Enduring Values

INSULAR LIFE

2019 ANNUAL REPORT

ABOUT THE THEME

Enduring Values

In this era of rapid change, in this age of disruption and evolving technology, the constant element that has enabled us to thrive, as a Filipino company are our VALUES. These are the values that guided and helped us flourish in each stage of our long and rich history.

These values are timeless; these are imprinted in our hearts, and embedded in our DNA. These values are enduring; these helped us conquer difficulties and shaped our identity all these 109 years.

Our 2019 Corporate Annual Report takes on the theme of "Enduring Values" to reflect the Filipino traits that we embody: maka-Diyos at makabayan, malasakit sa kapwa, pagpapahalaga sa pagbigay ng mabuting kinabukasan sa pamilya.

Insular Life's "Enduring Values" bring to the fore our commitment to our stakeholders, to bring a lifetime for good in all our dealings, no matter the season, no matter the hour.

About **the Report**

Content

This Insular Group 2019 Annual Report gives an update on the progress and priorities set out in our previous report in 2018. It contains data and information on various aspects of our business and operations. Our intention is to provide a holistic view of our financial and non-financial performance.

Audience

This report aims to address the information needs of our policyholders and other stakeholders.

Reporting Cycle and Boundary

This report comes out annually and covers the performances of The Insular Life Group of Companies which is comprised of parent company, The Insular Life Assurance Company, Ltd. (a mutual company); its subsidiary, Insular Health Care and affiliate, Mapfre Insurance.

Data Collection and Validation

In order to obtain the relevant data for this report, consultations were made with our business units on the financial, social, and operational topics that they deem most relevant to our business as an insurance company. Meanwhile, we engaged the services of SGV & Co. to audit our financial reports for the parent company, Insular Life, and the consolidated report of the Insular Group of Companies. Data are validated and processed by our Public Relations Staff. We have developed a basic reporting protocol and defined the requests for specific data in our collection tool to align the understanding of what data are required from our offices.

Reporting Criteria

For this report, we have aligned our disclosures in accordance with our commitment to the United Nations' Sustainable Development Goals (SDGs). Our goal is to eventually adopt the Reporting Standards of the Global Reporting Initiative (www.globalreporting.org). We will continue to closely track our sustainability performance and lay the groundwork for seeking independent assurance in the near future to be aligned with global best practices on sustainability and integrated reporting. We also report pursuant to the standards of the ASEAN Corporate Governance Scorecard (ACGS) as mandated by the Insurance Commission.

Feedback

We welcome feedback from our stakeholders to improve our reporting process.

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Concept, Design and Layout:
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Consolidated Financial Highlights (IN BILLION PESOS)

NET INCOME

2019	₱4.9
2018	₱3.0
2017	₱5.0 (restated)
2016	₱4.9
2015	₱1.8

ASSETS

2019	₱143.2
2018	₱135.1
2017	₱135.9
2016	₱129.8 (restated)
2015	₱106.3 (restated)

REVENUES

2019	₱22.7
2018	₱22.2
2017	₱19.7 (restated)
2016	₱24.9
2015	₱19.9

MEMBERS' EQUITY

2019	₱43.9
2018	₱40.5
2017	₱36.5 (restated)
2016	₱32.7 (restated)
2015	₱16.9 (restated)

Inside **this Report**

Numbers that MATTER

₱39.33 Billion
NET WORTH (PARENT COMPANY)

₱138.2 Billion
TOTAL ASSETS (PARENT COMPANY)

₱11.1 Billion
GROSS BENEFITS AND CLAIMS PAID

₱58.2 Billion
LEGAL POLICY RESERVES (PARENT COMPANY)

₱356.45 Billion
BUSINESS-IN-FORCE (PARENT COMPANY)

112.2 Points
2019 ASEAN CORPORATE GOVERNANCE SCORECARD EARNED 4-ARROW RECOGNITION

10.8%
EQUITY FUND 10-YEAR RETURNS

7.4%
BALANCED FUND 10-YEAR RETURNS

24%
LEASE REVENUE GROWTH

37.8 Years old
AVERAGE AGE OF INLIFERS

91%
LOMA PASSERS

62%
FEMALE EMPLOYEES

THE INSULAR LIFE ASSURANCE CO., LTD.

Consolidated

Five-Year Financial Highlights

(IN MILLIONS)

	2019	2018	RESTATED 2017	RESTATED 2016	RESTATED 2015
Net Income per FS	**4,853**	2,998	5,016	4,933	1,769
Net Insurance Revenue per FS	**13,500**	14,381	12,201	12,929	13,587
Operating Revenue	**9,239**	7,828	7,508	11,978	6,348
Total Revenue per FS	**22,739**	22,209	19,708	24,907	19,935
(Net Insurance Revenue + Operating Revenue)					
Assets	**143,208**	135,055	135,902	129,792	106,293
Cash and Cash Equivalents	**4,644**	3,470	4,966	7,865	7,108
Cash on hand and in banks	**517**	661	628	549	584
Cash equivalents in commercial banks	**4,217**	2,809	4,338	7,315	6,524
Liabilities	**99,285**	94,544	99,422	97,079	89,441
Retained Earnings	**34,381**	29,529	26,239	21,428	16,949
Appropriated	**900**	550	550	550	250
Unappropriated	**33,481**	28,979	25,689	20,878	16,699
Member's Equity	**43,922**	40,511	36,480	32,713	16,851
Total Liabilities and Member's Equity	**143,208**	135,055	135,902	129,792	106,293

THE INSULAR LIFE ASSURANCE CO., LTD.

Parent Company

Five-Year Financial Highlight

(IN MILLIONS)

	2019	2018	RESTATED 2017	RESTATED 2016	RESTATED 2015
Net Income per FS	**2,894**	2,180	4,020	3,684	1,407
Net Insurance Revenue per FS	**12,946**	13,947	11,858	12,660	13,382
Operating Revenue	**7,314**	6,984	6,460	10,699	5,943
Total Revenue per FS	**20,259**	20,930	18,318	23,359	19,325
(Net Insurance Revenue + Operating Revenue)					
Assets	**138,214**	133,297	140,092	133,218	107,870
Cash and Cash Equivalents	**3,921**	2,837	4,297	7,256	6,618
Cash on hand and in banks	**410**	384	335	327	439
Cash equivalents in commercial banks	**3,511**	2,452	3,962	6,929	6,179
Liabilities	**98,883**	94,229	99,109	96,853	89,286
Retained Earnings	**21,780**	18,886	16,706	12,884	9,613
Appropriated	**900**	550	550	550	250
Unappropriated	**20,880**	18,336	16,156	12,334	9,363
Member's Equity	**39,331**	39,069	40,983	36,365	18,584
Total Liabilities and Member's Equity	**138,214**	133,297	140,092	133,218	107,870
New Business Premiums	**7,042**	8,729	7,053	7,786	8,490
Total Premiums	**12,904**	13,985	11,848	12,479	12,765
Gross Investment Income	**5,585**	5,342	4,748	4,606	4,254
Legal Policy Reserves	**58,162**	54,375	62,373	65,064	61,397
Net worth	**39,331**	39,069	40,983	36,365	18,584
Gross Benefits and Claims Paid	**11,057**	8,180	8,111	8,067	9,464

Nina D. Aguas

EXECUTIVE CHAIRMAN
OF THE BOARD

Living
our enduring values

Some businesses seem to have been running forever. They survived world wars, political crises, economic recessions, natural disasters, and even pandemics. And in today's rule-of-the-jungle business environment, there are still those like InLife that find a way to weather fickle consumer trends and fiscal ups and downs.

Through the many changes and challenges in the marketplace, InLife has managed to stick to the core values that make it, not only a business built to last, but an institution built for good. In this interview, InLife Executive Chairman Nina D. Aguas shares the secret to the Filipino insurer's corporate longevity.

HOW PROUD ARE YOU TO BE AT THE HELM OF THE FIRST AND OLDEST FILIPINO LIFE INSURANCE COMPANY?

I take pride in leading InLife at this time of great change. It's rare for companies to make it to 100 years and especially beyond the century mark. Only a handful of Filipino companies are members of the so-called 'Century Club' that remain relevant to this day. InLife has seen so many business cycles, so many uncertainties, but always managed to come out and move ahead. We always set our sights beyond our bottom line and genuinely provide and demonstrate our empathy and care for the Filipino. That's at the core of who we are.

> "We always set our sights beyond our bottom line and genuinely provide and demonstrate our empathy and care for the Filipino. That's at the core of who we are."

HOW WOULD YOU DESCRIBE YOUR PERFORMANCE IN 2019 AND HOW DID IT FARE AGAINST YOUR EXPECTATIONS?

We performed within expectations despite the inhospitable business environment in 2019. Globally, there were several factors such as the prolonged U.S.-China trade war and geopolitical tensions that kept investors at bay. Market volatility was everywhere and made people skittish about their money. There was an uptake in domestic demand for risk protection more than the variable unit-linked (VUL) type, and this is because of the weakness in the financial markets. People want the assurance that comes with risk protection products.

InLife managed to post a consolidated net income of P4.85 billion in 2019, a 61 percent increase from P3.0 billion in 2018. We had a stellar year as we continued the recalibration of our agency force, our new hires' accelerated training programs, as well as more leadership training programs for the future.

We are also on track in our digital transformation journey. It cannot be said that just because we are a hundred years old, we have an excuse to be outdated in our platforms and systems. On the contrary, we are even at the forefront in the local insurance industry when it comes to digitalization. It gives me great pride to be in that spot.

OTHER INSURANCE COMPANIES ARE ALSO MOVING AT FULL SPEED IN DIGITALIZATION. WHAT WOULD BE INLIFE'S DIFFERENTIATOR?

At InLife, we always take pride in two things: being the only Filipino-owned insurance company that ranks among top local industry players and being more than a century old, which is a testament to our stability and strength. However, we understand that this is a different world and we cannot rely solely on having a local brand and corporate longevity to compete.

We recognize that we have to differentiate ourselves in terms of customer experience as well, as today's consumers demand personalization and anytime, anywhere access. This is why we take advantage of digital technology to help us differentiate ourselves by delivering a personal, engaging experience with our policyholders. Thus we came out with our Automated Underwriting System (the most advanced locally); the Leads ARchiving Assistant (LARA), an app that enables us to identify leads and set appointments; and our InLife Customer Portal that started accommodating online transactions as early as 2018. We are also working on our own e-store so policyholders can buy our basic life insurance products online, in addition to e-commerce portal Lazada. By digitalizing the InLife customer experience journey, we now have a 24-hour window to serve our customers rather than the traditional 8-5 office hours.

But while digital technology gives us plenty of opportunities to continually enhance customer experience, we must still adopt a 'hybrid' approach by maintaining a good agency force. There are still segments of our policyholder base that prefer face-to-face interaction with our agents to build their trust and confidence. We cannot discount the power of a human touch in a business like life insurance.

HOW DO YOU PLAN TO BE NUMBER 1 IN THE INDUSTRY?

Amid the intensifying competition in the Philippine insurance industry, we are proud to say that InLife remains in the top 5 leaderboard when it comes to net income, assets, and net worth — considered the most important metrics by our policyholders as these indicate our financial strength to fulfill our fiduciary obligations to them way into the future.

This is especially significant because we operate in an industry that continues to be dominated by foreign players. But other than this, as early as 2015, when our digital journey started to really become a core in our business, we implemented a far-reaching plan to attain our aspirations. We call this the dual transformation strategy – (1) revitalizing the business today and (2) developing the business model for the future. We are already way ahead of our competition in terms of our digital footprint, and we are now seeing the results in our operational efficiencies and business results today. But much more can be done to fully attain our ambition.

You would think that since we are a Filipino company, we should be the customers' first option; unfortunately, that has not always been the case. The industry continues to be dominated by foreign players. The fact that we remain in the top five, however, speaks volumes about the people and values that make InLife a league of its own. We are anchored on a mission to provide Filipinos a lifetime for good and this will continue to resonate for years or decades, even centuries. We want to be a financially relevant, as well as a socially responsible, Filipino institution. If there is one company that has the biggest heart for this country, it is InLife. We will not be here for 109 years if Filipinos do not believe we deserve to exist, that we are not making a difference in their lives.

TALKING ABOUT MAKING A DIFFERENCE, HOW IS INLIFE SHEROES MAKING AN IMPACT?

We have started to create ripples. Our goal is to touch one million lives within three years. In 2019, our first year, we have already touched 300,000 lives in one shape or form, whether by providing health and life insurance protection or financial literacy programs, or connecting them to small and medium enterprises (SMEs). InLife Sheroes is becoming more like a social movement, not just a campaign, and I'm deeply moved to see how communities have latched on to it.

Let me cite the SMEs run by women under the Sheroes program. There was a lack of awareness among these 'women-preneurs' for risk protection while they run their business. What was glaring to me personally was the acute shortage of capital and access to credit for them to be able to scale up. This is why we are tweaking the Sheroes model to connect more women to institutions that offer credit.

HOW IS LANDING ON FORBES ASIA MAGAZINE'S 'POWER BUSINESSWOMEN' LIST OF 2019 SHAPING THE WORK YOU DO WITH INLIFE SHEROES, IN PARTICULAR?

Being considered as one of the 25 accomplished women who are playing a significant role in shaping Asia's business landscape was the farthest thing from my mind! I was actually surprised to get congratulatory messages on my phone when the magazine came out as there was no advance notice. But it was pure validation of what I stand for and the values I hold dear as a woman leading a business. The fact that it came a year after I joined the roster of the World Bank Group's Advisory Council on Gender and Development greatly inspires me to do more for gender equality and women empowerment.

> "We are proud to say that InLife remains in the top 5 leaderboard when it comes to net income, assets, and net worth."

HOW DO YOU EXPECT INLIFE PERFORMING IN 2020?

At the beginning of every year, I think about the year ahead. We may have the best agency force, the best financial plan, and the soundest programs for our people — but once I have laid out my plans, I leave it all up to Him.

No matter how you believe in having the best laid-out plans, you still cannot foresee life's uncertainties. In the first quarter of 2020 alone, Taal volcano erupted and COVID-19 became a global pandemic. Everyone is affected and not just us. But if you are able to carry on, stay resilient, and prepare for the unexpected, there is no need to worry.

This makes sticking to your values very important. If our mission is to deliver a lifetime for good, the setbacks and uncertainties, no matter how great, should not deter us from our mission because of the needs we have to serve. We should move forward and see what we can do to deliver good. Working in this industry and especially in InLife is a very noble profession. Life insurance is really for the living. When someone passes, it serves those who are left behind, for them to continue living. It's extending life.

Sometimes, even if the insurance premiums are not yet fully paid, we do our best to extend assistance and ensure the timely release of the claim. And we can only do this as we have the right core values guiding us: love of God and country, integrity, excellence, prudence, respect for the individual, and teamwork.

Creating
more value for the future

No year is without its challenges, and 2019 certainly had its share. Global markets continued to reel from volatility and slow economic growth in major economies. For an institution that is now close to 110 years old, however, InLife has had its share of ups and downs, and has learned the importance of remaining disciplined.

In this interview, Mona Lisa B. de la Cruz, InLife president and chief executive officer, shares how the company remains committed to delivering a lifetime for good to Filipinos even amid a constantly evolving market environment and a wave of disruptions.

HOW WOULD YOU COMPARE THE OVERALL BUSINESS ENVIRONMENT IN 2019 VERSUS 2018?

The domestic economy expanded by 5.9 percent in 2019 due to the acceleration of government spending, fixed investment, and consumption. Compared to the average GDP growth of 6.2 percent in 2018, this indicates a slowdown and was due largely to the delay in the National Government's budget approval and the weakness in farm output. On the other hand, the monetary authorities managed to tame inflation in 2019, which averaged at 2.5 percent or lower than 5.2 percent a year-ago. This lifted consumer confidence.

HOW DID THESE CONDITIONS AFFECT THE PERFORMANCE OF INLIFE IN 2019?

InLife registered a higher net income of P2.89 billion in 2019. This translated to a 33 percent increase from P2.18 billion in 2018.

We had lower premiums year-on-year, but this was offset by higher earnings from our investments in strategic equities and real properties. We match long-term liabilities with our long-term assets. In addition, we achieved greater operational efficiency in 2019 and this allowed us to keep our operating expenses in check.

HOW DID YOUR AGENCY FORCE PERFORM IN 2019?

Our agency force continues to be the biggest contributor to our insurance premiums. We have programs to continuously revitalize our agency force with emphasis on recruitment, training, and retention. In 2019, we launched our Project Alpha, which optimizes the recruitment and development of agency leaders.

HOW DID YOUR VARIABLE UNIT LINKED (VUL) INSURANCE PRODUCTS PERFORM CONSIDERING THE MARKET UNCERTAINTY?

InLife always takes a long-term view as part of its investment discipline and this enables us to favorably respond to market cycles. We do not look at market downturns as setbacks, but rather as opportunities to invest in fundamentally sound companies.

> "In the same manner the story of InLife shows that a Filipino company can succeed in an industry dominated by foreign multinationals."

Mona Lisa B. de la Cruz
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

Along this line and based on our monitoring, our flagship Equity Fund and Balanced Fund both continued to outperform other VUL funds in terms of 10-year performance as of end-2019. The Equity Fund posted a 10-year average return of 10.8 percent, beating even the barometer Philippine Stock Exchange Index's 9.9 percent. Our Balanced Fund, meanwhile, recorded a 10-year return of 7.4 percent.

As you know, 2019 proved to be a challenging year for investors in the equities market. Thus, it is worth mentioning that our Growth Fund posted a one-year return of 4.1percent, outperforming other VUL funds with the same theme. As its name suggests, the Growth Fund is invested in specific sectors listed in the PSE with the potential to outperform the domestic economy.

ARE THERE MORE POLICYHOLDERS WILLING TO INVEST IN GLOBAL FUNDS?

We think Filipinos are becoming more global in terms of investment appetite. It is for this reason that we launched the VUL product, Peso Global Technology Fund (PGTF), in January 2020 notwithstanding the prevailing volatility in the global equities market. We believe the timing was right to offer our clients this investment vehicle because of the technological advances and improvements that we see and experience around us. This is our second global fund – the first being the Philippine Global Equity Fund, which registered a hefty return of 19 percent in 2019.

ASIDE FROM THIS VUL PRODUCT, WHAT OTHER PRODUCTS DID YOU LAUNCH IN 2019?

To support our advocacy on women empowerment through the InLife Sheroes program, we launched a new and female-specific product called "SheCares." It is a "3-in-1" product combining life insurance, investment, and health insurance in a single plan. It is also customizable, which means that the product allows the insured the option to choose depending on which life stage she is in, and her lifestyle plus the critical illness riders she wants included in her policy, such as women-specific cancers, or diabetes, heart attack, and stroke. This is the first of its kind in the market.
Insular Life Health Care's Emergency Room and Medical Consult Prepaid cards are also emerging as bestsellers, partly because they are sold online. Health is an easy door-opener in insurance, because people are generally more aware of health risks, and the immediate benefit that they will get for their health insurance versus life insurance.

WHAT INITIATIVES TOWARD ENHANCED CUSTOMER EXPERIENCE DID YOU INTRODUCE IN 2019?

We continue to take advantage of many digital initiatives as we aim to create a more delightful customer experience, 24/7, and offer the most cost-effective solutions to various financial needs.

In 2019, we rolled out these initiatives:

- InLife Queuing System - A first in the industry, this improves customers' over-the-counter queuing at our Head Office through digital servicing kiosks for policy servicing requests, inquiries and premium payments. You will also find these digital servicing kiosks in our branches with high volumes of transactions.

- Fingerprint Biometrics for Know Your Customer (KYC) - Another first in the industry, this facility provides a digital authentication experience for customers visiting InLife branches and the head office. It allows for capturing and storing a digital photo and the fingerprints of the customer for a frictionless interaction the next time the client visits InLife offices.

- Mobile Point-of-Sale (POS) payment facility – A first in the industry, this project was implemented to empower our financial advisors to provide convenience to their clients paying for their premiums. We equipped our top-performing agents with mobile POS terminals, which will enable acceptance of face-to-face debit and credit card transactions and thus allow customers to pay their premiums fast and securely.

- Group Insurance Customer Portal - We enhanced our Group Client Portal to enable our group clients' plan administrators to submit change reports and receive results regarding the eligibility or ineligibility of their employees/members who will be allowed online access to register, inquire about their benefits, update their personal information, download standard forms, submit requirements, and receive email.

- HIV testing in our clinic – Our medical technology personnel underwent three-week proficiency training and two weeks of pre- and post-counseling training. HIV testing is one of our underwriting requirements for certain ages, amounts of insurance, occupation or risk classes. This service ensures a shorter turnaround time for releasing results, thus, reducing testing cost and increasing data privacy compliance.

HOW DO YOU PLAN TO INCREASE YOUR PRESENCE ONLINE TO REACH MORE FILIPINOS?

In addition to the suite of solutions we offer via e-commerce platform Lazada, we are launching our own e-commerce store in 2020, as part of our corporate objectives. This is designed to reach as many markets as we can, given the different profiles of those buying insurance online. The country has a less than 2 percent insurance penetration rate so there is still a lot of room for us to reach out to more people. This will also complement our bancassurance and agency force distribution channels, as well as keep up with the evolving demands of our customers.

> "With sustained investment in human capital and technology, we will continue to move up in the industry leaderboard and create more value for our policyholders, partners, and people well into the future."

WHAT CHALLENGES DO YOU SEE ON THE HORIZON?

The challenge is to be agile to cope with the unexpected and not lose sight of the values that made us a more-than-century-old institution. Having this staying power, especially in a world that is increasingly facing disruption, means we are able to navigate the unpredictable and still achieve our goals. We are also enhancing our business continuity plans in light of natural calamities and unforeseen events that befell us most recently -- the Taal volcano eruption and the coronavirus pandemic that is changing the way we operate and the way people live their lives.

HOW DO YOU PLAN TO MAKE INLIFE AN ENDURING INSTITUTION?

As a 109 -year old company, we are building a business model intended to last for the next 100 years, with focus on customer experience, employee engagement, and operational excellence. Our dual transformation roadmap is anchored on two pillars: revitalizing the present and building the future. For our employees, we have lined up programs for competency building, cultural transformation toward a high-performing organization, and fun-filled activities for employee engagement, among others.

To keep our sights trained on the long haul, we need to anchor on the values that made us endure. This means providing our customers with our Filipino brand of customer care and focusing on a sense of shared purpose: providing a lifetime for good. We need to be the partner of every Filipino during the bad times, such as when they lose a loved one, as well as during the good times as they build their financial goals for education, retirement, health care, lifestyle, and estate to pass on to their children. In other words, we need to stay relevant to our customers.

With sustained investment in human capital and technology, we will continue to move up in the industry leaderboard and create more value for our policyholders, partners, and people well into the future.

Corporate Governance

> We are accountable to our Stakeholders and this accountability demands that our Company practice go od Corporate Governance at all times.

Corporate Governance Confirmation Statement

We, at InLife, reaffirm our full commitment to good corporate governance across our organization.

BOARD OF TRUSTEES

The Board of Trustees (Board) sets the tone in fulfilling the Company's commitment to protect the interests of its Stakeholders as it carries out its fiduciary duties. It is responsible for formulating, monitoring, and directing the objectives, plans, strategies, policies and initiatives of the Company. It does this primarily by making sure that the Company's Mission and Vision is annually reviewed for importance and relevance.

The Board, which delegates the day-to-day management of the Company to its Officers, also conducts review and assessment of key management decisions.

Board Composition and Diversity

The InLife Board is composed of nine (9) members. It is divided into three classes with three (3) Trustees in each class. Each Trustee is elected individually to serve for a term of three years or until the election and qualification of their successors, in accordance with the Company's By-Laws.

They were selected for their competence, experience and integrity. The selection is not restricted to age, race, gender or religious belief. We promote and encourage diversity at all levels of the organization to ensure dynamic conversations and broad spectrum of perspectives and expertise.

Gender	Male	
	Female	
Type	Independent	
	Executive	
	Non-Executive	
Skill and Experience	Insurance	
	Management	
	Audit and Accounting	
	Banking	
	Legal	
	Technology and Innovation	

Board Nomination and Selection

In selecting a Trustee, the Company adheres to the provisions of its By-Laws and Manual of Corporate Governance:

- Announcement of acceptance of nominations for the position of a Trustee as published in newspapers of general circulation;
- Submission by the Nominations Committee (NomCom) of the Board of the names of the Nominees and their written acceptance of the nominations; and
- Election during the Annual Members' Meeting.

The NomCom goes through the process of identifying the qualities that must be possessed by a candidate which must be aligned with the Company's strategic directions. In addition, they ensure that all the Trustees possess relevant competence and experience for the Board and Board Committee membership. The Company uses professional search firms and other external sources when looking for qualified candidates for the Board, if necessary.

Schedule of Publication

Date	Activity for 2019 AMM	Where Published
17 December 2018	Announcement to the Members of acceptance of nominations for candidates to the Board	Pilipino Star NGAYON
24 April 2019	Publication of Notice of the Annual Members' Meeting (AMM)	The Philippine Star and Pilipino Star NGAYON
23 May 2019	Publication of Minutes of the AMM (subject to approval during the 2020 AMM)	Company website; Submitted to IC
	Publication of summary of all Resolutions adopted during AMM including voting results	Company Website; Submitted to IC
	Individual election/re-election of Trustees and voting on all other scheduled agenda during the AMM	Company Website; Submitted to IC

Term Limit and Board Seat Limit

Each Trustee is elected to serve for a term of three (3) years or until the election and qualification of their successors, in accordance with the Company's By-Laws. Independent Trustees serve as such for a maximum of nine (9) years. InLife sets a limit of five (5) board seats that an Independent Trustee may hold in Publicly Listed Companies (PLCs) outside of their InLife commitments. In 2019, all Independent Trustees of the Company complied with these limits. On the other hand, none of the Executive Trustees occupied board seats in more than two (2) PLCs.

Board Meetings and Attendance

Name of Trustee	Board Meetings (Regular Special)	Executive Committee	Audit Committee	Finance, Budget and Investment Committee	Governance Committee	Innovations and Technology Committee	Nominations Committee	Personnel and Compensation Committee	Risk Management Committee	Related Party Transaction Committee
Nina D. Aguas	10/10	6/6		10/10				3/4		
Luis C. la Ò	9/10	6/6		10/10	2/2		1/1	4/4		
Mona Lisa B. de la Cruz	10/10	6/6		10/10						
Luis Y. Benitez	10/10		6/6		4/4		2/2	4/4	3/3	
Gil B. Genio	6/10		5/6	7/10		1/2	1/2		1/1	1/1
Marietta C. Gorrez	10/10		6/6						3/3	1/1
Francisco Ed. Lim	10/10	6/6			4/4	1/1				
Justo A. Ortiz	10/10	6/6		10/10		2/2				
Nico Jose S.Nolledo (Resigned as of 25 April 2019)	3/4					0/1				
Emmanuel F. Dooc (Joined 26 April 2019)	6/6		1/2		2/2				2/2	1/1
Total Number of Meetings	10	6	6	10	4	2	2	4	3	1

Note: The Company requires a minimum quorum of at least two-thirds of the Board for Board decisions.

Board Independence

The Board has five (5) Independent, Non-executive Trustees who comprise more than fifty percent (50%) of the Board. All of them are independent of Management and free from any business or other relationships which could materially interfere with their exercise of independent judgment in carrying out their responsibilities. In 2019, two (2) meetings exclusively attended by Non-executive Trustees were held.

Board Training and Education

2019 CG Seminar	Name of Trustee	By Whom/When
	Nina D Aguas	ICD- 04 December 2019
Internal CG Seminar	Mona Lisa B. de la Cruz	ICD- 04 December 2019
	Marietta C. Gorrez	ICD- 04 December 2019
	Emmanuel F. Dooc	ICD- 04 December 2019
External CG Seminar	Luis C. la Ò	ICD- 09 May 2019; PSPC-08 November 2019
	Luis Y. Benitez	ICD- 15 August 2019
	Gil B. Genio	ICD- 09 August 2019
	Francisco Ed. Lim	ICD- 06 September 2019
	Justo A. Ortiz	ICD- 26 October 2019

Board Compensation Policy and Procedures

Non-Executive Trustees are Members of the Board who are not officers of the Company. They receive an annual basic remuneration of PHP 25,000.00 for their membership to the Board and for membership to the Executive Board Committee. Each Non-Executive Trustee receives Per Diem of Php 50,000.00 while the Chairman receives Php 65,000 for attendance in each Board and Board Committee meetings.

Type of Trustee	Name of Trustee	Per Diem and Basic Remuneration for Board Attendance in 2019
Non-Executive and Independent Trustees	Luis Y. Benitez	1,505,000.00
	Emmanuel F. Dooc (joined 26 April 2019)	566,666.65
	Gil B. Genio	740,000.00
	Marietta C. Gorrez	1,005,000.00
	Luis C. la Ò	1,210,000.00
	Francisco Ed. Lim	1,010,000.00
	Nico Jose S. Nolledo (until 25 April 2019)	158,333.35
	Justo A. Ortiz	1,015,000.00
SUB-TOTAL		**P7,210,000.00**
Executive Trustees	Nina D. Aguas	0.00
	Mona Lisa B. de la Cruz	0.00
SUB-TOTAL		**P0.00**

Executive Trustees, including the Chief Executive Officer, do not receive remuneration as members of the Board. Their compensation is based instead on three (3) components. **Fixed compensation** - this is determined by the level and complexity of individual responsibilities, experience and professional background, and market analysis for comparable positions. The next is **Variable, Short-Term compensation** – this is intended to give an incentive to fulfil the annual performance targets set by the Board in line with the Company's corporate strategy. This component is hinged on levels of performance with a balanced weighting between financial quantitative performance measures and qualitative non-financial criteria. Finally, the **Long-Term Incentive plan** - this is to closely connect individual interests with those of the Company and its Stakeholders and create a deep sense of ownership. The Company awards other incentive plans and benefits based on the direct contribution of executives to the long-term overall success of the Company.

The Office of the Corporate Secretary (OCS)

InLife's Corporate Secretary, Atty. Renato S. De Jesus, plays a significant role in overseeing the effective and efficient administrative support for the Board of Trustees and for each individual Trustee in the discharge of their responsibilities. He provides advice and services to the Trustees to ensure that they are informed on governance matters and compliant with Board procedures. He also assists the Chairman of the Board in providing orientation to new Trustees and in recording and communicating to the Trustees relevant Board materials and other matters. The Chairman ensures that each Trustee have a direct and open line with Atty. De Jesus.

OUR COMMITMENT TO TRANSPARENCY

InLife has put in place a stable, robust, and balanced governance structure that transforms ethical corporate responsibility into an individual sense of personal accountability at every level to achieve its long-term performance goals. This includes our transparency of disclosure of material matters to all our Stakeholders.

Other Modes of Communications	• Quarterly Reporting	• Group Insurance Portal
	• Annual Reporting	• Customer Portal
	• Company Website	• Agents Portal
	• Annual Members' Meeting	• Social Media Platforms
	• Media Briefings and Press Conferences	• Agents' Sales Rallies, Conventions and Conferences

Disclosure of Audited Financial Reports

The 2018 Annual Report, which also contained the Consolidated Audited Financial Statements were published in the Company website on 30 April 2019, or 120 days after end of financial year.

Financial Performance Indicators	• Financial Condition
	• Performance of Fund Values
	• Corporate Objectives
Non-Financial Performance Indicators	• Customer Satisfaction
	• Talent Acquisition
	• Operational Efficiency
	• Corporate Social Responsibility (CSR) Capability
	• Regulatory Compliance

We also disclose updated and relevant information about our operations in our company website.

	Information	Location
Business Operations	Website	https://www.insularlife.com.ph/
	News	https://www.insularlife.com.ph/news;
	About Us	https://www.insularlife.com.ph/about-insular-life?&scroll=who-we-are
	Governance	https://www.insularlife.com.ph/governance-reports
Financial Statements/ Annual Reports		https://www.insularlife.com.ph/about-insular-life?&scroll=annual-reports &mode=collapse&target=collapse-about-7
AMM	Downloadable Annual Reports	https://www.insularlife.com.ph/about-insular-life?&scroll=annual-reports &mode=collapse&target=collapse-about-7
	Notice of Annual Members' Meetings	https://www.insularlife.com.ph/governance-reports
	Minutes of the Annual Members' Meetings	https://www.insularlife.com.ph/governance-reports
Others	Corporate Structure	https://www.insularlife.com.ph/about-insular-life?&scroll=who-we-are
	Articles of Incorporation and By-Laws	https://www.insularlife.com.ph/corporate-governance

Members' Rights

We highly encourage our Member's to attend the Annual Members Meeting (AMM) to be apprised of the significant and material developments in InLife. In 2019, the 33rd regular AMM was conducted at the Company's Head Office in Muntinlupa City.

The 2019 Annual Members' Meeting (AMM) at a glance

	Information	Details
Event Proper	Date of AMM	22 May 2019
	Location	Insular Life Corporate Centre, Alabang, Muntinlupa City, Philippines
	Presided By	Nina D. Aguas (Executive Chairman of the Board)
	Trustees in Attendance	All Trustees, including Chairpersons of Audit Committee; Remuneration Committee and Nominations Committee
Notice of AMM and its Contents	Publication Dates	24 April (28 days before AMM); 01 May; 08 May; and 15 May 2019
	Newspapers	The Philippine Star, Pilipino Star Ngayon and in the Company Website
	Language of Publication	English
	Who can Vote	Qualified Members
	Vote and Vote Tabulation Procedures/ Voting method	By poll or in absentia
	Details and Rationale of the Agenda	Each agenda contains proposed resolution to be voted during the AMM, including individual election of Candidates for the Board. There is no bundling of several items into one Agenda.
	Profiles of Trustees	Shows age, academic qualifications, date of first appointment, relevant experience, and directorships in publicly listed companies of three Candidates seeking election/re-election
	External Auditors seeking appointment/re-appointment	SGV and Co.
	Proxy:	Proxy Form is found at the bottom of the Notice
Minutes of the AMM	Date of Availability	23 May 2019
	Where Available	Company website; Submitted to Insurance Commission
	Document includes	List of the trustees and officers and percentage of members who attended the meeting; description of the voting and vote tabulation procedures used; a detailed, balanced and comprehensible assessment of Company's performance in 2018 and its financial report, including that of its Subsidiaries; an explanation on Dividend policy, Trustee profiles and RPTs, Board Meeting attendance, compensation and appraisal report, and External Audit and Non-Audit Fees as available in the Annual Report; description of the opportunity given to Members to ask questions and record of the questions asked and responses given; matters discussed and resolutions reached including breakdown of votes (for, against, or abstain) for each resolution
Summary of Resolutions Adopted during AMM	Publication Date	23 May 2019
	Where Published	Company website
	Document includes	Voting results including breakdown of votes (for, against, or abstain) for each resolution adopted

Our Members have the right to participate in decisions concerning fundamental corporate changes, such as amendments in the Company's constitution documents or material changes in corporate structures such as mergers or acquisitions. In cases of such changes, the Board shall appoint an independent party to evaluate fairness of the transaction of such changes to ensure that the rights and interests of the Company's Stakeholders are protected.

Dividend Policy for Members

Our qualified Members receive policy dividends as returns of their premiums paid. The Company allocates and pays policy dividends as and when they are declared, and in such amounts as approved by the Board of Trustees. The amount of policy dividends is determined based on a three-factor formula which calculates the Company's performance vis-a-vis assumptions on investment income, mortality, and expense loading, taking into consideration regulatory requirements and the Company's capital and future operating needs. The provision for policy dividends for 2019 is P178, 844, 140.00.

Key Risks

The Company believes that prudent risk management hinges on effective risk metrics for the proper risk identification and quantification of our exposure to such risks. To this end, the Company has identified the following major risk areas -- franchise; insurance and demographic; cybersecurity and Information Technology; legal, regulatory and compliance; market; investment; credit; liquidity; operational; and third party, in consideration of the Company's business model, structure, operations, and industry affiliation. They are carefully studied, defined, and managed.

The Board has the ultimate responsibility for the Company's risk management and material controls. The Board, through the Risk Committee, monitors and evaluates the Company's total risk management systems and advises Management in the installation of appropriate control mechanisms. These controls are regularly audited to check their effectiveness and reliability. The Board reviewed the Company's internal controls and Risk Management systems and found the same to be generally sufficient and adequate. The Company's Risk Management systems are complemented by the Management and employees' deep commitment to sustain a dynamic and transparent compliance environment.

Material Related Party Transactions (RPT)

The Company's Related Party Transactions (RPT) policy defines a Related Party (RP) and requires that all transactions of the Company with RPs be conducted fairly, at arm's length and in the best interest of the Company and its Stakeholders. Specific clearance is required for RPTs depending on the amount involved. If the transaction amount is defined by the Company as "Material", then the Material RPT is endorsed to the RPT Board Committee and/or Board for review and approval.

The Board ensures that all Material RPTs are properly evaluated and are in compliance with applicable laws, regulations and Company policy.

Below is a summary of disclosures on Material RPTs as submitted to the Insurance Commission:

Period 2019	Material RPTs	Name of Related Party and Relationship	Nature, Value/ Amount, and Term of Material RPT
Q1	None		
Q2	None		
Q3	One	• Kane Choa, Officer of ABS-CBN and spouse of Miriam Choa • Miriam Choa, Chief Marketing Officer of InLife (until 06 March 2020)	• Commercial ads in ABS-CBN • P41M • Sept-Dec 2019
Q4	None		

In 2019, the material RPTs were all fair and reasonable and were conducted at arm's length. There is no RPT that can be classified as financial assistance to any entity.

Audit

Audit is a vital aspect of maintaining the quality and robustness of our internal controls. The Board, through the Audit Committee, exercises oversight of the audit function.

The Audit Committee, headed by Luis Y. Benitez, has the primary responsibility for assisting and advising the Board to ensure the quality and integrity of InLife's accounting and financial reporting, auditing practices and internal control systems. It is also responsible for recommending the appointment and removal of External Auditors. Mr. Benitez is a Certified Public Accountant (CPA). The Company has an Internal Audit Staff headed by First Vice President and Chief Audit Executive, Ms. Maria Rosa Aurora D. Cacanando. Ms. Cacanando is also a CPA and has a direct reporting line to the Audit Committee.

The Company has also engaged Sycip Gorres Velayo and Company (SGV & Co.) as its External Auditor to provide independent audit of its financial condition. The annual engagement of SGV & Co., as recommended by the Audit Committee, is approved by the Members during the AMM. In 2019, Non-Audit Fees did not exceed Audit fees paid to SGV and Co.

	Type of Fee	2019 Payment (excluding OPE and VAT)
Audit and Non-audit Fees to SGV & Co.	Audit Fee	P4,528,508.00
	Non-Audit Fee	P1,199,019.00

The Company encourages free and open communication with our Stakeholders and the general public through our official websites, portals, and social media accounts. All the feedback given or sent to us by our Stakeholders are valuable information for risk management and business growth.

Should any of our Stakeholders have concerns and/or complaints for possible violations of their rights or violation of Company policies, they may report in good faith using any of the platforms below without any fear of retaliation:

Whistleblowing Policy

Meet with	Atty. Renato S. De Jesus Chief Compliance Officer or Ms. Maria Rosa Aurora Cacanando Chief Auditor
Email	InLifergovernance@insular.com.ph
Call	+632 8 582-1818 local 1868 Available 24/7, up to ten (10) minutes per recorded call

The Whistleblower may report anonymously.

2019
Operational Highlights - Subsidiary

The winning team of Insular Health Care is led by its President & CEO Maria Noemi G. Azura, (seated, rightmost). With her are her executives, (seated, from left): Tricci Rose A. Sadian, Vice President - Sales and Marketing; Geronimo V. Francisco, Vice President -Risk and Compliance; and Ms. Azura. (Standing, from left): Myra T. Santos, Senior Manager, - Financial Management, Reporting and Analytics; Laarni F. Garraton, Senior Assistant Vice President - Corporate Planning and Finance; Dr. Cecilia Paz C. Ram, Vice President - Medical Services; Dr. Mark Roland F. Malanay, Senior Assistant Vice President - Provider Management; and Sheila Marie D. Iglesia, Assistant Vice President - Customer Experience and Human Resources.

Making
a difference in health care

Q&A with IHC President & CEO Noemi Azura

InLife
INSULAR HEALTH CARE

Most Filipinos rely on the state-run Philippine Health Insurance Corporation (PhilHealth) for their hospitalization. With the signing of the Universal Health Care Act in July 2018, this automatically enrolls all Filipino citizens in the National Health Insurance program and prescribes complementary reforms in the health care system. However, with the escalating cost of hospitalization, PhilHealth alone, is not able to cover the entire medical expenses.

One of the biggest partners of the government in terms of providing health insurance to Filipinos is the Health Maintenance Organization (HMO) industry. It is imperative that HMOs help Filipinos prepare for their medical emergencies thereby affording them peace of mind. It is also for this reason that HMOs must continue to be responsive to the needs of their members.

> "Our modernization initiatives in the previous year that focused on improving customer experience through innovation and technology was well received by the market."

In this report, IHC president and CEO Ms. Noemi Azura shares some of the many initiatives undertaken by the company in 2019 in order to attain operational success as well as contribute to the country's push for wider medical coverage for Filipinos.

IHC HAS ALWAYS BEEN A GOOD AND PROFITABLE OPERATION, BUT THIS YEAR, IT WAS PARTICULARLY MORE SO. HOW DID YOU DO IT?

IHC delivered solid financial results this year. Our modernization initiatives in the previous year that focused on improving customer experience through innovation and technology was well received by the market. We have been rewarded with robust growth on both the top and bottom lines, and these results were achieved while making a positive impact on the lives of our customers.

In addition, we have the right leadership team in place that is executing our business strategy flawlessly.

WHAT WOULD YOU SAY IS THE ROLE OF TECHNOLOGY TO YOUR SUCCESS AS A COMPANY?

Our success is attributable to innovation and having the right balance of being high-tech while being high-touch. We embrace technological solutions without losing the human element.

For example, our modernization initiatives in the previous year focused on creating innovative solutions and improving customer experience through the use of technology. At the same time, we also established and resourced a customer experience function supported by a cross functional team, to ensure that we deliver fast, competent and warm service at all customer touch points.

These actions helped us achieve better operational results.

WHAT WERE THE HIGHLIGHTS OF YOUR STRONG FINANCIAL PERFORMANCE IN 2019?

I am glad to report that IHC increased its membership fees by 27 percent year on year. This translated to gross revenue of P572.9 million versus P436.6 million in 2018.

This increase is also higher than the HMO industry's revenue growth of 15 percent and 12 percent in 2018 and 2017, respectively.

Our results were driven by a robust new and renewal business that posted increases of 114 percent and 21 percent, respectively. With our new business acquisitions, and high persistency ratio or client loyalty index of 91 percent, we are on track to sustain growth in the coming years.

Client membership also expanded 55 percent, from 34,438 in 2018 to 53,524 in 2019.

These efforts helped the company post a 97 percent jump in net income after tax, from P18.4 million in 2018 to P36.2 million in 2019.

YOU MENTIONED THAT YOUR RESULTS WERE A COMBINATION OF INNOVATIVE SOLUTIONS AND TECHNOLOGY-ENABLED CUSTOMER EXPERIENCE OFFERED TO IHC'S CLIENTS. WHAT WERE THESE INITIATIVES THAT MADE AN IMPACT TO YOUR OPERATION?

We had several initiatives that were launched in 2019. Top in the list is our basic HMO coverage that are very affordable and responsive to our client's health needs.

We came out with a new product suite called Emergency Care (ER Care). ER Care comes in a number of variants that offer emergency care coverage for outpatient and inpatient services due to accidents, viral, and bacterial infections. The viral and bacterial infections coverage for such a basic product is a game changer.

We also have technology-based innovations introduced to the market such as MedConsult or Medical Consultations. Using our telehealth platform, our clients have access to medical consultations without physically going to the doctor's office.

Another pioneering solution that we introduced is EntrePinay, an affordable group plan designed for small business owners. This plan includes coverage for preventive care, emergency care, maternity allowance and life insurance. This was

It's easy with telemedicine

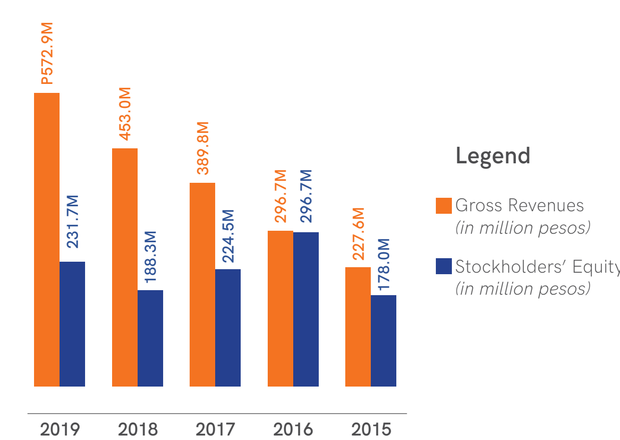
designed as one of the women-specific solutions under our parent company's expansive women empowerment initiative in 2019, the InLife Sheroes Program.

These innovative solutions deliver positive impact on the lives of our clients by providing them access to affordable healthcare coverage.

> "Our success is attributable to innovation and having the right balance of being high-tech while being high-touch. We embrace technological solutions without losing the human element."

2019 Highlights

Gross Revenue	P572.9M
Net Profit After Tax	P36.2M
Total Assets	P642.4M
Stockholders' Equity	P231.7M
Retained Earnings	P117.2M
Return on Equity	16.6%



IN TERMS OF MAKING IHC MORE KNOWN TO THE PUBLIC, WHAT INITIATIVES HAVE YOU LAUNCHED OR PLAN TO PURSUE MOVING FORWARD?

One of the biggest initiatives of IHC in terms of its marketing agenda is the on boarding of TV and movie celebrity, Coco Martin as a brand ambassador.

This move has been a boon to us because Coco truly encapsulates the spirit of what we do and what we aim to accomplish at IHC – to empower Filipinos towards Wellness for a Lifetime through access to affordable healthcare. Also, his huge following and large fan base cuts across socio-economic households.

Our video where Coco promotes affordable IHC prepaid products has garnered over 1.6M views and almost a thousand comments, and generated leads for the brand. This campaign resulted in strong and sustained sales momentum.

WHAT ELSE DO YOU WISH TO ACCOMPLISH NOW THAT IHC IS MORE VISIBLE AND IN THE CONSCIOUSNESS OF THE MARKET?

The success of IHC is due to the patronage of our customers. Therefore, it is imperative that we remain focused on their needs.

And what better way to do this than through the IHC mobile app which we launched in 2019. This app is a winner among clients because it allows them convenient access to services such as:

- GPS enabled search for hospitals, clinics, and doctors
- Information on benefit coverage
- Interactive requests - LOA requests, call back requests, reimbursement requests
- Health education promoting healthy lifestyle
- Online illness and disease inquiry
- Medicine reminders and voice recording facility for doctor's advice
- InLife Health Care also partnered with My Pocket Doctor to provide clients access to telehealth services.

While IHC's innovative digital capabilities are all intended to make interactions with the customers fast, competent and convenient, we will also maintain our people channels, where warm and personal human contact is preserved.

The encouraging results of 2019 inspire us to scale greater heights in the coming years. One thing will remain constant – our focus on the customer.

2019
Operational Highlights - Affiliate

MAPFRE Insurance

The year 2019 was yet again challenging for the local insurance industry, as well as MAPFRE Insurance, as the economy marked a slowdown, forcing many households to tighten their belts and forego certain spending and investments, including insurance.

The year also saw another round of capital hike, as the industry moved towards being at par with global standards. Under Republic Act No. 10607, insurance companies should have a net worth of at least P550 million in 2016, P900 million in 2019, and P1.3 billion in 2022. This guarantees that insurers are well-capitalized and at par with other insurers in the region.

MAPFRE Insurance, as early as June 2019, complied with the P900 million capital requirement set by the IC, making it one of the highest capitalized and solvent insurance firms in the country. The company was able to get the full support of its Madrid-based parent firm MAPFRE, S.A. and another majority shareholder, Insular Life, through fresh capital infusion. MAPFRE, S.A. is one of the largest insurers in Europe, not to mention the benchmark insurer in Spain. Insular Life, on the other hand, is the first oldest and largest Filipino life insurance company in the country.

This funding (75 percent MAPFRE,S.A., 25 percent Insular) reflects the confidence of our majority shareholders in the company and the Philippine economy as well. MAPFRE's capital infusion also signals its commitment to strengthen its presence in the country, ensuring that more Filipinos are protected.

Meanwhile, the company is confident that it will be able to meet the next round of capital increase through internally generated funds, which in turn will be driven by projects and initiatives that will increase the sales and efficiencies in our operations.

Against the backdrop of an economic slowdown, price war, tighter industry regulations, low market penetration rate, and other external challenges, MAPFRE Insurance stayed on course and focused on the things that will not only improve its profitability but also bring more value to its customers, distributors, providers, and various stakeholders.

On top of the company's initiatives is its transformation from MAPFRE Insular to MAPFRE Insurance, a move that aligned the company to the global brand. This is both a rebrand and a pronouncement that big things are in the pipeline for the company. This means offering relevant products, improving its network and the efficiency of its claim service, and taking advantage of digitalization.

MAPFRE Insurance capitalized on the continued boom of the local property market, seeing this as an opportunity to increase its sales in property insurance. The company also beefed up its OFW insurance, aimed to provide comprehensive insurance coverage to our new day heroes which they rightfully deserve, and at the same time ride on the continued growth of Filipino migrant workers.

Moreover, a constant improvement is also underway on its other product lines through expanding digital channel distribution. A few years back, MAPFRE Insurance took lead on the challenge to transition digitally and continued to embark on its technological platform in order to meet the unique needs of its policyholders and reach more customers.

The company has added more digital services on its website, making its Comprehensive Third Party Liability (CTPL), Travel Assist Insurance, and Personal Accident Insurance available for purchase online. It also made digitally available its Claims Upload Documents Page (UpDocs). These provide customers the ease of getting their CTPL and submitting claims documents anytime, anywhere, even on their mobile phones.

MAPFRE Insurance's view on digital transformation is not just about automation but more importantly an avenue to enhance customer interaction. The company set up virtual offices, which allowed its distribution network to independently issue policies, access accounts for renewal, instantly draft quotations, even process payments, and claims with the help of QR codes - another innovation the company recently embarked on.

Outside of its products, the company also improved on its sales network, setting up presence in Isabela, Lipa, Iloilo, Cebu, Cagayan de Oro, and Davao. By increasing its visibility, MAPFRE Insurance is able to protect more Filipinos and contribute to financial inclusion. This, on top of continued investments in digitalization, not only streamline its operations, but also improved its customers' experience.

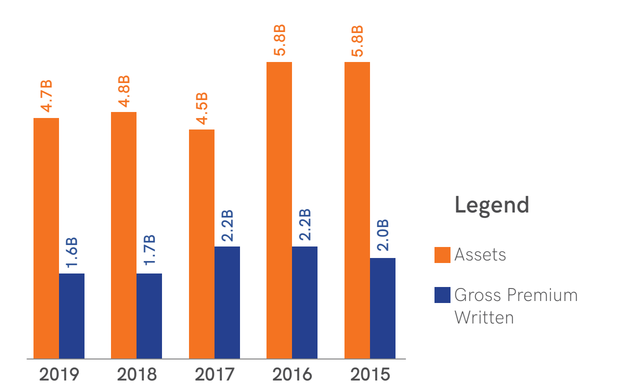
In its commitment to find better insurance solutions, MAPFRE Insurance also continued to clean up its portfolio, which allowed it to focus on products and assets that bring value to the company. It was able to sell its property in Citibank Tower in Makati City, following a rationalization program that aims to enhance the visibility and accessibility of field offices to customers, a best practice done by its Madrid-based parent firm. Not only did the company book an additional investment income from the sale, it was also able to invest in more liquid assets.

These initiatives resulted to a net profit before taxes amounting to P30.92 million. MAPFRE Insurance was able to earn a higher investment income during the year at P82.92 million, up by 20.15 percent from 2018, this is excluding the gain on sale of its property in Citibank Tower.

Meanwhile, gross premiums written stood at P1.58 billion, while gross underwriting income stood at P1.06 billion. Net profit after tax, however, resulted in a negative bottomline due to a deferred tax asset recognized in 2016 and reflected in the company's balance sheet over a period of three years. The deferred tax, however, has no effect on the company's performance, as evidenced by the positive cash flow. While net loss during the period stood at P63.18 million, the company is expecting positive net results in 2020.

Key unaudited financial and solvency indicators that demonstrate the strength of MAPFRE INSULAR as one of the most relevant insurance companies in the country:

Total Assets	**P4.74 billion**
Net worth	**P1.52 billion**
Cash and Financial Investments	**P1.59 billion**
Risk Based Capital (RBC II) Ratio	**423 %**
Gross Premium	**P1.58 billion**



People and Talent

Creating
a culture that puts people first

InLife has an institutional culture built upon its history and values. Our shared values — love of God and country, integrity, excellence, prudence, respect for the individual, and teamwork — are more than aspirations. These are the beliefs and behaviors that we expect of our colleagues and ourselves. These are ideals we must uphold to earn and maintain a reputation for integrity, and to inspire confidence with each other, and the Filipino nation, which we both serve and rely on for the sustainability of our business.

In 2019, we crafted our HR Value Proposition: to create outrageously good employee experience. This is anchored on the belief that when people enjoy an employee experience like no other, they will look at InLife, not just as a workplace, but as a second home where they attain their career and personal aspirations.

Learning and Development

We sustained our momentum in 2019 when we formally digitalized our training enrollment and evaluation. We logged an average of 36.5 training hours per employee for the year up from 26 training hours in 2018.

We ensured a good feedback mechanism for all our training programs, such that they remained relevant to our business requirements and our employee development needs. We maximized training evaluations to improve or modify every training initiative we launch.

We launched the InLife Competency Framework consisting of Core and Leadership competencies. The six core competencies are Business Knowledge, Customer

Focus, Teamwork and Collaboration, Delivering Results, Critical Thinking and Managing Change. The Leadership competencies are Strategic Vision, Leading Change, Influence with Integrity, and People Leadership. These competencies were determined thru interviews and focused group discussions with senior leaders and world café sessions with staff, supervisors and middle management. These are the competencies that we want to hone and develop in our people for to achieve our Company's ambition and deliver extraordinary good service to our customers and stakeholders.

A Learning Roadmap was designed to support the implementation of the competency framework. The roadmap consists of five tracks: Foundation Track, Staff Development Track, Technical Development Track, Leader Development Track and Executive Development Track. We initiated new programs: (1) Change Management with three modules: Managing Personal Change, Leading Organizational Change and Harnessing Organizational Change, and (2) Coach Up, a coaching program for our people managers and leaders as part of the learning roadmap.

InLife was also awarded the Excellence in Education Awards by the Life Office Management Association (LOMA) for the 16th year. It recognized the company for its outstanding job of talent development through LOMA's professional designation programs.

Engagement Initiative: The Good Squad

InLife Competency Framework

Core	Leadership
Business Knowledge Customer Focus, Teamwork and Collaboration, Delivering Results, Critical Thinking and Managing Change	Strategic Vision, Leading Change, Influence with Integrity, and People Leadership

Employee Recognition Program

We implemented the Employees Leading InLife to Excellence (ELITE), a rewards and recognition program. There were 90 employees awarded in 2019, accounting for 12% of our total employee population. Seven awardees were named Employees of the Quarter, while four cross-functional teams (with members ranging from 7 to 50 members) emerged as Team of the Quarter. Two were hailed Innovation Employees of the Quarter. The Annual ELITE awardees were selected from the quarterly awardees: two Employees of the Year; two Innovation Employees of the Year, and two Teams of the Year. These annual ELITE and service awardees were recognized in the year-end town hall meeting in 2019. InLifers who were recognized by external awarding bodies were also cited as ELITE Achievers for non-executives and ELITE Circle of Excellence for executives.

Engagement Initiative: The Good Squad

We kick started the year with the launch of The Good Squad Ambassadors. These are employee representatives from various functional areas and work locations such as headquarters and field offices. We established this group to initiate open and regular communication between employees and management, where ideas, feedback or information flow through the channel to spark innovation and enhanced employee experience. It was also formed to develop creative opportunities to build a positive work environment.

Through The Good Squad, our HR department was able to engage all InLifers through activities that promote camaraderie within divisions and field offices. During the year, our senior leaders conducted three town hall meetings to communicate InLife's direction and progress.

The Good Squad Ambassadors and HR team collaborated in mounting several meaningful employee engagement events that brought InLifers together and offered bonding opportunities and respite from work. These were the following:

Holiday Celebrations
We held a company-wide Valentine's Day celebration, wooing our staff with traditional Filipino serenade (harana), sweet doughnut treats, coffee, milk, tea, and some goodies for the field offices.

The Employees Leading InLife to Excellence (ELITE) awardees are recognized during InLife's Town Hall Meetings.

The Good Squad Ambassadors engage all InLifers through activities that promote camaraderie within the company's divisions and field offices.

the internal launch of the Sheroes program, which was graced by Ms. Rebecca Bustamante, CEO of Chalre Associates and the leading force of the Asia CEO Forum. The domestic helper-turned-entrepreneur spoke before InLifers about her inspiring life journey.

We also gave InLifers the opportunity to pay tribute to their parents with Mother's Day and Father's Day celebrations through social media campaigns that featured their life stories and a talent showcase at the offices.

At the Insular Life Corporate Centre in Alabang, family members of 190 InLifers joined our fairy tale-themed Halloween Trick or Treat event while those in our Makati and field offices participated in a fairy-tale costume contest. To cap off an eventful year, we held a Christmas party themed "The Gilded Age" or the roaring twenties, which saw a celebration of InLife's very own rise to prominence and realization of a heroic vision.

ALAByu3000 employee launch.

Employees celebrate 109th Anniversary of InLife –their second home where they fulfill their career aspirations.

Summer Fun
The Good Squad Ambassadors organized their own team's summer-outing activities, which aimed to be more inclusive than previous years' get-togethers. A significant 89 percent of our employee force joined the event.

'Framily' Friday
Harnessing technology and with the help of The Good Squad Ambassadors, all InLifers participated in 15-minute trivia games that made for welcome bonding time at the end of the work week.

Outfit of the Day (OOTD)
Armed with interesting themes and plans, our The Good Squad Ambassadors led an OOTD competition in which team entries were judged based on a set of criteria. InLifers shared their team entries on their social media accounts, where they also brandished the company's new brand colors.

Giving Back
The spirit of volunteerism burned brighter among InLifers in 2019, with 336 employee volunteers producing a total of 3,125 volunteer hours for the year.

Performance Management

We continued to strengthen the implementation of our performance management process by working closely with people managers in crafting SMART performance objectives and conduct of ongoing performance feedback supported by critical incidents. We held learning sessions at each juncture of the performance management cycle to offer insights into improving the overall performance management process.

Health and Well-Being

We fortified our group hospitalization plan and strived for improved coverage and benefit. We also abided by and collaborated with the Occupational Safety and Health (OHS) committee to properly implement health and safety measures among staff, especially during times of crisis and calamities.

Talent Acquisition

We did not increase our employee base in 2019. This enabled us to focus on upskilling, retooling, and rewarding current InLifers to make them more adept at the workplace of today and the future.

EDGE Certification

As part of the Company's commitment to ensure that everyone in the organization is given a fair chance to succeed, InLife green-lighted the Company's assessment for the EDGE Certification. After months of thorough vetting process, the Company gained the EDGE Certification Assess Level in 2019.

EDGE which stands for Economic Dividends for Gender Equality is the leading global assessment and business certification for gender equality. An EDGE Certification measures where organizations stand in terms of gender balance across their pipeline, pay equity, effectiveness of policies and practices to ensure equitable career flows and inclusiveness of their culture.

InLife is the first and only local insurance company so far with the global recognition for commitment to workplace gender equality.

In taking care of our InLifers as our most valuable asset, we combine modern technology with coaching to meet our competency and employee happiness goals. It is only by having a happy, engaged, and connected workforce that we can achieve a leadership position in the local insurance industry, which remains a business built on the strength of human relationships.

Enduring values in a changing world

Half a century since Insular Foundation, Inc. was formed, there has been a sea of change in society.

Insular Foundation, one of the first corporate foundations in the country, is among the drivers of this change, as it helps thousands of deserving but economically challenged children gain access to good quality education. Under our flagship Gold Eagle Scholarship Grant, which started in 1962, generations of students have graduated with honors and have emerged as leaders in business, the academe, arts and sciences, and more.

From 2011 to the present, there have been 56 Gold Eagle graduate scholars, many of them with Latin honors ranging from cum laude to summa cum laude. Our formidable lineup of scholars since the 1960s includes masters' and doctorate degree holders, along with MBA holders, who have studied or taught in prestigious higher education institutions around the world. Empowered and emboldened by education, they have become instrumental in shaping the course of their respective industries – always a concrete, meaningful step toward nation building through excellence.

There's no stopping our mission as it takes its full course. On our 50th year, we continue to touch lives by investing in programs in these focus areas: education, sustainable environment, and disaster response and rehabilitation. We are able to magnify the impact we create by actively engaging InLifers through a culture of employee volunteerism.

Education for Good

In 2019, we mapped out a strategy to expand our educational intervention to more schools, students, and teachers. We partnered with institutions that can offer the reach and footprint in both traditional and digital education channels.

Scholarships. As of 2019, we have already assisted 146 college scholars enrolled in BS Education, BS Mathematics, and BS Statistics courses. Of these, 51 scholars graduated in 2019.

Scholars as of SY 2019-2020	Number of Scholars
UP Diliman and provincial SUCs	55
Incoming Freshmen Scholars for SY 2019-2020	31
Company Scholars	13
TOTAL	99

To celebrate our 50th anniversary, we mounted the Gold Eagle ICAN Leadership Summit for scholars on August 31, 2019 at the InLife Makati Ballroom. Themed "Towards Achievement and Higher Sense of Self," the event drew alumni and current scholar attendants from six partner state universities: University of the Philippines, Diliman; Aurora State College of Technology and Benguet State University (Luzon); Bohol

Island State University (Visayas); and Central Mindanao University and Davao Oriental State College of Science and Technology (Mindanao).

We have also made significant headways in our Adopt-A-Scholar Program. For schoolyear (SY) 2019-2020, InLifers adopted more scholars, bringing the total to 488 scholars. The average retention rate for SY 2018-2019 in four partner schools also reached 96 percent.

Adopt-A-School Partners	Number of Scholars (SY 2018-2019)	Number of Scholars (SY 2019-2020)	Mortality[2] (repeaters/ transferred out)	Retention Rate
1. Itaas Elementary School (IES)	140 (Grade 2)	136	4	97%
2. Alabang Elementary School (AES)	175 (Grade 1)	167	8	95%
3. Bayanan Elementary School (BES)	175 (Grade 1)	167	8	95%
4. Balili Elementary School*	20 (Grade 1)	18	2	90%
TOTAL	510	488	22	96%

Partnerships for Teachers. As a corporate foundation whose parent company's business agenda includes the financial inclusion and protection of Filipinos, we see the importance of extending this advocacy in our CSR work.

One of the new programs is training and capacity building for public school teachers to enhance their 21st-century teaching competencies through the use of effective techniques in storytelling. For this, the Foundation partnered with a Continuing Professional Development (CPD) provider for the training to earn CPD credits.

We piloted the workshop for the Grades 1 to 3 teachers at the Schools Division Office of the Department of Education in Muntinlupa City in December 2019. We also donated 2,800 copies of Insular storybooks to the participants of the workshop.

We established partnerships with public schools and like-minded institutions to reach those in the grassroots. Insular Foundation and Cebuana Lhuillier Foundation worked together to set up the Alternative Learning System (ALS) Community Learning Center at Pedro Guevara Elementary School in Manila. This was in addition to providing teaching and learning tools such as laptops, LCD projectors, printers, and the reproduction of ALS modules.

We are also leveraging on technology as a means to rapidly cascade learning and education methods as fast as we can in all levels of the public school system.

For our talented and science-oriented students, we provided program assistance through a partnership with Xepto Digital Computing, a digital company providing end-to-end cloud-based solutions. In 2019, we piloted the InLife Digital Learning Center that involves providing digitized productivity tools for teachers and high school students, from workstations to projectors to management system support. With these tools, teachers can create and deliver content and instantly gauge the effectiveness of their learning modules. Our first pilot school to promote digital literacy among students is Muntinlupa Science High School.

Love in the Time of Disaster

Normalcy for Marawi Children. Aiding school children affected by the armed conflict in Marawi City in Mindanao, we continued our partnership with non-profit organization Save the Children Foundation to offer educational support through the Balik-Marawi, Balik-Eskwela Program. On Valentine's Day, we turned over P1.9 million worth of teaching aids or materials, as well as furniture provisions and repairs, to Save the Children. The donation benefited 1,297 Maranao children and 30 teachers. We also received recognition from Save the Children as Emergency Response Partner of the Year during the organization's Partners' Day on November 26, 2019.

School renovation. We also took the lead in education-related rebuilding efforts. We assisted 16 public elementary and high schools for the 2019 Brigada Eskwela, the National Schools Maintenance Week where teachers, parents, and students prepare for the school year. InLife employee and agent volunteers personally donated repair and construction materials, as well as conducted financial literacy sessions to teachers and parents.

Gold Eagle Scholars
from the Pioneering Decade

1963

Lourdes Ledesma
BS Education
University of the Philippines, Iloilo City
Professor, English and Reading - University of the Philippines-Visayas

1964

Leonardo Liongson
BS Chemical Engineering, 1969
Magna Cum Laude
University of the Philippines
PhD, 1976, University of Arizona
Professor, Department of Engineering and Hydraulic Research Center
University of the Philippines-Diliman

1965

Rose Marie C. Salazar
AB/BSE Mathematics, 1969
Magna Cum Laude
St. Scholastica's College
MS Guidance & Counselling, 1972
De La Salle University
PhD, 1981, University of Minnesota, USA
University Fellow and Full Professor, Counseling and Educational Psychology Department, College of Education - De La Salle University

1965

Elwyn R. Borromeo
BS Industrial Engineering, 1971
University of the Philippines
MBA, 1979, UP-Diliman
Former President and Director of San Miguel Purefoods Indonesia

1966

Remo P. Vallejo
BS Chemistry, 1970
Cum Laude
Ateneo de Manila University, Quezon City

1966

Ma. Lourdes Marzan
AB Mathematics, 1970
Cum Laude
University of the Philippines
MBA, Temple University, USA

1967

Maria Teresa Torrado-Hoffman
Maria Teresa Torrado-Hoffman, 1967, BS Physics, Magna Cum Laude, College of the Holy Spirit
M.S. in Physics, 1969, Ateneo De Manila University
Ph. D. in Physics, 1975, University of Pennsylvania, USA

1968

Aurelio R. Montinola III
Bs.Mgmt. Engineering, 1973
With Honors
Ateneo de Manila University
MBA, 1977, Harvard Business School, USA
Director, Harvard School Association

1975

Luis Razon
B.S. in Chemical Engineering, magna cum laude, De La Salle University (DLSU), Manila, 1980,
M.S. (1981) and Ph. D. in Chemical Engineering (1985), University of Notre Dame in Notre Dame, Indiana, USA

School Infrastructure. We partnered with non-profit Alay Balay in Iloilo City for the construction of a three-classroom disaster-resilient building that will benefit the junior high school students of Alberto Sorongon High School. The building, costing P5.5 million, was completed in December 2019 and turnover ceremonies were held in January 2020. This is the fourth disaster-resilient school building that Insular Foundation has donated. The first three school buildings were built in Tacloban and two in Northern Samar.

Environmental Champion

Kawayanihan Project. In partnership with the local government of Lubao, Pampanga and the Philippine Bamboo Foundation (PBF), we embarked on a massive tree-planting project that aims to prevent soil erosion in a flood-prone area in Lubao, help in cleaning up air quality, and provide a place for family picnics and leisure. It will also provide livelihood to the surrounding communities who will be taught to create handicrafts and other byproducts of bamboo.

Under the three-year partnership, InLife volunteers will plant thousands of bamboo trees each year on 1.8 hectares of riverbanks in Lubao within what is envisioned to be a six-hectare ecopark. Insular Life Foundation will shoulder the cost of the maintenance and upkeep by the foresters assigned by the Local Government. At the first bamboo planting activity, 124 volunteers from InLife Alabang and Makati offices, Insular Health Care, and San Fernando District Office participated.

Saving the Bird King. We celebrated our second year of partnership with the Philippine Eagle Foundation in the Saving the Bird King project in Leyte and Samal Islands. We supported the foundation by providing a three-million-peso grant spread over three years (2018-2020) to help the organization in its research and conservation work. Through this support, we are not only helping to propagate the population of the Haring Ibon, but also help balance the biodiversity in their nesting areas. The Philippine Eagle is a critically endangered species as there are only 400 pairs believed to be left.

InLifers for the Greater Good

InLifers continued to actively volunteer their time, talent, and energy for our corporate social responsibility (CSR) initiatives. In 2019, we successfully tapped 336 employees from our head office and district offices in Metro Manila, South Luzon, North Luzon, and Visayas for various outreach activities and campaigns. This translated to a total of 3,125 volunteer hours, 400 times higher than the previous year's 697 hours.

InLife held a company-wide Christmas season volunteer hour matching campaign, dubbed "50K for 50 Hours." This is aligned with the company's employee engagement goal by letting staff choose the charity of their choice for Christmas. Every hour of volunteer time was matched with a P1,000 donation, up to a maximum of P50,000. The project, which was undertaken under InLife Human Resource Division's Good Squad Ambassadors, raised funds through the volunteerism of 252 InLifers to benefit 15 charitable institutions.

Forty-one InLife volunteers joined the Run for Children event on August 25, 2019 at the SM MOA Concert Grounds. The charity run, organized by Resorts World Manila, was in support of Save the Children Philippines's various causes.

The spirit of volunteerism was also alive and well at our adopted Gawad Kalinga community in Marcelo Village Parañaque City and our support for the upkeep of the Tambayani Center, which acts as the village's community library and activity center. InLifers share their time and attention in the Sagip GK kids' ages 6 to 12, conducting values formation sessions every month. This outreach activity has been running since 2012.

Effecting social change as a corporate foundation is always fraught with challenges, but when one is able to marshal the spirit, resources, and network of an entire organization like InLife has, the impact on people's lives could be enormous. It is for this reason that Insular Foundation, beyond the half-century mark, will continue to be a relevant force in a society where millions remain at the fringes, clinging to the dream of a better life.

Volunteer Hours

2018	2019
697	3,125

> Through Sheroes, InLife hopes to build a dynamic movement of women who have the power to. . .nation, believing that great things happen when Sheroes from all walks of life unite for a common goal.

Shaping
women as a power force

How long does it take to touch one million Filipino women? For InLife, the goal may not appear as daunting if the numbers speak volumes about its achievements.

InLife Sheroes was launched on March 12, 2019 to empower Filipino women. At that time, and up until today, InLife Sheroes remain to be the largest and only such program launched by a life insurer for the purpose of uplifting the lives of women.

InLife President and CEO Mona Lisa B. de la Cruz (rightmost) and InLife Sheroes Program Director Noemi G. Azura (leftmost) present the first Asia CEO - InLife Shero of the Year Award to Doris Magsaysay Ho (center), group president and chief executive officer of the Magsaysay Group. The InLife Shero of the Year is a new category in the Asia CEO Awards and is given to a Filipino woman leader who has achieved recognizable success, overseeing organizations in the Philippines that have advanced the nation's economic and, or social standing in the eyes of the world.

In our Philippine culture where women are highly regarded, it is a conundrum that they are also some of the least knowledgeable, in terms of financial capability and security. Because of this, Insular Life took on the challenge to help change the face of women empowerment in the country.

Nine months since InLife Sheroes was launched, the movement has already made an impact on 314,031 Filipino women — exceeding the company's full-year target of 122,674 lives. How did we accomplish this gargantuan task? This number was achieved through a combination of on ground events and digital platforms. At this pace, InLife is confident it can breach its target of touching one million women's lives by 2023.

Focused program for Filipino women

InLife Sheroes is the company's flagship advocacy to empower Filipino women who are regarded as a powerful catalyst for progress. Filipino women are some of the world's greatest workers, generating income and investing heavily in their families and in their community. While today's Filipino women represent 40 percent of the country's workforce and over 70 percent of secondary school graduates, they are also some of the most vulnerable. Filipino women are the primary care givers of their children and parents, and are still expected to care for all household chores and manage the family budget. Yet they do not have savings on their own. They are far from enjoying financial freedom. They are also vulnerable to illnesses because they do not have time to care for themselves. It also doesn't help that there are no affordable health and protection products within their reach. This creates a protection gap among Filipino women.

Hence, to close the economic and protection gap among Filipino women, InLife partnered with the International Finance Corporation (IFC) of the World Bank in 2017 to create InLife Sheroes.

The program earned for InLife in 2019 a Gold Anvil from the Public Relations Society of the Philippines, which recognized the program's impact on empowering Filipino women's socio-economic, health, and well-being through financial and wellness education, women specific solutions, and access to women social and business networks.

Diving deep into women's needs

If there is one insurance company uniquely positioned to take on the advocacy of championing the rights of women in the country, including their right to protection, it is InLife. Not only is InLife the largest 100 percent Filipino-owned insurance company in the country, women also make up about 60 percent of its workforce, with many occupying top and senior management positions, as well as 58 percent of its policyholder base.

For a deeper understanding of Filipino women's attitudes, knowledge, awareness and practices with regard to finances and health, InLife commissioned the Philippine Survey and Research Center (PSRC). The result is the InLife Sheroes Landmark Study on Women, conducted between February and March 2019 among 800 women ages 26 to 55 years old nationwide. The study found that six out 10 of Filipino women manage their own money or take on the task of managing the household budget. However, it also revealed that while Filipino women across socioeconomic classes are careful spenders, only one-fifth of them are able to save for future needs and emergencies. The survey findings serve as a guide for InLife in planning the next set of actions.

Sustaining women's engagements

On its maiden year, the InLife Sheroes forged full speed ahead with programs in the four focus areas: financial education, health and wellness, access to business and social networks, and women-specific solutions.

Financial Education:

- InLife co-developed a financial education module with the Philippine Business Coalition for Women Empowerment called "Shaping Her Future - The Sheroes Runway to Financial Freedom." The module adopts a life-stage approach and considers the Filipino woman's needs and priorities at every life stage.

- Sheroes engaged subject matter experts to serve as resource speakers in its financial literacy workshops. These experts were Ms. Rose Fres Fausto, personal finance guru and newspaper columnist known for advocating the Financial Intelligence Quotient; and the authority in estate planning in the Philippines, Atty. Leo Cabrera.

InLife Sheroes Ambassador and FQ Mom Rose Fres Fausto conducts a financial literacy session for the employees of the Insurance Commission.

- Sheroes launched Wealth University, a series of YouTube videos featuring 75 of its best financial advisors who apply their knowledge, experience and expertise, and convert financial concepts into information that can be easily understood. These wealth mentors dispense advice on some of the most common financial concerns relevant to different life stages and needs.

- Sheroes also supports Digiskarteng Pinay, an initiative of Google Philippines that uses Youtube as its platform for upskilling Filipino women through informative videos. InLife Executive Vice President Noemi Azura presented Sheroes' advocacy to empower Filipinas during the launch of Digiskarteng Pinay at the YouTube FanFest Moms Edition in July 2019.

InLife Exec. Chairman Nina D. Aguas during the presentation of results of InLife's landmark study on women.

- InLife forged various partnerships to conduct financial literacy sessions for members and employees of the Insurance Commission, the Philippine Chamber of Commerce and Industry, PLDT-Smart's flagship Foundation Gabay Guro, and Franchise Association of the Philippines.

Health and Wellness:

- InLife tapped the services of obstetrician gynecologist and women's health specialist Dr. Cheryll Sibayan to tackle the various different health risks women face in their various life stages. Dr. Sibayan's video clips posted on YouTube include topics such as weight management, polycystic ovarian syndrome, urinary tract infection, and pregnancy.

- InLife Sheroes partnered with the Mu Sigma Phi Sorority, the first recognized medical sorority in the Philippines and in Asia and has over 1,000 women doctors in the Philippines and abroad from the prestigious University of the Philippines College of Medicine as members. Sheroes sponsors the sorority's Women Empowerment and Literacy through Health Education Program (WEALTH), a program that runs caravans to promote and empower women through health information with teachers, barangay health workers, and women of reproductive age.

Access to Business and Social Networks:

- InLife partnered with the Union Bank of the Philippines (UBP) to give access to small- and medium-sized enterprise (SME) loans. Through the bank's business platform, UBPGlobal Linker, women entrepreneurs can start their e-commerce businesses for free and get connected to fellow entrepreneurs, suppliers, and customer networks. Women entrepreneurs can also tap into Seekcap, a fintech company backed by UBP that offers an online lending platform for the underserved micro and SMEs.

Women-Specific Solutions:

- One of the biggest revelations in the landmark study is the percentage of women respondents who are insured. While awareness of life insurance is at 30 percent, ownership of an insurance policy stood only at 4 percent of those surveyed. InLife introduced SheCares, a 3-in-1 'woman-specific' policy, as it combines health insurance, life insurance, and investment into one product. A unique feature of the product is that it is customizable, giving the client the power to choose which health concern she wants to be covered, such as breast cancer, heart attack or stroke. Clients can also cash in on the accumulated fund value in the future.

- Insular Health Care, the HMO subsidiary of InLife, launched a new prepaid group health insurance program called InLife EntrePinay. It that provides preventive, emergency and non-emergency health care needs and life insurance coverage for women enterprise owners so they can extend high-quality health care to their employees with ease and at affordable rates. Companies can enroll anywhere from three to 99 employees to avail of the program.

The work to get women onboard Sheroes, however, does not stop here. InLife also raises women's awareness on Sheroes by mounting workshops and seminars, in addition to engagements in digital and social media platforms and knowledge sharing through its online portal, InLifeSheroes.com.

Through Sheroes, InLife hopes to build a dynamic movement of women who have the power to build families, friendships, careers, communities, and the nation, believing that great things happen when Sheroes from all walks of life unite for a common goal to uplift their lives and the lives of their loved ones.

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INDEPENDENT TRUSTEE

Board of Trustees' Credentials

Nina D. Aguas

Type: Executive Trustee

Age: 67 years old

Date of First Appointment:
24 May 2015

Directorships and Experience:
Executive Chairman of the Board of InLife and the following InLife subsidiaries: Insular Health Care, Inc., Insular Life Management & Development Corporation (ILMADECO), Insular Life Property Holdings, Inc., Insular Investment Corporation, and the Insular Foundation, Inc. Outside of InLife Group, she is a Chairman of Bank of Florida, and a Director of Union Bank of the Philippines (a Publicly Listed Company) and City Savings Bank. She is a member of the Board of Philippine Life Insurance Association (PLIA) and Insurance Institute for Asia and the Pacific (IIAP). She is also a member of the Advisory Council for Gender and Development of the World Bank Group and member of the Advisory Board of Ascort Asia Group - Indonesia. She was a former CEO of InLife from 2016 to 2017. Prior to InLife, she was a former Director, President and CEO of the Philippine Bank of Communications (PBCOM); a former Managing Director and Head of Private Bank - Asia Pacific, former Managing Director and Retail Banking Head - Asia Pacific of the Australia and New Zealand (ANZ) Banking Group, Ltd. (ANZ Group); and held the following positions in Citibank group: Managing Director and Head of Corporate Center Compliance in New York; Country Business Manager of Global Consumer Group (GCG), Philippines; Head of Sales and Distribution, GCG -Philippines; Regional Quality Director GCG - Asia Pacific; and Regional Audit Director, Citigroup, Asia Pacific. She is a recipient of the 2013 Filipina Women Network (FWN) 100 Most Influential Filipina Women Leaders in the World™ and 2019 Forbes Magazine's 25 Asia Power Businesswomen.

She recently published a book entitled "Speaking from the Heart", a collection of her speeches and talks.

Academic and Professional Qualifications:
Bachelor of Science degree in Commerce, major in Accounting, University of Santo Tomas; Certified Public Accountant.

2019 Seminars Attended:
As a Participant, Nina attended InLife's 2019 Continuing Governance Education session by ICD; An Evening with Michelle Obama; 2019 Forbes Global CEO Conference; 2019 LIMRA Annual Conference; 2019 World Bank Group (WBG) & International Monetary Fund (IMF) Spring Meeting; ICD Forum on "Board Diversity: Does it Work?"; InLife Sheroes and IFC's Gender Sensitivity Training: Selling Insurance and Financial Solutions to Women; and Asia Womens' Summit 2019. As a Speaker, she attended the following: Women Today Forum, 74th PICPA Annual National Convention; Afternoon Tea with Aspiring Women Directors by ICD.

Material RPT for 2019: None

Luis Y. Benitez

Type: Non-Executive, Independent Trustee

Age: 72 years old

Date of First Appointment:
28 January 2016

Directorships and Experience:
Former Vice Chairman and Senior Partner of SGV & Co.; Director in ISM Communications, Inc. (a Publicly Listed Company) and Director of several private non-listed companies and senior adviser to major companies. He specializes in the banking and financial industry and has extensive experience in public accounting and business advisory services.

Academic and Professional Qualifications:
Bachelor of Science degree in Business Administration, major in Accounting, University of the Philippines; Master's degree in Business Administration from the Stern School of Business of New York University; Graduate, Pacific Rim Bankers Program, University of Washington; Certified Public Accountant.

2019 Seminars Attended:
"Corporate Governance Seminar" by ICD.

Material RPT for 2019: None

Mona Lisa B. Dela Cruz

Type: Executive Trustee

Age: 62 years old

Date of First Appointment:
27 January 2011

Directorships and Experience:
President and Chief Executive Officer (CEO) of InLife since 01 January 2018; Director of the following InLife subsidiaries: Insular Health Care, Inc., ILAC General Insurance Agency, Inc., Insular Life Property Holdings, Inc., Insular Life Management and Development Corporation or ILMADECO, and Trustee of Insular Foundation, Inc. and Insular Life Employees' Retirement Fund. She is also a Director and President of Insular Investment Corporation, Insular Property Ventures Inc., and Insular Properties, Inc. Outside InLife group, she is a Director of MAPFRE INSULAR Insurance Corporation and Pilipinas Shell Petroleum Corporation (a Publicly Listed Company). Prior to her designation as InLife CEO, she has held several key management positions in InLife since 1980, with her most recent position being the President and Chief Operating Officer (COO) from 2015 to 2017. She is a recipient of the 2016 Filipina Women Network's (FWN's) 100 Most Influential Filipina Women Leaders in the World™. She is also a 2017 University of the Philippines Alumni Association (UPAA) Distinguished Alumni Awardee in Financial Management Excellence.

Academic and Professional Qualifications:
Bachelor of Science degree in Statistics (cum laude), University of the Philippines; Master of Science degree in Mathematics, major in Actuarial Science, University of Michigan; Fellow, Actuarial Society of the Philippines and Associate, Society of Actuaries (USA).

2019 Seminars Attended:
"Selling Insurance and Financial Solutions to Women"- an InLife Sheroes and IFC Gender Sensitivity Training: Revised Corporation Code of the Philippines Session with Atty. Teresita Herbosa; "Game Changing Reform for Inclusive Development"- Republic of the Philippines' Economic and Infrastructure Forum 2019; SharePHIL Summit- "The power of Two: how Power Couples Manage their Stakeholders"; "Nothing left Unsaid Forum"- FCC-MAP Women Expo and Inspired Conversations; 2019 LIMRA Annual Conference; PSPC Corporate Governance in-house Training; The Philippine Star's Women Influence Forum; ASP 60th Annual Convention; and InLife's 2019 Continuing Governance Education session conducted by ICD.

Material RPT for 2019: None

Emmanuel F. Dooc

Type: Non-Executive, Independent Trustee

Age: 70 years old

Date of First Appointment:
26 April 2019

Directorships and Experience:
Former President and CEO of the Social Security System (SSS), former Commissioner of the Insurance Commission and was formerly an Honorary Insurance Commissioner of Louisiana, USA in 2015. He is a distinguished veteran in the life insurance industry and has had extensive experience in insurance operations, corporate compliance and governance.

Academic and Professional Qualifications:
Bachelor of Science in Elementary Education, Mabini Colleges; Bachelor of Laws, San Beda College of Law; Master Fellow and Fellow, Life Office Management (LOMA); Associate in Claims of International Claims Association (ICA), Fellow, of the Institute of Corporate Directors; Certificate in Teaching the Blind (SPED) from Philippine Normal University; Professional Certificate in Strategic Management Program from the College of Insurance in New York; 2015 Fall International Fellows Program by the National Association of Insurance Commissioners and The Center for Insurance Policy and Research.; the Executive Program for Senior Government Officials at the JFK School of Government in Harvard University.

2019 Seminar Attended:
InLife's 2019 Continuing Governance Education session conducted by ICD.

Material RPT for 2019: None

Gil B. Genio

Type: Non-Executive, Independent Trustee

Age: 60 years old

Date of First Appointment:
11 January 2018

Directorships and Experience:
Chief Technology and Information Officer (CTIO) and Chief Strategy Officer (CSO) of Globe Telecom (a Publicly Listed Company). He is the Chief Executive Officer (CEO) of Globe Capital Venture Holdings and holds directorships and management positions in a number of non-listed subsidiaries and affiliates under Globe. He is a Managing Director at Ayala Corporation (a Publicly Listed Company). Prior to Ayala, he exercised functions on financial control, risk management, product development, and audit and market risk management under Citibank in Philippines, Singapore, Japan and Hong Kong. He also served in a variety of industry associations.

Academic and Professional Qualifications:
Bachelor of Science in Physics (magna cum laude), University of the Philippines; Master's Degree in Business Management (with distinction) Asian Institute of Management.

2019 Seminars Attended:
As participant, he attended SAS Global Forum; SAS Executive Briefing Conference; Mobile World Congress-Globe-Huawei 5G FWA workshop; Singtel Group CIO CTO Regional Forum; Cloudera Executive Advisory Board Meeting; Corporate Governance Training; and Ayala Innovation Summit. He was also part of the 1st Global Forum on Infrastructure Strategies as a Panelist and IT Leaders' Forum-SM Group of Companies as a Speaker.

Material RPT for 2019: None

Marietta C. Gorrez

Type: Non-Executive, Trustee

Age: 66 years old

Date of First Appointment:
27 January 2011

Directorships and Experience:
Director of Insular Health Care, Inc. and Foundation for Professional Training, Inc. and Trustee of Alliance for the Family Foundation of the Philippines, Inc. She was a former Senior Vice President of InLife and former President of ILAC General Insurance Agency, Inc. She is a Professional Executive Career/Life Coach & member of International Coach Federation (ICF) and Vice President of ICF-Philippines Chapter.

Academic and Professional Qualifications:
Bachelor of Science in Mathematics, University of Santo Tomas; Master's degree in Business Administration, De La Salle University; Master's degree candidate in Business Economics from University of Asia & the Pacific; graduate, Top Management Program of the Asian Institute of Management; a Registered Financial Consultant (RFC) and Registered Estate Planner of the International Association of Registered Financial Consultants (IARFC); Fellow, Life Management Institute of Life Office Management Association (LOMA).

2019 Seminars Attended:
International Coach Federation's (ICF) International Coaching Summit and InLife's 2019 Continuing Governance Education session conducted by ICD.

Material RPT for 2019: None

Luis C. la Ò

Type: Non-Executive, Independent Trustee

Age: 72 years old

Date of First Appointment:
22 January 2015

Directorships and Experience:
Vice-Chairman of the Board of MAPFRE INSULAR Insurance Corporation (MAPFRE). He was a former Independent Board Chairman of Insular Life from August 2016 to December 2017 and former Chairman of MAPFRE from 1986 to 2016. He is Director of Pilipinas Shell Petroleum Corporation (a Publicly Listed Company). Prior to this, he previously held management roles in MAPFRE Group-Spain, the Soriano Group and the Ayala Group.

Academic and Professional Qualifications:
Bachelor of Science in Management, Ateneo de Manila University; Master's degree in Business Management, De La Salle University; Course on General Insurance from the College of Insurance, Chartered Institute of London, United Kingdom.

2019 Seminars Attended:
ICD's Technology Governance for Directors.

Material RPT for 2019: None

Francisco Ed. Lim

Type: Non-Executive, Independent Trustee

Age: 64 years old

Date of First Appointment:
27 January 2011

Directorships and Experience:
Senior Partner of Angara Concepcion Regala & Cruz Law Offices (ACCRALAW), Director of the Shareholders' Association of the Philippines (SharePHIL), member of the Board of Governors and President of the Management Association of the Philippines (MAP), Trustee of the Financial Executives Institute of the Philippines (FINEX) Foundation. He is a Law Professor at the School of Law, Ateneo de Manila University and School of Law of San Beda University. He is a member of the Integrated Bar of the Philippines, Philippine Bar Association, New York State Bar Association, the American Bar Association, International Insolvency Institute ("III"), and Advisory Committee for the Asian Principles of Business Restructuring Project of the III and Asian Business Law Institute. He was a former President and Chief Executive Officer of the Philippine Stock Exchange, Inc., and Securities Clearing Corporation of the Philippines.

Academic and Professional Qualifications:
Bachelor of Arts (cum laude) and Bachelor of Philosophy (magna cum laude) degrees from University of Santo Tomas; Bachelor of Laws (Second Honors), Ateneo de Manila University; Master of Laws from the University of Pennsylvania, USA; member of the Integrated Bar of the Philippines, Philippine Bar Association, New York State Bar Association and the American Bar Association; Fellow, Institute of Corporate Directors (ICD).

2019 Seminars Attended:
ICD's Advanced Corporate Governance Training.

Material RPT for 2019: None

Justo Antonio A. Ortiz

Type: Non-Executive Trustee

Age: 62 years old

Date of First Appointment:
23 November 2017

Directorships and Experience:
Chairman of the Board of Union Bank of the Philippines or UBP (a Publicly Listed Company); UBP Investments, PetNet, Inc., Blockchain Association of the Philippines, Union Properties, Inc. and Philippine Payments Management Inc. (PPMI). He is also the Chairman of Fintech Association of the Philippines, Director of City Savings Bank and UBX Philippines. He is a member of the Philippine Trade Foundation, Inc., World Presidents Organization/Young President Organization, and Children's Hour of the Philippines. Prior to joining UBP, he worked with Citibank as Managing Partner for Global Finance and Country Executive for Investment Banking.

Academic and Professional Qualifications:
Bachelor of Arts in Economics - Honors Program, magna cum laude, from the Ateneo de Manila University. He was also conferred the degree of Doctor in Humanities - Honoris Causa, by the University of Santo Tomas (UST).

2019 Seminars Attended:
As a Participant, he attended the following: 2nd Asian Banking Conference of the ASEAN Banker Association; Singapore Fintech Festival; University of the Philippines National Youth Congress; Asian Banking & Finance (ABF) Digital & Open Banking Conference; Global SME Finance Forum 2019; Milken Institute Asia Summit 2019; BSP Blockchain Executive Briefing; Slingshot Cebu 2019/Creative Entrepreneurship: the Manila Times 10th Business Forum; Bloomberg Asian Business Summit; Copenhagen Fintech Week; New York Blockchain Week 2019; Blockchain for Finance Conference APAC; Urban Land Institute Summit 2019; 30th BAIPHIL Convention; the Ultimate Fintech 2019 Summit; Roundtable Discussion hosted by ADB; BSP IT Summit; Makati Business Club General Membership Meeting; and Philippines Institute for Development Studies (PIDS) Symposium.

Material RPT for 2019: None

Senior
MANAGEMENT TEAM

MONA LISA B. DELA CRUZ
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

NINA D. AGUAS
EXECUTIVE CHAIRMAN
OF THE BOARD

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SENIOR EXECUTIVE VICE PRESIDENT AND
HEAD OF INSURANCE DISTRIBUTION GROUP

MA. EDITA C. ELICAÑO
EXECUTIVE VICE PRESIDENT AND HEAD OF
ADMINISTRATIVE OPERATIONS GROUP

CLARO P. BONILLA
EXECUTIVE VICE PRESIDENT AND
CHIEF STRATEGY AND FINANCIAL OFFICER

MARIA NOEMI G. AZURA
EXECUTIVE VICE PRESIDENT AND
SECONDED TO
INSULAR HEALTH CARE, INC. AS
PRESIDENT AND CEO

SENIOR VICE PRESIDENT

VERA VICTORIA C. MORALES
CHIEF INVESTMENT OFFICER

NOEL ANDRES M. PERDIGON
CHIEF INFORMATION SECURITY OFFICER

RENATO S. DE JESUS
CHIEF LEGAL OFFICER, CORPORATE SECRETARY AND CHIEF COMPLIANCE OFFICER

MARIA TERESA L. CRUZ
HEAD OF INFORMATION TECHNOLOGY DIVISION

RAMON FELIX M. CABRERA
BANCASSURANCE SALES HEAD

FIRST VICE PRESIDENT

JESSELYN V. OCAMPO
CHIEF ACTUARY AND HEAD OF AOG 1 - TECHNICAL OPERATIONS

MARIA ROSA AURORA D. CACANANDO
CHIEF AUDITOR

GERALDINE B. ALVAREZ
HEAD OF BRANCH MANAGEMENT DIVISION

CARLITO V. LUCAS
BANCASSURANCE GROUP SALES HEAD

DIANA ROSE A. TAGRA
HEAD OF AOG 2 - INSURANCE OPERATIONS

FLORIAN C. DE LEON
HEAD OF HUMAN RESOURCES DIVISION

HECTOR A. CAUNAN
HEAD OF REAL PROPERTY DIVISION

JOCELYN B. REYES
HEAD OF POLICYHOLDERS SERVICES DIVISION

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ARNALDO I. AQUINO
CORAZON S. CRUZ
MA. CARMELA D. FRANCISCO
LORENZO LUIS LIBORIO B. GALLARDO II
GWENDOLYN D. KELLEY
GERALDINE G. PASCUAL
ROGER N. RELUCIO
TRICCI ROSE A. SADIAN
ARMAND P. SANTOS
ANA MARIA R. SORIANO
ELEANOR G. TAÑADA
RUTH R. VELASCO

Senior Assistant VICE PRESIDENTS

HENRY G. BALANGATAN II
ANALYN S. BENITO
EDWARD DIONIE F. CAPILI
JOHANNA C. CORONADO
CHRISTINA R. DELOS SANTOS
PETER PAUL E. ESPORLAS
LAARNI F. GARRATON
MARIA ROWENA M. RODRIGUEZ
PAULITA A. SIOSON

Assistant VICE PRESIDENTS

IRIS S. AMAN
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ANGELA A. BIEN
EVELYN E. CATINDIG
POMPEYO NICHOLAS E. CATINDIG
JOHANA B. DE JESUS
HILARIO C. DELOS SANTOS
MICHAEL ROBERT T. DIJAMCO
FREDERICK D. DIOSO
MARIA CELINA H. ESPINOSA
AMADO P. GARCIA JR.
ISIDRA JOSEPHINE M. GONZALES
SHEILA MARIE D. IGLESIA
GERALD B. KIM
ABIGAIL A. MAGTIBAY
CEDRIC G. MATIGNAS
MA. EDITHA B. MENDIOLA
ROGIE P. NIÑO
HERSON S. RESURRECCION
MARIA RITCHIE M. REYES
MARIE LOUISE B. TINGCHUY

Statement of Management's Responsibility for Financial Statements

InLife
INSULAR LIFE

The Management of The Insular Life Assurance Co., Ltd. and Subsidiaries is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for years ended December 31, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as Management determines is necessary to enable the preparation of the 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.

The Board of Trustees is responsible for overseeing the Company's financial reporting process.
The Board of Trustees reviews and approves the financial statements including the schedules attached therein, and submits the same to the members.

SyCip Gorres Velayo & Co., the independent auditor appointed by the members, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Nina D. Aguas
Executive Chairman of the Board

Mona Lisa B. de la Cruz
President and Chief Executive Officer

Claro P. Bonilla
Executive Vice President
Chief Strategy & Financial Officer

Independent Auditor's Report

The Board of Trustees and Members
The Insular Life Assurance Company, Ltd.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of The Insular Life Assurance Company, Ltd. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.
In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended December 31, 2019 and 2018 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group 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 consolidated 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 Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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.

SYCIP GORRES VELAYO & CO.

Janet A. Paraiso
Partner
CPA Certificate No. 92305
SEC Accreditation No. 0778-AR-3 (Group A),
June 19, 2018, valid until June 18, 2021
Tax Identification No. 193-975-241
BIR Accreditation No. 08-001998-62-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 8125203, January 7, 2020, Makati City

April 23, 2020

Consolidated Statements of Financial Position

	December 31 2019	2018
ASSETS		
Cash and Cash Equivalents (Note 4)	₱4,644,101,483	₱3,469,575,246
Insurance Receivables (Note 5)	195,206,781	187,948,306
Financial Assets (Note 6)		
Fair value through profit or loss	35,401,668,769	33,025,095,388
Available-for-sale (AFS)	62,219,213,352	36,622,111,329
Held-to-maturity	200,069,276	22,142,025,369
Loans and receivables	14,489,091,365	15,463,432,994
Investments in Associates (Note 7)	16,197,507,735	14,181,901,342
Investment Properties (Note 8)	6,767,571,107	6,717,772,706
Property and Equipment (Note 9)	1,889,419,079	2,003,336,146
Retirement Benefits Asset (Note 24)	88,469,376	136,248,083
Deferred Income Tax Assets - net (Note 25)	31,318,073	21,119,910
Other Assets (Note 10)	1,083,870,966	1,084,632,253
TOTAL ASSETS	₱143,207,507,364	₱135,055,199,072
LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Legal policy reserves (Note 11)	₱58,161,645,107	₱54,375,294,579
Derivative liability (Note 12)	–	50,356,772
Other insurance liabilities (Note 13)	38,340,581,928	35,693,304,074
Accrued expenses and other liabilities (Note 14)	1,710,317,216	1,699,950,050
Retirement benefits liability (Note 24)	6,154,514	–
Deferred income tax liabilities - net (Note 25)	1,066,363,570	2,725,399,622
Total Liabilities	99,285,062,335	94,544,305,097
Members' Equity		
Equity attributable to Parent Company		
Reserve for fluctuation in AFS/financial assets at fair value through other comprehensive income (FVOCI):		
Attributable to the Group (Note 6):		
Equity securities	4,850,752,370	8,728,169,610
Debt securities	3,447,945,709	(2,735,588,167)
Attributable to associates (Note 7)	12,408,281	(8,112,910)
	8,311,106,360	5,984,468,533
Cumulative re-measurement losses on defined benefit plan		
Attributable to the Group (Note 24)	(77,171,177)	(45,667,187)
Attributable to the associates (Note 7)	(66,148,376)	(4,361,347)
	(143,319,553)	(50,028,534)
Premium on deemed disposal of investment in an associate (Note 7)	304,954,486	304,954,486
Cumulative re-measurement on life insurance reserves (Note 11)	1,069,189,322	4,742,789,366
Retained earnings - net (Notes 15 and 33):		
Appropriated	900,000,000	550,000,000
Unappropriated	33,480,514,414	28,978,710,124
Total Members' Equity	43,922,445,029	40,510,893,975
TOTAL LIABILITIES AND MEMBERS' EQUITY	₱143,207,507,364	₱135,055,199,072

See accompanying Notes to Consolidated Financial Statements.

THE INSULAR LIFE ASSURANCE COMPANY, LTD AND SUBSIDIARIES
(A Domestic Mutual Life Insurance Company)

Consolidated Statements of Income

	Years Ended December 31	
	2019	2018
REVENUE		
Insurance Revenue (Note 16)		
Gross earned premiums on insurance contracts	₱13,657,093,676	₱14,573,372,128
Reinsurers' share of premiums on insurance contracts	(157,076,994)	(192,333,649)
Net Insurance Revenue	13,500,016,682	14,381,038,479
Operating Revenue		
Investment income (Note 17)	5,230,143,080	5,017,181,970
Equity in net earnings of associates (Note 7)	2,279,772,787	1,061,082,132
Rental income (Notes 8 and 27)	740,863,514	639,740,070
Net realized gains on financial assets and real properties (Note 18)	387,362,647	394,270,740
Foreign exchange gain - net (Note 32)	–	187,488,167
Other income (Note 29)	600,826,769	528,692,892
Total Operating Revenue	9,238,968,797	7,828,455,971
Total Revenue	22,738,985,479	22,209,494,450
INSURANCE BENEFITS OPERATING EXPENSES		
Insurance Benefits Expenses (Note 19)		
Gross benefits and claims on insurance contracts	14,387,095,709	13,790,088,233
Reinsurers' share of benefits and claims on insurance contracts	(68,562,651)	(56,475,863)
Net change in (Note 11):		
Legal policy reserves	(1,444,391,492)	691,161,898
Reinsurers' share in legal policy reserves	(17,258,042)	(23,778,082)
Net Insurance Benefits Expenses	12,856,883,524	14,400,996,186
Operating Expenses		
General insurance expenses (Note 20)	2,336,831,273	2,101,785,414
Commissions and other acquisition expenses	1,680,405,328	1,754,871,769
Investment expenses (Note 21)	194,979,012	235,301,563
Other losses (Note 22)	317,840,756	60,293,960
Total Operating Expenses	4,530,056,369	4,152,252,706
Total Insurance Benefits and Operating Expenses	17,386,939,893	18,553,248,892
INCOME BEFORE INCOME TAX	5,352,045,586	3,656,245,558
PROVISION FOR INCOME TAX (Note 25)	498,629,647	658,255,859
NET INCOME	₱4,853,415,939	₱2,997,989,699
ATTRIBUTABLE TO:		
Parent Company	₱4,853,415,939	₱2,997,991,815
Non-controlling Interest	–	(2,116)
NET INCOME	₱4,853,415,939	₱2,997,989,699

See accompanying Notes to Consolidated Financial Statements.

THE INSULAR LIFE ASSURANCE COMPANY, LTD AND SUBSIDIARIES
(A Domestic Mutual Life Insurance Company)

Consolidated Statements of Comprehensive Income

	Years Ended December 31	
	2019	**2018**
NET INCOME	₱4,853,415,939	₱2,997,989,699
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that recycle to profit or loss in subsequent periods:		
Decrease in value of available-for-sale equity securities (Notes 6 and 22)	(3,875,715,375)	(4,545,489,262)
Share in other comprehensive income (losses) of associates	20,566,408	(16,037,488)
Consequential deferred income tax impact	(1,701,865)	(739,844)
	(3,856,850,832)	(4,562,266,594)
Decrease in value of available-for-sale debt securities (Notes 6 and 22)	6,188,523,717	(1,844,826,874)
Consequential deferred income tax impact	(4,989,841)	1,060,640
	6,183,488,659	(1,843,766,234)
Items that do not recycle to profit or loss in subsequent periods:		
Re-measurement gains on defined benefit plan (Note 24)	(45,005,700)	148,106,345
Share in other comprehensive income (losses) of associates	(61,787,029)	30,924,694
Consequential deferred income tax impact	13,501,710	(43,825,635)
	(93,291,019)	135,205,404
Re-measurement gains on life insurance reserves (Note 11)	(5,248,000,062)	8,665,102,033
Consequential deferred income tax impact	1,574,400,018	(2,599,530,610)
	(3,673,600,044)	6,065,571,423
TOTAL OTHER COMPREHENSIVE LOSS	(1,440,253,236)	(205,256,001)
TOTAL COMPREHENSIVE INCOME	₱3,413,162,703	₱ 2,792,733,698

See accompanying Notes to Financial Statements.

THE INSULAR LIFE ASSURANCE COMPANY, LTD AND SUBSIDIARIES
(A Domestic Mutual Life Insurance Company)

Consolidated Statements of Changes In Equity

	Equity Attributable to Group Company												
	Reserve Attribute for Fluctuation in AFS/FVOCI Financial Assets			Cumulative Re-measurement Gain (losses) on Defined Benefit Plan									
	Attribute to the Parent Company												
	Equity Securities (Note 6)	Debt Securities (Note 6)	Attributable to the Associates (Note 7)	Attributable to the Parent (Note 24)	Attributable to the Associates (Note 7)	Premium on Deemed Disposal of Investment in an Associate (Note 7)	Share in Surplus Reserves of Subsidiary	Cumulative Re-measurement Gains (Losses) on Life Insurance Reserves (Note 11)	Retained Earnings (Notes 15 and 33) Appropriated	Retained Earnings (Notes 15 and 33) Unappropriated	Total Equity Attributable to Parent Company	Equity Attributable to Non-controlling Interest (Note 28)	Total
BALANCES AT DECEMBER 31, 2017, as restated	₱13,274,398,716	(₱891,821,933)	₱7,924,578	(₱149,947,897)	(₱35,286,041)	₱304,954,486	₱3,226,537	(₱1,322,782,057)	₱550,000,000	₱25,993,316,679	₱37,733,983,068	₱154,568,011	₱37,888,551,079
Total comprehensive income (loss)	(4,546,229,106)	(1,843,766,234)	(16,037,488)	104,280,710	30,924,694	-	-	6,065,571,423	-	2,997,991,815	2,792,735,814	(2,116)	2,792,733,698
Deconsolidation of a subsidiary (Note 28)	-	-	-	-	-	-	(3,226,537)	-	-	-	(3,226,537)	(154,575,489)	(157,802,026)
Dividends to members	-	-	-	-	-	-		-	-	(12,598,370)	(12,598,370)	-	(12,598,370)
Net increase in preferred shares	-	-	-	-	-	-	-	-	-	-	-	9,594	9,594
BALANCES AT DECEMBER 31, 2018	₱8,728,169,610	(₱2,735,588,167)	(₱8,112,910)	(₱45,667,187)	(₱4,361,347)	₱304,954,486	₱-	₱4,742,789,366	₱550,000,000	₱28,978,710,124	₱40,510,893,975	₱-	₱40,510,893,975
Total comprehensive income (loss)	(3,877,417,240)	6,183,533,876	20,521,191	(31,503,990)	(61,787,029)	-	-	(3,673,600,044)	-	4,853,415,939	3,413,162,703	-	3,413,162,703
Effect of adoption of PFRS 16	-	-	-	-	-	-	-	-	-	(1,611,649)	(1,611,649)	-	(1,611,649)
Additional appropriation (Note 15)	-	-	-	-	-	-	-	-	350,000,000	(350,000,000)	-	-	-
BALANCES AT DECEMBER 31, 2019	₱4,850,752,370	₱3,447,945,709	₱12,408,281	(₱77,171,177)	(₱66,148,376)	₱304,954,486	₱-	₱1,069,189,322	₱900,000,000	₱33,480,514,414	₱43,922,445,029	₱-	₱43,922,445,029

See accompanying Notes to Consolidated Financial Statements.

THE INSULAR LIFE ASSURANCE COMPANY, LTD AND SUBSIDIARIES
(A Domestic Mutual Life Insurance Company)

Consolidated Statements of Cash Flows

	Years Ended December 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱5,365,516,090	₱3,656,245,558
Adjustments for:		
Interest income (Note 17)	(3,775,518,956)	(3,697,992,490)
Dividend income (Note 17)	(1,144,859,661)	(1,671,863,563)
Net change in legal policy reserves (Note 11)	(1,461,649,534)	667,383,816
Interest expense	304,843,319	316,290,987
Loss on deconsolidation of a subsidiary	-	5,715,649
Amortization of premium/discount on investments in debt financial assets	126,207,744	52,265,035
Loss (gain) on derivative liability	(50,356,772)	14,448,537
Share in equity in net earnings of associate	(2,279,772,787)	(1,061,082,132)
Net realized gain on disposals of (Note 18):		
Available-for-sale financial assets (Note 6)	(350,057,175)	(311,739,276)
Investment properties	(36,703,874)	(34,014,646)
Foreclosed properties	(311,598)	(2,228,328)
Depreciation and amortization of:		
Investment properties (Note 8)	123,536,389	136,264,550
Property and equipment and computer software (Notes 9 and 10)	160,727,879	131,832,196
Net changes in retirement benefits asset or liability (Note 24)	8,939,362	94,112,287
Impairment loss on:		
Available-for-sale equity securities (Notes 6 and 22)	140,268,919	54,578,311
Property and equipment	-	(288,497)
Provision for credit losses on loans and receivables (Note 6)	226,456	2,310,245
Foreign exchange (gain) loss - net	177,571,837	(118,093,884)
Operating loss before working capital changes	(2,691,392,362)	(1,765,855,645)
Changes in operating assets and liabilities:		
Net decrease (increase) in:		
Financial assets at fair value through profit or loss	(2,535,390,747)	(992,486,430)
Loans and receivables	872,542,492	784,831,130
Insurance receivables	(7,258,475)	14,362,425
Other assets	23,453,318	(254,015)
Net increase (decrease) in:		
Other insurance liabilities	3,039,159,541	1,048,270,554
Accrued expenses and other liabilities	(35,478,515)	(221,867,658)
Net cash used in operations	(1,334,364,748)	(1,132,999,639)
Income taxes paid	(1,245,074,647)	(1,174,137,313)
Net cash used in operating activities	(₱2,579,439,395)	(₱2,307,136,952)

(Forward)

	Years Ended December 31 2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income received	₱3,746,034,946	₱3,566,418,805
Collections of loans and receivable	992,483,095	1,218,906,471
Proceeds from disposals and/or maturities of:		
Available-for-sale financial assets (Note 6)	2,037,674,668	812,991,934
Held-to-maturity financial assets (Note 6)	574,100,000	338,127,200
Investment properties	284,405,871	96,823,212
Property and equipment	25,224,990	9,637,118
Dividends received	1,518,777,666	2,015,993,833
Deconsolidation of a subsidiary (Note 28)	-	(2,187,857)
Additional (collection of) investments in:		
Available-for-sale financial assets (Note 6)	(3,879,206,945)	(5,009,935,765)
Investment properties (Note 8)	(267,702,968)	(168,554,126)
Property and equipment and computer software (Notes 9 and 10)	(216,714,506)	(161,744,146)
Held-to-maturity financial assets (Note 6)	(161,855,167)	(132,449,040)
Releases of loans and receivables	(250,000,000)	(1,000,000,000)
Net cash generated from investing activities	4,403,221,650	1,584,027,639
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of dividends and interest to members	(674,640,719)	(724,070,917)
Payment of lease liabilities	(10,950,439)	-
Redemption of preferred shares (Note 28)	-	(101,027,371)
Issuances of preferred shares (Note 28)	-	48,455,553
Net cash used in financing activities	(685,591,158)	(776,642,735)
NET DECREASE IN CASH AND CASH EQUIVALENTS	1,138,191,097	(1,498,252,047)
NET FOREIGN EXCHANGE GAINS	36,335,140	1,983,212
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,469,575,246	4,965,844,081
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱4,644,101,483	₱3,469,575,246

See accompanying Notes to Financial Statements.

1. Corporate Information and Authorization for the Issuance of the Financial Statements

1.1. Corporate Information

The Insular Life Assurance Company, Ltd. (the "Parent Company"), a mutual life insurance company primarily engaged in the life insurance business, was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on November 25, 1910. The Parent Company will be celebrating its 110th year anniversary on November 25, 2020. On November 12, 2010, the SEC approved the amendment of the Company's Article of Incorporation to extend its corporate term for another 50 years or until November 26, 2060.

The registered business address of the Parent Company is Level 30 Insular Life Corporate Centre, Insular Life Drive, Filinvest Corporate City, Alabang, Muntinlupa City.

The Parent Company and its subsidiaries (collectively referred to as the "Group") are primarily engaged in the business of life insurance, healthcare, lending, and investment management (Note 28).

1.2. Authorization for Issuance of the Financial Statements

The consolidated financial statements of the Group were approved and authorized for issuance by the Board of Trustees (BOT) on April 23, 2020.

2. Summary of Significant Accounting and Financial Reporting Policies

2.1. Statement of Compliance

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

2.2. Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVPL) and available-for-sale (AFS) financial assets that have been measured at fair value.

The financial statements are presented in Philippine Peso (Peso), which is the Group's functional and presentation currency. All amounts were rounded to the nearest Peso, except when otherwise indicated.

2.3. Changes in Accounting Policies

2.3.1. New Standards and Interpretations Issued and Effective as at January 1, 2019

The accounting policies adopted are consistent with those of the previous financial year except for the following new pronouncements and amendments to existing PFRS that became effective beginning January 1, 2019 and which did not have any significant impact on the Group's financial statements, unless otherwise stated.

a. Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
b. Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

c. Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
d. *Annual Improvements to PFRSs* 2015-2017 Cycle
   - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*
   - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
   - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

e. PFRS 16, Leases

PFRS 16 supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining whether an Arrangement contains a Lease*, Philippine Interpretation SIC-15, *Operating Leases-Incentives* and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet.

The Group adopted PFRS 16 using the modified retrospective approach upon adoption of PFRS 16 in 2019 and elected to apply the standard to contracts that were previously identified as leases applying PAS 17 and Philippine Interpretation IFRIC-4. The Group therefore did not apply the standard to contracts that were not previously identified as containing a lease applying PAS 17 and Philippine Interpretation IFRIC-4.

The effect of adoption PFRS 16 as at January 1, 2019 is, as follows:

	Increase (decrease)
Assets	
Property and equipment	₱24,154,759
Prepayments and Rental Deposits	(1,238,296)
Liabilities	
Lease liabilities	22,916,463

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases. Therefore, PFRS 16 did not have an impact for leases where the Group is the lessor.

Leases previously accounted for as operating leases
The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases. The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:
- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Based on the above, as at January 1, 2019:
- Property and equipment were recognized amounting to ₱24,154,759 representing the amount of right-of-use assets set up on transition date.
- Additional lease liabilities of ₱22,916,463 were recognized.
- Prepayments and rental deposits of ₱1,238,296 related to previous operating leases arising from straight lining under PAS 17 were derecognized.

The lease liability at as January 1, 2019 as can be reconciled to the operating lease commitments as of December 31, 2018 follows:

Operating lease commitments as at December 31, 2018 (PAS 17)	**₱36,777,227**
Weighted average incremental borrowing rate at January 1, 2019	5.5% to 7.578%
Lease liabilities recognized at January 1, 2019	**₱22,916,463**

The adoption of PFRS 16 will not have an impact on equity in 2019, since the Group elected to measure the right-of-use assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application.

f. Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 *Income Taxes*. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

Based on the Group's assessment, it has no material uncertain tax treatments, accordingly, the adoption of this Interpretation has no significant impact on the financial statements.

2.3.2. Standards Issued but Not Yet Effective

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, 2020

- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*

Effective beginning on or after January 1, 2023

- 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 core of PFRS 17 is the general model, supplemented by:
  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted. This effectivity date is aligned with the original effectivity date of IFRS 17 upon the issuance of the Standard in May 2017 by the International Accounting Standards Board (IASB). During its March 2020 meeting, the IASB agreed to defer the effective date of IFRS 17 to annual reporting periods beginning January 1, 2023. The IASB also extended the fixed expiry date of the temporary exemption from IFRS 9, *Financial Instruments* for qualifying insurers so that qualifying entities can defer adoption of IFRS 9 until January 1, 2023. PFRS is expected to align with the new effective date once the IASB issues and finalizes the Amendments to IFRS 17 as part of the Standard.

  The Group plans to adopt the new standard on the required effective date together with PFRS 9.

  The Group started a project to implement IFRS 17 and has been performing an impact assessment of IFRS 17. The Group expects that the new standard will result in a significant change to accounting policies for insurance contract liabilities and is likely to have a significant impact on profit and total equity together with presentation and disclosure.

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*

2.4. Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its associates as at December 31, 2019 and 2018.

Specifically, the Group controls an investee if and only if it has:
- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure (or rights) to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. A subsidiary is an entity that is controlled by the Parent Company (i.e., either directly or through intermediate parent companies within the Group). Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the date the Parent Company gain control until the date the Parent Company ceases to control the subsidiary.

Following are the Parent Company's subsidiaries and the corresponding percentages of ownership as of December 31:

	Percentage of Ownership	
	2019	2018
Insular Investment Corporation (IIC)	**100.00**	100.00
• IITC Properties, Inc.	**100.00**	100.00*
• Insular Property Ventures, Inc.	**100.00**	100.00*
Insular Health Care Incorporated (I-Care)	**100.00**	100.00
Insular Life Management and Development Corporation (ILMADECO)	**100.00**	100.00

• ILAC General Insurance Agency, Inc. (ILAC-Gen)	**100.00**	100.00**
Insular Life Property Holdings, Inc. (ILPHI)	**100.00**	100.00

**Represents the Company's ownership through IIC*
***Represents the Company's ownership through ILMADECO*

On December 19, 2018, the Parent Company sold all of its ownership interest in Home Credit with net assets of ₱10,715,469 in the consolidated financial statements for a consideration of ₱5,715,649.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The financial statements of the subsidiaries are prepared for the same reporting years as the Group, except for ILMADECO which is consolidated based on its financial statements as of March 31, 2019 and 2018 and for the years then ended, using consistent accounting principles and policies.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it: (a) derecognizes the assets and liabilities of the subsidiary; (b) derecognizes the carrying amounts of any non-controlling interest; (c) derecognizes the cumulative translation differences recorded in equity; (d) recognizes the fair value of consideration received; (e) recognizes the fair value of any investment retained; (f) recognizes any surplus or deficit in profit or loss; and (g) reclassifies the parent's share of components previously recognized in OCI to profit or loss.

2.5. Non-controlling Interest

Non-controlling interest represents the portion of income and expense, and net assets in Home Credit not held by the Parent Company and are presented separately in the consolidated statements of income and within members' equity in the consolidated statements of financial position, separate from the members' equity attributable to the Group.

2.6. Fair Value Measurement

The Group measures its financial assets at FVPL and AFS at fair value at each reporting date. Also, the fair values of held-to-maturity (HTM) securities, and other financial liabilities measured at amortized cost are disclosed in Note 30.

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 Group. 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 Group 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; or
- 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 consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing 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.

The Group's management determines the policies and procedures for both recurring and non-recurring fair value measurement.

At each reporting date, the management analyzes the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Group 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 in previous page.

2.7. Cash and Cash Equivalents

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 months or less from the date of acquisition and that are subject to an insignificant risk of change in value.

2.8. Financial Instruments

The Company recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of the instrument.

All regular way purchases and sales of financial assets are recognized on the trade date, i.e., the date the Group commits to purchase or sell the financial asset. Regular way purchases or sales of financial assets require delivery of financial assets within the time frame generally established by regulation or convention in the market place.

Financial assets and financial liabilities are recognized initially at fair value. Transaction costs, if any, are included in the initial measurement of all financial assets and financial liabilities, except for financial instruments measured at FVPL.

The Group classifies its financial assets as financial assets at FVPL, HTM financial assets, loans and receivables, or AFS financial assets, as appropriate. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or other financial liabilities, as appropriate. The classification depends on the purpose for which the financial instruments were acquired or originated. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates this designation at every reporting date.

2.8.1. *Financial Assets*

(a) Financial Assets at FVPL

Financial assets at FVPL include financial assets held-for-trading purposes or designated by management as financial asset at FVPL at initial recognition. Derivative instruments, except those covered by hedge accounting relationships, are classified under this category.

Financial assets are classified as held-for-trading if they are acquired for the purpose of selling in the near term.

Financial assets are designated as at FVPL by management on initial recognition when any of the following is met:

i. The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the financial assets or recognizing gains or losses on them on a different basis;
ii. The financial assets are part of a Group of financial assets which are managed and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy; or
iii. The financial asset contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

These financial assets are subsequently measured at fair market value. Realized and unrealized gains and losses arising from changes in fair market value of financial assets at FVPL are recognized in the statements of income. Interest earned on debt securities is recognized as the interest accrues. Dividend income on equity securities is recognized according to the terms of the contract or when the right to receive payment has been established.

The Group's financial assets at FVPL amounting to ₱31,742,159,799 and ₱29,335,874,588 as of December 31, 2019 and 2018, respectively, are designated at FVPL by management at initial recognition (Note 6). These financial assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis in accordance with a documented investment strategy. The Group manages these financial assets in accordance with the investment strategy and valuation provisions of the Variable Unit-Linked (VUL) insurance contracts. Likewise, this is consistent with the valuation basis of the reserve for policies held by the policyholders. These financial assets consist primarily of quoted government and corporate debt securities with fixed interest rates, quoted equity securities, and structured notes.

The Group also has investments in quoted preferred equity shares amounting to ₱3,659,508,970 and ₱3,689,220,800 as of December 31, 2019 and 2018, respectively, which are designated as at FVPL (Note 6).

(b) HTM Financial Assets

HTM financial assets are non-derivative financial assets that are quoted in the market, with fixed or determinable payments and fixed maturity which the Group has the positive intention and ability to hold to maturity. Financial assets intended to be held for an undefined period are not included in this classification. HTM financial assets are subsequently measured at amortized cost. The amortized cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount. This calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums and discounts. Gains and losses are recognized in the statements of income when the financial assets are derecognized, impaired, or amortized.

The Group's HTM financial assets consist of quoted government and corporate debt securities with fixed interest rates (Note 6).

(c) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortized cost. The amortized cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount.

This calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums and discounts. Gains and losses are recognized in the statements of income when the financial assets are derecognized, impaired, or amortized.

The Group's loans and receivables consist of cash and cash equivalents, insurance receivables, unquoted debt security, term loans, policy loans, accounts receivable, interest receivable, housing loans, car financing loans, mortgage loans, due from agents, and other receivables (Note 6).

(d) AFS Financial Assets

AFS financial assets are non-derivative financial assets which are designated as such or do not qualify to be classified as designated as at FVPL, HTM, or loans and receivables. Financial assets may be designated at initial recognition as AFS if they are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions.

AFS financial assets are subsequently measured at fair market value. When the fair value of AFS financial assets cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity securities, these financial assets are carried at cost, less any allowance for impairment losses.

The effective yield component of AFS debt securities as well as the impact of translation of foreign currency-denominated AFS debt securities is reported in the consolidated statements of income. Interest earned on holding AFS financial assets is reported as interest income using the effective interest method. Dividends earned on holding AFS financial assets are recognized in the statements of income as investment income when the right to receive payment has been established. Unrealized gains and losses arising from changes in fair market value of AFS financial assets are reported in OCI until the financial asset is derecognized or as the financial asset is determined to be impaired.

When the security is disposed of, the cumulative gain or loss previously recognized in OCI is recognized as realized gain in the consolidated statements of income.

The Group's AFS financial assets consist of quoted government and corporate debt securities with fixed interest rates, and quoted and unquoted equity securities (Note 6).

2.8.2. *Financial Liabilities*

Issued financial instruments or their components, which are not designated as at FVPL are classified as other financial liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. Other financial liabilities are non-derivative financial liabilities with fixed or determinable payment that are not quoted in an active market.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. The amortized cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount. This calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums and discounts. Gains and losses are recognized in the statements of income when the financial liabilities are derecognized, impaired, or amortized.

The Group's other financial liabilities consist of accrued expenses and other liabilities except for provisions and statutory liabilities (Note 14).

2.8.3. *Derivative financial instruments*

Derivative financial instruments are initially recognized at fair value on the date in which a derivative transaction is entered into, and are subsequently re-measured at fair value. Any gains and losses from changes in fair value of these derivatives are recognized immediately to profit or loss, unless they are designated hedging instruments in effective cash flow hedges. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Group's derivative liability consists of cross-currency swap (CCS) (Note 12).

2.8.4. *Embedded Derivatives*

The Group assesses whether embedded derivatives are required to be separated from the host contracts when the Group first becomes a party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

An embedded derivative is separated from the host financial or non-financial contract and accounted for as a derivative if all of the following conditions are met:

- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristic of the host contract;
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- The hybrid or combined instrument is not recognized as at FVPL.

Embedded derivatives that are bifurcated from the host contracts are accounted for as financial assets at FVPL. Changes in fair values are included in the consolidated statements of income.

2.8.5. *Day 1 gain or loss*

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (Day 1 gain or loss) in the consolidated statements of income unless it qualifies for recognition as some other type of asset. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statements of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the Day 1 amount.

2.8.6. *Offsetting of Financial Instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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 and the related assets and liabilities are presented gross in the consolidated statements of financial position.

2.9. <u>Classification of Financial Instruments Between Debt and Equity</u>

A financial instrument is classified as debt if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instruments as a whole the amount separately determined as the fair value of the liability component on the date of issue.

2.10. <u>Derecognition of Financial Instruments</u>

2.10.1. *Financial Assets*

A financial asset is derecognized when:

- the right to receive cash flows from the financial asset has expired;
- the Group retains the right to receive cash flows from the financial 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 Group has transferred its right to receive cash flows from the financial asset and either: (a) has transferred substantially all the risks and rewards of the financial asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset.

Where the Group has transferred its rights to receive cash flows from a financial asset and has neither transferred nor retained substantially all the risks and rewards of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Group's continuing involvement in the financial asset.

2.10.2. *Financial Liabilities*

A financial liability is derecognized when the obligation under the financial liability is extinguished, i.e., when 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 financial liability are substantially modified, such an exchange or modification is treated as a derecognition of the original financial liability and the recognition of a new financial liability and the difference in the respective carrying amounts is recognized in the statements of income.

2.11. Impairment of Financial Assets

The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default, or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.11.1. *Financial Assets Carried at Amortized Cost*

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows (excluding expected future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate, i.e., the effective interest rate computed at initial recognition. The carrying amount of the financial asset shall be reduced either directly or through the use of an allowance account. HTM financial assets and loans and receivables, together with the associated allowance accounts are written off when there is no realistic prospect of future recovery and all the collaterals have been realized. The amount of the loss shall be recognized in the consolidated statements of income.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. Objective evidence includes observable data that comes to the attention of the Group about loss events such as but not limited to significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments, probability that the borrower will enter bankruptcy or other financial re-organization. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the financial asset is included in a group of financial assets with similar credit risk characteristics such as customer type, payment history, past due status and term, and that group of financial assets is collectively assessed for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statements of income to the extent that the carrying value of the financial asset does not exceed its amortized cost at the reversal date.

The Group performs a regular review of the age and status of these accounts, designed to identify accounts with objective evidence of impairment and provide the appropriate allowance for impairment loss. The review is accomplished using a combination of specific and collective assessment approaches, with the impairment loss being determined for each risk grouping identified by the Group.

2.11.2. *AFS Financial Assets*

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the consolidated statements of income, is transferred from OCI to the consolidated statements of income.

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of "Investment income" in the consolidated statements of income. If, in subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss is recognized in the consolidated statements of income, the impairment loss is reversed through the consolidated statements of income.

In case of equity securities classified as AFS financial assets, objective evidence would include a significant or prolonged decline in the fair value of the financial assets below its cost or where other objective evidence of impairment exists. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statements of income, is removed from OCI and recognized in the consolidated statements of income. Impairment losses on equity securities are not reversed through the consolidated statements of income. Increases in fair value after impairment and reversals of impairment losses on equity instruments are recognized directly in OCI.

2.11.3. *Financial Assets Carried at Cost*
If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

2.12. Investments in Associates
The investments in associates are accounted for under the equity method. An associate is an entity in which the Group has significant influence.

The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances. The Group adjusts the equity and profit or loss of the associates, as applicable, for any significant difference in accounting policies for like transaction and similar circumstances except for the accounting for financial instruments starting 2018. Beginning January 1, 2018, the Group applies the temporary exemption from PFRS 9 but the associates apply PFRS 9 as permitted under the Amendments to PFRS 4 (Note 7).

The Group's percentages of ownership in the shares of stock of associates as of December 31 are as follows:

	Percentage of Ownership	
	2019	2018
PPI Prime Ventures, Inc. (PPVI)	**30.00%**	30.00%
Mapfre Insular Insurance Corporation (MIIC)	**25.00%**	25.00%
Union Bank of the Philippines (UBP)	**16.32%**	16.29%

Under the equity method, the investments in associates are carried in the consolidated statements of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates adjusted for the financial impact of significant differences in accounting policies for like transactions and similar circumstances. The Group determines whether it is necessary to recognize any impairment loss in respect to the Group's net investment in the associate. The consolidated statements of income reflect the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share on the said change and discloses this, when applicable, in the consolidated statements of changes in members' equity. Profits or losses resulting from transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associate.

The statement of income reflects the Parent Company's share of the results of operations of the subsidiary, associate or joint venture. Any change in OCI of those investees is presented as part of the Parent Company's OCI. In addition, when there has been a change recognized directly in the equity of the subsidiary, associate or joint venture, the Parent Company recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Parent Company and the subsidiary, associate or joint venture are eliminated to the extent of the interest in the subsidiary, associate or joint venture. The aggregate of the Parent Company's share of profit or loss of subsidiaries, associates and a joint venture is shown on the face of the statement of income outside operating profit and represents share in the profit or loss after tax.

Reduction in investment in an associate deemed as disposal is accounted for using the entity concept method. Under the entity concept method, the Group should regard the deemed disposal of investment in an associate as an equity transaction. Gain or loss from the deemed disposal of investment in an associate is recognized as a separate component in the members' equity section of the consolidated statements of financial position (Note 7).

2.13. Investment Properties
Investment properties consist of land, buildings, and improvements (or portion of them) owned by the Group that are leased to others or held for capital appreciation or both. Investment properties are stated at cost, including transaction costs, less accumulated depreciation and amortization and any impairment in value. Depreciation of building and improvements is computed on a straight-line method over the estimated useful life of the properties of 40 years and 10 years, respectively.

Investment properties are derecognized when they have been disposed, permanently withdrawn from use, or when no future economic benefit is expected from their disposal. Any gain or loss on the disposal of an investment property is recognized in the consolidated statements of income in the year of disposal.

The investment properties' use, estimated useful life, and method of depreciation and amortization are reviewed on a regular basis and transferred to other property accounts, if appropriate, upon determination of change in use.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

For a transfer from investment property to property and equipment and transfer of property and equipment to investment property, the Group accounts for such property in accordance with the policy stated under investment property and property and equipment, respectively, up to the date of change in use.

Where a single property is partly held for use in the supply of services and partly for capital appreciation or rentals, the Group accounts for these portions separately if these portions could be separately sold or leased out under a finance lease. If these portions could not be sold separately, the property is considered by management as investment property only if an insignificant portion is held for use in the supply of services.

2.14. Property and Equipment
Property and equipment, including owner-occupied properties, except for land, are stated at cost, net of accumulated depreciation and amortization and any impairment in value. Land is stated at cost less any impairment in value.

The initial cost of property and equipment consists of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to consolidated statements of income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of the property and equipment.

Depreciation and amortization of property and equipment commence, once the property and equipment are available for use and are computed using the straight-line method over the estimated useful lives (EUL) of the assets regardless of utilization.

The EUL of property and equipment of the Group follows:

	Years
Buildings	40
Building equipment	25
Furniture, fixtures, and equipment	3-10
Electronic and data processing equipment	2-5
Transportation equipment	4-5
Right-of-use asset	5-10

Leasehold improvements are amortized over the term of the lease or the EUL of five years, whichever is shorter.

Depreciation of an item of property and equipment begins when the asset becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The assets' residual values, estimated useful lives, and depreciation and amortization method are reviewed and adjusted, if appropriate, at each financial year-end.

An item of property and equipment is derecognized upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising from its derecognition, calculated as the difference between the net disposal proceeds and the carrying amount of the property and equipment, is included in the consolidated statements of income in the year the property and equipment is derecognized.

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Building and building equipment 25 to 40 years
- Furnitures, fixtures and equipment 3 to 10 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies on impairment of non-financial assets.

2.15. Computer Software

Computer software, included under "Other assets" in the consolidated statements of financial position, is carried at cost less accumulated amortization and impairment loss, if any. Costs incurred to acquire computer software (not an integral part of its related hardware) and bring it to its intended use and costs directly associated with the development of identifiable computer software that generate expected future benefits to the Group are capitalized. All other costs of developing and maintaining computer software programs are recognized as expenses as incurred. These costs are amortized over the EUL of five years. Subsequently, computer software is measured at cost, less any accumulated amortization and any accumulated impairment loss.

Periods and method of amortization for computer software are reviewed annually or earlier when an indicator of impairment exists.

2.16. Impairment of Nonfinancial Assets

The Group's nonfinancial assets consist of investments in associates, investment properties, property and equipment, and other assets.

At each reporting date, the Group assesses whether there is any indication that its nonfinancial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash generating unit to which it belongs. Where the carrying amount of an asset (or cash generating unit) exceeds its recoverable amount, the asset (or cash generating unit) 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 assessments of the time value of money and the risks specific to the asset (or cash generating unit).

An impairment loss is charged against operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged against the revaluation increment of the said asset.

For nonfinancial assets excluding goodwill, an assessment is made at each 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. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its estimated remaining life.

2.17. Leases

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Group as a lessee
Policy applicable beginning January 1, 2019
The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, except for leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2.17.1. *Property and Equipment*
Effective January 1, 2019, it is the Group's policy to classify right-of-use assets as part of property and equipment. Prior to that date, all of the Group 's leases are accounted for as operating leases in accordance with PAS 17, hence, not recorded on the statement of financial position. The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. Right-of-use assets are subject to impairment.

2.17.2. *Lease Liabilities*
At the commencement date of the lease, the Group 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 the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because 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 remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Accrued Expenses and Other Liabilities (Note 14).

2.17.3. *Short-term leases and leases of low-value assets*
The Group does not apply the short-term lease recognition exemption (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 does not apply the leases of low-value assets recognition exemption.

Policy applicable prior to January 1, 2019
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
b. A renewal option is exercised or extension is granted, unless that term of the renewal or extension was initially included in the lease term;
c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a, c or d above, and at the date of renewal or extension period for scenario (b).

Leases where the lessor does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Lease payments on operating leases are recognized on a straight-line basis over the lease term.

2.18. <u>Retained Earnings</u>
Retained earnings represent the cumulative balance of net income, dividend distributions, and other capital adjustments, including retrospective restatements. Retained earnings may be classified as unappropriated retained earnings and appropriated retained earnings. Unappropriated retained earnings represent that portion which is free and can be declared as dividends to members. Appropriated retained earnings represent that portion which is restricted and, therefore, not available for any dividend declaration.

2.19. <u>Insurance Contracts</u>

2.19.1. *Product Classification*

(a) Insurance and Investment Contracts

Insurance contracts are those contracts where the Group has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk by comparing benefits payable on occurrence of insured event with benefits payable on non-occurrence of insured event at inception. Insurance contracts can also transfer financial risk.

Investment contracts are those contracts that transfer significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index or price or rates, a credit rating or credit index, or other variable.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations have been extinguished or have expired. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.
Insurance and investment contracts are further classified as being either with or without discretionary participation features (DPF). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the issuer; and
- contractually based on the: (a) performance of a specified pool of contracts or a specified type of contract; (b) realized and/or unrealized investment returns on a specified pool of assets held by the issuer; or (c) profit or loss of the Company, fund or other entity that issues the contract.

(b) Variable Unit-Linked (VUL) Insurance Contracts

The Group issues VUL insurance contracts. In addition to providing life insurance coverage, a VUL insurance contract links payments to units of an investment fund set up by the Group with the consideration received from the policyholders. Premiums received from the issuance of VUL insurance contracts are recognized as premium revenue. As allowed by PFRS 4, *Insurance Contracts,* the Group chose not to unbundle the investment fund of its VUL insurance contracts.

The liability for the investment portion of VUL insurance contracts is increased by additional deposits and changes in unit prices and is decreased by policy administration fees, fund charges, mortality and surrender charges, and any withdrawals. As of the reporting date, this liability is computed on the basis of the number of units allocated to the policyholders multiplied by the unit price of the underlying investment funds.

The fund assets and liabilities are separately administered by, under Separate Funds by the Parent Company's trustee, a third party multinational bank accredited by the Bangko Sentral ng Pilipinas (BSP). The fund assets are designated as financial assets at FVPL and are valued on a basis consistent with the measurement basis in the consolidated statements of financial position. The fund liabilities are included in "Members' deposits and other funds on deposit" under "Other insurance liabilities" (Note 13).

(c) Options and Guarantees

Options and guarantees within insurance contracts are treated as derivative financial instruments which are clearly and closely related to the host contract and are, therefore, not accounted for separately.

2.19.2. *Recognition and Measurement*

(a) Premiums

Premiums are recognized as revenue when they become due from the policyholders which, for single premium business, is the date from which the policy is effective. Due premiums which remain unpaid within the statutory defined limit are recognized as part of assets.

(b) Reinsurance Assets

The Group cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract.

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

Claims receivable from reinsurers on businesses ceded are offset against premiums payable to the reinsurers which is customary in the industry.

An impairment review is performed on all due premiums and reinsurance assets whenever events or circumstances indicate that impairment loss occurs. Due premiums and reinsurance assets are impaired only if there is objective evidence that the Group may not receive all amounts due to it under the terms of the contract and that this can be measured reliably. If such evidence exists, impairment loss is recognized in the consolidated statements of income.

(c) Legal Policy Reserves

For traditional policies with coverages beyond one year, the liability is calculated based on the Gross Premium Valuation ("GPV") method and is the sum of the present values of future benefits (including death, surrender, maturity, survivorship, dividends) and expenses (commissions, policy taxes, operational expenses), less the present value of future gross premiums arising from the policy discounted at the appropriate risk-free discount rate for policies with coverages beyond one year. These expected future cash flows are determined using best estimate assumptions with due regard to significant recent experience and margin for adverse deviation from the expected experience mandated by recent regulations.

The GPV methodology, projecting all future cash flows that go with a policy and with margins for adverse deviation is deemed to result to acceptable sufficient levels of reserves per regulations. Thus, the GPV methodology is deemed to satisfy provisions of determining reserves sufficiency level under PFRS 4.

For policies with coverages one year or less and for the risk portion of variable unit-linked policies, unearned premium reserves method is used.

(d) Benefits and Claims

Life insurance claims reflect the cost of all claims arising during the year. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

(e) Incurred But Not Reported (IBNR) Claims

IBNR claims are based on the estimated ultimate cost of unreported claims incurred but not settled at the reporting date, together with related claims handling costs. These costs pertain to estimates of the Group's obligations to the policyholders where the Group has not yet received notification. Delays can be experienced in the notification and settlement of obligations; therefore, the ultimate cost of which cannot be known with certainty at the reporting date. The Group develops estimates for IBNR taking into considerations the Group's prior experience.

2.20. Revenue recognition

The Group is primarily engaged in the business of insurance, leasing, investing in financial instruments and fund management. Insurance contracts, leasing agreements and financial instruments are within the scope of PFRS 4, *Insurance Contracts*, PFRS 16, *Leases* (effective January 1, 2019), PAS 17, *Leases* and PAS 39, *Financial Instruments: Recognition and Measurement*, respectively. Hence, they are outside the scope of PFRS 15, *Revenue from Contracts with Customers*. Fund management is within the scope of PFRS 15.

The revenue recognition policy for premiums is discussed in Note 2.19.2. Revenue recognition criteria for revenues outside the scope of PFRS 15 follow:

2.20.1. *Interest Income*

Interest income is recognized in the statements of income as it accrues, taking into account the effective interest rate of the related asset or an applicable floating rate. Interest income includes the amortization of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest basis.

Interest income on policy loans is earned over the term of the loan, normally over one year. The unearned portion of the interest on policy loans deducted in advance is presented as a contra asset in "Policy loans" under "Loans receivables."

Interest income on impaired mortgage loans and collateral and guaranteed loans is recognized as cash is received

2.20.2. *Dividend Income*

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

2.20.3. *Rental Income*

Rental income from investment properties is recognized on a straight-line basis over the lease term.

2.20.4. *Trading gains and losses*

Trading gains and losses arise from the buying and selling, and changes in fair value of financial assets and financial liabilities categorized upon initial recognition as at FVPL investments and disposal of AFS financial assets.
For the accounting policy on foreign exchange gain, refer to Note 2.23.

For revenues within the scope of PFRS 15 and PAS 18, the following specific recognition criteria must be met before revenue is recognized:

Policy applicable beginning January 1, 2018

To account for the revenues arising from contracts with customers, the Group applies the following five step model.

a. Identify the contract(s) with a customer
b. Identify the performance obligations in the contract
c. Determine the transaction price
d. Allocate the transaction price to the performance obligations in the contract
e. Recognize revenue when (or as) the entity satisfies a performance obligation.

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group concluded that it is acting as principal in all of its arrangements, because it typically controls the goods or services before transferring them to the customer.

The Group recognizes management fees over time, using an output method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group. Management fees are earned for the provision of asset management services. These services represent a single performance obligation comprising of a series of distinct services which are substantially the same, being provided continuously over the contract period. Management fees are determined based on a fixed percentage of the net asset value of the funds under management.

Amendment fees, cancellation fees and handling fees are recognized as revenue at a point in time, generally upon billing wherein the performance obligation is substantially satisfied.

Policy applicable prior to January 1, 2018

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, returns, rebates and value-added taxes. For management fees charged for fund management and administration, the fees are recognized as revenue in the period in which the related services are rendered.

2.21. Operating Expenses

Operating expenses are charged to operations when incurred.

2.22. Retirement Benefit Costs

The net retirement 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 method.

Retirement benefit costs comprise the following:

- Service cost; and
- Net interest on the 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 the consolidated statements of income. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net retirement benefit liability or asset is the change during the period in the net benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on risk free rates to the net defined pension liability or asset. Net interest on the net retirement benefit liability or asset is recognized as expense or income in the consolidated statements of income.

Re-measurements 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 other comprehensive income in the period in which they arise. Re-measurements are not reclassified to profit or loss in subsequent periods.

2.23. Operating Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statements of income on a straight-line basis over the lease term. Rental income from investment properties is recognized on a straight-line basis.

2.24. Foreign Currency-Denominated Transactions and Translations

Transactions in foreign currency are initially recorded at the exchange rate at the date of transaction. Foreign currency denominated monetary assets and liabilities are translated using the closing exchange rate at the reporting date. Exchange differences arising from translation of foreign currency monetary items at rates different from those at which they were originally recorded were recognized in the consolidated statements of income.

Foreign exchange gains are presented in the consolidated statements of income under "Operating revenue," and foreign exchange losses are presented as "Other losses" under "Operating expenses."

For income tax reporting purposes, foreign exchange gains or losses are treated as taxable income or deductible expenses, in the period these are realized.

2.25. Income tax

2.25.1. *Final Tax*

Final tax on interest and dividend income is presented in the consolidated statements of income at the time interest is earned.

2.25.2. *Current Income Tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting date.

2.25.3. *Deferred Income Tax*

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

Deferred income tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for all deductible temporary differences, to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences, net operating loss carry-over (NOLCO), and excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized.

Deferred income tax assets and liabilities are measured at the tax rate that is expected to apply 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 at the reporting date.

Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that sufficient future taxable profits will allow all or part of the deferred income tax assets to be recovered.

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

2.26. Provisions

Provisions are recognized when: (a) the Group 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. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. When the Group expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is presented in the consolidated statements of income, net of any reimbursement.

2.27. Contingencies

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefit is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements.

2.28. Events After the Reporting date
Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are non-adjusting events are disclosed in the notes to the consolidated financial statements when material.

In a move to contain the COVID-19 outbreak, the Office of the President of the Philippines issued a Memorandum on March 13, 2020 imposing stringent social distancing measures in the National Capital Region effective March 15, 2020. Subsequently, Presidential Proclamation No. 929 was issued on March 16, 2020 declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposing an enhanced community quarantine throughout the island of Luzon until April 12, 2020, unless earlier lifted or extended. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve. Insofar as the Company is concerned, it continued to operate via alternative work arrangements, balancing its employees' safety and welfare on the one hand, and on the other, ensuring that it remained open for selected services during the heightened health emergency situation. Policyholders were also encouraged to avail of the Company's various online services.

The Company considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position, performance and cash flow as of and for the year ended December 31, 2019. However, the outbreak could have a material impact on its 2020 financial results and periods thereafter. The Company will continue to monitor the situation.

3. Management's Use of Significant Accounting Judgments and Estimates

The Group uses accounting judgments and estimates that affect the reported amounts of assets and liabilities at the reporting date, as well as, the reported income and expenses for the year. Although the judgments and estimates are based on management's best knowledge and judgment of current facts as at the reporting date, the actual outcome may differ from these estimates, possibly significantly. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable. Judgments and estimates are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1. Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on amounts recognized in the consolidated financial statements:

3.1.1. *Product Classification*
The Group has determined that all the products including the VUL insurance contracts it issues that link the payments on the contract to units of an internal investment fund have significant insurance risk and, therefore, meet the definition of an insurance contract and should be accounted for as such. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect.

3.1.2. *Classification of HTM investments*
The classification to the Held-to-maturity category requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. Financial assets are reclassified out of the HTM category whenever there is change in intention or ability of the Group to hold a financial asset to maturity or when there are sales or reclassifications that are more than an insignificant amount and do not meet the conditions under PAS 39.

In 2019, the Company reclassified all of its peso and dollar HTM debt securities to AFS. The reclassification was driven by a change in management intention. Previously, the intention was to hold the said HTM debt securities until maturity. Starting 2019, the intention has changed to holding the debt securities for an undefined period but may be sold when needed (e.g. to fund claims from policyholders or in response to changes in market conditions). The reclassification also addressed an accounting mismatch since under the Gross Premium Valuation methodology, changes in legal policy reserves due to discount rate are recorded in OCI under Total Members' Equity whereas HTM securities backing the legal policy reserves are carried at amortized cost i.e. changes in fair value of the HTM debt securities are not recognized. With the reclassification of these debt securities to AFS, changes in their fair value will also be recorded in OCI under Total Members' Equity. The impact of this reclassification is an increase by ₱3,300,811,595 in Total Assets and Total Members' Equity.

3.1.3. *Determination of Existence of Significant Influence*
The Group's equity investment in Union Bank of the Philippines (UBP) is classified as an associate as the Company has established that it has significant influence over UBP through its representation in the Board of Directors of UBP, the existence of a material transaction between the Company and UBP, and active participation of the representatives of the Company's BOT in the working committees of UBP (Note 7).

3.1.4. *Distinction Between Property and Equipment and Investment Property*
The Group determines whether a property qualifies as property and equipment or investment property. In making its judgment, the Group considers whether the property is held for use in the supply of services, or is held for capital appreciation, and to earn rentals, in which case the property shall be classified as property and equipment or investment property respectively, as the case may be.

In 2018, the Company retroactively changed the classification of dual-use properties. Details on the nature and impact of the change are discussed in Note 2.6.

In 2018, there was a net reclassification of property and equipment to investment properties amounting to ₱399,204,174 (Notes 8 and 9).

3.1.5. *Classification of Leases*

Group as lessor
Leases where the lessor does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are entered.

Beginning January 1, 2019
Group as lessee

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group 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 or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The renewal periods for leases of branches are not included as part of the lease term as these are not reasonably certain to be exercised. In addition, contract renewal is subject to the agreement of both the lessor and the lessee hence, the Group has no right to renew the lease contracts. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

3.2. Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities follow:

3.2.1. *Impairment of AFS Equity Securities*

The Group determines AFS equity securities as impaired when there has been a significant or prolonged decline in the fair value of the financial assets below its cost or where other objective evidence of impairment exists. The determination of what is significant or prolonged requires judgment. In making this judgement, the Group considers, among other factors, the normal volatility in share price. In addition, the Group also considers the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

The carrying value of the Group's AFS equity securities amounted to ₱14,575,952,477 and ₱18,276,972,718 as of December 31, 2019 and 2018, respectively (Note 6).

3.2.2. *Adequacy of Legal Policy Reserves*

In determining legal policy reserves, best estimates are made as to the policy expense, expected number of deaths, illness, or injury, and also on the number of withdrawing or lapsing policies for each of the years in which the Group is exposed to risk.

These estimates are based on expense, mortality and morbidity, and persistency assumptions based on the Group's actual experience from its latest studies. The estimated number of deaths, illness, or injury and withdrawing or lapsing policies determine the value of possible future benefits to be paid out, which will be factored into ensuring sufficiency of reserves, which in return is monitored against current and future premiums.

Inclusive in the amount of calculated legal policy reserves are the non-guarantee benefits or the policy dividends. Mortality and lapse assumptions are also factored in the computation of the value of these benefits.

The interest rate used to discount these future cash flows are based on the risk-free discount rate, which are obtained from the following sources:

(i) For Philippine Peso policies: PHP BVAL Reference rates from Bloomberg as of December 31, 2018 and 2019;

(ii) For US Dollar policies: International Yield Curve (IYC) from Bloomberg

These yield curve and risk-free discount rates are provided by the IC.

Such recent new regulations also mandate provision for Margins for Adverse Deviations (MfAD) to be applied to the above assumptions.

As prescribed by IC, the fixed MfAD are subject to a minimum of:

(i) Interest: +/- 10% of discount rate;
(ii) Expense: 10% of best estimate expense;
(iii) Other assumptions including but not limited to mortality, morbidity, lapse and conversion: +/- 10% of best estimate assumptions.

The sign (positive or negative) of MfAD for mortality, lapse and interest assumptions are tested by product at the time of valuation. The sign that give higher reserves for a product is used in calculation of the liability.

The carrying value of legal policy reserves amounted to ₱58,161,645,107 and ₱54,375,294,579 as of December 31, 2019 and 2018, respectively (Note 11).

3.2.3. *Estimation of IBNR claims*

Estimates have to be made for the expected ultimate cost of IBNR. The Group develops estimates for the IBNR claims using an actuarial process that is centrally controlled. The actuarial models consider the time from the date the insured event occurred to the time the claim was filed.

Total IBNR claims included under "Claims pending settlement" within "Other insurance liabilities" in the statements of financial position amounted to ₱166,901,495 and ₱152,900,779 as of December 31, 2019 and 2018, respectively (Note 13).

3.2.4. *Estimation of Retirement Benefits Cost*

The cost of defined benefit plans, as well as, the present value of the retirement 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 retirement 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.

3.2.5. *Realizability of Deferred Income Tax Assets*

The carrying amount of deferred income tax assets recognized is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. However, if there is no assurance that the Group will generate sufficient future taxable profits to allow all or part of deferred income tax assets to be utilized, the assets are not recognized in the books.

The amount of NOLCO and excess of MCIT over RCIT for which no deferred income tax assets were recognized amounted to ₱2,324,420,351 and ₱3,737,230,728 as of December 31, 2019 and 2018, respectively (Note 25).

3.2.6. *Contingencies*

The Group is currently involved in various legal proceedings, including claims for punitive damages, in the normal course of its business. The Group, however, does not believe that such litigations, which are common in the insurance industry in general, will have a material effect on its operating results and financial condition.

The Group 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 the legal counsels and based upon an analysis of potential results. The Group currently does not believe these proceedings will have a material adverse effect on the Group's financial position.

3.2.7. *Leases - Estimating the incremental borrowing rate*
The Group 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 Group 'would have to pay', which requires estimation when no observable rates are or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

The Group's lease liabilities amounted to ₱32,719,753 as of December 31, 2019.

4. Cash and Cash Equivalents

	2019	2018
Cash on hand	**₱4,176,576**	₱713,350
Cash in banks	**512,527,774**	660,348,511
Cash equivalents	**4,127,397,133**	2,808,513,385
	₱4,644,101,483	₱3,469,575,246

Cash in banks earn interest at the prevailing bank deposit rates. Cash equivalents are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the prevailing short-term deposit rates.

Cash equivalents earn interest at rates ranging from 0.50% to 4.00% and from 0.18% to 6.90% in 2019 and 2018, respectively.

5. Insurance Receivables

	2019	2018
Due premiums	**₱190,443,598**	₱183,280,942
Reinsurance assets	**4,763,183**	4,667,364
	₱195,206,781	₱187,948,306

Due premiums are premiums earned which remain unpaid within the Company's grace period and the statutory defined limit.

Reinsurance assets arising from ceded reinsurance arrangements pertain to amounts recoverable from the reinsurers in respect of claims already paid by the Company which are due and demandable

6. Financial Assets

The Group's financial assets, excluding cash and cash equivalents, are summarized by measurement categories below:

	2019	2018
Financial assets at FVPL	**₱35,401,668,769**	₱33,025,095,388
AFS financial assets	**62,219,213,352**	36,622,111,329
HTM financial assets	**200,069,276**	22,142,025,369
Loans and receivables	**14,489,091,365**	15,463,432,994
	₱112,310,042,762	₱107,252,665,080

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

6.1. Financial Assets at FVPL

	2019	2018
Equity securities - quoted	**₱3,659,508,970**	₱3,689,220,800
Under separate funds:		
Traditional VULs:		
Cash and cash equivalents	**2,807,880,285**	2,380,763,997
Equity securities – quoted	**20,733,063,330**	19,607,236,248
Debt securities - quoted		
Government:		
Local currency	**2,106,180,801**	1,795,658,346
Foreign currency	**2,630,487,080**	2,487,631,912
Corporate:		
Local currency	**193,232,143**	126,036,580
Foreign currency	**93,019,027**	137,166,393
Investment in unit investment trust fund (UITF)	**1,652,317,273**	800,437,109
Other receivables	**161,149,666**	259,221,110
Other payables	**(85,005,796)**	(256,928,363)
Structured VULs:		
Local currency	**444,592,500**	698,526,102
Foreign currency	**1,005,243,490**	1,300,125,154
	31,742,159,799	29,335,874,588
	₱35,401,668,769	₱33,025,095,388

Quoted equity securities represent preferred shares listed in the stock exchange. Fair value gains (losses) on these equity securities amounted to ₱162,658,170 and (₱306,149,150) in 2019 and 2018, respectively.

Fair value gains (losses) included in the carrying amounts of FVPL financial assets presented in the separate financial statements of VUL funds (i.e., inclusive of fair value gains and losses attributable to the Company and the policy holders) amounted to (₱1,230,228,620) and (₱ 2,713,488,166) as of December 31, 2019 and 2018, respectively. These financial assets are designated as FVPL in accordance with the investment strategy and valuation provisions of the VUL insurance contracts. Likewise, this is consistent with the valuation basis of the reserve for policies held by the policyholders.

The financial asset at FVPL under separate fund is comprised of:

Traditional VULs

Cash and cash equivalents

Cash in banks earns interest at the prevailing bank deposit rates. Short-term deposits are made for varying periods not exceeding three months depending on the immediate cash requirements of the funds, and earn interest at the prevailing short-term deposit rates.

Equity securities

Equity securities under the separate fund are includes quoted equity securities traded in the Philippine Stock Exchange.

Government debt securities

Interest rate for peso government debt securities under FVPL ranged from 3.25% to 8.00% both in 2019 and 2018. Interest rate for dollar bonds ranged from 3.00% to 10.63% in 2019 and from 3.7% to 10.63% in 2018.

Corporate debt securities

Corporate debt securities include bonds issued by reputable counterparties. Interest rate for peso corporate debt securities under FVPL is from 4.50% to 6.10% in 2019 and 6.10% in 2018. Interest rate for dollar bonds ranged from 4.25% to 4.38% in 2019 and from 4.25% to 7.25% in 2018.

Investment in Unit Investment Trust Fund

Unit investment trust fund (UITF) is an open-ended pooled trust fund denominated in peso, operated and administered by a trust entity and made available by participation.

Other receivables

Other receivables are comprised of accrued interest income from government and corporate debt securities and accrued dividend income from equity securities.

Other payables

Other payables are comprised of custodial fee, fund administration fee, professional fees, and taxes that remain unpaid as of year-end.

Structured VULs

Structured VULs are senior notes issued by Global Issuers and constitute direct, unconditional, unsubordinated, and unsecured obligation of the Issuer.

6.2. AFS Financial Assets

	2019	2018
Equity securities:		
Quoted	**₱14,198,628,935**	₱18,257,015,647
Unquoted	**377,323,542**	19,957,071
	14,575,952,477	18,276,972,718
Debt securities:		
Quoted:		
Government:		
Local currency	**30,044,520,511**	10,483,103,111
Foreign currency	**1,186,945,810**	1,077,308,475
Corporate:		
Local currency	**16,056,960,678**	6,498,631,568
Foreign currency	**354,833,876**	286,095,457
	47,643,260,875	18,345,138,611
	₱62,219,213,352	₱36,622,111,329

AFS financial assets are comprised of:

Equity securities

Equity securities include quoted equity securities traded in the Philippine Stock Exchange. These likewise include quoted and unquoted club shares and other non-traded securities.

Government debt securities

Interest rate for peso government debt securities under AFS ranged from 3.25% to 13.75% in 2019 and 3.50% to 8.75% in 2018. Interest rate for dollar bonds ranged from 3.7% to 9.50% in both 2019 and 2018.

Corporate debt securities

Corporate debt securities include bonds issued by reputable counterparties. Interest rate for peso corporate debt securities under AFS is at 3.89% to 8.51% both in 2019 and 2018. Interest rate for dollar bonds ranged from 4.85% to 5.13% in 2019 and 5.13% to 7.25% in 2018.

The Group's AFS financial assets may be disposed for liquidity requirements or to fund higher-yielding and acceptable investments. Sale of such assets may also be considered if and when offers are received and found acceptable by the Group.

The movement in reserve for fluctuation in value of AFS financial assets as of December 31 follows:

	2019	2018
Equity securities:		
Attributable to the Parent Company:		
Beginning balance	**₱8,728,169,610**	₱13,274,398,716
Valuation losses taken directly to OCI (net of consequential deferred income tax impact)	**(3,667,628,984)**	(4,292,159,328)
Realized gain on sale	**(350,057,175)**	(308,648,089)
Impairment loss (Note 22)	**140,268,919**	54,578,311
Net change during the year	**(3,877,417,240)**	(4,546,229,106)
Ending balance	**4,850,752,370**	8,728,169,610
Attributable to the associates:		
Beginning balance, as previously reported	**(8,112,910)**	(1,095,816,422)
Effect of adoption of PFRS 9 of an associate	–	1,103,741,000

Beginning balance, as restated	**(8,112,910)**	7,924,578
Increase (decrease) in value of AFS/FVOCI equity securities attributable to associates, net of tax (Note 7)	**20,521,191**	(16,037,488)
Ending balance	**12,408,281**	(8,112,910)
	₱4,863,160,651	₱8,720,056,700

	2019	2018
Debt securities:		
Attributable to the Parent Company:		
Beginning balance	**(₱2,735,588,167)**	(₱891,821,933)
Valuation gains taken directly to OCI	**6,187,891,754**	(1,840,126,632)
Valuation gains realized through profit or loss	–	(3,639,602)
Amortization of premium on AFS investments reclassified to HTM financial assets	**(4,357,878)**	–
Net change during the year	**6,183,533,876**	(1,843,766,234)
Ending balance	**₱3,447,945,709**	(₱2,735,588,167)

In 2019, the Parent Company reclassified all of its peso and dollar HTM debt securities to AFS. The reclassification is to address an accounting mismatch since under the Gross Premium Valuation methodology, changes in legal policy reserves due to discount rate are recorded in Total Members' Equity whereas changes in fair value of the HTM debt securities are not reflected in the Parent Company's books. With the reclassification of these debt securities to AFS, changes in their fair value will also be recorded in Total Members' Equity. The impact of this reclassification is an increase by ₱3,300,698,134 in Total Assets and Total Members' Equity.

6.3. HTM Financial Assets

The details of HTM financial assets as of December 31 follow:

	2019	2018
Government:		
Local currency	**₱160,069,276**	₱14,171,131,381
Foreign currency	–	16,896,008
Corporate:		
Local currency	**40,000,000**	7,692,000,000
Foreign currency	–	261,997,980
	₱200,069,276	₱22,142,025,369

As of December 31, 2018, government securities under HTM financial assets totaling ₱137,500,000 are deposited with the IC in accordance with the provision of the Code as security for the benefit of policyholders and creditors of the Company.

In 2019, the Group reclassified all of its peso and dollar HTM debt securities to the AFS category. Details are discussed in Note 3.1.2.

Reclassification from AFS Financial Assets to HTM Financial Assets

On September 15, 2008, the Company reclassified AFS debt securities with amortized cost amounting to ₱283,501,557 to HTM financial assets. At the date of reclassification, fair market value of the debt securities amounted to ₱343,106,120 which became the new amortized cost of HTM financial assets as of reclassification date. The difference of fair value and amortized cost as of date of reclassification amounting to ₱59,604,563 was taken directly to equity and is being amortized until maturity. The yield-to-maturity from the debt securities is 10.41%.

In 2019, the Parent Company reclassified its HTM financial assets with book value of ₱21,494,360,590 to AFS. Market value as of December 31, 2019 is ₱24,795,172,185 with net unrealized gain of ₱3,300,698,134.

As of December 31, 2018, the carrying value of the debt securities reclassified in 2008 had the debt securities not been reclassified to HTM financial assets is ₱289,183,752.

The amortized cost of the debt securities which are now included under HTM financial assets follows:

	2019	2018
Beginning balance	**₱287,816,189**	₱295,387,717
Reclasssification	**(287,816,189)**	
Amortization	–	(7,571,528)
Ending balance	**₱–**	₱287,816,189

The amortization of unrealized gain from the financial asset reclassified in 2008 follows:

	2019	2018
Beginning balance	**₱33,313,840**	₱37,245,871
Amortization	**(4,357,878)**	(3,932,031)
Ending balance	**₱28,955,962**	₱33,313,840

6.4. Loans and Receivables

	2019	2018
Term loans	**₱5,986,976,471**	₱6,718,852,941
Policy loans (net of unearned interest income)	**5,180,965,103**	5,243,586,976
Accounts receivable	**1,434,086,659**	1,521,231,041
Unquoted debt security	**931,040,000**	1,000,000,000
Interest receivable	**616,325,474**	596,067,107
Housing loans	**121,633,700**	131,954,834
Car financing loans	**25,798,946**	31,714,864
Mortgage loans	**36,319,889**	14,053,095
Due from agents	**7,904,827**	4,638,460
Others	**162,150,015**	212,661,641
	14,503,201,084	15,474,760,959
Allowance for impairment loss (Note 32)	**14,109,719**	(11,327,965)
	₱14,489,091,365	₱15,463,432,994

The classes of loans and receivables of the Group follow:

- Term loans pertain to investments in fixed-rate loans of corporate borrowers with terms ranging from 7 to 15 years in 2019 and from 2 to 15 years in 2018. Interest rates range from 4.59% to 10.35% in 2019 and from 3.00% to 10.35% in 2018.

- Policy loans pertain to loans granted to policyholders. The loan is issued with the cash surrender value of the policyholder's insurance policy as collateral. Interest rates on policy loans range from 6% to 10% in both 2019 and 2018. Policy loans as of December 31 follows:

	2019	2018
Policy loans - gross	**₱5,480,324,443**	₱5,542,732,428
Unearned interest income	**(299,359,340)**	(299,145,452)
Policy loans - net	**₱5,180,965,103**	₱5,243,586,976

- Accounts receivable pertain to miscellaneous receivables from employees, agents, related parties and third parties.

- Unquoted debt security pertains to a fixed rate callable amortizing green bond issued by the International Finance Corporation. Interest on bonds is payable semi-annually in arrears at an annual interest of 6.33%.

- Interest receivable pertains to accrued interest arising from investments in debt securities (classified under AFS and HTM categories), cash equivalents, term loans, housing loans, mortgage loans and other receivables with interest rates ranging from 0.50% to 13.75% in 2019 and from 0.60% to 13.75% in 2018.

- Housing loans pertain to long-term loans granted to employees at an annual interest of 8% payable semi-monthly with terms ranging from 5 to 20 years.

- Car financing loans pertain to car loans granted to employees at an annual interest of 6% payable semi-monthly and with terms ranging from 5 to 7 years.

- Mortgage loans pertain to housing loans granted to third parties and former employees with terms ranging from 5 to 15 years. Interest rates on these loans range from 7.5% to 10.5% both for 2019 and 2018.

- Due from agents pertains to advances by agents, unremitted collections, and charges for amendment/replacement of policies.

Day 1 loss was recognized on loans with off-market interest rates. The nominal amount of these loans as of December 31 follows:

	2019	2018
Housing loans	**₱143,890,551**	₱155,823,958
Less: unamortized deferred interest income	**22,256,851**	23,869,124
	121,633,700	131,954,834
Car financing loans	**31,486,109**	38,813,713
Less: unamortized deferred interest income	**5,687,163**	7,098,849
	25,798,946	31,714,864
	₱147,432,646	₱163,669,698

The amortization of deferred interest income amounting to ₱4,967,323 and ₱5,485,401 in 2019 and 2018, respectively, is recognized as part of interest on loans and receivables included under "Investment income" in the statements of income (Note 17).

The reconciliation of changes in allowance for impairment on loans and receivables follows:

	2019				
	Accounts receivable	**Mortgage loans**	**Due from agents**	**Others**	**Total**
Beginning balances	**₱5,010,429**	**₱85,507**	**₱1,328,683**	**₱4,903,346**	**₱11,327,965**
Provision, net of reversal	**138,295**	**18,757**	**69,403**	**2,555,299**	**2,781,754**
Write-off/recoveries	**–**	**–**	**–**	**–**	**–**
Ending balances	**₱5,148,724**	**₱104,264**	**₱1,398,086**	**₱7,458,645**	**₱14,109,719**

	2018						
	Accounts receivable	Mortgage loans	Finance Leases	Stock Loans	Due from agents	Others	Total
Beginning balances	₱14,625,647	₱936,328	₱99,701	₱1,998,474	₱2,783,226	₱2,232,664	₱22,676,040
Provision, net of reversal	(341,086)	18,675	–	–	(97,571)	3,282,576	2,862,594
Write-off/recoveries	(9,274,133)	(869,495)	(99,701)	(1,998,474)	(1,356,973)	(611,893)	(14,210,669)
Ending balances	₱5,010,428	₱85,508	₱–	₱–	₱1,328,682	₱4,903,347	₱11,327,965

The allowance for impairment was determined by the Group using individual and collective impairment assessment.

7. Investments in Associates

This account consists of investments in the following entities, which are all incorporated and operating in the Philippines, as of December 31, 2018:

	Incorporation Date	Nature of Business
PPVI	December 9, 1975	Development and sale of real estate
MIIC	September 1, 1934	Provision of nonlife general insurance
UBP	August 16, 1968	Universal commercial banking

The movement of investments in associates follows:

	December 31, 2019			
	PPVI	**MIIC**	**UBP**	**Total**
Acquisition cost				
Beginning balance	**₱4,500,000**	**₱224,848,654**	**₱3,186,017,396**	**₱3,415,366,050**
Capital infusion	**–**	**125,000,000**	**–**	**125,000,000**
Additional shares purchased	**–**	**–**	**28,820,409**	**28,820,409**
Ending balance	**4,500,000**	**349,848,654**	**3,214,837,805**	**3,569,186,459**
Accumulated equity in net earnings				
Beginning balance	**(867,511)**	**137,919,335**	**10,337,003,239**	**10,474,055,063**
Equity in net earnings for the year	**179,875**	**(10,025,970)**	**2,289,618,882**	**2,279,772,787**
Dividends (Note 26)	**–**	**–**	**(376,720,965)**	**(376,720,965)**
Ending balance	**(687,636)**	**127,893,365**	**12,249,901,156**	**12,377,106,885**
Equity in reserve for fluctuation in AFS/FVOCI				
Beginning balance	**–**	**(37,813,096)**	**29,700,186**	**(8,112,910)**
Share in net movement of reserve for fluctuation in AFS/FVOCI financial assets of the associates during the year	**–**	**20,566,408**	**(45,217)**	**20,521,191**
Ending balance	**–**	**(17,246,688)**	**29,654,969**	**12,408,281**
Equity in reserve for re-measurement gains (losses) in defined benefit pension plan				

Beginning balance	–	**6,278,913**	**(10,640,260)**	**(4,361,347)**
Share in net movement of reserve for re-measurement gains on defined benefit plan	–	**2,474,017**	**(64,261,046)**	**(61,787,029)**
Ending balance	–	**8,752,930**	**(74,901,306)**	**(66,148,376)**
Premium on deemed disposal of investment in associate	–	–	**304,954,486**	**304,954,486**
	₱3,812,364	**₱469,248,261**	**₱15,724,447,111**	**₱16,197,507,735**

	December 31, 2018			
	PPVI	MIIC	UBP	Total
Acquisition cost				
Beginning balance	₱4,500,000	₱224,848,654	₱1,506,193,436	₱1,735,542,090
Additional shares purchased	–	–	1,679,823,960	1,679,823,960
Ending balance	4,500,000	224,848,654	3,186,017,396	3,415,366,050
Accumulated equity in net earnings				
Beginning balance	(946,377)	134,035,366	9,301,123,413	9,434,212,402
PFRS 9 Transition adjustment (Note 2)	–	–	304,796,000	304,796,000
Beginning balance, as restated	(946,377)	134,035,366	9,605,919,413	9,739,008,402
Equity in net earnings for the year	78,866	3,883,969	1,057,119,297	1,061,082,132
Dividends (Note 26)	–	–	(326,035,471)	(326,035,471)
Ending balance	(867,511)	137,919,335	10,337,003,239	10,474,055,063
Equity in reserve for fluctuation in AFS/FVOCI				
Beginning balance	–	(9,541,785)	(1,086,274,637)	(1,095,816,422)
PFRS 9 Transition adjustment (Note 2)	–	–	1,103,741,000	1,103,741,000
Beginning balance, as restated	–	(9,541,785)	17,466,363	7,924,578
Share in net movement of reserve for fluctuation in AFS/FVOCI financial assets of the associates during the year	–	(28,271,311)	12,233,823	(16,037,488)
Ending balance	–	(37,813,096)	29,700,186	(8,112,910)
Equity in reserve for re-measurement gains (losses) in defined benefit pension plan				
Beginning balance	–	6,278,913	(41,564,954)	(35,286,041)
Share in net movement of reserve for re-measurement gains on defined benefit plan	–	–	30,924,694	30,924,694
Ending balance	–	6,278,913	(10,640,260)	(4,361,347)
Premium on deemed disposal of investment in associate	–	–	304,954,486	304,954,486
	₱3,632,489	₱331,233,806	₱13,847,035,047	₱14,181,901,342

The shares of stock of UBP are traded in the local stock market. The fair value of the Group's interest in the equity securities of UBP amounted to ₱11,468,569,823 (i.e., ₱57.70 per share) and ₱12,679,634,578 (i.e., ₱63.95 per share) as of December 31, 2019 and 2018, respectively.

On various dates in 2007, UBP issued a total number of 90,176,456 shares of stock to its equity holders. The Group did not subscribe for additional shares thereby reducing its interest in UBP from 18.74% to 16.11%. The reduction in interest in UBP deemed as disposal was accounted for using the entity concept method and recognized the deemed disposal of interest as an equity transaction. Thus, dilution gain arising from the deemed disposal of interest in UBP amounting to ₱304,954,486 was recognized as "Premium on deemed disposal of investment in an associate" in the members' equity section of the consolidated statements of financial position.

On September 29, 2018, UBP issued new shares through stock rights offering. The total number of shares issued was 158,805,583 shares with par value of ₱10.00 per share, issued at a price of ₱62.97 per share. The Group purchased 26,676,576 shares for ₱1,679,823,960, changing its percentage of interest in UBP from 16.21% in 2017 to 16.29% in 2018.

On various dates in 2019, the Group purchased additional 487,850 shares for ₱28,820,409 increasing its interest in UBP from 16.29% in 2018 to 16.32% in 2019.

Financial position (amounts in thousands)

	December 31, 2019	
	MIIC	**UBP**
Financial assets	**₱2,571,730**	**₱724,948,002**
Property and equipment	**103,001**	**6,500,643**
Investment properties	**14,412**	**9,127,581**
Deferred tax asset	**41,833**	**5,643,858**
Other assets	**2,004,001**	**24,567,455**
Accounts payable	**(316,292)**	**–**
Other liabilities	**(2,876,116)**	**(672,770,574)**
Equity	**₱1,542,569**	**₱98,016,965**

	December 31, 2018	
	MIIC	UBP
Financial assets	₱2,208,997	₱626,870,936
Property and equipment	204,705	5,108,843
Investment properties	14,847	7,822,779
Deferred tax asset	112,066	2,198,055
Other assets	2,487,312	25,782,752
Accounts payable	(351,861)	–
Other liabilities	(3,685,570)	(582,804,176)
Equity	₱990,496	₱84,979,189

The difference between the carrying amount of the investment and the proportionate share in the current net equity of the associate represents movement in the associate's net assets before acquisition.

Financial performance (amounts in thousands)

	December 31, 2019	
	MIIC	**UBP**
Revenue	**₱1,058,900**	**₱38,355,155**
Direct costs	**(704,520)**	**(16,019,470)**
Operating expenses	**(469,065)**	**(20,325,366)**
Other income	**149,053**	**14,345,032**
Impairment losses	**-**	**(1,857,347)**
Profit before tax	**34,368**	**14,498,004**
Income tax expense	**(91,656)**	**(494,494)**
Net profit for the year	**(₱57,288)**	**₱14,003,510**
Group share in the net profit of the associate	**(₱14,322)**	**₱2,289,619**

	December 31, 2018	
	MIIC	UBP
Revenue	₱1,354,000	₱31,629,220

Direct costs	(855,839)	(11,629,823)
Operating expenses	(482,961)	(16,967,279)
Other income	75,962	5,494,852
Impairment losses	–	(855,991)
Profit before tax	91,162	7,670,979
Income tax expense	(75,626)	(1,182,758)
Net profit for the year	₱15,536	₱6,488,221
Group share in the net profit of the associate	₱3,884	₱1,057,119

As discussed in Note 2.3.1, as allowed under Amendments to PFRS 4, the Group is allowed to continue to apply PAS 39 in accounting for financial instruments, and is permitted to apply equity method of accounting based on the financial statements of associates that applied PFRS 9.

Beginning January 1, 2018, the associates adopted PFRS 9 which introduces new requirements for classification and measurement, impairment and hedge accounting. Under PFRS 9, the classification of financial assets is based on an entity's business model for managing the financial assets; and whether the financial instrument's contractual cash flows represent "solely payments of principal and interests" or "SPPI" on the principal amount outstanding. The adoption of PFRS 9 also fundamentally changed the associates' measurement of impairment losses for financial assets – from PAS 39's incurred loss approach to a forward-looking expected credit loss (ECL) approach. Under PFRS 9, entities are required to provide ECL for financial assets at AC, FVOCI and contract assets. The allowance is based on the ECLs associated with the risk of default in the next twelve months unless there has been a significant increase in credit risk since origination or the financial assets are impaired where lifetime ECL is provided. For trade receivables without significant financing component, the simplified approach is applied in calculating ECLs. Therefore, the associates no longer track changes in credit risk but instead recognizes an allowance based on lifetime ECL at each reporting period. Relevant forward-looking factors specific to the debtors and the economic environment are considered in developing the overlays in the ECL calculation.

UBP has commitments and contingent accounts amounting to ₱148.71 billion and ₱135.62 billion as of December 31, 2019 and 2018 respectively. These primarily pertain to guarantees and commitments to extend credit which are part of the regular operations of a bank. PPVI and MIIC have no contingent liabilities or capital commitments as of December 31, 2019 and 2018. PPVI and MIIC are not subject to restrictions (i.e., whether through legal, contractual, or discretionary restrictions) as to the use or transfer of their assets or settlement of liabilities as of December 31, 2019 and 2018.

On March 25, 2019, MIIC's Board of Directors has approved the capital infusion in compliance to the new regulatory requirements to increase its net worth to ₱900 million by end of 2019. As approved by the Board of Directors of Insular Life, ₱125 million fund was remitted to MIIC.

BSP, UBP's lead regulator, sets and monitors the capital requirements of UBP. In implementing current capital requirements, the BSP requires UBP to maintain a minimum capital amount and a prescribed ratio of qualifying capital to risk-weighted assets, known as the "capital adequacy ratio". Risk-weighted assets is the aggregate value of assets weighted by credit risk, market risk, and operational risk, based on BSP-prescribed formula provided under its circulars. These, among others, may impose significant restrictions as to the use or transfer of assets or the settlement of liabilities as of December 31, 2019 and 2018.

8. Investment Properties

The movements in carrying amounts of investment properties follow:

	2019		
	Land	**Building and Improvements**	**Total**
Costs			
Beginning balances	**₱3,951,189,229**	**₱3,912,966,456**	**₱7,864,155,685**
Additions	**156,000**	**267,546,969**	**267,702,969**
Disposals	**(108,886,477)**	**(77,387,368)**	**(186,273,845)**
Reclassification (Note 9)	**19,756,898**	**10,738,879**	**30,495,777**
Ending balances	**3,862,215,650**	**4,113,864,936**	**7,976,080,586**
Accumulated Depreciation and Impairment Loss			
Beginning balances	**156,116,205**	**990,266,774**	**1,146,382,979**
Depreciation (Note 20)	**–**	**123,536,389**	**123,536,389**
Disposals	**–**	**(57,153,824)**	**(57,153,824)**
Reclassification (Note 9)	**–**	**(4,256,065)**	**(4,256,065)**
Ending balances	**156,116,205**	**1,052,393,274**	**1,208,509,479**
Net Book Values	**₱3,706,099,445**	**₱3,061,471,6622**	**₱6,767,571,107**

	2018		
	Land	Building and Improvements	Total
Costs			
Beginning balances	₱3,499,080,123	₱3,859,426,096	₱7,358,506,219
Additions	27,644,277	139,740,848	167,385,125
Reclassification (Note 9)	454,259,898	(9,967,128)	444,292,770
Disposals	(24,021,276)	(69,226,814)	(93,248,090)
Sale of a subsidiary	(5,773,793)	(7,006,546)	(12,780,339)
Ending balances	3,951,189,229	3,912,966,456	7,864,155,685
Accumulated Depreciation and Impairment Loss			
Beginning balances	156,116,205	845,841,395	1,001,957,600
Depreciation (Note 20)	–	136,380,771	136,380,771
Reclassification (Note 9)	–	45,088,595	45,088,595
Disposals	–	(33,604,878)	(33,604,878)
Sale of a subsidiary	–	(3,439,109)	(3,439,109)
Ending balances	156,116,205	990,266,774	1,146,382,979
Net Book Values	₱3,795,073,024	₱2,922,699,682	₱6,717,772,706

The total fair value of the investment properties amounted to ₱10,533,948,526 and ₱10,611,450,124 as of December 31, 2019 and 2018, respectively, based on independent appraiser valuation.

The fair value hierarchy of the investment properties is under Level 3 category. The fair value of the investment properties was arrived at using the following approaches:

	Valuation Technique	**Significant Unobservable Inputs**
Land	Market Data approach	• Sales price • Location and proximity to important landmarks • Marketability and desirability
Building and Improvements	Cost approach	• Replacement cost or reproduction cost • Condition and economic life • Facilities and amenities

Market Data approach is a comparative approach that considers the sales of similar or substitute assets and other related market data. In general, an asset being valued is compared with similar items that have been transacted in the market or that are listed or offered for sale, with appropriate adjustment to reflect different properties or characteristics. Market data considered in the valuation includes location of the properties, size, shape and characteristics of the lot, desirability in the market and present and prospective use.

Cost approach is a comparative approach used to estimate the replacement cost or reproduction cost of the building and improvements, considering the prevailing market prices for material, labor, contractor's overhead, profit and other charges, less allowance for physical depreciation and obsolescence.

Highest and best use is defined as the most probable use of a property, which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

Movements in the significant unobservable inputs are positively correlated to the fair value of the properties subject to valuation.

The Group enters into operating leases for its investment properties (Note 27). Rental income amounted to ₱740,863,514 in 2019 and ₱639,740,070 in 2018 (Note 27). Direct expenses arising in respect of such investment properties amounted to ₱167,468,944 in 2019 and ₱186,996,627 in 2018 while indirect operating expenses amounted to ₱22,033,907 in 2019 and ₱46,008,305 in 2018 (Note 21).

Future minimum lease rentals receivable under non-cancellable operating leases are disclosed in Note 27.

9. Property and Equipment

The movement in carrying amount of property and equipment follows:

	2019						
	Land and Buildings	**Furniture Fixtures and Equipment**	**Electronic and Data Processing Equipment**	**Transportation Equipment**	**Building Improvements**	**Right of Use Asset**	**Total**
Costs							
Beginning balances, as previously reported	**₱2,290,606,596**	**₱205,737,572**	**₱265,917,544**	**₱94,301,520**	**₱97,178,590**	**₱–**	**₱2,953,741,822**
Effect of adoption of PFRS 16	–	–	–	–	–	24,154,759	24,154,759
Beginning balances	**2,290,606,596**	**205,737,572**	**265,917,544**	**94,301,520**	**97,178,590**	**24,154,759**	**2,977,896,581**
Additions	**35,712,557**	**21,589,253**	**65,693,274**	**15,786,616**	**9,475,917**	**33,608,534**	**181,866,151**
Reclassification (Note 8)	**(19,756,898)**	–	–	–	**(10,738,879)**	**1,942,105**	**(28,553,672)**
Retirements/disposals	**(170,910,384)**	**(1,046,427)**	**(2,300,186)**	**(16,563,337)**	**10,738,879**	–	**(180,081,455)**
Ending balances	**2,135,651,871**	**226,280,398**	**329,310,632**	**93,524,799**	**106,654,507**	**59,705,398**	**2,951,127,605**
Accumulated Depreciation and Amortization							
Beginning balances	**547,713,463**	**92,088,065**	**182,037,694**	**45,555,806**	**83,010,648**	–	**950,405,676**
Depreciation and amortization (Note 20)	**47,491,566**	**13,354,911**	**34,262,023**	**17,898,746**	**3,185,209**	**25,138,062**	**141,330,517**
Retirements/disposals	**(21,211,383)**	**(585,293)**	**(882,183)**	**(9,651,164)**	**(1,953,709)**	–	**(34,283,732)**
Reclassification (Note 8)	–	–	–	–	**4,256,065**	–	**4,256,065**
Ending balances	**573,993,646**	**104,857,683**	**215,417,534**	**53,803,388**	**88,498,213**	**25,138,062**	**1,061,708,526**
Net Book Values	**₱1,561,658,225**	**₱121,422,715**	**₱113,893,098**	**₱39,721,411**	**₱18,156,294**	**₱34,567,336**	**₱1,889,419,079**

	2018						
	Land and Buildings	Furniture Fixtures and Equipment	Electronic and Data Processing Equipment	Transportation Equipment	Building Improvements	Right of Use Asset	Total
Costs							
Beginning balances	₱2,683,897,377	₱199,940,962	₱215,135,170	₱97,716,887	₱96,427,663	₱–	₱3,293,118,059
Additions	51,001,989	16,649,945	51,817,645	30,253,383	3,461,849	–	153,184,811
Reclassification (Note 8)	(444,292,770)	(40,179)	65,322	(7,143)	(18,000)	–	(444,292,770)
Retirements/disposals	–	(4,949,837)	(1,100,593)	(30,494,319)	–	–	(36,544,749)
Sale of a subsidiary	–	(5,863,319)	–	(3,167,288)	(2,692,922)	–	(11,723,529)
Ending balances	2,290,606,596	205,737,572	265,917,544	94,301,520	97,178,590		2,953,741,822
Accumulated Depreciation and Amortization							
Beginning balances	555,980,842	82,146,445	159,805,325	55,096,489	81,242,022	–	934,271,123
Depreciation and amortization (Note 20)	36,949,744	16,756,730	23,332,963	17,650,709	4,008,986	–	98,699,132
Retirements/disposals	(128,527)	(1,270,301)	(1,100,594)	(24,355,410)	–	–	(26,854,832)
Sale of a subsidiary	–	(5,544,809)	–	(2,835,982)	(2,240,360)	–	(10,621,151)
Reclassification (Note 8)	(45,088,596)	–	–	–	–	–	(45,088,596)
Ending balances	547,713,463	92,088,065	182,037,694	45,555,806	83,010,648	–	950,405,676
Net Book Values	₱1,742,893,133	₱113,649,507	₱83,879,850	₱48,745,714	₱14,167,942	₱–	₱2,003,336,146

The cost of fully depreciated property and equipment that are still in use in the Group's operations amounted to ₱298,024,162 and ₱265,875,744 as of December 31, 2019 and 2018, respectively.

10. Other Assets

	2019	2018
Prepaid expenses (Note 26)	**₱974,663,179**	₱1,005,839,987
Computer software	**43,340,051**	29,831,163
Others	**65,867,736**	48,961,103
	₱1,083,870,966	₱1,084,632,253

Computer Software

The movements in the carrying amount of computer software follow:

	2019	2018
Cost		
Beginning balance	**₱255,287,603**	₱246,742,118
Additions	**32,906,250**	8,570,634
Retirements	**–**	(25,149)
Ending balance	**288,193,853**	255,287,603
Accumulated Amortization		
Beginning balance	**225,456,440**	193,002,830
Amortization (Note 20)	**19,397,362**	32,454,867
Retirements	**–**	(1,257)
Ending balance	**244,853,802**	225,456,440
Net Book Value	**₱43,340,051**	₱29,831,163

Others

Others include prepaid taxes and other current assets.

11. Legal Policy Reserves

	December 31, 2019		
	Legal policy reserves	**Reinsurers' share of liabilities**	**Net**
Aggregate reserves for:			
Ordinary life policies	**₱54,612,665,288**	**₱77,777,371**	**₱54,534,887,917**
Group life policies	**2,638,615,828**	**11,671,521**	**2,626,944,307**
Unit-linked policies	**1,011,193,341**	**52,895,212**	**958,298,129**
Accident and health policies	**42,040,763**	**526,009**	**41,514,754**
	₱58,304,515,220	**₱142,870,113**	**₱58,161,645,107**

	December 31, 2018		
	Legal policy reserves	Reinsurers' share of liabilities	Net
Aggregate reserves for:			
Ordinary life policies	₱51,452,044,280	₱75,296,690	₱51,376,747,590
Group life policies	2,292,408,589	12,462,560	2,279,946,029
Unit-linked policies	713,174,633	38,200,483	674,974,150
Accident and health policies	43,279,147	(347,663)	43,626,810
	₱54,500,906,649	₱125,612,070	₱54,375,294,579

Movement of insurance contract liabilities is as follows:

	2019	2018
Beginning balance	**₱54,375,294,579**	₱62,373,012,796
Re-measurement gains on reserves recognized in OCI (gross of consequential deferred income tax impact)	**5,248,000,062**	(8,665,102,033)
Increase (decrease) in reserves recognized in profit or loss, net of reinsurers' share (Note 19)	**(1,461,649,534)**	667,383,816
Ending balance	**₱58,161,645,107**	₱54,375,294,579

As discussed under Note 2, legal policy reserves reflect the statutory reserves calculated based on the Gross Premium Valuation method.

12. Derivative Liability

On November 5, 2013, the Group entered into a cross-currency swap (CCS) with a local universal bank to receive fixed PHP and pay fixed USD cash flows using a corporate dollar bond as underlying asset of the CCS.

In the event that the issuer of the underlying bond defaults on its obligation, the transaction will pre-terminate at prevailing market rates.

The CCS matured last October 17, 2019. Derivative liability amounted to ₱50,356,772 as of December 31, 2018. Fair value gain (loss) amounted to ₱50,356,772 and (₱14,448,537) in 2019 and 2018, respectively. Forex loss upon maturity amounted to ₱41,500,000.

13. Other Insurance Liabilities

	2019	2018
Members' deposits and other funds on deposit		
Subscriptions to variable unit-linked funds	**₱30,475,995,661**	₱27,925,617,524
Reserve for dividends to members	**5,012,372,958**	5,204,348,367
Advances from policyholders	**567,358,887**	374,138,844
Claims pending settlement	**2,284,854,422**	2,012,054,045
	₱38,340,581,928	₱35,516,158,780

Claims pending settlement pertains to approved but unpaid claims. This account also includes incurred but not reported (IBNR) claims that already occurred but notice had not been received by the Company and which is based on a reasonable estimate of unreported claims based on Company's historical experience. The IBNR amounted to ₱166,901,495 and ₱152,900,779 in 2019 and 2018, respectively.

The liabilities are not subjected to covenants and warranties.

14. Accrued Expenses and Other Liabilities

	2019	2018
Accounts payable	**₱882,932,238**	₱846,754,878
Accrued employee benefits	**452,076,693**	420,906,379
Commissions payable	**122,486,515**	126,372,880
Taxes payable	**94,111,517**	72,771,947
Remittances not yet allocated	**73,134,857**	107,060,471
General expenses due and accrued	**37,503,396**	85,891,647
Lease liability	**32,719,753**	–
Others	**15,352,247**	40,191,848
	₱1,710,317,216	₱1,699,950,050

The classes of other liabilities of the Group follow:

- Accounts payable pertain to amounts due to contractors and suppliers.
- Accrued employee benefits pertain to various unpaid short term employee benefits such as vacation leave, sick leave, service awards, and other benefits offered by the Group to its employees.
- Remittances not yet allocated pertain to new business deposits with pending underwriting requirements and collections from policyholders unapplied to their corresponding receivable set-up as of reporting date.

15. Members' Equity

On November 28, 2019, the Board of Trustees appropriated ₱350,000,000 out of its retained earnings as of December 31, 2019, in compliance with increased minimum member's equity of ₱900,000,000 as required under IC CL No. 2017-14, *Minimum Members' Equity Requirements for Mutual Companies*, as amended by IC CL No. 2019-67, and Amended Insurance Code which is valid until December 31, 2021. See note 30 for the schedule of minimum total member's equity as required by the IC.

16. **Insurance Revenue**

	2019	2018
VUL insurance contracts	**₱9,286,360,935**	₱10,154,542,963
Life insurance contracts	**3,618,840,612**	3,709,580,855
Accident and health contracts	**751,892,129**	709,248,310
Gross earned premiums on insurance contracts	**13,657,093,676**	14,573,372,128
Reinsurers' share of premiums on insurance contracts	**(157,076,994)**	(192,333,649)
	₱13,500,016,682	₱14,381,038,479

17. **Investment Income**

	2019	2018
Interest income on:		
AFS financial assets	**₱2,605,021,635**	₱945,806,586
Loans and receivables	**1,155,642,939**	1,205,774,920
HTM financial assets	**13,999,412**	1,539,229,128
Others	**854,970**	7,181,856
Dividend income	**1,144,859,661**	1,671,863,563
Trading gains (losses) from financial assets at FVPL	**309,764,463**	(352,674,083)
	₱5,230,143,080	₱5,017,181,970

18. **Net Realized Gains**

	2019	2018
Net realized gains		
AFS financial assets	**₱350,347,175**	₱358,027,766
Investment properties	**36,703,874**	34,014,646
Repossession	**311,598**	2,228,328
	₱387,362,647	₱394,270,740

19. **Insurance Benefits Expenses**

	2019	2018
VUL funds allocation	**₱6,908,006,944**	₱7,704,555,030
Maturities	**4,393,005,002**	2,746,729,210
Death and hospitalization benefits	**1,662,658,437**	1,723,662,919
Surrenders	**769,679,586**	879,559,954
Interest on policy and contract funds	**304,259,568**	316,182,737
Payments on supplementary contracts	**194,561,066**	232,689,541
Decrease in reserve for supplementary contracts	**(31,855,584)**	(64,298,846)
Others	**186,780,690**	251,007,688
Total gross benefits and claims on insurance contracts	**14,387,095,709**	13,790,088,233
Reinsurers' share of benefits and claims on insurance contracts	**(68,562,651)**	(56,475,863)
Net change in (Note 11):		
Legal policy reserves	**(1,444,391,492)**	691,161,898
Reinsurers' share in legal policy reserves	**(17,258,042)**	(23,778,082)
	₱12,856,883,524	₱14,400,996,186

Details of net change in legal policy reserves follows:

	2019		
	Gross Change In Legal Policy Reserves	**Reinsurers' Share of Change in Legal Policy Reserves**	**Net**
Life insurance contracts	**(₱1,742,410,199)**	**₱2,563,312**	**(₱1,744,973,511)**
VUL insurance contracts	**298,018,707**	**14,694,730**	**283,323,977**
	(₱1,444,391,492)	**₱17,258,042**	**(₱1,461,649,534)**

	2018		
	Gross Change In Legal Policy Reserves	Reinsurers' Share of Change in Legal Policy Reserves	Net
Life insurance contracts	₱466,910,666	₱13,582,037	₱453,328,629
VUL insurance contracts	224,251,232	10,196,045	214,055,187
	₱691,161,898	₱23,778,082	₱667,383,816

Changes presented above pertain to changes due to impact of assumptions and portfolio movements. Any impact of change in discount rates is not reflected in profit or loss but included in other comprehensive income.

20. General Insurance Expenses

	2019	2018
Personnel (Notes 23 and 24)	**₱1,295,806,794**	₱1,208,859,577
Depreciation and amortization (Notes 8, 9, and 10)	**285,538,578**	267,534,771
Marketing, advertising, and promotion	**301,814,319**	165,332,982
Outside services	**169,301,647**	114,959,137
Repairs and maintenance	**88,176,442**	55,779,052
Transportation and communication	**70,366,296**	66,573,786
Printing and supplies	**25,227,180**	22,065,290
Training	**15,032,379**	17,181,449
Utilities	**11,547,385**	11,773,838
Rent (Note 27)	–	23,939,465
Others	**74,020,253**	147,786,067
	₱2,336,831,273	₱2,101,785,414

"Others" pertain to taxes and licenses, bank charges, and miscellaneous fees and expenses incurred by the Group.

21. Investment Expenses

	2019	2018
Real estate expenses (Note 8)	**₱189,502,851**	₱233,004,932
Investment management expenses	**5,476,161**	2,296,631
	₱194,979,012	₱235,301,563

22. Other Losses

	2019	2018
Impairment loss on:		
AFS equity securities (Note 6)	**₱140,268,919**	₱54,578,311
Loss on deconsolidation of a subsidiary (Note 28)	–	5,715,649
Foreign exchange loss	**177,571,837**	–
	₱317,840,756	₱60,293,960

23. Personnel Expenses

	2019	2018
Salaries and bonuses	**₱1,100,415,494**	₱978,093,037
Employee benefits	**99,503,003**	132,984,979
Retirement benefits expense (Note 24)	**95,888,297**	97,781,561
	₱1,295,806,794	₱1,208,859,577

24. Retirement benefits

The Group accrues the provision for retirement benefits covering all of its regular employees based on the Group's retirement plan that is compliant with the provision of Republic Act (RA) No. 7641. The benefits are based on the years of service and compensation of the employees.

The subsidiaries' retirement funds are administered by UBP under the supervision of the BOT of the respective plans. The BOT of the subsidiaries' plans is responsible for the investment strategy of the plans.

The retirement plan of the Parent Company is administered by its BOT consisting of its key officers. The Parent Company's BOT has the following major responsibilities as provided in the declaration of trust:

1) Control and administration of the retirement plan for the accomplishment of the purpose for which the Fund is intended in accordance with the plan; and

2) Receive and hold title to and ownership of the fund to be held in trust for the best interest of the parties affected thereby in accordance with and for all the uses and purposes as stated in the plan and in the declaration of trust (with all the powers and duties as stated in the declaration of trust).

The latest actuarial valuation of the defined benefit plans of the Parent Company, I-Care, and Home Credit was as of December 31, 2018.

The tables below summarize the components of retirement benefits cost recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated statements of financial position for the retirement plans.

a. Retirement benefits expenses recognized in the consolidated statements of income follow:

	2019	2018
Current service cost	**₱96,251,981**	₱105,243,740
Net interest expense (income)	**(363,684)**	(7,462,179)
Retirement benefits expense	**₱95,888,297**	₱97,781,561

b. Movements in the net retirement benefits assets (liabilities) recognized in the consolidated statements of financial position follow:

	2019	2018
Beginning balance	**₱136,248,083**	₱83,752,870
Retirement benefits expense	**(95,888,297)**	(97,781,561)
Actual contributions	**84,531,604**	3,936,100
Remeasurements recognized in OCI (gross of consequential deferred income tax impact)	**(42,576,528)**	145,671,192
Effect of sale of Home Credit	–	669,482
Ending balance	**₱82,314,862**	₱136,248,083

c. Retirement benefits assets recognized in the consolidated statements of financial position follow:

	2019	2018
Fair value of net plan assets	**₱1,358,896,658**	₱1,222,212,808
Present value of defined benefit obligation	**(1,276,581,796)**	(1,085,964,725)
Retirement benefits asset	**₱82,314,862**	₱136,248,083

In 2019, the Parent Company and IIC and are in a net pension asset position amounting to ₱87,439,925 and ₱1,029,451, respectively while I-Care is in net pension liability position amounting to ₱6,154,514. In 2018, the Parent Company, IIC and I-Care are in a net pension asset position amounting to ₱130,900,663, ₱1,017,610 and ₱4,329,810, respectively.

The net retirement benefits asset as of December 31, 2019 and 2018 amounted to ₱88,469,376 and ₱136,248,083, respectively. The net retirement liability as of December 31, 2019 and 2018 amounted to ₱6,154,514 and nil, respectively.

d. Changes in the present value of defined benefit obligation follow:

	2019	2018
Beginning balance	**₱1,085,964,724**	₱1,255,276,461
Current service cost	**96,251,981**	105,243,740
Interest cost on defined benefit obligation	**116,851,433**	69,974,074
Benefits paid	**(104,132,004)**	(106,109,726)
Re-measurements on:		
Actuarial gains arising from changes in financial assumptions	**189,142,886**	(163,051,132)
Actuarial losses arising from changes in demographic assumptions	**10,012,112**	–
Actuarial losses (gains) arising from experience adjustments	**(117,509,336)**	(71,439,071)
Effect of sale of Home Credit	–	(3,929,621)
Ending balance	**₱1,276,581,796**	₱1,085,964,725

e. Changes in the fair value of net plan assets follow:

	2019	2018
Beginning balance	**₱1,222,212,807**	₱1,339,029,331
Actual contributions	**86,948,935**	3,936,100
Interest income	**117,215,117**	77,436,253
Actuarial losses excluding amount recognized in net interest cost	**39,069,134**	(88,819,011)
Benefits paid	**(106,549,335)**	(106,109,726)
Effect of sale of Home Credit	–	(3,260,139)
Ending balance	**₱1,358,896,658**	₱1,222,212,808

The major categories of plan assets (before deducting the related liabilities) as a percentage of fair value of plan assets follow:

	December 31, 2019	Percentage	December 31, 2018	Percentage
Receivables	**₱10,999,546**	**1%**	₱9,551,671	7%
Cash and cash equivalents	**83,170,127**	**6%**	56,432,645	5%
Short term investments	**4,893,750**	**0%**	-	-
Equity securities:				
Telecommunications	**-**	**0%**	62,879,525	5%
Electricity, energy, power and water	**77,951,280**	**6%**	-	-
Food, beverage, and tobacco	**47,404,000**	**4%**	67,099,000	6%
Others	**9,980,000**	**1%**	18,912,800	1%
	234,398,703	**18%**	224,418,703	24%
Debt securities:				
Government	**895,813,558**	**66%**	791,757,975	66%
Investment grade	**218,385,799**	**16%**	191,644,007	10%
	1,114,199,357	**82%**	983,402,982	76%
Fair value of plan assets	**₱1,348,598,060**	**100%**	₱1,198,277,623	100%

**Excluding liabilities amounting to ₱872,005 and ₱832,550 for 2019 and 2018, respectively.*

All equity and debt securities held have quoted prices in an active market. The plan assets have significant concentration on the sovereign debt of the Philippines.

The Group's BOT reviews the level of funding of the Group's pension plan annually. The said review includes, among others, asset-liability matching (ALM) and investment strategy. The principal objective of the Group's ALM is to ensure the expected return on plan assets to be sufficient to support the desired level of funding arising from the projected maturity profile of the defined benefit plans. The BOT decides to gear towards investing in fixed income securities based on a matrix of allowable types of investments maintained by the Group. For fixed income instruments, government securities with tenors of one to three years and more than three years may account for up to 30% and 80% of the portfolio, respectively, while treasury bills can consist of up to 10%. Corporate issues with maturities of five years and less and those more than five years may comprise up to 15% and 10% of the portfolio, respectively. Investments in equities are allowed up to 20%, and cash and cash equivalents can reach up to 10% of the portfolio, except in certain circumstances as approved by the BOT.

The latest actuarial valuation of the plan is as of December 31, 2019. The principal actuarial assumptions used to determine retirement benefits costs follow:

	2019	
	Parent Company	**I-Care**
Discount rate*	**4.91%**	**4.96%**
Future salary increases	**6.00%**	**4.00%**

**This is single weighted average discount rate which is based on BVAL reference rates and PDEX PDST-R2 rates at various s tenors as of December 27, 2019 and of December 28, 2018, respectively. Rates for intermediate durations were interpolated.*

	2018		
		Subsidiaries	
	Parent Company	**I-Care**	**Home Credit**
Discount rate*	**7.37%**	**7.33%**	**7.39%**
Future salary increases	**6.00%**	**5.00%**	**5.00%**

**This is single weighted average discount rate which is based on BVAL reference rates at various tenors as of December 27, 2019 and of December 28, 2018, respectively. Rates for intermediate durations were interpolated..*

The Group contributed ₱86,948,935 to its defined benefit plan in 2019 and expects to contribute ₱89,255,536 to its defined benefit plan in 2020.

The discount rate and salary increase rate were identified as significant actuarial assumptions. The sensitivity analysis below has been determined based on methods that extrapolate the impact in defined benefit obligation as of December 31 as a result of reasonably possible changes in each significant assumption, assuming all other assumptions were held constant:

	Group	
	2019	2018
Discount rate:		
Increase of 1%	**(₱86,452,820)**	(₱81,535,705)
Decrease of 1%	**101,218,983**	95,100,564
Salary increase rate:		
Increase of 1%	**101,221,717**	97,986,562
Decrease of 1%	**(88,215,336)**	(82,825,100)

Shown below is the maturity analysis of the undiscounted benefit payments as of:

	Group	
	2019	2018
Less than 1 year	**₱63,277,858**	₱58,543,045
More than 1 year to 5 years	**464,916,304**	441,301,524
More than 5 years to 10 years	**588,742,494**	632,757,458
More than 10 years	**3,574,453,597**	5,693,502,186

The average duration of the defined benefit obligation at the end of the reporting period is 18.35 years and 21.48 years in 2019 and 2018, respectively.

25. Income Taxes

a. The components of provision for income tax follow:

	2019	2018
Current	**₱586,653,832**	₱521,149,276
Deferred	**(88,024,185)**	137,106,583
	₱498,629,647	₱658,255,859

b. The components of the Group's net deferred income tax liabilities (assets) follow:

	2019			
		Provision for (benefit) from income tax		
	Beginning of Year	**Charged to profit or loss**	**Charged to OCI**	**End of Year**
Deferred income tax liabilities:				
Gain on re-measurement on life insurance reserves	**₱2,032,624,014**	**₱–**	**(₱1,574,400,020)**	**₱458,223,994**
Revaluation increment in investment properties	**1,004,636,414**	**(5,796,090)**	**–**	**998,840,324**
Retirement benefits asset	**40,874,425**	**(3,559,177)**	**(10,774,435)**	**26,540,813**
Reserve for fluctuation in AFS financial assets	**9,661,606**	**–**	**6,691,706**	**16,353,312**
Accrued rent income	**27,708,715**	**(2,032,585)**	**–**	**25,676,130**
	3,115,505,174	**(11,387,852)**	**(1,578,482,749)**	**1,525,634,573**
Deferred income tax assets:				
Unrealized foreign exchange difference	**(170,510,305)**	**(97,038,682)**	**–**	**(267,548,987)**
Accrued expenses not yet deductible	**(145,021,545)**	**10,356,383**	**(2,727,281)**	**(137,392,443)**
Unamortized past service cost contributions	**(85,788,341)**	**13,049,488**	**–**	**(72,738,853)**
Allowance for impairment on loans and receivables	**(3,061,728)**	**(1,157,168)**	**–**	**(4,218,896)**
Impairment of investment properties and property and equipment	**(6,843,543)**	**–**	**–**	**(6,843,543)**
Retirement benefits liability	**–**	**(1,846,354)**	**–**	**(1,846,354)**
Deferred income tax assets	**(411,225,462)**	**(76,636,333)**	**(2,727,275)**	**(490,589,076)**
Net deferred income tax liability (asset)	**₱2,704,279,712**	**(₱88,024,185)**	**(₱1,581,210,024)**	**₱1,035,045,497**

	2018			
		Provision for (benefit) from income tax		
	Beginning of Year	Charged to profit or loss	Charged to OCI	End of Year
Deferred income tax liabilities:				
Gain on re-measurement on life insurance reserves	₱–	₱–	₱2,032,624,014	₱2,032,624,014
Revaluation increment in investment properties	1,015,473,917	(10,837,503)	–	1,004,636,414
Retirement benefits asset	25,967,728	(25,816,092)	40,722,788	40,874,425
Reserve for fluctuation in AFS financial assets	9,982,402	–	(320,796)	9,661,606
Accrued rent income	14,222,256	13,486,459	–	27,708,715
	1,065,646,303	(23,167,136)	2,073,026,006	3,115,505,174
Deferred income tax assets:				
Unrealized foreign exchange difference	(227,534,476)	57,024,171	–	(170,510,305)
Accrued expenses not yet deductible	(235,115,709)	90,094,164	–	(145,021,545)
Unamortized past service cost contributions	(99,156,200)	13,367,859	–	(85,788,341)
Allowance for impairment on loans and receivables	(5,284,529)	2,222,801	–	(3,061,728)
Impairment of investment properties and property and equipment	(6,843,543)	–	–	(6,843,543)
Retirement benefits liability	(667,571)	(2,435,276)	3,102,847	–
Gain on re-measurement on life insurance reserves	(566,906,596)	–	566,906,596	–
Deferred income tax assets	(1,141,508,624)	160,273,719	570,009,443	(411,225,462)
Net deferred income tax liability (asset)	(₱75,862,321)	₱137,106,583	₱2,643,035,449	₱2,704,279,712

The Parent Company and IIC are in a net deferred tax liability position while I-Care is in a net deferred tax asset position both in 2019 and 2018.

c. Deferred income tax assets were not recognized on the following items since it is not expected that sufficient future taxable profits will be available against which these items can be utilized prior to their expiration:

	2019	2018
NOLCO	**₱2,224,239,182**	₱3,688,148,107
Excess of MCIT over RCIT	**80,180,968**	49,082,621
	₱2,324,420,150	₱3,737,230,728

d. The Group's NOLCO available for deduction from future taxable income follows:

Year Incurred	Expiration	January 1, 2018	Incurred	Applied	Expired	December 31, 2018
2016	2019	₱1,905,531,240	₱	₱	(₱1,905,531,240)	₱
2017	2020	2,265,929	–	–	–	2,265,929
2018	2021	1,780,350,937	–	–	–	1,780,350,937
2019	2022	–	461,622,316	–	–	461,622,316
		₱3,688,148,106	₱461,622,316	₱	(₱1,905,531,240)	₱2,244,239,182

e. The Group's unused excess of MCIT over RCIT follows:

Year Incurred	Expiration	January 1, 2018	Incurred	Applied	Expired	December 31, 2018
2016	2019	₱12,809	₱	₱	(₱12,809)	₱
2017	2020	48,364,556	–	–	–	48,364,556
2018	2021	705,256	–	–	–	705,256
2019	2022	–	31,111,356	–	–	31,111,356
		₱49,082,621	₱31,111,357	₱	₱(12,809)	₱80,180,968

f. The reconciliation of the provision for income tax at the statutory income tax rates to the provision for income tax shown in the statements of income is shown below.

	2019	2018
Provision for income tax at statutory income tax rates	**₱1,605,613,676**	₱1,096,873,667
Adjustments for:		
Equity in net earnings of an associate	**(683,931,836)**	(318,324,640)
Interests subjected to final tax at lower tax rates and dividends/interest exempt from tax	**(691,518,377)**	(846,785,406)
Movement in NOLCO and excess MCIT over RCIT without deferred income tax asset set up	**169,725,835**	534,810,524
Nontaxable income	**(152,645,531)**	(107,873,774)
Nondeductible expenses	**251,385,880**	299,555,488
Provision for income tax	**₱498,629,647**	₱658,255,859

26. Related Party Transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Group, including holding companies and subsidiaries , are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

Transactions and balances between the Parent Company and the subsidiaries have been eliminated in the consolidation.

Transactions with related parties consist mainly of:

a. Lease of office spaces, cash advances, dividends, interests, and loans. The balances as of and for the years ended December 31, 2019 and 2018 are presented below:

			Outstanding Balance			
Category	Year	Amount of transaction during the year	Due From	Due to	Cash and investment Accounts	Terms and condition
Subsidiaries*						
Common Overhead	**2019**	**15,918,328**	**15,918,328**	–	–	**30-day; noninterest-bearing; settled in cash;**
	2018	11,560,505	–	–	–	
Rental Income	**2019**	**9,194,005**	**108,101**	**2,435**	–	**One to three-year lease contract; 30-day; noninterest-bearing; settled in cash; unsecured, unguaranteed, no impairment**
	2018	12,751,031	168,451	–	–	
Rental deposits	**2019**	**374,849**	**2,500**	**4,834,235**	–	**noninterest-bearing; settled in cash; unguaranteed; unsecured; no impairment**
	2018	3,902,054	2,800	4,471,435	–	
Dividends	**2019**	**1,150,000**	–	–	–	**noninterest-bearing; settled in cash; unguaranteed; unsecured; no impairment**
	2018	36,240,000	–	–	–	
Insurance revenue	**2019**	**2,187,347**	–	–	–	
	2018	2,155,797	–	–	–	
Director's fee	**2019**	–	–	–	–	
	2018	80,000	–	–	–	
Salaries and compensation	**2019**	**584,537**	**584,537**	–	–	
	2018	1,592,168	–	–	–	
Association dues, utilities and others	**2019**	**3,120,791**	**609,307**	**44,861**	–	**noninterest-bearing; settled in cash; unsecured**
	2018	4,286,159	106,848	10,824	–	
Associates						
MIIC						
Rental Income	**2019**	**1,793,691**	–	**86,958**	–	**Two to five-year lease contract; 30-day; noninterest-bearing; unsecured; unguaranteed; settled in cash; no impairment**
	2018	3,388,640	32,411	–	–	
Rental Deposits	**2019**	**243,353**	–	**2,783,881**	–	**noninterest-bearing; settled in cash; unguaranteed; unsecured; no impairment**
	2018	963,113	–	2,783,881	–	
Insurance Revenue	**2019**	**17,766,894**	–	–	–	
	2018	32,312,622	–	–	–	
Association dues, utilities and others	**2019**	**467,575**	**301,811**	–	–	
	2018	1,220,088	249,945	932,458	–	
UBP						
Stock Rights Offering (SRO)	**2019**	**28,820,409**	–	–	–	
	2018	1,679,823,991	–	–	–	
Service Fee	**2019**	**165,803,567**	–	**11,670,902**	–	**noninterest-bearing; unsecured; unguaranteed; settled in cash**
	2018	178,664,224	–	12,298,401	–	
Access Fee, net of amortization during the year	**2019**	**35,132,012**	–	–	**884,951,630**	**noninterest bearing; settled in cash**
	2018	56,006,043	–	–	920,083,643	
Distribution Expense	**2019**	**7,757,148**	–	**7,757,148**	–	**noninterest bearing; settled in cash; unguaranteed; unsecured; no impairment**
	2018	12,366,134	–	2,588,079	–	
Personnel Fee	**2019**	**34,222,232**	–	–	–	
	2018	14,795,991	–	–	–	
Rental Income	**2019**	**24,281,892**	–	**5,090**	–	**One to five-year lease contract; 30-day; noninterest-bearing; unsecured; unguaranteed; settled in cash; no impairment**
	2018	22,274,607	–	185,963	–	
Rental Deposits	**2019**	**143,557**	–	**16,887,734**	–	**noninterest-bearing; settled in cash; unguaranteed; unsecured; no impairment**
	2018	381,652	–	17,910,724	–	

			Outstanding Balance			
Category	Year	Amount of transaction during the year	Due From	Due to	Cash and investment Accounts	Terms and condition
Dividends	**2019**	**376,720,965**	**–**	**–**	**–**	**noninterest-bearing; settled in cash; unguaranteed; unsecured; no impairment**
	2018	326,035,470	–	–	–	
Insurance Revenue	**2019**	**257,286,373**	**–**	**–**	**–**	
	2018	230,880,866	–	–	–	
Interest income	**2019**	**33,993,434**	**2,961,828**	**–**	**–**	
	2018	16,248,015	2,506,348	–	–	
Saving and current accounts	**2019**	**480,198,130**	**–**	**–**	**1,640,094,098**	**noninterest-bearing; settled in cash; unguaranteed; unsecured, no impairment**
	2018	406,217,710	–	–	1,159,895,969	
AFS Financial Assets	**2019**	**₱16,125,000**	**₱1,469,167**	**₱–**	**₱300,000,000**	**interest-bearing, unguaranteed; unsecured; unrestricted**
HTM Financial Assets	2018	₱16,125,000	₱1,469,167	₱–	₱300,000,000	interest-bearing, unguaranteed; unsecured; unrestricted
Association Dues, utilities and others	**2019**	**3,481,625**	**175,867**	**–**	**–**	
	2018	3,569,776	320,251	44,828	–	
Retirement plan						
Advances	**2019**	**98,598,777**	**–**	**–**	**–**	
	2018	99,955,151	–	–	–	
Fixed Rate Bond	**2019**	**–**	**–**	**–**	**50,000,000**	**interest-bearing at 7.061% per annum; payable quarterly; two-year bond; unguaranteed; unsecured**
	2018	50,000,000	–	–	50,000,000	
TOTAL	**2019**	**₱1,615,366,491**	**₱22,131,446**	**₱44,068,154**	**₱2,875,045,728**	
TOTAL	2018	₱3,223,796,807	₱4,856,221	₱41,226,593	₱2,429,979,612	

**The Parent Company's subsidiaries are disclosed in Note 28.*

b. On May 20, 2017, the Parent Company and UBP formally launched "Union for Life", a unique bancassurance partnership, where UBP and its wholly-owned subsidiary, CitiSavings Bank, will distribute and sell the insurance products of the Parent Company to its bank clients.

c. Savings and current accounts and short-term investments maintained with UBP, an associate:

	2019	2018
Savings and current accounts	**₱509,970,747**	₱470,964,175
Special savings accounts	**1,130,123,352**	688,931,794
	₱1,640,094,099	₱1,159,895,969

d. In November 2014, the Group availed of the subordinated notes issued by UBP and was classified as HTM financial assets. In 2019, the Group reclassified this investment to AFS financial assets to address accounting mismatch since under the Gross Premium Valuation methodology, changes in Legal Policy Reserves due to discount rate are recorded in Equity whereas changes in fair value of the HTM bonds are not reflected in the Group's books. With the reclassification, changes in their fair value will also be recorded in Equity. The impact of this reclassification is an increase by ₱3.29 billion in AFS and in the Group's Equity under "Fluctuation Reserves of AFS Bonds".

These investments earned interests amounting to ₱16,125,000 in both 2019 and 2018 respectively. The carrying value and fair value of these subordinated notes amounted to ₱300,000,000 in both 2019 and 2018.

e. Key management personnel include all officers that have ranks of vice president and up. Compensation of key management personnel is summarized below:

	2019	2018
Salaries and other short-term employee benefits	**₱314,324,612**	₱289,490,623
Post-employment and other long-term benefits	**15,773,087**	44,767,748
	₱330,097,699	₱334,258,371

27. **Lease Commitments**

The Group has entered into noncancelable leases with terms ranging between one month and fifteen years, both as lessee and as lessor. Most leases include a clause to enable upward revision of the rental charge on an annual basis based on contract.

a. Group as lessee

The Company has lease contracts for its branches and offices. Leases of its branches and offices generally have lease terms between 1 and 5 years. Generally, the Company is restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension and termination options and variable lease payments.

The following are the amounts recognized in statement of income:

	2019
Depreciation expense of right-of-use assets included in property and equipment and investment properties	₱25,138,662
Interest expense on lease liabilities	2,227,608
Total amount recognized in statement of income	₱27,366,270

The rollforward analysis of lease liabilities follows:

	2019
As at January 1, 2019, as previously reported	₱–
Effect of adoption of PFRS 16 (see Note 2)	22,916,463
At January 1, 2019, as restated	22,916,463
Additions	35,300,065
Interest expense	2,227,608
Payments	(27,724,383)
As at December 31, 2019	₱32,719,753

Shown below is the maturity analysis of the undiscounted lease payments:

	2019
1 year	₱17,896,707
more than 1 year to 2 years	8,119,536
more than 2 years to 3 years	3,993,652
more than 3 years to 4 years	3,048,637

more than 5 years	2,679,097
	₱35,737,629

Rent expense recognized in 2019 and 2018 amounted to nil and ₱23,939,465, respectively (Note 20).

b. Operating lease commitments - the Group as lessor

The future minimum rentals receivable under non-cancelable operating leases follows:

	2019	2018
Within one year	**₱547,376,448**	₱501,597,185
After one year but not more than five years	**608,100,158**	947,904,616
	₱1,155,476,606	₱1,449,501,801

Rent income recognized in 2019 and 2018 amounted to ₱740,863,514 and ₱639,740,070, respectively.

28. Group Information and Non-controlling Interest

The Group comprises the Parent Company and its subsidiaries. Among the Group's subsidiaries, IIC and ILMADECO are intermediate parents of their respective subsidiaries. IPI and IPVI are wholly-owned subsidiaries of IIC; while, ILACGA is a wholly-owned subsidiary of ILMADECO.

The Parent Company's subsidiaries are all incorporated and based in Philippines (i.e., principal place of business). The Parent Company's subsidiaries are engaged in the following activities:

Subsidiaries	Date of Incorporation	Nature of Business
IIC	September 5, 1989	Investment banking in the areas of corporate finance, money market, and securities underwriting
• IPI	May 31, 1994	Development and sale of real estate
• IPVI	May 31, 1994	*-do-*
I-Care	October 14, 1991	Provision of medical and managed care services and facilities to its members
(Forward)		
ILMADECO	March 9, 1987	Holding organization of ILACGA
• ILACGA	November 11, 2003	Provision of nonlife general insurance
ILPHI	March 23, 1998	Development and sale of real estate

For the relevant corporate information of the Group's associates, refer to Note 7.

The Parent Company is subject to statutory regulations on Risk-Based Capital (RBC2) and other externally imposed capital requirements (Note 32). All asset investments of the Parent Company require approval from the IC. The Parent Company submits annual financial statements to the IC to determine adequacy of the Parent Company's investments. IC classifies assets according to admitted and non-admitted assets for the purpose of calculating financial ratios that the Parent Company is required to maintain. These, among others, pose restrictions as to the use or transfer of assets within the Group, as well as, the settlement of liabilities as of December 31, 2019 and 2018.

The Parent Company is not subject (i.e., under guarantyship, suretyship, or other similar arrangements) to any contingent liability, or capital or purchase commitments as of December 31, 2019 and 2018.

The subsidiaries, except I-Care, have no contingent liabilities (other than disclosed in Note 32) or capital commitments as of December 31, 2019 and 2018 and are not subject to restrictions (i.e., whether through legal, contractual, or discretionary restrictions) as to the use or transfer of their assets within the Group, or settlement of liabilities.

IC, I-Care's lead regulator, sets and monitors the capital requirements of I-Care. In implementing current capital requirements, the IC requires I-Care to maintain a minimum capital amount, minimum deposit to IC, minimum net worth, prescribed acid test ratio and a prescribed ratio of qualifying capital to gross membership fees. These, among others, may impose significant restrictions as to the use or transfer of assets or the settlement of liabilities as of December 31, 2019 and 2018.

While IIC is subject to the minimum capital requirements imposed by SEC, the compliance with the said regulation does not pose significant restrictions as the use or transfer of assets within the Group or the settlement of liabilities as of December 31, 2019 and 2018.

Dividends declared to the preferred shareholders of Home credit amounted to ₱12,598,370 in 2018.

On December 19, 2018, the Company entered into a Share Purchase Agreement with Fountel Corp. for the sale of Company's holdings in Home Credit for a consideration of ₱5,000,000. On the same date, the Parent Company losses its control over Home Credit. The loss on deconsolidation amounted to ₱ 5,715,649 under other losses (Note 22).

29. Other Income

Other income includes management fees, amendment fees, cancellation fees, handling fees and reinsurance fees.

30. Fair Value Measurement

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

The following are short term in nature; hence, the carrying value approximates the fair value:

- Cash and cash equivalents;
- Short term investments;
- Insurance receivable;
- Loans and receivable under "Financial assets" account including:
  - Policy loans;
  - Accounts receivable;
  - Interest receivable;
  - Due from agents; and
  - Other receivables;
- Other insurance liabilities; and
- Accrued expenses and other liabilities excluding taxes and other statutory liabilities.

Equity Securities
The fair values of equity securities are based on closing prices as published by the PSE. Fair value of the unquoted equity security was valued using the adjusted net asset value method.

Debt Securities
The fair values of debt securities are based on quoted prices. For unquoted debt securities, where fair value is not reasonably determinable, fair values are estimated using the discounted cash flow technique that makes use of market rates.

Structured VULs
The fair value of structured notes has been computed by counterparties using present value calculations and option pricing models as applicable. The valuation requires management to make certain assumptions about the model inputs particularly the credit spread of the issuer.

Term, Mortgage, Housing and Car Financing Loans
For disclosure purposes, fair values of these loans are estimated using the discounted cash flow technique that makes use of the Group's incremental lending rates for similar types of instruments.

Legal Policy Reserves
The carrying amounts of legal policy reserves reflect the statutory reserves.

Derivative Liability
The fair value of the derivative liability is calculated by the issuer through valuation models, including present value calculations and option pricing models, which incorporate various observable market inputs including interest rate curves and foreign exchange rates prevailing at financial reporting date.

The following tables show analysis of financial instruments at fair value by level of the fair value hierarchy as of December 31:

	2019				
		Fair Value			
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial Assets at FVPL					
Equity securities - quoted	₱3,659,508,970	₱3,659,508,970	–	–	₱3,659,508,970
Under separate funds*:					
Traditional VULs					
Equity securities - quoted	20,733,063,330	20,733,063,330	–	–	20,733,063,330
Debt securities - quoted					
Government:					
Local currency	2,106,180,801	2,106,180,801	–	–	2,106,180,801
Foreign currency	2,630,487,080	2,630,487,080	–	–	2,630,487,080
Corporate:					
Local currency	193,232,143	193,232,143	–	–	193,232,143
Foreign currency	93,019,027	93,019,027	–	–	93,019,027
Investment in UITF	1,652,317,273	–	1,652,317,273	–	1,652,317,273
Structured VULs					
Local currency	444,592,500	–	–	444,592,500	444,592,500
Foreign currency	1,005,243,490	–	–	1,005,243,490	1,005,243,490
	32,517,644,614	31,067,808,624	1,652,317,273	1,449,835,990	32,517,644,614
AFS Financial Assets					
Equity securities:					
Quoted	14,198,628,935	14,195,616,529	–	–	14,195,616,529
Unquoted**	377,323,542	403,000	–	19,205,463	19,608,463
Debt securities - quoted					
Government:					
Local currency	30,044,520,511	30,044,520,511	–	–	30,044,520,511
Foreign currency	1,186,945,810	1,186,945,810	–	–	1,186,945,810
Corporate:					
Local currency	16,056,960,678	16,056,960,678	–	–	16,056,960,678
Foreign currency	354,833,877	354,833,877	–	–	354,833,877
	62,219,213,353	61,839,280,405	–	19,205,463	61,858,485,868
HTM Financial Assets					
Government:					
Local currency	160,069,276	–	–	–	–
Foreign currency	–	–	–	–	–
Corporate:					
Local currency	40,000,000	–	–	–	–
Foreign currency	–	–	–	–	–
	200,069,276	–	–	–	–
Loans and receivables					
Term loans	5,986,976,471	–	–	6,347,352,311	6,347,352,311
Unquoted debt security	931,040,000	–	–	1,098,262,564	1,098,262,564
Housing loans	121,633,700	–	–	115,672,819	115,672,819
Car financing loans	25,798,946	–	–	30,016,586	30,016,586
	7,065,449,117	–	–	7,591,304,280	7,591,304,280
TOTAL FINANCIAL ASSETS	₱102,002,376,360	₱92,907,089,029	₱1,652,317,273	₱9,060,345,733	₱113,621,745,290
Derivative liability	₱–	₱–	₱–	₱–	₱–

**Excluding cash and cash equivalents, other receivables and other payables with carrying amount of ₱2,807,880,285, ₱161,149,666 and ₱85,005,796, respectively.*
***Excluding club and equity shares carried at cost*

	2018				
		Fair Value			
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial Assets at FVPL					
Equity securities - quoted	₱3,689,220,800	₱3,689,220,800	₱–	₱–	₱3,689,220,800
Under separate funds*:					
Traditional VULs					
Equity securities - quoted	19,607,236,248	19,607,236,248	–	–	19,607,236,248
Debt securities - quoted					
Government:					
Local currency	1,795,658,346	1,795,658,346	–	–	1,795,658,346
Foreign currency	2,487,631,912	2,487,631,912	–	–	2,487,631,912
Corporate:					
Local currency	126,036,580	126,036,580	–	–	126,036,580
Foreign currency	137,166,393	137,166,393	–	–	137,166,393
Investment in UITF	800,437,109	–	800,437,109	–	800,437,109
Structured VULs					
Local currency	698,526,102	–	–	698,526,102	698,526,102
Foreign currency	1,300,125,154	–	–	1,300,125,154	1,300,125,154
	30,642,038,644	27,842,950,279	800,437,109	1,998,651,256	30,642,038,644
AFS Financial Assets					
Equity securities:					
Quoted	18,257,015,647	18,257,015,647	–	–	18,257,015,647
Unquoted**	19,957,071	2,816	–	16,652,694	16,655,510
Debt securities - quoted					
Government:					
Local currency	10,483,103,111	10,483,103,111	–	–	10,483,103,111
Foreign currency	1,077,308,475	1,077,308,475	–	–	1,077,308,475
Corporate:					
Local currency	6,498,631,568	6,498,631,568	–	–	6,498,631,568
Foreign currency	286,095,457	286,095,457	–	–	286,095,457
	36,622,111,329	36,602,157,074	–	16,652,694	36,618,809,768
HTM Financial Assets					
Government:					
Local currency	14,171,131,381	14,808,404,639	–	–	14,808,404,639
Foreign currency	16,896,008	21,813,114	–	–	21,813,114
Corporate:					
Local currency	7,692,000,000	7,213,819,916	–	–	7,213,819,916
Foreign currency	261,997,980	270,696,921	–	–	270,696,921
	22,142,025,369	22,314,734,590	–	–	22,314,734,590
Loans and receivables					
Term loans	6,718,852,941	–	–	6,649,024,739	6,649,024,739
Unquoted debt security	1,000,000,000	–	–	934,635,267	934,635,267
Housing loans	131,954,834	–	–	121,122,795	121,122,795
Car financing loans	31,714,864	–	–	34,118,449	34,118,449
	7,882,522,639	–	–	7,738,901,250	7,738,901,250
TOTAL FINANCIAL ASSETS	₱97,288,697,981	₱86,759,841,943	₱800,437,109	₱9,754,205,200	₱97,314,484,252
Derivative liability	₱50,356,772	₱–	₱50,356,772	₱–	₱50,356,772

**Excluding cash and cash equivalents, other receivables and other payables with carrying amount of ₱2,380,763,997, ₱259,221,110 and ₱256,928,363, respectively.*

***Excluding club and equity shares carried at cost*

The following table shows the reconciliation of the beginning and ending balances of Level 3 AFS financial assets and financial assets at FVPL which are recorded at fair value as of December 31:

	2019	2018
Financial assets at FVPL:		
Peso		
Beginning balance	**₱698,526,102**	₱702,944,015
Maturity	**(384,200,325)**	-
Fair value gain(loss)	**130,266,723**	(4,417,913)
Ending balance	**444,592,500**	698,526,102
USD		
Beginning balance	**1,300,125,154**	1,246,422,798
Maturity	**(297,983,105)**	-
Fair value gain	**46,598,231**	50,923,716
Foreign exchange adjustments	**(43,496,789)**	2,778,640
Ending balance	**1,005,243,491**	1,300,125,154
Total Level 3 financial assets at FVPL	**₱1,449,835,991**	₱1,998,651,256
AFS financial assets:		
Beginning balance	**₱16,249,694**	₱15,586,606
Fair value gain (loss)	**2,955,769**	663,088
Ending balance	**₱19,205,463**	₱16,249,694

In 2019 and 2018, no transfers were made among the three levels in the fair value hierarchy.

Investment in a holding company

The Group has investments in a holding company's (the "investee-holding company") shares of stock included in available-for-sale investments which are not quoted in the market as of December 31, 2019 and 2018. The investee-holding company was valued using adjusted net asset method in 2019 and 2018 since majority of its net assets are carried at fair value. The carrying value of the investment in a holding company amounted to ₱19,205,463 and ₱16,249,694 as of December 31, 2019 and 2018, respectively. Increases (decreases) in the net book value per share would result in a higher (lower) fair value measurement.

Structured VULs

Fair value of structured notes has been computed by counterparties using present value calculations and option pricing models as applicable. The management performs an independent testing to validate the reasonableness of counterparty values. The sensitivity analysis requires management to make certain assumptions about the model inputs particularly the credit spread of the issuer. Market observable inputs used in the sensitivity analysis include credit default swap (CDS) of the Republic of the Philippines, USD interest rate swap rates (IRS) (for the USD denominated issuances) and USD/PHP cross currency swap rates (for the PHP-denominated issuances).

The sensitivity analysis of the fair market value of the structured notes as of December 31 is performed for the reasonable possible movement in the significant inputs with all other variables held constant, showing the impact to profit and loss in the table below:

	Significant observable input other than quoted prices included within Level 1	Range level at yearend	Sensitivity of the input to fair value
2019	**ROP CDS level (3yrs-8yrs)**	**34 basis points**	50 basis points increase or decrease in ROP CDS would result in the decrease and increase in market value of the note by ₱11,704,273 and ₱11,923,512, respectively.
	USD IRS (3yrs-8yrs)	**167-178 basis points**	50 basis points increase or decrease in USD IRS would result in the decrease and increase in market value of the note by ₱12,459,183 and ₱12,684,129, respectively.
	PHP IRS (1yr-6yrs)	**340-345 basis points**	50 basis points increase or decrease in PHP IRS would result in the decrease and increase in market value of the note by ₱5,532,261 and ₱5,608,461 respectively.
2018	ROP CDS level (3yrs-8yrs)	88 basis points	50 basis points increase or decrease in ROP CDS would result in the decrease and increase in market value of the note by ₱11,704,273 and ₱11,923,512, respectively.
	USD IRS (3yrs-8yrs)	255-259 basis points	50 basis points increase or decrease in USD IRS would result in the decrease and increase in market value of the note by ₱12,459,183 and ₱12,684,129, respectively.
	PHP IRS (1yr-6yrs)	543-560 basis points	50 basis points increase or decrease in PHP IRS would result in the decrease and increase in market value of the note by ₱5,532,261 and ₱5,608,461 respectively.

Note: The structured VULs can be decomposed into bond components and option components. The sensitivity is only applied to the bond portion of the structured notes. Further, the results of the sensitivity do not reflect stressed scenarios due to the non-linearity characteristics of the product.

Sensitivity of the fair value measurement to changes in unobservable inputs follows:

Peso denominated notes:

	Significant unobservable input	Range level at yearend	Sensitivity of the input to fair value
2019	**Bank CDS Level (1-7 years)**	**12- 47 basis points**	A 50 basis points increase (decrease) in CDS would result in the decrease and increase in fair value of the note by ₱5,532,261 and ₱5,608,461, respectively.
2018	Bank CDS Level (1-7 years)	30-95 basis points	A 50 basis points increase (decrease) in CDS would result in the decrease and increase in fair value of the note by ₱5,532,261 and ₱5,608,461, respectively.

Note: The structured VULs can be decomposed into bond components and option components. The sensitivity is only applied to the bond portion of the structured notes. Further, the results of the sensitivity do not reflect stressed scenarios due to the non-linearity characteristics of the product.

Dollar-denominated notes:

	Significant unobservable input	Range level at yearend	Sensitivity of the input to fair value
2019	**ROP CDS Level (3-8 years)**	**15-28 basis points**	50 basis points increase or decrease in ROP CDS would result in the decrease and increase in market value of the note by ₱12,459,183 and ₱12,684,129, respectively.
2018	ROP CDS Level (3-8 years)	55-65 basis points	50 basis points increase or decrease in ROP CDS would result in the decrease and increase in market value of the note by ₱12,459,183 and ₱12,684,129, respectively.

Note: The sensitivity is only applied to the bond portion of the structured notes. Further, the results of the sensitivity do not reflect stressed scenarios due to the non-linearity characteristics of the product.

The Bank CDS level is based on the closest available CDS maturity of the counterparty matched to the remaining maturity of the structured notes. Further, the Bank CDS, is a proxy for the funding cost of the counterparty which is considered as a significant unobservable input.

The above estimates are based on assumptions that, if altered, can change the analysis expressed herein. This shall not constitute a representation or warranty as to future performance of the structured notes. Further, past performance is not indicative of future results.

There is no other impact on the Group's equity other than those already affecting profit or loss.

<u>Fair value disclosure under the Amendments to PFRS 4</u>

The table below presents an analysis of the fair value of classes of financial assets of the Group as of December 31, 2019, as well as the corresponding change in fair value for the year then ended. The financial assets are divided into two categories:

- Assets for which their contractual cash flows represent solely payments of principal and interest (SPPI), excluding any financial assets that are held for trading or that are managed and whose performance is evaluated on a fair value basis; and
- All financial assets other than those specified in SPPI above (i.e. those for which contractual cash flows do not represent SPPI, assets that are held for trading and assets that are managed and whose performance is evaluated on a fair value basis).

	SPPI financial assets		Other financial assets	
	Fair value	Fair value change	Fair value	Fair value change
Financial assets at FVPL				
Equity securities - quoted	₱–	₱–	₱3,659,508,970	₱162,968,169
Under separate fund:				
Traditional VULs:				
Cash and cash equivalents	–	–	2,807,880,285	–
Equity securities	–	–	20,733,063,330	580,184,567
Debt securities	–	–	5,022,919,051	335,849,173
Other receivables	–	–	161,149,666	–
Other payables	–	–	(85,005,796)	–
Structured VULs	–	–	1,449,835,990	133,368,165
Available-for-sale financial assets				
Equity securities	–	–	14,215,224,992	(4,058,446,165)
Debt securities	47,643,260,876	6,983,387,674	–	–
Loans and receivables				
Cash and cash equivalents*	4,639,924,907	–	–	–
Term loans	6,347,352,311	(301,672,428)	–	–
Unquoted debt securities	1,098,262,564	163,627,297	–	–
Housing loans	115,672,819	(5,449,976)	–	–
Car financing loans	30,016,586	(4,101,863)	–	–
Others	7,437,751,967	(154,486,348)	–	–
	₱67,312,242,030	₱6,681,304,356	₱47,964,576,488	(₱2,846,076,091)

**excludes cash on hand*

All financial assets under VULs are managed on a fair value basis. Accordingly, these are all presented under "Other financial assets" in the above table.

For disclosures related to credit quality of SPPI financial assets, refer to Note 29

31. Insurance and Financial Risk Management

The primary objective of the Group's risk and financial management framework is to protect the Group's policyholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognizes the critical importance of having efficient and effective risk management systems in place.

The Group has established a risk management function with clear terms of reference from the BOT, its committees, and the associated executive management committees. This is supplemented with a clear organizational structure with documented delegated authorities and responsibilities from the BOT to executive management committees and senior managers. Lastly, a group policy framework which sets out the risk profiles for the Group, risk management, control, and business conduct standards for the Group's operations has been put in place. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the Group.

The BOT approves the Group risk management policies and meets regularly to approve any commercial, regulatory, and organizational requirements of such policies. These policies define the Group's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

Regulatory Framework

A substantial portion of the Group's long term insurance business comprises policies where the investment risk is borne by policyholders. Risk attributable to policyholders is actively managed keeping in view their investment objectives and constraints. IC, the Group's leading regulator, is interested in protecting the rights of the policyholders and maintains close vigil to ensure that the Group is satisfactorily managing its affairs for their benefit. At the same time, the IC is also interested in ensuring that the Group maintains an appropriate solvency position to meet liabilities arising from claims and that the risks are at acceptable levels.

The operations of the Group are also subject to the regulatory requirements of the IC. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions, e.g., capital adequacy, to minimize the risk of default and insolvency on the part of the insurance companies to meet the unforeseen liabilities as these arise.

31.1. Insurance Risk

The risk under an insurance contract is the possibility of occurrence of an insured event and uncertainty of the amount and timing of the resulting claim. The principal risk the Group faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. The risks associated with the life insurance contracts are underwriting risk and investment risk.

31.1.1. *Underwriting risk*

Underwriting risk represents the exposure to loss resulting from actual policy experience adversely deviating from assumptions made in the product pricing. Underwriting risks are brought about by a combination of the following:

- Mortality risk - risk of loss arising due to policyholder death experience being different than expected; and
- Morbidity risk - risk of loss arising due to policyholder health experience being different than expected.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The variability of risks is also improved by careful selection and implementation of underwriting strategies and guidelines.

The business of the Group primarily comprises life insurance contracts. For contracts where death is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle, and natural disasters, thus resulting in earlier or more claims than expected.

These risks currently do not vary significantly in relation to the location of the risk insured by the Group while undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

There are no mitigating terms and conditions that reduce the insured risk accepted for contracts with fixed and guaranteed benefits and fixed future premiums.

The Group has an objective to control and minimize insurance risk and to reduce volatility of operating profits. The Group manages insurance risk through the following mechanism:

- the use and maintenance of management information systems that provide up to date, accurate and reliable data on risk exposure at any point in time;
- actuarial models based on past experience and statistical techniques aid in pricing decisions and monitoring claims patterns;
- guidelines are issued for concluding insurance contracts and assuming insurance risks;
- pro-active claims handling procedures are followed to investigate and adjust claims, thereby preventing settlement of dubious or fraudulent claims;
- reinsurance is used to limit the Group's exposure to large claims by placing risk with reinsurers providing high security;
- diversification is accomplished by achieving sufficiently large population of risks to reduce the variability of the expected outcome. The diversification strategy seeks to ensure that underwritten risks are well diversified in terms of type and amount of risk, industry and geography; and
- the mix of insurance assets is driven by the nature and term of insurance liabilities. The management of assets and liabilities is closely monitored to attempt to match the expected pattern of claim payments with the maturity dates of assets.

Insurance risk is also affected by the policyholders' rights to terminate the contract, pay reduced premiums, refuse to pay premiums, or avail of the guaranteed annuity option. Thus, the resultant insurance risk is subject to the policyholders' behavior and decisions.

The Group's concentration of insurance risk before and after reinsurance in relation to the type of insurance contract based on sum assured is as follows:

	2019	2018
Whole Life		
Gross	**₱88,037,335,023**	₱89,927,538,362
Net	**78,853,622,225**	80,327,013,560
Endowment		
Gross	**21,994,043,540**	24,510,668,857
Net	**19,795,182,179**	22,916,273,521
Term Insurance		
Gross	**₱5,774,578,959**	₱6,603,343,328
Net	**5,675,771,211**	6,459,407,306
Group Insurance		
Gross	**130,736,667,508**	144,043,301,292
Net	**100,217,550,107**	120,104,381,830
Variable Life		
Gross	**108,800,266,504**	95,157,133,998
Net	**52,345,734,901**	77,361,316,612
Total		
Gross	**₱355,342,891,534**	₱360,241,985,837
Net	**₱256,887,860,623**	₱307,168,392,829

31.1.2. Life Insurance Contracts

a. Assumptions

Material judgment is required in determining the liabilities and in the choice of assumptions relating to insurance contracts. Assumptions in use are based on past experience, current internal data and conditions, and external market indices and benchmarks, which reflect current observable market prices and other published information. Such assumptions are determined as appropriate at inception of the contract. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations. Assumptions are subject to the provisions of the Code and guidelines set forth by the IC.

b. Terms

Life insurance contracts offered by the Group mainly include whole life, endowments, term insurance, group insurance, and variable insurance.

Whole life and term insurance are conventional products where lump sum benefits are payable upon death of insured.

Endowment products are investments/savings products where lump sum benefits are payable after a fixed period or upon death before the period is completed.

Group insurance policies are yearly renewable life plan products issued to corporate accounts that provide the beneficiaries of the insured employee cash proceeds in the event of the employee's death.

Variable life products provide, in addition to life insurance coverage, living benefit where payments are linked to units of an investment fund set up by the Company from the premiums paid by the policyholders.

For legal policy reserves, the following assumptions are used:

a. Mortality and morbidity rates
Assumptions on mortality and morbidity are based on the Group's actual experience. Rates are differentiated by age, underwriting class and product type. For life insurance policies, increased mortality rates would lead to larger number of claims and claims occurring sooner than anticipated, increasing the expenditure and reducing profits for stakeholders.

b. Discount rates
Discount rates relate to the time value of money. These are based on the risk-free discount rates prescribed by IC. An increase (decrease) in discount rate would result in decrease (increase) in liability that needs to be set up to meet obligations to policyholders.

c. Expenses
Operating expense assumptions reflect the projected costs of maintaining and servicing in force policies and associated overhead expenses. The current level of expense is adjusted for inflation in the future. An increase in the level of expense would result in an increase in expenditure thereby reducing profits for the stakeholders.

d. Lapses rates
Assumptions on lapse are based on the Group's actual experience. These are differentiated by product type, annual premium level and duration of the policy. Higher lapse rates on lapse-supported products would translate to a decrease in the reserves that needs to be set-up.

31.1.3. Reinsurance Contracts

a. Terms and Assumptions

The Group limits its exposure to loss within insurance operations through participation in reinsurance arrangements. The majority of the business ceded is placed on excess share basis with retention limits varying by issue age and underwriting classification.

Even though the Group may have reinsurance arrangements, it is not relieved of its direct obligation to its policyholders. 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 Group is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any reinsurance contract.

b. Sensitivities

The application of the MfAD in the assumptions ensure that the resulting legal policy reserves will be sufficient. The scenarios tested involved increasing and decreasing one type of assumption by the recommended minimum MfAD while retaining the others constant at the original base run results.

31.2. Financial Risk

The Group is exposed to financial risk through its financial assets, financial liabilities, insurance assets, and insurance liabilities. In particular, the key financial risk that the Group is exposed to is that proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are credit risk, liquidity risk, and market risk.

These risks arise from open positions in interest rate, currency, and equity products, all of which are exposed to general and specific market movements.

The Group has guidelines and procedures on fixed and equity investments. On fixed investments, the Group has to place its investment portfolio in negotiable instruments that will give high-yield, low-risks return without sacrificing the IC and the Group's requirements. The IC requirements state that the investment in fixed instruments shall only come from financial institutions or corporate entities with acceptable ratings from PhilRatings, or at least the rank is within the top 15, in case of banks. Meanwhile, investment in negotiable instruments involving reserve and surplus investments shall follow the guidelines set by the Code (Note 32). On equity investments, the Group has to place its investment portfolio in equity market that will give high-yield, low-risks return taking into account the IC and Group's requirements.

31.2.1. *Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Key areas where the Group is exposed to credit risk pertain to the amounts due from the following:

- Reinsurers in respect of unpaid claims;
- Reinsurers in respect of claims already paid;
- Financial assets at FVPL;
- AFS financial assets;
- Loans and receivables;
- HTM financial assets;and
- Counterparty bank default on CCS agreement.

Risk Concentrations of the Maximum Exposure to Credit Risk

The Group structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparty, and to geographical and industry segments. Such risks are subject to an annual or more frequent review. Limits on the level of credit risk by category and territory are approved by the Division Heads.

The following table analyses the Group's concentration of credit risk in the Group's debt securities portfolio by industrial distribution as percentage of total debt securities:

	2019	2018
Property	35%	32%
Holding firms	25%	25%
Electricity, energy, power, and water	16%	16%
Financial institutions	11%	13%
Telecommunications	8%	8%
Tollways operation and maintenance	3%	3%
Food, beverage, and tobacco	1%	2%
Others	1%	1%
Total	**100%**	100%

The Group has a significant concentration of credit risk with counterparties under the "Property" industry as of December 31, 2019 and 2018. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group 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.

Reinsurance is placed with high rated counterparties and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year and are subject to regular reviews. At each year-end, management performs assessment of creditworthiness of reinsurers to update reinsurance purchase strategies and ascertain a suitable allowance for impairment of reinsurance assets.

Individual operating units maintain records of the payment history for significant contract holders with whom they conduct regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Group. Internal audit makes regular reviews to assess the degree of compliance with the Group procedures on credit. Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring of the controls associated with regulatory solvency.

The Group manages the level of credit risk it accepts through a comprehensive group credit risk policy setting out the assessment and determination of what constitutes credit risk for the Group; setting up of exposure limits by each counterparty or group of counterparties, industry segments; right of offset where counterparties are both debtors and creditors; guidelines on obtaining collateral and guarantees; reporting of credit risk exposures and breaches to the monitoring authority; monitoring compliance with credit risk policy and review of credit risk policy for pertinence and changing environment.

Loans to policyholders, which are granted at amount not to exceed the policyholder's cash surrender value, are netted off against the cash surrender values of policies and carry substantially no credit risk.

In respect of investment securities, the Group secures satisfactory credit quality by setting maximum limits of portfolio securities with a single issuer or group of issuers and setting the minimum ratings for each issuer or group of issuers.

The Group 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.

Credit risk exposure in respect of all other counterparties is managed by setting standard business terms that are required to be met by all counterparties. Commissions due to intermediaries are netted off against amounts receivable from them to reduce the risk of doubtful debts. The credit risk in respect of customer balances, incurred on nonpayment of premiums or contributions, will only persist during the grace period specified in the policy document or trust deed on the expiry of which the policy is either paid up or terminated.

The maximum credit exposure of the financial assets of the Company is equal to their carrying value except for mortgage loans and housing loans with collaterals. The financial effect of collaterals for mortgage loans amounted to ₱22,486,344 and ₱22,761,821 as of December 31, 2019 and 2018, respectively. The financial effect of collaterals for housing loans amounted to ₱84,201,475 and ₱115,484,289 as of December 31, 2019 and 2018, respectively.

Financial effect is the lower of the carrying value of the financial asset or the fair value of the collateral for each financial asset.

The Group uses a credit rating concept based on the borrowers' and counterparties' overall creditworthiness, as follows:

i. Investment grade - rating given to borrowers and counterparties who possess strong to very strong capacity to meet their obligations.
ii. Non-investment grade - rating given to borrowers and counterparties who possess above average capacity to meet their obligations.

The tables below provide the credit quality of the Group's financial assets that are neither past due nor impaired as of December 31.

	2019				
	Neither past due nor impaired				
	Investment Grade	Non-investment Grade	Past due but not impaired	Impaired	Total
Insurance receivables:					
Due premiums	**₱190,443,598**	**₱–**	**₱–**	**₱–**	**₱190,443,598**
Reinsurance assets	**–**	**4,763,183**	**–**	**–**	**4,763,183**
	190,443,598	**4,763,183**	**–**	**–**	**195,206,781**
Financial assets at FVPL:					
Quoted equity securities					
Equity securities – quoted	**20,733,063,330**	**–**	**–**	**–**	**20,733,063,330**
Under separate fund:	**3,659,508,970**	**–**	**–**	**–**	**3,659,508,970**
Traditional VULs:					
Cash and cash equivalents	**2,807,880,285**	**–**	**–**	**–**	**2,807,880,285**
Quoted debt securities					
Government:					
Local currency	**2,106,180,801**	**–**	**–**	**–**	**2,106,180,801**
Foreign currency	**2,630,487,080**	**–**	**–**	**–**	**2,630,487,080**
Corporate:					
Local currency	**193,232,143**	**–**	**–**	**–**	**193,232,143**
Foreign currency	**93,019,027**	**–**	**–**	**–**	**93,019,027**
Investment in UITF	**1,652,317,273**	**–**	**–**	**–**	**1,652,317,273**
Other receivables	**161,149,666**	**–**	**–**	**–**	**161,149,666**
Structured VULs:					
Local currency	**444,592,500**	**–**	**–**	**–**	**444,592,500**
Foreign currency	**1,005,243,490**	**–**	**–**	**–**	**1,005,243,490**
	35,486,674,565	**–**	**–**	**–**	**35,486,674,565**
AFS financial assets:					
Equity securities:					
Quoted	**14,198,628,935**	**–**	**–**	**–**	**14,198,628,935**
Unquoted	**377,323,542**	**–**	**–**	**–**	**377,323,542**
Debt securities - fixed rates:					
Quoted:					
Government:					
Local currency	**30,044,520,511**	**–**	**–**	**–**	**30,044,520,511**
Foreign currency	**1,186,945,810**	**–**	**–**	**–**	**1,186,945,810**
Corporate:					
Local currency	**16,056,960,678**	**–**	**–**	**–**	**16,056,960,678**
Foreign currency	**354,833,877**	**–**	**–**	**–**	**354,833,877**
	62,219,213,353	**–**	**–**	**–**	**62,219,213,353**
HTM financial assets					
Government:					

	2019				
	Neither past due nor impaired				
	Investment Grade	Non-investment Grade	Past due but not impaired	Impaired	Total
Local currency	**160,069,276**	**–**	**–**	**–**	**160,069,276**
Foreign currency	**–**	**–**	**–**	**–**	
Corporate:					
Local currency	**40,000,000**	**–**	**–**	**–**	**40,000,000**
Foreign currency	**–**	**–**	**–**	**–**	
	200,069,276	**–**	**–**	**–**	**200,069,276**
Loans and receivables:					
Cash and cash equivalents*	**4,639,924,907**	**–**	**–**	**–**	**4,639,924,907**
Term loans	**5,986,976,471**	**–**	**–**	**–**	**5,986,976,471**
Policy loans	**5,180,965,103**	**–**	**–**	**–**	**5,180,965,103**
Accounts receivable		**1,430,431,292**	**278,448**	**3,509,761**	**1,434,219,501**
Unquoted bonds	**931,040,000**	**–**	**–**	**–**	**931,040,000**
Interest receivable	**616,325,474**	**–**	**–**	**–**	**616,325,474**
Housing loans	**121,633,700**	**–**	**–**	**–**	**121,633,700**
Car financing loans	**25,798,946**	**–**	**–**	**–**	**25,798,946**
Mortgage loans	**1,311,667**	**34,250,568**	**653,390**	**104,264**	**36,319,889**
Due from agents	**–**	**6,506,741**	**–**	**3,037,050**	**9,543,791**
Others	**–**	**148,448,978**	**–**	**–**	**148,448,978**
	17,503,976,268	**1,619,637,579**	**931,838**	**6,651,075**	**19,131,196,760**
	₱115,6100,377,060	**₱1,624,400,762**	**₱931,838**	**₱6,651,075**	**₱117,232,360,753**

**Excluding cash on hand as of December 31, 2019.*

	2018				
	Neither past due nor impaired				
	Investment Grade	Non-investment Grade	Past due but not impaired	Impaired	Total
Insurance receivables:					
Due premiums	₱183,280,942	₱–	₱–	₱–	₱183,280,942
Reinsurance assets	–	4,667,364	–	–	4,667,364
	183,280,942	4,667,364	–	–	187,948,306
Financial assets at FVPL:					
Quoted equity securities	19,607,236,248	–	–	–	19,607,236,248
Equity securities – quoted	3,689,220,800	–	–	–	3,689,220,800
Under separate fund:					
Traditional VULs:					
Cash and cash equivalents	2,380,763,997	–	–	–	2,380,763,997
Quoted debt securities					
Government:					
Local currency	1,795,658,346	–	–	–	1,795,658,346
Foreign currency	2,487,631,912	–	–	–	2,487,631,912
Corporate:					
Local currency	126,036,580	–	–	–	126,036,580
Foreign currency	137,166,393	–	–	–	137,166,393
Investment in UITF	800,437,109	–	–	–	800,437,109
Other receivables	259,221,110	–	–	–	259,221,110
Structured VULs:					
Local currency	698,526,102	–	–	–	698,526,102
Foreign currency	1,300,125,154	–	–	–	1,300,125,154
	33,282,023,751	–	–	–	33,282,023,751
(Forward)					
AFS financial assets:					
Equity securities:					
Quoted	₱18,257,015,647	₱–	₱–	₱–	₱18,257,015,647
Unquoted	19,957,071	–	–	–	19,957,071
Debt securities - fixed rates:					
Quoted:					
Government:					
Local currency	10,483,103,111	–	–	–	₱10,483,103,111
Foreign currency	1,077,308,475	–	–	–	1,077,308,475
Corporate:					
Local currency	6,498,631,568	–	–	–	6,498,631,568
Foreign currency	286,095,457	–	–	–	286,095,457
	36,622,111,329	–	–	–	36,622,111,329
HTM financial assets					
Government:					

	2018				
	Neither past due nor impaired				
	Investment Grade	Non-investment Grade	Past due but not impaired	Impaired	Total
Local currency	14,171,131,381	–	–	–	14,171,131,381
Foreign currency	16,896,008	–	–	–	₱16,896,008
Corporate:					
Local currency	7,692,000,000	–	–	–	7,692,000,000
Foreign currency	261,997,980	–	–	–	261,997,980
	22,142,025,369	–	–	–	22,142,025,369
Loans and receivables:					
Cash and cash equivalents*	3,468,861,896	–	–	–	3,468,861,896
Term loans	6,718,852,941	–	–	–	6,718,852,941
Policy loans	5,243,586,976	–	–	–	5,243,586,976
Accounts receivable	–	1,510,564,348	5,656,265	5,010,428	1,521,231,041
Unquoted bonds	1,000,000,000				1,000,000,000
Interest receivable	596,067,107	–	–	–	596,067,107
Housing loans	131,954,834	–	–	–	131,954,834
Car financing loans	31,714,864	–	–	–	31,714,864
Mortgage loans	1,878,772	11,505,628	583,189	85,506	14,053,095
Due from agents	–	3,309,777	–	1,328,683	4,638,460
Others	1,209,218	187,083,596	18,589,403	5,779,423	212,661,640
	17,194,126,608	1,712,463,349	24,828,857	12,204,040	18,943,622,854
	₱109,423,567,999	₱1,717,130,713	₱24,828,857	₱12,204,040	₱111,177,731,609

**Excluding cash on hand as of December 31, 2018.*

The following tables provide the breakdown of past due but not impaired financial assets as of December 31:

	2019			
	Past due but not impaired			
	Less than 30 days	**31 to 60 days**	**More than 60 days**	**Total**
Loans and receivables:				
Accounts receivable	**₱–**	**₱138,901**	**₱139,548**	**₱278,449**
Mortgage loans	**24,504**	**20,652**	**608,234**	**653,390**
Others				
	₱24,504	**₱159,553**	**₱747,782**	**₱931,839**

	2018			
	Past due but not impaired			
	Less than 30 days	**31 to 60 days**	**More than 60 days**	**Total**
Loans and receivables:				
Accounts receivable	**₱3,204,923**	**₱627,895**	**₱1,823,447**	**₱5,656,265**
Mortgage loans	**105,874**	**76,627**	**400,688**	**583,189**
Others	**15,961,657**	**1,761,572**	**866,174**	**18,589,403**
	₱19,272,454	**₱2,466,094**	**₱3,090,309**	**₱24,828,857**

For assets to be classified as "past due and impaired," contractual payments in arrears are more than 90 days. Allowance is recognized in the statements of income for these assets. When credit exposure is adequately secured, arrears of more than 90 days might still be classified as "past due but not impaired," with no impairment adjustment recorded. The Group operates mainly on a "neither past due nor impaired basis" and when evidence of impairment is available, an impairment assessment is performed if applicable.

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters. Collateral is mainly obtained for securities lending.

Credit risk is also mitigated by entering into collateral agreements. Management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable.

Collaterals obtained by the Group are investment properties upon default on mortgage loans and housing loans. The fair value of the collaterals obtained where the Company has the right by contract or custom to sell the assets amounted to ₱237,333,175 and ₱281,511,263 for housing loans and mortgage loans as of December 31, 2019 and 2018, respectively.

Credit risk disclosures under the Amendments to PFRS 4

The following table shows the carrying amounts of the SPPI assets in accordance with PAS 39 categories by credit risk rating grades reported to key management personnel. The carrying amounts are measured in accordance with PAS 39. For assets measured at amortized cost, the carrying amount shown is before any allowance for impairment loss.

		Credit Rating			
	Total	**AAA**	**BBB**	**PRSAaa**	**Unrated**
Available-for-sale debt securities	₱47,643,260,876	₱–	₱31,231,466,321	₱16,411,794,555	₱–
Loans and receivables					
Cash and cash equivalents	4,644,101,483	–	4,644,101,483	–	–
Term loans	5,986,976,471	–	–	976,000,000	5,010,976,471
Unquoted debt securities	931,040,000	931,040,000	–	–	–
Housing loans	121,633,700	–	–	–	121,633,700
Car financing loans	25,798,945	–	–	–	25,798,945
Others	7,424,183,771	–	–	–	7,424,183,771
	₱66,790,563,442	₱931,040,000	₱35,875,567,804	₱17,387,794,555	₱12,582,592,887

The following table provides information on the fair value and carrying amount under PAS 39 for those SPPI assets that do not have low credit risk as determined by the Group. The carrying amounts are measured in accordance with PAS 39. For assets measured at amortized cost, the carrying amount shown is before any allowance for impairment loss.

	Fair value	Carrying amount
Financial assets at FVTPL		
Other receivables	₱161,149,666	₱161,149,666
Loans and receivables		
Term loans	6,347,352,311	5,986,976,471
Housing loans	115,672,819	121,633,700
Car financing loans	30,016,586	25,798,946
Others	7,437,751,967	7,437,751,967
	₱14,091,943,349	₱13,733,310,750

For the fair value disclosures required by the Amendments to PFRS 4, refer to Note 28.

31.2.2. *Liquidity Risk*

Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values, or failing on repayment of a contractual obligation, or insurance liability falling due for payment earlier than expected or inability to generate cash inflows as anticipated.

The major liquidity risk confronting the Group is the matching of available cash resources in respect of claims arising from insurance contracts.

The Group manages liquidity through a group liquidity risk policy which determines what constitutes liquidity risk for the Group, specifies minimum proportion of funds to meet emergency calls, sets up contingency funding plans, specifies the sources of funding and the events that would trigger the plan, determines concentration of funding sources, reports of liquidity risk exposures and breaches to the monitoring authority, monitors compliance with liquidity risk policy, and reviews liquidity risk policy for pertinence and changing environment.

The amounts disclosed in the maturity analysis of financial assets used to manage liquidity, insurance liabilities, and financial liabilities of the Company are the contractual undiscounted cash flows based on the remaining period at the reporting date to their contractual maturities or in the case of financial assets at FVPL and legal policy reserves, the expected repayment dates detailed as follows:

	2019				
	Up to a year	**1-3 years**	**3-5 years**	**Over 5 years**	**Total**
Financial assets:					
Cash and cash equivalents	**₱4,641,172,044**	**₱–**	**₱–**	**₱–**	**₱4,641,172,044**
Insurance receivables	**195,206,781**	–	–	–	**195,206,781**
Financial assets at FVPL	**29,507,820,214**	**2,535,366,144**	**1,203,066,473**	**3,499,506,935**	**36,745,759,766**
AFS financial assets	**19,481,471,668**	**6,401,443,852**	**11,131,271,944**	**30,753,497,023**	**67,767,684,487**
HTM financial assets	**97,000,000**	**121,377,254**	–	–	**218,377,254**
Loans and receivables	**3,328,192,584**	**2,783,530,899**	**1,571,454,108**	**8,238,176,976**	**15,921,354,567**
Total financial assets	**57,250,863,290**	**11,841,718,149**	**13,905,792,525**	**42,491,180,934**	**125,489,554,898**
Financial liabilities:					
Insurance liabilities:					
Legal policy reserves	**₱5,853,982,404**	**₱3,892,842,659**	**₱1,536,674,763**	**₱46,878,145,282**	**₱58,161,645,108**
Other insurance liabilities:					
Members' deposits and other funds on deposit	**29,920,429,153**	**1,017,348,874**	**275,788,180**	**4,534,796,981**	**35,748,363,188**
Claims pending settlement	**2,284,854,422**	–	–	–	**2,284,854,422**
	38,059,265,979	**4,910,191,533**	**1,812,462,943**	**51,412,942,263**	**96,194,862,718**
Other financial liabilities:					
Accrued expenses and other liabilities:					
Accounts payable	**534,224,900**	–	**338,937,284**	–	**873,162,184**
Accrued employee benefits	**69,448,909**	**34,480,671**	**315,300,523**	–	**419,230,103**
Commissions payable	**129,436,162**	–	–	–	**129,436,162**
General expenses due and accrued	**23,005,817**	–	–	–	**23,005,817**
Others	**2,411,979**	–	–	–	**2,411,979**
	758,527,767	**34,480,671**	**654,237,807**	–	**1,447,246,245**
Total financial liabilities	**38,817,793,746**	**4,944,672,204**	**2,466,700,750**	**51,412,942,263**	**97,642,108,963**
Liquidity position	**₱18,433,069,544**	**₱6,897,045,945**	**₱11,439,091,775**	**(₱8,921,761,329)**	**₱27,847,445,935**

**Excluding unearned membership fees of I-Care amounting to ₱234,712,204*

	2018				
	Up to a year	1-3 years	3-5 years	Over 5 years	Total
Financial assets:					
Cash and cash equivalents	₱3,468,861,896	₱–	₱–	₱–	₱3,468,861,896
Insurance Receivables	187,948,307	–	–	–	187,948,307
Financial assets at FVPL	27,253,323,852	2,746,895,897	1,356,402,945	4,006,300,905	35,362,923,599
AFS financial assets	34,343,131,922	2,689,236,584	2,209,512,994	12,721,868,898	51,963,750,398
HTM financial assets	2,469,332,328	5,705,671,155	3,520,849,468	27,328,188,742	39,024,041,693
Loans and receivables	1,333,131,837	4,250,862,967	3,114,139,318	8,708,273,330	17,406,407,452
Total financial assets	69,055,730,142	15,392,666,603	10,200,904,725	52,764,631,875	147,413,933,345
Financial liabilities:					
Insurance liabilities:					
Legal policy reserves	5,625,275,563	4,879,632,210	1,441,488,038	42,428,898,767	54,375,294,578
Derivative liability	50,356,772	–	–	–	50,356,772
Other insurance liabilities:					
Members' deposits and other funds on deposit	27,642,478,451	1,118,646,999	310,793,678	4,609,330,900	33,681,250,028
Claims pending settlement	2,012,054,045	–	–	–	2,012,054,045
	35,330,164,831	5,998,279,209	1,752,281,716	47,038,229,667	90,118,955,423
Other financial liabilities:					
Accrued expenses and other liabilities:					
Accounts payable	61,037,251	43,861,816	315,290,109	–	420,189,176
Accrued employee benefits	522,279,173	36,489,558	347,557,899	–	906,326,630
Commissions payable	126,372,879	–	–	–	126,372,879
General expenses due and accrued	65,532,959	20,621,222	–	–	86,154,181
Others	3,984,755	5,768,745	–	–	9,753,500
	779,207,017	106,741,341	662,848,008	–	1,548,796,366
Total financial liabilities	36,109,371,848	6,105,020,550	2,415,129,724	47,038,229,667	91,667,751,789
Liquidity position	₱32,946,358,294	₱9,287,646,053	₱7,785,775,001	₱5,726,402,208	₱55,746,181,556

**Excluding unearned membership fees of I-Care amounting to ₱177,145,294*

It is unusual for a company primarily transacting an insurance business to predict the requirements of funding with absolute certainty as the theory of probability is applied on insurance contracts to ascertain the likely provision and the time period when such liabilities will require settlement. The amounts and maturities in respect of insurance liabilities are, thus, based on management's best estimate based on statistical techniques and past experience.

31.2.3. *Market Risk*

Market risk is the risk of change in fair value of financial instruments from fluctuations in market interest rates (fair value interest rate risk), market prices (equity price risk), and foreign exchange rates (currency risk) whether such change in price is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The following policies and procedures are in place to mitigate the Group's exposure to market risk:

- The Group structures levels of market risk it accepts through a group market risk policy that determines what constitutes market risk for the Group; basis used to fair value financial assets and financial liabilities; asset allocation and portfolio limit structure; diversification benchmarks by type and duration of instrument; reporting of market risk exposures and breaches to the monitoring authority; monitoring compliance with market risk policy and review of market risk policy for pertinence and changing environment;

- Set out the assessment and determination of what constitutes market risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the

Group risk committee. The policy is reviewed regularly for pertinence and for changes in the risk environment; and

- Establish asset allocation and portfolio limit structure, to ensure that assets back specific policyholders' liabilities and that assets are held to deliver income and gains for policyholders which are in line with expectations of the policyholders.

a. *Fair Value Interest Rate Risk*

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group's fixed rate investments in particular are exposed to such risk.

The following tables show the information relating to the Group's exposure to fair value interest rate risk:

					2019 Maturity			
Fixed Rate Instruments	**Effective Interest Rate**	**In 1 year or less**	**More than 1 year but not 2 years**	**More than 2 years but not 3 years**	**More than 3 years but not 4 years**	**More than 4 years but not 5 years**	**More than 5 years**	**Total**
Financial assets at FVPL - debt securities								
Government:								
Local currency	**3.3% - 8%**	**₱285,922,181**	**₱192,576,413**	**₱100,422,975**	**₱631,919,235**	**₱53,723,713**	**₱841,616,284**	**₱2,106,180,801**
Foreign currency	**3.0% - 10.6%**	**66,061,155**	**67,292,750**	**-**	**–**	**339,495,619**	**2,157,637,556**	**2,630,487,080**
Corporate:								
Local currency	**4.5% - 6.1%**	**–**	**–**	**–**	**89,770,919**	**–**	**103,461,224**	**193,232,143**
Foreign currency	**4.3% - 4.4%**	**50,906,910**	**–**	**–**	**42,112,117**	**–**	**–**	**93,019,027**
Structured VULs:								
Local currency	**5.7% - 5.8%**	**-**	**444,592,500**	**-**	**–**	**–**	**–**	**444,592,500**
Foreign currency	**3.4% - 4.1%**	**149,155,520**	**374,954,200**	**-**	**481,133,770**	**–**	**–**	**1,005,243,490**
AFS debt securities:								
Quoted:								
Government:								
Local currency	**6.9% - 7.9%**	**1,001,445,289**	**–**	**159,290,855**	**982,116,045**	**1,224,735,940**	**25,897,077,278**	**29,264,665,407**
Foreign currency	**3.5% - 6.1%**	**–**	**–**	**107,135,713**	**-**	**–**	**1,859,665,201**	**1,966,800,914**
Corporate:								
Local currency	**5.0% - 8.7%**	**3,135,457,266**	**1,219,721,158**	**1,025,018,169**	**4,398,712,198**	**1,069,359,796**	**5,208,692,090**	**16,056,960,677**
Foreign currency	**4.0% - 4.1%**	**–**	**–**	**–**	**–**	**–**	**354,833,877**	**354,833,877**
		₱4,688,948,321	**₱2,299,137,021**	**₱1,391,867,712**	**₱6,625,764,284**	**₱2,687,315,068**	**₱36,422,983,510**	**₱54,116,015,916**

					2018 Maturity			
Fixed Rate Instruments	Effective Interest Rate	In 1 year or less	More than 1 year but not 2 years	More than 2 years but not 3 years	More than 3 years but not 4 years	More than 4 years but not 5 years	More than 5 years	Total
Financial assets at FVPL - debt securities								
Government:								
Local currency	3.3% - 8%	₱89,089,387	₱214,462,729	₱182,774,504	₱289,814,408	₱320,581,398	₱698,935,920	₱1,795,658,346
Foreign currency	3.7% - 10.6%	96,457,747	70,865,326	69,045,742	–	–	2,251,263,097	2,487,631,912
Corporate:								
Local currency	5.0% - 6.1%	–	–	–	–	89,802,387	36,234,193	126,036,580
Foreign currency	4.3% - 7.3%	42,795,493	52,718,285	–	–	41,652,615	–	137,166,393
Structured VULs:								
Local currency	1.5%	280,289,102	–	418,237,000	–	–	–	698,526,102
Foreign currency	1.5% - 2.5%	297,245,257	151,383,077	371,651,740	–	479,845,080	–	1,300,125,154
AFS debt securities:								
Quoted:								
Government:								
Local currency	6.9% - 7.9%	2,002,318,846	–	–	46,771,879	–	8,434,012,386	10,483,103,111
Foreign currency	3.5% - 6.1%	–	–	–	103,889,826	–	973,418,649	1,077,308,475
Corporate:								
Local currency	5.0% - 8.7%	–	142,315,142	597,797,463	309,178,505	2,640,415,722	2,808,924,736	6,498,631,568
Foreign currency	4.0% - 4.1%	286,095,457	–	–	–	–	–	286,095,457
		₱3,094,291,289	₱631,744,559	₱1,639,506,449	₱749,654,618	₱3,572,297,202	₱15,202,788,981	₱24,890,283,098

The following tables provide the sensitivity analysis of the fair value of financial assets and its impact to profit before tax and equity due to changes in interest rates as of December 31:

		Changes in variable	**Effect on income before tax**	**Effect on equity**
2019	**USD**	**+ 25 basis points**	**(₱2,719,500)**	**(₱52,817,846)**
	PHP	**+ 25 basis points**	**(340,632)**	**(647,380,367)**
	USD	**- 25 basis points**	**2,802,270**	**54,532,220**
	PHP	**- 25 basis points**	**347,231**	**662,774,274**

		Changes in variable	Effect on income before tax	Effect on equity
2018	USD	+ 25 basis points	(₱2,681,506)	(₱31,441,352)
	PHP	+ 25 basis points	(332,670)	(233,559,661)
	USD	- 25 basis points	2,577,121	32,317,616
	PHP	- 25 basis points	338,143	239,162,693

The impact on the Company's equity already excludes the impact on transactions affecting profit or loss.

The use of +/-25 basis points is a reasonably possible change in the market value of the debt securities.

The Company's CCS with a local universal bank to receive fixed PHP and pay fixed USD cash flows matured last October 17, 2019 (Note 12). The following tables provide the sensitivity analysis of the fair value of the CCS and its effect on income before income tax, and equity due to changes in interest rates as of December 31, 2019 and 2018, respectively.

	CCS Leg	**Changes in variable**	**Effect on income before tax**
2018	Peso Interest Rate	Increase by 25 basis points	₱403,707)
	Peso Interest Rate	Decrease by 25 basis points	(402,001)
	USD Interest Rate	Increase by 25 basis points	513,152)
	USD Interest Rate	Decrease by 25 basis points	(515,397)

b. *Equity Price Risk*

The Group's price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, AFS financial assets, and financial assets at FVPL.

Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax (due to changes in fair value of financial recognized in the statements of income) and on statements of changes in members' equity (due to changes in fair value of financial assets recognized in OCI).

	Change in PSEi	Effect on income before tax	Effect on Equity
2019	**Increase by 5%**	**₱943,849,957**	**₱1,606,413,016**
	Decrease by 5%	**(943,849,957)**	**(1,606,413,016)**
2018	Increase by 5%	₱901,786,722	₱1,636,155,700
	Decrease by 5%	(901,786,722)	(1,636,155,700)

The impact on the Group's equity already excludes the impact on transactions affecting profit or loss.

Risk Concentrations of the Maximum Exposure to Equity Price Risk
The Group's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments; diversification plan; and limits on investment in each industry or sector.

The table below analyses the Group's concentration of equity price risk in the Group's equity portfolio by industrial distribution as percentage of total equity securities.

	2019	2018
Financial institutions	32%	30%
Electricity, energy, power, and water	22%	29%
Financial institutions	32%	30%
Holding firms	15%	13%
Property	10%	7%
Food, beverage, and tobacco	6%	6%
Property	10%	7%
Telecommunications	4%	5%
Others	11%	10%
Total	**100%**	100%

c. *Currency Risk*
Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's foreign currency-denominated assets and liability as of December 31 consist of the following:

	2019		2018	
	United States Dollar Value	**Peso Equivalent**	United States Dollar Value	Peso Equivalent
Assets				
Cash and cash equivalents	**$16,307,640**	**₱825,737,337**	$13,551,863	₱712,556,957
Financial assets at FVPL	**86,968,591**	**4,403,654,598**	84,017,393	4,417,634,519
AFS financial assets	**30,448,893**	**1,541,779,687**	25,930,086	1,363,403,932
			5,304,184	278,893,995
	$133,725,124	**₱6,771,171,622**	$128,803,526	₱6,772,489,396

Liabilities

	2019		2018	
	United States Dollar Value	**Peso Equivalent**	United States Dollar Value	Peso Equivalent
Derivative liability	**$-**	**₱-**	$957,717	₱50,356,772
Legal policy reserves	**393,492**	**19,924,492**	368,917	19,397,635
	$393,492	**$19,924,492**	$1,326,634	₱69,754,407

The foregoing United States Dollar amounts have been restated to their Peso equivalents using the exchange rate of ₱50.635 and ₱52.580 to US$1, as recommended by IC, as of December 31, 2019 and 2018, respectively. Net foreign exchange gain (loss) amounted to (₱177,571,837) in 2019 and ₱187,488,167 in 2018.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on income before tax (due to changes in fair value of currency sensitive monetary assets and liabilities).

	Change in USD - PHP exchange rate	Effect on income before tax
2019	**Increase by 2.58%**	**(₱174,696,228)**
	Decrease by 2.58%	**174,696,228**
2018	Increase by 3.47%	₱232,584,903
	Decrease by 3.47%	(232,584,903)

There is no other impact on the Group's equity other than those already affecting profit or loss.

The table below provide the sensitivity analysis of the fair value of the CCS and its effect on income before income tax, and equity due to changes in foreign currency rates as of December 31, 2019 and 2018, respectively.

	Change in USD - PHP exchange rate	Effect on income before tax	Effect on Equity
2019	**-**	**-**	**-**
	-	**-**	**-**
2018	Increase by 3.47%	(₱1,747,380)	(₱1,747,380)
	Decrease by 3.47%	1,747,380	1,747,380

32. **Capital Management and Regulatory Requirements**

32.1. Capital Management Framework
The Group manages its capital through its compliance with the statutory requirements on minimum members' equity. The Parent Company is also complying with the statutory regulations on Amended Risk-Based Capital (RBC2) Framework to measure the adequacy of

its statutory surplus in relation to the risks inherent in its business. The RBC2 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 Group considers its total retained earnings amounting to ₱34,380,514,412 and ₱29,528,710,124 as of December 31, 2019 and 2018, respectively, as its capital.

The Group manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in economic conditions and risk characteristics of the Group's activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to policyholders.

To ensure compliance with these externally imposed capital requirements, it is the Group's policy to monitor fixed capital requirements, and RBC2 requirements on a quarterly basis as part of Group's internal financial reporting process.

The Group and the Parent Company fully complied with the externally imposed capital requirements during the reported financial periods and no changes were made to its objectives, policies, and processes from the previous year.

As of December 31, the estimated amount of nonadmitted assets of the Parent Company, as defined under the Code, which are included in the accompanying statements of financial position, follows:

	2019	2018
Property and equipment	**₱176,928,332**	₱172,613,334
Accounts receivable and other assets	**2,693,627,877**	2,689,116,791
	₱2,870,556,209	₱2,861,730,125

32.1.1. *Minimum Members' Equity Requirements*

Insurance Commission (IC) Circular Letter (CL) No. 2017-14, as amended by CL No. 2019-67, provides for the minimum total members' equity requirements for all mutual life insurance companies on a staggered basis for the years ended December 31, 2016 up to 2022. The term "Members' Equity/Owners' Equity" is equal to the total company assets minus total company liabilities which shall remain unimpaired at all times. The table below shows the amount of minimum total members' equity and schedule of compliance per IC CL No. 2017-14, as amended by CL No. 2019-67.

Minimum Total Members' Equity	**Compliance Date**
₱900,000,000	31 December 2019
1,300,000,000	31 December 2022

As of December 31, 2019 and 2018, the Parent Company's members' equity is ₱39,330,577,664 and ₱39,068,604,536, respectively.

32.1.2. *Amended Risk-Based Capital Requirements*

In December 2016, the IC issued Circular Letter No. 2016-68 on Amended Risk-Based Capital (RBC2) Framework adopting a three (3) pillar risk-based approach to solvency. Under Pillar 1, all insurance companies are required to maintain the minimum RBC ratio of 100%. Failure to meet the required minimum RBC Ratio based on quarterly and annual submissions shall subject the insurance company to the corresponding regulatory intervention which has been defined at various levels.

The RBC ratio shall be calculated as Total Available Capital divided by the RBC requirement. Total Available Capital shall include the Parent Company's paid-up capital, contributed and contingency surplus, and unassigned surplus. Revaluation and fluctuation reserve accounts shall form part of Total Available Capital only to the extent authorized by the IC.

As of December 31, 2019, the Parent Company's Capital Adequacy Ratio under RBC2 Framework is equivalent to 185% with Total Available Capital and RBC requirement amounting to ₱36,274,665,424 and ₱19,655,427,841, respectively. This is compliant with the minimum statutory requirement of 100%.

The final amount of the RBC ratio can be determined only after the accounts of the Parent Company has been examined by the IC specifically as to admitted and nonadmitted assets as defined under the Amended Insurance Code.

33. Maturity Analysis of Assets and Liabilities

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recorded or settled:

	2019		
	Less than 12 months	**Over 12 months**	**Total**
ASSETS			
Cash and Cash Equivalents	**₱4,644,101,483**	**₱–**	**₱4,644,101,483**
Insurance Receivables	**195,206,781**	**–**	**195,206,781**
Financial Assets:			
Fair value through profit or loss	**29,480,959,494**	**5,920,709,275**	**35,401,668,769**
Available-for-sale	**30,178,347,584**	**32,040,865,768**	**62,219,213,352**
Held-to-maturity	**79,907,222**	**120,162,054**	**200,069,276**
Loans and receivables	**4,315,223,373**	**10,173,867,992**	**14,489,091,365**
Investments in Subsidiaries and Associates	**–**	**16,197,507,735**	**16,197,507,735**
Investment Properties	**–**	**6,767,571,107**	**6,767,571,107**
Property and Equipment	**8,620,843**	**1,880,798,236**	**1,889,419,079**
Retirement Benefits Asset	**1,029,451**	**87,439,925**	**88,469,376**
Deferred Income Tax Assets - net	**–**	**31,318,073**	**31,318,073**
Other Assets	**22,704,432**	**1,061,166,534**	**1,083,870,966**
Total Assets	**₱68,926,100,663**	**₱74,281,406,699**	**₱143,207,507,362**
LIABILITIES			
Legal Policy Reserves	**₱5,853,982,404**	**₱52,307,672,703**	**₱58,161,645,107**
Other Insurance Liabilities	**32,439,995,479**	**5,900,586,449**	**38,340,581,928**
Accrued Expenses and Other Liabilities	**834,486,993**	**875,830,223**	**1,710,317,216**
Retirement benefits liability	**–**	**6,154,514**	**6,154,514**
Deferred Income Tax Liabilities - net	**–**	**1,066,363,570**	**1,066,363,570**
Total Liabilities	**₱39,128,464,876**	**₱60,156,607,459**	**₱99,285,062,335**

	2018		
	Less than 12 months	Over 12 months	Total
ASSETS			
Cash and Cash Equivalents	₱3,469,575,246	₱–	₱3,469,575,246
Insurance Receivables	187,948,306	–	187,948,306
Financial Assets:			
Fair value through profit or loss	27,447,505,257	5,577,590,131	33,025,095,388
Available-for-sale	20,790,986,712	15,831,124,617	36,622,111,329
Held-to-maturity	1,007,881,830	21,134,143,539	22,142,025,369
Loans and receivables	1,980,126,835	13,483,306,159	15,463,432,994
Investments in Subsidiaries and Associates	–	14,181,901,342	14,181,901,342
Investment Properties	–	6,717,772,706	6,717,772,706
Property and Equipment	–	2,003,336,146	2,003,336,146
Retirement Benefits Asset	–	136,248,083	136,248,083
Deferred Income Tax Assets - net	–	21,119,910	21,119,910
Other Assets	11,703,653	1,072,928,600	1,084,632,253

	2018		
	Less than 12 months	Over 12 months	Total
Total assets	₱54,895,727,839	₱80,159,471,233	₱135,055,199,072
LIABILITIES			
Legal Policy Reserves	₱5,625,275,563	₱48,750,019,016	₱54,375,294,579
Derivative Liability	50,356,772	–	50,356,772
Other Insurance Liabilities	29,654,532,496	6,038,771,578	35,693,304,074
Accrued Expenses and Other Liabilities	718,233,669	981,716,381	1,699,950,050
Deferred Income Tax Liabilities - net	170,111	2,725,229,511	2,725,399,622
Total liabilities	₱36,048,568,611	₱58,495,736,486	₱94,544,305,097

34. Events after the Reporting Period

In a move to contain the COVID-19 outbreak, the Office of the President of the Philippines issued a Memorandum on March 13, 2020 imposing stringent social distancing measures in the National Capital Region effective March 15, 2020. Subsequently, Presidential Proclamation No. 929 was issued on March 16, 2020 declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposing an enhanced community quarantine throughout the island of Luzon until April 30, 2020, unless earlier lifted or extended. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve. Insofar as the Group is concerned, it continued to operate via alternative work arrangements, balancing its employees' safety and welfare on the one hand, and on the other, ensuring that it remained open for selected services during the heightened health emergency situation. Policyholders were also encouraged to avail of the Company's various online services.

The Group considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position, performance and cash flow as of and for the year ended December 31, 2019. However, the outbreak could have a material impact on its 2020 financial results and periods thereafter. The Company will continue to monitor the situation.

35. Other Matters

Insular Investment Corporation (IIC) entered into certain prearranged transactions involving a series of mutual sale and purchase transactions of treasury bills with two financial institutions in 1994. The transactions led to a case filed against the Group that involves a complaint for specific performance and sum of money amounting to ₱90.00 million. As counterclaims, the Group seeks the award of ₱21.10 million. The main case was dismissed on August 28, 2008 for failure of the other party to file a Pre-trial Brief within the prescribed period.

The Group was allowed to present evidence on its counterclaims on September 9, 2008. The other party filed a motion for reconsideration which the court denied on January 26, 2009. The other party then appealed the case to the Court of Appeals on March 2, 2009.

On March 23, 2012, the Court of Appeals rendered a decision denying the other party's appeal. The Motion for Reconsideration filed by the other party was likewise denied by the Court of Appeals on

June 27, 2012. The other party appealed the Court of Appeals' decision to the Supreme Court. Last February 11, 2013, the Supreme Court decided to reinstate the case before the Regional Trial Court (RTC) of Manila, Branch 28.

On February 1, 2019, the Group received notice from RTC granting the motion to withdraw Notice of Appeal filed by plaintiff on January 28, 2019.

As of April 23, 2020, there are no pending case.

The Insular Group of Companies

Group Ownership Structure

Subsidiaries

Insular Health Care, Inc. (IHCI) (100%)
Health Maintenance Organization (HMO)

Insular Investment Corporation (IIC) (100%)
Investment

Insular Life Management and Development Corporation (ILMADECO) (100%)
Management Services

ILMADECO Subsidiary:
ILAC General Insurance Agency, Inc. (100%)
General Agency

Affiliates

Union Bank of the Philippines (16.21%)
Universal Banking

MAPFRE Insular Insurance Corporation (25%)
Non-life Insurance Underwriting

PPI Prime Venture, Inc. (30%)
Real Estate

Social Commitment

Insular Foundation, Inc. (100%)
Corporate Social Responsibility

Vision and Mission

To be the market leader in the insurance industry to whom more Filipinos entrust the financial security of their families

We are Insular Life, the pioneering and largest Filipino life insurance company.

Our mission is to provide a full-range of high-value insurance products and other related services that empower families to attain financial security and fulfill their dreams, thus helping build a stronger Philippines.

We enable our professional, customer-oriented employees and agency force to render service of the highest quality.

We are experts in our core business, and we operate with excellence at all times to optimize stakeholder value.

We continuously pursue strategic opportunities, and achieve sustained growth through dynamic marketing, prudent investments, and exceptional service.

Core Values

LOVE OF GOD AND COUNTRY
We honor God by touching lives through sharing our financial, human and intellectual resources to our fellow Filipinos.

PRUDENCE
We value the trust given to us and as such ensure that we exercise fiduciary care in all our dealings.

INTEGRITY
We acknowledge the confidence that the public, particularly our policyholders, places on us.

RESPECT FOR THE INDIVIDUAL
We recognize that every individual is unique and possesses a distinct worth which contributes to the organization's value.

EXCELLENCE
We espouse a deep sense of responsibility for our work and seek continuous improvement of our people and processes.

TEAMWORK
We recognize that our success in business requires a commendable esprit de corps among our people.

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YouTube : www.youtube.com/Insularlifecomph

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