any indication that its nonfinancial assets such as its ROU asset, property and equipment and intangible assets may be impaired. When an indicator of impairment exists (or when an annual impairment testing for an asset is required), the Company estimates the recoverable amount of the impaired asset. The recoverable amount is the higher of fair value less costs to sell and value in use and is determined for an individual asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

An impairment loss is charged to profit or loss in the period when it arises, consistent within the function of impaired assets.

For non-financial assets, an assessment is made at every reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The reversal can be made only to the extent that the resulting carrying value does not exceed the carrying value that would have been determined, net of depreciation and amortization, had no impairment loss been recognized. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization are adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Insurance Contract Liabilities - Life
Legal policy reserves represent the accumulated total liability for policies in-force at the reporting date. Such reserves are established at amounts adequate to meet the estimated future obligations of all insurance policies in-force as of reporting date.

For life insurance, the reserves are calculated using actuarial methods and assumptions as approved by the IC. As of December 31, 2020, the insurance contract liabilities for traditional life policies are measured using GPV method, and variable life policies are measured using unearned cost of insurance and present value of loyalty bonus methods.

For group life and group health insurance, unearned premium reserves are calculated using the 365^{th} method.

A number of life insurance contracts issued by the Company include discretionary participation feature. This feature entitles policyholders to policy dividends whose amounts and timing of payments are under the discretion of the Company. The Company's policy dividends are computed using actuarial methods and assumptions, and are included under "Net benefits and claims incurred on insurance contracts" account in the statements of comprehensive income with the corresponding liability recognized under the "Insurance contract liabilities" account in the statements of financial position.

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

Insurance Contract Liabilities - Non-Life
Insurance contract liabilities are recognized when contracts are entered into and premiums are charged.

Provisions for claims reported, provision for claims Incurred But Not Reported (IBNR) losses, claims handling expense (CHE) and Margin for Adverse Deviation (MfAD)
Provisions for claims reported are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of which cannot be known with certainty at the end of each reporting date. The liability is not discounted for the time value of money.

Provision for claims IBNR pertains to amount provided for claim events that have occurred but have not been reported to the Company as of the reporting date. The provision for claims IBNR at each reporting date is calculated by using standard actuarial projection techniques (or combination of such techniques), including but not limited to the chain ladder method, the expected loss ratio approach, and the Bornhuetter-Fergusion method. The method used is determined by its appropriateness by considering the characteristics of the Company's claims data and other factors such as maturity of the business, large losses arising from significant past events, operational changes in claims and underwriting processes and external conditions.

The Company shall include an MfAD to allow for inherent uncertainty of the best estimate of the policy reserves which shall be determined at least on an annual basis based on standard projection techniques or combination of such techniques such as, but not limited to, the Mack Method, Bootstrapping Method, Stochastic Chain Ladder Method to bring the actuarial estimate of the policy liabilities at the 75% level of sufficiency.

Provision for claims handling expense (CHE) is also calculated to cover estimated expenses of settling all claims, both reported and unreported, outstanding as of the reporting date.

Quarterly, an actuarial valuation is performed on the gross and net claims and premium liabilities to ensure that the reserves are in compliance with the Valuation Standards for Non-Life Insurance Policy Reserves as required by the IC guided by Sections 219 and 220 of the Amended Insurance Code (Republic Act (RA) No. 10607) along with Circular Letters No. 2018-18 and No. 2018-19. Additional reserves are set up if the result of the actuarial investigation shows that the existing balances are not in accordance with the mandate of IC.

Premium liabilities
Premium liabilities is equal to the provision for unearned premiums plus the difference between the provision for unexpired risk and the provision for unearned premiums, net of deferred acquisition costs, if the provision for unexpired risk is greater than the provision for unearned premiums net of deferred acquisition costs. Otherwise, it is equal to the provision for unearned premiums.

Provision for unearned premiums
The proportion of written premiums, gross of commissions payable to intermediaries, attributable to subsequent periods or to risks that have not yet expired is deferred as provision for unearned premiums. Premiums from policy contracts with a term of exactly one year are recognized as revenue over the period of the contracts using the 365th method. The portion of the premiums written that relate to the unexpired periods of the policies at the reporting date are accounted for as provision for unearned premiums and presented as part of "Insurance contract liabilities" in statement of financial position. The change in the provision for unearned premiums is taken to profit or loss in the order that revenue is recognized over the period of risk. Further, provisions are made to cover claims under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

Provision for unexpired risk
Provision for unexpired risk (URR) is the best estimate that relates to expected future claim payments and related expenses to be incurred after the valuation date, arising from future events. This shall be calculated as the best estimate of future claims and expenses for all classes of business, with MfAD.

Unit Linked Insurance Contracts
The Company issues unit-linked insurance contracts. In addition to providing life insurance coverage, unit-linked contracts link payments to insurance investment funds set-up by the Company with the consideration received from the policyholders. As allowed by PFRS 4, *Insurance Contracts*, the Company chose not to unbundle the investment portion of its unit-linked products. Premiums received from the issuance of unit-linked insurance contracts pertaining to the insurance portion are recognized as premium revenue.

The Company withdraws from the consideration received from the policyholders administrative and cost of insurance charges in accordance with the provisions of the unit-linked insurance contracts.

After deduction of these charges, the remaining amounts in fund assets are equal to the surrender value of the unit-linked policies and can be withdrawn anytime.

The investment returns on the insurance investment funds belong to policyholders and the Company does not bear the risk associated with these assets (outside of guarantees offered). Accordingly, investment income earned and expenses incurred by these funds and payments to policyholders are reflected directly in the "Segregated fund assets and Segregated fund liabilities" accounts in the statements of financial position. Such changes have no effect on the Company's results of operations.

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

Product Classification

The Company issues contracts that transfer insurance or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such risk includes having to pay benefits on the occurrence of an insured event such as death, accident or disability. The Company may also transfer insurance risk on insurance contracts through its reinsurance arrangements to hedge a greater possibility of claims occurring than expected. Such contracts may also transfer financial risk. As a general guideline, the Company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that is at least 10% more than the benefits payable if the insured event did not occur.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

Insurance contracts may contain a premium and capital fund rider that entitles the policyholder to receive additional benefits based on the Company's investment performance. These contracts are recorded as financial liabilities under "Premium deposit fund" account in the statements of financial position. Local statutory regulation sets out a limitation on the accumulation of fund deposits and contributions.

Pension Cost

Defined benefit plan

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit (PUC) method.

Defined benefit costs comprise the following:

(a) Service cost;
(b) Net interest on the net defined benefit liability or asset; and
(c) Remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Company's right to be reimbursed of some or all of the expenditures required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Bonus plans
The Company recognizes a liability and an expense for 13th month and mid-year bonus based on a formula that takes into consideration the employee's current monthly salary. The Company recognizes a provision when contractually obligated.

Income Tax
Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute this amount are those that are enacted or substantively enacted as at the reporting date.

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

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and carry forward of unused tax credits from MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

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

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the reporting date.

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

Equity

Capital stock consists of common and preferred shares classified as equity. When the Company issues shares in excess of par, the excess is recognized as contributed surplus. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of any tax effects.

Contributed surplus represents the contribution of the stockholders of the Company in addition to the paid-up capital stock in order to comply with the pre-licensing and capital requirements as provided under the Code.

Retained earnings represent accumulated earnings of the Company less dividends declared.

Foreign Currency Transactions and Translation

The functional and presentation currency of the Company is the Philippine Peso. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the Company’s profit or loss.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessment of the time value of money and the risk specific to the obligation. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized only when the reimbursement is virtually certain. The expense relating to any provision is presented in statement of comprehensive income net of any reimbursement.

Contingencies

Contingent liabilities are not recognized in the financial statements. These are disclosed in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed in the notes to financial statements when an inflow of economic benefits is probable.

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

5. Significant Accounting Judgments, Estimates and Assumptions

The Company makes judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income, expenses, and disclosures of contingent assets and liabilities, if any, within the next financial year. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Judgments, estimates and assumptions are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments
Product classification
The Company has determined that the policies it issues have significant insurance risk and therefore meets the definition of an insurance contract and are accounted for as such.

Classification of financial instruments
The Company exercises judgment in classifying a financial instrument, or its component parts, on the initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of the financial instrument, rather than its legal form, governs its classification in the statements of financial position.

In addition, the Company classifies financial assets by evaluating, among other, 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 of whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm’s length basis.

Leases
Determination of lease term of contracts with renewal and termination options - Company as a lessee
The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an enforceable option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an enforceable option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option, under some of its leases to lease the assets for additional terms of three years. The Company applies judgment in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Company has applied the following practical expedients permitted by the standard to leases:

- Leases with a lease term of 12 months or shorter;

  The Company applies the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date and do not have renewable clause or purchase option.

- Leases for low-value assets

  The Company also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value and are recognized as expense in profit and loss on a straight-line basis over the lease term.

Leases - Estimating the incremental borrowing rate
The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating). The Company's lease liabilities amounted to ₱46.5 million and ₱47.5 million as of December 31, 2020, respectively (see Note 10).

Estimates and Assumptions
Life
Estimate of the ultimate liability arising from claims made under insurance contracts
Estimate of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liability that the Company will ultimately pay for such claims. The primary sources of uncertainties are the frequency of claims due to contingencies covered and the timing of benefit payments.

Estimation of claims takes into account several factors such as industry average mortality experience, with adjustments to reflect Company's historical experience.

Estimate of future benefit payments and premiums arising from long-term insurance contracts
Estimates of future benefit payments depend on the expectations of future benefit payments for contingencies covered, the major ones being death and endowment benefits. The Company based these estimates on mortality and other contingency tables approved by the Insurance Commission as well as future investment earnings rate of the assets backing up these liabilities, subject to the maximum rate provided under the Insurance Code of the Philippines (Insurance Code).

Source of uncertainty in the estimation of future claim payments
Although the Company has taken necessary steps to mitigate the uncertainty in the estimation of future benefit payments and premium receipts, it is still subject to the unpredictability of changes in mortality levels. The Company adopts the standard mortality table in assessing future benefit payments and premium receipts as approved by the Insurance Commission.

The liability under the insurance contracts includes provisions for IBNR claims and provisions for claims in course of settlement as of reporting date. The IBNR provision is based on historical experience and is subject to a high degree of uncertainty. In 2020, the Company applied two (2) additional assumptions in arriving at the IBNR provision for Medical - Direct portfolio which are seasonality and pandemic factors to reflect the impact of pandemic to the business.

Reinsurance - assumptions and methods
The Company limits its exposure to loss within insurance operations through participation in reinsurance arrangements. Amounts receivable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented under loans and receivables.

Even though the Company may have reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and, thus, a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Company is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent on any reinsurance contract.

Non-life
Estimate of the ultimate liability arising from claims made under insurance contracts
For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the end of the reporting period and for the expected ultimate cost of the IBNR claims at the reporting date. It can take a significant period of time before the ultimate claim costs can be established with certainty and for some type of policies, IBNR claims form the majority of the statement of financial position claims provision.

The method of determining such estimates and establishing reserve are continually reviewed and updated. Changes in estimates of claims cost resulting from the continuous review process and differences between estimates and payments for claims are recognized as income or expense in the period the estimates are made.

The principal assumption underlying the estimates is the Company's past claims development experience. This includes assumptions in respect of average claim costs, claims handling costs, claims inflation factors and claim numbers for each accident year. Additional qualitative judgment is used to assess the extent to which past trends may not apply in the future, for example, one-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Legal policy reserves
The proportion of written premiums, gross of commissions payable to intermediaries, attributable to subsequent periods or to risks that have not yet expired is deferred as provision for unearned premiums. Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 365th method. The portion of the premiums written that relate to the unexpired periods of the policies at end of the reporting period are accounted for as Provision for unearned premiums as part of Insurance contract liabilities and presented in the liabilities section of the statement of financial position. The change in the provision for unearned premiums is taken to profit or loss in order that revenue is recognized over the period of risk. Further provisions are made to cover claims under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

Claims Provision and Incurred But Not Reported (IBNR) Losses
These liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the end of the reporting period together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of which cannot be known with certainty at the end of the reporting period. In estimating the ultimate cost of the claims incurred, we used the following methods: claims development method; Bornhuetter-Ferguson method; and expected claims method. The liability is not discounted for the time value of money and includes a provision for margin for adverse deviation. The liability is derecognized when the contract is discharged, cancelled or has expired.

Impairment of financial assets
(i) *Debt instruments measured at fair value through OCI*
Impairment for financial assets at FVOCI follows the general model (considering PD, LGD, and EAD) in computing for the required allowance based on the increase in credit risk which in turn is dependent on the "staging" of the debt instrument.

In accordance to the "three stage" approach, all newly purchased financial assets shall be classified in Stage 1, except for credit impaired financial assets. It will move from Stage 1 to Stage 2 when there is significant increase in credit risk ("SICR"), and Stage 2 to Stage 3 when there is an objective evidence of impairment.

The carrying values of financial assets at FVOCI amounted to ₱1,778.2 million and ₱1,596.4 million as of December 31, 2020 and 2019, respectively (see Note 8). The allowance for impairment on financial assets at FVOCI amounted to ₱1.7 million and ₱1.3 million as of December 31, 2020 and 2019, respectively (see Note 8).

(ii) *Financial assets at amortized cost*
For financial assets at amortized cost, specifically for loans to DepEd employees, a simplified approach is used, through a provision matrix. Historical aging data is considered to estimate the loss rates to be used in calculating for ECL.

However, for 2020, driven by the challenges and in the light of uncertainty resulting from the COVID-19 pandemic, the Company has adopted additional assumptions and overlay using the best available information for the computation of ECL. One of the factors considered is the "Bayanihan I and II", a government measure which provides relief on loan amortizations for four (4) months and effectively extends the collection due dates for loans. The Company has also determined it prudent to provide additional impairment allowance for loans with more than 4 missed amortizations, as it remains to be seen when the environment will revert to normal.

Financial assets at amortized cost, net of allowance for impairment losses, amounted to ₱395.7 million and ₱395.2 million as of December 31, 2020 and 2019, respectively (see Note 8). The allowance for impairment amounted to ₱50.6 million and ₱8.5 million as of December 31, 2020 and 2019, respectively (see Note 8).

(iii) *Premiums due and uncollected*
No impairment allowance is provided for premiums due and uncollected for group life and group health insurance as the Company has a policy to suspend and lapse the accounts which remain unpaid over 90 days. The lapsed account can still be reinstated provided that unpaid premiums are settled. For non-life premiums uncollected, aging of the receivables is considered in determining the impairment allowance.

(iv) *Cash equivalents*

The calculation of impairment allowance amounting to ₱1.3 million and ₱0.7 million as of December 31, 2020 and 2019 is a product of PD, LGD and EAD.

EUL of property and equipment, intangible assets and right-of-use assets

The Company reviews annually the EUL of property and equipment and intangible assets based on the period over which the assets are expected to be available for use. It is possible that future results of operations could be materially affected by the changes in these estimates. A reduction in the EUL of property and equipment would increase recorded depreciation and amortization expense and decrease the related asset accounts.

The related balances follow (Notes 9 and 10):

	2020	2019
Property and equipment - cost	**₱113,355,006**	₱125,253,571
Accumulated depreciation	**83,438,801**	92,692,738
Depreciation and amortization	**10,344,288**	7,797,896

	2020	2019
Intangible assets - cost	**₱36,133,187**	₱42,345,702
Accumulated depreciation	**25,184,739**	30,236,240
Depreciation and amortization	**1,874,887**	1,764,632

	2020	2019
Right-of-use assets - cost	**₱82,190,061**	₱61,112,577
Accumulated depreciation	**40,788,562**	17,581,748
Depreciation and amortization	**23,524,728**	19,892,973

Impairment of nonfinancial asset

The Company assesses impairment on non-financial assets which pertain to property and equipment, intangible, right-of-use and other assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The factors that the Company considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the required assets or the strategy for overall business; and
- Significant negative industry or economic trends.

The Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use. The recoverable amount is estimated for individual assets or, if it is not possible, for the cash generating unit to which the asset belongs.

As of December 31, 2020 and 2019, the carrying value of non-financial assets amounted to ₱82.3 million and ₱88.2 million, respectively (see Notes 9 and 10).

Recognition of deferred tax assets
The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available against which all or part of the tax benefits can be utilized. However, there is no absolute assurance that sufficient taxable income will be generated in the near foreseeable future to allow all or part of the recognized deferred tax assets to be utilized.

As of December 31, 2020 and 2019, deferred tax assets amounted to ₱93.1 million and ₱25.4 million, respectively (see Note 25).

Pension and other retirement benefits
The cost of defined benefit pension plans and other post-employment medical benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

As of December 31, 2020 and 2019, net pension liability amounted to ₱10.6 million and ₱13.7 million, respectively (see Note 23).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases are based on expected future inflation rates for the Philippines.

Further details about the assumptions used are provided in Note 23.

Contingencies
The Company is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with external and internal legal counsels and based upon an analysis of potential results. The Company currently does not believe these proceedings will have a material adverse effect on the Company's financial position as of reporting date.

6. Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash on hand	**₱136,800**	₱142,500
Cash in banks	**849,099,211**	351,913,372
Cash equivalents	**943,918,311**	541,421,100
	1,793,154,322	893,476,972
Less allowance for impairment	**1,315,836**	749,577
	₱1,791,838,486	₱892,727,395

Cash in banks and cash equivalents earn annual interest ranging from 0.1% to 3.1% in 2020 and from 0.3% to 3.9% in 2019. Cash equivalents are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Company and earn interest at the prevailing short-term deposit rates.

Interest income from cash in banks and cash equivalents amounted to ₱12.3 million and ₱30.8 million in 2020 and 2019, respectively (see Note 18). Accrued interest income amounted to ₱0.2 million and ₱0.8 million as of December 31, 2020 and 2019, respectively.

Based on management's assessment, an allowance for impairment has been recognized for the Company's cash equivalents. The rollforward analysis of the impairment allowance follows:

	2020	2019
At January 1	**₱749,577**	₱2,250,356
Provision (recovery) - (Note 21)	**566,259**	(1,500,779)
At December 31	**₱1,315,836**	₱749,577

7. Insurance Receivables and Reinsurance Assets

Insurance Receivables
This account consists of:

	2020	2019
Premiums due and uncollected	**₱672,618,410**	₱487,417,691
Reinsurance recoverable on paid losses	**89,432,317**	83,947,094
	762,050,727	571,364,785
Less allowance for impairment	**35,673,080**	17,434,125
	₱726,377,647	₱553,930,660

Premiums due and uncollected consist of premiums already billed by the Company to its clients, but remain unpaid at the end of the reporting period.

Reinsurance recoverable on paid losses pertains to the amount of claims paid in excess of the retention limit of the Company and is recoverable from the reinsurers.

As of December 31, 2020 and 2019, the management assessed that no allowance for impairment is required for premiums due and uncollected for the life insurance business, since the Company has a policy to suspend and lapse the policies with premiums receivable which remain unpaid for over 90 days. For non-life, an impairment was recognized in 2019, which considered the aging of the receivables in determining for the loss rates.

The rollforward analysis of the impairment allowance follows:

	2020	2019
At January 1	**₱17,434,125**	₱–
Provision - (Note 21)	**18,238,955**	17,434,125
At December 31	**₱35,673,080**	₱17,434,125

Reinsurance Assets
This account consists of:

	2020	2019
Reinsurance recoverable for unpaid losses	**₱62,310,135**	₱19,616,422
Deferred reinsurance premiums	**12,074,708**	–
	₱74,384,843	₱19,616,422

Reinsurance recoverable on unpaid losses pertains to the amount of claims incurred in excess of the retention limit of the Company and is recoverable from the reinsurer.

Deferred reinsurance premiums pertain to deposit premiums for the excess of loss treaty for the Company's non-life business.

8. **Financial Assets**

The Company's financial assets are summarized as follows:

	2020	2019
Financial assets at FVTPL	**₱315,865,475**	₱264,692,314
Financial assets at FVOCI	**1,778,219,841**	1,596,364,800
	₱2,094,085,316	₱1,861,057,114

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

(a) Financial assets at FVTPL

	2020	2019
Mutual funds	**₱170,423,975**	₱97,138,899
Unit investment trust fund	**128,994,523**	154,090,646
Seed capital on unit-linked investment funds (Note 13)	**12,000,000**	9,000,000
Proprietary shares	**4,370,280**	4,370,280
Listed equity securities	**76,697**	92,489
	₱315,865,475	₱264,692,314

A portion of the investments in mutual funds, unit investment trust funds, and the Company's seed capital on its unit-linked investment funds are managed by ATRAM Trust Corporation under an investment management agreement, with no guaranteed rate of return.

The movements in financial assets at FVTPL follows:

	2020	2019
At January 1	**₱264,692,314**	₱243,601,036
Additions	**309,770,336**	201,725,821
Disposals	**(257,905,515)**	(186,792,413)
Fair value gains (losses) on financial assets at FVTPL	**(691,660)**	6,157,870
At December 31	**₱315,865,475**	₱264,692,314

Interest income earned from financial assets at FVTPL amounted to nil and ₱0.6 million in 2020 and 2019, respectively (Note 18).

(b) Financial assets at fair value through OCI

	2020	2019
Government debt securities	**₱1,636,322,919**	₱1,245,502,995
Corporate debt securities	**143,628,811**	352,153,833
	₱1,779,951,730	₱1,597,656,828
Less allowance for impairment	**1,731,889**	1,292,028
	₱1,778,219,841	₱1,596,364,800

Significant portion of the investments in government and corporate debt securities are managed by ATRAM Trust Corporation under an investment management agreement (IMA), with no guaranteed rate of return. These investments under IMA amounted to ₱1.4 billion and ₱1.3 billion as of December 31, 2020 and 2019, respectively.

An analysis of the cost and market value of financial assets at FVOCI follow:

	2020	2019
Market value, net of impairment	**₱1,778,219,841**	₱1,596,364,800
Amortized cost	**1,755,096,737**	1,588,303,709
Unrealized gains on financial assets at FVOCI	**23,123,104**	8,061,091
Deferred income tax	**(2,947,167)**	(1,006,820)
Unrealized gains on financial assets at FVOCI recognized in equity	**₱20,175,937**	₱7,054,271

The "Unrealized gains on financial assets at FVOCI" is recognized in the equity section of the statements of financial position while the movements thereof are shown as part of

"Other comprehensive income" in the statements of comprehensive income.

The roll forward analysis of unrealized gains on financial assets at FVOCI follow:

	2020	2019
At January 1	**₱7,054,271**	(₱55,616,041)
Fair value gains recognized in OCI	**93,297,219**	104,413,784
Transferred to profit or loss	**(78,235,206)**	(40,449,942)
Deferred tax	**(1,940,347)**	(1,293,530)
At December 31	**₱20,175,937**	₱7,054,271

The movements in financial assets at FVOCI before impairment follow:

	2020	2019
At January 1	**₱1,597,656,828**	₱1,439,607,972
Additions	**5,758,734,229**	1,931,310,084
Disposals/maturities/redemptions	**(5,695,830,929)**	(1,933,870,140)
Fair value gains recognized in other comprehensive income	**93,297,219**	104,413,784
Amortization of discount	**26,094,383**	56,195,128
	₱1,779,951,730	₱1,597,656,828

Interest income earned from financial assets at FVOCI including the amortization of discount amounted to ₱56.2 million and ₱76.5 million in 2020 and 2019, respectively (see Note 18).

Accrued interest income amounted to ₱10.4 million and ₱13.0 million as of December 31, 2020 and 2019, respectively.

An allowance for impairment has been recognized for financial assets at FVOCI. The rollforward analysis follows:

	2020	2019
At January 1	**₱1,292,028**	₱7,509,694
Provision (recovery) - (Note 21)	**439,861**	(6,217,666)
At December 31	**₱1,731,889**	₱1,292,028

As of December 31, government and corporate debt securities amounting to ₱331.2 million in 2020 and ₱309.0 million in 2019 were designated as restricted investments and maintained with the Bureau of Treasury in accordance with the provisions of the Insurance Commission as security for the benefit of the Company's policyholders and creditors. Security fund is maintained in accordance with Chapter V Sections 378 to 385 of the Insurance Code. The amount of such fund is determined by and deposited with the Insurance Commission and its purpose is to pay valid claims against insolvent insurance companies.

Loans and Receivables
This account consists of:

	2020	2019
Salary loans	**₱307,390,567**	₱215,616,859
Receivable from unit-linked funds (Note 13)	**76,626,943**	20,872,935
Mortgage loans	**16,683,807**	18,101,681
Policy loans	**13,276,401**	12,708,232
Due from policyholders	**11,334,204**	23,722,381
Accounts receivable	**8,703,486**	12,372,347
Receivable from third party administration arrangements	**3,282,629**	77,983,885
Other receivables	**9,013,189**	22,349,535
	446,311,226	403,727,855
Less allowance for impairment	**50,648,361**	8,487,249
	₱395,662,865	₱395,240,606

Salary loans represent loans to Company's employees, DepEd teachers and private institution employees with annual interest rates ranging from 5.7% to 6.0% and 5.7% to 6.5% in 2020 and 2019, respectively. These loans have terms ranging from six (6) to thirty-six (36) months and are collected through salary deductions. The noncurrent portion of the salary loans amounted to ₱282.8 million and ₱196.5 million as of December 31, 2020 and 2019, respectively. Interest income earned from salary loans amounted to ₱13.6 million and ₱11.7 million in 2020 and 2019, respectively (see Note 18).

The Company has an existing Memorandum of Agreement (MOA) on Automatic Payroll Deduction System with the Department of Education (DepEd) that allows it to engage in lending operations with DepEd teachers and personnel as borrowers. The Company's DepEd Teacher's Salary Loan accreditation for lending has been approved on June 26, 2012 which shall be effective for a period of five (5) years. The MOA with DepEd expired last June 2017 and was renewed monthly until October 2017 only. The new Terms and Conditions of the Automatic Payroll Deduction System (APDS) Accreditation (TCAA) with DepEd was signed and approved in June 2018 with effectivity up to December 31, 2020, renewable every 3 years. The DepEd, however, may anytime revoke this TCAA for cause.

The rollforward analysis of salary loans follow:

	2020	2019
At January 1	**₱215,616,859**	₱63,580,698
Loan releases	**222,929,220**	255,885,445
Collections	**(131,155,512)**	(103,849,284)
At December 31	**₱307,390,567**	₱215,616,859

Receivable from unit-linked funds pertains to amounts payable by fund manager (ATRAM) to the Company coming from the redemption of units of the Company's VUL products.

Mortgage loans consist of:

	2020	2019
Chattel mortgage (car loans) (Note 26)	**₱16,029,841**	₱17,447,715
Real estate mortgage (housing loans)	**653,966**	653,966
	₱16,683,807	₱18,101,681

Housing and car loans to officers and employees are collectible over a period of five (5) to fifteen (15) years through salary deduction. These loans bear annual interest ranging from 0% to 8.4% depending on the position of the employee. Interest income earned amounted to ₱0.1 million in 2020 and 2019 (see Note 18). The noncurrent portion of the mortgage loans amounted to ₱9.4 million and ₱12.4 million as of December 31, 2020 and 2019, respectively.

Policy loans pertain to loans issued to insurance policyholders. These loans are collateralized with the cash surrender value of the policyholders' insurance policy. The annual interest rate on policy loans in 2020 and 2019 is fixed at 10.0%. Interest income earned amounted to ₱1.4 million and ₱1.3 million in 2020 and 2019, respectively (see Note 18). The policyholders may repay the policy loans any time during the effectivity of the policy and if unpaid upon surrender or maturity, the policy loan will be deducted from the surrender or maturity benefits.

Due from policyholders pertains to the excess of the amount paid by the Company over the benefits of the claimant. The Company pays the entire amount incurred by the claimant during hospitalization and bills the claimant for the excess.

Accounts receivable consist mostly of receivables from employees, brokers, and SSS.

Receivable from third party administration clients represent amounts initially paid by the Company for billings made by medical providers for availments of covered employees under TPA arrangement. This is normally due within fifteen (15) days from date billed to TPA clients.

Other receivables consist of advances to officers, employees and agents.

The changes in allowance for impairment on loans and receivables are as follows:

	2020			
	Salary loans	**Accounts Receivable**	**Mortgage Loans**	**Total**
At January 1	**₱7,504,333**	**₱982,916**	**₱–**	**₱8,487,249**
Impairment (Note 21)	**34,998,401**	**7,417,643**	**653,966**	**43,070,010**
Recovery (Note 21)	**–**	**(109,467)**	**–**	**(109,467)**
Write-off	**–**	**(799,431)**	**–**	**(799,431)**
At December 31	**₱42,502,734**	**₱7,491,661**	**₱653,966**	**₱50,648,361**

	2019			
	Salary loans	Accounts Receivable	Mortgage Loans	Total
At January 1	₱9,188,816	₱982,916	₱–	₱10,171,732
Recovery (Note 21)	(1,684,483)	–	–	(1,684,483)
At December	₱7,504,333	₱982,916	₱–	₱8,487,249

9. **Property and Equipment and Intangible Assets**

The rollforward analyses of property and equipment follow:

	2020			
	Office Furniture, Fixtures and Equipment	**Leasehold Improvements**	**Transportation Equipment**	**Total**
Cost				
At January 1	**₱84,345,027**	**₱33,291,347**	**₱7,617,197**	**₱125,253,571**
Additions	**7,699,660**	**–**	**–**	**7,699,660**
Retirement	**(18,921,253)**	**(622,472)**	**(54,500)**	**(19,598,225)**
At December 31	**73,123,434**	**32,668,875**	**7,562,697**	**113,355,006**
Accumulated Depreciation				
At January 1	**71,814,518**	**13,261,023**	**7,617,197**	**92,692,738**
Depreciation/amortization (Note 24)	**5,981,225**	**4,363,063**	**–**	**10,344,288**
Retirement	**(18,921,253)**	**(622,472)**	**(54,500)**	**(19,598,225)**
At December 31	**58,874,490**	**17,001,614**	**7,562,697**	**83,438,801**
Net Book Value	**₱14,248,944**	**₱15,667,261**	**₱–**	**₱29,916,205**

	2019				
	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Construction in Progress	Transportation Equipment	Total
Cost					
At January 1	₱80,415,822	₱21,981,269	₱5,403,713	₱ 7,617,197	₱115,418,001
Additions	8,911,065	16,072,850	–	–	24,983,915
Reclassification	–	5,403,713	(5,403,713)	–	–
Retirement	(4,981,860)	(10,166,485)	–	–	(15,148,345)
At December 31	84,345,027	33,291,347	–	7,617,197	125,253,571
Accumulated Depreciation					
At January 1	70,774,653	21,732,176	–	7,536,358	100,043,187
Depreciation/amortization (Note 24)	6,021,725	1,695,332	–	80,839	7,797,896
Retirement	(4,981,860)	(10,166,485)	–	–	(15,148,345)
At December 31	71,814,518	13,261,023	–	7,617,197	92,692,738
Net Book Value	₱12,530,509	₱20,030,324	₱–	₱–	₱32,560,833

The rollforward analysis of intangible assets follows:

	2020	2019
Cost		
At January 1	**₱42,345,702**	₱46,110,742
Additions	**713,873**	826,519
Retirement	**(6,926,388)**	(4,591,559)
At December 31	**36,133,187**	42,345,702
Accumulated Depreciation		
At January 1	**30,236,240**	33,063,167
Amortization (Note 24)	**1,874,887**	1,764,632
Retirement	**(6,926,388)**	(4,591,559)
At December 31	**25,184,739**	30,236,240
Net Book Value	**₱10,948,448**	₱12,109,462

Intangible assets consist of computer software used in the Company's operations.

Fully depreciated assets still in use amounted to ₱20.9 million and ₱21.9 million as of December 31, 2020 and 2019, respectively. There are no temporary idle property and equipment items.

10. Right-of-Use Assets and Lease Liabilities

The rollforward analysis of right-of-use assets follow:

	2020	2019
Cost		
At January 1	**₱61,112,577**	₱66,531,564
Additions	–	1,035,691
Contract renewals	**21,395,398**	2,680,520
Termination	–	(8,956,464)
Retirement	**(317,914)**	(178,734)
At December 31	**82,190,061**	61,112,577
Accumulated Depreciation		
At January 1	**17,581,748**	–
Depreciation charge (Note 24)	**17,701,940**	18,831,763
Depreciation charge – contract renewals (Note 24)	**5,822,788**	1,061,210
Termination	–	(2,132,491)
Retirement	**(317,914)**	(178,734)
At December 31	**40,788,562**	17,581,748
Net Book Value	**₱41,401,499**	₱43,530,829

Right-of-use assets pertain to leasing agreements that the Company entered into for its head office and servicing branches.

- The lease contract with Vita Realty Corporation for the Company's head office was renewed on July 1, 2019 for another 3 years ending on June 30, 2022. This covers penthouse, 2nd and 3rd floors of Morning Star Center (MSC). The rental rate and maintenance charges are subject to an annual escalation of 7.5%. On September 25, 2019, the Company sent a pre-termination notice to the lessor for the lease of the penthouse, vacating the premises effective November 1, 2019.

- In June 2019, the Company entered into a lease contract with Golden Stonehills Properties and Development, Inc. for its new branch office located in Pampanga. The lease is for a period of three (3) years from July 1, 2019 to June 30, 2022.

- In May 2019, the Company renewed the lease contract for its branch office located in Mindoro which expired in February 2019 for two (2) years until 2021.

- In February 2019, the Company renewed the non-cancellable lease contract for its branch office located in Cebu for another three (3) years until January 2022.

- On August 24, 2020, the Company renewed the lease with Welding Industries of the Philippines, Inc. for its office space at Oppen building (unit 203B) for another three (3) years until December 2023.

- On August 24, 2020, the Company renewed the lease with Welding Industries of the Philippines, Inc. for its office space at Oppen building (unit 204) for another three (3) years until May 2023.

- On April 25, 2019, the Company entered in a lease agreement with Sixtytwo, Inc. for its Cainta, Rizal branch office for two (2) years until May 2021.

Rental deposits amounting to ₱7.1 million and ₱7.4 million as of December 31, 2020 and 2019, respectively are included under the "Other assets" account in the statements of financial position (see Note 12). Gain on termination of ROU assets amounted to nil and ₱0.6 million in 2020 and 2019, respectively (see Note 18).

The rollforward analysis of lease liabilities follow:

	2020	2019
At January 1	**₱47,542,631**	₱66,531,564
Additions	**21,395,398**	3,716,210
Accretion of interest	**3,696,323**	4,600,371
Termination	**−**	(7,223,957)
Payments	**(26,115,322)**	(20,081,557)
At December 31	**₱46,519,030**	₱47,542,631

Interest expense incurred for the lease liabilities amounted to ₱3.7 million and ₱4.6 million in 2020 and 2019, respectively.

Breakdown of lease liabilities by remaining maturity follow:

	2020	2019
Within one year	**₱26,811,953**	₱17,312,797
After one year but not more than five years	**19,707,077**	30,229,834
Total	**₱46,519,030**	₱47,542,631

11. Deferred Acquisition Costs

This account consists of:

	2020	2019
Group life and group health insurance	**₱134,440,372**	₱151,335,827
Non-life - motor policies	**12,487,348**	7,331,607
Group credit life insurance	**3,197,962**	7,104,379
Non-life - fire policies	**2,992,363**	1,756,885
Non-life - personal accident policies	**7,572**	4,446
Total	**₱153,125,617**	₱167,533,144

Deferred acquisition costs pertain to commissions and other direct acquisition costs incurred within the year relative to the Company's group life and non-life insurance business and deferred based on the inception and expiry of the related insurance contracts.

The rollforward analysis of deferred acquisition costs follow:

	2020	2019
At January 1	**₱167,533,144**	₱–
Costs deferred during the year	**433,557,838**	427,107,768
Amortization during the year	**(447,965,365)**	(259,574,624)
At December 31	**₱153,125,617**	₱167,533,144

12. Other Assets

This account consists of:

	2020	2019
Prepayments	**₱21,124,511**	₱12,966,179
Performance bond	**8,953,137**	8,493,452
Rental deposits (Notes 10 and 24)	**7,056,904**	7,414,140
Reserve fund	**572,311**	581,384
Security fund	**221,082**	221,082
Creditable withholding taxes	–	30,384,833
Miscellaneous	**3,698,972**	1,455,269
	41,626,917	61,516,339
Less allowance for impairment	**1,911,937**	–
	₱39,714,980	₱61,516,339

Prepayments include advance payments made by the Company relative to documentary stamps as well as for computer maintenance contracts.

Performance bond consists of amounts paid by the Company to hospital network providers in compliance with certain group insurance policy contracts. These bonds will be recovered upon termination of the policy contracts and after all claims and benefits accruing to the contracts have been settled.

Rental deposits pertain to refundable deposits relating to the Company's various lease contracts for its home office and branches. The deposits are refundable at the end of the lease term.

Reserve fund consists of contingency funds which are maintained to defray claims of the insurance pools business of the Company.

Security fund is maintained in accordance with Chapter V Sections 378 to 385 of the Insurance Code. The amount of such fund is determined by and deposited with the Insurance Commission and its purpose is to pay valid claims against insolvent insurance companies.

Creditable withholding taxes consists of the amount withheld arising from premium collections to be claimed as a deduction from income tax liability. These are available for offset against income tax due.

Miscellaneous assets mainly include advance payments to suppliers for ongoing projects.

The changes in allowance for impairment on other assets in 2020 follow:

At January 1, 2020	₱–
Impairment (Note 21)	1,911,937
At December 31, 2020	₱1,911,937

13. **Insurance Contract Liabilities**

The breakdown of this account follows:

	2020	2019
Life insurance contracts	**₱1,970,297,417**	₱1,399,023,489
Non-life insurance contracts	**191,683,524**	105,816,312
	₱2,161,980,941	₱1,504,839,801

Life Insurance Liabilities
Life insurance contract liabilities may be analyzed as follows:

	2020	2019
Group insurance premium reserves	**₱991,974,992**	₱1,036,028,581
Claims and benefits payable	**835,395,489**	256,417,565
Legal policy reserves	**128,035,701**	102,011,709
Policyholders' dividends	**14,891,235**	4,565,634
	₱1,970,297,417	₱1,399,023,489

The movements in group insurance premium reserves may be analyzed as follows:

	2020	2019
At January 1	**₱1,036,028,581**	₱661,812,107
New policies issued during the year	**3,496,091,077**	3,258,514,901
Premiums earned during the year (Note 17)	**(3,540,144,666)**	(2,884,298,427)
At December 31	**₱991,974,992**	₱1,036,028,581

The movements in legal policy reserves for ordinary life policies during the year follow:

	2020	2019
At January 1	**₱102,011,709**	₱85,400,150
Net change in legal policy reserves:		
New business, reinstatement and change in policy year	**23,264,396**	12,349,135
Released by death and other terminations and supplementary contracts	**(6,095,681)**	(5,152,487)
Due to change in discount rates	**8,855,277**	9,414,911
	26,023,992	16,611,559
At December 31	**₱128,035,701**	₱102,011,709

The movements in claims and benefits payable follow:

	2020	2019
At January 1	**₱256,417,565**	₱275,277,014
Arising during the year (Note 19)	**1,770,204,149**	2,010,464,329
Increase in IBNR (Note 19)	**171,906,882**	12,523,585
Paid during the year	**(1,363,133,107)**	(2,041,847,363)
At December 31	**₱835,395,489**	₱256,417,565

Policyholders' dividends may be broken down as follows:

	2020	2019
Dividends payable on variable unit-linked policies	**₱11,770,207**	₱1,745,417
Dividends payable on participating policies	**3,121,028**	2,820,217
	₱14,891,235	₱4,565,634

Dividends payable on variable unit-linked policies are the amounts received by the Company from the fund manager and were released subsequently to VUL policyholders.

The movements in policyholders' dividends for participating policies follow:

	2020	2019
At January 1	**₱2,820,217**	₱2,760,923
Policyholder's dividends (Note 19)	**7,061,957**	650,332
Payments during the year	**(6,761,146)**	(591,038)
At December 31	**₱3,121,028**	₱2,820,217

Interest expense on policyholders' dividends for participating policies amounted to nil in 2020 and ₱0.5 million in 2019.

Non-Life Insurance Liabilities
Non-life insurance liabilities may be analyzed as follows:

	2020	2019
Provision for claims reported and loss adjustment expenses	**₱73,683,703**	₱38,198,663
Provision for IBNR	**19,609,860**	5,046,958
Total claims reported and IBNR	**93,293,563**	43,245,621
Reserve for unearned premiums	**98,389,961**	62,570,691
Total Insurance Contract Liabilities	**₱191,683,524**	₱105,816,312

Provisions for claims reported by policyholders and IBNR may be analyzed as follows:

	2020	2019
At January 1	**₱43,245,621**	₱13,903,891
Claims incurred (Note 19)	**70,478,742**	53,170,393
Increase in IBNR (Note 19)	**14,562,902**	1,533,049
Claims paid	**(34,993,702)**	(25,361,712)
At December 31	**₱93,293,563**	₱43,245,621

Reserve for unearned premiums may be analyzed as follows:

	2020	2019
At January 1	**₱62,570,691**	₱35,436,926
New policies written during the year (Note 17)	**168,268,421**	128,365,158
Premiums earned during the year (Note 17)	**(132,449,151)**	(101,231,393)
At December 31	**₱98,389,961**	₱62,570,691

Segregated Fund Assets / Segregated Fund Liabilities
In 2016, the Company started commercial issuance of unit-linked insurance contracts where the payments to policyholders are linked to investment funds set up by the Company. As of December 31, 2020, the Company has eight (8) PHP and four (4) USD insurance investment funds (IIFs), namely: Philippine Balanced Fund (PHP), Equity Opportunity Fund (PHP), Fixed Income Fund (PHP), Global Technology Feeder Fund (PHP), Asia Equity Opportunity Feeder Fund (PHP), Global Total Return Bond Feeder Fund – Peso Denominated (PHP), GI Consumer Trends Feeder Fund (PHP), Peso Multi-Asset Dividend Paying Fund A (PHP), Global Equity Opportunity Feeder Fund (USD), Global Allocation Feeder Fund (USD), Global Total Return Bond Feeder Fund (USD) and Dollar Multi-Asset Dividend |Paying Fund A (USD).

The details of this account are as follows:

	2020	2019
Peso Funds		
Asia equity opportunity feeder fund	**₱337,871,602**	₱236,795,000
Global total return bond feeder fund - PHP	**334,357,931**	68,451,060
Equity opportunity fund	**101,936,383**	71,210,628
Philippine balanced fund	**46,492,579**	60,293,150
Global technology feeder fund	**8,639,799**	3,534,169
Fixed income fund	**5,733,997**	5,036,444
Gl consumer trends feeder fund	**1,517,590**	–
Peso multi-asset dividend paying fund A	**–**	–
	₱836,549,881	₱445,320,451

	2020	2019
Dollar Funds		
Global total return bond feeder fund - USD	**₱1,102,007,625**	₱753,554,831
Global equity opportunity feeder fund	**8,814,350**	8,722,185
Global allocation feeder fund	**8,940,051**	7,211,142
Dollar multi-asset dividend paying fund A	**–**	–
	1,119,762,026	769,488,158
	₱1,956,311,907	₱1,214,808,609

Both peso and dollar multi-asset dividend paying fund A are newly opened towards the end of year and have nil balance as of December 31, 2020 since these funds have only seed capital with no subscriptions yet.

The breakdown of net assets in segregated funds as of December 31, 2020 follow:

	Peso Funds				
	Asia Equity Opportunity Feeder Fund	Global Total Return Bond Feeder Fund (PHP)	Equity Opportunity Fund	Philippine Balanced Fund	Total
Cash and cash equivalents	₱3,536,932	₱5,510,059	₱1,780,855	₱1,009,206	₱11,837,052
Mutual funds	–	–	129,830,120	53,169,080	182,999,200
Accum. market losses – mutual Funds	–	–	(15,804,783)	(1,251,056)	(17,055,839)
Unit investment trust fund (UITF)	331,020,856	359,161,680	–	–	690,182,536
Accum. market gains/(losses) – UITF	16,832,325	(19,905,287)	–	–	(3,072,962)
Accounts receivable	–	2,550,155	745	707	2,551,607
Accrued trust fee payable	(237,826)	(261,718)	(88,584)	(42,618)	(630,746)
Accounts payable	(2,517,500)	(5,479,074)	(729,625)	–	(8,726,199)
Net assets	348,634,787	341,575,815	114,988,728	52,885,319	858,084,649
Less: Seed capital (Note 8)	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
Amounts payable on redemption of units (Note 8)	9,763,185	6,217,884	12,052,345	5,392,740	33,426,154
Segregated fund liabilities	₱337,871,602	₱334,357,931	₱101,936,383	₱46,492,579	₱820,658,495

	Peso Funds (cont'd)				
	Fixed Income Fund	Global Technology Feeder Fund	Gl Consumer Trends Feeder Fund	Peso Multi-Asset Dividend Paying Fund A	Total
Cash and cash equivalents	₱1,065,323	₱1,053,922	₱1,001,228	₱1,000,000	₱4,120,473
Unit investment trust fund (UITF)	5,041,207	6,508,002	1,233,000	–	12,782,209
Accum. market gains – UITF	1,106,873	2,365,567	310,048	–	3,782,488
Accounts receivable	753	567	–	–	1,320
Accrued trust fee payable	(5,960)	(7,673)	(1,745)	–	(15,378)
Net assets	7,208,196	9,920,385	2,542,531	1,000,000	20,671,112
Less: Seed capital (Note 8)	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
Amounts payable on redemption of units (Note 8)	474,199	280,586	24,941	–	779,726
Segregated fund liabilities	₱5,733,997	₱8,639,799	₱1,517,590	₱–	₱15,891,386

	Dollar Funds				
	Global Total Return Bond Feeder Fund - USD	**Global Equity Opportunity Feeder Fund**	**Global Allocation Feeder Fund**	**Peso Multi-Asset Dividend Paying Fund A**	**Total**
Cash and cash equivalents	**₱7,186,416**	**₱1,087,365**	**₱1,087,365**	**₱1,000,000**	**₱10,361,146**
Unit investment trust fund (UITF)	**1,274,623,307**	**8,629,030**	**8,023,309**	**–**	**1,291,275,646**
Accum. market gains/(losses) – UITF	**(63,024,285)**	**1,578,094**	**2,092,275**	**–**	**(59,353,916)**
Accum. FX losses – UITF	**(67,608,385)**	**(762,062)**	**(694,227)**	**–**	**(69,064,674)**
Accounts receivable	**2,007**	**2,007**	**2,007**	**–**	**6,021**
Accrued trust fee payable	**(925,330)**	**(8,421)**	**(8,462)**	**–**	**(942,213)**
Accounts payable	**(6,098,921)**	**–**	**–**	**–**	**(6,098,921)**
Net assets	**1,144,154,809**	**10,526,013**	**10,502,267**	**1,000,000**	**1,166,183,089**
Less: Seed capital (Note 8)	**1,000,000**	**1,000,000**	**1,000,000**	**1,000,000**	**4,000,000**
Amounts payable on redemption of units (Note 8)	**41,147,184**	**711,663**	**562,216**	**–**	**42,421,063**
Segregated fund liabilities	**₱1,102,007,625**	**₱8,814,350**	**₱8,940,051**	**₱–**	**₱1,119,762,026**

The breakdown of net assets in segregated funds as of December 31, 2019 follow:

	Peso Funds						
	Asia Equity Opportunity Feeder Fund	Global Total Return Bond Feeder Fund (PHP)	Equity Opportunity Fund	Philippine Balanced Fund	Fixed Income Fund	Global Technology Feeder Fund	Total
Cash and cash equivalents	₱3,590,747	₱1,000,539	₱1,224,034	₱992,772	₱1,050,463	₱1,033,163	₱8,891,718
Mutual funds	–	–	85,047,462	58,534,923	–	–	143,582,385
Accum. market losses – mutual Funds	–	–	(7,665,429)	(3,275,549)	–	–	(10,940,978)
Unit investment trust fund (UITF)	239,192,414	67,769,188	–	–	4,750,779	3,032,627	314,745,008
Accum. market gains – UITF	1,639,491	598,209	–	–	575,586	552,981	3,366,267
Accounts receivable	-	296,836	–	8,839,518	–	–	9,136,354
Accrued trust fee payable	(2,869,201)	(31,527)	(284,849)	(84,067)	(8,043)	(5,475)	(3,283,162)
Net assets	241,553,451	69,633,245	78,321,218	65,007,597	6,368,785	4,613,296	465,497,592
Less: Seed capital (Note 8)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	6,000,000
Amounts payable on redemption of units (Note 8)	3,758,451	182,185	6,110,590	3,714,447	332,341	79,127	14,177,141
Segregated fund liabilities	₱236,795,000	₱68,451,060	₱71,210,628	₱60,293,150	₱5,036,444	₱3,534,169	₱445,320,451

	Dollar Funds			
	Global Total Return Bond Feeder Fund - USD	Global Equity Opportunity Feeder Fund	Global Allocation Feeder Fund	Total
Cash and cash equivalents	₱15,451,879	₱1,065,398	₱1,065,398	₱17,582,675
Unit investment trust fund (UITF)	801,486,819	8,629,030	7,196,099	817,311,948
Accum. market gains/(losses) – UITF	(29,324,774)	784,680	562,820	(27,977,274)
Accum. losses – UITF	(14,546,448)	(334,173)	(299,451)	(15,180,072)
Accounts receivable	3,781,575	–	–	3,781,575
Accrued trust fee payable	(16,311,774)	(12,608)	(10,518)	(16,334,900)
Net assets	760,537,277	10,132,327	8,514,348	779,183,952
Less: Seed capital (Note 8)	1,000,000	1,000,000	1,000,000	3,000,000
Amounts payable on redemption of units (Note 8)	5,982,446	410,142	303,206	6,695,794
Segregated fund liabilities	₱753,554,831	₱8,722,185	₱7,211,142	₱769,488,158

Amounts payable by fund manager (ATRAM) to the Company on redemption of units are presented as "Receivable from unit-linked funds" as part of loans and receivables - net (Note 8). The seed capital is presented as part of financial assets at FVTPL (Note 8).

The rollforward analyses of net assets in segregated funds follow:

	2020					
	At January 1	**Subscriptions**	**Redemptions/ Surrenders/ Withdrawals**	**Change in fair value**	**Charges and Fees**	**At December 31**
Peso Funds						
Asia equity opportunity feeder fund	**₱236,795,000**	**₱163,949,063**	**(₱72,060,561)**	**₱15,192,834**	**(₱6,004,734)**	**₱337,871,602**
Global total return bond feeder fund (PHP)	**68,451,060**	**316,975,043**	**(24,528,978)**	**(20,503,495)**	**(6,035,699)**	**334,357,931**
Equity opportunity fund	**71,210,628**	**44,714,913**	**(915,016)**	**(7,132,387)**	**(5,941,755)**	**101,936,383**
Philippine balanced fund	**60,293,150**	**1,433,675**	**(16,554,008)**	**2,998,055**	**(1,678,293)**	**46,492,579**
Global technology feeder fund	**3,534,169**	**3,494,503**	**–**	**1,812,586**	**(201,459)**	**8,639,799**
Fixed income fund	**5,036,444**	**323,383**	**(15,259)**	**531,287**	**(141,858)**	**5,733,997**
Gl Consumer Trends Feeder Fund	**–**	**1,232,483**	**–**	**310,048**	**(24,941)**	**1,517,590**
	445,320,451	**532,123,063**	**(114,073,822)**	**(6,791,072)**	**(20,028,739)**	**836,549,881**
Dollar Funds						
Global total return bond feeder fund (USD)	**753,554,831**	**551,829,804**	**(69,744,123)**	**(98,468,149)**	**(35,164,738)**	**1,102,007,625**
Global allocation feeder fund	**7,211,142**	**853,241**	**–**	**1,134,678**	**(259,010)**	**8,940,051**
Global equity opportunity feeder fund	**8,722,185**	**28,161**	**–**	**365,525**	**(301,521)**	**8,814,350**
	769,488,158	**552,711,206**	**(69,744,123)**	**(96,967,946)**	**(35,725,269)**	**1,119,762,026**
	₱1,214,808,609	**₱1,084,834,269**	**(₱183,817,945)**	**(₱103,759,018)**	**(₱55,754,008)**	**₱1,956,311,907**

	2019					
	At January 1	Subscriptions	Redemptions/ Surrenders/ Withdrawals	Change in fair value	Charges and Fees	At December 31
Peso Funds						
Asia equity opportunity feeder fund	₱26,840,017	₱240,570,809	(₱27,579,923)	₱645,713	(₱3,681,616)	₱236,795,000
Global total return bond feeder fund - PHP	–	68,099,937	–	533,308	(182,185)	68,451,060
Equity opportunity fund	54,552,826	61,348,385	(34,478,131)	(6,276,088)	(3,936,364)	71,210,628
Philippine balanced fund	60,283,191	2,953,193	(137,393)	(1,172,614)	(1,633,227)	60,293,150
Fixed income fund	5,077,726	137,500	(612,108)	575,048	(141,722)	5,036,444
Global technology feeder fund	73,628	3,005,294	–	530,563	(75,316)	3,534,169
	146,827,388	376,115,118	(62,807,555)	(5,164,070)	(9,650,430)	445,320,451
Dollar Funds						
Global total return bond feeder fund - USD	1,769,336	829,458,085	(51,223,211)	(20,485,830)	(5,963,549)	753,554,831
Global allocation feeder fund	7,010,735	–	(706,118)	1,069,629	(163,104)	7,211,142
Global equity opportunity feeder fund	8,391,423	–	–	544,306	(213,544)	8,722,185
	17,171,494	829,458,085	(51,929,329)	(18,871,895)	(6,340,197)	769,488,158
	₱163,998,882	₱1,205,573,203	(₱114,736,884)	(₱24,035,965)	(₱15,990,627)	₱1,214,808,609

Peso funds

Asia equity opportunity feeder fund
The fund seeks to achieve long-term capital appreciation by investing all or substantially all of its assets in a collective investment scheme that invests principally in equity securities of companies in the Asia Pacific region (excluding Japan).

Global total return bond feed fund - PHP
The fund aims to maximize total investment return consisting of a combination of interest income, capital appreciation, and currency gains by investing all or substantially all of its assets in a fixed income collective investment scheme that invests principally in a portfolio of fixed and/or floating rate debt securities and debt obligations issued by government and government-related issuers or corporate entities nationwide.

Equity opportunity fund
The fund is designed to seek total return through current income and long-term capital growth through investment in listed and non-listed fixed income and equity securities of Philippine companies and debt obligations of the Government of the Republic of the Philippines and its instrumentalities. It is an equity fund invested primarily in Philippine equity securities. Investments in securities issued abroad shall be limited to 100% of the fund's net asset value.

Philippine balanced fund
The fund is designed to seek total return through current income and long-term capital growth through investment in listed and non-listed fixed income and equity securities of Philippine companies and debt obligations of the Government of the Republic of the Philippines and its instrumentalities. It is a balanced fund invested in Philippine fixed income and equity securities.

Global technology feeder fund
The fund seeks to achieve long-term capital appreciation by investing all or substantially all of its assets in a collective investment scheme that invests principally in equity securities of companies throughout the world that derive or benefit significantly from technological advances and improvements. It is structured as a feeder fund which invests at least 90% of its assets in a single collective investment scheme called the "Target Fund". Target Fund invests in small or mid cap companies and aims to capture the best stock ideas that are long-term structural winners, opportunistic, and, in special situations, discounted or mispriced.

Fixed income fund
The fund is designed to seek total return through current income and long-term capital growth through investment in listed and non-listed fixed income and equity securities of Philippine companies and debt obligations of the Government of the Republic of the Philippines and its instrumentalities. The objective of the fund is to maximize total return of a fixed income portfolio, that is, to achieve capital gains while maintaining a level of current income consistent with the maintenance of principal and meeting of liquidity requirements. It is invested in a portfolio of liquid Philippine fixed income securities.

GI consumer trends feeder fund
The fund seeks to achieve long-term capital appreciation by investing all or substantially all of its assets in a collective investment scheme that invests principally in equity securities of companies throughout the world that derive or benefit significantly from technological advances and improvements.

Peso multi-asset dividend paying fund A
The fund seeks to achieve income and long-term capital growth by investing all or substantially all of its assets in a collective investment scheme that invests primarily in global debt securities and equities. It is structured as a feeder fund which invests at least 90% of its assets in the Target Multi-Asset Fund, which is currently the JPMorgan Multi Income Fund.

<u>Dollar funds</u>
Global total return bond feed fund - USD
The fund aims to maximize total investment return consisting of a combination of interest income, capital appreciation, and currency gains by investing all or substantially all of its assets in a fixed income collective investment scheme that invests principally in a portfolio of fixed and/or floating rate debt securities and debt obligations issued by government and government-related issuers or corporate entities worldwide.

Global allocation feeder fund
The fund is designed to seek total return through current income and long-term capital growth through investment in listed and non-listed fixed income and equity securities of Philippine companies and debt obligations of the Government of the Republic of the Philippines and its instrumentalities. The fund seeks to maximize total return by investing all or substantially all of its assets in a balanced collective investment scheme that invests globally in equity, debt and short-term securities, of both corporate and government issuers.

Global equity opportunity fund
The fund is designed to seek total return through current income and long-term capital growth through investment in listed and non-listed fixed income and equity securities of Philippine companies and debt obligations of the Government of the Republic of the Philippines and its instrumentalities. The fund seeks to achieve long-term capital appreciation by investing all or substantially all of its assets in an equity collective investment scheme that invests principally in equity securities in markets throughout the world including major markets and smaller emerging markets.

Dollar multi-asset dividend paying fund A
The fund seeks to achieve income and long-term capital growth by investing all or substantially all of its assets in a collective investment scheme that invests primarily in global debt securities and equities. It is structured as a feeder fund which invests at least 90% of its assets in the Target Multi-Asset Fund, which is currently the JPMorgan Multi Income Fund.

Sensitivities

Life Insurance Contracts
The analysis below is performed for a reasonable possible movement in key assumptions, related to mortality and discount rate, with all other assumptions held constant, on the statement of comprehensive income and statement of changes in equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumption changes had to be done on an individual basis.

The assumptions that have the greatest effect on the 2020 and 2019 statements of financial position, statements of comprehensive income and statements of changes in equity are listed below:

Mortality

		2020		
	Change in Assumptions	**Increase/ (Decrease) in Net Liabilities**	**Increase/ (Decrease) in Profit Before Tax**	**Increase/ (Decrease) in Equity**
Mortality	**10.00%**	**₱1,848,989**	**(₱1,848,989)**	**(₱1,294,293)**
	-10.00%	**(1,963,426)**	**1,963,426**	**1,374,398**
Discount rate	**-1.00%**	**14,613,921**	**(14,613,921)**	**(10,229,745)**
Lapse	**10.00%**	**(498,223)**	**498,223**	**348,756**
	-10.00%	**509,205**	**(509,205)**	**(356,444)**
Expense	**10.00%**	**1,697,880**	**(1,697,880)**	**(1,188,516)**
	-10.00%	**(1,694,832)**	**1,694,832**	**1,186,382**

		2019		
	Change in Assumptions	Increase/ (Decrease) in Net Liabilities	Increase/ (Decrease) in Profit Before Tax	Increase/ (Decrease) in Equity
Mortality	10.00%	₱2,001,705	(₱2,001,705)	(₱1,401,193)
	-10.00%	(2,023,233)	2,023,233	1,416,263
Discount rate	-1.00%	10,773,081	(10,773,081)	(7,541,156)
Lapse	10.00%	(302,270)	302,270	211,589
	-10.00%	309,224	(309,224)	(216,457)
Expense	10.00%	1,548,864	(1,548,864)	(1,084,205)
	-10.00%	(1,528,750)	1,528,750	1,070,125

MfAD

		2020		
	MfAD	**Increase in Net Liabilities (from Unpadded Reserves)**	**Decrease in Profit Before Tax**	**Decrease in Equity**
Lapse	**-50.00%**	**₱4,534,122**	**(₱4,534,122)**	**(₱3,173,885)**
Mortality	**10.00%**	**1,656,842**	**(1,656,842)**	**(1,159,789)**
Interest	**-10.00%**	**3,988,133**	**(3,988,133)**	**(2,791,693)**
Expense	**50.00%**	**4,928,642**	**(4,928,642)**	**(3,450,049)**
Total MfAD		**₱15,107,739**	**(₱15,107,739)**	**(₱10,575,416)**

		2019		
	MfAD	Increase in Net Liabilities (from Unpadded Reserves)	Decrease in Profit Before Tax	Decrease in Equity
Lapse	-50.00%	₱2,733,879	(₱2,733,879)	(₱1,913,715)
Mortality	10.00%	1,665,366	(1,665,366)	(1,165,756)
Interest	-10.00%	3,829,160	(3,829,160)	(2,680,412)
Expense	50.00%	4,198,317	(4,198,317)	(2,938,822)
Total MfAD		₱12,426,722	(₱12,426,722)	(₱8,698,705)

14. **Accounts Payable and Other Liabilities**

This account consists of:

	2020	2019
Accounts payable	**₱244,161,046**	₱191,355,152
Accrued expenses	**101,127,230**	44,531,766
Commissions payable	**93,640,389**	98,677,263
Client deposits	**71,098,973**	33,783,367
Taxes payable	**40,742,921**	30,703,223
Life insurance deposit	**21,646,536**	20,839,449
Due to policyholders	**19,207,917**	25,098,525
Premium deposit fund	**1,523,222**	2,272,858
Miscellaneous	**4,939,720**	7,675,543
	₱598,087,954	₱454,937,146

Accounts payable represent billings for medical fees, dental fees, annual physical examination, and third-party administration which are payable on demand. This account also includes unreleased and outstanding checks.

Accrued expenses include accruals for employee bonuses which are payable the following year, accruals for other employee benefits, professional and legal fees and utilities.

Commissions payable refer to accrual for obligations to brokers, referrers and agents arising from commissions, overrides and service fees.

Client deposits pertain to unidentified bank credits as of the reporting date and are subject for clearing the following period.

Taxes payable include withholding tax and premium tax payable which are remitted within one month subsequent to reporting date.

Life insurance deposits represent deposits paid by policyholders in advance which are applied to premiums or other policyholder obligations when these fall due.

Due to policyholders represent the PhilHealth benefits due to insured members who were hospitalized or who availed of laboratory procedures from PhilHealth accredited hospitals or clinics. PhilHealth issues the Benefit Payment Notice (BPN) direct to the insured to claim the benefit. The Company will then require the submission of this BPN as a supporting document prior to paying the related claims on due to policyholders.

Premium deposit fund pertains to funds held for policyholders with annual interest ranging from 4.0% to 6.0%. Premium deposit fund amounted to ₱1.5 million and ₱2.3 million as of December 31, 2020 and 2019, respectively. Interest expense charged against income amounted to ₱0.1 million in both 2020 and 2019.

Miscellaneous includes unearned interest from policy loans and due to Insurope, a multinational pooling facilitator who administers the Company's group life policy pooling arrangements.

15. Insurance Payables

Insurance payables pertain to unpaid reinsurance premiums of the Company to insurers. As of December 31, 2020, and 2019, insurance payables amounted to ₱188.2 million and ₱109.7 million, respectively.

16. Equity

Capital stock

Details of the Company's capital stock for both 2020 and 2019 follows:

Common	Shares	Amount
Authorized (₱10.00 - par value)	124,499,404	₱1,244,994,040
Issued and outstanding:		
Balance at the beginning and end of the year	116,172,083	₱1,161,720,830

Preferred	Shares	Amount
Authorized (₱0.10 - par value)	50,059,600	₱5,005,960
Issued and outstanding:		
Balance at the beginning and ending of the year	50,059,600	₱5,005,960

The preferred shares have the following features:

a) Entitled to receive cash dividends at six percent (6.0%) per annum;
b) Voting rights;
c) Convertible at any time into common shares at the sole option of the Company;
d) Redeemable at any time at the sole option of the Company;
e) Priority to receive the guaranteed dividends, including dividends in arrears, over the common stockholders;
f) Not entitled to any participation or share in the retained earnings remaining after all cumulative dividends thereon have been paid; and
g) In the event of liquidation, dissolution, bankruptcy or winding up of the affairs of the Company, holders of preferred shares shall enjoy preferences in the payment, in full or pro-rata basis as the assets of the Corporation will permit, of the value of their shares plus all unpaid cumulative dividends, before any assets of the Company shall be paid or distributed to holders of common shares.
h) Accrued payable for preferred share dividends in arrears amounted to ₱2.3 million in 2020 and ₱2.0 million in 2019.

Contributed surplus
Contributed surplus amounted to ₱39.8 million as of December 31, 2020 and 2019. This represents original contributions of the stockholders as provided under the Amended Insurance Code.

Retained Earnings
This represents the accumulated earnings of the Company reduced by any losses the Company may incur during a certain accounting period or by dividend declarations.

Under Section 29 of the National Internal Revenue Code of 1997, the Improperly Accumulated Earnings Tax should not apply to Insurance companies.

17. Net Insurance Premiums

Life and Non-life Insurance Contracts
Gross premiums on insurance contracts and reinsurers' share of gross premiums on insurance contract consists of the following:

	2020	2019
Life insurance contract premiums:		
Group accident and health insurance	**₱3,196,141,053**	₱2,935,107,893
Group life insurance	**299,729,017**	323,407,008
Change in provision for unearned premiums	**44,274,596**	(374,216,474)
Gross premiums earned on group life insurance contracts	**3,540,144,666**	2,884,298,427
Ordinary life insurance	**34,986,511**	19,683,644
Unit-linked	**1,083,312,069**	1,205,573,203
Gross premiums earned on individual life insurance contracts	**1,118,298,580**	1,225,256,847
Total life insurance contract premiums earned	**4,658,443,246**	4,109,555,274

(Forward)

	2020	2019
Reinsurers' share on life insurance contracts:		
Group life insurance	**(₱124,979,047)**	₱5,801,473
Ordinary life insurance	**(15,244,786)**	(2,459,609)
Total reinsurers' share on gross premiums earned on life insurance contracts	**(140,223,833)**	3,341,864
Net premiums earned on life insurance contracts	**4,518,219,413**	4,112,897,138
Non-life insurance contracts premiums:		
Motor	**135,526,821**	71,937,726
Fire	**66,945,899**	55,447,171
Personal accident	**832,308**	358,878
Travel insurance	**636,473**	621,383
Gross premiums written on nonlife insurance contracts	**203,941,501**	128,365,158
Change in unearned premium reserves	**(35,819,270)**	(27,133,765)
Gross earned premiums on nonlife insurance contracts	**168,122,231**	101,231,393
Reinsurers' share on gross premiums written on non-life insurance contracts	**(42,785,643)**	(44,744,106)
Net premiums earned on non-life insurance contracts	**125,336,588**	56,487,287
Net insurance premiums earned	**₱4,643,556,001**	₱4,169,384,425

18. **Interest and Other Income**

Interest income consists of interest arising from:

	2020	2019
Financial assets at FVOCI (Note 8)	**₱56,180,242**	₱76,554,299
Cash and cash equivalents (Note 6)	**12,261,110**	30,777,551
Loans and receivables (Note 8)		
Salary loans	**13,584,473**	11,687,585
Policy loans	**1,405,825**	1,320,511
Mortgage loans	**132,298**	107,032
Financial assets at FVTPL (Note 8)	**–**	626,764
	₱83,563,948	₱121,073,742

Service fees consist of income from:

	2020	2019
Fees from variable life insurance	**₱112,548,308**	₱60,852,098
Network fees	**12,889,987**	13,132,394
	₱125,438,295	₱73,984,492

Fees from variable life insurance pertain to charges to the policyholders holding investments in variable unit-linked products for fund management, as well as policy issue fees.

Network fees are membership fees paid by the policyholders for the use of accredited hospitals, clinics and doctors' network for a no cash-out arrangement in case of in-patient and out-patient availments. These membership fees cover the insured members with health cards issued by the Company.

Third party administration fees pertain to fees paid by third parties to the Company for handling medical and health expenses of the said third parties which amounted to ₱13.4 million and ₱25.9 million in 2020 and 2019, respectively.

Other income consists of:

	2020	2019
Processing and handling fees	**₱16,593,750**	₱18,631,101
Dividend income	**4,325,519**	389,138
Gain on termination of ROU assets (Note 10)	**–**	563,699
Gain (loss) on foreign currency transactions	**(5,835,561)**	27,276
	₱15,083,708	₱19,611,214

Processing and handling fees pertain to non-finance charges to cover cost of processing salary loans to DepEd teachers and private institution employees and delivery charge for non-life policies printed and delivered in hard copy.

19. Net Benefits and Claims Incurred on Insurance Contracts

This account consists of:

	2020	2019
Life	**₱2,008,528,064**	₱2,067,592,678
Non-life	**85,041,644**	54,703,442
	₱2,093,569,708	₱2,122,296,120

Life Insurance Contracts
Net insurance contract benefits and claims incurred follow:

	2020	2019
Claims (Note 13)	**₱1,942,111,031**	₱2,022,987,914
Surrenders	**58,665,310**	42,790,123
Maturities	**689,766**	1,164,309
Policyholders' dividends (Note 13)	**7,061,957**	650,332
	₱2,008,528,064	₱2,067,592,678

Non-Life Insurance Contracts
Insurance contract benefits and claims incurred follow:

	2020	2019
Motor car insurance	**₱48,458,697**	₱34,894,262
Fire insurance	**21,876,338**	17,959,067
Personal accident insurance	**48,897**	111,339
Travel insurance	**94,810**	205,725
Claims incurred	**70,478,742**	53,170,393
Increase in IBNR	**14,562,902**	1,533,049
	₱85,041,644	₱54,703,442

20. Expenses for the Acquisition of Insurance Contracts

This account consists of:

	2020	2019
Commissions	**₱308,439,452**	₱119,362,372
Service fees	**139,525,913**	140,212,252
Salaries, wages and employees' benefits (Notes 22 and 26)	**111,938,285**	122,244,517
Insurance taxes	**57,654,108**	63,898,727
Others	**10,095,820**	6,295,059
	₱627,653,578	₱452,012,927

Commissions represent amounts that are given to agents and brokers. This account includes overriding expenses that are in excess of 10.0% of commissions.

Service fees represent amounts paid to intermediaries of group policyholders for collecting the premiums from the assured.

Salaries, wages and employees' benefits pertain to personnel costs of the departments directly involved in the marketing, selling and processing the Company's insurance products.

Insurance taxes include documentary stamp tax and premium tax.

Others include medical fees, inspection fees and other direct costs.

21. General and Administrative Expenses

This account consists of:

	2020	2019
Salaries, wages and employees' benefits (Notes 22 and 26)	**₱157,328,171**	₱126,266,576
Management and professional fees (Note 26)	**111,413,494**	90,398,888
Occupancy (Note 24)	**72,350,102**	62,180,934
Taxes and licenses	**54,256,406**	31,405,665
Provision for (recovery from) impairment of financial assets (Notes 6 and 8)	**43,966,663**	(9,402,928)
Impairment losses on insurance receivables (Note 7)	**18,238,955**	17,434,125
Office supplies	**15,271,198**	14,847,615
Postage and communication	**9,155,921**	9,093,170
Transportation and travel	**3,478,103**	7,314,019
Provision for impairment of other assets (Note 12)	**1,911,937**	–
Representation and entertainment	**1,679,750**	3,978,484
Insurance	**416,181**	399,552
Others	**41,318,209**	35,598,584
	₱530,785,090	₱389,514,684

Management and professional fees pertain to expenses incurred for management and other professional services received by the Company such as consulting fee, IMA fees, audit fees, directors' fees, legal fees, temporary staff expenses and miscellaneous services.

Taxes and licenses consist of license and permit fees, LGU Taxes, fringe benefit tax, and input VAT.

Others consists mainly of membership dues, prizes and awards, trainings and seminars and bank charges.

22. Salaries, Wages and Employees' Benefits

This account consists of:

	2020	2019
Salaries and wages and other benefits	**₱253,892,750**	₱236,248,755
SSS, Medicare and PAG-IBIG contributions	**7,782,015**	7,056,370
Pension expense (Note 23)	**7,591,691**	5,205,968
	₱269,266,456	₱248,511,093

Salaries, wages and employees' benefits are charged as follows:

	2020	2019
Expenses for the acquisition of insurance contracts (Note 20)	**₱111,938,285**	₱122,244,517
General and administrative expenses (Note 21)	**157,328,171**	126,266,576
	₱269,266,456	₱248,511,093

23. Pension Plan

The Company has a funded, non-contributory defined benefit plan (the Plan) providing death, disability and retirement benefits for all of its employees. Under the Plan, the normal retirement age is sixty (60) and the employee should have completed at least ten (10) years of service. Normal retirement benefit consists of a lump-sum benefit equivalent to 100.00% of the employee's final monthly pay for every year of service.

The most recent actuarial valuation was carried out for the retirement plan of the Company as of December 31, 2020.

Based on the actuarial valuation as of December 31, 2020 and 2019 computed using the Projected Unit Credit (PUC) method, the Company's pension liabilities and expenses are summarized as follows:

	2020	2019
Net pension liability	**₱10,642,134**	₱13,666,585
Pension expense (Note 22)	**7,591,691**	5,205,968

The amounts recognized in the statements of comprehensive income are as follow:

	2020	2019
Current service cost	**₱6,915,195**	₱5,085,592
Net interest cost	**676,496**	120,376
Pension expense	**₱7,591,691**	₱5,205,968

The amounts of net pension liability recognized in the statements of financial position are as follows:

	2020	2019
Present value of defined benefit obligation	**₱119,167,548**	₱93,826,473
Fair value of plan assets	**(108,525,414)**	(80,159,888)
Net pension liability	**₱10,642,134**	₱13,666,585

The movements in the net pension liability recognized in the statements of financial position are as follows:

	2020	2019
At January 1	**₱13,666,585**	₱1,637,771
Pension expense (Note 22)	**7,591,691**	5,205,968
Contributions	**(21,258,276)**	(6,843,739)
Amount to be recognized in OCI	**10,642,134**	13,666,585
At December 31	**₱10,642,134**	₱13,666,585

Changes in the present value of the defined benefit obligation are as follows:

	2020	2019
At January 1	**₱93,826,473**	₱100,904,124
Current service cost	**6,915,195**	5,085,592
Interest cost on benefit obligation	**4,644,410**	7,416,453
Benefits paid from retirement fund	**(346,272)**	(29,099,854)
Actuarial losses (gains):		
Experience adjustments	**2,286,879**	(108,972)
Changes in financial assumptions	**11,840,863**	9,629,130
At December 31	**₱119,167,548**	₱93,826,473

Changes in fair value of the plan assets are as follow:

	2020	2019
At January 1	**₱80,159,888**	₱99,266,353
Contributions	**21,258,276**	6,843,739
Expected return on plan assets	**3,967,914**	7,296,077
Benefits paid	**(346,272)**	(29,099,854)
Remeasurement gains (losses)	**3,485,608**	(4,146,427)
At December 31	**₱108,525,414**	₱80,159,888

Remeasurement losses (gains) recognized in OCI:

	2020	2019
Remeasurement losses (gains) on plan assets	**(₱3,485,608)**	₱4,146,427
Actuarial losses from benefit obligation	**14,127,742**	9,520,158
	10,642,134	13,666,585
Deferred tax on remeasurement on plan assets (Note 25)	**(3,192,640)**	(4,099,976)
	₱7,449,494	₱9,566,609

Movement of cumulative remeasurement effect recognized in OCI under equity section of the statements of financial position:

	2020	2019
At January 1	**₱7,612,722**	(₱6,053,863)
Remeasurement loss (gain) on plan assets	**(3,485,608)**	4,146,427
Actuarial losses from benefit obligation	**14,127,742**	9,520,158
At December 31	**18,254,856**	7,612,722
Deferred tax asset	**(7,292,616)**	(4,099,976)
Actuarial gains on pension liability	**₱10,962,240**	₱3,512,746

Plan assets consist of:

	2020		2019	
	Amount	**%**	Amount	%
Cash and cash equivalents	**₱21,365,506**	**26.65%**	₱653,719	6.15%
Government debt securities	**31,105,235**	**38.80%**	17,738,016	21.26%
Corporate debt securities	**–**	**0.00%**	3,435,855	4.23%
Equity securities	**–**	**0.00%**	11,899,237	15.65%
Mutual Funds/UITFs	**57,747,504**	**72.04%**	37,048,691	39.87%
Loans and receivables	**9,498,624**	**11.85%**	12,035,719	12.97%
Accounts payable	**(11,191,454)**	**-13.96%**	(2,651,349)	(0.13%)
	₱108,525,415	**135.39%**	₱80,159,888	100.00%

The expected return on plan assets is determined by considering the expected return available on the assets underlying the current investment policy. Expected yields on fixed income investments are based on gross redemption yields as of reporting dates.

The carrying amounts disclosed above reasonably approximate fair value at the reporting date. Accounts payable pertain to projected benefit payable and accrued trust fees.

Net unrealized gains (losses) on investments follow:

	2020	2019
Mutual funds	**₱4,637,343**	₱829,638
Unit investment trust funds	**1,123,334**	4,317
Government debt securities	**(213,817)**	204,507
Corporate debt securities	**–**	14,782
Equity securities	**–**	1,053,809
	₱5,546,860	₱2,107,053

Actual return on plan assets amounted to ₱7.4 million and ₱3.1 million in 2020 and 2019, respectively.

The principal actuarial assumptions used are as follows:

	2020	2019
Discount rate	**3.70%**	4.95%
Expected return on plan assets	**8.23%**	3.57%
Salary increase rate	**5.00%**	5.00%
Average remaining working lives	**17 years**	17 years

The sensitivity analysis that follows has been determined based on reasonably possible changes of each significant assumption on the retirement benefit obligation as of the end of reporting period, assuming all other assumptions were held constant.

	2020		2019	
Discount rate	**+0.50%**	**(₱5,037,861)**	+0.50%	(₱3,747,507)
	-0.50%	**5,932,358**	-0.50%	4,243,523
Salary increase rate	**+0.50%**	**5,483,889**	+0.50%	4,084,789
	-0.50%	**(4,984,393)**	-0.50%	(3,879,431)

Each year, an Asset-Liability Matching Study (ALM) is performed with the result being analyzed in terms of risk-and-return profiles. It is the policy of the Trustee that immediate and near-term retirement liabilities of the Company's Retirement Fund are adequately covered by its assets. As such, due considerations are given that portfolio maturities are matched in accordance with due benefit payments. The Retirement Fund's expected benefits payments are determined through the latest actuarial reports.

24. **Occupancy Expenses**

This account consists of:

	2020	2019
Repairs and maintenance	**₱27,816,773**	₱18,801,082
Amortization - right of use assets (Note 10)	**23,524,728**	19,892,973
Depreciation and amortization - property and equipment and intangible assets (Note 9)	**12,219,175**	9,562,528
Light and water	**6,313,245**	7,269,822
Rent	**2,412,306**	6,466,445
Others	**63,875**	188,084
	₱72,350,102	₱62,180,934

Rent expenses are related to short-term leasing agreements that the Company entered into for its servicing branches and clinics.

- The Company renewed its lease agreement for its Iloilo branch for one (1) year, covering the period March 1, 2019 to February 28, 2020. Management however decided to close the branch in October 2019. No additional penalties were paid on the pre-termination.

- In July 2017, the Company entered into a three (3) year lease contract for its branch office located in Lipa City which will expire in June 2020. This contract has been renewed in June 8, 2020 for another one (1) year, expiring on June 30, 2021.

- In June the Company entered into a lease agreement for its new branch in Malolos, Bulacan. The lease covers a period of one year from June 5, 2019 to June 15, 2020.

- On August 1, 2020, the Company renewed its lease agreement for the clinic located in the Medical Arts Tower, Dr. Eugenio Lopez Jr. Medical Complex in Pasig City. The contract is for a period of one (1) year and will expire on July 31, 2021.

- The Company renewed its lease agreement with Medical Doctors, Inc. for its clinic in Makati Medical Center for a period of one year from March 16, 2020 to March 15, 2021.

Rental deposits as of December 31, 2020 and 2019 amounted to ₱7.1 million and ₱7.4 million respectively.

25. **Income Taxes**

Provision for (benefit from) income tax consists of:

	2020	2019
Current	**₱238,770,356**	₱36,725,944
Deferred	**(77,104,238)**	1,104,708
Final	**14,078,776**	19,912,700
	₱175,744,894	₱57,743,352

Deferred tax assets are recognized to the extent that the realization of the related tax benefit through future taxable profits is probable. The details of the Company's deferred tax assets as at December 31, 2020 and 2019 are as follows:

	2020	2019
Deferred tax assets on:		
Affecting profit or loss:		
Provision for IBNR	**₱55,940,935**	₱–
Allowance for impairment losses	**27,384,331**	8,290,586
Accrued expenses	**7,857,370**	8,983,295
Unamortized contribution of past service cost	**5,036,518**	933,699
Post-employment benefit obligation	**3,192,640**	4,099,976
Affecting other comprehensive income:		
Tax effect of actuarial loss on pension liability	**7,292,616**	4,099,976
	106,704,410	26,407,532
Deferred tax liabilities on:		
Affecting other comprehensive income:		
Net unrealized gains on financial assets at FVOCI	**2,947,167**	1,006,820
	2,947,167	1,006,820
Deferred tax assets - net	**₱103,757,243**	₱25,400,712

The movements of the Company's net deferred tax assets are as follow:

	2020	2019
At January 1	**₱25,400,712**	₱23,698,974
Provision	**77,104,238**	(1,104,708)
Tax effect of actuarial loss on pension liability	**3,192,640**	6,659,365
Tax effect on unrealized gains on financial assets at FVOCI	**(1,940,347)**	(3,852,919)
At December 31	**₱103,757,243**	₱25,400,712

The reconciliation of provision for income tax computed at the statutory tax rate to provision for income tax as shown in the statements of comprehensive income follows:

	2020	2019
At statutory tax rate	**₱180,263,012**	₱82,440,318
Tax effects:		
Nondeductible expenses	**13,686,420**	1,592,819
Non-taxable income	**(9,373,686)**	(10,300,433)
Unrealized gains on financial assets at FVTPL	**(2,377,222)**	(3,514,468)
Income subjected to final tax	**(6,453,630)**	(12,474,884)
At effective tax rate	**₱175,744,894**	₱57,743,352

26. **Related Party Transactions**

Transactions between related parties are based on terms similar to those offered to nonrelated parties. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

In the normal course of the business, the Company has various transactions with its related parties as follows:

a. Loans to officers consist of car loans which earn interest ranging from 0%-6% per annum depending on the position of the employee. Total loans outstanding amounted to ₱16.0 million and ₱17.4 million as of December 31, 2020 and 2019, respectively. The related interest income on the car loans amounted to ₱0.1 million for the years ended December 31, 2020 and 2019 (see Note 8).

b. In 2020 and 2019, directors' remuneration included in management and professional fees under "General and administrative expenses" amounted to ₱3.4 million and ₱1.9 million, respectively (Note 22).

Details of key management compensation follows:

	2020	2019
Salaries and other short-term benefits	**₱70,701,866**	₱56,654,816
Post-employment benefits	**8,547,856**	6,849,567
Fringe benefits	**3,849,206**	3,956,090
Social security cost	**302,400**	216,121
	₱83,401,328	₱67,676,594

Key management includes officers with positions of Vice President and up.

c. Outstanding balances with related parties as of December 31 are as follow:

2020	Relationship	Nature of Transaction	Amount/ Volume	Outstanding Receivable (Payable) Balance	Terms	Conditions
Maybank ATR KE Securities	**Entity under common control**	**Common expenses / premium refund**	**₱–**	**(₱4,106,262)**	**Interest free, payable on demand**	**Unsecured**
Maybank ATR KE Capital	**Shareholder**	**Common expenses**	**(87,989)**	**(7,656,161)**	**Interest free, payable on demand**	**Unsecured**
Etiqa International Holdings Sdn. Bhd.	**Parent company**	**Hypotax for International Assignee**	**(1,551,910)**	**32,334**	**Interest free, payable on demand**	**Unsecured**
Etiqa International Holdings Sdn. Bhd.	**Parent company**	**Chargeback for software development costs**	**(5,470,579)**	**(5,470,579)**	**Interest free, payable on demand**	**Unsecured**
			(₱7,110,478)	**(₱17,200,668)**		

2019	Relationship	Nature of Transaction	Amount/ Volume	Outstanding Receivable (Payable) Balance	Terms	Conditions
Maybank ATR KE Securities	Entity under common control	Premium refund for hospitalization plan with ELGAP	₱–	(₱4,106,262)	Interest free, payable on demand	Unsecured
Maybank ATR KE Capital	Shareholder	Operational advances and common expenses	(197,967)	(7,568,172)	Interest free, payable on demand	Unsecured
Etiqa International Holdings Sdn. Bhd.	Parent company	Expenses for rebranding initiative from ALGA to ELGAP	1,584,244	1,584,244	Interest free, payable on demand	Unsecured
			₱1,386,277	(₱10,090,190)		

Due to Maybank ATR KE Securities represents premium refund for resigned employees covered by the group hospitalization plan and charges for common expenses. These are due and payable on demand and settled within one year upon renewal of the group hospitalization plan.

Due to Maybank ATR KE Capital represents operational advances and common expenses relating to Business Continuity Program (BCP) which are due and payable on demand.

Due from Etiqa International Holdings Sdn. Bhd. pertains to expenses incurred in 2019 for the rebranding initiatives of the Company, changing its name from ALGA to ELGAP.

e. The Company has bank deposits with Maybank Philippines Inc. (MPI) as of December 31, 2020 and 2019 amounting ₱612.2 million and ₱227.5 million, respectively, earning interest rate of 0.25% both in 2020 and 2019. The Company also maintains time deposit accounts with Maybank Philippines Inc. as of December 31, 2020 and 2019 amounting ₱365.4 million and ₱172.2 million, respectively. Interest rates range from 0.4% to 2.9% and 3.0% to 5.0% in 2020 and 2019, respectively. Interest income earned in 2020 and 2019 amounted to ₱5.3 million and ₱11.8 million, respectively (see Note 18).

In November 2020, the Company and MPI signed an Exclusive Bancassurance Agreement (the Agreement), effective January 1, 2021 for a period of fifteen (15) years. This supersedes the previous Bancassurance agreement expiring in 2025. The Agreement sets the Company to be the exclusive provider of all individual life and health insurance and variable unit life insurance products including other existing and future products for MPI and its subsidiaries. In return, the Company will pay service fees for MPI clients availing of its insurance products. For 2020 and 2019, service fees paid to MPI amounted to ₱36.2 million and ₱41.2 million, respectively.

The Company also provides hospitalization and life cover for employees of MPI, as well as Group Credit Life (GCL) insurance cover for borrowers from its lending business. Premium earned in 2020 and 2019 relative to these insurance covers amounted to ₱62.8 million and ₱38.7 million, respectively.

f. The Company has an Investment Management Agreement (IMA) with ATRAM Trust Corporation (ATRAM) formerly ATR KimEng Asset Management, Inc. (ATRKE AMI) which monitors and manages a portion of the Company's investments. The IMA provides that the Company retains legal title to the invested funds and properties and will be charged IMA fees based on the market value of the portfolio. As of December 31, 2020 and 2019, investments under IMA measured at FVOCI amounted to ₱1.4 billion and ₱1.3 billion, respectively, while investments measured at FVTPL amounted to ₱273.7 million and ₱226.2 million, respectively (Note 8).

   The Company has also entrusted the management of the fund assets of its policyholders availing of variable unit-linked products to ATRAM. As of December 31, 2020 and 2019, segregated fund assets amounted to ₱2.0 billion and ₱1.2 billion, respectively (Note 13).

   Total IMA fees paid to ATRAM included in management and professional fees under "General and administrative expenses" amounted to ₱26.1 million in 2020 and ₱8.4 million in 2019 (Note 21).

g. The Company also maintains its retirement fund with ATRAM, with plan assets as of December 31, 2020 and 2019 amounting to ₱108.5 million and ₱80.2 million, respectively (Note 23). The Company has no other transactions with the retirement plan.

Terms and conditions of transactions with related parties
The Company has not recognized any impairment losses on amounts due from related parties for the years ended December 31, 2020 and 2019. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates. Outstanding balances will be settled in cash.

27. **Management of Capital and Insurance Risk**

The Company's activities expose it to a variety of risks such as capital, financial and insurance risks. The overall objective of risk management is to focus on the unpredictability of financial markets and insurance contingencies to minimize potential adverse effects on the financial position of the Company.

The Company has established risk management functions with clear cut responsibilities and with the mandate to develop company-wide policies on market, credit, liquidity, insurance and operational risk management. It also supports the effective implementation of risk management policies at the individual business unit and process levels.

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

Regulatory Framework
Regulators are interested in protecting the rights of the policyholders and maintain close monitoring to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Company maintains appropriate liquidity and solvency positions to meet maturing liabilities arising from claims and acceptable levels of risk.

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

Capital Management
The Company's capital includes the common and preferred stock and contributed surplus.

The Company has established the following capital management objectives in managing the risks that affect its capital position:

- To maintain the required level of net worth thereby providing a degree of security to policyholders;
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders;
- To retain financial flexibility by maintaining strong liquidity and access to a range of credit facilities;
- To align the profile of assets and liabilities taking account into the risks inherent in the business;
- To maintain healthy capital and liquidity ratios in order to support its business objectives and maximize shareholders value.

The Company manages its capital through its compliance with the statutory requirements on minimum net worth. The Company is also complying with the statutory regulations on RBC to measure the adequacy of its statutory surplus in relation to the risks inherent in its business. The RBC method involves developing a risk-adjusted target level of statutory surplus by applying certain factors to various asset, premium and reserve items. Higher factors are applied to more risky items and lower factors are applied to less risky items. The target level of statutory surplus varies not only as a result of the insurer's size, but also on the risk profile of the insurer's operations.

The Company's policy to address the situations where the capital level maintained is lower than minimum is to require the shareholders to add more capital. The Company currently holds net worth in excess of the minimum regulatory requirement.

To ensure compliance with these externally-imposed capital requirements, it is the Company's policy to monitor the net worth and related requirements on a quarterly basis as part of Company's internal financial reporting process.

Fixed capitalization requirements
Pursuant to the provision of Section 194 of the New Insurance Code ("the Code"), no new life or non-life insurance business will be licensed in the Philippines unless it has paid-up capital of One Billion Pesos (₱1,000,000,000).

Under the new Insurance Code, the required net worth which is defined as the sum of paid-up capital, retained earnings, unimpaired surplus, and revalued assets is set as follows:

Required Net Worth	Compliance Date
₱250.0 million	June 30, 2013
550.0 million	December 31, 2016
900.0 million	December 31, 2019
1.3 billion	December 31, 2022

As of December 31, 2020, and 2019, the Company's estimated statutory net worth amounted to ₱2.1 and ₱1.8 billion, respectively.

Insurance Commission Circular Letter (CL) No. 2018-45 issued in September 5, 2018 sets the net worth requirements for composite insurers at ₱1.1 billion by December 31, 2016, ₱1.8 billion by December 31, 2019 and ₱2.6 billion by December 31, 2022. However, on October 25, 2019, the Insurance Commission issued Circular Letter No. 2019-55 revoking CL No. 2018-45, citing the need for a clear basis to seek and wait for appropriate legislation that will provide greater clarity on the minimum capitalization and net worth requirements.

RBC requirements
Insurance Memorandum Circular (IMC) No. 6-2006 (Circular) provides for the RBC framework for the life insurance industry which establishes the required amounts of capital to be maintained by the insurance companies in relation to their investment and insurance risks. Subsequently, Insurance Circular 2016-68 amended the RBC framework (dubbed 'RBC2') as part of a new three (3) pillar risk-based approach to solvency regulation. The Risk Based Capital Ratio and Risk Based Capital Requirement are the key requirements under Pillar 1. The RBC2 framework became effective on January 1, 2017.

Every life insurance company is annually required to maintain an RBC ratio of at least 100.0% and not to fail the trend test. Failure to meet the minimum RBC ratio shall subject the insurance company to regulatory intervention which could be at various levels depending on the degree of the violation.

The RBC2 ratio shall be computed as the Total Available Capital divided by the RBC requirement. The Total Available Capital is the aggregate of the Tier 1 and Tier 2 capital minus deductions, subject to applicable limits and determinations. Tier 1 Capital represents capital that is fully available to cover the losses of the insurer at all times on a going concern and winding up basis. The Tier 2 Capital does not have the same high-quality characteristics as Tier 1 but can provide additional buffer to the insurer. The RBC requirement on the other hand is the capital that is required to be held appropriately to the risks and insurance company is exposed to such as Credit Risk, Insurance Risk, Market Risk, Operational Risk, Catastrophe Risk and Surrender Risk.

The following table shows how the RBC ratios at December 31, 2020 and 2019 were determined by the Company based on its internal calculations:

	2020	2019
Total Available Capital (TAC)	**₱2,183,504,096**	₱1,845,875,982
RBC2 requirement (RBC2)	**449,571,646**	387,126,225
RBC2 ratio	**485.69%**	476.82%

The final amount of the RBC ratio for 2020 can be determined only after the accounts of the Company have been examined by the Insurance Commission specifically for the determination of admitted and non-admitted assets as defined under the Insurance Code. The RBC ratio for 2019 was the final ratio after examination and verification of the Insurance Commission.

Unimpaired capital requirement
IMC 22-2008 provided that for purposes of determining compliance with the law, rules and regulations requiring that the paid-up capital should remain intact and unimpaired at all times, the statement of financial position should show that the net worth or stockholders' equity is at least equal to the actual paid-up capital.

The Company has complied with the unimpaired capital requirement as of December 31, 2020 and 2019.

<u>Insurance Risk</u>
Nature of risk
The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

Life Insurance Contracts
Insurance risk includes premium/benefits risk, actuarial reserve risk and reinsurance risk. Premium/benefits risk is the risk of having to pay, from a premium that may be fixed for a specific term, benefits that can be affected by uncontrollable event when they become due. Adequacy of the actuarial reserves is monitored by an in-house actuary on a regular basis in accordance with local regulations. Reinsurance risk arises from underwriting direct business or reinsurance business in relation to reinsurers and brokers.

Monitoring and controlling
The Company regularly assesses the reserving methodology in accordance with local regulations. Underwriting guidelines and limits for insurance and reinsurance contracts have been well established to clearly regulate responsibility and accountability.

The main underwriting strategy of the Company in managing insurance risk is the use of reinsurance. The Company maintains surplus-type reinsurance treaties for both individual and group life business.

Frequency and severity of claims
The frequency and severity of claims is dependent on the type of contracts as follows:

a. For contracts where death is the insured risk, the most significant factor would be epidemics that result in earlier or more claims than expected;
b. For contracts with fixed and guaranteed benefits and fixed future premiums, there are no mitigating terms and conditions that reduce the insurance risk accepted;
c. For contracts with discretionary participating feature, the participating nature of these insurance contracts results in a portion of the insurance risk being shared with the insured party; and
d. For medical insurance contracts where illness incurred by the insured is the considered risk, the most significant factor would be epidemics and communicable diseases, that may result in earlier or more claims than expected.

The Company manages these risks through its underwriting strategy and reinsurance program. However, the risk is also dependent on the policyholders' right to pay reduced or no future premiums, or to terminate the contract completely.

The following represents the Company's concentration of insurance risk as of December 31, 2020 and 2019:

	2020		2019	
	Exposure, Net of Reinsurance (‘000)	**Concentration (%)**	Exposure, Net of Reinsurance (‘000)	Concentration (%)
Group	**₱65,849,342**	**99.08%**	₱94,408,721	99.63%
Individual	**613,846**	**0.92%**	352,350	0.37%
	₱66,463,188	**100.00%**	₱94,761,071	100.00%

Summary of claims analysis

	2020	2019
Mortality Ratio		
Aggregate individual	**5.56%**	59.72%
Aggregate group	**31.76%**	49.00%

Classification by attained age

2020

The table below presents the concentration of risk across the 14 age brackets. For individual insurance, exposure is concentrated on age brackets 45-49. For group insurance, exposure is concentrated on age brackets 35-39.

	Individual			
	Gross Reinsurance		**Net of reinsurance**	
Attained Age	**Exposure ‘000**	**Concentration (%)**	**Exposure ‘000**	**Concentration (%)**
<20	**₱125,838**	**11.80%**	**₱84,505**	**13.77%**
20 – 24	**25,327**	**2.37%**	**13,726**	**2.24%**
25 – 29	**69,715**	**6.54%**	**37,330**	**6.08%**
30 – 34	**98,874**	**9.27%**	**51,035**	**8.31%**
35 – 39	**118,078**	**11.07%**	**59,848**	**9.75%**
40 – 44	**123,567**	**11.58%**	**64,796**	**10.56%**
45 – 49	**171,626**	**16.09%**	**81,936**	**13.35%**
50 – 54	**114,487**	**10.73%**	**66,238**	**10.79%**
55 – 59	**76,326**	**7.16%**	**51,271**	**8.35%**
60 – 64	**64,690**	**6.06%**	**47,901**	**7.80%**
65 – 69	**55,474**	**5.20%**	**35,516**	**5.79%**
70 – 74	**16,483**	**1.55%**	**13,845**	**2.26%**
75 – 79	**4,238**	**0.40%**	**3,982**	**0.65%**
80 +	**1,917**	**0.18%**	**1,917**	**0.31%**
Total	**₱1,066,640**	**100.00%**	**₱613,846**	**100.00%**

	Group			
	Gross Reinsurance		**Net of reinsurance**	
Attained Age	**Exposure '000**	**Concentration (%)**	**Exposure '000**	**Concentration (%)**
<20	**₱494,246**	**0.30%**	**₱203,620**	**0.31%**
20 – 24	**4,833,634**	**2.89%**	**2,014,252**	**3.06%**
25 – 29	**21,591,890**	**12.91%**	**9,382,341**	**14.25%**
30 – 34	**28,615,998**	**17.11%**	**11,855,530**	**18.00%**
35 – 39	**40,757,371**	**24.37%**	**17,823,940**	**27.07%**
40 – 44	**29,635,291**	**17.72%**	**8,972,283**	**13.63%**
45 – 49	**16,238,125**	**9.71%**	**6,388,736**	**9.70%**
50 – 54	**9,977,126**	**5.97%**	**4,097,239**	**6.22%**
55 – 59	**4,872,064**	**2.91%**	**2,194,892**	**3.33%**
60 – 64	**7,509,826**	**4.49%**	**1,295,701**	**1.97%**
65 – 69	**1,587,860**	**0.95%**	**940,119**	**1.43%**
70 – 74	**689,621**	**0.41%**	**421,362**	**0.64%**
75 – 79	**316,851**	**0.19%**	**186,872**	**0.28%**
80 +	**120,548**	**0.07%**	**72,455**	**0.11%**
Total	**₱167,240,451**	**100.00%**	**₱65,849,342**	**100.00%**

2019

The table below presents the concentration of risk across the 14 age brackets. For individual insurance, exposure is concentrated on age brackets 50-54. For group insurance, exposure is concentrated on age brackets 35-39.

	Individual			
	Gross Reinsurance		Net of reinsurance	
Attained Age	Exposure '000	Concentration (%)	Exposure '000	Concentration (%)
<20	₱39,752	11.96%	₱34,908	13.92%
20 – 24	11,801	2.41%	6,808	2.26%
25 – 29	30,377	6.64%	17,979	6.18%
30 – 34	39,551	9.39%	20,993	8.40%
35 – 39	39,958	11.25%	20,736	9.89%
40 – 44	54,152	11.75%	33,208	10.70%
45 – 49	64,287	16.34%	40,029	13.53%
50 – 54	80,274	10.89%	52,845	10.93%
55 – 59	59,050	7.14%	42,562	8.34%
60 – 64	49,416	5.71%	38,584	7.48%
65 – 69	36,244	4.42%	27,139	5.15%
70 – 74	12,564	1.57%	11,435	2.29%
75 – 79	3,074	0.36%	3,074	0.62%
80 +	2,050	0.18%	2,050	0.32%
Total	₱522,550	100.00%	₱352,350	100.00%

	Group			
	Gross Reinsurance		Net of reinsurance	
Attained Age	Exposure '000	Concentration (%)	Exposure '000	Concentration (%)
<20	₱763,045	0.42%	₱370,471	0.39%
20 – 24	14,668,203	8.00%	9,340,740	9.89%
25 – 29	32,594,476	17.77%	19,762,837	20.93%
30 – 34	35,602,142	19.41%	18,992,165	20.12%
35 – 39	37,246,968	20.30%	16,584,004	17.57%
40 – 44	26,073,264	14.21%	11,690,268	12.38%
45 – 49	16,914,962	9.22%	7,799,344	8.26%
50 – 54	10,015,929	5.46%	4,806,727	5.09%
55 – 59	5,151,787	2.81%	2,563,194	2.71%
60 – 64	2,734,995	1.49%	1,514,692	1.60%
65 – 69	1,095,555	0.60%	627,514	0.66%
70 – 74	388,323	0.21%	236,652	0.25%
75 – 79	166,385	0.09%	96,445	0.10%
80 +	39,411	0.02%	23,668	0.03%
Total	₱183,455,445	100.00%	₱94,408,721	100.00%

Non-life Insurance Contracts

The Company principally issues the following types of general insurance such as fire and motor. Risk under general insurance policies usually cover a twelve-month duration.

For general insurance contracts, the significant risks arise from climate changes and natural disasters. These risks vary significantly in relation to the location of risk insured, type of risk insured and by industry. Undue concentration by amount can have a further impact on the severity of benefit payments on a portfolio basis.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography.

Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

The Company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit the exposure to catastrophes to a pre-determined maximum amount based on the Company's risk appetite as decided by management.

The following tables set out the concentration of the claims liabilities by type of contract:

	2020	2019
Motor car	**₱59,327,499**	₱25,291,139
Fire	**33,796,058**	17,656,255
Personal accident	**114,052**	162,900
Travel insurance	**55,954**	135,327
	₱93,293,563	₱43,245,621

Assumptions
The principal assumption underlying the estimates is the Company's past claims development experience or in case of first year non-life business, average industry experience is used. This includes assumptions in respect of average claims costs, claim handling costs, claims inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example once off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures.

Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. Other key assumptions include variation in interest rate, delays in settlement and changes in foreign currency rates.

Sensitivities
The general insurance claims provision is sensitive to the above key assumptions. The sensitivity of the certain assumptions such as legislative change, uncertainty in the estimation process, etc., is not possible to quantify.

Claims Development Table
The following tables reflect the cumulative incurred claims for each successive accident year at each reporting date, together with cumulative payments to date.

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 years. In order to maintain strong reserves, the Company transfers much of this release to current accident year reserves when the development of claims is less mature and there is much greater uncertainty attaching to the ultimate cost of claims.

Fire

Accident year	**Before 2019**	**2019**	**2020**	**Total**
Estimate of ultimate claims costs:				
At the end of accident year	**₱7,458,249**	**₱–**	**₱10,054,358**	**₱17,512,607**
One year later	–	**17,340,197**	–	**17,340,197**
Current estimate of cumulative claims	**7,458,249**	**17,340,197**	**10,054,358**	**34,852,804**
Estimate of gross cumulative payments:				
At the end of accident year	–	–	–	–
One year later	–	**1,672,130**	–	–
Cumulative payments to date	–	**1,672,130**	–	**1,672,130**
Gross insurance liabilities	**7,458,249**	**15,668,067**	**10,054,358**	**33,180,674**
Unallocated Loss Adjustment Expenses				**615,384**
Best Estimate of Gross Claims Liabilities				**33,796,058**
Margin for Adverse Development				–
Gross Insurance Claims Liabilities at December 31, 2020				**₱33,796,058**

Motor Car

Accident year	**Before 2019**	**2019**	**2020**	**Total**
Estimate of ultimate claims costs:				
At the end of accident year	**₱1,893,162**	**₱–**	**₱47,170,992**	**₱49,064,154**
One year later	–	**29,322,637**	–	**29,322,637**
Current estimate of cumulative claims	**1,893,162**	**29,322,637**	**47,170,992**	**78,386,791**
Estimate of gross cumulative payments:				
At the end of accident year	–	**17,944,284**	**10,088,417**	**28,032,701**
One year later	–	**6,728,273**	–	**6,728,273**
Cumulative payments to date	–	**24,672,557**	**10,088,417**	**34,760,974**
Gross insurance liabilities	**1,893,162**	**4,650,080**	**37,082,575**	**43,625,817**
Gross Outstanding Claims for Assumed Business				**4,990,226**
Unallocated Loss Adjustment Expenses				**947,449**
Best Estimate of Gross Claims Liabilities				**49,563,492**
Margin for Adverse Development				**9,764,008**
Gross Insurance Claims Liabilities at December 31, 2020				**₱59,327,500**

Personal Accident and Travel Insurance

Accident year	**Before 2019**	**2019**	**2020**	**Total**
Estimate of ultimate claims costs:				
At the end of accident year	**₱63,239**	**₱–**	**₱65,193**	**₱128,432**
One year later	–	**205,329**	–	**205,329**
Current estimate of cumulative claims	**63,239**	**205,329**	**65,193**	**333,761**
Estimate of gross cumulative payments:				
At the end of accident year	–	–	**65,193**	**65,193**
One year later	–	**101,461**	–	**101,461**
Cumulative payments to date	–	**101,461**	**65,193**	**166,654**
Gross insurance liabilities	**63,239**	**103,868**	–	**167,107**
Unallocated Loss Adjustment Expenses				**2,898**
Best Estimate of Gross Claims Liabilities				**170,005**
Margin for Adverse Development				–
Gross Insurance Claims Liabilities at December 31, 2020				**₱170,005**

Source of Uncertainty in the Estimation of Future Claim Payments

Estimation of future payments and premium receipts is subject to unpredictability of changes in mortality and morbidity levels. The Company adopts standard industry data in assessing future benefit payments and premium receipts as approved by the Insurance Commission. Adjustments are made, if necessary, according to the experience of the Company.

For individual life insurance, no adjustment is made by the Company to the standard mortality table. For group life, accident and health insurance, the mortality table is adjusted to reflect the Company's actual and projected experiences which are given weights or credibility depending on the amount and length of exposure under consideration. The Company currently monitors its actual experience on individual business on a per policy basis and on an aggregate basis and reports the same to management.

The liability for these contracts comprises the incurred IBNR provision, a provision for reported claims not yet paid and a provision for unexpired risk at reporting dates. The IBNR provision is based on historical experience and is subject to a degree of uncertainty.

Financial Instruments
Due to the short-term nature of cash and cash equivalents, premiums due and uncollected, due from policyholders, receivable from third party administration, other receivables, accrued interest receivable, performance bond, reserve and security funds, deposits, claims payable, policyholders' dividends due to related parties, premium deposit fund, their carrying values approximate their fair values at reporting dates.

The fair values of salary loans, mortgage loans, accounts receivable and accounts payable and other liabilities are determined by computing the present value of the expected future cash flows of the loans using the predetermined market rate for similar instrument as of reporting date as discount rate.

The fair values of financial instruments classified as financial assets at FVTPL and at FVOCI that are actively traded in an organized exchange or active markets are determined by reference to quoted market or broker bid prices at the close of business as of reporting dates. For shares in an open-ended investment company, fair value is established by reference to published Net Asset Value (NAV) per share.

The Company classifies its non-linked financial assets at fair value as follows:

	2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value:				
Financial assets at FVTPL:				
Mutual funds	**₱170,423,975**	**₱–**	**₱–**	**₱170,423,975**
Unit investment trust funds	**140,994,523**	**–**	**–**	**140,994,523**
Proprietary shares	**4,370,280**	**–**	**–**	**4,370,280**
Listed equity securities	**76,697**	**–**	**–**	**76,697**
Financial assets at FVTPL:				
Government debt securities	**1,634,714,240**	**–**	**–**	**1,634,714,240**
Corporate debt securities	**143,505,601**	**–**	**–**	**143,505,601**
	₱2,094,085,316	**₱–**	**₱–**	**₱2,094,085,316**

	2019			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
Financial assets at FVTPL:				
Mutual funds	₱97,138,899	₱–	₱–	₱97,138,899
Unit investment trust funds	163,090,646	–	–	163,090,646
Proprietary shares	4,370,280	–	–	4,370,280
Listed equity securities	92,489	–	–	92,489
Financial assets at FVTPL:				
Government debt securities	1,244,538,656	–	–	1,244,538,656
Corporate debt securities	351,826,144	–	–	351,826,144
	₱1,861,057,114	₱–	₱–	₱1,861,057,114

The Company classifies its unit-linked financial assets at fair value as follows:

	2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value:				
Unit investment trust funds	**₱1,866,531,327**	**₱–**	**₱–**	**₱1,866,531,327**
Mutual funds	**165,943,361**	**–**	**–**	**165,943,361**

	2019			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
Unit investment trust funds	₱1,866,531,327	₱–	₱–	₱1,092,265,877
Mutual funds	165,943,361	–	–	132,641,407

Financial Risks

The Company is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. The relevant financial risks faced by the Company in its day-to-day operations are market risk, credit risk and liquidity risk.

The BOD is the ultimate governing body with overall risk oversight. Risk Management Committee (RMC) assists the Board in fulfilling its supervision and monitoring responsibilities in respect of internal control, including monitoring the risk profile of the legal entities and combined and compared to the targeted level of risk appetite as set by the Board. Management Risk Committee (MRC) is the advisor to the RMC concerning all Risk related topics, including limits, exposures and methodologies.

Credit Risk

The Company has a significant exposure to credit risk, defined as the risk of financial loss resulting from the failure of counterparty to meet its contractual obligations to the Company. In particular, the Company is exposed to credit risk in the following accounts:

- Amounts due from Department of Education (DepEd) teachers and private institution employees;
- Amounts due from related parties and employees;
- Reinsurers' share in insurance liabilities;
- Obligations of companies issuing Mutual Fund shares and equity securities;
- Amounts due from reinsurers in respect of claims already paid;
- Amounts due from insurance policyholders;
- Amounts due from insurance intermediaries; and
- Amounts due from banks.

The Company structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty. Such counterparty limits are subject to an annual or more frequent review. Limits are approved regularly as the need arises at the BOD level. A Credit Committee, which reports to the Management Committee (ManCom), has been established by the BOD to monitor the credit management and exposure of the Company.

The Company fully complies with the guidelines issued by the DepEd in granting loans to teachers which are monitored by DepEd on a regular basis. Any violation shall result to the revocation of the Company's license to extend loans to public school teachers. The Company's credit evaluation policies are anchored on the DepEd guidelines on net take home pay of the teachers and authenticity of documents submitted by the borrowers.

The ManCom has also created a special committee (DepEd Committee), tasked to monitor the DepEd loans business. The DepEd Committee meets on a monthly basis to discuss developments and status of past due accounts, action plans for collecting unpaid accounts and other pertinent issues relative to the loans operations. The DepEd Committee, in turn, reports to the ManCom the status of the loans business on a regular basis.

Loans to policyholders granted against the cash surrender value of policies carry substantially minimal credit risk.

A significant credit exposure arises with respect to reinsurance ceded, to the extent that any reinsurer may be unable to meet its obligations assumed under such reinsurance agreements. The Company selects only domestic and foreign companies with strong financial standing and excellent track records which are allowed to participate in the Company's reinsurance programs. Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract.

In respect of investments securities, the Company secures satisfactory credit quality by setting maximum limits of portfolio securities with a single or group of issuers, excluding those secured on specific assets and setting the minimum ratings for the issuer. The Company sets the maximum amounts and limits that may be advanced to/placed with individual corporate counterparties which are set by reference to their long term ratings.

The table below shows the maximum exposure to credit risk as of December 31, 2020 and 2019:

Non-linked

	2020	2019
Cash and cash equivalents (excluding cash on hand)	**₱1,793,017,522**	₱893,334,472
Premiums due and uncollected	**672,618,410**	487,417,691
Reinsurance recoverable on paid losses	**89,432,317**	83,947,094
Reinsurance recoverable on unpaid losses	**62,310,135**	19,616,422
Financial assets at FVTPL	**315,865,475**	264,692,314
Financial assets at FVOCI	**1,779,951,730**	1,597,656,828
Loans and receivables	**446,311,226**	403,727,855
Accrued interest receivable	**10,514,476**	13,783,028
Other assets*	**16,803,404**	16,710,058
	₱5,186,824,695	₱3,780,885,762

**excluding prepayments and miscellaneous*

Unit-linked

	2020	2019
Cash and cash equivalents	**₱14,318,671**	₱17,474,393
Mutual funds	**165,943,361**	132,641,407
Unit investment trust funds	**1,866,531,327**	1,092,265,877
Accounts receivable	**2,558,948**	12,917,929
	₱2,049,352,307	₱1,255,299,606

The Company uses an external credit grading system from various rating agencies based on the borrowers and counterparties overall credit worthiness, as described below:

Investment 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 the public markets and/or 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, for individuals into business or for corporate entities. 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.

The Company assessed that its cash and cash equivalents, premiums due and uncollected, reinsurance recoverable on paid and unpaid losses, financial assets at FVTPL, financial assets at FVOCI, accrued interest receivable, and other assets have investment grade and ECL recognized under stage 1. There were no transfers during the year.

The table below provides information regarding the credit risk exposure of the Company's loans and receivables by classifying as to the counterparties' credit grading and staging assessment of the outstanding allowance for ECL.

	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Investment grade	**₱76,626,943**	**₱–**	**₱–**	**₱76,626,943**
Non-investment grade - satisfactory	**330,058,184**	**2,159,956**	**–**	**332,218,140**
Past due or impaired	**–**	**–**	**37,466,143**	**37,466,143**
	₱406,685,127	**₱2,159,956**	**₱37,466,143**	**₱446,311,226**

	2019			
	Stage 1	Stage 2	Stage 3	Total
Investment grade	₱20,872,935	₱–	₱–	₱20,872,935
Non-investment grade - satisfactory	378,581,840	592,582	–	379,174,422
Past due or impaired	–	–	3,680,498	3,680,498
	₱399,454,775	₱592,582	₱3,680,498	₱403,727,855

Liquidity Risk

The Company is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Company maintains minimum proportion of sufficient funds available to meet such calls to cover maturities, claims and surrenders at unexpected levels of demand.

The BOD has formed an Asset and Liability Committee (ALCO) which meets on a quarterly basis to ensure the adequacy of reserves and liquid assets and complies with the regulatory reserve and liquidity requirements. Cash forecasts are prepared and reviewed by the ALCO, DepEd Committee and Investment Committee to ensure that the operational funding requirements are adequately met.

The table below summarizes the maturity profile of the Company's liabilities at December 31, 2020 and 2019 based on contractual undiscounted payments except for the legal policy reserves of the life and non-life insurance contracts (included in the "Insurance contract liabilities" account) which shows the maturity analysis based on the estimated timing of the net cash outflows using the recognized insurance liability amounts:

	2020					
	On Demand	**Up to a Year**	**1 -2 Years**	**2 -3 Years**	**Over 3 Years**	**Total**
Insurance contract liabilities:						
Premium reserves and legal policy reserves	**₱–**	**₱994,380,984**	**₱4,457,482**	**₱2,741,511**	**₱216,820,677**	**₱1,218,400,654**
Claims payable	**–**	**928,689,052**	**–**	**–**	**–**	**928,689,052**
Policyholders' dividends	**14,891,235**	**–**	**–**	**–**	**–**	**14,891,235**
Premium deposit fund	**1,523,222**	**–**	**–**	**–**	**–**	**1,523,222**
Accounts payable and other liabilities:						
Accounts payable	**–**	**244,161,046**	**–**	**–**	**–**	**244,161,046**
Life insurance deposits	**–**	**21,646,536**	**–**	**–**	**–**	**21,646,536**
Accrued expenses	**–**	**101,127,230**	**–**	**–**	**–**	**101,127,230**
Due to policyholders	**–**	**19,207,917**	**–**	**–**	**–**	**19,207,917**
Lease liabilities	**–**	**26,811,953**	**18,224,597**	**1,482,480**	**–**	**46,519,030**
Insurance payables	**–**	**188,236,532**	**–**	**–**	**–**	**188,236,532**
Others	**–**	**210,422,003**	**–**	**–**	**–**	**210,422,003**
	₱16,414,457	**₱ 2,734,683,253**	**₱22,682,079**	**₱4,223,991**	**₱216,820,677**	**₱2,994,824,457**

	2019					
	On Demand	Up to a Year	1 -2 Years	2 -3 Years	Over 3 Years	Total
Insurance contract liabilities:						
Premium reserves and legal policy reserves	₱–	₱1,105,487,901	₱3,375,073	₱2,075,791	₱89,672,216	₱1,200,610,981
Claims payable	–	299,663,186	–	–	–	299,663,186
Policyholders' dividends	4,565,634	–	–	–	–	4,565,634
Premium deposit fund	2,272,858	–	–	–	–	2,272,858
Accounts payable and other liabilities:			–	–	–	
Accounts payable	–	191,355,153	–	–	–	191,355,153
Life insurance deposits	–	20,839,449	–	–	–	20,839,449
Accrued expenses	–	44,531,766	–	–	–	44,531,766
Due to policyholders	–	25,098,525	–	–	–	25,098,525
Lease liabilities	–	17,312,797	19,822,456	10,407,378	–	47,542,631
Insurance payables	–	109,706,852	–	–	–	109,706,852
Others	–	170,839,396	–	–	–	170,839,396
	₱6,838,492	1,984,835,025	23,197,529	12,483,169	89,672,216	2,117,026,431

Market Risk

Market risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of adverse changes in market prices. Market risk relevant to the Company comprises market rate (fair value interest rate risk) and market price (equity price risk) risks.

Fair Value Interest Rate Risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of adverse changes in market interest rates. Fixed rate securities and receivables, in particular, are exposed to such risk.

The Company's investment policy is to maintain an adequate yield to match the interest necessary to support future policy liabilities. Management's focus is to reinvest the proceeds of the maturing securities and to invest the future premium receipts while continuing to maintain satisfactory investment quality.

The Company has an Investment Committee which approves all investment undertaking of the Company and meets on a monthly basis. The Company adopts an investment strategy to invest primarily in high quality securities while maintaining diversification to avoid significant exposure to issuer and/or industry concentrations.

The following table shows the information relating to the Company's financial instruments as of December 31, 2020 and 2019 that are exposed to fair value interest rate risk presented by maturity profile:

2020	**Range of Interest Rate**	**On Demand**	**Less than 1 Year**	**1 -2 Years**	**2 -3 Years**	**More than 3 Years**	**Total**
Cash and cash equivalents (excluding cash on hand)	**0.10% - 3.125%**	**₱849,099,211**	**₱943,918,311**	**₱–**	**₱–**	**₱–**	**₱1,793,017,522**
Financial assets at FVOCI							
Government debt securities	**2.375% - 6.250%**	–	**48,457,416**	**384,096,210**	**774,169,404**	**429,599,889**	**1,636,322,919**
Corporate debt securities	**3.050% - 6.660%**	–	**27,780,378**	**56,189,005**	**4,710,453**	**54,948,975**	**143,628,811**
Loans and receivables							
Salary loans	**5.70% - 6.00%**	–	**24,543,330**	**72,845,062**	**210,002,175**	–	**307,390,567**
Mortgage loans	**6.00%**	**653,967**	**7,276,704**	**8,753,136**	–	–	**16,683,807**
Policy loans	**10.00%**	**13,276,401**	–	–	–	–	**13,276,401**
		863,029,579	**1,051,976,139**	**521,883,413**	**988,882,032**	**484,548,864**	**3,910,320,027**
Policyholders' dividends	**4.00%**	**14,891,235**	–	–	–	–	**14,891,235**
Premium deposit fund	**4.00-6.00%**	**1,523,222**	–	–	–	–	**1,523,222**
		₱16,414,457	**₱–**	**₱–**	**₱–**	**₱–**	**₱ 16,414,457**

2019	Range of Interest Rate	On Demand	Less than 1 Year	1 -2 Years	2 -3 Years	More than 3 Years	Total
Cash and cash equivalents							
(excluding cash on hand)	0.25% - 3.88%	₱351,913,372	₱541,421,100	₱–	₱–	₱–	₱893,334,472
Financial assets at FVOCI							
Government debt securities	4.0% - 6.88%	–	480,910,742	183,805,955	276,857,684	303,928,614	1,245,502,995
Corporate debt securities	4.2% - 7.8%	–	78,713,542	120,310,671	52,976,974	100,152,646	352,153,833
Loans and receivables							
Salary loans	5.7% - 6.5%	–	19,146,979	12,808,621	183,661,259	–	215,616,859
Mortgage loans	8.4% - 10.0%	–	5,721,720	12,379,961	–	–	18,101,681
Policy loans	10.0%	12,708,232	–	–	–	–	12,708,232
		364,621,604	1,125,914,083	329,305,208	513,495,917	404,081,260	2,737,418,072
Policyholders' dividends	4%	4,565,634	–	–	–	–	4,565,634
Premium deposit fund	4-6%	2,272,858	–	–	–	–	2,272,858
		₱6,838,492	₱–	₱–	₱–	₱–	₱6,838,492

The sensitivity analysis below is presented for reasonably possible movements in interest rates with all other variables held constant, showing the impact on equity (that reflects adjustments due to changes in fair value of FVOCI financial assets):

	Change in Interest Rate	Impact on Equity
December 31, 2020	**+1.00%**	**(₱234,189)**
	-1.00%	**234,567**
December 31, 2019	+1.00%	(₱247,526)
	-1.00%	248,265

In 2020 and 2019, the Company determined the reasonably possible change in interest rate using the historical percentage changes in weighted average yield rates of outstanding securities for the past three years.

Equity Price Risk
The Company's equity price risk exposure relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, equity securities and investment in mutual funds classified as financial assets at FVTPL. Such securities are subject to price risk due to possible adverse changes in market values of instruments arising from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market. The Company invests in equity securities for various reasons, including reducing its overall exposure to interest rate risk.

The Company has an IMA with ATRAM Trust Corp. which monitors and manages a portion of the Company's investments. The Investment Committee of the Company oversees its investment undertaking.

The analysis below is performed for reasonably possible movements in PSE index with all other variables held constant, showing the impact on equity and profit before tax:

	Change in PSE Index	Impact on Profit Before Tax	Impact on Equity
December 31, 2020	**+5.00%**	**₱3,835**	**₱2,684**
	-5.00%	**(3,835)**	**(2,684)**
December 31, 2019	+5.00%	₱4,624	₱3,237
	-5.00%	(4,624)	(3,237)

In 2020 and 2019, the Company determined the reasonably possible change in PSE index using the specific adjusted data for each equity security the Company holds as of the reporting dates. The adjusted data is the forecasted measure of the volatility of security or a portfolio in comparison to the market as a whole.

The analysis below is performed for reasonably possible movements in NAV per share with all other variables held constant, showing the impact on equity and Profit before tax:

	Change in NAV per Share	Impact on Profit Before Tax	Impact on Equity
December 31, 2020	**+5.00%**	**₱1,286,107**	**₱900,275**
	-5.00%	**(1,286,107)**	**(900,275)**
December 31, 2019	+5.00%	₱1,248,977	₱874,284
	-5.00%	(1,248,977)	(874,284)

Foreign Currency Risk
The Company's foreign exchange risk arises primarily from any transaction denominated in a foreign currency such as the US Dollar. In 2020 and 2019, the Company's transactions are primarily denominated in Philippine Peso, thus, reducing the Company's exposure to currency risk to an insignificant amount.

28. Contingencies

The Company is currently involved in various legal proceedings and the Company currently does not believe these proceedings will have a material adverse effect on the Company's financial position as of reporting date.

29. Approval of the Financial Statements

The accompanying financial statements of the Company were authorized for issue by BOD on March 15, 2021.

30. Current and Non-current Classification

The following tables present the assets and liabilities by contractual maturity and settlement dates:

	2020			2019		
	Current	**Non-current**	**Total**	Current	Non-current	Total
Cash and cash equivalents	**₱1,791,838,486**	**₱–**	**₱1,791,838,486**	₱892,727,395	₱–	₱892,727,395
Insurance receivables	**726,377,647**	**–**	**726,377,647**	553,930,660	–	553,930,660
Reinsurance assets	**74,384,843**	**–**	**74,384,843**	19,616,422	–	19,616,422
Financial assets:						
Fair value through profit or loss	**315,865,475**	**–**	**315,865,475**	264,692,314	–	264,692,314
Fair value through other comprehensive income	**83,187,178**	**1,695,032,663**	**1,778,219,841**	559,299,389	1,037,065,411	1,596,364,800
Loans and receivables	**104,062,492**	**291,600,373**	**395,662,865**	186,390,765	208,849,841	395,240,606
Accrued interest receivable	**10,514,476**	**–**	**10,514,476**	13,783,028	–	13,783,028
Due from related parties	**32,334**	**–**	**32,334**	1,584,244	–	1,584,244
Segregated fund assets	**1,956,311,907**	**–**	**1,956,311,907**	1,214,808,609	–	1,214,808,609
Right-of-use assets	**–**	**41,401,499**	**41,401,499**	–	43,530,829	43,530,829
Property and equipment	**–**	**29,916,205**	**29,916,205**	–	32,560,833	32,560,833

(Forward)

	2020			2019		
	Current	**Non-current**	**Total**	Current	Non-current	Total
Intangible assets	**₱–**	**₱10,948,448**	**₱10,948,448**	₱–	₱12,109,462	₱12,109,462
Deferred acquisition cots	**153,125,617**	**–**	**153,125,617**	167,533,144	–	167,533,144
Deferred tax assets - net	**–**	**103,757,243**	**103,757,243**	–	25,400,712	25,400,712
Other assets	**39,714,980**	**–**	**39,714,980**	61,516,339	–	61,516,339
Total Assets	**5,255,415,435**	**2,172,656,431**	**7,428,071,866**	3,935,882,309	1,359,517,088	5,295,399,397
Liabilities						
Insurance contract liabilities	**1,937,961,271**	**224,019,670**	**2,161,980,941**	1,409,716,721	95,123,080	1,504,839,801
Accounts payable and other liabilities	**598,087,955**	**–**	**598,087,955**	454,937,146	–	454,937,146
Insurance payables	**188,236,532**	**–**	**188,236,532**	109,706,852	–	109,706,852
Lease liabilities	**26,811,953**	**19,707,077**	**46,519,030**	17,312,797	30,229,834	47,542,631
Due to related parties	**17,233,002**	**–**	**17,233,002**	11,674,434	–	11,674,434
Segregated fund liabilities	**1,956,311,907**	**–**	**1,956,311,907**	1,214,808,609	–	1,214,808,609
Income tax liability	**89,188,678**	**–**	**89,188,678**	–	–	–
Net pension liability	**–**	**10,642,134**	**10,642,134**	–	13,666,585	13,666,585
Total Liabilities	**₱4,813,831,298**	**₱254,368,881**	**₱5,068,200,179**	₱3,218,156,559	₱139,019,499	₱3,357,176,058

31. Supplementary Tax Information Required Under Revenue Regulations (RR) 15-2010

The Company reported and/or paid the following taxes in 2020:

Value-added tax (VAT)
The NIRC of 1997 provides for the imposition of VAT on sales of goods and services. The Company, however, as a domestic corporation doing life insurance business, is a non-VAT registered Company. Sales or receipts of life insurance premiums are subject to percentage tax called premium tax.

The premium tax rate was reduced from 5.0% to 2.0% pursuant to Republic Act 10001. The Company paid ₱67.9 million in 2020 and ₱63.2 million in 2019 in premium taxes.

An analysis of the Company's VAT transactions is presented below:

Transactions subject to VAT	₱181,249,258
VAT rate	12%
VAT on sales / receipts	21,749,911
Less allowable input tax	3,011,233
Output VAT payable declared in returns	₱18,738,678

The rollforward of Input VAT is presented below:

As of January 1, 2020	₱–
Input VAT on domestic purchase of services	7,887,859
Input VAT on domestic purchases of goods other than capital goods	115,963
Total available input VAT	8,003,822
Input VAT allocable to exempt sales, treated as part of Company costs	(4,992,589)
Allowable input VAT claimed as offset against output VAT	₱3,011,233

Information on the Company's Importations
The Company has not undertaken any importation activity in 2020.

Excise taxes
The Company is neither involved in the local production nor in the importation of excisable items, therefore, has not paid excise taxes.

Documentary stamp tax

On others - policy issuance	₱10,245,570
On loan instruments	1,308,101
	₱11,553,671

Other Taxes and Licenses
This includes all other taxes, local and national, including real estate taxes, license and permit fees. Details of other taxes and licenses in 2020 follow:

License and permit fees	₱38,034,158
Input VAT	14,896,004
License and permit fees	52,930,162
Fringe benefit tax	1,326,444
	₱54,256,406

Withholding Taxes
Details of taxes withheld in 2020 follow:

Creditable withholding taxes	₱102,521,358
Withholding taxes on compensation and benefits	28,571,125
Final withholding Tax	292,638
	₱131,385,121

Tax Assessments and Cases
The Company received Formal Assessment Notices (FAN) from the Bureau of Internal Revenue (BIR) covering different types of taxes for calendar year 2013 and Final Decision on Disputed Assessment (FDDA) for calendar year 2010 for these deficiency taxes ranging from ₱315.1 million to ₱398.4 million.

Within thirty (30) days after receipt of FAN for 2013 and FDDA for 2010, the Company filed a protest letter with the Office of the Commissioner of Internal Revenue on the findings noted by the BIR and requested reconsideration and reinvestigation based on legal and factual grounds.

Management believes that it has a strong case against the BIR and that it should not be liable to pay the deficiency taxes for the following reasons: (a) the Company is an insurance company, was registered as a Non-VAT entity and therefore is not liable to pay the deficiency VAT; (b) the Company is not a Health Maintenance Organization (HMO) as defined under Section 4.108-3(k) of Revenue Regulations No. 16-2005 and therefore exempt from VAT.

In the opinion of management, the eventual liability under these claims, if any, will not have a material or adverse effect on the Company’s financial position and results of operations.