

ANNEX B.2

FINANCIAL REPORTING FRAMEWORK FOR NON-LIFE AND PROFESSIONAL REINSURANCE COMPANIES

MANUAL OF ACCOUNTS

A. STATEMENT OF FINANCIAL POSITION

ASSETS

1. CASH AND CASH EQUIVALENTS

1.1. CASH ON HAND

Cash in the possession of the company or in transit under its control are generally classified as cash on hand. This represents the total amount of undeposited collections and the different types of working funds in the custody of the cashier and/or fund custodian at the company's head office and branches. This may consist of:

1.1.1 UNDEPOSITED COLLECTIONS

This represents the notes and coins, checks, bank drafts, and other cash items in favor of the company to be deposited in the bank on the following banking day. This does not include postdated checks and returned checks which have been dishonored by the bank due to insufficient funds.

1.1.2 PETTY CASH FUND

This represents the fund established to defray immediate minimal disbursements which are evidenced by duly accomplished and approved petty cash vouchers with the corresponding supporting receipts and other cash documents. This fund shall be maintained under an imprest system.

1.1.3 COMMISSION FUND

This represents the fund established for the purpose of paying commission to agents where the amounts are less than the minimum amount prescribed for check payments. This fund shall be maintained under an imprest system.

1.1.4 DOCUMENTARY STAMPS FUND

This represents the fund set up for documentary stamps for affixture to policy loan agreements, promissory notes, certificates of authority and

other legal documents. This fund shall be maintained under an imprest system.

1.1.5 CLAIMS FUND

This represents the fund set up for the payment of claims where the amounts are less than the minimum amount prescribed for check payments. This fund shall be maintained under an imprest system.

1.1.6 REVOLVING FUND

This represents the fund set up for specified purposes with the provision that repayments to the fund will be used again for the same purposes. This fund shall be maintained under an imprest system.

1.1.7 OTHER FUNDS

This represents all other funds which cannot be classified under any of the foregoing accounts.

1.2 CASH IN BANKS

This represents the non-interest and interest-bearing account balances maintained in various banks by the company's head office and branches.

1.2.1 CASH IN BANKS – CURRENT (PESO)

This represents the checking account balances in banks maintained by the company's head office and branches denominated in Philippine peso.

1.2.2 CASH IN BANKS – CURRENT (FOREIGN)

This represents the checking account balances in banks maintained by the company's head office and branches denominated in foreign currency.

1.2.3 CASH IN BANKS – SAVINGS (PESO)

This represents the savings deposit account balances in banks maintained by the company's head office and branches denominated in Philippine peso.

1.2.4 CASH IN BANKS – SAVINGS (FOREIGN)

This represents the savings deposit account balances in banks maintained by the company's head office and branches denominated in foreign currency.

1.3 E-MONEY

This represents the amount of money stored in digital wallet. This shall not include cryptocurrencies.

1.4 CASH EQUIVALENTS

This represents the short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of placement and are subject to insignificant risk of changes in value. Only highly liquid investments that are acquired three months before maturity can qualify as cash equivalents. This account may comprise:

1.4.1 TIME DEPOSITS

This represents the interest-yielding bank account balances evidenced by a Time Deposit Certificate and available upon maturity, which are purchased or placed three months or less before maturity.

1.4.1.1 PESO CURRENCY

1.4.1.2 FOREIGN CURRENCY

1.4.2 OTHERS

This represents other short-term, highly liquid investments, which are purchased or placed three months or less before maturity, that may qualify as cash equivalents.

1.4.2.1 PESO CURRENCY

1.4.2.2 FOREIGN CURRENCY

1.5 ALLOWANCE FOR EXPECTED CREDIT LOSSES

Subsequent to initial recognition, cash and cash equivalents shall be measured at amortized cost less allowance for impairment using the Expected Credit Losses (ECL) model.

Under this model, an entity shall measure the ECL of debt instruments measured at Fair Value through Other Comprehensive Income (FVOCI)/ Amortized Cost (AC) in a way that reflects:

- a) an unbiased and probability-weighted amount that is determined by evaluating a wide range of possible outcomes;
- b) the time value of money; and
- c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

2. INSURANCE CONTRACT ASSETS

This represents the combination of rights and obligations up to the portfolio level resulting to an asset position arising from contracts issued under which the company accepts significant insurance risk.

This account shall comprise the following sub-accounts:

- 2.1. ASSETS (LIABILITIES) FOR REMAINING COVERAGE**
- 2.2. ASSETS (LIABILITIES) FOR INCURRED CLAIMS**
- 2.3. ASSETS (LIABILITIES) FOR PRE-RECOGNITION CASH FLOWS**

At a minimum, the level of aggregation is as follows:

- a) Fire and Allied Perils
- b) Marine Cargo/Marine Hull
- c) Aviation
- d) Bonds/Suretyship
- e) Motor
- f) Health and Accident
- g) Engineering
- h) Others

3. REINSURANCE CONTRACT ASSETS

This represents the combination of rights and obligations up to the portfolio level resulting to an asset position for contracts held by the company under which it transfers significant insurance risk related to insurance contracts issued.

This account shall comprise the following sub-accounts:

- 3.1. ASSETS (LIABILITIES) FOR REMAINING COVERAGE**
- 3.2. ASSETS (LIABILITIES) FOR INCURRED CLAIMS**

At a minimum, the level of aggregation is as follows:

- a) Fire and Allied Perils
- b) Marine Cargo/Marine Hull
- c) Aviation
- d) Bonds/Suretyship
- e) Motor
- f) Health and Accident
- g) Engineering
- h) Others

4. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income.

The following financial assets shall be measured at fair value through profit or loss:

- a) Financial assets held for trading known as “trading securities.” A financial asset is classified as held for trading if:
 - a.1) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
 - a.2) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
 - a.3) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).
- b) Financial assets that, upon initial recognition, are irrevocably designated by the entity as at fair value through profit or loss. An entity may use this designation if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as “an accounting mismatch”) that would otherwise arise from measuring assets or recognizing the gains and losses on them on different bases.
- c) Financial assets that are mandatorily measured at FVTPL (e.g. those that fail the SPPI test).

4.1. SECURITIES HELD FOR TRADING

This represents the debt and equity securities that are:

- a) acquired principally for the purpose of selling or repurchasing it in the near term; or
- b) part of a portfolio of identified securities that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. This shall comprise the following sub-accounts based on the types of securities held:

4.1.1. TRADING DEBT SECURITIES – GOVERNMENT

This represents the debt instruments issued by the government and its instrumentalities (government agencies, local governments, government owned and controlled corporations).

4.1.2. TRADING DEBT SECURITIES – PRIVATE

This represents the debt instruments issued by private corporations, whether domestic or foreign, such as commercial papers, notes and bonds.

4.1.3. TRADING EQUITY SECURITIES

This represents the common and preferred shares of stock of companies classified as equity other than those of subsidiaries, associates and joint ventures.

4.1.4. TRADING INVESTMENT FUNDS

This represents the investment funds held by the company for trading which shall comprise the following:

4.1.4.1. MUTUAL FUNDS AND UNIT INVESTMENT TRUSTS

4.1.4.2. REAL ESTATE INVESTMENT TRUSTS

4.1.4.3. OTHERS

4.2. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (DFVTPL)

This represents the financial assets which the company, upon initial recognition, has designated at fair value through profit or loss.

This shall comprise the following sub-accounts based on the types of securities held:

4.2.1. DFVTPL DEBT SECURITIES – GOVERNMENT

4.2.2. DFVTPL DEBT SECURITIES – PRIVATE

4.2.3. DFVTPL INVESTMENT FUNDS

4.2.3.1. MUTUAL FUNDS AND UNIT INVESTMENT TRUSTS

4.2.3.2. REAL ESTATE INVESTMENT TRUSTS

4.2.3.3. OTHERS

4.3. DERIVATIVE ASSETS

This represents the positive fair value of the company's derivatives which are not designated and considered effective hedging instruments.

Derivative is a financial instrument or other contract with all three (3) of the following characteristics:

- a) its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying');
- b) it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and
- c) it is settled at a future date.

This shall comprise the following sub-accounts:

- 4.3.1. FOREIGN EXCHANGE CONTRACTS**
 - 4.3.1.1. FORWARD FOREIGN EXCHANGE CONTRACTS**
 - 4.3.1.2. CROSS CURRENCY INTEREST RATE SWAP**
 - 4.3.1.3. FOREIGN EXCHANGE FUTURE**
 - 4.3.1.4. FOREIGN EXCHANGE FOREIGN CONTRACTS**
 - 4.3.1.5. OTHERS**

- 4.3.2. INTEREST RATE CONTRACTS**
 - 4.3.2.1. INTEREST RATE FORWARDS**
 - 4.3.2.2. INTEREST RATE SWAPS**
 - 4.3.2.3. INTEREST RATE FUTURES**
 - 4.3.2.4. INTEREST RATE OPTION CONTRACTS**
 - 4.3.2.5. OTHERS**

- 4.3.3. EQUITY CONTRACTS**
 - 4.3.3.1. EQUITY DERIVATIVES FORWARDS**
 - 4.3.3.2. EQUITY SWAP**
 - 4.3.3.3. EQUITY DERIVATIVES FUTURES**
 - 4.3.3.4. EQUITY OPTIONS CONTRACT**
 - 4.3.3.5. OTHERS**

- 4.3.4. CREDIT DERIVATIVES**
 - 4.3.4.1. CREDIT DEFAULT SWAPS**
 - 4.3.4.2. CREDIT SPREAD OPTION**
 - 4.3.4.3. OTHERS**

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

- a) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- b) 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.

Principal is the fair value of the financial asset at initial recognition. Interest consists of consideration (a) for the time value of money, (b) for the credit risk associated with the principal amount outstanding during a particular period of time and (c) for other basic lending risks and costs, as well as profit margin.

Financial Assets at FVOCI shall comprise the following sub-accounts:

- 5.1. DEBT SECURITIES AT FVOCI – GOVERNMENT**
 - 5.1.1. MANDATORY SECURITY DEPOSITS**
 - 5.1.2. OTHERS**
- 5.2. DEBT SECURITIES AT FVOCI – PRIVATE**
- 5.3. INVESTMENTS IN EQUITY INSTRUMENTS DESIGNATED AT FVOCI**
 - 5.3.1. LISTED EQUITY SECURITIES**
 - 5.3.2. UNLISTED EQUITY SECURITIES**

This pertains to investment in equity instruments the company designated at FVOCI that are neither held for trading nor contingent consideration in a business combination. This irrevocable election is made on an instrument-per-instrument basis.

6. INVESTMENT SECURITIES AT AMORTIZED COST

This represents investments in debt securities which are measured at amortized cost.

A financial asset is measured at amortized cost if both of the following conditions are met:

- a) held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- b) the contractual terms of which give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

This account shall comprise the following sub-accounts:

- 6.1 DEBT SECURITIES AT AMORTIZED COST – GOVERNMENT**
 - 6.1.1 MANDATORY SECURITY DEPOSITS**
 - 6.1.1.1 UNAMORTIZED (DISCOUNT)/PREMIUM**
 - 6.1.1.2 ALLOWANCE FOR ECL**
 - 6.1.2 MANDATORY SECURITY DEPOSITS**
 - 6.1.2.1 UNAMORTIZED (DISCOUNT)/PREMIUM**
 - 6.1.2.2 ALLOWANCE FOR ECL**
- 6.2 DEBT SECURITIES AT AMORTIZED COST – PRIVATE**
 - 6.2.1.1 UNAMORTIZED (DISCOUNT)/PREMIUM**
 - 6.2.1.2 ALLOWANCE FOR ECL**
- 6.3 INVESTMENT FUNDS AT AMORTIZED COST**
 - 6.3.1 ALLOWANCE FOR ECL**

7. LOANS AND RECEIVABLES

This account shall comprise the following sub-accounts:

7.1 HOUSING LOANS

This represents the outstanding balances of loans granted to employees secured by a mortgage covering their house and lot.

7.1.1 ALLOWANCE FOR ECL

7.2 REAL ESTATE MORTGAGE LOANS

This represents the outstanding balances of loans secured by first mortgage on real estate properties other than housing loans.

7.2.1 ALLOWANCE FOR ECL

7.3 COLLATERAL LOANS

This represents the outstanding balances of loans granted to companies or individuals secured by pledges of shares of stock, bonds and/or other securities.

7.3.1 ALLOWANCE FOR ECL

7.4 GUARANTEED LOANS

This represents the outstanding balances of loans granted to companies or individuals which are covered by guarantees from other entities or individuals.

7.4.1 ALLOWANCE FOR ECL

7.5 CHATTEL MORTGAGE LOANS

This represents the outstanding balances of loans secured by mortgage of chattels or personal properties (i.e. car plan).

7.5.1 ALLOWANCE FOR ECL

7.6 NOTES RECEIVABLE

This represents the interest-bearing loans granted by the company and evidenced by duly approved and notarized Promissory Notes.

7.6.1 ALLOWANCE FOR ECL

7.7 CAR LOANS

This represents the outstanding balances of loans granted to employees secured by a mortgage covering their cars.

7.7.1 ALLOWANCE FOR ECL

7.8 PURCHASE MONEY MORTGAGES

This represents the note secured by a mortgage or deed of trust given by a buyer, as borrower, to a seller, as lender as part of the purchase price of the disposed real property held or otherwise held.

7.8.1 ALLOWANCE FOR ECL

7.9 SALES CONTRACT RECEIVABLES

This represents the uncollected portion of the consideration on the sale of real estate owned by the company, whereby title to the property sold has been transferred to the buyer, and subject of a deed of sale with mortgage.

7.9.1 ALLOWANCE FOR ECL

7.10 SALARY LOANS

This represents the loans secured by salaries of the borrower and, as approved by the Commission.

7.10.1 ALLOWANCE FOR ECL

7.11 OTHER LOANS RECEIVABLE

This represents all other loans which cannot be classified under any of the foregoing loan accounts.

7.11.1 ALLOWANCE FOR ECL

8. OTHER RECEIVABLES

This account shall comprise the following sub-accounts:

8.1 ADVANCES TO AGENTS/EMPLOYEES

This represents advances to insurance agents granted by the company to be liquidated thru regular deductions from commissions and salaries, respectively.

8.1.1 ALLOWANCE FOR ECL

8.2 OPERATING LEASE RECEIVABLE

This represents the rent receivable arising from operating lease contracts.

8.2.1 ALLOWANCE FOR ECL

8.3 FINANCE LEASE RECEIVABLE

This represents the net investment of the company in a finance lease agreement.

8.3.1 ALLOWANCE FOR ECL

8.4 OTHERS

This represents all other receivables which cannot be classified under any of the foregoing accounts.

8.4.1 ALLOWANCE FOR ECL

9. INVESTMENT INCOME DUE AND ACCRUED

This represents the income earned but not yet received as of the end of the accounting period. This account consists of the following sub-accounts:

9.1 ACCRUED INTEREST INCOME – CASH EQUIVALENTS

9.2 ACCRUED INTEREST INCOME – FVTPL

9.2.1 SECURITIES HELD FOR TRADING

9.2.1.1 TRADING SECURITIES – GOVERNMENT

9.2.1.2 TRADING SECURITIES – PRIVATE

9.2.1.3 OTHERS

9.2.2 FINANCIAL ASSETS DFVTPL

9.2.2.1 DFVTPL DEBT SECURITIES – GOVERNMENT

9.2.2.2 DFVTPL DEBT SECURITIES – PRIVATE

9.2.2.3 DFVTPL INVESTMENT FUNDS

9.3 ACCRUED INTEREST INCOME – FINANCIAL ASSETS AT FVOCI

9.3.1 DEBT SECURITIES AT FVOCI – GOVERNMENT

9.3.1.1 MANDATORY SECURITY DEPOSITS

9.3.1.2 OTHERS

9.3.2 DEBT SECURITIES AT FVOCI – PRIVATE

9.4 ACCRUED INTEREST INCOME – INVESTMENT SECURITIES AT AMORTIZED COST

9.4.1 DEBT SECURITIES AT AMORTIZED COST – GOVERNMENT

9.4.1.1 MANDATORY SECURITY DEPOSITS

9.4.1.2 OTHERS

9.4.2 DEBT SECURITIES AT AMORTIZED COST – PRIVATE

9.5 ACCRUED INTEREST INCOME – LOANS AND RECEIVABLES

9.5.1 HOUSING LOANS

9.5.2 REAL ESTATE MORTGAGE LOANS

9.5.3 COLLATERAL LOANS

9.5.4 GUARANTEED LOANS

9.5.5 CHATTEL MORTGAGE LOANS

9.5.6 NOTES RECEIVABLE

9.5.7 PURCHASE MONEY MORTGAGES

9.5.8 CAR LOANS

9.5.9 SALES CONTRACT RECEIVABLE

9.5.10 SALARY LOANS

9.5.11 OTHERS

9.6 ACCRUED DIVIDEND INCOME – FVOCI SECURITIES

9.6.1 TRADING EQUITY SECURITIES

9.6.2 EQUITY SECURITIES DESIGNATED AT FVOCI

9.7 ACCRUED INTEREST INCOME – SECURITY FUND CONTRIBUTION

9.8 ACCRUED INVESTMENT INCOME – OTHERS

9.9 ALLOWANCE FOR ECL

10. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

This shall comprise the following accounts:

10.1 INVESTMENT IN SUBSIDIARIES

This represents the amount of the company's investments in the shares of stock of its subsidiaries. A subsidiary is an entity that is controlled by another entity (known as the parent). An insurance or reinsurance company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

10.2 INVESTMENT IN ASSOCIATES

This represents the company's investments in the shares of stock of its associates. An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

10.3 INVESTMENTS IN JOINT VENTURES

This represents the company's investments in joint ventures. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

11. PROPERTY AND EQUIPMENT

This account represents the tangible items that:

- a) are held for use in the company's business operations or for administrative purposes; and
- b) are expected to be used for more than one period.

This account shall have sub-accounts as follows based on the nature of the fixed assets:

11.1. LAND – AT COST

This represents the acquisition cost of the land. Acquisition cost shall consist of the purchase price and all expenditures incurred directly attributable to acquisition.

11.2. BUILDING AND BUILDING IMPROVEMENTS – AT COST

This represents the acquisition / construction cost of the building and improvements, including costs incurred subsequent to initial recognition which meet the recognition criteria.

11.3. ACCUMULATED DEPRECIATION – BUILDING AND BUILDING IMPROVEMENTS

This represents the aggregate of the depreciation on the building and building improvements charged by the company against current operations.

11.4. LEASEHOLD IMPROVEMENTS – AT COST

This represents the cost of additions, improvements and /or alterations on the company's leased office premises which are incurred in making the property ready for use and occupancy. This should include the initial estimate of the costs of dismantling and removing the improvements and restoring the site, the obligation for which the company incurs when the property is leased.

11.4.1. ACCUMULATED DEPRECIATION – LEASEHOLD IMPROVEMENTS

11.5. IT EQUIPMENT - AT COST

This represents the cost of the information processing systems of the company including the computer hardware, customized software, and peripherals.

11.5.1. ACCUMULATED DEPRECIATION – IT EQUIPMENT

11.6. TRANSPORTATION EQUIPMENT – AT COST

This represents the cost of motor vehicle and other transportation equipment owned, operated, used, or to be used by the company in carrying out its business and/or insurance operations and as service vehicle of its officers and employees.

11.6.1. ACCUMULATED DEPRECIATION – TRANSPORTATION EQUIPMENT

11.7. OFFICE FURNITURE, FIXTURES AND EQUIPMENT – AT COST

This represents the costs of office machines, equipment, furniture and fixtures.

11.7.1. ACCUMULATED DEPRECIATION - OFFICE FURNITURE, FIXTURES AND EQUIPMENT

11.8. REVALUATION INCREMENT

This represents the revaluation increase in the carrying amount of the company's property and equipment under the revaluation model.

11.8.1. ACCUMULATED DEPRECIATION – REVALUATION INCREMENT

11.9. ACCUMULATED IMPAIRMENT LOSSES

This represents the cumulative amount of impairment loss incurred on property and equipment.

11.10. CONSTRUCTION WORK-IN-PROGRESS

This represents the cumulative cost of a construction work which is not yet completed.

12. RIGHT OF USE (ROU) ASSET

This represents the company's right to use an underlying asset under a lease agreement.

This shall comprise the following accounts:

12.1. ROU ASSET – AT COST

12.1.1. ACCUMULATED DEPRECIATION – ROU ASSET

12.1.2. ACCUMULATED IMPAIRMENT LOSSES – ROU ASSET

12.2. REVALUATION INCREMENT

12.2.1. ACCUMULATED DEPRECIATION – REVALUATION INCREMENT

12.2.2. ACCUMULATED IMPAIRMENT LOSSES – REVALUATION INCREMENT

12.3. ROU ASSET – AT FAIR VALUE

13. INVESTMENT PROPERTY

This represents the property (land or building, or part of a building, or both) held by the owner or by the lessee under a finance lease to earn rentals or for capital appreciation or both, rather than for:

- a) use in the company's business operations or for administrative purposes; or
- b) sale in the ordinary course of business.

This account shall be classified as follows:

13.1. LAND – AT COST

13.2. BUILDING AND BUILDING IMPROVEMENTS – AT COST

13.3. ACCUMULATED DEPRECIATION – BUILDING AND BUILDING IMPROVEMENTS

13.4. ACCUMULATED IMPAIRMENT LOSS

13.5. LAND – AT FAIR VALUE

13.6. BUILDING AND BUILDING IMPROVEMENTS – AT FAIR VALUE

13.7. FORECLOSED PROPERTIES

This represents real properties acquired by company in settlement of loans through foreclosure of mortgage loan arrangements.

13.8. CONSTRUCTION WORK-IN-PROGRESS

14. NON-CURRENT ASSETS HELD FOR SALE/FOR DISTRIBUTION TO OWNERS

This represents the assets available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable. This generally pertains to non-current assets such as land, building and equipment, whose carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This

account shall be measured at the lower of the carrying amount and fair value less costs to sell.

15. SECURITY FUND CONTRIBUTION

This refers to the contribution of the company to the Security Fund - Non-Life Account as required by the Insurance Commission on all insurance companies authorized to do business in the Philippines.

15.1. ALLOWANCE FOR ECL

16. NET PENSION ASSET

The net pension asset is the aggregate of the fair value of plan assets reduced by the present value of the defined benefit obligation at the end of the reporting period, 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.

17. DERIVATIVE ASSETS HELD FOR HEDGING

This represents the positive fair value of derivatives that are designated and considered effective hedging instruments.

17.1. FAIR VALUE HEDGE

This represents the positive fair value of derivatives that are designated and considered effective fair value hedging instruments. Fair value hedge is a hedge of the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

17.2. CASH FLOW HEDGE

This represents the positive fair value of derivatives that are designated and considered effective cash flow hedging instruments. Cash flow hedge is a hedge of the exposure to variability in cash flows that (i) is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and (ii) could affect profit or loss.

17.3. HEDGES OF A NET INVESTMENT IN FOREIGN OPERATION

This represents the positive fair value of derivatives that are designated and considered to effective hedging instruments for hedges of a net investment in foreign operation.

18. DEFERRED TAX ASSET

This account refers to the amounts of income taxes recoverable in the future periods in respect of deductible temporary differences, the carry forward of unused tax losses, and the carry forward of unused tax credits.

19. OTHER ASSETS

This represents other assets which cannot be classified in any of the foregoing accounts.

LIABILITIES

20. INSURANCE CONTRACT LIABILITIES

This represents the combination of rights and obligations up to the portfolio level resulting to a liability position arising from contracts issued under which the company accepts significant insurance risk.

This account shall comprise the following sub-accounts:

- 20.1. ASSETS (LIABILITIES) FOR REMAINING COVERAGE**
- 20.2. ASSETS (LIABILITIES) FOR INCURRED CLAIMS**
- 20.3. ASSETS (LIABILITIES) FOR PRE-RECOGNITION CASH FLOWS**

At a minimum, the level of aggregation is as follows:

- a. Fire and Allied Perils
- b. Marine Cargo/Marine Hull
- c. Aviation
- d. Bonds/Suretyship
- e. Motor
- f. Health and Accident
- g. Engineering
- h. Others

21. REINSURANCE CONTRACT LIABILITIES

This represents the combination of rights and obligations up to the portfolio level resulting to a liability position for contracts held by the company under which it transfers significant insurance risk related to insurance contracts issued.

This account shall comprise the following sub-accounts:

- 21.1. ASSETS (LIABILITIES) FOR REMAINING COVERAGE**
- 21.2. ASSETS (LIABILITIES) FOR INCURRED CLAIMS**

At a minimum, the level of aggregation is as follows:

- a. Fire and Allied Perils
- b. Marine Cargo/Marine Hull
- c. Aviation
- d. Bonds/Suretyship
- e. Motor
- f. Health and Accident
- g. Engineering
- h. Others

22. DEPOSIT FOR FUTURE STOCK SUBSCRIPTION

This refers to payments made by existing stockholders or new subscribers of the company on subscription to the increase in the authorized capital which do not qualify as an equity instrument, unless all of the following elements are present:

- a) The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;
- b) There is Board of Directors' approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation);
- c) There is stockholders' approval of said proposed increase; and
- d) The application for the approval of the proposed increase has been filed with the Securities and Exchange Commission.

23. INCOME TAX PAYABLE

This represents the income taxes due and payable to the government.

24. OTHER TAXES PAYABLE

This pertains to taxes that are not attributable to insurance contracts.

25. DEPOSIT FOR REAL ESTATE UNDER CONTRACT TO SELL

This represents the installment payments received by the company on real estate sold under contract to sell, titles to which is still in the name of the company.

26. CASH COLLATERALS

This represents the amount of cash collaterals received by the company in relation to suretyship contracts.

27. DIVIDENDS PAYABLE

This represents the cash and other dividends, except stock dividends, already declared but still unpaid and due to the stockholders of the company.

28. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

This represents the financial liabilities which are carried at fair value through profit and loss.

28.1. FINANCIAL LIABILITIES HELD FOR TRADING

This represents financial liabilities that are:

- a) acquired principally for the purpose of selling or repurchasing it in the near term; or
- b) part of a portfolio of identified securities that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

28.2. FINANCIAL LIABILITIES DESIGNATED AT FVTPL

This represents the financial liabilities which the company, upon initial recognition, has designated at fair value through profit or loss.

28.3. DERIVATIVE LIABILITIES

This represents the negative fair value of the company's derivatives which are not designated and effective hedging instruments.

28.3.1. FOREIGN EXCHANGE CONTRACTS

- 28.3.1.1. FORWARD FOREIGN EXCHANGE CONTRACTS**
- 28.3.1.2. CROSS CURRENCY INTEREST RATE SWAP**
- 28.3.1.3. FOREIGN EXCHANGE FUTURES**
- 28.3.1.4. FOREIGN EXCHANGE OPTION CONTRACTS**
- 28.3.1.5. OTHERS**

28.3.2. INTEREST RATE CONTRACTS

- 28.3.2.1. INTEREST RATE FORWARDS**
- 28.3.2.2. INTEREST RATE SWAPS**
- 28.3.2.3. INTEREST RATE FUTURES**
- 28.3.2.4. INTEREST RATE OPTION CONTRACTS**
- 28.3.2.5. OTHERS**

28.3.3. EQUITY CONTRACTS

- 28.3.3.1. EQUITY DERIVATIVES FORWARDS**
- 28.3.3.2. EQUITY SWAP**
- 28.3.3.3. EQUITY DERIVATIVES FUTURES**
- 28.3.3.4. EQUITY OPTIONS CONTRACTS**
- 28.3.3.5. OTHERS**

28.3.4. CREDIT DERIVATIVES

- 28.3.4.1. CREDIT DEFAULT SWAPS**
- 28.3.4.2. CREDIT SPREAD OPTION**
- 28.3.4.3. OTHERS**

29. NOTES PAYABLE

This represents the long-term and short-term notes payable or any kind of indebtedness duly covered by promissory notes and which are interest-bearing. Payment of interest and principal is based on predetermined amortization schedule on due dates duly agreed upon in the loan agreement.

30. LEASE LIABILITY

This represents the present value of lease payments that are not paid at the measurement date and are discounted using the interest rate implicit in the lease, or the lessee's incremental borrowing rate if the implicit rate is not readily available.

31. NET PENSION OBLIGATION

This represents the company's obligation with respect to the retirement and other post-employment benefits granted to employees. This is calculated as the net total of the following amounts:

- (A) the present value of the defined benefit obligation at the reporting date;
- (B) minus the fair value of the plan assets at the reporting date.

32. ACCRUAL FOR OTHER LONG-TERM EMPLOYEE BENEFITS

This represents the accruals for the obligation for other types of long-term benefits provided to its employees other than those arising from post-employment benefits.

33. PROVISIONS

This represents the amount recognized for a liability which is uncertain in amount or timing.

A provision shall be recognized when:

- a) the company has a present obligation (legal or constructive) as a result of a past event;
- b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- c) a reliable estimate can be made of the amount of the obligation.

34. CASH-SETTLED SHARE-BASED PAYMENT

This represents the liability arising from cash-settled share-based payments.

35. DERIVATIVE LIABILITIES HELD FOR HEDGING

This represents the negative fair value of derivatives that are designated and considered effective hedging instruments.

35.1. FAIR VALUE HEDGE

This represents the negative fair value of derivatives that are designated and considered effective fair value hedging instruments. Fair value hedge is a hedge of the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

35.2. CASH FLOW HEDGE

This represents the negative fair value of derivatives that are designated and effective cash flow hedging instruments. Cash flow hedge is a hedge of the exposure to variability in cash flows that (i) is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and (ii) could affect profit or loss.

35.3. HEDGES OF A NET INVESTMENT IN FOREIGN OPERATION

This represents the negative fair value of derivatives that are designated and considered effective hedging instruments for hedges of a net investment in foreign operation.

36. DEFERRED TAX LIABILITY

This represents the total amount of deferred tax on taxable temporary differences.

37. ACCRUED EXPENSES

This represents the expenses incurred for the period and shall be accrued by the company. This shall further comprise the following sub-accounts:

37.1. ACCRUED UTILITIES

This represents the accruals for utilities consumed by the company during the reporting period which have not yet been paid. This includes accruals for electricity, water and communications.

37.2. ACCRUED SERVICES

This represents the accruals for services rendered to the company such as janitorial, security, professional fees and others.

37.3. ACCRUAL FOR UNUSED COMPENSATED ABSENCES

This represents the company's liability relating to unused compensated absences, incurred when the employees render service.

37.4. ACCRUED INTEREST EXPENSE

38. OTHER LIABILITIES

This represents obligations of the company as a result of indebtedness due to any corporations, individuals or suppliers which are non-insurance/reinsurance related. This may include the following accounts:

38.1. SSS PREMIUMS PAYABLE

This represents the unremitted SSS premiums/contributions withheld from the salaries of officers and employees.

38.2. SSS LOANS PAYABLE

This represents the unremitted SSS salary loan amortizations deducted from the salaries of officers and employees.

38.3. PAG-IBIG PREMIUMS PAYABLE

This represents the unremitted contributions to the Home Development Mutual Fund (HDMF Pag-ibig) deducted from the salaries of officers and employees.

38.4. PAG-IBIG LOANS PAYABLE

This represents the unremitted Pag-ibig loan amortizations deducted from the salaries of officers and employees.

38.5. PHILHEALTH PREMIUMS PAYABLE

This represents the unremitted Philhealth premiums/contributions withheld from the salaries of officers and employees.

38.6. RENT PAYABLE

This represents the unpaid rents for short term leases and low value assets.

38.7. DEFERRED INCOME

This represents other income received during the accounting period but not yet earned.

38.8. OTHERS

This represents all other payables not classified under the foregoing liability accounts

EQUITY

39. CAPITAL STOCK

This represents the ownership of the stockholders in the company composed of capital stocks issued and outstanding as at report date. This shall be classified as follows:

39.1. COMMON STOCK

This represents the shares of stock issued to stockholders which have the residual equity interest in the Company.

39.2. PREFERRED STOCK

This represents the shares of stock which provide the stockholders preference as to dividends and upon liquidation. The features of the preferred stocks are varying and should be carefully analyzed whether these qualify as capital stock or creates an obligation on the part of the company. In the latter case, the preferred stocks issued should be classified as part of liabilities.

40. STATUTORY DEPOSIT

This represents the initial and subsequent inward remittances of the Home Office to the Philippine branch to comply with the statutory requirement.

41. CAPITAL STOCK SUBSCRIBED

This represents the par value of the total number of shares of capital stock subscribed by the stockholders of the company and duly covered by subscriptions agreements, net of Subscription Receivable.

41.1. SUBSCRIPTION RECEIVABLE

This represents the amounts receivable from stockholders who signified their intention to subscribe to the capital stock of the company and duly covered by subscription agreement.

42. DEPOSIT FOR FUTURE STOCK SUBSCRIPTION

This refers to payments made by existing stockholders or new subscribers of the company on subscription to the increase in the authorized capital, which may be recognized either as a liability or equity.

43. CONTRIBUTED SURPLUS

This represents original contributions of the stockholders as provided under the Amended Insurance Code.

44. CONTINGENCY SURPLUS / HOME OFFICE INWARD REMITTANCES

This represents contributions of the stockholders to cover any impairment in Net Worth as required under the Amended Insurance Code. For foreign companies, the equivalent account for Contingency Surplus is Home Office Inward Remittances.

45. CAPITAL PAID IN EXCESS OF PAR

This represents the payment for the shares of stock of the company bought or paid for in excess of its par value.

46. RETAINED EARNINGS / HOME OFFICE ACCOUNT

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. For branch entities, the equivalent account for Retained Earnings is Home Office account.

47. COST OF SHARE-BASED PAYMENT

This represents the cumulative amount of expenses recognized by the company arising from equity-settled share-based payment transactions.

48. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

48.1. NET FINANCE INCOME (EXPENSE) FROM INSURANCE CONTRACTS ISSUED

This amount comprises the gains and losses due to change in the carrying amount of this group of insurance contracts issued arising from the following (except due to interest accretion), which the company elected to recognize as OCI:

- a) the effect of the time value of money and changes in the time value of money; and
- b) the effect of financial risk and changes in financial risk.

48.2. NET FINANCE INCOME (EXPENSE) FROM REINSURANCE CONTRACTS HELD

This amount comprises the gains and losses due to change in the carrying amount of the group of reinsurance contracts held arising from the following (except due to interest accretion), which the company elected to recognize as OCI:

- a) the effect of the time value of money and changes in the time value of money; and
- b) the effect of financial risk and changes in financial risk.

48.3. REMEASUREMENT GAIN (LOSS) ON INVESTMENTS IN DEBT SECURITIES AT FVOCI

This represents the net gains or losses arising from fair value changes of debt securities measured at FVOCI for the period.

48.4. EFFECTIVE PORTION OF NET GAIN (LOSS) ON HEDGES OF NET INVESTMENTS IN FOREIGN OPERATIONS

This represents the net gains or losses arising from change in fair value of hedging instruments in a hedge of a net investment in foreign operations for the period.

48.5. EFFECTIVE PORTION OF NET GAIN (LOSS) ON HEDGING INSTRUMENTS IN A CASH FLOW HEDGE

This represents the net gains or losses arising from fair value changes of hedging instruments in a cash flow hedge for the period.

48.6. NET GAIN (LOSS) FROM FOREIGN CURRENCY TRANSLATION

This represents the net gains or losses arising from foreign currency translations on the following for the period:

- 48.6.1** foreign currency denominated non-monetary items, where such gains or losses are recognized directly in equity, and,
- 48.6.2** translation of foreign operations with different functional currency.

48.7. SHARE IN ASSOCIATE'S EQUITY RESERVES

48.8. REMEASUREMENT GAIN (LOSS) ON INVESTMENTS IN EQUITY SECURITIES AT FVOCI

This represents the net gains or losses arising from fair value changes of equity securities measured at FVOCI for the period.

48.9. RESERVE FOR REMEASUREMENT OF FINANCIAL LIABILITIES DESIGNATED AT FVTPL – OWN CREDIT RISK

This represents the fair value changes related to changes in the company's own credit risk of a financial liability designated at FVTPL for the period.

48.10. REVALUATION GAIN (LOSS) ON PROPERTY AND EQUIPMENT

This represents the appraisal increment when the company applies the revaluation model on properties. This is calculated as a difference between the property's carrying amount and its revalued amount.

48.11. REMEASUREMENT GAIN (LOSS) ON RETIREMENT PENSION ASSET (OBLIGATION)

This represents the net remeasurement gains or losses of a net define benefit liability or asset for the period.

48.12. OTHERS

49. TREASURY STOCK

This represents the stocks already issued but reacquired by the company which is not cancelled nor retired.

B. STATEMENT OF COMPREHENSIVE INCOME

INSURANCE SERVICE REVENUE – DIRECT BUSINESS

This pertains to revenue arising from a group of insurance contracts issued, depicting the provision of services at an amount that reflects the consideration to which the company expects to be entitled in exchange for those services.

50. INSURANCE CONTRACTS MEASURED UNDER THE PREMIUM ALLOCATION APPROACH (PAA)

For qualifying insurance contracts, this represents the amount of expected premium receipts (excluding any investment component and adjusted to reflect the time value of money and the effect of financial risk) allocated for the period.

The allocation of the expected premium receipts should be based:

- a) on the basis of passage of time; but
- b) if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then on the basis of the expected timing of incurred service expenses.

51. INSURANCE CONTRACTS NOT MEASURED UNDER THE PAA

51.1. AMOUNTS RELATING TO THE CHANGES IN LIABILITY FOR THE REMAINING COVERAGE (LRC)

51.1.1. EXPECTED INCURRED CLAIMS AND OTHER SERVICE EXPENSES INCURRED

This represents the amount recognized as insurance revenue arising from the reduction in the LRC for the services provided in the period, excluding any amounts relating to the risk adjustment for non-financial risk and any amounts allocated to the loss component of the LRC.

51.1.2. CHANGE IN RISK ADJUSTMENT FOR NON-FINANCIAL RISK

This refers to the adjustment to the compensation that the entity requires for bearing the uncertainty about the amount and timing of cash flows that results from non-financial risks, excluding any amounts allocated to the loss component of the LRC.

51.1.3. CONTRACTUAL SERVICE MARGIN (CSM) RECOGNIZED FOR SERVICES PROVIDED

This refers to the amount recognized as insurance revenue due to the transfer of services in the period, determined by the allocation of the CSM at the end of the reporting period (before any allocation) over the current and remaining coverage period.

51.1.4. EXPERIENCE ADJUSTMENTS

This pertains to the amounts recognized as insurance revenue that arise from premiums received in the period other than those that relate to future service.

51.1.5. OTHERS

This represents other insurance service revenue that cannot be classified under the foregoing accounts, including other pre-recognition cash flows assets derecognized at the date of initial recognition.

51.2. RECOVERY OF INSURANCE ACQUISITION COSTS

This pertains to the insurance revenue related to insurance acquisition cash flows, computed by allocating the portion of the premiums that relate to covering those cash flows to each reporting period in a systematic way on the basis of the passage of time.

INSURANCE SERVICE REVENUE – INWARD REINSURANCE

This pertains to revenue arising from a group of reinsurance contracts issued, depicting the provision of services at an amount that reflects the consideration to which the company expects to be entitled in exchange for those services.

52. INSURANCE CONTRACTS MEASURED UNDER THE PAA

53. INSURANCE CONTRACTS NOT MEASURED UNDER THE PAA

53.1. AMOUNTS RELATING TO THE CHANGES IN LRC

53.1.1. EXPECTED INCURRED CLAIMS AND OTHER SERVICE EXPENSES INCURRED

53.1.2. CHANGE IN RISK ADJUSTMENT FOR NON-FINANCIAL RISK

53.1.3. CSM RECOGNIZED FOR SERVICES PROVIDED

53.1.4. EXPERIENCE ADJUSTMENTS

53.1.5. OTHERS

53.2. RECOVERY OF INSURANCE ACQUISITION COSTS

INSURANCE SERVICE EXPENSE – DIRECT BUSINESS

This pertains to expenses arising from a group of insurance contracts issued, comprising incurred claims (excluding repayments of investment components), other incurred insurance service expenses, and other amounts.

54. INCURRED CLAIMS AND OTHER INSURANCE SERVICE EXPENSES

This represents the aggregate losses and claims and other allocated directly attributable costs the company incurred on its underwriting business.

55. AMORTIZATION OF INSURANCE ACQUISITION COSTS

This refers to the amount of acquisition costs recognized as expense for the period.

56. ADJUSTMENTS TO LIABILITIES FOR INCURRED CLAIMS (LIC)

This represents the changes in fulfillment cash flows that relate to past services.

57. LOSSES ON ONEROUS CONTRACTS

This pertains to the net outflow arising from the group of onerous contracts.

58. REVERSAL OF LOSSES ON ONEROUS CONTRACTS

This refers to the amortization of the loss component balance over the lifetime of the group of onerous contracts.

59. OTHER PRE-RECOGNITION CASH FLOW ASSETS DERECOGNIZED AT THE DATE OF INITIAL RECOGNITION

60. PROVISION FOR IMPAIRMENT LOSSES – ASSET FOR INSURANCE ACQUISITION CASH FLOWS

This refers to provision of impairment losses (including reversals) for Insurance Acquisition Cash Flow Asset.

60.1. REVERSAL OF IMPAIRMENT OF ASSETS FOR INSURANCE ACQUISITION CASH FLOWS

INSURANCE SERVICE EXPENSE – INWARD REINSURANCE

This pertains to expenses arising from a group of reinsurance contracts issued, comprising incurred claims (excluding repayments of investment components), other incurred insurance service expenses, and other amounts.

- 61. INCURRED CLAIMS AND OTHER INSURANCE SERVICE EXPENSES**
- 62. AMORTIZATION OF INSURANCE ACQUISITION COSTS**
- 63. ADJUSTMENTS TO LIC**
- 64. LOSSES ON ONEROUS CONTRACTS**
- 65. REVERSAL OF LOSSES ON ONEROUS CONTRACTS**
- 66. OTHER PRE-RECOGNITION CASH FLOW ASSETS DERECOGNIZED AT THE DATE OF INITIAL RECOGNITION**
- 67. PROVISION FOR IMPAIRMENT LOSSES – ASSET FOR INSURANCE ACQUISITION CASH FLOWS**
 - 67.1. REVERSAL OF IMPAIRMENT OF ASSETS FOR INSURANCE ACQUISITION CASH FLOWS**

NET EXPENSE FROM REINSURANCE CONTRACTS HELD

68. REINSURANCE EXPENSES – CONTRACTS MEASURED UNDER THE PAA

For qualifying reinsurance contracts, this represents the amount of ceded premiums allocated for the period.

69. REINSURANCE EXPENSES – CONTRACTS NOT MEASURED UNDER THE PAA

This shall comprise the following accounts:

69.1. AMOUNTS RELATING TO THE CHANGES IN THE REMAINING COVERAGE

69.1.1. EXPECTED CLAIMS AND OTHER EXPENSES RECOVERY

This represents the amount recognized as reinsurance expense arising from the reduction in the remaining coverage for the services received in the period.

69.1.2. CHANGE IN ADJUSTMENT FOR NON-FINANCIAL RISK

This refers to the adjustment to the non-financial risk transferred by the company to the reinsurer.

69.1.3. CSM RECOGNIZED FOR SERVICES RECEIVED

This represents the amount recognized in profit or loss due to the services already received from reinsurer in the period, determine by the allocation of the CSM remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period of the group of reinsurance contracts held.

69.1.4. EXPERIENCE ADJUSTMENTS

This pertains to the ceded premiums paid in the period other than those that relate to future service.

70. OTHER INCURRED DIRECTLY ATTRIBUTABLE EXPENSES

This represents amounts incurred that are directly attributable to reinsurance contracts.

71. EFFECT OF CHANGES IN THE RISK OF NON-PERFORMANCE OF THE REINSURERS

This represents the effect in the amounts due to changes non-performance risk that do not relate to future service and do not adjust the CSM.

72. RECOVERY OF INCURRED CLAIMS

This represents the aggregate share of the reinsurers on the claims and losses and adjustment expenses of the company on the business it cedes.

73. CHANGES IN FULFILLMENT CASH FLOWS (FCF) WITH NO EFFECT TO CSM

74. ADJUSTMENTS TO INCURRED CLAIMS

This pertains to the changes in fulfillment cash flows that relate to the past services.

75. INCOME ON INITIAL RECOGNITION OF ONEROUS UNDERLYING CONTRACTS

This represents the gain recognized for proportion of the losses on onerous contracts that are recovered by reinsurance contracts.

76. REVERSALS OF LOSS-RECOVERY COMPONENT OTHER THAN THE CHANGES IN THE FCF OF REINSURANCE CONTRACTS HELD

77. CHANGES IN THE FCF OF REINSURANCE CONTRACTS HELD FROM ONEROUS UNDERLYING CONTRACTS

INSURANCE FINANCE INCOME AND EXPENSES

78. FINANCE INCOME (EXPENSES) FROM INSURANCE CONTRACTS ISSUED

This amount comprises the gains and losses due to change in the carrying amount of the group of insurance contracts issued arising from:

- a) the effect of the time value of money and changes in the time value of money; and
- b) the effect of financial risk and changes in financial risk.

78.1. INTEREST ACCRETED TO INSURANCE CONTRACTS USING CURRENT FINANCIAL ASSUMPTIONS

78.2. INTEREST ACCRETED TO INSURANCE CONTRACTS USING LOCKED-IN RATE

78.3. EFFECT OF CHANGES IN INTEREST RATES AND OTHER FINANCIAL ASSUMPTIONS

78.4. NET FOREIGN EXCHANGE GAIN (LOSS)

79. FINANCE INCOME (EXPENSES) FROM REINSURANCE CONTRACTS HELD

This amount comprises the gains and losses due to change in the carrying amount of the group of reinsurance contracts held arising from:

- a) the effect of the time value of money and changes in the time value of money; and
- b) the effect of financial risk and changes in financial risk.

79.1. INTEREST ACCRETED TO INSURANCE CONTRACTS USING CURRENT FINANCIAL ASSUMPTIONS

79.2. INTEREST ACCRETED TO INSURANCE CONTRACTS USING LOCKED-IN RATE

79.3. DUE TO CHANGES IN INTEREST RATES AND OTHER FINANCIAL ASSUMPTIONS

79.4. CHANGES IN RISK RELATED TO NON-PERFORMANCE OF REINSURER

79.5. NET FOREIGN EXCHANGE GAIN (LOSS)

INVESTMENT INCOME

80. INTEREST INCOME

This represents the interest income due and accrued which is earned by the company from its various investments. This shall comprise the following sub-accounts:

80.1. INTEREST INCOME – CASH IN BANKS

This represents the interest income earned from savings accounts and time deposits.

80.2. INTEREST INCOME – CASH EQUIVALENTS

80.3. INTEREST INCOME – DEBT SECURITIES AT FVTPL

80.3.1. DEBT SECURITIES HELD FOR TRADING

80.3.1.1. DEBT SECURITIES AT FVTPL – GOVERNMENT

80.3.1.2. DEBT SECURITIES AT FVTPL – PRIVATE

80.3.2. DEBT SECURITIES DESIGNATED AT FVTPL

80.3.2.1. DEBT SECURITIES AT FVTPL – GOVERNMENT

80.3.2.2. DEBT SECURITIES FVTPL – PRIVATE

80.4. INTEREST INCOME – DEBT SECURITIES AT FVOCI

80.4.1. DEBT SECURITIES AT FVOCI – GOVERNMENT

This account represents the interest income computed using the effective interest method arising from investments in government securities such as Treasury Bills, Treasury Notes, and government bonds. These shall be classified into two: non-taxable and those subject to final tax.

80.4.2. DEBT SECURITIES AT FVOCI– PRIVATE

This represents the interest income computed using the effective interest method arising from investments in debt instruments issued by the private sector such as commercial papers, corporate notes and bonds.

80.5. INTEREST INCOME – DEBT SECURITIES AT AMORTIZED COST

80.5.1. DEBT SECURITIES AT AMORTIZED COST – GOVERNMENT

80.5.2. DEBT SECURITIES AT AMORTIZED COST – PRIVATE

80.6. INTEREST INCOME – LOANS AND RECEIVABLES

This represents the interest income computed using the effective interest method arising from various loans extended by the companies to other parties.

80.6.1. HOUSING LOANS

This represents the interest earned during the period derived from housing loans.

80.6.2. REAL ESTATE MORTGAGE LOANS

This represents the interest earned during the period from real estate mortgage loans other than housing loans.

80.6.3. COLLATERAL LOANS

This represents the interest earned during the period from collateral loans.

80.6.4. GUARANTEED LOANS

This represents the interest earned during the period from guaranteed loans.

80.6.5. CHATTEL MORTGAGE LOANS

This represents the interest earned during the period pertaining to interest bearing loans duly secured by a mortgage on chattels, such as cars or motor vehicles.

80.6.6. NOTES RECEIVABLE

This represents the interest earned during the period derived from interest bearing promissory notes.

80.6.7. CAR LOANS

This represents the interest earned during the period derived from car loans.

80.6.8. PURCHASE MONEY MORTGAGES

This represents the interest earned on purchase money mortgages.

80.6.9. SALES CONTRACTS RECEIVABLES

This represents the interest earned on sales contracts receivable.

80.6.10. SALARY LOANS

This represents the interest earned on salary loans.

80.6.11. OTHERS

This represents interest income earned which are not otherwise classified under any of the other accounts.

80.7. INTEREST INCOME – SECURITY FUND CONTRIBUTION

This represents interest earned from the Security Fund Contribution as determined by the Insurance Commission.

80.8. INTEREST INCOME – FINANCE LEASE RECEIVABLES

This represents the interest earned on lease agreements.

81. DIVIDEND INCOME

This represents income derived from cash dividend declaration on stock investments, including those accrued or earned but not yet received.

82. NET GAIN (LOSS) ON DISPOSAL OF INVESTMENTS

This represents the net gains/losses realized from the sale of the company's investments.

This shall be composed of the following sub-accounts:

82.1 FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

82.2 FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS

82.3 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

This represents the net gains/losses derived from the disposal or sale of debt instruments measured at FVOCI.

82.4 FINANCIAL ASSETS AT AMORTIZED COST

82.5 INVESTMENT PROPERTY

82.6 OTHERS

This represents the net gains/losses derived from the disposal or sale of assets other than those classified above.

83. NET UNREALIZED GAIN (LOSS) ON INVESTMENTS

This represents the unrealized gains/losses arising from fair value changes of assets which are carried at fair values.

This shall comprise the following sub-accounts:

83.1. FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

83.2. FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS

83.3. DERIVATIVE ASSETS/LIABILITIES

83.4. INVESTMENT PROPERTY

84. NET GAIN (LOSS) FROM RECLASSIFICATION OF FINANCIAL ASSETS

84.1. RECLASSIFICATION FROM AMORTIZED COST TO FAIR VALUE THROUGH PROFIT OR LOSS

This represents the net gains arising from the reclassification financial assets from amortized cost to FVTPL measurement due to change in business model.

84.2. RECLASSIFICATION FROM FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME TO FAIR VALUE THROUGH PROFIT OR LOSS

This represents the net gains arising from the reclassification of financial assets from FVOCI to FVTPL measurement due to change in business model.

85. PROVISION FOR CREDIT LOSSES (REVERSALS)

This represents the provision for impairment losses (including reversals) of financial assets measured at amortized cost and FVOCI.

85.1. DEBT SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

85.2. DEBT SECURITIES AT AMORTIZED COST

85.3. LOANS AND RECEIVABLES

85.4. FINANCE LEASE RECEIVABLES

85.5. OTHERS

86. NET FOREIGN EXCHANGE GAIN (LOSS)

This represents the net foreign exchange gain or loss on accounts other than those pertaining to insurance and reinsurance accounts.

87. OTHER INVESTMENT MANAGEMENT EXPENSES

This represents the other expenses related to investment management including fees paid to investment management consultants for the handling of the Company's investment portfolio and other special projects, among others.

OTHER INCOME

This pertains to income other than those reported as part of the Net Insurance and Investment Result.

88. RENTAL INCOME

This represents the income generated from the rental of investment property. Rent income shall be recognized on a straight-line basis over the lease term.

89. NET GAIN (LOSS) ON SALE OF PROPERTY AND EQUIPMENT

This represents the gains/losses realized from the sale of the company's property and equipment.

90. SHARE IN PROFIT (LOSS) OF ASSOCIATES AND JOINT VENTURES

This represents the company's share in the profit or loss of its associates or joint ventures under the equity method of accounting.

91. MISCELLANEOUS INCOME

This represents the income received or earned from various sources which cannot be properly classified under any of the income accounts. It includes, among other things, income derived from SSS collection fee, proceeds from sale of old newspapers, recoveries from accounts receivables, and other collections.

OTHER EXPENSES

This pertains to expenses other than those reported as part of the Net Insurance and Investment Result.

92. SALARIES AND WAGES

This represents the basic salaries, wages and allowances, including bonuses and 13th month pay of all company officers and staff.

93. SSS CONTRIBUTIONS

This represents the company's share in the contribution to the SSS for the benefit of the officers and staff of the company.

94. PHILHEALTH CONTRIBUTIONS

This represents the company's share in the contribution for the Philhealth benefits of officers and staff.

95. PAG-IBIG CONTRIBUTIONS

This represents the company's share in the contribution for the Pag-ibig Fund or the Home Development Mutual Fund for the benefit of the employees of the company.

96. EMPLOYEES COMPENSATION AND MATERNITY CONTRIBUTIONS

This represents the company's share in the contribution to the SSS for the maternity, sickness and disability benefits of all company employees.

97. HOSPITALIZATION CONTRIBUTION

This represents the company's contribution for the employee's hospitalization benefits under the group insurance coverage.

98. MEDICAL SUPPLIES

This represents expenses incurred by the company for the purchase of medicines and other medical supplies for the use of or issuance to the employees.

99. EMPLOYEE'S WELFARE

This represents other benefits given to the employees by the company including uniform, service awards, annual excursion expenses, Christmas party benefits, expenses incurred during company meetings, and others not specifically classified under any of the other foregoing accounts.

100. EMPLOYEE BENEFITS

This represents other employee benefits granted to employees such as compensated absences (sick leaves, vacation leaves, emergency leaves), cost of share-based payment transactions and other long-term employee benefits other than post-employment benefits.

101. POST-EMPLOYMENT BENEFIT COST

This represents the retirement benefits of the company's employees for services rendered. It shall comprise the following items:

- a) Current service cost;
- b) Interest expense;
- c) Interest income; and
- d) Effect of any curtailment or adjustment.

102. PROFESSIONAL AND TECHNICAL DEVELOPMENT

This represents the expenses in developing the professional and technical capabilities of the officers and staff of the Company.

103. REPRESENTATION AND ENTERTAINMENT

This represents the cost of representation and entertainment incurred by the officers and staff for the promotion of the business of the Company.

104. TRANSPORTATION AND TRAVEL EXPENSES

This represents the expenses for travel and transportation of the directors, officers, employees in connection with the business operations.

105. DIRECTORS' FEES AND ALLOWANCES

This represents the fees and allowance granted to the members of the Board of Directors for their attendance in the monthly and annual meetings or whatever special meetings that the Board may have.

106. CORPORATE SECRETARY'S FEES

This represents the fees granted to the corporate secretary for services rendered during the monthly Board of Directors' meetings, annual stockholders' meetings or any other special meetings that the Board of Directors or the stockholders may hold.

107. AUDITORS' FEES

This represents the professional fees paid to the external auditors for the year-end audit/examination of the company's books of accounts. It also includes the monthly retainers' fees, charges for the auditors' out of pocket expenses and

fees for any special audit examination or consultations, including any audit and tax consultations which may be required by the company from time to time.

108. ACTUARIAL FEES

This represents the professional fees paid to the external actuaries for whatever actuarial services that they may render for the company.

109. SERVICE FEES

This represents the fees paid to certain authorized individuals for services rendered to the company on a contractual or temporary basis.

110. LEGAL FEES

This represents the retainer fees and other professional fees paid to external lawyers and the company's legal counsel for whatever legal services that they may render. It includes fees for the legal assistance that they may extend in handling court cases, court settlements, notarial fees, consultancy fees, and other legal matters.

111. ASSOCIATION DUES

This represents the membership and monthly dues and fees paid to various professional organizations/association such as PIRA, Personal Management Association of the Philippines, Insurance Institute of Asia and the Pacific, Actuarial Society of the Philippines, Philippine Insurance Institute, Business Club, MIB, Philippine Institute of Certified Public Accountants, etc.

112. LIGHT AND WATER

This represents the cost of power and water consumption of the Company's Head Office and its branches.

113. COMMUNICATION AND POSTAGE

This represents the cost of telephone and cellphone services both local and long-distance toll charges; telegrams and mailing expenses, including postages and freight charges for the delivery of mails or cargoes sent to or received from the branches.

114. PRINTING, STATIONERY AND SUPPLIES

This represents the expenses incurred by the company for the printed forms/materials, stationery and office supplies used in the business operations.

115. BOOKS AND PERIODICALS

This represents the cost of books and reference materials for office use and subscriptions to newspapers, magazines, etc.

116. ADVERTISING AND PROMOTIONS

This represents the expenses for advertising and publicity to promote the business of the company including introduction of new plans and publication of the synopsis of the company's annual report.

117. CONTRIBUTIONS AND DONATIONS

This represents the donations given to civic associations, government agencies and contributions to charitable institutions and fund-raising drives.

118. RENTAL EXPENSE

This represents the rental expense incurred for short term leases and low value assets. Rental expense shall be recognized on a straight-line basis over the lease term.

119. INSURANCE EXPENSES

This represents the premiums paid on insurance coverage of office furniture, fixtures and equipment, IT equipment, company cars and others. It also includes premium charges on the guarantee or fidelity bond of accountable officers and staff as may be required by the Insurance Commission.

120. TAXES AND LICENSES

This represents the taxes which are allowable deductions or expenses for income tax computation such as payment of business license, mayor's permit, etc. It excludes taxes not deductible for income tax purposes, such as income tax assessments and penalty charges and renewal of the agent's certificates of authority.

121. BANK CHARGES

This represents the cost of checkbooks and charges imposed by the banks for overdrafts and bounced checks, payment of safety deposit box (if any), charges for the regional clearing of provincial checks and other such charges.

122. INTEREST EXPENSE

This represents the interest expense calculated using the effective interest method incurred by the company.

122.1. NOTES PAYABLE

122.2. LEASE LIABILITY

122.3. OTHERS

123. REPAIRS AND MAINTENANCE – MATERIALS

This represents the cost of materials used in the repair and maintenance of company assets.

124. REPAIRS AND MAINTENANCE – LABOR

This represents the cost of labor pertaining to the repairs and maintenance of company assets.

125. DEPRECIATION AND AMORTIZATION

This represents the periodic depreciation and amortization of the cost of the company's assets.

126. PROVISION FOR IMPAIRMENT LOSSES

This represents the provision for impairment losses of non-financial assets.

This shall comprise the following sub-accounts:

- 126.1. PROPERTY AND EQUIPMENT**
- 126.2. RIGHT-OF-USE ASSET**
- 126.3. INVESTMENT PROPERTY**
- 126.4. OTHERS**

127. MISCELLANEOUS EXPENSE

This represents other operating or administrative expenses which cannot be specifically classified under any of the other expense accounts.

128. PROVISION FOR INCOME TAX

128.1. PROVISION FOR INCOME TAX – FINAL

This represents the final taxes withheld from sale of shares of stock and from interest earned during the year on investments in government securities and savings deposits.

128.2. PROVISION FOR INCOME TAX – CURRENT

This represents the corporate income tax of the company for the period based on its taxable income.

128.3. PROVISION FOR INCOME TAX – DEFERRED

This represents the provision for deferred tax assets and liabilities.

OTHER COMPREHENSIVE INCOME (OCI)

129. OCI ITEMS THAT WILL BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS

This shall comprise the following accounts:

129.1. NET FINANCE INCOME (EXPENSE) FROM INSURANCE CONTRACTS ISSUED

This amount comprises the gains and losses due to change in the carrying amount of the group of insurance contracts issued arising from the following (except due to interest accretion), which the company elected to recognize as OCI:

- a. the effect of the time value of money and changes in the time value of money; and
- b. the effect of financial risk and changes in financial risk.

129.2. NET FINANCE INCOME (EXPENSE) FROM REINSURANCE CONTRACTS HELD

This amount comprises the gains and losses due to change in the carrying amount of the group of reinsurance contracts held arising from the following (except due to interest accretion), which the company elected to recognize as OCI:

- a. the effect of the time value of money and changes in the time value of money; and
- b. the effect of financial risk and changes in financial risk.

129.3. REMEASUREMENT GAIN (LOSS) ON INVESTMENTS IN DEBT SECURITIES AT FVOCI

This represents the net gains or losses arising from fair value changes of debt securities measured at FVOCI for the period.

129.4. EFFECTIVE PORTION OF NET GAIN (LOSS) ON HEDGES OF NET INVESTMENTS IN FOREIGN OPERATIONS

This represents the net gains or losses arising from change in fair value of hedging instruments in a hedge of a net investment in foreign operations for the period.

129.5. EFFECTIVE PORTION OF NET GAIN (LOSS) ON HEDGING INSTRUMENTS IN A CASH FLOW HEDGE

This represents the net gains or losses arising from fair value changes of hedging instruments in a cash flow hedge for the period.

129.6. NET GAIN (LOSS) FROM FOREIGN CURRENCY TRANSLATION

This represents the net gains or losses arising from foreign currency translations on the following for the period:

- a. foreign currency denominated non-monetary items, where such gains or losses are recognized directly in equity, and,
- b. translation of foreign operations with different functional currency.

129.7. SHARE IN ASSOCIATE'S OCI

129.8. OTHERS

129.9. RELATED INCOME TAX

This represents the total income tax attributable to the items above.

130. OCI ITEMS THAT WILL NOT BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS

This shall comprise the following accounts:

130.1. REMEASUREMENT GAIN (LOSS) ON INVESTMENTS IN EQUITY SECURITIES AT FVOCI

This represents the net gains or losses arising from fair value changes of equity securities measured at FVOCI for the period.

130.2. RESERVE FOR REMEASUREMENT OF FINANCIAL LIABILITIES DESIGNATED AT FVTPL – OWN CREDIT RISK

This represents the fair value changes related to changes in the company's own credit risk of a financial liability designated at FVTPL for the period.

130.3. REVALUATION GAIN (LOSS) ON PROPERTY AND EQUIPMENT

This represents the appraisal increment when the company applies the revaluation model on properties. This is calculated as a difference between the property's carrying amount and its revalued amount.

130.4. REMEASUREMENT GAIN (LOSS) ON RETIREMENT PENSION ASSET (OBLIGATION)

This represents the net remeasurement gains or losses of a net defined benefit liability or asset for the period.

130.5. OTHERS

130.6. RELATED INCOME TAX

This represents the total income tax attributable to the items above.