Pioneer Insurance & Surety Corporation

Audited Financial Statements
December 31, 2020 and 2019

and

Independent Auditor's Report

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

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Pioneer Insurance & Surety Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Pioneer Insurance & Surety Corporation (the Company), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of income, statements of comprehensive income, statements of changes in equity, and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 35 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Pioneer Insurance & Surety Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

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PTR No. 8534351, January 4, 2021, Makati City

May 10, 2021

PIONEER INSURANCE & SURETY CORPORATION
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2020	2019
ASSETS		
Cash and cash equivalents (Notes 4 and 32)	**₱3,213,050,563**	₱2,211,910,039
Short-term investments (Notes 5, 9 and 32)	**493,768,956**	450,969,855
Insurance receivables - net (Notes 6, 30 and 32)	**4,192,263,748**	4,156,232,771
Financial assets (Notes 7, 9, 30 and 32)		
Financial assets at fair value through profit or loss (FVTPL)	**137,628,998**	177,783,912
Financial assets at fair value through other comprehensive income (FVOCI)	**880,916,823**	865,305,073
Financial assets at amortized cost	**857,523,942**	725,903,264
Accrued income (Notes 8 and 32)	**8,731,642**	11,048,949
Deferred acquisition costs (Note 10)	**222,813,150**	288,546,039
Reinsurance assets (Notes 11, 16 and 32)	**9,989,267,095**	8,637,229,924
Investment properties (Note 12)	**2,463,377,415**	2,166,379,327
Property and equipment - net (Note 13)	**5,251,727,789**	4,780,291,811
Investments in subsidiaries, associates and a joint venture (Note 14)	**12,057,434,393**	11,613,617,753
Pension asset - net (Note 20)	**25,130,596**	–
Right-of-use asset (Note 26)	**19,297,569**	20,931,836
Other assets (Note 15)	**541,626,995**	466,475,728
TOTAL ASSETS	**₱40,354,559,674**	₱36,572,626,281

LIABILITIES AND EQUITY		
LIABILITIES		
Insurance contract liabilities (Notes 16 and 32)	**₱13,581,341,270**	₱12,199,466,027
Insurance payables (Notes 17, 30, and 32)	**6,851,873,178**	5,404,781,518
Accounts payable (Notes 18 and 32)	**1,216,339,578**	1,013,448,074
Notes payable (Notes 19 and 32)	**398,000,000**	400,000,000
Deferred reinsurance commissions (Note 10)	**133,448,747**	122,802,996
Pension liability – net (Note 20)	–	49,990,482
Lease liabilities (Note 26)	**20,777,901**	21,838,654
Deferred tax liabilities - net (Note 27)	**1,010,651,372**	921,969,132
Total Liabilities	**23,212,432,046**	20,134,296,883
EQUITY		
Capital stock - ₱100 par value		
Authorized, issued and outstanding - 3,000,000 shares	**300,000,000**	300,000,000
Additional paid-in capital	**72,500,000**	72,500,000
Revaluation surplus on property and equipment (Note 13)	**2,847,711,779**	2,536,212,310
Reserve for fluctuation in value of financial assets at FVOCI (Note 7)	**371,432,617**	359,448,136
Cumulative translation adjustments	**152,823,384**	126,912,652
Net remeasurement loss on defined benefit obligation (Note 20)	**(75,250,723)**	(43,686,325)
Other equity reserves (Notes 7 and 14)	**10,390,257,126**	10,390,257,126
Retained earnings (Note 21)	**3,082,653,445**	2,696,685,499
Total Equity	**17,142,127,628**	16,438,329,398
TOTAL LIABILITIES AND EQUITY	**₱40,354,559,674**	₱36,572,626,281

See accompanying Notes to Financial Statements.

PIONEER INSURANCE & SURETY CORPORATION
STATEMENTS OF INCOME

	Years Ended December 31	
	2020	2019
REVENUES		
Gross earned premiums	**₱10,475,375,473**	₱10,338,387,385
Reinsurers' share of gross earned premiums	**(7,282,406,067)**	(6,649,436,251)
Net earned premiums (Notes 16 and 22)	**3,192,969,406**	3,688,951,134
Investment income (Note 23)	**498,314,912**	775,309,352
Commission income (Note 10)	**406,867,476**	397,375,165
Foreign currency exchange gains – net	**113,554,860**	44,129,453
Other income	**4,075,672**	288,161
Total Revenues	**4,215,782,326**	4,906,053,265
BENEFITS, CLAIMS, AND EXPENSES		
Gross insurance contract benefits and claims paid (Notes 16 and 24)	**5,971,526,117**	3,371,540,873
Reinsurers' share of gross insurance contract benefits and claims paid (Notes 16 and 24)	**(4,642,258,237)**	(1,887,539,016)
Gross change in insurance contract liabilities (Notes 16 and 24)	**1,778,325,513**	1,255,300,211
Reinsurers' share of gross change in insurance contract liabilities (Notes 16 and 24)	**(1,483,329,464)**	(762,418,584)
Net insurance benefits and claims	**1,624,263,929**	1,976,883,484
Commission expense (Note 10)	**964,343,335**	1,104,839,464
General expenses (Note 25)	**930,921,924**	950,564,062
Interest expense (Notes 17 and 19)	**37,340,224**	38,452,055
Provision for impairment losses – net of recovery (Notes 6, 11 and 14)	**193,462,388**	17,862,665
Other underwriting expense	**20,023,458**	26,515,477
Total Benefits, Claims, and Expenses	**3,770,355,258**	4,115,117,207
INCOME BEFORE INCOME TAX	**445,427,068**	790,936,058
PROVISION FOR INCOME TAX (Note 27)	**50,459,122**	69,085,985
NET INCOME	**₱394,967,946**	₱721,850,073

See accompanying Notes to Financial Statements.

PIONEER INSURANCE & SURETY CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2020	2019
NET INCOME	**₱394,967,946**	₱721,850,073
OTHER COMPREHENSIVE INCOME		
Items that will be recycled to profit or loss in subsequent periods:		
Fair value loss on debt financial assets at FVOCI (Note 7)	–	(5,333,645)
	–	(5,333,645)
Change in cumulative translation adjustments	**25,910,732**	(15,401,332)
	25,910,732	(20,734,977)
Item that will not be recycled to profit or loss in subsequent periods:		
Fair value reserves on equity financial assets at FVOCI (Note 7)	**15,611,750**	(299,042,168)
Tax effect (Note 27)	**(3,627,269)**	3,939,512
	11,984,481	(295,102,656)
Change in revaluation surplus on property and equipment (Note 13)	**444,999,241**	1,197,518,480
Tax effect (Note 27)	**(133,499,772)**	(359,255,544)
	311,499,469	838,262,936
Net remeasurement loss on defined benefit obligation (Note 20)	**(45,091,997)**	(88,730,008)
Tax effect (Note 27)	**13,527,599**	26,619,002
	(31,564,398)	(62,111,006)
	219,919,552	481,049,274
TOTAL OTHER COMPREHENSIVE INCOME	**317,830,284**	460,314,297
TOTAL COMPREHENSIVE INCOME	**₱712,798,230**	₱1,182,164,370

See accompanying Notes to Financial Statements.

PIONEER INSURANCE & SURETY CORPORATION
STATEMENTS OF CHANGES IN EQUITY

	Capital Stock	Additional Paid-in Capital	Revaluation Surplus on Property and Equipment (Note 13)	Reserve for Fluctuation in Value of FVOCI (Notes 7 and 32)	Cumulative Translation Adjustments	Net Remeasurement Gain (Loss) on Defined Benefit Obligation (Note 20)	Other Equity Reserves (Notes 7 and 14)	Retained Earnings: Appropriated for Catastrophic Losses (Note 21)	Retained Earnings: Unappropriated (Notes 2 and 21)	Total
As of January 1, 2020	**₱300,000,000**	**₱72,500,000**	**₱2,536,212,310**	**₱359,448,136**	**₱126,912,652**	**(₱43,686,325)**	**₱10,390,257,126**	**₱–**	**₱2,696,685,499**	**₱16,438,329,398**
Net income	–	–	–	–	–	–	–	–	394,967,946	394,967,946
Other comprehensive income (loss)	–	–	311,499,469	11,984,481	25,910,732	(31,564,398)	–	–	–	317,830,284
Total comprehensive income (loss)	–	–	311,499,469	11,984,481	25,910,732	(31,564,398)	–	–	394,967,946	712,798,230
Cash dividends (Note 21)	–	–	–	–	–	–	–	–	(9,000,000)	(9,000,000)
As of December 31, 2020	**₱300,000,000**	**₱72,500,000**	**₱2,847,711,779**	**₱371,432,617**	**₱152,823,384**	**(₱75,250,723)**	**₱10,390,257,126**	**₱–**	**₱3,082,653,445**	**₱17,142,127,628**
As of January 1, 2019	₱300,000,000	₱72,500,000	₱1,697,949,374	₱11,050,141,563	₱142,313,984	₱18,424,681	–	₱28,928,246	₱1,954,907,180	₱15,265,165,028
Net income	–	–	–	–	–	–	–	–	721,850,073	721,850,073
Impact of reclassification from financial assets at FVOCI to investment in an associate (Note 7)	–	–	–	(10,390,257,126)	–	–	10,390,257,126	–	–	–
Other comprehensive income (loss)	–	–	838,262,936	(300,436,301)	(15,401,332)	(62,111,006)	–	–	–	460,314,297
Total comprehensive income (loss)	–	–	838,262,936	(10,690,693,427)	(15,401,332)	(62,111,006)	10,390,257,126	–	721,850,073	1,182,164,370
Reversal of appropriated retained earnings (Note 21)	–	–	–	–	–	–	–	(28,928,246)	28,928,246	–
Cash dividends (Note 21)	–	–	–	–	–	–	–	–	(9,000,000)	(9,000,000)
As of December 31, 2019	₱300,000,000	₱72,500,000	₱2,536,212,310	₱359,448,136	₱126,912,652	(₱43,686,325)	₱10,390,257,126	₱–	₱2,696,685,499	₱16,438,329,398

See accompanying Notes to Financial Statements.

PIONEER INSURANCE & SURETY CORPORATION
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱445,427,068**	₱790,936,058
Adjustments for:		
Fair value gain on investment properties (Note 12 and 23)	**(317,628,987)**	(560,605,267)
Depreciation and amortization (Notes 13, 25 and 26)	**131,811,015**	149,003,294
Provision for impairment loss (recovery) on investment in an associate (Note 14)	**(2,761,679)**	7,625,239
Fair value losses (gains) on financial assets at FVTPL (Notes 7 and 23)	**(1,371,810)**	16,661,503
Interest income (Note 23)	**(81,988,358)**	(100,061,719)
Interest on notes payable (Note 19)	**34,048,380**	35,029,167
Interest on lease liabilities (Note 26)	**1,436,410**	1,608,352
Retirement expense (Note 20)	**26,259,451**	19,210,789
Actuarial loss on service award benefit of employees	**1,960,480**	1,426,139
Dividend income (Note 23)	**(2,567,906)**	(3,354,468)
Provision for impairment loss on insurance receivables - net	**196,224,067**	10,237,425
Unrealized foreign currency exchange gain - net	**(80,569,742)**	(5,864,278)
Operating gain (loss) before changes in working capital	**350,278,389**	361,852,234
Decrease (increase) in:		
Insurance receivables	**(235,461,033)**	(1,271,776,472)
Loans and receivables	**(201,642,659)**	(108,710,506)
Accrued income	**1,061,782**	3,401
Deferred acquisition costs	**65,732,889**	23,047,716
Reinsurance assets	**(1,352,037,171)**	(626,041,917)
Other assets	**(78,354,449)**	49,087,336
Increase (decrease) in:		
Insurance contract liabilities	**1,381,875,243**	983,330,658
Insurance payables	**1,576,892,444**	2,370,825,249
Accounts payable and other liabilities	**200,931,023**	140,547,714
Deferred reinsurance commissions	**10,645,751**	13,290,107
Net cash generated from operations	**1,719,922,209**	1,935,455,520
Income tax paid	**(85,376,955)**	(117,474,077)
Contributions paid for pension fund (Note 20)	**(146,472,526)**	(36,457,609)
Net cash generated from operating activities	**1,488,072,728**	1,781,523,834

(Forward)

	Years Ended December 31	
	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of/additions to:		
Short-term investments	**(₱493,768,956)**	(₱450,969,855)
Property and equipment (Note 13)	**(96,274,878)**	(387,214,524)
Financial assets at FVTPL (Note 7)	**(44,152,797)**	(111,070,124)
Investment securities at amortized cost (Note 7)	**–**	(88,000,000)
Investments in subsidiaries, associates, and a joint venture (Note 14)	**(441,054,961)**	(33,266,295)
Investment properties (Note 12)	**–**	(2,527,378)
Proceeds from sale/maturities of:		
Short-term investments	**450,969,855**	380,073,501
Financial assets at FVTPL (Note 7)	**84,634,721**	202,351,155
Investments securities at amortized cost (Note 7)	**65,217,555**	65,800,821
Financial assets at FVOCI (Note 7)	**–**	5,926,272
Investment properties (Note 12)	**–**	2,279,244
Interest received	**84,959,957**	106,860,919
Dividends received	**2,441,995**	3,294,667
Net cash used in investing activities	**(387,027,509)**	(306,461,597)
CASH FLOWS FROM FINANCING ACTIVITIES		
Availment of notes payable (Note 19)	**322,000,000**	200,000,000
Payment of/maturities of		
Notes payable (Note 19)	**(324,000,000)**	(700,000,000)
Interest expenses on notes payable (Note 19)	**(34,048,380)**	(35,029,167)
Lease liabilities (Note 26)	**(9,876,064)**	(8,333,850)
Cash dividends (Note 21)	**(9,000,000)**	(9,000,000)
Net cash used in financing activities	**(54,924,444)**	(552,363,017)
NET EFFECTS OF FOREIGN CURRENCY TRANSLATION	**(44,980,251)**	(25,382,229)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,001,140,524**	897,316,991
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,211,910,039**	1,314,593,048
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱3,213,050,563**	₱2,211,910,039

See accompanying Notes to Financial Statements.

1. Corporate Information

Pioneer Insurance & Surety Corporation (the Company) is a domestic corporation which was registered with the Philippine Securities and Exchange Commission (SEC) on May 13, 1954. On January 31, 2003, the Company filed with the SEC an Amended Articles of Incorporation to amend Article IV which extended the term of the Company's corporate existence for fifty (50) years. On the same date, the amendment was approved by the SEC. Republic Act No. 11232, otherwise known as "An Act Providing for the Revised Corporation Code of the Philippines" (RCC) was signed into law on February 20, 2019 and took effect on February 23, 2019. Under paragraph 2 of Section 11 of the RCC, a corporation with certificate of incorporation issued prior to the effectivity of the RCC, and which continue to exist shall have perpetual existence, unless the corporation, upon a vote of its stockholders representing a majority of its outstanding capital stock, notifies the Commission that it elects to retain its specific corporate term pursuant to its articles of incorporation, without prejudice to the appraisal right of dissenting stockholders in accordance with the provisions of the RCC. Accordingly, the corporate term of the Company became perpetual.

The Company is engaged in the business of nonlife insurance, indemnifying others against loss, damage or liability arising from unknown or contingent events. It includes lines such as accident, fire and allied lines, motor vehicle, aviation, casualty, surety, marine cargo, marine hull, comprehensive liability insurance and allied risks, and/or such other insurance coverage allied with an incident to the aforementioned lines. The Company is 55.51% owned by Pioneer, Inc. (the Parent Company), a company incorporated in the Philippines.

The registered office address of the Company is Pioneer House, 108 Paseo de Roxas Street, Legaspi Village, Makati City.

The accompanying financial statements of the Company were approved and authorized for issue by the Board of Directors (BOD) on May 10, 2021.

2. Basis of Preparation and Summary of Accounting Policies

Statement of Compliance
The accompanying separate financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Basis of Preparation
The financial statements of the Company have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVTPL), financial assets at fair value through other comprehensive income (FVOCI), investment properties, and certain property and equipment that have been measured at fair value. The financial statements are presented in Philippine Peso (₱), which is also the Company's functional currency. All amounts are rounded off to the nearest peso unit, unless otherwise indicated.

The Company has made use of the exemption from consolidation under PFRS 10, *Consolidated Financial Statements*. These financial statements are the separate financial statements of the Company. The financial statements of the Company and its subsidiaries are included in the consolidated financial statements of Pioneer, Inc., which are prepared in accordance with PFRSs.

The consolidated financial statements of Pioneer, Inc. can be obtained from Pioneer House, 108 Paseo de Roxas, Legaspi Village, Makati City, its registered office address.

Changes in Accounting Policies and Disclosures

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>Standards Issued but Not Yet Effective</u>
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 financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2021

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

Effective beginning on or after January 1, 2022

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

Effective beginning on or after January 1, 2023

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

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

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The 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, 2023, with comparative figures required. Early application is permitted.

The Company has substantially completed its financial and operational impact assessment of adoption of PFRS 17. It is currently exploring its options on the changes needed to its data, systems and processes to meet the PFRS 17 requirements. The Company has also performed an initial quantification of the impact of PFRS 17 on its current lines of business, and expect the more significant impact to be on its 1) lines of business determined to be measured using the General Measurement Model; and 2) its contracts where settlement period exceeds more than a year.

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*

The Company continues to assess the impact of the above new and amended accounting standards and interpretations effective subsequent to 2020 on the Company's financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the financial statements when these amendments are adopted.

<u>Translation of Foreign Currency-Denominated Transactions</u>
Transactions in foreign currencies are initially recorded at the prevailing functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated using the prevailing functional currency rate of exchange at the reporting date. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. All foreign exchange differences are taken to the statement of income.

Assets and liabilities of the foreign branch are translated at the exchange rate prevailing at the end of the reporting period, and revenue and expenses are translated at the monthly average exchange rates. The resulting translation adjustments are charged to cumulative translation adjustments and recognized as other comprehensive income.

<u>Product Classification</u>
Insurance contracts are those contracts where the Company (the insurer) 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 Company determines whether it has significant insurance risk, by comparing benefits

paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

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 are extinguished or have expired.

Cash and Cash Equivalents
Cash includes petty cash fund, 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 dates of placement and that are subject to an insignificant risk of change in value.

Short-term Investments
Placements in time deposits and other money market instruments with original maturities of more than three months but less than one year are classified as short-term investments.

Determination of fair value
The fair value for financial instruments traded in active markets at the reporting date are based on their quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which observable current market prices exist, option pricing models, and other relevant valuation models. Any difference noted between the fair value and the transaction price is recognized in the statement of income, unless it qualifies for recognition as some type of asset or liability.

Fair value hierarchy
The Company uses the following hierarchy for determining and disclosing the fair value of financial assets by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable in the market, either directly or indirectly; or
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

During the reporting period ended December 31, 2020 and 2019, there were no transfers between level 1 and level 2 fair value movements, and no transfers into and out of level 3 fair value measurement.

Day 1 difference
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a “Day 1” profit or loss) in the statement of income unless it qualifies for recognition as some other type of asset or liability. In cases where an unobservable data is used, the difference between the transaction price and model value is only recognized in the statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the Day 1 profit or loss amount.

Financial Instruments
A financial instrument is any contract that gives rise to financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets at FVTPL
Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL and financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if these were acquired for the purpose of selling or repurchasing in the near term. Financial assets at FVTPL are measured at fair value. Changes in fair values are recognized in the statement of income.

Financial assets at FVOCI (equity instruments)
Upon initial recognition, the Company can elect to irrevocably classify its equity investments as equity instruments designated at FVOCI when these meet the definition of equity under Philippine Accounting Standard (PAS) 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined by instrument level.

Gains and losses on these financial assets are never recycled to the statement of income. Dividends are recognized as income in statement of activities when the right of payment is established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

Financial assets at amortized cost
The Company measures financial assets at amortized cost when:
- The financial asset is held within a business model with the objective to hold these and collect contractual cash flow; and,
- The contractual term of the financial assets give rise, on specific dates, to cash flows that are SPPI.

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

The Company’s investment securities at amortized cost include cash and cash equivalents, short term investments, insurance receivables, loans and receivables, and investments in debt instruments.

Insurance receivables
Insurance receivables are recognized on policy inception dates and measured on initial recognition at the fair value of the consideration receivable for the period of coverage. Subsequent to initial recognition, insurance receivables are measured at amortized cost. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of income.

Financial assets or financial liabilities at FVTPL
This category consists of financial assets or financial liabilities that are held-for-trading or designated by management as at FVTPL on initial recognition.

Financial assets or financial liabilities designated by management as at FVTPL are designated as such on initial recognition when any of the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis;
- The assets and liabilities are part of a group of financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative would not be separated.

Financial assets or financial liabilities are initially recorded at fair value. Subsequent to initial recognition, these instruments are re-measured at fair value. Fair value adjustments and realized gains and losses are recognized as “Fair value gains (losses) on financial assets at FVTPL” under “Investment income” in the statement of income.

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that form an integral part of the effective interest rate. The amortization is included under “Investment income” in the statement of income. The losses arising from impairment of such loans and receivables are recognized as “Provision for impairment losses” in the statement of income.
This accounting policy relates to the statement of financial position captions “Cash and cash equivalents,” “Short-term investments,” “Insurance receivables,” “Loans and receivables,” and “Accrued income.”

Other financial liabilities
Issued financial liabilities or their components not designated as financial liabilities at FVTPL are classified as other financial liabilities. The substance of such contractual arrangements result in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that form an integral part of the effective interest rate. Any effects of restatement of foreign currency-denominated liabilities are recognized in the statement of income.

This accounting policy relates to the statement of financial position captions “Insurance payables,” “Accounts and other payables,” and “Notes payable” that meet the above definition (other than liabilities covered by other accounting standards, such as pension liability and income tax payable).

Impairment of Financial Assets
The Company recognizes an allowance for expected credit losses (ECLs) for all loans and other debt financial assets not classified as at FVTPL, together with loan commitments and financial guarantee contracts.

Expected credit loss methodology
ECL represent credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances will be measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that result from all possible default events over the expected life of a financial instrument. In comparison, the previous incurred loss model recognizes lifetime credit losses only when there is objective evidence of impairment.

PFRS 9 also allows the use of the loss rate approach in estimating ECL in cases where no complex portfolio is present for an entity. As a result, the Company applies the simplified approach wherein ECL allowances will be measured at an amount equal to lifetime ECL. The assessment of SICR that is solely based on the change in the risk of default is not applied under the loss rate approach and the loss rate based on historical trend is adjusted for current conditions and expectations over the future using the overlay.

The Company applies the simplified approach in its 'Insurance receivables' and applies general approach for the related debt investment securities which include , 'Cash and cash equivalents', 'Short-term investments', and 'Investment securities at amortized.

Significant increase in credit risk (SICR)
The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Company's aging information, the borrower becomes past due for over 30 days. Further, the Company assumes that the credit risk of a financial asset, particularly on cash and equivalents, short-term investments and investment securities at amortized cost, has not increased significantly since origination if the financial asset is determined to have "low credit risk" as of the reporting date. A financial asset is considered "low credit risk" when it has an external rating equivalent to "investment grade".

In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the Company shall revert to recognizing a 12-month ECL.

Staging assessment
For non-credit-impaired financial instruments:
- Stage 1 is comprised of all non-impaired debt financial assets which have not experienced a SICR since initial recognition. The Company recognizes a 12-month ECL for Stage 1 debt financial assets.
- Stage 2 is comprised of all non-impaired debt financial assets which have experienced a SICR since initial recognition. The Company recognizes a lifetime ECL for Stage 2 debt financial assets.

For credit-impaired financial instruments:
- Financial instruments are classified as Stage 3 when there is objective evidence of impairment.

ECL parameters and methodologies
For 'Cash and cash equivalents', 'Short-term investments' and 'Investment securities at amortized cost', the Company's calculation of ECL is a function of the probability of default (PD), loss given default (LGD) and exposure at default (EAD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgment.

For 'Insurance receivables', the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The provision rates are based on days past due for groupings of various counterparty segments that have similar loss patterns (e.g. by intermediary, debtor). The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

Forward looking information
A range of economic overlays are considered and expert credit judgment is applied in determining the forward-looking inputs to the ECL calculation. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Write-offs
Financial assets are written off either partially or in their entirety only when the Company has stopped pursuing the recovery. Any subsequent recoveries are credited to 'Provision for impairment loss - net' in the statement of income.

<u>Classification of Financial Instruments Between Debt and Equity</u>
A financial instrument is classified as debt, if it has a contractual obligation to:
- deliver cash or another financial asset to another entity, or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company.

If the Company 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. Financial instruments are classified as liability or equity in accordance with the substance of the contractual agreement. Interests, dividends, gains, and losses relating to a financial instrument or a component that is a financial liability are reported as expense or income. Distributions to holders of financial instrument classified as equity are charged directly to equity net of any related income tax benefits.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement 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. In order for the Company to have a currently enforceable legal right of set-off, the right must not be contingent on a future event, and must be legally enforceable in all of the following circumstances:

- the normal course of business;
- the event of default; and
- the event of insolvency or bankruptcy of the entity and all of the counterparties.

Derecognition of Financial Assets and Liabilities

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

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

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

Financial liabilities
Financial liabilities are derecognized when the obligations under the liabilities has expired, or is discharged, or cancelled. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

Reinsurance
The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets include balances recoverable from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence shows that the Company may not recover outstanding amounts due under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurers can be measured reliably. The impairment loss is recorded in the statement of income. Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

The Company also assumes reinsurance risk in the normal course of business. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies, which are included under "Insurance payables" in the statement of financial position. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expired, or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognized based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective interest method.

Deferred Acquisition Costs (DAC) and Deferred Reinsurance Commissions (DRC)
Commissions and other acquisition costs incurred during the financial period that vary with and are primarily related to the acquisition of new and renewal insurance contracts, but which relates to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins.

Subsequent to initial recognition, these costs are amortized using the 24th method over the life of the contract. Amortization is charged against the profit or loss. The unamortized acquisition costs are shown in the assets section of the statement of financial position as "Deferred acquisition costs." Reinsurance commissions are deferred and shown in the liabilities section of the statement of financial position as "Deferred reinsurance commissions," subject to the same amortization method as the related acquisition costs.

Investment Properties
Investment properties are properties that are held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business.

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the statement of financial position date. Gains or losses arising from changes in fair values of the investment properties are included in the statement of income in the year in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of income in the year of retirement or disposal.

Transfers are made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. 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 owner-occupied property, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Company becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Property and Equipment

Property and equipment are stated at cost, except for land, buildings, and building machinery and equipment that are carried at appraised values, less accumulated depreciation and amortization and any allowance for impairment in value.

The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the statement of income during the reporting period in which they are incurred.

Land, buildings, and building machinery and equipment are measured at fair value less accumulated depreciation on buildings, and building machinery and equipment and impairment losses recognized after the date of the revaluation. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any revaluation surplus is credited to the revaluation surplus included in the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss, in which case the increase is recognized in profit or loss. A revaluation deficit is recognized in the statement of income, except to the extent that it offsets an existing surplus on the same asset recognized in the revaluation surplus.

Accumulated depreciation as of the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Recognition of depreciation commences when the asset becomes available for its intended 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. Depreciation ceases at the time the asset is classified as held for sale (or it is included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, or at the date the asset is derecognized.

Depreciation and amortization are calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	Years
Buildings	50
Building machinery and equipment	5 - 20
Computer equipment and mobile phones	3 - 5
Transportation equipment	5
Furniture, fixtures, and equipment	8

Leasehold improvements are amortized over the term of the lease or estimated useful life of five (5) years, whichever is shorter.

The assets' residual values, useful lives, and depreciation and amortization method are reviewed periodically to ensure that the method, residual value, and period of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

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

Right-of-use assets
The Company 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 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 Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets - buildings and parking spaces are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term of one (1) to five (5) years.

Right-of-use assets are subject to impairment. Refer to the accounting policies in section impairment of non-financial assets.

Investments in Subsidiaries, Associates and a Joint Venture
The investments in a subsidiary, an associate, and a joint venture are carried in the statement of financial position at cost, less any impairment in value (see Note 14).

Investment in subsidiaries
Investments in subsidiaries are carried at cost less any impairment in value. Subsidiaries are entities which the Company has control. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Company has less than a majority of the voting or similar rights of an investee, the Company 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 Company's voting rights and potential voting rights.

Investment in associates and a joint venture
An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

The investments are derecognized on disposal, with the difference between the net proceeds and the carrying amount being recognized in the statement of income. The reporting dates of the subsidiary and the associate and joint venture are identical with the Company and the accounting policies conform to those used by the Company for like transactions and events in similar circumstances.

The Company's percentages of ownership in the shares of stock of subsidiaries, associate, and joint venture in 2020 and 2019 are shown in the below:

	Country of Incorporation	Effective Percentage of Ownership	
		2020	2019
Subsidiaries			
Pioneer Intercontinental Insurance Corporation (PIIC)	Philippines	**96.86%**	96.86%
Center for Agriculture and Rural Development (CARD) Pioneer Microinsurance Inc. (CPMI)	Philippines	**47.88%**	47.88%
Pioneer Land, Inc. (PLand)	Philippines	**100.00%**	100.00%
Associate			
Pilipinas Autogroup, Inc. (PAI)	Philippines	**32.22%**	32.22%
Philippine Trust Company (PTC)	Philippines	**9.86%**	9.86%
Joint Venture			
M Pioneer Insurance Inc. (MPII)	Philippines	**65.00%**	51.00%

Impairment of Nonfinancial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the statement of income in those expense categories consistent with the function of the impaired asset.

For 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 any such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. If such 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 the statement of income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal, the depreciation and amortization charge are adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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

Provision for Claims Reported and Incurred But Not Reported (IBNR) Losses
Provision for claims reported and IBNR losses are based on the estimated ultimate cost of all claims incurred but not settled at the statement of financial position date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims therefore, the ultimate cost of which cannot be known with certainty at the reporting date. The liability is not discounted for the time value of money and includes provision for claims reported and IBNR claims. The provision for IBNR claims is calculated based on standard actuarial projection techniques or combination of such techniques, such as but not limited to Chain Ladder, Bornhuetter-Ferguson (BF), and Expected Loss Ratio (ELR) methods. No provision for equalization or catastrophic reserves is recognized. The liabilities are derecognized when the contract is discharged, cancelled, or has expired.

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

Provision for unearned premiums
The proportion of written premiums, gross of commissions payable to intermediaries, attributable to subsequent periods or to risks that have not yet expired is deferred as provision for unearned premiums. This is accounted for as "Provision for unearned premiums" as part of "Insurance contract liabilities" and presented in the liabilities section of the statement of financial position. Premiums from insurance contracts are recognized as revenue over the period of the contracts using the 24th method. The change in the provision for unearned premiums is taken to the statement of income in the order that revenue is recognised over the period of risk. Further provisions are made to cover future claims and expenses under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

Liability Adequacy Test
At each reporting date, liability adequacy test is performed to ensure the adequacy of the insurance liabilities. The test considers current best estimates of all contractual cash flows, claims and claims handling cost. If the test shows that the liability is inadequate, the entire deficiency is recognized in profit or loss.

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

Insurance Payables
Insurance payables are recognized when due and measured on initial recognition at the fair value of the consideration received less attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using the effective interest rate method.

Insurance payables are derecognized when the obligation under the liability is settled, cancelled or expired.

Pension Cost
The Company operates a defined benefit pension plan, which requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit plan is determined separately using the projected unit credit method. The Company has a funded, non-contributory retirement plan, administered by a trustee, covering its regular employees. Retirement cost is actuarially determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

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

Service cost, which includes current service cost, past service cost and gain or losse on non-routine settlements, is recognized as expense in profit or loss. Past service cost is recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

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

Remeasurements comprising actuarial gains and losses, return on plan assets, and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income under "Net remeasurement on loss on defined benefit plan" in the period in which they arise. Remeasurements are not recycled to profit and loss in subsequent periods.

Past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits vest immediately following the introduction of, or changes to, a pension plan, the past service cost is recognized immediately.

The net pension asset or liability comprises the present value of the pension benefit obligation less actuarial gains and past service cost not yet recognized, and less the fair value of plan assets out of which the obligations are to be settled directly. The value of any asset is restricted to the sum of any past service cost not yet recognized and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Short-term employee benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to

pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Lease Liabilities

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

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

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below ₱250,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Equity

Capital stock

Capital stock is measured at par value for all shares issued.

Additional paid-in capital

Additional paid in capital represents the original contribution of the stockholders of the Company, in addition to the paid-up capital stock

Retained earnings

Retained earnings represent the cumulative balance of net income or loss of the Company, net of any dividend distribution and restatements, net of consequential tax impact.

Revenue Recognition

Revenue is recognized to the extent that it is probable that economic benefits associated with the transaction will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Premiums

Premiums are recognized as revenue over the period of the contracts using the 24th method. The portion of the premiums written and assumed that relate to the unexpired periods of the policies at reporting date is accounted for as "Provision for unearned premiums" and is presented under "Insurance contract liabilities" in the liabilities section of the statement of financial position. The related reinsurance premiums that pertain to the unexpired periods at reporting date are accounted for as "Deferred reinsurance premiums" shown under "Reinsurance assets" in the assets section of the statement of financial position. The net changes in these accounts between reporting dates are charged against or credited to income for the year.

Commission income
Commissions earned are recognized as revenue over the period of the contracts using the 24th method. The portion of the commissions that relates to the unexpired periods of the policies at reporting date is accounted for as "Deferred reinsurance commissions" and presented in the liabilities section of the statement of financial position.

Investment income

- Interest income is recognized in the statement of income as it accrues, taking into account the effective yield of the asset. Interest income includes the amortization of any discount or premium using the effective interest method.
- Dividend income is recognized when the Company's right to receive the payment is established.
- Rental income from investment property is recognized in the statement of income on a straight-line basis over the lease term.

Other income
All other income items are recognized in the statement of income when earned.

Expense Recognition
Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants.

Benefits and claims
Gross benefits and claims consist of benefits and claims paid to policyholders and changes in the gross valuation of insurance contract liabilities, including IBNR and MfAD, except for gross changes in the provision for unearned premiums which are included in net earned premiums. It further includes internal and external claims handling costs that are directly related to the processing and settlement of claims.

Commission expense
Commissions are recognized as revenue over the period of the contracts using the 24th method. The portion of the commissions that relates to the unexpired periods of the policies at reporting date is accounted for as "Deferred acquisition costs" and presented in the asset section of the statement of financial position.

Interest expense
Interest expense is recognized in the statement of income as incurred.

General expenses
All other expenses are recognized in the statement of income as incurred.

Borrowing costs
Interest incurred on a project financed by a loan is capitalized.

Income Tax
Income tax for the year consists of current and deferred tax. Income tax is determined in accordance with Philippine tax laws. Income tax is recognized in the statement of income, except to the extent that it relates to items recognized directly in equity or other comprehensive income. Tax on these items is recognized in the statement of comprehensive income.

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

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

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax, and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences and carry forward of unused tax credits from excess MCIT and NOLCO can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow all or part of the deferred tax assets to be recovered.

Current tax and deferred tax relating to items recognized directly in the statement of comprehensive income are likewise recognized in the statement of comprehensive income.

Deferred 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 substantially enacted as of end of the reporting period.

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

Movements in the deferred tax assets and liabilities arising from changes in the rates are charged against or credited to operations for the period.

Value-Added Tax (VAT)
Revenue, expenses, liabilities, and assets are recognized net of the amount of sales tax except:
- where the tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of tax payable to the tax authority is included as part of accounts and other payables in the Company’s statement of financial position.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

Events After the Reporting Date
Post year-end events that provide additional information about the Company's position at end of the reporting period (adjusting event) are reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

3. Significant Accounting Judgements and Estimates

The preparation of the financial statements in accordance with PFRS requires the Company to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the financial statements as they become reasonably determinable.

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

Judgments
In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimates and assumptions, which have the most significant effect on the amounts recognized in the financial statements:

Product classification
The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Distinction between investment properties and owner-occupied properties
The Company determines whether a property qualifies as investment property. In making its judgment, the Company considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately at the reporting date, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Company considers each property separately in making its judgment (see Notes 12 and 13).

Evaluation of control
The Company owns a number of subsidiaries. PFRS 10 requires an entity to reassess whether it has control over an investee. Management assessed that it has control over its subsidiaries as it is exposed, or has rights, to variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over the subsidiaries. There have been no changes in the composition of the Company's subsidiaries in 2020 and 2019 (see Note 14).

Determination of existence of significant influence
In determining whether the Company has significant influence over an investee requires significant judgment. Generally, a shareholding of 20.00% to 50.00% of the voting rights of an investee is presumed to give the Company a significant influence.

There are instances that an investor exercises significant influence even if its ownership is less than 20.00%. The Company applies significant judgment n assessing whether it holds significant influence over an investee and considers the following: (a) representation to the board of directors or equivalent governing body of the investee; (b) participation in policy-making processes, including participation in decisions about dividends or other distributions; (c) material transactions between the investor and the investees; (d) interchange of managerial personnel; or (e) provision of essential technical information.

In 2019, the Company gained significant influence over PTC in which investments were previously classified as financial assets at FVOCI. On May 28, 2019, the Company together with other entities within the Pioneer Group with aggregate ownership of 9.86% were granted two (2) representatives in PTC's board of directors equivalent to 16.67% of the voting power effective October 4, 2019. On September 18, 2019, the Pioneer Group signed a memorandum of agreement stating that Pioneer Group shall jointly vote as one in all matters affecting its rights as stockholders of PTC and that the Pioneer Group's representatives to the board shall decide and vote jointly for every corporate act and purpose during meetings of PTC for and in behalf of the Pioneer Group. Accordingly, the investment in PTC was reclassified from financial assets at FVOCI to investment in associate effective October 4, 2019 (see Notes 7 and 14).

Determination of existence of joint control
On December 22, 2017, the Company acquired 51% ownership in MPII for a total consideration of ₱288.15 million. On February 28, 2020, the Company infused an additional amount of ₱441.05 million increasing the the Company's share to 65%. Management assessed that PISC and the other party have joint control over MPII as either of the parties cannot make unilateral decisions over the operations of MPII. The Company continued to classify its investment in MPII as investment in a joint venture (see Note 14).

Evaluation of business model in managing financial assets
The Company manages its financial assets based on business models that maintain adequate level of financial assets to match its expected cash outflows, largely arising from payments of customers' claims, while maintaining a strategic portfolio of financial assets for investment and trading activities consistent with its risk appetite.

In determining the classification of a financial instrument, the Company developed business models which reflect how it manages its portfolio of financial instruments. The Company's business models need not be assessed at entity level or as a whole but applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Company) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument). The Company evaluates in which business model financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Company.

The Company performs the business model assessment based on observable factors such as:
- Performance of the business model and the financial assets held within that business model are evaluated and reported to the Company's key management personnel
- Risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- Compensation of business units whether based on the fair value of the assets managed or on the contractual cash flows collected
- Expected frequency, value and timing of sales

In performing the SPPI test, the Company applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, the period for which the interest rate is set, contingent events that would change the amount and timing of cash flows, leverage features, prepayment and extension terms and other features that may modify the consideration for the time value of money.

Estimates
The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Valuation of insurance contract liabilities
Estimates have to be made at the reporting date for the expected ultimate cost of both claims reported and claims IBNR. It can take a significant period of time before the ultimate claim cost can be established with certainty and for some types of policies, IBNR claims form the majority of the claims provision.

The primary technique adopted by management in estimating the cost of notified and IBNR claims is that of using past claims settlement trends to predict future claims settlement trends. IBNR claims is mainly calculated using Chain Ladder method but BF and ELR methods are also used whenever appropriate. At each reporting date, prior year claims estimates are assessed for adequacy and any changes made are charged to provision. Insurance claims liabilities are not discounted for the time value of money.

The margin for adverse deviation reflects the degree of uncertainty of the best estimate assumption. For claims liabilities, the Company estimated the appropriate margin for adverse deviation using the Stochastic Chain Ladder method to bring the actuarial estimate of the claims liabilities at 75% percentile level of sufficiency. The Stochastic Chain Ladder method is a common methodology used in calculating claims reserves at various confidence levels.

The carrying value of claims reported, IBNR and MfAD included in the insurance contract liabilities account are disclosed in Note 16.

In calculating the undiscounted unexpired risk reserves (URR), the unearned premium reserves (UPR) were multiplied by the ultimate loss and LAE ratio adjusted for policy maintenance expenses (gross and net basis). The ultimate loss and LAE ratio was derived from the estimation of the claims liabilities supplemented by industry ratios. URR is then compared to UPR net of Deferred Acquisition Cost (DAC) to test the adequacy of premiums liablity at each reporting date. As of December 31, 2020 and 2019, the URR did not exceed UPR net of DAC. Hence, no additional provisions are made.

Fair values of unquoted financial assets at FVOCI
The Company has unquoted FVOCI equity securities whose fair value is determined using dividend discount model (DDM). The use of a different pricing model and assumptions could produce materially different estimates of fair values. Discussion of the method used by the Company to value its unquoted FVOCI is disclosed under Note 32.

The carrying value of FVOCI not quoted in an active market as of December 31, 2020 and 2019 are diclsoed in Notes 7 and 32.

Provision for expected credit losses
The Company uses a provision matrix to calculate ECLs for Insurance receivables except reinsurance assets. The provision rates are based on days past due per policy .

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's Premiums and Reinsurance receivables is disclosed in Note 6.

The carrying value of insurance receivables and related allowance for ECL as of December 31, 2020, and 2019 are disclosed in Note 6.

Fair values of investment properties and property and equipment
Investment properties and certain types of property and equipment are carried at fair value, which has been determined based on market data approach. In determining the fair value of investment properties and property and equipment, the Company's external appraisers use generally accepted methodologies. There have been no significant changes on the valuation methodologies used by the external appraisers.

The carrying values of investment properties and property and equipment carried at fair value follow:

	2020	2019
Investment properties (Note 12)	**₱2,463,377,415**	₱2,166,379,327
Property and equipment (Note 13)	**4,686,452,445**	4,249,896,400

Impairment of property and equipment
The Company assesses the impairment of its property and equipment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

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

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the assets; and
- significant negative industry or economic trends.

The carrying values of the Company's property and equipment are disclosed in Note 13.

Impairment of investments in subsidiaries, associates, and a joint venture
The Company assesses impairment of its investments in subsidiaries, an associate and joint venture whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Among others, the factors that the Company considers important which could trigger an impairment review on its investments in subsidiaries include the following:

- deteriorating or poor financial condition;
- recurring net losses; and
- significant changes with an adverse effect on the subsidiaries have taken place during the period, or will take place in the near future and the technological, market, economic, or legal environment in which the subsidiaries operates.

The carrying value of investments in subsidiaries, an associate, and a joint venture, including related allowance for impairment as of December 31, 2020 and 2019 are disclosed in Note 14.

Recognition of deferred tax assets
Deferred tax assets are recognized for all temporary tax deductible differences to the extent that it is probable that the taxable income will be available against which these temporary differences can be utilized. Management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies.

The Company recognized deferred tax assets as of December 31, 2020 and 2019 are disclosed in Note 27.

Pension and other employee benefits
The determination of the obligation and cost of pension and other employee benefits is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rate, expected return on plan assets, and salary increase rate. In accordance with the relevant PFRS, actual results that differ from the Company's assumptions are accumulated and amortized over future periods and, therefore, generally affect the recognized expense and recorded obligation in such future periods. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension obligations.

The net pension asset (liability) as of December 31, 2020 and 2019 are disclosed in Note 20.

The Company also estimates other employee benefit obligations, including costs of paid leaves, based on historical leave availments of employees and subject to the Company's policy. These estimates may vary depending on the future changes in salaries and actual experiences during the year.

The accrued balance of other employee benefits, included under "Accounts payable and other liabilities" in the statements of financial position are disclosed in Note 18.

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

The Company’s lease liabilities as of December 31, 2020 and 2019 are disclosed in Note 26.

COVID-19 Pandemic
The COVID-19 pandemic did not have a significant impact on the Company’s business operations. The Company remain fully operational with no major disruptions recorded to date.

To ensure ongoing impacts of COVID-19 have been appropriately reflected in the Company’s financial statements, the Company has assessed the impact of COVID-19 as follows:
- Collectability of accounts with customers continues to be closely monitored. A material change in the provision for impairment of insurance receivables has been identified.
- The market data used by the Company in other estimates (such as risk free borrowing rates and data of comparable companies) are the latest available data, which already include the economic effects of the pandemic.

The Company continues to monitor the risks and the ongoing impacts of COVID-19 on its business.

4. Cash and Cash Equivalents

This account consists of:

	2020	2019
Petty cash fund	**₱515,518**	₱488,255
Cash in commercial banks and trust companies	**770,375,912**	510,921,721
Cash equivalents	**2,442,159,133**	1,700,500,063
	₱3,213,050,563	₱2,211,910,039

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents consist of time deposits that are placed for varying periods of up to three months, depending on the immediate cash requirements of the Company. Cash and cash equivalents earned interest at annual rates ranging from 0.10% to 1.55% and 0.10% to 4.00% in 2020 and 2019, respectively.

Interest income from cash and cash equivalents amounted to ₱49,090,557 and ₱67,147,571 in 2020 and 2019, respectively (see Note 23).

5. Short-term Investments

This account consists of cash placed in commercial banks and trust companies amounting to ₱493,768,956 and ₱450,969,855 as of December 31, 2020 and 2019, respectively. Short-term investments represent time deposits with maturities of more than three months but not more than one year from dates of placement and earned interest at annual rates ranging from 0.03% to 1.62% in 2020 and 0.25% to 2.00% in 2019 (see Note 9).

Interest income from short-term investments amounted to ₱5,131,833 and ₱7,557,127 in 2020 and 2019, respectively (see Note 23).

6. Insurance Receivables

This account consists of:

	2020	2019
Premiums receivable	**₱3,251,612,767**	₱2,688,311,150
Reinsurance recoverable on paid losses	**1,090,141,676**	1,368,026,771
Due from ceding companies	**90,248,281**	80,966,295
Funds held by ceding companies – treaty	**28,895,363**	91,338,827
	4,460,898,087	4,228,643,043
Less allowance for credit losses	**268,634,339**	72,410,272
	₱4,192,263,748	₱4,156,232,771

Premiums receivable represent premiums on written policies which are collectible within the Company's grace period.

Reinsurance recoverable on paid losses pertains to amounts recoverable from reinsurers in respect of claims already paid by the Company. These amounts are due and demandable.

Due from ceding companies pertains to premiums collectible from ceding companies with respect to assumed policies. These amounts are due and demandable.

Funds held by ceding companies - treaty pertain to amounts retained by ceding companies computed at a certain percentage of reinsurance premiums due. These amounts are interest-bearing and are generally collected within one year after the reporting date.

In 2020 and 2019, interest income from funds held by ceding companies - treaty amounted to ₱153,255 and ₱192,121, respectively (see Note 23).

The aging analyses of insurance receivables follow:

	2020					
	0 to 90 days	**91 to 150 days**	**151 to 220 days**	**221 to 270 days**	**More than 270 days**	**Total**
Premiums receivable	**₱1,168,635,271**	**₱562,421,359**	**₱395,583,316**	**₱463,555,534**	**₱661,417,287**	**₱3,251,612,767**
Reinsurance recoverable on paid losses	**133,583,233**	**381,867,672**	**18,952,634**	**168,464,756**	**387,273,381**	**1,090,141,676**
Due from ceding companies	**20,855,487**	**16,303,360**	**6,775,334**	**2,129,607**	**44,184,493**	**90,248,281**
Funds held by ceding companies – treaty	**20,394,684**	**7,026,126**	**–**	**803,147**	**671,406**	**28,895,363**
	₱1,343,468,675	**₱967,618,517**	**₱421,311,284**	**₱634,953,044**	**₱1,093,546,567**	**₱4,460,898,087**

	2019					
	0 to 90 days	91 to 150 days	151 to 220 days	221 to 270 days	More than 270 days	Total
Premiums receivable	₱2,358,350,339	₱158,492,319	₱57,691,372	₱44,035,977	₱69,741,143	₱2,688,311,150
Reinsurance recoverable on paid losses	741,835,531	112,083,137	62,164,170	44,547,468	407,396,465	1,368,026,771
Due from ceding companies	35,999,510	21,344,015	2,269,627	2,863,717	18,489,426	80,966,295
Funds held by ceding companies - treaty	21,376,635	37,429,498	–	798	32,531,896	91,338,827
	₱3,157,562,015	₱329,348,969	₱122,125,169	₱91,447,960	₱528,158,930	₱4,228,643,043

The reconciliation of the changes in the allowance for impairment are as follows:

	2020			
	Premiums Receivable	**Reinsurance Recoverable on Paid Losses (Facultative)**	**Due from Ceding Companies (Facultative)**	**Total**
At January 1	₱32,134,694	₱38,524,881	₱1,750,697	₱72,410,272
Provision (reversal of provision) for credit losses	**196,238,088**	**(14,021)**	–	**196,224,067**
At December 31	**₱228,372,782**	**₱38,510,860**	**₱1,750,697**	**₱268,634,339**
Individually impaired	**₱–**	**₱38,510,860**	**₱1,750,697**	**₱40,261,557**
Collectively impaired	**228,372,782**	–	–	**228,372,782**
	₱228,372,782	**₱38,510,860**	**₱1,750,697**	**₱268,634,339**

	2019			
	Premiums Receivable	Reinsurance Recoverable on Paid Losses (Facultative)	Due from Ceding Companies (Facultative)	Total
At January 1	₱22,365,689	₱37,484,967	₱1,750,697	₱61,601,353
Provision for credit losses	9,769,005	1,039,914	–	10,808,919
At December 31	₱32,134,694	₱38,524,881	₱1,750,697	₱72,410,272
Individually impaired	₱–	₱38,524,881	₱1,750,697	₱40,275,578
Collectively impaired	32,134,694	–	–	32,134,694
	₱32,134,694	₱38,524,881	₱1,750,697	₱72,410,272

7. Financial Assets

The Company's financial assets are summarized by measurement categories as follows:

	2020	2019
Financial assets at FVTPL	**₱137,628,998**	₱177,783,912
Financial assets at FVOCI	**880,916,823**	865,305,073
Financial assets at amortized cot:		
Investment securities at amortized cost (Note 9)	**237,826,525**	307,848,506
Loans and receivables	**619,697,417**	418,054,758
	₱1,876,069,763	₱1,768,992,249

As of December 31, 2020 and 2019, no allowance for impairment losses has been recognized for the above financial assets.

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

a. *Financial assets at FVTPL*

	2020	2019
Listed equity securities	**₱115,316,072**	₱154,288,563
Government debt securities - foreign currency	**12,672,309**	12,922,660
Corporate debt securities - foreign currency	**9,640,617**	10,572,689
	₱137,628,998	₱177,783,912

Interest income from financial assets at FVTPL amounted to ₱1,127,053 and ₱2,292,307 in 2020 and 2019, respectively (see Note 23).

Dividend income from financial assets at FVTPL amounted to ₱2,567,906 and ₱3,354,468 in 2020 and 2019, respectively (see Note 23).

b. *Financial assets at FVOCI*

	2020	2019
Financial assets at FVOCI		
Equity securities		
Quoted securities - at fair value		
Common shares from listed companies	**₱332,241,895**	₱340,811,943
Unquoted securities:		
Preferred shares	**548,555,816**	524,374,018
Common shares	**119,112**	119,112
	₱880,916,823	₱865,305,073

The roll forward analyses of the reserve for fluctuation in value of financial assets at FVOCI (net of tax) follow:

	2020	2019
At January 1	**₱359,448,136**	₱11,050,141,563
Reclassification from financial assets at FVOCI to investment in associate (Note 14)	**–**	(10,390,257,126)
Redemption of Hong Kong debenture bonds	**–**	(5,333,645)
Fair value gain (loss)	**11,984,481**	(295,102,656)
At December 31	**₱371,432,617**	₱359,448,136

In 2019, quoted equity financial assets at FVOCI with carrying amount of ₱10,642,654,260 were reclassified to investment in associates as the Company gained significant influence over the investee. Accordingly, the unrealized fair value gain amounting to ₱10,390,257,126 under reserve for fluctuation in value of financial assets at FVOCI were not recycled to profit or loss but transferred within OCI under ‘Other equity reserves’ account (see Note 14).

c. *Financial assets at amortized cost*

As of December 31, 2020 and 2019, financial assets at amortized cost are composed of:

	2020	2019
Investment securities	**₱237,826,525**	₱307,848,506
Loans and receivables	**619,697,417**	418,054,758
	₱857,523,942	₱725,903,264

Investment securities

	2020	2019
Government debt securities - local currency (Note 9)	**₱237,826,525**	₱239,041,583
Corporate debt securities - foreign currency	**–**	68,806,923
	₱237,826,525	₱307,848,506

Interest income from investment securities at amortized cost amounted to ₱13,287,307 and ₱11,263,123 in 2020 and 2019, respectively (see Note 23).
The carrying values of financial assets (excluding loans and receivables) have been determined as follows:

	2020			
	Financial Assets at FVTPL	**Financial Assets at FVOCI**	**Investment Securities at Amortized Cost**	**Total**
At January 1	**₱177,783,912**	**₱865,305,073**	**₱307,848,506**	**₱1,350,937,491**
Additions	**44,152,797**	**–**	**–**	**44,152,797**
Disposals/Maturities	**(84,634,721)**	**–**	**(65,217,555)**	**(149,852,276)**
Fair value gains	**1,371,810**	**15,611,750**	**–**	**16,983,560**
Premium amortization	**–**	**–**	**(1,590,163)**	**(1,590,163)**
Foreign exchange adjustment	**(1,044,800)**	**–**	**(3,214,263)**	**(4,259,063)**
At December 31	**₱137,628,998**	**₱880,916,823**	**₱237,826,525**	**₱1,256,372,346**

	2019			
	Financial Assets at FVTPL	FVOCI Financial Assets	Investment Securities at Amortized Cost	Total
At January 1	₱286,741,373	₱11,812,927,773	₱297,576,706	₱12,397,245,852
Effect of gaining significant influence	–	(10,642,654,260)	–	(10,642,654,260)
Additions	111,070,124	–	88,000,000	199,070,124
Disposals	(202,351,155)	(5,926,272)	(65,800,821)	(274,078,248)
Fair value losses	(16,661,503)	(299,042,168)	–	(315,703,671)
Discount (premium) amortization	7,873	–	(7,118,190)	(7,110,317)
Foreign exchange adjustment	(1,022,800)	–	(4,809,189)	(5,831,989)
At December 31	₱177,783,912	₱865,305,073	₱307,848,506	₱1,350,937,491

d. *Loans and receivables*

	2020	2019
Loans receivable	**₱230,000,000**	₱231,000,000
Due from related parties (Note 30)	**316,236,644**	118,105,800
Chattel mortgage loans	**45,613,944**	51,760,809
Accounts receivable	**24,400,074**	13,338,537
Accountable cash advances	**3,446,755**	3,849,612
	₱619,697,417	₱418,054,758

Loans receivable pertains to amount loaned to a third party earning interest at 2.75% per annum payable on demand after the eleventh month from issuance. Interest income amounted to ₱6,857,219 and ₱6,352,500 in 2020 and 2019, respectively.

Amounts due from related parties pertain to the Company's noninterest-bearing receivables from its related parties - Pioneer Life Inc. (PLI), an entity under common control, PIIC, a subsidiary and Pilipinas Autogroup Inc, an associate. The Company's receivables are related to the reimbursement for various common expenses which are due and demandable (see Note 30). Interest income from Pilipinas Autogroup Inc amounted to ₱2,071,667 in 2020 and nil in 2019.

Chattel mortgage loans consist mainly of loans extended to employees. Chattel mortgage loans earn interest at 12% and 6% per annum with maturities of 4 to 7 years. Interest income from chattel mortgage loans amounted to ₱4,269,467 and ₱5,256,970 in 2020 and 2019, respectively (see Note 23). These are collected through payroll deduction.

Accounts receivable consist of amounts receivable from confiscated bonds which pertain to the outstanding premiums for bond policies wherein claims were reported and paid accordingly. This also includes receivable from assured related to adjusters' other expenses. These are due and demandable.

Accountable cash advances of employees are collected through payroll deduction or expense liquidation.

8. Accrued Income

This account consists of:

	2020	2019
Interest receivable	**₱5,851,140**	₱8,821,739
Rent receivable	**2,646,639**	2,119,258
Dividends receivable	**233,863**	107,952
	₱8,731,642	₱11,048,949

9. Statutory Deposits

The following are deposited with local and foreign government agencies in compliance with insurance laws and requirements:

	2020	2019
Government debt securities (Note 7)	**₱226,300,000**	₱226,300,000
Short-term investments (Note 5)	**63,374,921**	68,386,611
	₱289,674,921	₱294,686,611

Government debt securities are deposited with the IC in accordance with the provisions of the Insurance Code (the "Code") for the benefit and security of policyholders and creditors of the Company. The face value of government debt securities deposited with the Bureau of Treasury amounted to ₱226,300,000 as of December 31, 2020 and December 31, 2019, respectively. The government debt securities are recorded as investment securities at amortized cost.

The above short-term investments represent placements by the Company's Hong Kong Branch to a bank, which are held in trust for the beneficiary title of the Insurance Authority of Hong Kong. These deposits earn interest at 0.50% in 2020 and 2019.

10. Deferred Acquisition Costs and Deferred Reinsurance Commissions

The rollforward analyses of deferred acquisition costs follow:

	2020	2019
At January 1	**₱288,546,039**	₱311,593,755
Cost incurred during the year	**(964,343,335)**	(1,104,839,464)
Cost deferred during the year	**898,610,446**	1,081,791,748
At December 31	**₱222,813,150**	₱288,546,039

The rollforward analyses of deferred reinsurance commissions follow:

	2020	2019
At January 1	**₱122,802,996**	₱109,512,889
Income earned during the year	**(406,867,476)**	(397,375,165)
Income deferred during the year	**417,513,227**	410,665,272
At December 31	**₱133,448,747**	₱122,802,996

11. Reinsurance Assets

This account consists of:

	2020	2019
Reinsurance recoverable on unpaid losses (Note 16)	**₱8,563,970,221**	₱7,075,394,416
Deferred reinsurance premiums (Note 16)	**1,425,296,874**	1,561,835,508
	₱9,989,267,095	₱8,637,229,924

The Company cedes insurance risk in the normal course of business for all its businesses. Reinsurance assets include balances recoverable from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Deferred reinsurance premiums are reinsurance premiums that pertain to the unexpired periods as at reporting date.

Impairment loss recovery of nil and ₱571,494 was recognized in 2020 and 2019, respectively.

12. Investment Properties

The rollforward analyses of this account follow:

	2020			
	Land	**Building**	**Condominium**	**Total**
At January 1	**₱1,429,483,000**	**₱300,310,927**	**₱436,585,400**	**₱2,166,379,327**
Fair value gains (losses) (Note 23)	**343,484,880**	**6,101,608**	**(31,957,500)**	**317,628,988**
Foreign exchange loss	**–**	**–**	**(20,630,900)**	**(20,630,900)**
At December 31	**₱1,772,967,880**	**₱306,412,535**	**₱383,997,000**	**₱2,463,377,415**

	2019			
	Land	Building	Condominium	Total
At January 1	₱863,909,000	₱305,031,526	₱451,204,800	₱1,620,145,326
Fair value gains (losses) (Note 23)	565,574,000	(4,968,733)	–	560,605,267
Additions	–	2,527,378	–	2,527,378
Disposal	–	(2,279,244)	–	(2,279,244)
Foreign exchange loss	–	–	(14,619,400)	(14,619,400)
At December 31	₱1,429,483,000	₱300,310,927	₱436,585,400	₱2,166,379,327

The land and building located in the Philippines were valued at ₱2,079,380,415 and ₱1,729,793,927 as of December 31, 2020 and 2019, respectively. The condominium unit located in Hong Kong was last appraised on January 7, 2021 by Hong Kong's independent professionally qualified valuer, Cushman & Wakefield Limited. The property is on a 50-year lease contract and was valued at HK$62,000,000 or ₱383,997,000 and HK$67,000,000 or ₱436,585,400 as of December 31, 2020 and 2019, respectively.

As of December 31, 2020 and 2019, the fair values of the properties in the Philippines were based on valuations performed by Cuervo Appraisers, Inc., an accredited independent valuer. Cuervo Appraisers, Inc. is a specialist in valuing these types of investment properties.

The valuation for the land and condominium units was derived through market data approach based upon prices paid in actual market transactions. This approach relies on the comparison of recent sale transactions or offerings of similar properties which have occurred and/or offered with close proximity to the subject properties adjusted based on certain elements of comparison (e.g. market conditions, location, physical condition and amenities). Significant increases (decreases) in estimated price per square meter/foot would result in a significantly higher (lower) fair value of the properties.

The fair value, categorized as Level 3, of certain parcels of land amounting to ₱1,772,967,880 and ₱1,429,483,000 as of December 31, 2020 and 2019 respectively, are based on their highest and best use which is to convert the said properties for residential purposes. For strategic reasons, these properties are not being used in this manner.

There were no transfers between levels of fair value measurement in 2020 and 2019. As at December 31, 2020 and 2019, no property has been pledged as collateral or security for any of the Company's liabilities and the Company has no restrictions on the realizability of its land and condominium units and no contractual obligation to purchase, construct or develop such property or for repairs, maintenance and enhancements.

Foreign exchange adjustment includes the effect of translation of investment property of the Hong Kong Branch to its Philippine Peso equivalent.

Description of the valuation techniques used and key inputs to valuation on investment properties follow:

Location	Valuation Techniques	Unobservable Inputs Used (Level 3)	Range (Weighted Average) 2020	2019
1. Southeast corner of Ramon Magsaysay and Pioneer Avenue, within Barangay Dadaingas South, General Santos City	Sales comparison approach	Price per square meter	**₱39,875 to ₱50,416 (₱45,146)**	₱38,884 to ₱50,373 (₱44,629)
2. Cebu Business Park, Barangay Hipodromo (former Barangay Mabolo), Cebu City	Sales comparison approach for land	Price per square meter for land	**₱281,960 to ₱399,600 (₱340,780)**	₱296,000 to ₱312,375 (₱304,188)
3. Cardinal Rosales Avenue and Panglao Road, within Cebu Business Park, Barangay Hipodromo (former Barangay Mabolo), Cebu City	Sales comparison approach	Price per square meter	**₱273,980 to ₱388,800 (₱313,390)**	₱267,325 to ₱292,950 (₱280,138)
4. Forest Hills Avenue, located within Barangay Inarawan (formerly Barrio Pinagbarilan), Antipolo City	Sales comparison approach	Price per square meter	**₱2,870 to ₱5,075 (₱3,752)**	₱2,370 to ₱3,070 (₱2,720)
5. Barangay Malayong, Gloria (formerly Barangay Balate, Pinamalayan), Oriental Mindoro	Sales comparison approach	Price per square meter	**₱39 to ₱41 (₱40)**	₱34 to ₱48 (₱41)
6. Northeast Corner of Mahagnao and Danao Streets, within Lakeside Evozone South, Barangay Sto. Domingo, Sta. Rosa City	Sales comparison approach	Price per square meter	**₱70,875 to ₱76,500 (₱73,688)**	₱70,875to ₱74,655 (₱72,765)
7. 27th Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong	Sales comparison approach	Price per square foot	**HK$30,472 to HK$36,311 (HK$33,392)**	HK$36,311 to HK$43,418 (HK$39,865)

Rental income and direct operating expenses included in the statements of income from the investment properties follow:

	2020	2019
Rental income (Notes 23 and 26)	**₱91,217,885**	₱92,333,153
Direct operating expenses	**(16,612,677)**	(21,839,397)
	₱74,605,208	₱70,493,756

13. Property and Equipment

This account consists of property and equipment carried at revalued amount and at cost which are as follows:

	2020	2019
At revalued amount	**₱4,686,452,445**	₱4,249,896,400
At cost	**565,275,344**	530,395,411
	₱5,251,727,789	₱4,780,291,811

Property and equipment carried at revalued amounts follow:

	2020			
	Land	**Buildings**	**Building Machinery and Equipment**	**Total**
Revalued Amount				
At January 1	**₱3,332,657,120**	**₱845,319,188**	**₱224,503,415**	**₱4,402,479,723**
Additions	**–**	**–**	**1,526,321**	**1,526,321**
Appraisal increase (decrease)	**444,181,080**	**(14,993,163)**	**15,811,324**	**444,999,241**
Retirements	**–**	**–**	**(33,892,904)**	**(33,892,904)**
Foreign exchange adjustment	**–**	**1,696,871**	**–**	**1,696,871**
At December 31	**3,776,838,200**	**832,022,896**	**207,948,156**	**4,816,809,252**
Accumulated Depreciation				
At January 1	–	**82,850,899**	**69,732,424**	**152,583,323**
Closed to revaluation surplus	**–**	**(40,628,177)**	**(10,730,884)**	**(51,359,061)**
Retirements	**–**	**–**	**(33,892,904)**	**(33,892,904)**
Depreciation (Note 25)	**–**	**44,033,527**	**19,055,233**	**63,088,760**
Foreign exchange adjustment	**–**	**(63,311)**	**–**	**(63,311)**
At December 31	**–**	**86,192,938**	**44,163,869**	**130,356,807**
Net Book Value	**₱3,776,838,200**	**₱745,829,958**	**₱163,784,287**	**₱4,686,452,445**

	2019			
	Land	Buildings	Building Machinery and Equipment	Total
Revalued Amount				
At January 1	₱2,160,445,000	₱871,165,261	₱273,037,578	₱3,304,647,839
Additions	–	–	2,485,733	2,485,733
Appraisal increase	1,172,212,120	9,838,669	19,762,555	1,201,813,344
Retirements	–	(16,660,587)	(73,636,218)	(90,296,805)
Reclassification adjustment	–	(2,853,767)	2,853,767	–
Foreign exchange adjustment	–	(16,170,388)	–	(16,170,388)
At December 31	3,332,657,120	845,319,188	224,503,415	4,402,479,723
Accumulated Depreciation				
At January 1	–	78,281,629	83,271,598	161,553,227
Closed to revaluation surplus	–	(5,881,012)	(5,970,924)	(11,851,936)
Retirements	–	(11,055,902)	(73,636,220)	(84,692,122)
Depreciation (Note 25)	–	42,905,594	45,038,137	87,943,731
Reclassification adjustment	–	(21,029,833)	21,029,833	–
Foreign exchange adjustment	–	(369,577)	–	(369,577)
At December 31	–	82,850,899	69,732,424	152,583,323
Net Book Value	₱3,332,657,120	₱762,468,289	₱154,770,991	₱4,249,896,400

Property and equipment of the Company in the Philippines were last appraised between October 4 to December 29, by an independent firm of appraisers, Cuervo Appraisers, Inc.

The valuation for the property and equipment was derived through market data approach based upon prices paid in actual market transactions. This approach relies on the comparison of recent sale transactions or offerings of similar properties which have occurred and/or offered with close proximity to the subject properties adjusted based on certain elements of comparison (e.g., market conditions, location, physical condition, and amenities). Significant increases (decreases) in estimated price per square meter would result in a significantly higher (lower) fair value of the property and equipment.

The fair value, categorized as Level 3, of the parcels of land at the measurement date are based on their highest and best use which is to convert the said properties for residential purposes. For strategic reasons, these parcels of land are not being used in this manner. There was no transfer between levels of fair value measurement in 2020 and 2019.

Description of the valuation techniques used and key inputs to valuation on property and equipment follow:

		Unobservable Inputs Used	Range (Weighted Average)	
Location	**Valuation Techniques**	**(Level 3)**	**2020**	2019
Don A. Velez Street and Mabini Streets, within Barangay 14, Cagayan de Oro City	Sales comparison approach for land and cost approach for improvements	Price per square meter for land and current materials and labor cost for improvements	₱39,132 to ₱48,150 (₱43,641)	₱36,462 to ₱44,472 (₱41,967)
South corner of 5th Avenue and 26th Streets (with FAR 12), within Fort Bonifacio, Global City, Taguig City, Metro Manila	Sales comparison approach	Price per square meter	₱1,118,700 to ₱1,368,000 (₱1,243,350)	₱951,045 to ₱1,163,873 (₱1,057,459)
Cebu Business Park, Barangay Hipodromo (former Barangay Mabolo), Cebu City	Sales comparison approach for land and cost approach for improvements	Price per square meter for land and current materials and labor cost for improvements	₱273,980 to ₱388,800 (₱331,390)	₱267,325to ₱292,950 (₱280,138)
Southeast corner of Paseo de Roxas and Gallardo Streets, and extending to the northeast corner of Paseo de Roxas and Legaspi Streets, within Legaspi Village, Makati City, Metro Manila	Comparison approach for land and cost approach for improvements	Price per square meter for land and current materials and labor cost for improvements	₱488,518 to ₱670,110 (₱579,314)	₱437,000 to ₱555,750 (₱496,375)
Northeast corner of Yuchengco Street and Escolta Street, within Barangay 291, Zone 97, Binondo, City of Manila	Sales comparison approach for land and cost approach for improvements	Price per square meter for land and current materials and labor cost for improvements	₱247,599 to ₱330,750 (₱289,175)	₱238,000 to ₱365,400 (₱301,700)
27th Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong	Sales comparison approach	Price per square foot	HK$30,472 to HK$36,311 (HK$33,392))	HK$36,311 to HK$43,418 (HK$39,865)

As of December 31, 2020 and 2019, property and equipment located in the Philippines that are carried at revalued amount amounted to ₱4,265,294,445 and ₱3,767,697,600, respectively. The condominium unit in Hong Kong was valued at HK$68,000,000 or ₱421,158,000 and HK$74,000,000 or ₱482,198,800 as of December 31, 2020 and 2019, respectively . The property and equipment used by the Company's Hong Kong Branch were appraised by an independent professionally qualified valuer, Cushman Wakefield Limited.

Foreign exchange adjustment includes the effect of translation of property and equipment of the Hong Kong Branch to their Philippine Peso equivalent.

If land, buildings, and building machinery and equipment were carried at cost less accumulated depreciation, the amounts would be as follow:

	2020	2019
Cost	**₱760,785,002**	₱796,217,540
Accumulated depreciation and amortization	**(102,622,042)**	(120,454,637)
Net book value	**₱658,162,960**	₱675,762,903

Total depreciation and amortization expense of property and equipment carried at cost and revalued amounts charged against operations amounted to ₱122,792,369 and ₱141,207,593 in 2020 and 2019, respectively (see Note 25).

The changes in revaluation surplus recognized directly in other comprehensive income amounted to ₱311,499,469 and ₱838,262,936 in 2020 and 2019, respectively.

Property and equipment carried at cost follows:

	2020					
	Leasehold & Building Improvements	**Computer Equipment and Mobile Phones**	**Transportation Equipment**	**Furniture, Fixtures and Equipment**	**Building Construction in Progress**	**Total**
Cost						
At January 1	**₱125,002,618**	**₱97,564,242**	**₱60,798,888**	**₱92,206,976**	**₱323,627,097**	**₱699,199,821**
Additions	**5,567,681**	**41,664,409**	**3,139,233**	**2,804,544**	**41,572,690**	**94,748,557**
Disposal/retirements	**(27,350,100)**	**(15,487,436)**	**(11,562,296)**	**(2,825,143)**	–	**(57,224,975)**
Foreign exchange adjustment	–	**(422,777)**	–	**(318,753)**	–	**(741,530)**
At December 31	**103,220,199**	**123,318,438**	**52,375,825**	**91,867,624**	**365,199,787**	**735,981,873**
Accumulated Depreciation						
At January 1	**60,141,254**	**45,128,462**	**27,416,523**	**36,118,171**	**–**	**168,804,410**
Depreciation and amortization (Note 25)	**15,225,270**	**24,793,526**	**11,391,034**	**8,293,779**	**–**	**59,703,609**
Disposal/retirements	**(27,350,100)**	**(15,487,436)**	**(11,562,296)**	**(2,825,143)**	**–**	**(57,224,975)**
Foreign exchange adjustment	–	**(259,550)**	–	**(316,968)**	**–**	**(576,518)**
At December 31	**48,016,424**	**54,175,002**	**27,245,261**	**41,269,839**	**–**	**170,706,526**
Net Book Value	**₱55,203,775**	**₱69,143,436**	**₱25,130,564**	**₱50,597,785**	**₱365,199,787**	**₱565,275,347**

	2019					
	Leasehold & Building Improvements	Computer Equipment and Mobile Phones	Transportation Equipment	Furniture, Fixtures and Equipment	Building Construction in Progress	Total
Cost						
At January 1	₱102,308,978	₱87,736,801	₱69,299,968	₱86,621,126	₱28,210,001	₱374,176,874
Additions	32,606,425	36,917,370	14,951,917	4,835,983	295,417,096	384,728,791
Disposal/retirements	(9,912,785)	(26,999,879)	(20,533,335)	(2,001,540)	–	(59,447,539)
Reclassification adjustment	–	(47,277)	(2,919,662)	2,966,939	–	–
Foreign exchange adjustment	–	(42,773)	–	(215,532)	–	(258,305)
At December 31	125,002,618	97,564,242	60,798,888	92,206,976	323,627,097	699,199,821
Accumulated Depreciation						
At January 1	52,693,190	41,117,733	35,684,809	29,977,004	–	159,472,736
Depreciation and amortization (Note 25)	14,395,416	18,876,250	12,068,324	7,923,872	–	53,263,862
Disposal/retirements	(6,947,352)	(14,799,953)	(20,336,610)	(1,568,857)	–	(43,652,772)
Foreign exchange adjustment	–	(65,568)	–	(213,848)	–	(279,416)
At December 31	60,141,254	45,128,462	27,416,523	36,118,171	–	168,804,410
Net Book Value	₱64,861,364	₱52,435,780	₱33,382,365	₱56,088,805	₱323,627,097	₱530,395,411

14. Investments in Subsidiaries, Associates, and a Joint Venture

Investments in subsidiaries, associates, and a joint venture consist of investments in the following entities, which are all incorporated and operating in the Philippines, as of December 31, 2020 and 2019:

	Date of Incorporation	Principal Activity
Subsidiary		
PIIC	February 24, 1966	Nonlife insurance
CPMI	August 16, 1963	*- do -*
PLand*	October 4, 1991	Real estate
Associate		
PAI	April 10, 2012	Purchase and sale of motor vehicles
PTC**	October 21, 1916	Universal banking
Joint venture		
MPII	July 8, 1948	Nonlife insurance

**PLand became a subsidiary in 2019 with 100% ownership interest.*
***The Company gained significant influence over PTC in 2019.*

The Company's percentage of ownership in the shares of stock of its investees follow:

	Effective Percentage of Ownership		Amount of Investment	
	2020	2019	**2020**	2019
PIIC	**96.86%**	96.86%	**₱242,155,101**	₱242,155,101
CPMI	**47.88%**	47.88%	**298,767,531**	298,767,531
PLand	**100.00%**	100.00%	**70,766,295**	70,766,295
PAI*	**32.22%**	32.22%	**60,165,838**	57,404,159
PTC	**9.86%**	9.86%	**10,642,654,260**	10,642,654,260
MPII	**65.00%**	51.00%	**742,925,368**	301,870,407
Total			**₱12,057,434,393**	₱11,613,617,753

**Net of allowance for impairment*

The rollforward analyses of this account follow:

	2020						
	PIIC	**CPMI**	**PLand**	**PAI**	**PTC**	**MPII**	**Total**
January 1	**₱242,155,101**	**₱298,767,531**	**₱70,766,295**	**₱57,404,159**	**₱10,642,654,260**	**₱301,870,407**	**₱11,613,617,753**
Additions	**–**	**–**	**–**	**–**	**–**	**441,054,961**	**441,054,961**
Reversal of impairment	**–**	**–**	**–**	**2,761,679**	**–**	**–**	**2,761,679**
December 31	**₱242,155,101**	**₱298,767,531**	**₱70,766,295**	**₱60,165,838**	**₱10,642,654,260**	**₱742,925,368**	**₱12,057,434,433**

	2019						
	PIIC	CPMI	PLand	PAI	PTC	MPII	Total
January 1	₱242,155,101	₱298,767,531	₱–	₱65,029,398	₱–	₱301,870,407	₱907,822,437
Additions	–	–	70,766,295	–	10,642,654,260	–	10,713,420,555
Impairment	–	–	–	(7,625,239)	–	–	(7,625,239)
December 31	₱242,155,101	₱298,767,531	₱70,766,295	₱57,404,159	₱10,642,654,260	₱301,870,407	₱11,613,617,753

a. CPMI
   The Company's ownership in CPMI is 47.88%. The Company still maintains control over CPMI since it holds more voting rights relative to other vote holders: CARD MBA (46.08%), CaMia (2.92%), PIIC (1.48%), PLI (1.424%), and PLHI (0.214%). The Company's holding and the size of the holdings of entities of the Pioneer Group would also give the Company power since collective ownership of the Group is 51%.

b. PLand
During the meeting of the BOD held on April 3, 2018, it was resolved that the Company was authorized to purchase six hundred thousand (600,000) shares of stock of PLand for ₱70,766,295 hereby becoming the 100% stockholder of PLand. The Company acquired 600,000 shares and paid ₱33,266,295. The remaining amount of ₱37,500,000 is still outstanding as of December 31, 2019. The acquisition of PLand became effective in January 2019 after the shares are duly transferred to the Company.

On June 10, 2020, the Company's Board of Directors ("BOD") unanimously approved the merger of PLand and the Company, with the Company being the surviving entity, in order to integrate their administrative facilities, which may result in economies of scale, efficiency of operations, financially stronger surviving company and productive use of the properties. The said merger is pursuant to the provisions of Section 40(c)(2)(a) of the National Internal Revenue Code of 1997, as amended, and Sections 75 to 79 of the Revised Corporation Code of the Philippines.

The Company and PLand applied and obtained the approval of the merger from the Securities and Exchange Commission (SEC) on March 10, 2021. The merger took effect on April 1, 2020, which is the first day of the month immediately following the SEC approval.

c. PAI
The Company recorded impairment recovery (loss) amounting to ₱2,761,679 and (₱7,625,239) as of December 31, 2020 and 2019, respectively.

d. MPII (formerly Republic Surety Insurance Corporation)
On August 3, 2018, SEC has approved the change of name of Republic Surety and Insurance Company Inc. to MPII following the formalization of the partnership between Meralco and Pioneer in December 2017.

On December 10, 2018, the Company put in ₱13,720,407 as additional investment in MPII as required by IC on the minimum net worth requirement of ₱550,000,000.

In compliance with the Insurance Commission's required minimum net worth of ₱900,000,000 as at December 31, 2019, the Company put in its share in the amount of ₱441,054,961 as cash infusion in MPII on February 27 and 28, 2020. The funds used for the said cash infusion came from PISC's residual earnings and bank borrowings. This resulted to an increase in share of ownership in 2020 to 65% from 51% in 2019. There were no changes in the joint venture agreement in consideration of the cash infusion. Accordingly, the Company still cannot make unilateral decision without Meralco. Hence, the Investment in MPII remain to be accounted for as a joint venture (see Note 3).

e. PTC
On May 28, 2019, the BOD of PTC at its regular meeting has resolved that Pioneer Group, consisting of the Company, PLI, and PIIC having an aggregate ownership of 9.86% of the total outstanding capital stock of PTC, be allowed to have two (2) representatives in the BOD of PTC effective October 4, 2019. On September 18, 2019, the Pioneer Group signed a memorandum of agreement stating that Pioneer Group shall jointly vote as one in all matters affecting its rights as stockholders of PTC and that the Pioneer Group's representatives to the board shall decide and vote jointly for every corporate act and purpose during meetings of PTC for and in behalf of the Pioneer Group. As a result, the Company together with other entities within the Pioneer Group, gained significant influence over PTC effective October 4, 2019.

Prior to October 4, 2019, the Company classified its investments in PTC as financial assets at FVOCI. The Company used the fair value as of reclassification date as the deemed cost of the investment in associate. Accordingly, the Company reclassified the investments in PTC from financial assets at FVOCI amounting to ₱10,642,654,260 to investment in associate on October 4, 2019. The unrealized fair value gain amounting to ₱10,390,257,126 under reserve for fluctuation in value of financial assets at FVOCI were not recycled to profit or loss but transferred within equity under 'Other equity reserves' account (see Note 7).

The Company, PIIC, CPMI, and MPII are subject to statutory regulations on capital requirement of the IC. The Company, PIIC, CPMI, and MPII submit annual reports to the IC to determine adequacy of its investment. IC classifies assets according to admitted and non-admitted assets for purposes of calculating financial ratios that the Company, PIIC, CPMI and MPII are required to maintain. These, among others, may pose restrictions as to the use or transfer of assets, as well as the settlement of liabilities as of December 31, 2020 and 2019.

Financial information of the subsidiaries and associates follow:

	2020	2019
Subsidiaries		
PIIC		
Total assets	**₱1,740,402,143**	₱1,570,814,989
Total liabilities	**588,686,148**	451,377,677
Total equity	**1,131,715,995**	1,119,437,312
Revenue	**203,598,251**	160,826,482
Net income (loss)	**15,811,189**	(12,549,216)
CPMI		
Total assets	**2,477,510,264**	2,805,004,968
Total liabilities	**706,619,570**	1,303,919,020
Total equity	**1,770,890,694**	1,501,085,948
Revenue	**749,698,866**	827,023,202
Net income	**271,259,732**	283,190,976
PLand		
Total assets	**13,626,670**	13,622,543
Total liabilities	**210,579**	77,649
Total equity	**13,416,091**	13,544,894
Revenue	**26,863**	38,848
Net loss	**(128,803)**	(41,226)
Associates		
PAI		
Financial position		
Financial assets	**63,104,678**	61,201,338
Inventories	**273,954,950**	247,043,922
Property and equipment	**27,580,812**	42,649,939
Intangible asset	**48,707**	86,510
Other assets	**54,154,063**	61,192,959
Accounts and other liabilities	**(442,729,790)**	(275,252,603)
Loans payable	**(8,831,368)**	(113,541,798)
Equity	**(₱32,717,948)**	₱23,380,267

	2020	2019
Financial performance		
Revenue	**₱84,559,129**	₱177,304,472
Loss before tax	**(56,161,992)**	(64,162,629)
Net loss for the year	**(56,500,107)**	(64,887,812)
PTC		
Financial position		
Financial assets	**163,008,626,000**	155,184,645,447
Bank's premises, furniture, fixtures and Equipment	**2,900,675,000**	2,886,665,000
Investment properties	**1,659,589,000**	1,518,948,700
Deferred tax assets	**697,983,000**	961,125,820
Other assets	**202,961,000**	240,037,811
Associates		
PTC		
Accrued taxes, interest and other expenses	**(229,235,000)**	(223,336,496)
Manager's checks	**(94,165,000)**	(155,935,697)
Deposit liabilities	**(140,827,581,000)**	(134,346,168,019)
Deferred Credit and other liabilities	**(225,626,000)**	(223,902,652)
Lease liability	**(183,170,000)**	(144,865,743)
Retirement liability	**(947,000)**	(1,324,405)
Equity	**₱26,909,110,000**	₱25,695,889,766
Financial performance		
Net Interest Income	**₱2,075,421,000**	₱2,567,936,000
Income before tax	**1,948,856,000**	1,489,814,000
Net income for the year	**948,538,000**	780,430,000
Joint Venture		
MPII		
Financial position		
Financial assets	**1,891,591,944**	1,202,191,450
Reinsurance assets	**1,045,583,841**	1,005,262,258
Deferred acquisition costs	**34,422,448**	34,171,915
Property and equipment - net	**12,578,598**	14,221,538
Right-of-use asset	**26,228,129**	33,094,693
Other assets	**75,317,381**	57,803,765
Insurance contract liabilities	**(1,705,184,154)**	(1,567,344,058)
Insurance payables	**(257,934,405)**	(191,627,034)
Deferred reinsurance commissions	**(9,995,339)**	(9,567,203)
Lease liability	**(25,818,207)**	(31,544,332)
Accounts and other liabilities	**(86,601,393)**	(57,756,681)
Equity	**₱1,000,188,843**	₱488,906,311
Financial performance		
Revenue	**₱365,080,754**	₱347,180,515
Income (loss) before tax	**17,697,141**	(143,609,007)
Net income (loss) for the year	**8,660,216**	(153,405,594)

15. Other Assets

Other assets consist of:

	2020	2019
Creditable withholding taxes (CWTs)	**₱413,811,900**	₱346,589,985
Prepayments	**60,390,051**	39,475,638
Claims fund	**34,394,883**	47,666,570
Input VAT	**31,335,044**	31,048,418
Security fund	**1,025,117**	1,025,117
Nonproprietary golf and club shares	**670,000**	670,000
	₱541,626,995	₱466,475,728

CWTs pertain to withholding taxes from prior years and current transactions.

Prepayments include prepaid rent, deposits for utility services, and funds set aside for the payment of documentary stamps tax and VAT.

Claims fund refers to the deposits made for payment of possible future claims related to motor car policies.

Security fund pertains to the fund which will be used for payment of allowed claims against insolvent insurance companies as required under Section 378 of the Amended Insurance Code.

Nonproprietary golf and club shares pertain to assets initially recognized as intangible asset but reclassed to other assets as these were deemed nonproprietary by the Company.

16. Insurance Contract Liabilities

The analyses of insurance contract liabilities, net of reinsurers' share of liabilities follow:

	2020			2019		
	Insurance Contract Liabilities	**Reinsurers' Share of Liabilities** (Note 11)	**Net**	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 11)	Net
Provision for:						
Claims reported (Note 32)	**₱8,704,595,785**	**₱6,489,604,500**	**₱2,214,991,285**	₱7,231,556,152	₱5,289,588,288	₱1,941,967,864
Claims IBNR and MfAD (Note 32)	**2,693,088,801**	**2,074,365,721**	**618,723,080**	2,394,382,118	1,785,806,128	608,575,990
Provision for unearned premiums (Note 31)	**2,183,656,684**	**1,425,296,874**	**758,359,810**	2,573,527,757	1,561,835,508	1,011,692,249
	₱13,581,341,270	**₱9,989,267,095**	**₱3,592,074,175**	₱12,199,466,027	₱8,637,229,924	₱3,562,236,103

The analyses of total provision for claims reported and claims IBNR follow:

	2020			2019		
	Provision for Claims Reported and Claims IBNR	**Reinsurers' Share of Liabilities** (Note 11)	**Net**	Provision for Claims Reported and Claims IBNR	Reinsurers' Share of Liabilities (Note 11)	Net
At January 1	**₱9,625,938,270**	**₱7,075,394,416**	**₱2,550,543,854**	₱8,380,417,694	₱6,313,569,802	₱2,066,847,892
Claims incurred	**7,451,327,784**	**5,837,028,108**	**1,614,299,676**	3,802,257,499	1,926,300,686	1,875,956,813
Claims paid (Note 24)	**(5,971,526,117)**	**(4,642,258,237)**	**(1,329,267,880)**	(3,371,540,873)	(1,887,539,016)	(1,484,001,857)
Increase in claims IBNR and MfAD	**298,523,846**	**288,559,593**	**9,964,253**	824,583,585	723,656,914	100,926,671
	11,404,263,783	**8,558,723,880**	**2,845,539,903**	9,635,717,905	7,075,988,386	2,559,729,519
Effect of foreign exchange on outstanding claims	**(6,579,197)**	**5,246,341**	**(11,825,538)**	(9,779,635)	(593,970)	(9,185,665)
At December 31	**₱11,397,684,586**	**₱8,563,970,221**	**₱2,833,714,365**	₱9,625,938,270	₱7,075,394,416	₱2,550,543,854

The provision for unearned premiums may be analyzed as follows:

	2020			2019		
	Provision for Unearned Premiums	**Reinsurers' Share of Liabilities** (Note 11)	**Net**	Provision for Unearned Premiums	Reinsurers' Share of Liabilities (Note 11)	Net
At January 1	**₱2,573,527,757**	**₱1,561,835,508**	**₱1,011,692,249**	₱2,808,515,023	₱1,697,618,205	₱1,110,896,818
New policies written (Note 22)	**10,085,504,400**	**7,145,867,433**	**2,939,636,967**	10,103,400,119	6,513,653,554	3,589,746,565
Premiums earned (Note 22)	**(10,475,375,473)**	**(7,282,406,067)**	**(3,192,969,406)**	(10,338,387,385)	(6,649,436,251)	(3,688,951,134)
At December 31	**₱2,183,656,684**	**₱1,425,296,874**	**₱758,359,810**	₱2,573,527,757	₱1,561,835,508	₱1,011,692,249

17. **Insurance Payables**

This account consists of:

	2020	2019
Due to reinsurers (Note 30)	**₱6,410,812,865**	₱4,912,762,685
Funds held for reinsurers	**441,060,313**	492,018,833
	₱6,851,873178	₱5,404,781,518

The roll forward analyses of due to reinsurers follow:

	2020	2019
At January 1	**₱4,912,762,685**	₱2,866,398,784
Arising during the year	**7,145,867,433**	6,513,653,554
Paid during the year	**(5,647,817,253)**	(4,467,289,653)
At December 31	**₱6,410,812,865**	₱4,912,762,685

Funds held for reinsurers represent premiums payable held for one year by the ceding company based on treaty reinsurance contracts. These are noninterest-bearing and are generally settled within one year.

	2020	2019
At January 1	**₱492,018,833**	₱207,322,851
Arising during the year	**255,114,044**	527,766,894
Paid during the year	**(306,072,564)**	(243,070,912)
At December 31	**₱441,060,313**	₱492,018,833

Funds held for reinsurers pertain to amounts retained by the Company computed as a certain percentage of reinsurance premiums ceded out in accordance with reinsurance agreements. Interest expense on funds held for reinsurers amounted to ₱3,291,844 and ₱3,422,888 in 2020 and 2019, respectively.

18. **Accounts Payable**

This account consists of:

	2020	2019
Taxes payable	**₱493,592,920**	₱354,532,256
Output VAT	**139,869,726**	75,408,964
Commissions payable	**226,798,877**	279,545,647
Accounts payable	**178,130,467**	147,922,185
Due to related parties (Note 30)	**55,469,443**	37,430,650
Deposit surety bond	**51,501,161**	48,741,880
Accrued employee benefits	**44,963,977**	43,665,497
Security deposits	**17,566,745**	20,761,251
Accrued expenses	**8,235,330**	5,228,812
Others	**210,932**	210,932
	₱1,216,339,578	₱1,013,448,074

Taxes payable consist of documentary stamps, business tax, fire service tax, premium tax, and withholding tax. These are subsequently remitted within one month after the reporting date.

Output VAT is net of input VAT and advance payment thru Bayad Center.

Commissions payable represent unpaid commissions to agents and brokers arising from policy issuances. Commission rates vary depending on the product line and coverage of the policy. These are noninterest-bearing and are due upon receipt of premium payments.

Accounts payable consists of advance premium payments from various brokers and suppliers. These are due upon completion of the services as agreed upon in the contract.

Due to related parties represent the premium cessions and acceptances, which are due and demandable, of the Company in accordance with terms agreed.

Deposit surety bond pertains to bond deposits which will be refunded by the Company upon the performance of the contractual obligations set forth in the surety bond agreement.

Accrued employee benefits include service award liability and accruals for productivity incentives granted to the Company's employees except those under contractual employment. Productivity incentives are due on the 15th of May of the following year.

Security deposits represent advance payments from tenants which are refunded upon termination of the related lease contracts.

Accrued expenses include unpaid utility, contracted services, professional, and maintenance expenses. These are settled within one year after the reporting date.

Others are noninterest-bearing and are normally settled within one year.

19. Notes Payable

Movements of the account follow:

	2020	2019
At January 1	**₱400,000,000**	₱900,000,000
Availments	**322,000,000**	200,000,000
Payments	**(324,000,000)**	(700,000,000)
At December 31	**₱398,000,000**	₱400,000,000

This account consists of various promissory notes against a local bank with terms ranging from 1 month to 6 years. The notes payable bear nominal interest of 4.00% to 4.91% in 2020 and 3.50% to 7.00% in 2019.

Interest expense on notes payable amounted to ₱34,048,380 and ₱35,029,167 in 2020 and 2019, respectively.

20. **Pension Liability/Asset**

The Company has a noncontributory defined benefit plan covering all regular employees and which requires contributions to be made to a separately administered retirement fund. Benefits are based on the employee's years of service and final plan salary. The Board of Trustees of the plan is responsible for setting investment strategies. The Retirement Plan is considered a "reasonable private benefit plan" within the contemplation of Republic Act No. 4917.

The retirement plan of the Company is being administered by Pioneer Group of Insurance Companies Staff Retirement Benefit Plan.

Changes in pension liability (asset) are as follows:

		Net benefit cost in statement of income					**Remeasurements in other comprehensive income**						
	At January 1	**Current service cost** (Note 25)	**Net interest** (Note 25)	**Subtotal**	**Benefits paid**	**Return on plan assets (excluding amount included in net interest)**	**Actuarial changes arising from changes in demographic assumptions**	**Actuarial changes rising from changes in financial assumptions**	**Actuarial changes arising from experience adjustments**	**Subtotal**	**Net acquired (released) obligation due to transfers**	**Contributions**	**At December 31**
Present value of defined benefit obligation	**₱368,002,709**	**₱22,709,488**	**₱16,209,877**	**₱38,919,365**	**(₱35,822,374)**	**₱–**	**₱30,391,050**	**₱34,874,799**	**(₱19,664,666)**	**₱45,601,183**	**(₱370,522)**	**₱–**	**₱416,330,361**
Fair value of plan assets	**(318,012,227)**	–	**(14,761,918)**	**(14,761,918)**	**35,822,374**	**(509,186)**	–	–	–	**(509,186)**	–	**(144,000,000)**	**(441,460,957)**
	₱49,990,482	**₱22,709,488**	**₱1,447,959**	**₱24,157,447**	**₱–**	**(₱509,186)**	**₱30,391,050**	**₱34,874,799**	**(₱19,664,666)**	**₱45,091,997**	**(₱370,522)**	**(₱144,000,000)**	**(₱25,130,596)**

		Net benefit cost in statement of income					Remeasurements in other comprehensive income						
	At January 1	Current service cost (Note 25)	Net interest (Note 25)	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes rising from changes in financial assumptions	Actuarial changes rising from experience adjustments	Subtotal	Net acquired (released) obligation due to transfers	Contributions	At December 31
Present value of defined benefit obligation	₱324,923,628	₱19,683,567	₱20,028,018	₱39,711,585	(₱54,477,830)	₱–	₱57,908,430	(₱86,438)	₱–	₱57,821,992	₱23,334	₱–	₱368,002,709
Fair value of plan assets	(346,416,334)	–	(22,981,739)	(22,981,739)	54,477,830	30,908,016	–	–	–	30,908,016	–	(34,000,000)	(318,012,227)
	(₱21,492,706)	₱19,683,567	(₱2,953,721)	₱16,729,846	₱–	₱30,908,016	₱57,908,430	(₱86,438)	₱–	₱88,730,008	₱23,334	(₱34,000,000)	₱49,990,482

The distribution of the plan assets of the Pioneer Group, of which 70.28% and 67.90% is attributed to the Company as of December 31, 2020 and 2019, respectively, follows:

	2020	2019
Cash and cash equivalents	**₱180,676,938**	₱48,141,383
Investment in associate - at fair value	**166,939,547**	–
Equity securities - at fair value	**47,749,069**	226,711,550
Investment properties - at fair value	**45,184,724**	41,508,609
Accounts receivable	**910,679**	1,650,685
Total plan assets	**₱441,460,957**	₱318,012,227

The carrying value of retirement plan assets approximates its fair value as of December 31, 2020 and 2019. All investment held have quoted prices in active markets. Also, the plan assets have diverse investments and do not have any concentration risk.

The Company expects to contribute ₱41,871,090 to the retirement fund in 2021. Currently, the Company does not employ any asset-liability matching strategy.

The principal assumptions used in determining pension obligation for the Company's plan are shown below:

	2020	2019
Discount rate*	**3.85%**	4.84%
Salary increase rate	**6.00%**	6.00%
Average years of service	**9.22**	9.68
Mortality rate**	**2017 PICM**	2017 PICM
	1952 Disability	1952 Disability
	Study, Period 2,	Study, Period 2,
Disability rate	**Benefit 5**	Benefit 5

** This is the single weighted average discount rate which is based on PHP-BVAL rates at various tenors as of December 27, 2019 and PDEX-PDST R2 rates at various bootstrapped tenors as of December 29,2018. Rates for intermediate durations were interpolated.*

*** Philippine intercompany mortality*

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2020 and 2019, assuming all other assumptions were held constant. The impacts on present value of defined benefit obligation follow:

	Increase	Impact on present value of defined benefit obligation	
	(decrease)	2020	2019
Discount rates	+1%	**(₱35,200,893)**	(₱25,939,055)
	-1%	**41,360,527**	29,819,964
Future salary increases	+1%	**42,008,895**	30,882,846
	-1%	**(36,503,110)**	(27,386,446)

The maturity analysis of the undiscounted benefit payments follows:

	2020	2019
Within 1 year	**₱59,527,084**	₱66,175,788
More than 1 year to 5 years	**103,101,201**	127,231,280
More than 5 years to 10 years	**189,843,344**	171,591,652
More than 10 years to 15 years	**220,644,869**	208,093,183
More than 15 years to 20 years	**244,571,395**	206,948,115
More than 20 years	**735,301,247**	387,754,775

Salaries, allowances, and other benefits consist of (see Note 25):

	2020	2019
Salaries and wages	**₱329,523,062**	₱329,490,572
Employee welfare and allowances	**82,316,850**	75,248,350
Pension expense	**26,259,451**	19,210,789
Social security costs	**15,515,521**	13,553,605
Others	**1,569,871**	1,188,534
	₱455,184,755	₱438,691,850

Pension expense includes payments to the defined contribution retirement plan of employees of the Company's Hong Kong branch amounting to ₱2,472,526 and ₱2,457,609 in 2020 and 2019, respectively.

21. **Retained Earnings**

On June 10, 2020, the BOD approved the declaration of cash dividends amounting to ₱9,000,000 or ₱3 per share out of the unappropriated retained earnings of the Company in favor of stockholders of record as of June 30, 2020. The Company fully paid the said dividend on September 1, 2020.

On July 24, 2019, the BOD approved the declaration of cash dividends amounting to ₱9,000,000 or ₱3 per share out of the unappropriated retained earnings of the Company in favor of stockholders of record as of July 31, 2019. The Company fully paid the said dividend on August 5, 2019.

In compliance with the IC findings for the year ended December 31, 2018, the Company reversed its retained earnings appropriated for catastrophic losses amounting ₱28,928,246 in 2019.

22. **Net Earned Premiums**

Net earned premiums on insurance contracts are as follows:

	2020	2019
Gross premiums written:		
Direct	**₱9,491,859,292**	₱9,416,922,788
Assumed	**593,645,108**	686,477,331
Total gross premiums written (Note 16)	**10,085,504,400**	10,103,400,119
Gross change in provision for unearned premiums	**389,871,073**	234,987,266
Total gross earned premiums (Note 16)	**10,475,375,473**	10,338,387,385
Reinsurers' share of gross premiums written:		
Direct	**6,946,795,696**	6,331,713,387
Assumed	**199,071,737**	181,940,167
Total reinsurer's share of gross premiums written	**7,145,867,433**	6,513,653,554
Reinsurers' share of change in provision for unearned premiums	**136,538,634**	135,782,697
Total reinsurers' share of gross earned premiums (Note 16)	**7,282,406,067**	6,649,436,251
	₱3,192,969,405	₱3,688,951,134

23. **Investment Income**

This account consists of:

	2020	2019
Interest income		
Cash and cash equivalents (Note 4)	**₱49,090,557**	₱67,147,571
Investment securities at amortized cost (Note 7)	**13,287,307**	11,263,123
Short-term investments (Note 5)	**5,131,833**	7,557,127
Loans receivable (Note 7)	**8,928,886**	6,352,500
Chattel mortgage loans (Note 7)	**4,269,467**	5,256,970
Financial assets at FVTPL (Note 7)	**1,127,053**	2,292,307
Insurance receivables (Note 6)	**153,255**	192,121
	81,988,358	100,061,719
Fair value gains on investment properties (Note 12)	**317,628,988**	560,605,267
Rental income (Notes 12, 26, and 30)	**91,217,885**	92,333,153
Fair value gains (losses) on financial assets at FVTPL (Note 7)	**1,371,810**	(16,661,503)
Gain on sale of financial assets at FVTPL	**3,539,965**	35,616,248
Dividend income (Note 7)	**2,567,906**	3,354,468
	₱498,314,912	₱775,309,352

24. Net Insurance Contract Benefits and Claims Paid

Gross insurance contract benefits and claims paid follow:

	2020	2019
Direct	**₱5,851,171,318**	₱3,027,926,763
Assumed	**120,354,799**	343,614,110
	₱5,971,526,117	₱3,371,540,873

Reinsurers' share of insurance contracts benefits and claims paid follows:

	2020	2019
Direct	**₱4,613,200,449**	₱1,649,057,189
Assumed	**29,057,788**	238,481,827
	₱4,642,258,237	₱1,887,539,016

Gross change in insurance contract benefits and claims liabilities follow:

	2020	2019
Change in provision for claims reported and loss adjustment expenses (Note 16)		
Direct	**1,282,590,179**	430,159,805
Assumed	**197,211,488**	556,821
Change in provision for claims IBNR (Note 16)	**298,523,846**	824,583,585
	1,778,325,513	1,255,300,211

Reinsurers' share of change in insurance contract benefits and claims liabilities follow:

	2020	2019
Reinsurers' share of change in insurance provision for claims reported and loss adjustment expenses (Note 16)	**1,194,769,871**	38,761,670
Reinsurer's share of change in provision for claims IBNR (Note 16)	**288,559,593**	723,656,914
	1,483,329,464	762,418,584

25. General Expenses

This account consists of:

	2020	2019
Salaries, allowances and benefits (Note 20)	**₱455,184,755**	₱438,691,850
Depreciation and amortization (Notes 13 and 26)	**131,811,015**	149,003,294
Professional fees	**73,884,187**	62,368,704
Repairs and maintenance	**50,619,528**	24,757,083
Security, janitorial, and contractual services	**44,910,602**	44,489,480
Communication, light, and water	**27,079,022**	38,988,369

(Forward)

	2020	2019
Entertainment, amusement, and recreation	**₱19,945,577**	₱39,982,618
Office supplies, printing, and stationery	**18,362,477**	30,228,200
Donation and charitable contribution	**17,245,299**	2,101,688
Taxes and licenses	**14,807,144**	16,039,515
Advertising expense	**14,773,116**	18,603,955
Membership and subscription dues	**6,507,360**	7,613,822
Rent expense (Note 26)	**6,471,034**	9,576,670
Transportation and travel	**6,448,459**	20,911,339
Seminar and training expenses	**5,119,388**	9,830,388
Insurance expense	**2,432,529**	3,132,949
Interest expense from lease liability (Note 26)	**1,436,410**	1,608,352
Miscellaneous	**33,884,022**	32,635,786
	₱930,921,924	₱950,564,062

26. **Leases**

Company as a lessee
The Company has lease contracts for various items office spaces used in its operations. Leases of office spaces generally have lease terms between 3 and 5 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Company is restricted from assigning and subleasing the leased assets and some contracts require the Company to maintain certain financial ratios. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The Company also has certain leases of office spaces with lease terms of 12 months or less and leases of office equipment with low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

The rollforward analysis of this for right-of-use (building) follows:

	2020	2019
Cost		
At January 1	**₱28,727,537**	₱22,839,211
Additions	**7,384,379**	5,888,326
At December 31	**36,111,916**	28,727,537
Accumulated Depreciation and Amortization		
At January 1	**7,795,701**	–
Amortization	**9,018,646**	7,795,701
At December 31	**16,814,347**	7,795,701
Net Book Value	**₱19,297,569**	₱20,931,836

The rollforward analysis of lease liabilities follows:

	2020	2019
At January 1	**₱21,838,654**	₱22,839,211
Additions	**7,378,902**	5,724,941
Interest expense (Note 25)	**1,436,410**	1,608,352
Payments	**(9,876,065)**	(8,333,850)
As at December 31	**20,777,901**	21,838,654

The following are the amounts recognized in statement of income under 'General expenses' account (see Note 25):

	2020	2019
Amortization expense of right-of-use assets	₱9,018,646	₱7,795,701
Interest expense on lease liabilities	1,436,410	1,608,352
Rent expense relating to short-term leases	6,471,034	9,576,670
Total amount recognized in statement of income (Note 25)	₱16,926,090	₱18,980,723

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

	2020	2019
1 year	**₱9,274,110**	₱8,360,445
more than 1 years to 2 years	**8,027,518**	7,278,731
more than 2 years to 3 years	**3,424,739**	6,032,139
more than 3 years to 4 years	**370,935**	2,790,424
more than 3 years to 4 years	**382,526**	–
more than 5 years	**1,030,116**	–
	₱22,509,944	₱24,461,739

Company as a lessor
The Company has entered into various leases for its investment properties and office spaces. These leases have terms ranging from one to five years. Some of these lease agreements include clauses for 5% annual escalation in rental fees.

The Company, as a lessor, earned rental income of ₱91,217,885 and ₱92,333,153 in 2020 and 2019, respectively (see Notes 12 and 23).

The Company, as lessor, has future minimum rentals receivable under noncancellable operating leases on its investment properties as follows:

	2020	2019
1 year	**₱9,274,110**	₱8,360,445
more than 1 years to 2 years	**8,027,518**	7,278,731
more than 2 years to 3 years	**3,424,739**	6,032,139
more than 3 years to 4 years	**370,935**	2,790,424
more than 3 years to 4 years	**382,526**	–
more than 5 years	**1,030,116**	–
	₱22,509,944	₱24,461,739

27. **Income Tax**

Current tax regulations provide that the RCIT rate shall be 30% and interest allowed as deductible expenses shall be reduced by an amount equivalent to 33% of interest income subjected to final tax.

An Optional Standard Deduction (OSD) equivalent to 40% of gross income may be claimed as an alternative deduction in computing for RCIT.

The regulations also provide for an MCIT of 2.00% on modified gross income which is paid if higher than the RCIT for the year. Any excess of MCIT over the RCIT is deferred and can be used as a tax credit against any RCIT liability for the next three years. In addition, NOLCO is allowed as a deduction from taxable income in the next three years from the year of inception.

Relevant tax updates

Revenue Regulations No. 25-2020
On September 30, 2020, the Bureau of Internal Revenue (BIR) has issued Revenue Regulations (RR) No. 25-2020 to implement Section 4 of Republic Act No. 11494, otherwise known as "Bayanihan to Recover as One Act", allowing qualified businesses or enterprises which incurred net operating loss for taxable years 2020 and 2021 to carry over the same as a deduction from its gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

CREATE Bill
The Corporate Recovery and Tax Incentives for Enterprise (CREATE) bill aims to reduce the corporate income tax rate from 30% to 25% starting July 2020 and to rationalize the current fiscal incentives.

On February 3, 2021, the Bicameral Conference Committee approved the reconciled version of the CREATE Bill of the House of Representatives and the Senate. On March 26, 2021, the bill was signed into law (see Note 34).

The provision for (benefit from) income tax consists of:

	2020	2019
Current	**₱85,376,955**	₱117,474,077
Deferred	**(34,917,833)**	(48,388,092)
	₱50,459,122	₱69,085,985

The current provision for income tax consists of:

	2020	2019
Regular corporate income tax (RCIT)	**₱71,079,862**	₱99,836,215
Final tax	**13,578,015**	15,849,293
Gross income tax (GIT)	**719,078**	657,848
Profit tax (Hong Kong Branch)	**–**	1,130,721
	₱85,376,955	₱117,474,077

The Company's net deferred tax liabilities relate to the tax effects of the following:

	2020	2019
Deferred tax assets:		
Provision for IBNR	**₱185,616,924**	₱182,572,797
Allowance for credit and impairment losses	**88,965,426**	30,512,456
Unamortized past service cost	**42,146,259**	10,812,712
Accrued service award and bonuses	**2,170,466**	1,780,921
Right of use asset - net	**477,208**	304,630
Pension liability	**–**	14,997,145
	319,376,283	240,980,661

(Forward)

	2020	2019
Deferred tax liabilities:		
Revaluation surplus on property and equipment	**₱1,220,447,905**	₱1,086,948,131
Deemed cost adjustments on investments properties	**55,586,276**	55,586,276
Unrealized foreign currency exchange gain	**24,170,923**	1,759,284
Reserve for fluctuation in value of FVOCI financial assets	**22,283,372**	18,656,102
Pension asset	**7,539,179**	–
	1,330,027,655	1,162,949,793
	₱1,010,651,372	₱921,969,132

There were no unrecognized deferred tax assets as of December 31, 2020 and 2019

The reconciliation of income tax computed at statutory income tax rate to the provision for income tax reported in the statements of income is shown below:

	2020	2019
Income tax at statutory income tax rate (30%)	**₱133,628,120**	₱237,280,817
Add (deduct) the tax effects of:		
Tax exempt income	**(97,870,717)**	(186,212,456)
Nondeductible expenses	**26,903,534**	29,512,515
Interest income already subjected to final tax	**(8,018,969)**	(9,336,374)
Income subjected to lower tax rate (Note 28)	**(4,182,846)**	(2,158,517)
Provision for income tax	**₱50,459,122**	₱69,085,985

28. Registration with PEZA

On April 23, 2007, the Company was registered with the PEZA to establish, develop, construct, administer, manage, and operate an Information Technology (IT) Center known as Pioneer House Cebu. Under the terms and conditions of its registration, the Company is entitled to the option to pay a special 5% tax on gross income earned from IT Locator enterprises, in lieu of all national and local taxes, except real property taxes on land owned by the Company.

29. Reconciliation of Net Income under PFRS to Statutory Net Income

The reconciliation of net income under PFRSs to statutory net income follows:

	2020	2019
Net income per PFRS	**₱394,967,946**	₱721,850,073
Add (deduct):		
Difference in change in provision for unearned premiums - net	–	9,850,777
Tax effects of reconciling items	–	(2,955,233)
Statutory net income	**₱394,967,946**	₱728,745,617

30. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Significant related party transactions are summarized in the succeeding page.

	2020			
Category	**Volume**	**Outstanding balance**	**Terms**	**Conditions**
Subsidiaries				
PIIC				
Due from ceding company (a, b)	**₱401,385**	**₱419,540**		
Insurance recoverable on paid losses (a, b)	**(1,024,943)**	**13,113,621**	Noninterest-bearing, due and demandable	Unsecured, no impairment
Insurance recoverable on unpaid losses (a, b)	**75,273,024**	**76,842,349**	Noninterest-bearing, due and demandable	Unsecured, no impairment
Rental income (c)	**225,186**	**225,186**	Noninterest-bearing, due and demandable	Unsecured,
Due to related parties (d) (Note 18)	**6,685,415**	**19,121,280**	Noninterest-bearing, due and demandable	Unsecured,
Due to reinsurer (a, b)	**55,444,178**	**109,554,214**	Noninterest-bearing, due and demandable	Unsecured
Pioneer Land, Inc.				
Subscription payable	–	**37,500,000**	Noninterest-bearing, due and demandable	Unsecured
Due from related parties (d)	**142,819**	**142,819**	Noninterest-bearing, due and demandable	Unsecured, no impairment
CPMI				
Due from ceding company (a, b)	**(21,417,826)**	**7,360,200**	Noninterest-bearing, due and demandable	Unsecured, no impairment
Insurance recoverable on paid losses (a, b)	**3,901,278**	**12,109,119**	Noninterest-bearing, due and demandable	Unsecured, no impairment
Insurance recoverable on unpaid losses (a, b)	**1,757,241**	**3,276,183**	Noninterest-bearing, due and demandable	Unsecured, no impairment
Funds held by ceding companies (a, b)	**(63,704,782)**	**27,521,306**	Noninterest-bearing, due and demandable	Unsecured, no impairment
Rental income (c)	**874,692**	**874,692**	Noninterest-bearing, due and demandable	Unsecured,
Due from related parties (d)	**(55,598)**	**9,341**	Noninterest-bearing, due and demandable	Unsecured
Due to reinsurer (a, b)	**19,136,610**	**34,825,345**	Noninterest-bearing, due and demandable	Unsecured,
Associate				
PTC				
Cash and cash equivalents (e)	**818,526,578**	**2,517,454,012**	Interest-bearing, due and demandable	Unsecured
Short term investments (e)	**11,226,775**	**139,784,883**	Interest-bearing, due and demandable	Unsecured
Premiums receivable (b)	**(165,464)**	**77,379**	Noninterest-bearing, due and demandable	Unsecured

(Forward)

Category	2020 Volume	 Outstanding balance	 Terms	 Conditions
PTA				
Due from related parties (d)	**195,800,000**	**263,804,178**	Interest-bearing, due and demandable	Unsecured
Joint Venture				
MPII				
Due from ceding company (a,b)	**₱8,905,392**	**₱38,589,432**	Noninterest-bearing, due and demandable	Unsecured
Insurance recoverable on paid losses (a, b)	**11,647,527**	**18,793,492**	Noninterest-bearing, due and demandable	Unsecured, no impairment
Insurance recoverable on unpaid losses (a, b)	**219,709,155**	**220,092,134**	Noninterest-bearing, due and demandable	Unsecured, no impairment
Due to related parties	**106,556**	**107,961**	Noninterest-bearing, due and demandable	Unsecured,
Due to reinsurer (a, b)	**74,924,939**	**140,517,062**	Noninterest-bearing, due and demandable	Unsecured
Rental income (c)	**46,800**	**46,800**	Noninterest-bearing, due and demandable	Unsecured
Due from related parties (d)	**2,406,160**	**2,406,160**	Noninterest-bearing, due and demandable	Unsecured, no impairment
Funds held by ceding companies (a, b)	**1,123,749**	**1,211,511**	Noninterest-bearing, due and demandable	Unsecured, no impairment
Entities under common control				
PLI				
Rental income (c)	**24,652,275**	**24,652,275**	Noninterest-bearing, due and demandable	Unsecured
Due from related parties (d)	**1,211,433**	**49,670,810**	Noninterest-bearing, due and demandable	Unsecured
Pioneer Life Holdings Inc.				
Due from related parties (d)	**203,336**	**203,336**	Noninterest-bearing, due and demandable	Unsecured, no impairment

Category	2019 Volume	 Outstanding balance	 Terms	 Conditions
Subsidiaries				
PIIC				
Due from ceding company (a, b)	₱4,913,752	₱18,155		
Insurance recoverable on paid losses (a,b)	14,716,490	14,138,564	Noninterest-bearing, due and demandable	Unsecured, no impairment
Insurance recoverable on unpaid losses (a,b)	14,503,640	1,569,325	Noninterest-bearing, due and demandable	Unsecured, no impairment
Rental income	225,186			
Due to related parties (d) (Note 18)	11,718,280	12,435,865	Noninterest-bearing, due and demandable	Unsecured, no impairment
Due to reinsurer (a,b)	95,049,325	54,110,036	Noninterest-bearing, due and demandable	Unsecured
Due from related parties (d)	1,578,712	1,578,712	Noninterest-bearing, due and demandable	Unsecured
Pioneer Land, Inc.				
Subscription payable	37,500,000	37,500,000	Noninterest-bearing, due and demandable	Unsecured

(Forward)

Category	Volume	Outstanding balance	Terms	Conditions
	2019			
CPMI				
Due from ceding company (a,b)	209,282,965	28,778,026	Noninterest-bearing, due and demandable	Unsecured, no impairment
Insurance recoverable on paid losses (a, b)	1,413,548	8,207,841	Noninterest-bearing, due and demandable	Unsecured, no impairment
Insurance recoverable on unpaid losses (a, b)	546,148	1,518,942	Noninterest-bearing, due and demandable	Unsecured, no impairment
Funds held by ceding companies (a, b)	₱91,226,088	₱91,226,088	Noninterest-bearing, due and demandable	Unsecured, no impairment
Rental income (c)	874,692	–		
Due from related parties (d)	42,196	64,939	Noninterest-bearing, due and demandable	Unsecured
Due to reinsurer (a,b)	75.356,560	15,688,735	Noninterest-bearing, due and demandable	Unsecured,
Associate				
PTC				
Cash and cash equivalents (e)	–	1,698,927,434	Interest-bearing, due and demandable	Unsecured
Short term investments (e)	–	128,558,108	Interest-bearing, due and demandable	Unsecured
Premiums receivable (b)	247,946	242,843	Noninterest-bearing, due and demandable	Unsecured
PTA				
Due from related parties (d)	68,004,178	68,004,178	Interest-bearing, due and demandable	Unsecured
Joint Venture				
MPII				
Due from ceding company (a,b)	58,884,915	29,684,040	Noninterest-bearing, due and demandable	Unsecured
Insurance recoverable on paid losses (a,b)	7,145,965	7,145,965	Noninterest-bearing, due and demandable	Unsecured, no impairment
Insurance recoverable on unpaid losses (a,b)	2,664,370	382,979	Noninterest-bearing, due and demandable	Unsecured, no impairment
Due to related parties (d)	905	1,405	Noninterest-bearing, due and demandable	Unsecured, no impairment
Due to reinsurer (a,b)	138,118,779	65,592,123	Noninterest-bearing, due and demandable	Unsecured
Funds held by ceding companies (a,b)	–	87,762	Noninterest-bearing, due and demandable	Unsecured, no impairment
Entities under common control				
PLI				
Rental income (c)	24,748,995	–		
Due from related parties (d) (Note 18)	48,459,376	48,459,376	Noninterest-bearing, due and demandable	Unsecured
Pioneer Foundation, Inc				
Trade receivables (d) (Note 18)	87,970	87,970	Noninterest-bearing, due and demandable	Unsecured

The Company's related party transactions pertain to the following:

a. In the ordinary course of business, the Company accepts and cedes insurance business under various reinsurance contracts with its subsidiaries PIIC and CPMI and joint venture, MPII (see Notes 22 and 24).

b. The Company has outstanding insurance balances due from (to) its subsidiaries PIIC and CPMI and its associate, PTC included in the statements of financial position (see Notes 6, 16, and 17).

c. The Company earns rentals from its buildings and condominium units under lease agreements with its subsidiaries PIIC and CPMI and an entity under common control PLI (see Note 26).

d. The Company has receivables from (payables to) its affiliates PIIC, CPMI, PLand, PTA, and entity under common control PLI, for their advances for various expenses, which are included in "Loans and receivables" (see Note 7) and "Accounts payable" (see Note 18).

e. The Company has time deposits from the PTC which earns interest at annual interest rates ranging from 2.00% to 4.00%.

f. The Company's retirement fund is administered and monitored by the Pioneer Group's Investment Committee which is headed by the Company's independent director (see Note 20).

g. The Company has investments in unquoted preferred equity shares of PLHI classified as financial assets at FVOCI in 2019 and 2020 (see Notes 7 and 32).

h. Key management personnel of the Company include all personnel having a position of Assistant Vice President and above. The summary of compensation of key management personnel is shown below:

	2020	2019
Salaries and other short-term employee benefits	**₱131,380,378**	₱133,283,389
Post-employment and other long-term benefits	**12,201,991**	9,501,085
	₱143,582,369	₱142,784,474

i. As of December 31, 2020 and 2019, the Company does not have any transactions, either directly or indirectly, with the retirement benefit fund.

31. Capital Management

The Company maintains a certain level of capital to ensure sufficient solvency margins and to adequately protect the policyholders. The level of capital maintained is usually higher than the minimum capital requirements set by the regulators and the amount computed under the Risk-Based Capital (RBC) Model.

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

As of December 31, 2020 and 2019, the Company fully complied with the externally-imposed capital requirements during the reported financial periods. These are the fixed capitalization requirement and RBC requirement.

Fixed Capitalization Requirements

On January 13, 2015, the Insurance Commission issued Circular Letter No. 2015-02-A clarifying the minimum capitalization and net worth requirements of new and existing insurance companies in the Philippines. Based on the said Circular Letter, all domestic life and non-life insurance companies duly licensed by the Insurance Commission must have a net worth of at least ₱550.0 million by

December 31, 2016. The minimum net worth of the said companies shall remain unimpaired at all times and shall increase to the amounts as follows:

Minimum Networth	**Compliance Date**
₱550,000,000	December 31, 2016
900,000,000	December 31, 2019
1,300,000,000	December 31, 2022

The Company has ₱17,142,127,628 and ₱16,438,329,398 net worth as of December 31, 2020 and 2019, respectively, and has complied with the minimum paid-up capital and net worth requirements.

RBC Requirements

Insurance Memorandum Circular (IMC) No. 7-2006 adopted the RBC framework for the nonlife insurance industry to establish the required amounts of capital to be maintained by the companies in relation to their investment and insurance risks. Every nonlife insurance company is annually required to maintain a minimum required RBC ratio of 100% and not fail the trend test. Failure to meet the minimum RBC ratio shall subject the nonlife insurance company to the corresponding regulatory intervention which has been defined at various levels.

Pursuant to IC CL No. 2017-15, *Regulatory Requirements and Actions for the New Regulatory Framework*, effective January 1, 2017, nonlife insurance companies are required to maintain minimum RBC2 requirement as prescribed under IC CL No. 2016-68, *Amended Risk-Based Capital (RBC2) Framework*. Under the RBC2 Framework, the RBC ratio shall be calculated as total available capital divided by the RBC2 requirement. The following table shows the estimated RBC ratio as of December 31 as determined by the Company based on the RBC2 Framework:

	2020	2019
Total available capital	**₱17,698,380,406**	₱14,457,603,432
RBC2 requirement	**3,710,484,757**	3,814,421,231
RBC2 ratio	**477%**	379%

Based on the 2019 result of IC examination, the Company was able to comply with the minimum RBC2 requirement. The final amount of the 2020 RBC ratio can only be determined after the accounts of the Company have been examined by the IC.

The total available capital shall be the aggregate of Tier 1 and Tier 2 capital minus deductions, subject to applicable limits and determinations. Tier 1 capital represents capital that is fully available to cover losses of the insurer at all times on a going-concern and winding up basis. This capital is considered to be the highest quality capital available to the insurer. Tier 2 Capital does not have the same high quality characteristics of Tier 1 capital, but can provide an additional buffer to the insurer. Tier 2 capital shall not exceed 50% of Tier 1 Capital.

The RBC requirement shall be the capital that is required to be held appropriately to the risks an insurance company is exposed to, computed using the formula as prescribed under IC CL No. 2016-68.

Financial Reporting Framework

IC CL No. 2016-65, *Financial Reporting Framework under Section 189 of the Amended Insurance Code*, prescribes the new financial reporting framework (FRF) that will be used for the statutory quarterly and annual reporting effective January 1, 2017. This also includes rules and regulations concerning Titles III and IV of Chapter III of the Amended Insurance Code and all other accounts not discussed in the Amended Insurance Code but are used in accounting of insurance and reinsurance companies.

Circular Letter 2016-67, *Valuation Standards for Non-life Insurance Policy Reserves*, prescribes the new valuation methodology for the non-life insurance companies. This circular letter superseded Circular Letter No. 2015-32. Non-life insurance companies will be changing the basis of valuation of their non-life insurance reserves. In addition to the unearned premium reserves, the concept of unexpired risk reserves is also included in the calculation of the premium liability. The incurred but not reported (IBNR) reserves will now be computed using actuarial projection techniques such as but not limited to the chain ladder method, expected loss ratio method and Bornheutter-Ferguson method. A margin for adverse deviation is estimated based on standard projection techniques or combination of such techniques, such as but not limited to the Mack Method, Bootstrapping Method, Stochastic Chain Ladder Method to bring the actuarial estimate of the Policy Liabilities at the 75th percentile level of sufficiency. Discount rates to be used shall be current risk-free rates. The rates shall exactly match the duration of the policy and the currency of the cash flows and shall be prescribed by the Insurance Commission.

Circular Letter No. 2016-68, *Amended Risk-Based Capital (RBC2) Framework*, prescribes that all insurance companies must satisfy the minimum statutory RBC ratio of 100% and not fail the Trend Test as stated under Section 3 of this Circular. The RBC ratio of an insurance company shall be equal to the Total Available Capital (TAC) divided by the RBC requirement.

Circular Letter 2018-18, *New Standards for Non-Life Insurance Policy Reserves*, superseded Circular Letters 2016-06 and 2016-67. Under this methodology of determining the ultimate premium liability, the concept of deferred acquisition cost is introduced. The premium liability to be recognized is the higher of the unearned premium reserve net of deferred acquisition cost or the unearned risks reserve.

On March 9, 2018 the IC issued Circular Letter No. 2018-19, *Amendment to Circular Letter No.2016-69 "Implementation Requirements for Financial Reporting, Valuation Standards for Insurance Policy Reserves and Amended Risk-based Capital (RBC2) Framework",* which provides that item *3c Margin for Adverse Deviation* (MfAD) of said circular is hereby amended as follows:

Companies shall be allowed to set the MfAD as follows:

Period Covered	Percentage (%) of company-specific MfAD
2017	0%
2018	50%
2019 onwards	100%

The Company complied with the aforementioned regulation and reflected ₱352,401,664 and ₱310,651,494 in the 2020 and 2019 statement of income, respectively. The Company used 100% in for 2020 and 2019.

Circular Letter No. 2020-58, *Regulatory Relief on the Admittance of Premiums Receivable due to COVID-19 Pandemic*, prescribes the relaxation of the admittance rule over Premium Receivable account from 90 days to 180 days from the date of issuance of the policies. This rule shall be applied to annual and quarterly financial reports for the year 2020 unless extended or changed as deemed necessary by the Commission.

32. **Management of Insurance and Financial Risks**

Insurance Risk

The risk under an insurance contract is the possibility of occurrence of insured event and uncertainty of the amount and timing of the resulting claim. The principal risk the Company faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims and if actual benefits paid is greater than originally estimated.

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 can also be improved by careful selection and implementation of underwriting strategies and guidelines.

The majority of reinsurance business ceded is placed on a quota share basis with retention limits. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the statements of financial position as "Reinsurance assets."

Although the Company has reinsurance agreements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract.

The business of the Company mainly comprises of nonlife insurance contracts.

The Company principally issues the following types of general insurance contracts: fire, engineering, marine, motor car, general and personal accident, and miscellaneous casualty.

The following table sets out the concentration of the claims liabilities as of December 31, 2020 and 2019 by type of contract (see Note 16).

	2020			2019		
	Gross Claims Liabilities	**Reinsurers' Share of Claims Liabilities**	**Net**	Gross Claims Liabilities	Reinsurers' Share of Claims Liabilities	Net
Fire	**₱5,678,075,139**	**₱4,321,839,758**	**₱1,356,235,781**	₱3,226,938,555	₱2,152,649,955	₱1,074,288,600
Marine hull	**1,896,082,178**	**1,531,939,420**	**364,142,758**	1,568,154,935	1,274,725,995	293,428,940
Motor car	**517,669,455**	**6,409,872**	**511,259,583**	632,613,731	20,280,511	612,333,220
General accident	**518,438,202**	**237,208,191**	**281,230,011**	483,057,957	190,526,536	292,531,421
Engineering	**503,673,149**	**415,585,755**	**88,087,394**	413,908,951	391,541,421	22,367,530
Others	**2,283,746,463**	**2,050,987,225**	**232,759,238**	3,301,264,141	3,045,669,998	255,594,143
	₱11,397,684,586	**₱8,563,970,221**	**₱2,833,714,765**	₱9,625,938,270	₱7,075,394,416	₱2,550,543,854

The geographical concentration of the Company's insurance contract liabilities is noted below. The disclosures are based on the countries where the business is written.

	2020			2019		
	Gross Claims Liabilities	**Reinsurers' Share of Claims Liabilities**	**Net**	Gross Claims Liabilities	Reinsurers' Share of Claims Liabilities	Net
Philippines	**₱11,120,290,381**	**₱8,542,474,486**	**₱2,577,815,895**	₱9,333,920,389	₱7,055,137,491	₱2,278,782,898
Hong Kong	**277,394,205**	**21,495,735**	**255,898,470**	292,017,881	20,256,925	271,760,956
	₱11,397,684,586	**₱8,563,970,221**	**₱2,833,714,365**	₱9,625,938,270	₱7,075,394,416	₱2,550,543,854

Key assumptions
The principal assumption underlying the estimates is the Company's past claims development experience. This includes assumptions in respect of average claim costs, claims handling costs, claims inflation factors and number of claims for each accident year. Judgment is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key assumptions include variations in interest, delays in settlement and changes in foreign currency rates.

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities and income before income tax.

	2020			
	Change in Assumptions	**Impact on Gross Insurance Contract Liabilities**	**Impact on Net Insurance Contract Liabilities**	**Impact on Income Before Income Tax**
Average claim costs	**5% increase**	**₱612,208,307**	**₱153,052,077**	**(₱153,817,337)**
Average number of claims	**5% increase**	**₱717,392,050**	**₱179,348,013**	**(₱180,244,753)**

	2019			
	Change in Assumptions	Impact on Gross Insurance Contract Liabilities	Impact on Net Insurance Contract Liabilities	Impact on Income Before Income Tax
Average claim costs	5% increase	₱534,701,262	₱176,451,416	(₱177,333,674)
Average number of claims	5% increase	₱486,081,399	₱160,406,862	(₱161,208,896)

Average claim costs and number of claims used for valuation are selected with consideration for statutory requirements, as specified in the Code.

The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

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

The following tables reflect the cumulative incurred claims, including both claims notified and claim IBNR, for each successive accident year at each reporting date, together with cumulative payments to date:

	Gross Insurance Contract Liabilities for 2020					
Accident year	2016 and prior years	2017	2018	2019	**2020**	**Total**
Estimate of ultimate claim costs						
At the end of accident year	₱1,875,992,437	₱4,396,923,282	₱5,787,848,560	₱6,699,320,699	**₱5,955,562,248**	**₱5,955,562,248**
One year later	1,639,733,598	3,758,195,611	1,584,945,590	6,699,320,699	–	**6,699,320,699**
Two years later	840,043,088	1,885,742,778	1,584,945,590	–	–	**1,584,945,590**
Three years later	1,243,639,388	1,885,742,778	–	–	–	**1,885,742,778**
Four years later	1,243,639,388	–	–	–	–	**1,243,639,388**
Current estimate of cumulative claims	1,243,639,388	1,885,742,778	1,584,945,590	6,699,320,699	**5,955,562,248**	**17,369,210,703**
Cumulative payments to date	567,883,995	949,292,587	705,132,708	2,995,910,705	**753,306,122**	**5,971,526,117**
Liability recognized in the statement of financial position	₱675,755,393	₱936,450,191	₱879,812,882	₱3,703,409,994	**₱5,202,256,126**	**₱11,397,684,586**

	Net Insurance Contract Liabilities for 2020					
Accident year	2016 and prior years	2017	2018	2019	**2020**	**Total**
Estimate of ultimate claim costs						
At the end of accident year	₱1,011,298,799	₱1,344,360,901	₱1,741,321,333	₱1,467,774,030	**₱1,985,591,640**	**₱1,985,591,640**
One year later	559,646,231	857,158,977	389,700,303	1,467,774,030	**–**	**1,467,774,030**
Two years later	206,338,788	167,767,926	389,700,303	–	**–**	**389,700,303**
Three years later	152,148,347	167,767,926	–	–	**–**	**167,767,926**
Four years later	152,148,347	–	–	–	**–**	**152,148,347**
Current estimate of cumulative claims	152,148,347	167,767,926	389,700,303	1,467,774,030	**1,985,591,640**	**4,162,982,246**
Cumulative payments to date	32,309,142	39,681,504	101,634,866	693,877,280	**461,765,089**	**1,329,267,881**
Liability recognized in the statement of financial position	₱119,839,205	₱128,086,422	₱288,065,437	₱773,896,750	**₱1,523,826,551**	**₱2,833,714,365**

Governance Framework

The Company has established a risk management function with clear terms of reference and with the responsibility for developing group-wide policies on credit, liquidity and market risk. It also supports the effective implementation of policies at the overall group and the individual business unit levels.

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

Fair Value of Financial Instruments

Due to short-term nature of cash and cash equivalents, short-term investments, insurance receivables, loans and receivables, accrued income, insurance payables, accounts payable and other liabilities and notes payable, the carrying values reasonably approximate fair values as of the reporting date.

The fair values of quoted financial assets at FVTPL, and FVOCI were determined using quoted market prices.

The table below shows an analysis of financial assets recorded at fair value by level of the fair value hierarchy:

	2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL:				
Listed equity securities	**₱115,316,072**	**₱–**	**₱–**	**₱115,316,072**
Government debt securities	**–**	**12,672,309**	**–**	**12,672,309**
Corporate debt securities	**–**	**9,640,617**	**–**	**9,640,617**
Financial assets at FVOCI:				
Listed equity securities	**201**	**–**	**–**	**201**
Golf club shares	**–**	**332,360,806**	**–**	**332,360,806**
Unquoted equity securities	**–**	**–**	**548,674,928**	**548,674,928**
	₱115,316,273	**₱354,673,732**	**₱548,674,928**	**₱1,018,664,933**

	2019			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL:				
Listed equity securities	₱154,288,563	₱–	₱–	₱154,288,563
Government debt securities	–	12,922,660	–	12,922,660
Corporate debt securities	–	10,572,689	–	10,572,689
Financial assets at FVOCI:				
Listed equity securities	249	–	–	249
Golf club shares	–	340,811,694	–	340,811,694
Unquoted equity securities	–	–	524,493,130	524,493,130
	₱154,288,812	₱364,307,043	₱524,493,130	₱1,043,088,985

The following table shows the reconciliation of the beginning and ending balances of Level 3 FVOCI financial assets which are recorded at fair value:

	2020	2019
At January 1	**₱524,493,130**	₱498,229,713
Fair value gains	**24,181,798**	26,263,417
At December 31	**₱548,674,928**	₱524,493,130

The Company has investments in PLHI's preferred shares of stock which are not quoted in the market as of December 31, 2020 and 2019. In 2020 and 2019, PLHI's preference shares were valued using dividend discount model (DDM) which calculates the intrinsic value of a stock, exclusive of current market conditions. DDM equates this value to the present value of a stock's future dividends.

In 2017, the Company acquired additional 160,000 preferred shares of PLHI at ₱100 per share or ₱16,000,000. PLHI did not distribute any dividend in 2020 and 2019. In performing its valuation, management assumed dividend payouts.

In accordance with the Company's fair value calculation using the DDM, the following fair value adjustments and consequential deferred tax impacts were determined:

	2020	2019
Financial assets at FVOCI- at cost	**₱524,493,130**	498,229,713
Add fair value gains recognized in OCI, gross of deferred tax impact:		
Reserve for fluctuation in value of financial assets at FVOCI	**20,554,528**	22,323,905
Deferred tax liability on the reserve for fluctuation in value of financial assets at FVOCI (Note 27)	**3,627,270**	3,939,512
	24,181,798	26,263,417
Financial assets at FVOCI- at fair value	**₱548,674,928**	₱524,493,130

The analysis of the fair market value of PLHI's preferred shares below is performed for the reasonably possible movement in future dividend payments with all other variables held constant, showing the impact on the other comprehensive income:

	Significant unobservable input	**Level at yearend**	**Sensitivity of the input to fair value**
2020	**Dividend per share**	**₱6.00 per share**	**5% increase (decrease) in the dividend per share of the investee holding company would result in the decrease (increase) in fair value by ₱10,894,791.**
2019	Dividend per share	₱6.00 per share	5% increase (decrease) in the dividend per share of the investee holding company would result in the decrease (increase) in fair value by ₱10,885,700.

Financial Risk
The Company is exposed to financial risk through its financial assets and financial liabilities, particularly, credit risk, liquidity risk, and market risk (foreign exchange, interest rate, and equity price risks). The BOD reviews and amends policies for managing each of these risks. The Company's risk management policies and practices are documented in the subsequent paragraphs.

Credit risk
Credit risk is the risk that the Company will incur a loss arising from its counterparties that fail to discharge their contractual obligations.

Prior to extending credit, the Company manages its credit risk by assessing the credit quality of its counterparty. The Company has a credit policy group that reviews all information about the counterparty which may include its statements of financial position, statements of income, statements of comprehensive income and other market information, and implements the internal rating system of the Company. The nature of the obligation is likewise considered. Based on this analysis, the credit analyst assigns the counterparty a credit rating to determine whether or not credit may be provided. Credit risk limits are also used to manage credit exposure specific to each intermediary depending on the size of its portfolio and its ability to meet its obligation based on past experience.

As of December 31, 2020 and 2019, the carrying values of the Company's financial instruments represent maximum exposure to credit risk as reporting date. The Company does not enter into collateral or credit enhancements.

The table below provides information regarding the credit risk exposure of the Company by classifying financial assets according to external (cash and cash equivalent, short term investments and debt instruments) and internal (insurance receivables, other receivables at amortized cost and reinsurance recoverable on unpaid losses) credit ratings of the counterparties:

	2020				
	Investment Grade/ High Grade	Below Investment Grade	Non-Investment Grade	Past Due or Impaired	Total
Assets at amortized cost					
Cash and cash equivalents*	**₱3,212,535,045**	**₱–**	**₱–**	**₱–**	**₱3,212,535,045**
Short-term investments	**493,768,956**	–	–	–	**493,768,956**
Insurance receivables**					
Premiums receivable	**649,286,522**	–	**519,348,749**	**2,082,977,496**	**3,251,612,767**
Reinsurance recoverable on paid losses	**133,583,233**	–		**956,558,443**	**1,090,141,676**
Due from ceding companies	**20,855,487**	–	–	**69,392,794**	**90,248,281**
Funds held by ceding companies - treaty	**20,394,684**	–	–	**8,500,679**	**28,895,363**
Loans receivable	–	–	–	**230,000,000**	**230,000,000**
Due from related parties	–	–	–	**316,236,644**	**316,236,644**
Chattel mortgage loan	**45,613,944**	–	–	–	**45,613,944**
Accounts receivable	–	–	**9,461,366**	**14,938,708**	**24,400,074**
Accountable cash advance	**3,446,755**	–	–	–	**3,446,755**
Accrued income	**8,731,642**	–	–	–	**8,731,642**
Financial assets at FVTPL			–		
Corporate debt securities	**9,640,617**	–	–	–	**9,640,617**
Government debt securities	**12,672,309**	–	–	–	**12,672,309**
Investments at amortized cost:			–		
Corporate debt securities	**237,826,525**	–	–	–	**237,826,525**
Reinsurance recoverable on unpaid losses	**8,563,970,221**				**8,563,970,221**
	₱13,412,325,940	**₱–**	**₱528,810,115**	**₱3,678,604,764**	**₱17,619,740,819**

** Cash and cash equivalents exclude petty cash fund.*
***High grade based on internal rating*

	2019				
	Investment Grade/ High Grade	Below Investment Grade	Non-Investment Grade	Past Due or Impaired	Total
Assets at amortized cost					
Cash and cash equivalents*	₱2,211,421,784	₱–	₱–	₱–	₱2,211,421,784
Short-term investments	450,969,855	–	–	–	450,969,855
Insurance receivables**					
Premiums receivable	1,952,189,109	–	406,161,230	329,960,811	2,688,311,150
Reinsurance recoverable on paid losses	741,835,531	–	–	626,191,240	1,368,026,771
Funds held by ceding companies - treaty	21,376,635	–	–	69,962,192	91,338,827
Due from ceding companies	35,999,510	–	–	44,966,785	80,966,295
Loans receivable	–	–	–	231,000,000	231,000,000
Due from related parties	–	–	–	118,105,800	118,105,800
Chattel mortgage loan	51,760,809	–	–	–	51,760,809
Accounts receivable	455,756	–	–	12,882,781	13,338,537
Accountable cash advance	3,849,612	–	–	–	3,849,612
Accrued income	11,048,949	–	–	–	11,048,949
Financial assets at FVTPL			–		
Corporate debt securities	10,572,689	–	–	–	10,572,689
Government debt securities	12,922,660	–	–	–	12,922,660
Investments at amortized cost:			–		
Corporate debt securities	68,806,923	–	–	–	68,806,923
Government debt securities	239,041,583	–	–	–	239,041,583
Reinsurance recoverable on unpaid losses	7,075,394,416	–	–	–	7,075,394,416
	₱12,887,645,821	₱–	₱406,161,230	₱1,433,069,609	₱14,726,876,660

** Cash and cash equivalents exclude petty cash fund.*
***High grade based on internal rating*

The credit quality of the financial assets was determined as follows:

Cash and cash equivalents and short-term investments
These are classified as investment grade. These are deposited, placed or invested in foreign and local banks belonging to the top banks in the Philippines in terms of resources and profitability.

Debt securities
These are classified as investment grade. The government debt securities are issued by the Philippine Government and are considered as risk-free debt securities. The corporate debt securities are issued by stable companies and are considered to be of high creditworthiness.

As of December 31, 2020 and 2019, no allowance for impairment losses has been recognized for the foregoing balances.

Insurance Receivables
For insurance receivables, the Company uses a credit rating concept based on the borrowers and counterparties' overall creditworthiness. Investment grade is given to borrowers and counterparties who possess strong to very strong capacity to meet its obligations and that are consistently collected before the maturity date. Non investment grade is given to those financial assets outstanding beyond their due date but still collectible.

The Company applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for premiums receivables.

The expected loss rates on these receivables are determined based on the history of credit-impaired agent, broker and direct accounts. The Company analyzes insurance receivables based on the number of days the receivables have been outstanding. Premiums receivables that are outstanding for ninety (90) days are assessed for credit impairment.

The historical loss rates, which are expressed as the relationship between the credit-impaired accounts and the related recognized insurance receivables are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company assessed that the expected loss rates for insurance receivables are a reasonable approximation of the loss rates for these financial assets.

The credit quality of investment securities and loans and receivables, gross of allowance for credit losses, as of December 31, 2020 and 2019 are as follows:

	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Insurance Receivables				
High Grade	**₱–**	**₱824,119,926**	**₱–**	**₱824,119,926**
Noninvestment Grade	**–**	**519,348,749**	**–**	**519,348,749**
Past Due or Impaired	**–**	**–**	**3,117,429,412**	**3,117,429,412**
	₱–	**₱1,343,468,675**	**₱3,117,429,412**	**₱4,460,898,087**
Financial Assets at FVTPL				
High Grade	**₱22,312,926**	**₱–**	**₱–**	**₱22,312,926**
Investment Securities at Amortized Cost				
High Grade	**₱237,826,525**	**₱–**	**₱–**	**₱237,826,525**
Loans and Receivables				
High Grade	**₱49,060,699**	**₱–**	**₱–**	**₱49,060,699**
Noninvestment Grade	**–**	**9,461,366**	**–**	**9,461,366**
Past Due or Impaired	**–**	**–**	**561,175,352**	**561,175,352**
	₱49,060,699	**₱9,461,366**	**₱561,175,352**	**₱619,697,417**

	2019			
	Stage 1	Stage 2	Stage 3	Total
Insurance Receivables				
High Grade	₱–	₱2,751,400,785	₱–	₱2,751,400,785
Noninvestment Grade	–	406,161,230	–	406,161,230
Past Due or Impaired	–	–	1,071,081,028	1,071,081,028
	₱–	₱3,157,562,015	₱1,071,081,028	₱4,228,643,043
Financial Assets at FVTPL				
High Grade	₱23,495,349	₱–	₱–	₱23,495,349
Investment Securities at Amortized Cost				
High Grade	₱307,848,506	₱–	₱–	₱307,848,506
Loans and Receivables				
High Grade	₱56,066,177	₱–	₱–	₱56,066,177
Past due or impaired	–	–	361,988,581	361,988,581
	₱56,066,177	₱–	₱361,988,581	₱418,054,758

Movements of investment securities and loans and receivables are as follows:

	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Insurance Receivables				
Balance as of January 1, 2020	**₱–**	**₱3,157,562,015**	**₱1,071,081,028**	**₱4,228,643,043**
New assets originated	**–**	**10,085,504,400**	**–**	**10,085,504,400**
Assets derecognized or repaid	**–**	**(9,824,071,949)**	**(29,177,407)**	**(9,853,249,356)**
Transfers to Stage 3	**–**	**(2,075,525,791)**	**2,075,525,791**	**–**
Balance at December 31, 2020	**₱–**	**₱1,343,468,675**	**₱3,117,429,412**	**₱4,460,898,087**

	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Financial Assets at FVTPL				
Balance as of January 1, 2020	**₱23,495,349**	**₱–**	**₱–**	**₱23,495,349**
New assets originated	**1,340,542**	**–**	**–**	**1,340,542**
Assets derecognized or repaid	**(2,492,199)**	**–**	**–**	**(2,492,199)**
Foreign exchange adjustment	**(30,766)**	**–**	**–**	**(30,766)**
Balance at December 31, 2020	**₱22,312,926**	**₱–**	**₱–**	**₱22,312,926**
Investment Securities at Amortized Cost				
Balance as of January 1, 2020	**₱307,848,506**	**₱–**	**₱–**	**₱307,848,506**
New assets originated	**–**	**–**	**–**	**–**
Assets derecognized or repaid	**(65,217,555)**	**–**	**–**	**(65,217,555)**
Amortization	**(1,590,163)**	**–**	**–**	**(1,590,163)**
Foreign exchange adjustment	**(3,214,263)**			**(3,214,263)**
Balance at December 31, 2020	**₱237,826,525**	**₱–**	**₱–**	**₱237,826,525**
Loans and Receivables				
Balance as of January 1, 2020	**₱56,066,177**	**₱–**	**₱361,988,581**	**₱418,054,758**
New assets originated	**246,974,431**	**–**	**–**	**246,974,431**
Assets derecognized or repaid	**(15,208,057)**	**–**	**(30,123,715)**	**(45,331,772)**
Transfers to Stage 2	**(9,461,366)**	**9,461,366**		**–**
Transfers to Stage 3	**(229,310,486)**	**–**	**229,310,486**	**–**
Balance at December 31, 2020	**₱49,060,699**	**₱9,461,366**	**₱561,175,352**	**₱619,697,417**

	2019			
	Stage 1	Stage 2	Stage 3	Total
Insurance Receivables				
Balance as of January 1, 2019	₱–	₱2,115,056,323	₱836,804,124	₱2,951,860,447
New assets originated	–	10,103,400,119	–	10,103,400,119
Assets derecognized or repaid	–	(8,804,753,499)	(21,864,024)	(8,826,617,523)
Transfers to Stage 3	–	(256,140,928)	256,140,928	–
Balance at December 31, 2019	₱–	₱3,157,562,015	₱1,071,081,028	₱4,228,643,043
Financial Assets at FVTPL				
Balance as of January 1, 2019	₱54,511,277	₱–	₱–	₱54,511,277
New assets originated	26,876,683	–	–	26,876,683
Assets derecognized or repaid	(57,601,460)	–	–	(57,601,460)
Foreign exchange adjustment	(291,151)	–	–	(291,151)
Balance at December 31, 2019	₱23,495,349	₱–	₱–	₱23,495,349
Investment Securities at Amortized Cost				
Balance as of January 1, 2019	₱297,576,706	₱–	₱–	₱297,576,706
New assets originated	88,000,000	–	–	88,000,000
Assets derecognized or repaid	(65,800,821)	–	–	(65,800,821)
Amortization	(7,118,190)	–	–	(7,118,190)
Foreign exchange adjustment	(4,809,189)	–	–	(4,809,189)
Balance at December 31, 2019	₱307,848,506	₱–	₱–	₱307,848,506
Loans and Receivables				
Balance as of January 1, 2019	₱55,575,814	₱1,064,809	₱252,703,629	₱309,334,252
New assets originated	130,079,295	–	–	130,079,295
Assets derecognized or repaid	(13,229,277)	(1,064,809)	(7,074,703)	(21,368,789)
Transfers to Stage 3	(116,359,655)	–	116,359,655	–
Balance at December 31, 2019	₱56,066,177	₱–	₱361,988,581	₱418,054,758

As of December 31, 2020 and 2019, no allowance for impairment losses has been recognized for the investment securities and loans and receivables.

Movements of the allowance for credit losses on insurance receivables during the year are as follows:

	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Insurance Receivables				
Balance as of January 1, 2020	**₱–**	**₱13,761,227**	**₱58,649,045**	**₱72,410,272**
New assets originated	**–**	**520,885,784**	**–**	**520,885,784**
Assets derecognized or repaid	**–**	**(300,010,757)**	**(24,650,960)**	**(324,661,717)**
Transfers to Stage 3	**–**	**(206,742,401)**	**206,742,401**	**–**
Balance at December 31, 2020	**₱–**	**₱27,893,853**	**₱240,740,486**	**₱268,634,339**

	2019			
	Stage 1	Stage 2	Stage 3	Total
Insurance Receivables				
Balance as of January 1, 2020	₱–	₱12,353,054	₱49,248,299	₱61,601,353
New assets originated	–	85,532,834	–	85,532,834
Assets derecognized or repaid	–	(74,538,820)	(185,095)	(74,723,915)
Transfers to Stage 3	–	(9,585,841)	9,585,841	–
Balance at December 31, 2020	₱–	₱13,761,227	₱58,649,045	₱72,410,272

Liquidity risk

Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments as they fall due. Liquidity risks may result from either the inability to sell financial assets quickly at their fair values, the counterparty failing to repay a contractual obligation, insurance liabilities falling due for payment earlier than expected, or inability to generate cash inflows as anticipated.

An institution may suffer from a liquidity problem when its credit standing falls. The Company is also exposed to liquidity risk if the market on which it depends on is subject to loss of liquidity. The major liquidity risk confronting the Company is the potential daily calls on its available cash resources in respect of claims arising from insurance contracts.

The Company manages liquidity through a liquidity risk policy which determines what constitutes liquidity risk for the Company, specifies minimum proportion of funds to meet emergency calls, sets up policies on contingency funding plans, specifies the sources of funding and the events that would trigger the plan as well as concentration of funding sources, requires reporting of liquidity risk exposures and breaches to the monitoring authority, and calls for monitoring of compliance with liquidity risk policy and review of liquidity risk policy.

The tables below group the financial assets and liabilities, including reinsurance assets and insurance contract liabilities, of the Company as of December 31 into their relevant maturity groups based on the remaining period at the reporting date to their undiscounted contractual maturities or expected repayment dates. For financials assets at FVTPL and FVOCI, the analysis into maturity grouping is based on the remaining period from the end of the reporting period to the expected date the assets will be realized.

	2020					
	Up to a year	**1-3 years**	**3-5 years**	**Over 5 years**	**No Maturity Date**	**Total**
Assets at amortized cost						
Cash and cash equivalents	**₱3,214,305,088**	**₱–**	**₱–**	**₱–**	**₱–**	**₱3,214,305,088**
Short-term investments	**493,993,888**	**–**	**–**	**–**	**–**	**493,993,888**
Insurance receivables	**4,192,263,748**	**–**	**–**	**–**	**–**	**4,192,263,748**
Loans and receivables	**619,697,417**	**–**	**–**	**–**	**–**	**619,697,417**
Accrued income	**7,252,185**	**–**	**–**	**–**	**–**	**7,252,185**

(Forward)

	2020					
	Up to a year	**1-3 years**	**3-5 years**	**Over 5 years**	**No Maturity Date**	**Total**
Financial assets at FVTPL						
Listed securities	**₱–**	**₱–**	**₱–**	**₱–**	**₱115,316,071**	**₱115,316,071**
Government debt securities*	**480,230**	**960,460**	**960,460**	**15,127,245**	**–**	**17,528,395**
Corporate debt securities	**9,640,617**	**–**	**–**	**–**	**–**	**9,640,617**
Financial asset at FVOCIs						
Listed equity securities	**–**	**–**	**–**	**–**	**201**	**201**
Golf club shares	**–**	**–**	**–**	**–**	**332,241,694**	**332,241,694**
Unlisted equity securities	**–**	**–**	**–**	**–**	**548,555,816**	**548,555,816**
Investment securities at amortized cost						
Government debt securities*	**23,171,625**	**61,130,000**	**21,988,750**	**277,538,438**	**–**	**383,828,813**
Reinsurance recoverable on unpaid losses	**8,563,970,221**	–	–	–	–	**8,563,970,221**
Total Financial Assets	**₱17,124,775,019**	**₱62,090,460**	**₱22,949,210**	**₱292,665,683**	**₱996,113,782**	**₱18,498,594,154**
Other Financial Liabilities and Insurance Contract Liabilities						
Insurance contract liabilities	**₱13,581,341,270**	**₱–**	**₱–**	**₱–**	**₱–**	**₱13,581,341,270**
Insurance payables	**6,851,873,178**	**–**	**–**	**–**	**–**	**6,851,873,178**
Accounts and other payables**	**582,876,932**	**–**	**–**	**–**	**–**	**582,876,932**
Notes payable*	**26,207,130**	**52,414,260**	**432,758,913**	**–**	**–**	**511,380,303**
Lease liability	**8,284,850**	**12,493,051**	**–**	**–**	**–**	**20,777,901**
Total Liabilities	**₱21,050,583,360**	**₱64,907,311**	**₱432,758,913**	**₱–**	**₱–**	**₱21,548,249,584**

**Includes future interest*
***Accounts and other payables exclude taxes payable.*

	2019					
	Up to a year	1-3 years	3-5 years	Over 5 years	No Maturity Date	Total
Assets at amortized cost						
Cash and cash equivalents	₱2,230,441,195	₱–	₱–	₱–	₱–	₱2,230,441,195
Short-term investments	451,514,972	–	–	–	–	451,514,972
Insurance receivables	4,156,232,771	–	–	–	–	4,156,232,771
Loans and receivables	381,197,143	26,842,799	18,321,351	3,596,521	–	429,957,814
Accrued income	7,414,316	–	–	–	–	7,414,316
Financial assets at FVTPL						
Listed securities	–	–	–	–	154,288,563	154,288,563
Government debt securities*	506,350	1,012,700	1,012,700	16,456,375	–	18,988,125
Corporate debt securities*	658,255	10,456,128	–	–	–	11,114,383
Financial asset at FVOCIs						
Listed equity securities	–	–	–	–	249	249
Golf club shares	–	–	–	–	340,811,694	340,811,694
Unlisted equity securities	–	–	–	–	524,493,130	524,493,130
Investment securities at amortized cost						
Government debt securities*	13,404,125	62,004,750	33,291,250	292,602,813	–	401,302,938
Corporate debt securities*	69,785,727	–	–	–	–	69,785,727
Reinsurance recoverable on unpaid losses	7,075,394,416	–	–	–	–	7,075,394,416
Total Financial Assets	₱14,386,549,270	₱100,316,377	₱52,625,301	₱312,655,709	₱1,019,593,636	₱15,871,740,293
Other Financial Liabilities and Insurance Contract Liabilities						
Insurance contract liabilities	₱12,199,466,027	₱–	₱–	₱–	₱–	₱12,199,466,027
Insurance payables	5,404,781,518	–	–	–	–	5,404,781,518
Accounts and other payables**	1,042,030,870	–	–	–	–	1,042,030,870
Notes payable*	26,207,130	52,414,260	432,758,913	–	–	511,380,303
Lease liability	7,024,279	14,814,375	–	–	–	21,838,654
Total Liabilities	₱18,679,509,824	₱67,228,635	₱432,758,913	₱–	₱–	₱19,179,497,372

**Includes future interest*
***Accounts and other payables exclude taxes payable.*

It is unusual for a Company in the insurance industry to predict the requirements of funding with absolute certainty since 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 estimated timing of net cash outflows.

Market risk
Market risk is the risk of changes in fair value of financial instruments from fluctuations in foreign exchange rates (currency risk), market interest rates (interest rate risk), and market prices (equity price risk), whether such changes is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The Company manages market risk by evenly distributing capital among investment instruments, sectors, and geographical areas.

The Company structures levels of market risk it accepts through a sound market risk policy based on specific guidelines set by the Investment Committee. This policy sets certain limits on exposure to investments mostly with top-rated banks, which are selected on the basis of the banks' credit ratings, capitalization and quality servicing being rendered to the Company. Also, the said policy includes diversification benchmarks of investment portfolio to different investment types duly approved by the IC, asset allocation and portfolio limit structure. Moreover, control of relevant market risks can be addressed through compliance reporting of market risk exposures to the IC, regular monitoring and review of the Company's investment performance and upcoming investment opportunities for pertinence and changing environment.

a. *Currency risk*
Currency risk is the risk that the value of the financial instrument will fluctuate because of changes in foreign exchange rates. The Company's principal transactions in the Philippines and Hong Kong - Branch are carried out in Philippine Peso and HK Dollar, respectively. Other foreign currency-denominated transactions are primarily in terms of the US Dollar and Euro. The tables below show the Company's exposure to currency risk.

	2020		
	US Dollar	**Euro**	**Total**
Financial Assets			
Financial assets at FVTPL:			
Government debt securities	**₱12,672,309**	**₱–**	**₱12,672,309**
Corporate debt securities	**9,640,617**	**–**	**9,640,617**
Cash and cash equivalents	**897,675,010**	**–**	**897,675,010**
Short-term investments	**354,317,956**	**–**	**354,317,956**
Insurance receivables	**192,221,857**	**41,087**	**192,262,944**
Accrued income	**1,073,443**	**–**	**1,073,443**
	₱1,467,601,192	**₱41,087**	**₱1,467,642,279**
Financial Liabilities			
Insurance payables	**₱3,273,872,527**	**₱3,292,954**	**₱3,277,165,481**
Net currency exposure	**(₱1,806,271,335)**	**(₱3,251,867)**	**(₱1,809,523,202)**

The exchange rates used were ₱48.023 to US$1; and ₱_64.6228 to EUR.

	2019		
	US Dollar	Euro	Total
Financial Assets			
Financial assets at FVTPL:			
Government debt securities	₱12,922,660	₱–	₱12,922,660
Corporate debt securities	10,572,689	–	10,572,689
Investment securities at amortized cost:	68,806,923	–	68,806,923
Cash and cash equivalents	832,938,311	–	832,938,311
Short-term investments	445,669,677	–	445,669,677
Insurance receivables	1,096,916,203	35,828	1,096,952,031
Accrued income	2,853,359	–	2,853,359
	₱2,470,679,822	₱35,828	₱2,470,715,650
Financial Liabilities			
Insurance payables	₱2,273,233,728	₱2,154,623	₱2,275,388,351
Net currency exposure	₱197,446,094	(₱2,118,795)	₱195,327,299

The exchange rates used were ₱50.635 to US$1; and ₱56.3512 to EUR

The table below shows the effect of the increase or decrease in applicable foreign exchange rates:

	2020	
Currency	**Change in variable**	**Impact on Income Before Tax**
US Dollar	**+4.4%**	**₱85,898,568**
	-4.4%	**(85,898,568)**
Euro	**+4.1%**	**(₱108,486)**
	-4.1%	**108,486**

	2019	
Currency	Change in variable	Impact on Income Before Tax
US Dollar	+0.80%	₱1,584,602
	-0.80%	(1,584,602)
Euro	+2.70%	(₱57,153)
	-2.70%	57,153

Reasonably possible movements in foreign exchange rates are computed based on average percentage changes in closing rate for 3 years.

b. *Interest rate risk*
Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The tables below set out the Company's financial instruments subject to fixed interest rates by maturity.

		December 31, 2020				
	Range of Interest Rate	**Within One Year**	**1-2 years**	**2-3 years**	**More than 3 years**	**Total**
Loans and receivables						
Cash and cash equivalents*	**0.10%-1.55%**	**₱3,212,535,045**	**₱–**	**₱–**	**₱–**	**₱3,212,535,045**
Short-term investments	**0.03%-1.62%**	**493,768,956**	**–**	**–**	**–**	**493,768,956**
Loans and receivables	**2.75%-12.00%**	**619,697,417**	**–**	**–**	**–**	**619,697,417**
Financial assets at FVTPL						
Government debt securities	**5.00%**	**–**	**–**	**–**	**12,672,309**	**12,672,309**
Corporate debt securities	**6.50%**	**9,640,617**	**–**	**–**	**–**	**9,640,617**
Investment securities at amortized cost						
Government debt securities	**4.625%-8.00%**	**9,881,642**	**26,144,553**	**11,020,687**	**190,779,642**	**237,826,524**
Total interest-bearing financial assets		**₱4,345,523,677**	**26,144,553**	**₱11,020,687**	**₱203,451,951**	**₱4,586,140,868**
Insurance payables	**1.00%-5.00%**	**₱441,060,313**	**₱–**	**₱–**	**₱–**	**₱441,060,313**
Notes payable	**4.00%-4.91%**	**–**	**–**	**–**	**398,000,000**	**398,000,000**
Total interest-bearing financial liabilities		**₱441,060,313**	**₱–**	**₱–**	**₱398,000,000**	**₱839,060,313**

**Excluding petty cash funds*

		December 31, 2019				
	Range of Interest Rate	Within One Year	1-2 years	2-3 years	More than 3 years	Total
Loans and receivables						
Cash and cash equivalents*	0.25%-7.00%	₱2,207,098,673	₱–	₱–	₱–	₱2,207,098,673
Short-term investments	0.25%-3.00%	450,969,855	–	–	–	450,969,855
Loans and receivables	2.75%-12.00%	370,225,349	13,764,599	15,381,737	18,683,073	418,054,758
Financial assets at FVTPL						
Government debt securities	5.00%	–	–	–	12,922,660	12,922,660
Corporate debt securities	6.50%	–	10,572,689	–	–	10,572,689
Investment securities at amortized cost						
Government debt securities	4.625%-8.00%	–	9,992,860	26,226,108	202,822,615	239,041,583
Corporate debt securities	2.875% - 2.905%	68,806,923	–	–	–	68,806,923
Total interest-bearing financial assets		₱3,097,100,800	34,330,148	₱41,607,845	₱234,428,348	₱3,407,467,141
Insurance payables	1.00%-5.00%	₱492,018,833	₱–	₱–	₱–	₱492,018,833
Notes payable	2.75%-3.00%	2,000,000	–	–	398,000,000	400,000,000
Total interest-bearing financial liabilities		₱494,018,833	₱–	₱–	₱398,000,000	₱892,018,833

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's net income before income tax and other comprehensive income.

	2020	
Currency	**Change in variable**	**Impact on profit before tax**
Peso	**0.42%**	**₱14,487,683**
Peso	**-0.42%**	**(15,760,775)**
US$	**0.40%**	**119,500**
US$	**-0.40%**	**(103,069)**

Currency	2019 Change in variable	Impact on profit before tax	Impact on other comprehensive income
Peso	0.79%	₱15,332,661	–
Peso	-0.79%	(17,072,750)	–
US$	0.07%	119,500	244,746
US$	-0.07%	(120,688)	(32,074)

The Company determined the reasonably possible change in interest rates using the daily percentage changes in weighted average yield rates of outstanding securities for the past three years.

c. *Equity price risk*
The Company's price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices. 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 Company's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plan, limits on investment in each sector and market.

The analysis below is performed for reasonably possible movements in the Philippine Stock Exchange index (PSEi) with all other variables held constant, showing the impact on profit before tax for financial assets at FVTPL and the impact on other comprehensive income for FVOCI financial assets (impact to other comprehensive income excludes impact on profit before tax):

	2020 **Change in variable**	**Impact on profit before tax**	**Impact on other comprehensive income**
PSEi	**+5%**	**₱1,147,102**	**₱3**
PSEi	**-5%**	**(1,147,102)**	**(3)**

	2019 Change in variable	Impact on profit before tax	Impact on other comprehensive income
PSEi	+2%	₱1,175,437	₱1
PSEi	-2%	(1,175,437)	(1)

The impact on profit before tax and other comprehensive income is arrived at using the reasonably possible change of PSEi and the specific adjusted beta of each stock the Company holds. The possible change of PSEi is determined by obtaining expected movement of PSEi based on a 3-year data of its annual historical movements. Adjusted beta is the forecasted measure of the volatility of a security or a portfolio in comparison to the market as a whole.

33. Contingencies

The Company has various contingent liabilities arising in the ordinary conduct of business, which are either pending decision by the courts or are being contested, the outcome of which are not presently determinable. In the opinion of management and its legal counsel, the eventual liability under these claims, if any, will not have a material or adverse effect on the Company's operations.

Also, the Company may have certain obligations under the terms of bonds issued in favor of the Bureau of Customs but management believes that these obligations, if any, will not materially affect the financial statements.

34. Events After the Reporting Period

Merger with Pioneer Land

On June 10, 2020, the Company's Board of Directors unanimously approved the merger of the Company and Pioneer Land, Inc., with the Company being the surviving entity, in order to integrate their administrative facilities, which may result in economies of scale, efficiency of operations, financially stronger surviving company and productive use of the properties. The Company and Pioneer Land, Inc. applied and obtained the approval Securities and Exchange Commission on March 10, 2021. The merger took effect on April 1, 2021, first date of the month immediately following the approval.

The merger would be accounted for as legal merger of parent and subsidiary. The assets and liabilities would be recognized at carrying amounts at date of the legal merger. No goodwill or negative goodwill would be recognized.

Republic Act (RA) 11534 or the CREATE Act

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5,000,000 and with total assets not exceeding ₱100,000,000 (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

- Imposition of improperly accumulated earnings tax (IAET) is repealed.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Company would have been subjected to lower regular corporate income tax rate of 25% effective July 1, 2020.

- Based on the provisions of Revenue Regulations (RR) No. 05-2021 dated April 8, 2021 issued by the BIR, the prorated CIT rate of the Company for CY2020 is 27.5%. This will result in lower provision for current income tax for the year ended December 31, 2020 and higher creditable withholding tax as of December 31, 2020, amounting to ₱63,869,720 and ₱129,537,755, respectively, or a reduction and increase of ₱7,210,142, respectively. The revised amounts will be reflected in the Company's 2020 annual income tax return. However, for financial reporting purposes, the changes will only be recognized in the 2021 financial statements.

- This will result in lower deferred tax assets and liabilities as of December 31, 2020 and provision for deferred tax for the year then ended by ₱83,061,929 and ₱23,234,487 respectively. These reductions will be recognized in the 2021 financial statements.

35. Supplementary Tax Information Under Revenue Regulation (RR) No. 15-2010

In compliance with the requirements set forth by RR No. 15-2010 hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year.

<u>Value Added Tax (VAT)</u>
The Company is a VAT-registered company with VAT output tax declaration of ₱930,358,222 in 2020 based on the amount reflected in the gross sales of ₱7,752,985,187.

The Company has zero-rated/exempt sales amounting to ₱1,564,916,053 pursuant to the provisions of Section 108 B-3 of National Internal Revenue Code, *Value-added Tax on Sale of Services and Use or Lease of Properties.*

The amount of VAT input taxes claimed are broken down as follows:

Balance at January 1, 2020	**₱31,048,418**
Current year's purchases:	
Services lodged under commission and general administrative expenses	193,342,846
Goods other than capital goods	12,185,998
Capital goods subject to amortization	4,773,628
Adjustment	286,627
Input VAT applied to exempt sales	(6,381,764)
Input VAT applied to output VAT	(203,920,709)
	₱31,335,044

Import Duties
The Company did not have any importations in 2020.

Documentary Stamp Tax (DST)
In 2020, the Company paid DST amounting to ₱966,000 and ₱858 for the availment of promissory note and DST in the lease contract with tenants.

Other Taxes and Licenses
This includes all other taxes, local and national, including real estate taxes, licenses, and permit fees. Details consist of the following:

Local	
Real estate tax	₱4,509,908
Licenses and fees	485,941
	4,995,849
National	
Input VAT allocated to exempt sales	₱6,381,764
Renewal of agents' license & resident agent of foreign reinsurers	790,380
Accreditation, application and filing fees	667,113
Taxes on condominium property - Hong Kong	582,782
Supervision fee	176,750
Company car registration	73,841
Gross receipts tax on rental	38,760
Renewal of VAT registration	10,500
Others	123,404
	8,845,294
	₱13,841,143

The Company has taxes relating to nonlife insurance policies that have been shifted or passed on to the policyholders and are not recognized in the statement of income. Details follow:

DST on:	
DS110-Policies of insurance upon property	₱1,134,828,097
DS109-Accident and health	13,144,217
DS110-Migrant workers	3,430,601
DS111-Fidelity bonds	8,008,612
DS114-CTPL	3,148,770
Local government taxes	19,677,390
Fire service taxes	21,495,190
Premium taxes	6,780,412
	₱1,210,513,289

Withholding Taxes
The amount of withholding taxes remitted for the year amounted to:

Expanded withholding taxes	₱159,646,504
Withholding taxes on compensation and benefits	45,250,560
Final withholding taxes	3,354,429
	₱208,251,493

Excise Taxes
The Company did not incur any excise tax in 2020.

Tax Assessments and Cases
The Company has no deficiency tax assessment or any tax case, litigation, and/or prosecution in courts or bodies outside the Bureau of Internal Revenue as of December 31, 2020.