

**ANNEX B – UPDATED FINANCIAL REPORTING FRAMEWORK (FRF)**

This Annex sets out the updated FRF of all insurance and professional reinsurance companies to be used for purposes of creating the financial reports and the annual statements to be submitted to the IC to incorporate the impact or application of the new accounting standard, PFRS 17 *Insurance Contracts*.

## 1. Assets (Title III)

### 1.1. Section 202

In any determination of the financial condition of any insurance company doing business in the Philippines, there shall be allowed and admitted as assets only such assets legally or beneficially owned by the insurance company concerned as determined by the Commissioner which consist of:

- a. Cash in the possession of the insurance company or in transit under its control, and the true and duly verified balance of any deposit of such company in a financially sound bank or trust company duly authorized by the Bangko Sentral ng Pilipinas.

A discussion of the various types of cash accounts and their corresponding descriptions and accounting treatment can be found in ANNEX B.1 and B.2, "Manual of Accounts" paragraph 1.

- b. Investments in securities, including money market instruments, and in real property acquired or held in accordance with and subject to the applicable provisions of this Code and the income realized therefrom or accrued thereon.

For investments in securities, including money market instruments, these can be classified in any of the following:

- i Financial assets at fair value through profit or loss
- ii Financial assets at fair value through other comprehensive income
- iii Investments at amortized cost

A more detailed description of each of the classifications and their accounting treatment can be found in ANNEX B.1 and B.2, "Manual of Accounts" paragraphs 4 to 6.

For real properties, these can be classified in any of the following depending on management's purpose for holding such property:

- i Property and equipment
- ii Investment property
- iii Non-current assets held for sale/for distribution to owners

A more detailed description of each of the classifications and their accounting treatment can be found in ANNEX B.1 and B.2, "Manual of Accounts" paragraphs 12, 13 and 15 and 11, 13 to 14, respectively.

- c. Loans granted by the insurance company concerned to the extent of that portion thereof adequately secured by non-speculative assets with readily realizable values in accordance with and subject to the limitations imposed by applicable provisions of this Code.

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A more detailed description of the different types of loans and their accounting treatment is discussed in ANNEX B.1 and B.2, "Manual of Accounts" paragraph 7.

- d. Policy loans and other policy assets and liens on policies, contracts or certificates of a life insurance company, in an amount not exceeding legal reserves and other policy liabilities carried on each individual life insurance policy, contract or certificate.

Such policy loans and other policy assets and liens on policies, contracts or certificates of a life insurance company shall form part of the Insurance Contract Asset or Insurance Contract Liability and to be included in the disclosure requirements pursuant to the ANNEX A of the CL.

- e. The net amount of uncollected and deferred premiums and annuity considerations in the case of a life insurance company which carries the full mean tabular reserve liability.

Such net amount of uncollected and deferred premiums and annuity considerations of a life insurance company shall form part of the Insurance Contract Asset or Insurance Contract Liability and to be included in the disclosure requirements pursuant to the ANNEX A of the CL.

- f. Reinsurance recoverable by the ceding insurer:
  - i. From an insurer authorized to transact business in this country, the full amount thereof; or
  - ii. From an insurer not authorized in this country, in an amount not exceeding the liabilities carried by the ceding insurer for amounts withheld under a reinsurance treaty with such unauthorized insurer as security for the payment of obligations thereunder if such funds are held subject to withdrawal by, and under the control of, the ceding insurer. The Commissioner may prescribe the conditions under which a ceding insurer may be allowed credit, as an asset or as a deduction from loss and unearned premium reserves, for reinsurance recoverable from an insurer not authorized in this country but which presents satisfactory evidence that it meets the applicable standards of solvency required in this country.

Such reinsurance recoverable by the ceding insurer shall form part of the Reinsurance Contract Asset or Reinsurance Contract Liability and to be included in the disclosure requirements pursuant to the ANNEX A of the CL.

- g. Funds withheld by a ceding insurer under a reinsurance treaty, provided reserves for unpaid losses and unearned premiums are adequately provided.

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Such funds withheld by a ceding insurer shall form part of the Reinsurance Contract Asset or Reinsurance Contract Liability and to be included in the disclosure requirements pursuant to the ANNEX A of the CL.

- h. Deposits or amounts recoverable from underwriting associations, syndicates and reinsurance funds, or from any suspended banking institution, to the extent deemed by the Commissioner to be available for the payment of losses and claims and values to be determined by him.

Such accounts shall form part of the Reinsurance Contract Asset or Reinsurance Contract Liability and to be included in the disclosure requirements pursuant to the ANNEX A of the CL.

- i. Electronic data processing machines, as may be authorized by the Commissioner to be acquired by the insurance company concerned, the acquisition cost of which to be amortized in equal annual amounts within a period of five (5) years from the date of acquisition thereof.

Such electronic data processing machines shall be accounted for in accordance with ANNEX B.1 and B.2, "Manual of Accounts" paragraphs 12.4 and 12.4.1, and 11.4 and 11.4.1, respectively.

- j. Investments in mutual funds, real estate investment trusts (REIT), salary loans, unit investment trust funds and special deposit accounts, subject to the conditions as may be provided for by the Commissioner.

Such investments shall be accounted for in accordance with ANNEX B.1 and B.2, "Manual of Accounts."

For investments in mutual funds, REIT, and unit investment trust funds, these shall be classified and measured depending on their nature and management's classification in accordance with Appendices A and B, "Manual of Accounts," as follows:

- a) Financial assets at fair value through profit or loss (paragraph 4 of ANNEX B.1 and B.2, respectively)
- b) Financial assets at fair value through other comprehensive income (paragraph 5 of ANNEX B.1 and B.2, respectively)

For salary loans these can be classified and measured as "Loans and Receivables" (paragraphs 7.11 and 7.10 of ANNEX B.1 and B.2, respectively).

For special deposit accounts, these shall be classified depending on the term and nature of the account as follows:

- a) Cash in bank (paragraph 1.2 of ANNEX B.1 and B.2)
- b) Time deposits (paragraph 1.4.1 of ANNEX B.1 and B.2)

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- k. Other assets, not inconsistent with the provisions of paragraphs (a) to (j) hereof, which are deemed by the Commissioner to be readily realizable and available for the payment of losses and claims at values to be determined by him in a circular, rule or regulation.

Such other assets, to the extent admissible shall be measured at cost.

Pursuant to the provisions this section, such assets shall be subject to the requirements of Sections 204 to 212 of the Amended Insurance Code for admissibility.

### 1.2. Section 203 (Non-admitted Assets)

In addition to such assets as the Commissioner may from time to time determine to be non-admitted assets of insurance companies doing business in the Philippines, the following assets shall in no case be allowed as admitted assets of an insurance company doing business in the Philippines, in any determination of its financial condition:

- a) Goodwill, trade names, and other like intangible assets;
- b) Prepaid or deferred charges for expenses and commissions paid by such insurance company;
- c) Advances to officers (other than policy loans), which are not adequately secured and which are not previously authorized by the Commissioner, as well as advances to employees, agents, and other persons on mere personal security;
- d) Shares of stock of such insurance company, owned by it, or any equity therein as well as loans secured thereby, or any proportionate interest in such shares of stock through the ownership by such insurance company of an interest in another corporation or business unit;
- e) Furniture, furnishing, fixtures, safes, equipment, library, stationery, literature, and supplies;
- f) Items of bank credits representing checks, drafts or notes returned unpaid after the date of statement;
- g) The amount, if any, by which the aggregate value of investments as carried in the ledger assets of such insurance company exceeds the aggregate value thereof as determined in accordance with the provisions of this Code and/or the rules of the Commissioner.

All non-admitted assets and all other assets of doubtful value or character included as ledger or non-ledger assets in any statement submitted by an insurance company to the Commissioner, or in any insurance examiner's report to him, shall also be reported, to the extent of the value disallowed as deductions from the gross assets of such insurance company, except where the Commissioner permits a reserve to be carried among the liabilities of such insurance company in lieu of any such deduction.

Pursuant to the provisions of Section 203, non-admitted assets shall be recognized and measured in accordance with accounting principles generally accepted in the Philippines.

## **2. Investments (Title IV)**

### **2.1. Section 204**

A life insurance company may lend to any of its policyholders upon security of the value of its policy such sum as may be determined pursuant to the provisions of the policy.

No insurance company shall be allowed to loan any of its money or deposits to any person, corporation or association except upon the security of certain assets subject to certain conditions as provided in this section.

Pursuant to the provisions of this section, loans and receivables account in ANNEX B.1 and B.2, "Manual of Accounts" paragraph 7, shall comply with the requirements of Section 204.

### **2.2. Section 205**

No loan by any insurance company on the security of real estate shall be made unless the title to such real estate shall have first been registered in accordance with the existing Land Registration Act or shall have been previously registered under the provisions of the existing Mortgage Law and the lien or interest of the insurance company as mortgagee has been registered.

Pursuant to the provisions of this section, loans and receivables account in ANNEX B.1 and B.2, "Manual of Accounts" paragraphs 7.1 and 7.2, respectively, shall comply with the requirements of Section 205.

### **2.3. Section 206**

- a) An insurance company may purchase, hold, own and convey such property, real and personal, as may have been mortgaged, pledged, or conveyed to it in good faith in trust for its benefit by reason of money loaned by it in pursuance of the regular business of the company, and such real or personal property as may have been purchased by it at sales under pledges, mortgages or deeds of trust for its benefit on account of money loaned by it; and such real and personal property as may have been conveyed to it by borrowers in satisfaction and discharge of loans made by the company in payment or by reason of any loan made by the company in payment or by reason of any loan made by it shall be sold by the company within twenty (20) years after the title thereto has been vested in it.
- b) An insurance company may purchase, hold, and own assets other than those mentioned in Section 2.3. (a) and (c) subject to the condition of Section 206 (b) 1 to 11.
- c) Any domestic insurer which has outstanding insurance, annuity or reinsurance contracts in currencies other than the national currency of the Philippines may invest in, or otherwise acquire or loan upon

securities and investments in such currency which are substantially of the same kinds, classes and investment grades as those eligible for investment under the foregoing subdivisions of this section; but the aggregate amount of such investments and of such cash in such currency which is at any time held by such insurer shall not exceed one and one-half (1½) times the amount of its reserves and other obligations under such contracts or the amount which such insurer is required by the law of any country or possession outside the Republic of the Philippines to be invested in such country or possession, whichever shall be greater.

Pursuant to the provisions of this section, all accounts affected by Section 206 as described in ANNEX B.1 and B.2, "Manual of Accounts" shall comply with the requirements of Section 206.

**2.4. Section 207**

An insurance company may:

- 1) Invest in equities of other financial institutions; and
- 2) Engage in the buying and selling of long-term debt instruments: Provided, that any or all of such investments shall be with the prior approval of the Commissioner. Insurance companies may, however, invest in listed equities of other financial institutions without need of prior approval by the Commissioner.

**2.5. Section 208**

Any life insurance company may:

- a) Acquire or construct housing projects and, in connection with any such project, may acquire land or any interest therein by purchase, lease or otherwise, or use land acquired pursuant to any other provision of this Code. Such company may thereafter own, maintain, manage, collect or receive income from, or sell and convey, any land or interest therein so acquired and any improvements thereon. The aggregate book value of the investments of any such company in all such projects shall not exceed at the time of such investments twenty-five percent (25%) of the total admitted assets of such company on the thirty-first day of December next preceding: *Provided*, that the funds of the company for the payment of pending claims and obligations shall not be used for such investments.
- b) Acquire real property, other than property to be used primarily for providing housing and property for accommodation of its own business, as an investment for the production of income, or may acquire real property to be improved or developed for such investment purpose pursuant to a program therefor, subject to the condition that the cost of each parcel of real property so acquired under the authority of this paragraph (b), including the estimated cost to the company of the

improvement or development thereof, when added to the book value of all other real property held by it pursuant to this paragraph (b), shall not exceed twenty-five percent (25%) of its admitted assets as of the thirty-first day of December next preceding.

Pursuant to the provisions of this section, real estate inventories and investment properties in paragraph 13 of ANNEX B.1 and ANNEX B.2, "Manual of Accounts" shall comply with the requirements of Section 208.

#### 1.6. Section 209

Every domestic insurance company shall, to the extent of an amount equal in value to twenty-five percent (25%) of the minimum net worth required under Section 194, invest its funds only in securities, satisfactory to the Commissioner, consisting of bonds or other instruments of debt of the Government of the Philippines or its political subdivisions or instrumentalities, or of government-owned or -controlled corporations and entities, including the Bangko Sentral ng Pilipinas: *Provided*, that such investments shall at all times be maintained free from any lien or encumbrance: *Provided*, further, that such securities shall be deposited with and held by the Commissioner for the faithful performance by the depositing insurer of all its obligations under its insurance contracts. The provisions of Section 198 shall, so far as practicable, apply to the securities deposited under this section.

Except as otherwise provided in the Code, no judgment creditor or other claimant shall have the right to levy upon any of the securities of the insurer held on deposit under this section or held on deposit pursuant to the requirement of the Commissioner.

Pursuant to the provisions of Section 209, all accounts affected by Section 209 as described in ANNEX B.1 and ANNEX B.2, "Manual of Accounts" shall comply with the requirements of Section 209.

#### 1.7. Section 210

After satisfying the requirements contained in the preceding section (Sections 204 to 209, except Section 208), any domestic non-life insurance company, shall invest, to an amount prescribed below, its funds in, or otherwise, acquire or loan upon, only the classes of investments described in Section 206, including securities issued by any registered enterprise, as this term is defined in Executive Order No. 226, otherwise known as 'The Omnibus Investments Code of 1987' and such other classes of investments as may be authorized by the Commissioner for purposes of this section: *Provided*, that:

- a) No more than twenty percent (20%) of the net worth of such company as shown by its latest financial statement approved by the Commissioner shall be invested in the lot and building in which the insurance company conducts its business; and



- b) The total investment of an insurance company in any registered enterprise shall not exceed twenty percent (20%) of the net worth of said insurance company as shown by its aforesaid financial statement nor twenty percent (20%) of the paid-up capital of the registered enterprise excluding the intended investment, unless previously authorized by the Commissioner. Provided, further, that such investments, free from any lien or encumbrance, shall be at least equal in amount to the aggregate amount of: (1) its legal reserve, as provided in Section 219, and (2) its reserve fund held for reinsurance as provided for in the pertinent treaty provision in the case of reinsurance ceded to authorized insurers.

Pursuant to the provisions of this Section 210, all accounts affected by Section 210 as described in ANNEX B.1 and ANNEX B.2, "Manual of Accounts" shall comply with the requirements of Section.

## **2.8. Section 211**

After satisfying the requirements contained in Sections 197, 199, 209 and 210 of the Amended Insurance Code, any non-life insurance company may invest any portion of its funds representing earned surplus in any of the investments described in Sections 204, 206 and 207, or in any securities issued by a registered enterprise mentioned in the preceding sections: *Provided*, that no investment in stocks or bonds of any single entity shall in the aggregate, exceed twenty percent (20%) of the net worth of the insurance company as shown in its latest financial statement approved by the Commissioner or twenty percent (20%) of the paid-up capital of the issuing company, whichever is lesser, unless otherwise approved by the Commissioner.

Pursuant to the provisions of this section, all investments in stocks and bonds as described in ANNEX B.2, "Manual of Accounts" paragraph 4 to 6, shall comply with the requirements of this section.

## **1.8. Section 212**

After satisfying the minimum capital investment required in Section 209, any life insurance company may invest its legal policy reserve, as provided in Section 217 or in Section 218 of the Amended Insurance Code, in any of the classes of securities or types of investments described in Sections 204, 206, 207 and 208 of the Amended Insurance Code, subject to the limitations therein contained, and in any securities issued by any registered enterprise mentioned in Section 210 of the Amended Insurance Code, free from any lien or encumbrance, in such amounts as may be approved by the Commissioner. Such company may likewise invest any portion of its earned surplus in the aforesaid securities or investments subject to the aforesaid limitations.

Pursuant to the provisions of this section, all accounts affected by Section 212 as described in ANNEX B.1 and ANNEX B.2, "Manual of Accounts" shall comply with the requirements of this section.

**2.10. Section 213**

Any investment made in violation of the applicable provisions of this title shall be considered non-admitted assets.

Pursuant to the provisions of this section, all accounts affected by Section 213 as described in ANNEX B.1 and ANNEX B.2, "Manual of Accounts" shall comply with the requirements of this section.

**2.11. Section 214**

- a) All bonds or other instruments of indebtedness having a fixed term and rate of interest and held by any life insurance company authorized to do business in this country, if amply secured and if not in default as to principal or interest, shall be valued based on their amortized cost using effective interest method less impairment and unrecoverable amount based on appropriate measurement methods which are generally accepted in the industry and accepted by the Commissioner. The Commissioner shall have the power to determine the eligibility of any such investments for valuation on the basis of amortization, and may by regulation prescribe or limit the classes of securities so eligible for amortization. All bonds or other instruments of indebtedness which in the judgment of the Commissioner are not amply secured shall not be eligible for amortization and shall be valued in accordance with paragraph two. The Commissioner may, if he finds that the interest of policyholders so permit or require, by official regulation permit or require any class or classes of insurers, other than life insurance companies authorized to do business in this country, to value their bonds or other instruments of indebtedness in accordance with the foregoing rule.
- b) The investments of all insurers authorized to do business in this country, except securities subject to amortization and except as otherwise provided in this chapter, shall be valued, in the discretion of the Commissioner, at their amortized cost using effective interest method less impairment and unrecoverable amount or at valuation representing their fair market value. If the Commissioner finds that in view of the character of investments of any insurer authorized to do business in this country it would be prudent for such insurer to establish a special reserve for possible losses or fluctuations in the values of its investments, he may require such insurer to establish such reserve, reasonable in amount, and include a report thereon in any statement or report of the financial condition of such insurer. The Commissioner may, in connection with any examination or required financial statement of an authorized insurer, require such insurer to furnish him complete financial statements and audited report of the financial condition of any corporation of which the securities are owned wholly or partly by such insurer and may cause an examination to be made of any subsidiary or affiliate of such insurer as appropriate to specific investments as provided in appropriate circulars issued by the Commissioner.

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Such investments shall be classified depending on the purpose for which the investments were acquired and whether they are quoted in an active market as follows:

- i. Financial assets at fair value through profit or loss (paragraph 4 of ANNEX B.1 and ANNEX B.2)
- ii. Financial assets at fair value through other comprehensive income (paragraph 5 of ANNEX B.1 and of ANNEX B.2)
- iii. Investment securities at Amortized Cost (paragraph 6 of ANNEX B.1 and of ANNEX B.2)

The provisions of Section 214 (a) shall apply if the bonds or other instruments of indebtedness are classified as Investment securities at Amortized Cost.

The provisions of Section 214 (b) shall apply if the investments are classified as either financial assets at fair value through profit or loss or financial assets at fair value through other comprehensive income.

c) Investments in equity of an insurance company shall be valued as follows:

- i. Listed stocks shall be valued at market value and periodically adjusted to reflect market changes through a special valuation account to reflect their realizable value when sold;
- ii. Unlisted stocks shall be valued at adjusted book value based on the latest unqualified audited financial statements of the company which issued such stocks; and
- iii. Stocks of a corporation under the control of the insurer shall be valued using the equity method which is the cost plus or minus the share of the controlling company in the earnings or losses of the controlled company after acquisition of such stocks.

Listed and unlisted stocks in which the insurance company has no significant influence or control shall be classified depending on the purpose for which the investments were acquired and whether they are quoted in an active market as follows:

- i. Financial assets at fair value through profit or loss (paragraph 4.1.3 of ANNEX B.1 and B.2)
- ii. Financial assets at fair value through other comprehensive income (paragraph 5.3 of ANNEX B.1 and B.2)

In relation to section c (i) and (iii), if an insurance company has significant influence or control, such investment investments shall be classified as follows:

- i. Investments in subsidiaries (paragraph 10.1 of ANNEX B.1 and B.2)

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- ii. Investments in associates (paragraph 10.2 of ANNEX B.1 and B.2)
  - iii. Investments in joint ventures (paragraph 10.3 of ANNEX B.1 and B.2)
- d) The stock of an insurance company shall be valued at the lesser of its market value or its book value as shown by its last approved audited financial statement or the last report on examination, whichever is more recent. The book value of a share of common stock of an insurance company shall be ascertained by dividing (1) the amount of its capital and surplus less the value of all of its preferred stock, if any, outstanding, by (2) the number of shares of its common stock issued and outstanding.

Notwithstanding the foregoing provisions, an insurer may, at its option, value its holdings of stock in a subsidiary insurance company in an amount not less than acquisition cost if such acquisition cost is less than the value determined as herein before provided.

Such provision shall apply if an entity chooses the cost model of accounting for such stock of an insurance company.

Pursuant to the provisions of Section 214 (d), such stock of an insurance company shall be subsequently measured in accordance with ANNEX B.1 and B.2, "Manual of Accounts" if an insurance company has significant influence or control as follows:

- a) Investments in subsidiaries (paragraph 10.1 of ANNEX B.1 and B.2)
  - b) Investments in associate (paragraph 10.2 of ANNEX B.1 and B.2)
  - c) Investments in joint ventures (paragraph 10.3 of ANNEX B.1 and B.2)
- e) Real estate acquired by foreclosure or by deed in lieu thereof, in the absence of a recent appraisal deemed by the Commissioner to be reliable, shall not be valued at an amount greater than the unpaid principal of the defaulted loan at the date of such foreclosure or deed, together with any taxes and expenses paid or incurred by such insurer at such time in connection with such acquisition, and the cost of additions or improvements thereafter paid by such insurer and any amount or amounts thereafter paid by such insurer or any assessments levied for improvements in connection with the property.

Such measurement principle shall apply only upon initial recognition. Pursuant to the provisions of Section 214 (e), such real estate acquired by foreclosure shall be subsequently measured in accordance with ANNEX B.1 and B.2, "Manual of Accounts" depending on management's classification as follows:

- a) Property and equipment (paragraphs 12 and 11 of ANNEX B.1 and B.2, respectively)
- b) Investment property (paragraph 13 of ANNEX B.1 and B.2, respectively)

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- f) Purchase money mortgages received on dispositions of real property held pursuant to Section 208 shall be valued in an amount equivalent to ninety percent (90%) of the value of such real property. Purchase money mortgages received on disposition of real property otherwise held shall be valued in an amount not exceeding ninety percent (90%) of the value of such real property as determined by an appraisal made by an appraiser at or about the time of disposition of such real property.

The above shall apply only upon initial recognition. Subsequent to initial recognition such purchase money mortgages shall be measured in accordance with ANNEX B.1 and B.2, "Manual of Accounts" paragraphs 7.9 and 7.8, respectively.

- g) The stock of a subsidiary of an insurer shall be valued on the basis of the greater of:
- i. The value of only such of the assets of such subsidiary as would constitute lawful investments for the insurer if acquired or held directly by the insurer; or
  - ii. Such other value determined pursuant to standards and cumulative limitations, contained in a regulation to be promulgated by the Commissioner.

Pursuant to the provisions of Section 214 (g), such investment stock of a subsidiary shall be subsequently measured in accordance with ANNEX B.1 and B.2, "Manual of Accounts" paragraphs 10.1.

- h) Notwithstanding any provision contained in this section or elsewhere in this chapter, if the Commissioner finds that the interests of policyholders so permit or require, he may permit or require any class or classes of insurers authorized to do business in this country to value their investments or any class or classes thereof as of any date heretofore or hereafter in accordance with any applicable valuation or method.

Pursuant to the provisions of Section 214 (h), the permissible bases of valuation, shall be as provided in ANNEX B.1 and ANNEX B.2, "Manual of Accounts", subject to the approval of the Insurance Commissioner as follows:

- i. Financial Asset at Fair Value Through Profit or Loss (paragraph 4 of ANNEX B.1 and B.2)
- ii. Loans and Receivables (paragraph 7 of ANNEX B.1 and B.2)
- iii. Investments in Subsidiaries (paragraph 10.1 of ANNEX B.1 and B.2, respectively)
- iv. Investments in Associates (paragraph 10.2 of ANNEX B.1 and B.2, respectively)
- v. Investment in Joint Ventures (paragraph 10.3 of ANNEX B.1 and B.2, respectively)

ANNEX B.1

FINANCIAL REPORTING FRAMEWORK FOR LIFE INSURANCE COMPANIES

MANUAL OF ACCOUNTS

A) STATEMENT OF FINANCIAL POSITION ACCOUNTS

ASSET ACCOUNTS

1. CASH AND CASH EQUIVALENTS

1.1. CASH ON HAND

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

- 1.1.1. Undeposited Collections** - This represents notes and coins, checks, bank drafts, and other cash items in favor of the company to be deposited in the bank on the following banking day. This does not include postdated checks and returned checks which have been dishonored by the bank due to insufficient funds.
- 1.1.2. Petty Cash Fund** - This represents fund that is established to defray immediate minimal disbursements which are evidenced by duly accomplished and approved petty cash vouchers with the corresponding supporting receipts and other cash documents. This fund shall be maintained under an imprest system.
- 1.1.3. Commission Fund** - This represents fund that is established for the purpose of paying commission to agents where the amounts are less than the minimum amount prescribed for check payments. This fund shall be maintained under an imprest system.
- 1.1.4. Policy Loan Fund** - This represents fund that is established for the sole purpose of paying policyholder's cash loans and where the amounts are less than the minimum amount prescribed for check payments. This fund shall be maintained under an imprest system.
- 1.1.5. Documentary Stamps Fund** - This represents fund that is set up for documentary stamps for affixture to policy loan agreements, promissory notes, certificates of authority and other legal documents. This fund shall be maintained under an imprest system.

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

**1.1.7. Other Funds** - This represents all other funds which cannot be classified under any of the foregoing accounts.

## 1.2 CASH IN BANKS

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

**Cash in Banks - Current** - This represents checking account balances in banks maintained by the company's head office and branches.

1.2.1 Cash in Banks - Current - Peso

1.2.2 Cash in Banks - Current - Foreign

**Cash in Banks - Savings** - This represents savings deposit account balances in banks maintained by the company's head office and branches.

1.2.3 Cash in Banks - Savings - Peso

1.2.4 Cash in Banks - Savings - Foreign

## 1.3 E-MONEY

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

## 1.4 CASH EQUIVALENTS

This account refers to short-term, highly liquid investments that are readily convertible into known amount of cash and which are subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent only when it has short maturity of three months or less from the date of acquisition (e.g. three-month debt securities, debt securities purchased three (3) months before maturity).

**1.4.1 Time Deposits** - This represents interest yielding bank account balances available upon maturity.

1.4.1.1 Peso Currency

1.4.1.2 Foreign Currency

**1.4.2 Others** - This represents other deposits or investment qualified as Cash Equivalents.

1.4.2.1 Peso Currency

1.4.2.2 Foreign Currency

## **1.5 ALLOWANCE FOR EXPECTED CREDIT LOSSES**

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

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

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

## **2 INSURANCE CONTRACT ASSETS**

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

This account shall comprise the following sub-accounts:

### **2.1 *Direct Insurance Business***

- 2.1.1 Assets (Liabilities) for Remaining Coverage;
- 2.1.2 Assets (Liabilities) for Incurred Claims; and
- 2.1.3 Assets (Liabilities) for Pre-recognition Cash Flows

### **2.2 *Reinsurance Contract Issued***

- 2.2.1 Assets (Liabilities) for Remaining Coverage;
- 2.2.2 Assets (Liabilities) for Incurred Claims; and
- 2.2.3 Assets (Liabilities) for Pre-recognition Cash Flows

## **3 REINSURANCE CONTRACT ASSETS**

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

This account shall comprise the following sub-accounts:

- 3.1 Assets (Liabilities) for Remaining Coverage; and
- 3.2 Assets (Liabilities) for Incurred Claims

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

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



(A) Financial assets held for trading known as "trading securities." A financial asset is classified as held for trading if:

(A.1) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;

(A.2) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

(A.3) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

(B) Financial assets that, upon initial recognition, are irrevocably designated by the entity as at FVTPL. An entity may use this designation if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as "an accounting mismatch") that would otherwise arise from measuring assets or recognizing the gains and losses on them on different bases.

#### **4.1 Securities Held for Trading**

This represents debt and equity securities that are:

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

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

**4.1.1. Trading Debt Securities - Government** - This represents debt instruments issued by the government and its instrumentalities (government agencies, local governments, government owned and controlled corporations). This includes treasury bills, treasury notes and ROP bonds.

**4.1.2. Trading Debt Securities – Private** - This represents debt instruments issued by private corporations, whether domestic or foreign, such as commercial papers, notes and bonds.

**4.1.3. Trading Equity Securities** - This represents common and preferred shares of stock of companies other than those of subsidiaries, associates and joint ventures.

**4.1.4. Trading Investment Funds** - This represents units held in mutual funds and such other similar types which are generally redeemable any time.

*4.1.4.1 Mutual Funds and Unit Investment Trusts*

*4.1.4.2 Real Estate Investment Trusts*

*4.1.4.3 Other Funds*

**4.2 Financial Assets Designated at Fair Value Through Profit or Loss (DFVTPL)**

This represents financial assets which the company, upon initial recognition, has designated at FVTPL.

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

4.2.1 Debt Securities – Government

4.2.2 Debt Securities – Private

4.2.3 Trading Investment Funds

4.2.3.1 Mutual Funds and Unit Investment Trusts

4.2.3.2 Real Estate Investment Trusts

4.2.3.3 Other Funds

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

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

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

This shall comprise of the following sub-accounts based on the types of derivative contracts:

**4.3.1 Foreign Exchange Contracts** - This represents contracts to purchase/sell foreign currencies at a future date at a fixed rate.

4.3.1.1 Forward Foreign Exchange Contracts

- 4.3.1.2 Cross Currency Interest Rate Swap
- 4.3.1.3 Foreign Exchange Futures
- 4.3.1.4 Foreign Exchange Options Contracts
- 4.3.1.5 Other Foreign Exchange Contracts

**4.3.2 Interest Rate Contracts** - This represents contracts related to an interest bearing financial instrument or whose cash flows are determined by referencing interest rates or another interest rate contract.

- 4.3.2.1 Interest Rate Forwards
- 4.3.2.2 Interest Rate Swaps
- 4.3.2.3 Interest Rate Futures
- 4.3.2.4 Interest Rate Option Contracts
- 4.3.2.5 Other Interest Rate Contracts

**4.3.3 Equity Contracts** - This represents contracts where the returns are linked to the price of a particular equity or equity index.

- 4.3.3.1 Equity Derivatives Forwards
- 4.3.3.2 Equity Swap
- 4.3.3.3 Equity Derivative Futures
- 4.3.3.4 Equity Options Contracts
- 4.3.3.5 Other Equity Contracts

**4.3.4 Credit Derivative Contracts** - This represents contracts that allow parties to minimize their exposure to credit risk, and consist of a privately held, negotiable bilateral contract traded over-the-counter (OTC) between two parties in a creditor/debtor relationship. These contracts also allow a creditor to effectively transfer some or all of the risk of a debtor defaulting to a third party, which in turn accepts the risk in return for payment, known as the premium.

- 4.3.4.1 Credit Default Swaps
- 4.3.4.2 Credit Spread Option
- 4.3.4.3 Other Credit Derivative Contracts

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

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

- (A) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- (B) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

This shall comprise the following sub-accounts:

- 5.1 Debt Securities at FVOCI– Government**
  - 5.1.1 Capital Investment/Mandatory Security Deposit
  - 5.1.2 Others
- 5.2 Debt Securities at FVOCI– Private**
- 5.3 Investment in Equity Securities Designated at FVOCI**
  - 5.3.1 Listed Securities
  - 5.3.2 Unlisted Securities

## **6 INVESTMENT SECURITIES AT AMORTIZED COST (AC)**

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

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

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

This shall comprise of the following sub-accounts:

- 6.1 Debt Securities at AC - Government**
  - 6.1.1. Capital Investment/Mandatory Security Deposit
    - 6.1.1.1 Unamortized (Discount)/Premium
    - 6.1.1.2 Allowance for Expected Credit Losses
  - 6.1.2. Others
    - 6.1.2.1 Unamortized (Discount)/Premium
    - 6.1.2.2 Allowance for Expected Credit Losses
- 6.2 Debt Securities at AC-Private**
  - 6.2.1 Unamortized (Discount)/Premium
  - 6.2.2 Allowance for Expected Credit Losses
- 6.3 Investment Funds and Other Deposits at AC**
  - 6.3.1 Allowance for Expected Credit Losses

## 7 LOANS AND RECEIVABLES

This pertains to loans and receivables that are measured at amortized cost. This shall comprise the following sub-accounts:

- 7.1 Real Estate Mortgage Loans** - This represents the outstanding balances of loans secured by first mortgage on real estate properties.
  - 7.1.1 Allowance for Expected Credit Losses**
- 7.2 Collateral Loans** - This represents the outstanding balances of loans granted to companies or individuals secured by pledges of shares of stock, bonds and/or other securities.
  - 7.2.1 Allowance for Expected Credit Losses**
- 7.3 Guaranteed Loans** - This represents the outstanding balances of loans granted to companies or individuals which are covered by guarantees from other entities or individuals.
  - 7.3.1 Allowance for Expected Credit Losses**
- 7.4 Chattel Mortgage Loans** - This represents the outstanding balances of loans secured by mortgage of chattels or personal properties (i.e. car plan).
  - 7.4.1 Allowance for Expected Credit Losses**
- 7.5 Notes Receivable** - This represents interest bearing loans granted by the company and evidenced by duly approved and notarized Promissory Notes.
  - 7.5.1 Allowance for Expected Credit Losses**
- 7.6 Housing Loans** - This represents outstanding balances of loans granted to employees secured by a mortgage covering their house and lot.
  - 7.6.1 Allowance for Expected Credit Losses**
- 7.7 Car Loans** - This represents outstanding balances of loans granted to employees secured by a mortgage covering their cars.
  - 7.7.1 Allowance for Expected Credit Losses**
- 7.8 Low Cost Housing** - This represents the outstanding balances of loans granted to employees and other selected non-group employees for low cost housing projects as approved and participated upon by government agencies.
  - 7.8.1 Allowance for Expected Credit Losses**
- 7.9 Purchase Money Mortgages** - This represents the note secured by a mortgage or deed of trust given by a buyer, as borrower, to a seller, as lender as part of the purchase price of the disposed real property held or otherwise held.
  - 7.9.1 Allowance for Expected Credit Losses**

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

**7.10.1 Allowance for Expected Credit Losses**

**7.11 Salary Loans** - This represents loans secured by salaries of the borrower and, as approved by the Commission.

**7.11.1 Allowance for Expected Credit Losses**

**7.12 Others Loans Receivables** - This represents all other loans which cannot be classified under any of the foregoing loan accounts.

**7.12.1 Allowance for Expected Credit Losses**

**8 OTHER RECEIVABLES**

This represents receivable from non-insurance transactions of the company. It may comprise of the following accounts:

**8.1 Advances to Agents (Agents Accounts) / Employees** - This represents advances to insurance agents granted by the company to be liquidated thru regular deductions from commissions and salaries, respectively.

**8.1.1 Allowance for Expected Credit Losses**

**8.2 Operating Lease Receivables** - This represents the amount of rent receivables arising from operating lease contracts. Lease income should be recognized on a straight-line basis.

**8.2.1 Allowance for Expected Credit Losses**

**8.3 Finance Lease Receivables** - This represents the amount of rent receivables arising from finance lease contracts. Finance income is recognized based on a pattern reflecting a constant periodic rate of return on the net investment in the lease.

**8.3.1 Allowance for Expected Credit Losses**

**8.4 Others** - This represents receivables that do not fall under the definition of items above.

**8.4.1 Allowance for Expected Credit Losses**

**9 INVESTMENT INCOME DUE AND ACCRUED**

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

**9.1 Accrued Interest Income - Cash Equivalents**

**9.2 Accrued Interest Income - Financial Assets at FVTPL**

9.2.1 Securities Held for Trading

9.2.1.1. Trading Debt Securities - Government

9.2.1.2. Trading Debt Securities - Private

- 9.2.1.3. Other Funds
- 9.2.2 Financial Assets DFVTPL
  - 9.2.2.1. Debt Securities - Government
  - 9.2.2.2. Debt Securities - Private
  - 9.2.2.3. Other Funds
- 9.3 *Accrued Interest Income - Financial Assets at FVOCI***
  - 9.3.1 Debt Securities - Government
  - 9.3.2 Debt Securities - Private
- 9.4 *Accrued Interest Income - Investment Securities at Amortized Cost***
  - 9.4.1 Debt Securities - Government
  - 9.4.2 Debt Securities - Private
- 9.5 *Accrued Interest Income - Loans and Receivables***
  - 9.5.1 Real Estate Mortgage Loans
  - 9.5.2 Collateral Loans
  - 9.5.3 Guaranteed Loans
  - 9.5.4 Chattel Mortgage Loans
  - 9.5.5 Notes Receivable
  - 9.5.6 Housing Loans
  - 9.5.7 Car Loans
  - 9.5.8 Low Cost Housing Loans
  - 9.5.9 Purchase Money Mortgages
  - 9.5.10 Sales Contract Receivable
  - 9.5.11 Salary Loans
  - 9.5.12 Others
- 9.6 *Accrued Dividends***
  - 9.6.1 Securities Held for Trading - Trading Equity Securities
  - 9.6.2 Equity Securities Designated at FVOCI
- 9.7 *Accrued Interest Income - Security Fund Contribution***
- 9.8 *Accrued Investment Income - Others***
- 9.9 *Allowance for Expected Credit Losses***

These are recognized when earned except for accrued dividends receivable where the asset is recognized when the stockholder's right to receive payment has been established.

## 10 INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

This shall comprise of the following accounts:

- 10.1 *Investment in Subsidiaries*** - This represents the amount of the company's investment in the shares of stock of its subsidiaries. A subsidiary is an entity that is controlled by another entity (known as the parent). A company controls an investee when it is exposed, or has

rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

## **11 SEGREGATED FUND ASSETS**

This represents the amount of investment fund owned by unit-linked policyholders in addition to an insurance coverage. These constitute unit-linked premium collections that are placed to segregated funds which are generally managed by trustee bank.

## **12 PROPERTY AND EQUIPMENT**

This account represents items that:

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

Subsequent to initial recognition, an entity shall choose either the cost model or the revaluation model as its accounting policy and shall apply that policy to an entire class of property and equipment.

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

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

**12.2 *Building and Building Improvements - at Cost*** - This represents acquisition / construction cost of the building and improvements, including costs incurred subsequent to initial recognition which meet the recognition criteria.



- 12.2.1. Accumulated Depreciation - Building and Building Improvements** - This represents the aggregate of the depreciation on the building and building improvements charged by the company against current operations.
- 12.3 Leasehold Improvements - at Cost** - This represents the cost of additions, improvements and /or alterations on the company's leased office premises which are incurred in making the property ready for use and occupancy. This should include the initial estimate of the costs of dismantling and removing the improvements and restoring the site, the obligation for which the company incurs when the property is leased.
- 12.3.1. Accumulated Depreciation - Leasehold Improvements**
- 12.4 IT Equipment - at Cost** - This represents the cost of the information processing systems of the company including the computer hardware, customized software, and peripherals.
- 12.4.1. Accumulated Depreciation – IT Equipment**
- 12.5 Transportation Equipment – at Cost** - This represents the cost of motor vehicle and other transportation equipment owned, operated, used, or to be used by the company in carrying out its business and/or insurance operations and as service vehicle of its officers and employees.
- 12.5.1. Accumulated Depreciation - Transportation Equipment**
- 12.6 Office Furniture, Fixtures and Equipment – at Cost** - This represents the costs of office machines, equipment, furniture and fixtures.
- 12.6.1. Accumulated Depreciation - Office Furniture, Fixtures and Equipment**
- 12.7 Revaluation Increment** - This represents the revaluation increase in the carrying amount of the company's property and equipment under the revaluation model.
- 12.7.1. Accumulated Depreciation – Revaluation Increment**
- This shall comprise of the following accounts:
- (A) Land;
  - (B) Buildings and Building Improvements; and
  - (C) Others
- 12.8 Accumulated Impairment Losses** - This represents the cumulative amount of impairment loss incurred on property and equipment.

- 12.9 Construction Work-In-Progress (WIP)** - An item of property, plant and equipment that qualifies for recognition as an asset shall be measured at its cost.

**13 INVESTMENT PROPERTY**

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

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

This account shall be classified as follows:

- 13.1 Land – at Cost**
- 13.2 Building and Building Improvements – at Cost**
  - 13.2.1 Accumulated Depreciation – Building and Building Improvements**
- 13.3 Accumulated Impairment Loss**
- 13.4 Land – at Fair Value**
- 13.5 Building and Building Improvements – at Fair Value**
- 13.6 Foreclosed Properties** - This represents real properties acquired by company in settlement of loans through foreclosure of mortgage loan arrangements.
- 13.7 Construction Work-in-Progress**

**14 RIGHT-OF-USE (ROU) ASSET**

This represents the value of the lessee's license to utilize a leased asset over its lease term under a lease agreement.

The right-of-use asset is initially measured at the amount of the lease liability plus any direct costs incurred by the lessee. Adjustments may also be required for lease incentives, payments at a prior to commencement and restoration obligations or similar.

Under the cost model, a right-of-use asset is measured at cost less accumulate depreciation and accumulated impairment.

ROU Assets will be classified as follows:

- 14.1 ROU Asset – Property and Equipment**
  - 14.1.1. Accumulated Depreciation – ROU Property and Equipment**
  - 14.1.2. Accumulated Impairment Losses – ROU Property and Equipment**
- 14.2 ROU Asset – at Fair Value**

- 14.3 **ROU Asset –at Cost**
  - 14.3.1 **Accumulated Depreciation – ROU Asset**
  - 14.3.2 **Accumulated Impairment Losses**

**15 NON-CURRENT ASSETS HELD FOR SALE**

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

**16 SECURITY FUND CONTRIBUTION**

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

This account shall be measured at amortized cost, which is generally equivalent to its face amount.

**16.1 Allowance for Expected Credit Losses**

**17 NET PENSION ASSET**

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

**18 DERIVATIVE ASSETS HELD FOR HEDGING**

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

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

**18.2 Cash Flow Hedge** - This represents the positive fair value of derivatives that are designated and considered effective cash flow hedging instruments. Cash flow hedge is a hedge of the exposure to variability in

cash flows that (i) is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and (ii) could affect profit or loss. Any fair value changes are recognized as equity under Reserve for Cash Flow Hedge.

**18.3 Hedges of a Net Investment in Foreign Operation** - This represents the positive fair value of derivatives that are designated and considered to effective hedging instruments for hedges of a net investment in foreign operation. Any fair value changes are recognized as equity under Reserve for Hedge of a Net Investment in Foreign Operation.

**19 DEFERRED TAX ASSETS**

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

**20 OTHER ASSETS**

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

To the extent admissible, this account shall be measured at amortized cost, which is generally equivalent to its face amount.

**LIABILITY ACCOUNTS**

**21 INSURANCE CONTRACT LIABILITIES**

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

This account shall comprise the following sub-accounts:

***21.1 Direct Insurance Business***

- 21.1.1 Assets (Liabilities) for Remaining Coverage;
- 21.1.2 Assets (Liabilities) for Incurred Claims; and
- 21.1.3 Assets (Liabilities) for Pre-recognition Cash Flows

***21.2 Reinsurance Contract Issued***

- 21.2.1 Assets (Liabilities) for Remaining Coverage;
- 21.2.2 Assets (Liabilities) for Incurred Claims; and
- 21.2.3 Assets (Liabilities) for Pre-recognition Cash Flows

**22 REINSURANCE CONTRACT LIABILITIES**

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

This account shall comprise the following sub-accounts:

- 22.1 Assets (Liabilities) for Remaining Coverage; and***
- 22.2 Assets (Liabilities) for Incurred Claims***

**23 SEGREGATED FUND LIABILITIES**

This represents the segregated funds belonging to the unit-linked policy holders. Segregated fund liabilities are set up equal to the segregated fund assets less redemptions and plus subscriptions outside segregated funds.

**24 INCOME TAX PAYABLE**

This represents income taxes due and payable to the government net of creditable taxes.

**25 OTHER TAXES PAYABLE**

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

## 26 OTHER PAYABLES

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

- 26.1. **SSS Premiums Payable** - This represents the unremitted SSS premiums/contributions withheld from the salaries of officers employees.
- 26.2. **SSS Loans Payable** - This represents the SSS salary loan amortizations deducted from the salaries of officers and employees.
- 26.3. **Pag-IBIG Premiums Payable** - This represents the unremitted contributions to the Home Development Mutual Fund (HDMF Pag-IBIG) deducted from the salaries of officers employees.
- 26.4. **Pag-IBIG Loans Payable** - This represents the unremitted Pag-IBIG loan amortizations deducted from the salaries of officers and employees.
- 26.5. **Philhealth Premiums Payable** - This represents the unremitted Philhealth premiums/contributions withheld from the salaries of officers and employees.
- 26.6. **Rent Payable** – This represents the unpaid rents for short term leases and low value assets.
- 26.7. **Accrued Utilities** - This represents accruals for utilities consumed by the company during the reporting period which have not yet been paid. This includes accruals for electricity, water and communications.
- 26.8. **Accrued Services** - This represents accruals for services rendered to the company such as janitorial, security, professional fees and others.
- 26.9. **Accrual for Unused Compensated Absences** - This represents the company's liability relating to unused compensated absences, incurred when the employees render service.
- 26.10. **Other Accrued Expenses** - This represents other accrual of expenses not classified under the foregoing accrued expenses accounts.
- 26.11. **Deferred Income** - This represents income received but not yet earned during the accounting period.
- 26.12. **Agency Retirement Plan** - This refers to the outstanding liability of the company under the retirement plan it administers for the members of its agency force.

**26.13. Agency Group Hospitalization Plan** - This represents the outstanding liability of the company pertaining to the group hospitalization coverage of member of the agency force and their dependents.

**26.14. Agency Group Term Plan** - This represents the outstanding liability of the company pertaining to the group insurance coverage of members of the agency force.

**26.15. Agents Cash Bond Deposit** - This represents the outstanding liability of the company pertaining to the cash bond deposits of members of the agency force.

**26.16. Others** - This represents all other liabilities not classified under the foregoing liability accounts.

## **27 DEPOSIT FOR REAL ESTATE UNDER CONTRACT TO SELL**

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

This account shall be measured at amortized cost, which is generally equivalent to its face amount.

## **28 DIVIDENDS PAYABLE**

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

## **29 FINANCIAL LIABILITIES AT FVTPL**

This represents financial liabilities which are carried at FVTPL.

**29.1 Financial Liabilities Held for Trading** - This represents financial liabilities that are:

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

**29.2. Financial Liabilities DFVTPL** - This represents financial liabilities which the company, upon initial recognition, has designated at FVTPL.

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

This shall be comprised of the following sub-accounts:

**29.3.1 Foreign Exchange Contracts.**

- 29.3.1.1 Forward Foreign Exchange Contracts
- 29.3.1.2 Cross Currency Interest Rate Swap
- 29.3.1.3 Foreign Exchange Futures
- 29.3.1.4 Foreign Exchange Options Contracts
- 29.3.1.5 Other Foreign Exchange Contracts

**29.3.2 Interest Rate Contracts.**

- 29.3.2.1 Interest Rate Forwards
- 29.3.2.2 Interest Rate Swaps
- 29.3.2.3 Interest Rate Futures
- 29.3.2.4 Interest Rate Option Contracts
- 29.3.2.5 Other Interest Rate Contracts

**29.3.3 Equity Contracts.**

- 29.3.3.1 Equity Derivatives Forwards
- 29.3.3.2 Equity Swap
- 29.3.3.3 Equity Derivative Futures
- 29.3.3.4 Equity Options Contracts
- 29.3.3.5 Other Equity Contracts

**29.3.4 Credit Derivative Contracts.**

- 29.3.4.1 Credit Default Swaps
- 29.3.4.2 Credit Spread Option
- 29.3.4.3 Other Credit Derivative Contracts

**30 NOTES PAYABLE**

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

**31 LEASE LIABILITY**

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



**32 NET PENSION OBLIGATION**

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

- a) the present value of the defined benefit obligation at the reporting date;
- b) minus the fair value of the plan assets at the reporting date.

**33 ACCRUAL FOR OTHER LONG-TERM EMPLOYEE BENEFITS**

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

**34 DEFERRED TAX LIABILITIES**

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

These are measured at the tax rates that are applicable to the period when the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

**35 PROVISIONS**

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

A provision shall be recognized when:

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

**36 CASH-SETTLED SHARE-BASED PAYMENT**

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

Until the liability is settled, the company shall re-measure the fair value of the liability at each reporting date and at the date of settlement, with any changes in fair value recognized in the income statement for the period.

**37 DERIVATIVE LIABILITIES HELD FOR HEDGING**

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

## DRAFT FOR EXPOSURE

- 37.1. *Fair Value Hedge*** - This represents the negative fair value of derivatives that are designated and considered effective fair value hedging instruments.
- 37.2. *Cash Flow Hedge*** - This represents the negative fair value of derivatives that are designated and effective cash flow hedging instruments.
- 37.3. *Hedges of a Net Investment in Foreign Operation*** - This represents the negative fair value of derivatives that are designated and considered effective hedging instruments for hedges of a net investment in foreign operation.

**EQUITY ACCOUNTS**

**38 CAPITAL STOCK**

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

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

**38.2. Common Stock** - This represents shares of stock issued to stockholders which have the residual equity interest in the Company.

**39 STATUTORY DEPOSIT**

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

**40 CAPITAL STOCK SUBSCRIBED**

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

**40.1 Subscription Receivable**

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

**41 DEPOSIT FOR FUTURE SUBSCRIPTION**

This account represents payments made on subscription of shares which cannot be directly credited to Preferred or Common Stock pending registration with the Securities and Exchange Commission of the amendment to the Articles of incorporation increasing capital stock.

Deposits for future subscription shall be recognized as part of Net Worth (Equity) for prudential reporting purposes when all of the following conditions are met:

- a) The entity's existing authorized capital is already fully subscribed;
- b) The entity's stockholders and Board of Directors have approved the proposed increase in authorized capital;

- c) The entity has filed an application for the Amendment of its Articles of Incorporation for the increase in authorized capital with the appropriate government regulatory agency.

To deter abuse of these conditions, it is expected that the approval of the application for the Amendment of Articles of Incorporation for the increase in authorized capital be obtained within one (1) year from the date the said application was presented to the appropriate government regulatory agency.

Deposits for future subscription shall be classified as a Liability for prudential reporting purposes when:

- a) The nature of deposit for future subscription do not meet all the above-mentioned conditions;
- b) The application for the Amendment of Articles of Incorporation for the increase in authorized capital has been returned due to insufficiency of supporting documents; or
- c) The applications for the Amendment of Articles of Incorporation for the increase in authorized capital has not been obtained within one (1) year from the date the said application was presented to the appropriate government regulatory agency.

However, aforementioned provision is subject to SEC's amendment/s.

**42      CONTRIBUTED SURPLUS**

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

**43      CONTINGENCY SURPLUS / HOME OFFICE INWARD REMITTANCES**

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

**44      CAPITAL PAID IN EXCESS OF PAR**

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

**45      RETAINED EARNINGS / HOME OFFICE ACCOUNT**

This represents the accumulated earnings of the company reduced by any losses the company may incur during a certain accounting period or by dividend declarations. For foreign companies, the equivalent account for Retained Earnings is Home Office account.

This may comprise of the following:

**45.1 Retained Earnings-Appropriated**

**45.2 Retained Earnings-Unappropriated**

**45.3 Retained Earnings-Transition Adjustments**

**45.4 Retained Earnings- Seed Capital VUL**

This represents the total seed capital for Variable Unit Linked Funds.

**46 COST OF SHARE-BASED PAYMENT**

This represents the cumulative amount of expenses recognized by the company arising from equity-settled share-based payment transactions. This account shall be measured at historical fair value at the time of initial recognition.

**47 RESERVE ACCOUNTS**

**47.1 Reserve for Remeasurement of Debt Securities at FVOCI**

This represents the net gains or losses arising from fair value changes of debt securities measured at FVOCI. Upon derecognition of the financial asset, this shall be transferred to profit or loss.

**47.2 Reserve for Remeasurement of Equity Securities at FVOCI**

This represents the net gains or losses arising from fair value changes of equity securities measured at FVOCI. Upon derecognition of the financial asset, this shall be transferred to Retained Earnings.

**47.3 Reserve for Remeasurement of Financial Liabilities DFVTPL**

This represents the fair value changes related to changes in the company's own credit risk of a financial liability designated at FVTPL. Upon derecognition of the financial liability, this shall be transferred to Retained Earnings.

**47.4 Reserve for ECL of Investments in Debt Securities at FVOCI**

This represents the allowance for ECL of debt securities measured at FVOCI. Upon derecognition of the financial asset, this shall be transferred to P&L.

**47.5 Reserve for Cash Flow Hedge**

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

**47.6 Reserve for Hedge of a Net Investment in Foreign Operations**

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

**47.7 Cumulative Foreign Currency Translation**

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

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

**47.8 Net Finance Income (Expense) from Insurance Contracts**

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

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

**47.9 Net Finance Income (Expense) from Reinsurance Contracts Held**

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

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

**47.10 Reserve for Share in OCI Items of Subsidiaries, Associates and Joint Venture**

The entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method.

**47.11 Reserve for Appraisal Increment – Property and Equipment**

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

**47.12 Remeasurement Gains (Losses) on Retirement Pension Asset (Obligation)**

This represents the accumulated balance of remeasurement gains or losses of a net define benefit liability or asset.

**47.13 Others**

This represents other reserve accounts which cannot be appropriately classified under the foregoing reserve accounts.

**48 TREASURY STOCK**

This represents stocks already issued but reacquired by the company. This account shall be measured at cost.

## B) STATEMENT OF COMPREHENSIVE INCOME ACCOUNTS

### 51. INSURANCE REVENUE

#### 51.1 INSURANCE CONTRACTS NOT MEASURED UNDER THE PREMIUM ALLOCATION APPROACH (PAA)

For insurance and reinsurance contracts issued other than those to which the premium allocation approach has been applied, an entity shall disclose an analysis of the insurance revenue recognized in the period comprising:

##### 51.1.1 Amounts Relating to the Changes in Liability for the Remaining Coverage (LRC)

###### 51.1.1. a. Contractual Service Margin (CSM) Recognized for Services Provided

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

###### 51.1.1. b. Change in Risk Adjustment for Non-Financial Risk

This refers to the adjustment to the compensation that the entity requires for bearing the uncertainty about the amount and timing of cash flows that results from non-financial risks.

###### 51.1.1. c. Expected Incurred Claims and Other Insurance Service expenses Incurred for the Period

This represents the amount recognized as insurance revenue arising from the reduction in the LRC for the services provided in the period.

###### 51.1.1. d. Others

This represents other insurance service revenue that cannot be classified under the foregoing accounts.

##### 51.1.2 Recovery of Insurance Acquisition Cash Flows

This refers to the amount notionally allocated to revenue as compensation for the amortization of the acquisition cost for the period.

#### 51.2 INSURANCE CONTRACTS MEASURED UNDER PAA

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

The allocation of the expected premium receipts should be based:

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

## **52. INSURANCE SERVICE EXPENSES**

For insurance and reinsurance contracts issued, these shall comprise the following accounts:

### **52.1. Incurred Claims and Other Expenses**

This represents the aggregate losses and claims the company has incurred on its underwriting business.

### **52.2. Amortization of Insurance Acquisition Cash Flow**

This refers to the amortization of insurance acquisition cash flows for the period which is equal to the amount of recovery of insurance acquisition cash flows included in the insurance revenue.

### **52.3. Losses on Onerous Group of Contracts**

This represents the losses incurred for the onerous contracts. An entity shall recognize a loss in profit or loss for the net outflow for the group of onerous contracts, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows and the contractual service margin of the group being zero.

### **52.4 Reversal of Losses on Onerous Contracts**

This represents reversals of losses on onerous groups of contracts and are consequently excluded from the determination of insurance revenue.

### **52.5. Changes to Liabilities for Incurred Claims**

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

### **52.6. Impairment of Assets for Insurance Acquisition Cash Flow and Reversal of Impairment Losses**

### **52.7. Other Pre-recognition Cash Flows Assets Derecognized at the Date of Initial Recognition**

## **53. NET EXPENSE FROM REINSURANCE CONTRACTS HELD**

### **53.1 REINSURANCE EXPENSES – CONTRACTS MEASURED UNDER PAA**

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



**53.2 REINSURANCE EXPENSES – CONTRACTS NOT MEASURED UNDER PAA**

This shall comprise the following accounts:

**53.2.1 Amounts Relating to the Changes in the Remaining Coverage**

*53.2.1.1 Expected Claims and Other Expenses Recovery*

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

*53.2.1.2. Change in Risk Adjustment for Non-Financial Risk*

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

*53.2.1.3 CSM Recognized For Services Received*

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

*53.2.1.4 Experience Adjustments*

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

**53.3 Other Incurred Directly Attributable Expenses**

**53.4 Effect of Changes in the Risk of Non-Performance of the Reinsurers**

**53.5 Recovery of Incurred Claims**

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

**53.6 Changes in Fulfillment Cash Flows with No Effect to CSM**

**53.7 Adjustments to Incurred Claims**

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

**53.8 Income on Initial Recognition of Onerous Underlying Contracts**

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

**53.9 Reversals of Loss-Recovery Component**

**53.10 Changes in the Fulfillment Cash Flow (FCF) of Reinsurance Contracts Held From Onerous Underlying Contracts**

**54. INSURANCE FINANCE INCOME AND EXPENSES**

**54.1 FINANCE INCOME/EXPENSES FROM INSURANCE CONTRACTS ISSUED**

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

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

*54.1.1 Changes in fair value of underlying assets of contracts measured under the Variable Fee Approach (VFA)*

*54.1.2 Interest accreted to insurance contracts using current financial assumptions*

*54.1.3 Interest accreted to insurance contracts using locked-in rate/Effect of changes in FCF at current rates when CSM is unlocked at locked-in rates*

*54.1.4 Due to changes in interest rates, time value of money and other financial assumptions*

*54.1.5 Net foreign exchange gain (loss)*

**54.2 FINANCE INCOME/EXPENSES FROM REINSURANCE CONTRACTS HELD**

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

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

*54.2.1 Interest accreted to insurance contracts using current financial assumptions*

*54.2.2 Interest accreted to reinsurance contracts using locked-in rate*

*54.2.3 Due to changes in interest rates, time value of money and other financial assumptions*

*54.2.4 Changes in risk related to non-performance reinsurer*

54.2.5 *Net foreign exchange gain (loss)*

**55 INVESTMENT INCOME**

**55.1 INTEREST INCOME**

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

55.1.1 Interest Income - Cash in Banks and Cash Equivalents

55.1.2 Interest Income - Financial Assets at FVTPL

55.1.2.1 Securities Held for Trading

55.1.2.1.1 Debt Securities – Government

55.1.2.1.2 Debt Securities – Private

55.1.2.2 Financial Assets Designated at FVTPL

55.1.2.2.1 Debt Securities – Government

55.1.2.2.2 Debt Securities - Private

55.1.3 Interest Income – Financial Assets at FVOCI

55.1.3.1 Debt Securities – Government

This account represents interest received and/or accrued arising from investments in government securities (such as Treasury Bills, Treasury Notes, and government bonds). These shall be classified into two: Non-taxable (NT) and those subject to Final tax (FT).

55.1.3.2 Debt Securities – Private

This represents interest income received and/or accrued arising from investments in debt instruments issued by the private sector such as commercial papers, corporate notes and bonds.

55.1.4 Interest Income – Investment at Amortized Costs

55.1.4.1 Debt Securities - Government

55.1.4.2 Debt Securities - Private

55.1.5 Interest Income - Loans and Receivables

55.1.5.1 Real Estate Mortgage Loans - This represents interest earned during the period from real estate mortgage loans.

55.1.5.2 Collateral Loans - This represents interest earned during the period from collateral loans.

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- 55.1.5.3 Guaranteed Loans - This represents interest earned during the period from guaranteed loans.
- 55.1.5.4 Chattel Mortgage Loans - This represents interest earned during the period pertaining to interest bearing loans duly secured by a mortgage on chattels, such as cars or motor vehicles.
- 55.1.5.5 Notes Receivable - This represents interest earned during the period derived from interest bearing promissory notes.
- 55.1.5.6 Housing Loans - This represents interest earned during the period derived from housing loans.
- 55.1.5.7 Car Loans - This represents interest earned during the period derived from car loans.
- 55.1.5.8 Low Cost Housing Loans - This represents interest earned during the period arising from low cost housing loans.
- 55.1.5.9 Sales Contracts Receivables - This represents interest earned on sales contracts receivable.
- 55.1.5.10 Purchase Money Mortgages - This represents interest earned on purchase money mortgages.
- 55.1.5.11 Salary Loans - This represents interest earned on salary loans.
- 55.1.5.12 Others - This represents interest income earned which are not otherwise classified under any of the other accounts. Included in this account are the interest earned from the Security Deposit Fund held by the Insurance Commission; special loans; etc.

- 55.1.6 Interest Income - Security Fund Contribution
- 55.1.7 Interest Income - Finance Lease Receivables

## 55.2 DIVIDEND INCOME

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

This account shall be recognized when the stockholders' right to receive payment is established and shall be measured at fair value of the consideration received or receivable.

**55.3 NET GAIN/LOSS ON SALE OF INVESTMENTS**

- 55.3.1 Financial Assets and Liabilities Held for Trading
- 55.3.2 Financial Assets and Liabilities at DFVTPL
- 55.3.3 Investment Property
- 55.3.4 Others

**55.4 NET UNREALIZED GAIN (LOSS) ON INVESTMENT**

- 55.4.1 Financial Assets and Liabilities Held For Trading
- 55.4.2 Financial Assets and Liabilities at DFVTPL
- 55.4.3 Derivative Assets/Liabilities
- 55.4.4 Investment Property

**55.5 NET GAIN (LOSS) FROM RECLASSIFICATION OF FINANCIAL ASSETS**

**55.5.1 *Reclassification from Amortized Cost to FVPL***

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

**55.5.2 *Reclassification from FVOCI to FVPL***

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

**55.6 PROVISION FOR CREDIT LOSSES (REVERSALS)**

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

- 55.6.1 Debt Securities at Fair Value through Other Comprehensive Income
- 55.6.2 Debt Securities at Amortized Cost
- 55.6.3 Loans and Receivables
- 55.6.4 Finance Lease Receivables
- 55.6.5 Others

**55.7 RENTAL INCOME**

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

**55.8 NET FOREIGN EXCHANGE GAIN (LOSS)**

**55.9 SHARE IN PROFIT/LOSS OF ASSOCIATES AND JOINT VENTURES**

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

**55.10 OTHER INVESTMENT MANAGEMENT EXPENSES**

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

**56 OTHER INCOME**

**56.1 NET GAIN (LOSS) ON SALE OF PROPERTY AND EQUIPMENT**

This represents gain realized on sale of property and equipment.

**56.2 MISCELLANEOUS INCOME**

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

**57 OTHER OPERATING EXPENSES**

These are operating expenses which are not directly attributable to the fulfilment of insurance contracts.

**57.1 EMPLOYEE BENEFITS**

This represents the following:

**57.1.1 Salaries and wages**

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

**57.1.2 SSS Contributions**

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

57.1.3 PhilHealth Contributions

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

57.1.4 Pag-IBIG Contribution

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

57.1.5 Employees Compensation and Maternity Contributions

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

57.1.6 Hospitalization Contribution

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

57.1.7 Medical Supplies

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

57.1.8 Employees' Welfare

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

57.1.9 Other Employee Benefits

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

57.1.10 Post-Employee Benefit Cost

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

A.) Current service cost;

- B.) Interest expense;
- C.) Interest income; and
- D.) Effect of any curtailment or adjustment.

**57.2 DOCUMENTARY STAMP TAX**

57.2.1 *Documentary Stamps – Stocks.* This represents the cost of documentary stamps affixed to new or original issues of stocks during the year.

57.2.2 *Documentary Stamps – Others.* This represents cost of documentary stamps expense for transactions not classified under any of the above accounts such as BIR assessment for deficiency of documentary stamps in the prior years, reimbursement of documentary stamps affixed to agents' certificate of authority, affixtures of documentary stamps to the company's certificate of authority and the annual statement for filing with the Insurance Commission, and others.

**57.3 PROFESSIONAL AND TECHNICAL DEVELOPMENT**

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

**57.4 REPRESENTATION AND ENTERTAINMENT**

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

**57.5 TRANSPORTATION AND TRAVEL EXPENSES**

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

**57.6 DIRECTOR'S FEES AND ALLOWANCES**

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

**57.7 CORPORATE SECRETARY'S FEES**

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



**57.8 AUDITORS' FEES**

This represents professional fees paid to the external auditors for the year-end audit/examination of the company's books of accounts. It also includes the monthly retainers fees, charges for the auditors' out of pocket expenses and fees for any special audit examination or consultations, including any audit and tax consultations which may be required by the company from time to time.

**57.9 ACTUARIAL FEES**

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

**57.10 SERVICE FEES**

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

**57.11 LEGAL FEES**

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

**57.12 ASSOCIATION DUES**

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

**57.13 LIGHT AND WATER**

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

**57.14 COMMUNICATION AND POSTAGE**

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

**57.15 PRINTING, STATIONERY AND SUPPLIES**

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

**57.16 BOOKS AND PERIODICALS**

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

**57.17 CONTRIBUTIONS AND DONATIONS**

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

**57.18 RENTAL EXPENSE**

This represents rental expense incurred on leased properties and shall only refer to short-term and low value assets. Rental expense shall be recognized on a straight-line basis over the lease term

**57.19 INSURANCE EXPENSES**

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

**57.20 TAXES AND LICENSES**

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

**57.21 BANK CHARGES**

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

**57.22 INTEREST EXPENSES**

This represents interest expense incurred by the Company.

**57.23 REPAIRS AND MAINTENANCE - MATERIALS**

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

**57.24 REPAIRS AND MAINTENANCE - LABOR**

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

**57.25 DEPRECIATION AND AMORTIZATION**

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

**57.26 PROVISION FOR IMPAIRMENT LOSSES**

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

**57.27 MISCELLANEOUS EXPENSE**

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

**58 PROVISION FOR INCOME TAX**

**58.1 PROVISION FOR INCOME TAX – FINAL**

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

**58.2 PROVISION FOR INCOME TAX – CURRENT**

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

**58.3 PROVISION FOR INCOME TAX - DEFERRED**

This represents provision for deferred tax assets and liabilities.

**59. OTHER COMPREHENSIVE INCOME**

This shall comprise the following accounts:

**OCI items that will be reclassified subsequently to Profit or loss**

Net Finance Income (Expense) from Insurance Contracts

Net Finance Income (Expense) from Reinsurance Contracts Held

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Reserve for Remeasurement of Debt Securities at FVOCI  
Reserve for ECL of Investments in Debt Securities at FVOCI  
Reserve for Cash Flow Hedge  
Reserve for Hedge of a Net Investment in Foreign Operation  
Cumulative Foreign Currency Translation  
Reserve for share in OCI Items of Subsidiaries, Associates and Joint  
Venture  
Others

**OCI items that will not be reclassified subsequently to Profit or loss**

Reserve for Remeasurement of Equity Securities at FVOCI  
Reserve for Remeasurement of Financial Liabilities DFVTPL  
Reserve for Appraisal Increment - Property and Equipment  
Remeasurement Gains (Losses) on Retirement Pension Asset  
(Obligation)  
Others

**ANNEX B.2**

**FINANCIAL REPORTING FRAMEWORK FOR NON-LIFE AND PROFESSIONAL  
REINSURANCE COMPANIES**

**MANUAL OF ACCOUNTS**

**A. STATEMENT OF FINANCIAL POSITION**

**ASSETS**

**1. CASH AND CASH EQUIVALENTS**

**1.1. CASH ON HAND**

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

**1.1.1 UNDEPOSITED COLLECTIONS**

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

**1.1.2 PETTY CASH FUND**

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

**1.1.3 COMMISSION FUND**

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

**1.1.4 DOCUMENTARY STAMPS FUND**

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

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

**1.1.5 CLAIMS FUND**

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

**1.1.6 REVOLVING FUND**

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

**1.1.7 OTHER FUNDS**

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

**1.2 CASH IN BANKS**

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

**1.2.1 CASH IN BANKS – CURRENT (PESO)**

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

**1.2.2 CASH IN BANKS – CURRENT (FOREIGN)**

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

**1.2.3 CASH IN BANKS – SAVINGS (PESO)**

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

**1.2.4 CASH IN BANKS – SAVINGS (FOREIGN)**

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

### **1.3 E-MONEY**

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

### **1.4 CASH EQUIVALENTS**

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

#### **1.4.1 TIME DEPOSITS**

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

##### **1.4.1.1 PESO CURRENCY**

##### **1.4.1.2 FOREIGN CURRENCY**

#### **1.4.2 OTHERS**

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

##### **1.4.2.1 PESO CURRENCY**

##### **1.4.2.2 FOREIGN CURRENCY**

### **1.5 ALLOWANCE FOR EXPECTED CREDIT LOSSES**

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

Under this model, an entity shall measure the ECL of a qualifying financial asset not measured at Fair Value Through Profit or Loss (FVTPL) in a way that reflects:

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

## **2. INSURANCE CONTRACT ASSETS**

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

This account shall comprise the following sub-accounts:

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

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

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

## **3. REINSURANCE CONTRACT ASSETS**

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

This account shall comprise the following sub-accounts:

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

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

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

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

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



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

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

#### **4.1. SECURITIES HELD FOR TRADING**

This represents the debt and equity securities that are:

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

##### **4.1.1. TRADING DEBT SECURITIES – GOVERNMENT**

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

##### **4.1.2. TRADING DEBT SECURITIES – PRIVATE**

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

##### **4.1.3. TRADING EQUITY SECURITIES**

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

**4.1.4. TRADING INVESTMENT FUNDS**

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

- 4.1.4.1. MUTUAL FUNDS AND UNIT INVESTMENT TRUSTS**
- 4.1.4.2. REAL ESTATE INVESTMENT TRUSTS**
- 4.1.4.3. OTHERS**

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

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

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

- 4.2.1. DFVTPL DEBT SECURITIES – GOVERNMENT**
- 4.2.2. DFVTPL DEBT SECURITIES – PRIVATE**
- 4.2.3. DFVTPL INVESTMENT FUNDS**
  - 4.2.3.1. MUTUAL FUNDS AND UNIT INVESTMENT TRUSTS**
  - 4.2.3.2. REAL ESTATE INVESTMENT TRUSTS**
  - 4.2.3.3. OTHERS**

**4.3. DERIVATIVE ASSETS**

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

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

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

This shall comprise the following sub-accounts:

- 4.3.1. FOREIGN EXCHANGE CONTRACTS**
  - 4.3.1.1. FORWARD FOREIGN EXCHANGE CONTRACTS**

- 4.3.1.2. CROSS CURRENCY INTEREST RATE SWAP
- 4.3.1.3. FOREIGN EXCHANGE FUTURES
- 4.3.1.4. FOREIGN EXCHANGE FOREIGN CONTRACTS
- 4.3.1.5. OTHERS

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

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

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

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

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

- (A) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- (B) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

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

- 5.1. DEBT SECURITIES AT FVOCI – GOVERNMENT
  - 5.1.1. MANDATORY SECURITY DEPOSITS
  - 5.1.2. OTHERS
- 5.2. DEBT SECURITIES AT FVOCI – PRIVATE

**5.3. INVESTMENTS IN EQUITY INSTRUMENTS DESIGNATED AT FVOCI**

**5.3.1. LISTED EQUITY SECURITIES**

**5.3.2. UNLISTED EQUITY SECURITIES**

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

**6. INVESTMENT SECURITIES AT AMORTIZED COST**

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

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

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

This account shall comprise the following sub-accounts:

**6.1. DEBT SECURITIES AT AMORTIZED COST – GOVERNMENT**

**6.1.1. MANDATORY SECURITY DEPOSITS**

**6.1.1.1. UNAMORTIZED (DISCOUNT)/PREMIUM**

**6.1.1.2. ALLOWANCE FOR ECL**

**6.1.2. OTHERS**

**6.1.2.1. UNAMORTIZED (DISCOUNT)/PREMIUM**

**6.1.2.2. ALLOWANCE FOR ECL**

**6.2. DEBT SECURITIES AT AMORTIZED COST – PRIVATE**

**6.2.1. UNAMORTIZED (DISCOUNT)/PREMIUM**

**6.2.2. ALLOWANCE FOR ECL**

**6.3. INVESTMENT FUNDS AT AMORTIZED COST**

**6.3.1. ALLOWANCE FOR ECL**

## **7. LOANS AND RECEIVABLES**

This account shall comprise the following sub-accounts:

### **7.1. HOUSING LOANS**

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

#### **7.1.1. ALLOWANCE FOR ECL**

### **7.2. REAL ESTATE MORTGAGE LOANS**

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

#### **7.2.1. ALLOWANCE FOR ECL**

### **7.3. COLLATERAL LOANS**

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

#### **7.3.1. ALLOWANCE FOR ECL**

### **7.4. GUARANTEED LOANS**

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

#### **7.4.1. ALLOWANCE FOR ECL**

### **7.5. CHATTEL MORTGAGE LOANS**

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

#### **7.5.1. ALLOWANCE FOR ECL**

### **7.6. NOTES RECEIVABLE**

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

#### **7.6.1. ALLOWANCE FOR ECL**

### **7.7. CAR LOANS**

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

**7.7.1. ALLOWANCE FOR ECL**

**7.8. PURCHASE MONEY MORTGAGES**

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

**7.8.1. ALLOWANCE FOR ECL**

**7.9. SALES CONTRACT RECEIVABLES**

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

**7.9.1. ALLOWANCE FOR ECL**

**7.10. SALARY LOANS**

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

**7.10.1. ALLOWANCE FOR ECL**

**7.11. OTHER LOANS RECEIVABLE**

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

**7.11.1. ALLOWANCE FOR ECL**

**8. OTHER RECEIVABLES**

This account shall comprise the following sub-accounts:

**8.1. ADVANCES TO AGENTS/EMPLOYEES**

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

**8.1.1. ALLOWANCE FOR ECL**

**8.2. OPERATING LEASE RECEIVABLE**

This represents the rent receivable arising from operating lease contracts.

**8.2.1. ALLOWANCE FOR ECL**

**8.3. FINANCE LEASE RECEIVABLE**

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

**8.3.1. ALLOWANCE FOR ECL**

**8.4. OTHERS**

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

**8.4.1. ALLOWANCE FOR ECL**

**9. INVESTMENT INCOME DUE AND ACCRUED**

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

**9.1. ACCRUED INTEREST INCOME – CASH EQUIVALENTS**

**9.2. ACCRUED INTEREST INCOME – FVTPL**

**9.2.1. SECURITIES HELD FOR TRADING**

**9.2.1.1. TRADING SECURITIES – GOVERNMENT**

**9.2.1.2. TRADING SECURITIES – PRIVATE**

**9.2.1.3. OTHERS**

**9.2.2. FINANCIAL ASSETS DFVTPL**

**9.2.2.1. DFVTPL DEBT SECURITIES – GOVERNMENT**

**9.2.2.2. DFVTPL DEBT SECURITIES – PRIVATE**

**9.2.2.3. DFVTPL INVESTMENT FUNDS**

**9.3. ACCRUED INTEREST INCOME – FINANCIAL ASSETS AT FVOCI**

**9.3.1. DEBT SECURITIES AT FVOCI – GOVERNMENT**

**9.3.1.1. MANDATORY SECURITY DEPOSITS**

**9.3.1.2. OTHERS**

**9.3.2. DEBT SECURITIES AT FVOCI – PRIVATE**

**9.4. ACCRUED INTEREST INCOME – INVESTMENT SECURITIES AT AMORTIZED COST**

**9.4.1. DEBT SECURITIES AT AMORTIZED COST – GOVERNMENT**

**9.4.1.1. MANDATORY SECURITY DEPOSITS**

**9.4.1.2. OTHERS**

**9.4.2. DEBT SECURITIES AT AMORTIZED COST – PRIVATE**

**9.5. ACCRUED INTEREST INCOME – LOANS AND RECEIVABLES**

**9.5.1. HOUSING LOANS**

**9.5.2. REAL ESTATE MORTGAGE LOANS**

**9.5.3. COLLATERAL LOANS**

- 9.5.4. GUARANTEED LOANS
- 9.5.5. CHATTEL MORTGAGE LOANS
- 9.5.6. NOTES RECEIVABLE
- 9.5.7. PURCHASE MONEY MORTGAGES
- 9.5.8. CAR LOANS
- 9.5.9. SALES CONTRACT RECEIVABLE
- 9.5.10. SALARY LOANS
- 9.5.11. OTHERS
  
- 9.6. ACCRUED DIVIDEND INCOME – FVOCI SECURITIES
  - 9.6.1. TRADING EQUITY SECURITIES
  - 9.6.2. EQUITY SECURITIES DESIGNATED AT FVOCI
  
- 9.7. ACCRUED INTEREST INCOME – SECURITY FUND CONTRIBUTION
  
- 9.8. ACCRUED INVESTMENT INCOME – OTHERS
  
- 9.9. ALLOWANCE FOR ECL
  
- 10. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

This shall comprise the following accounts:

**10.1. INVESTMENT IN SUBSIDIARIES**

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

**10.2. INVESTMENT IN ASSOCIATES**

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

**10.3. INVESTMENTS IN JOINT VENTURES**

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



## **11. PROPERTY AND EQUIPMENT**

This account represents the tangible items that:

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

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

### **11.1. LAND – AT COST**

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

### **11.2. BUILDING AND BUILDING IMPROVEMENTS – AT COST**

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

#### **11.2.1. ACCUMULATED DEPRECIATION – BUILDING AND BUILDING IMPROVEMENTS**

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

### **11.3. LEASEHOLD IMPROVEMENTS – AT COST**

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

#### **11.3.1. ACCUMULATED DEPRECIATION – LEASEHOLD IMPROVEMENTS**

### **11.4. IT EQUIPMENT - AT COST**

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

#### **11.4.1. ACCUMULATED DEPRECIATION – IT EQUIPMENT**

**11.5. TRANSPORTATION EQUIPMENT – AT COST**

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

**11.5.1. ACCUMULATED DEPRECIATION –  
TRANSPORTATION EQUIPMENT**

**11.6. OFFICE FURNITURE, FIXTURES AND EQUIPMENT – AT COST**

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

**11.6.1. ACCUMULATED DEPRECIATION - OFFICE FURNITURE,  
FIXTURES AND EQUIPMENT**

**11.7. REVALUATION INCREMENT**

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

**11.7.1. ACCUMULATED DEPRECIATION – REVALUATION  
INCREMENT**

**11.8. ACCUMULATED IMPAIRMENT LOSSES**

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

**11.9. CONSTRUCTION WORK-IN-PROGRESS**

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

**12. RIGHT OF USE (ROU) ASSET**

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

This shall comprise the following accounts:

**12.1. ROU ASSET – AT COST**

**12.1.1. ACCUMULATED DEPRECIATION – ROU ASSET**

**12.1.2. ACCUMULATED IMPAIRMENT LOSSES – ROU ASSET**

**12.2. REVALUATION INCREMENT**

**12.2.1. ACCUMULATED DEPRECIATION – REVALUATION  
INCREMENT**

**12.2.2. ACCUMULATED IMPAIRMENT LOSSES – REVALUATION INCREMENT**

**12.3. ROU ASSET – AT FAIR VALUE**

**13. INVESTMENT PROPERTY**

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

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

This account shall be classified as follows:

**13.1. LAND – AT COST**

**13.2. BUILDING AND BUILDING IMPROVEMENTS – AT COST**

**13.2.1. ACCUMULATED DEPRECIATION – BUILDING AND BUILDING IMPROVEMENTS**

**13.3. ACCUMULATED IMPAIRMENT LOSS**

**13.4. LAND – AT FAIR VALUE**

**13.5. BUILDING AND BUILDING IMPROVEMENTS – AT FAIR VALUE**

**13.6. FORECLOSED PROPERTIES**

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

**13.7. CONSTRUCTION WORK-IN-PROGRESS**

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

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

## **15. SECURITY FUND CONTRIBUTION**

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

### **15.1. ALLOWANCE FOR ECL**

## **16. NET PENSION ASSET**

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

## **17. DERIVATIVE ASSETS HELD FOR HEDGING**

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

### **17.1. FAIR VALUE HEDGE**

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

### **17.2. CASH FLOW HEDGE**

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

### **17.3. HEDGES OF A NET INVESTMENT IN FOREIGN OPERATION**

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

## **18. DEFERRED TAX ASSET**

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

**19. OTHER ASSETS**

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

**LIABILITIES**

**20. INSURANCE CONTRACT LIABILITIES**

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

This account shall comprise the following sub-accounts:

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

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

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

**21. REINSURANCE CONTRACT LIABILITIES**

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

This account shall comprise the following sub-accounts:

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

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

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

**22. DEPOSIT FOR FUTURE STOCK SUBSCRIPTION**

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

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

**23. INCOME TAX PAYABLE**

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

**24. OTHER TAXES PAYABLE**

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

**25. DEPOSIT FOR REAL ESTATE UNDER CONTRACT TO SELL**

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

**26. CASH COLLATERALS**

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

**27. DIVIDENDS PAYABLE**

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

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

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

## **28.1.FINANCIAL LIABILITIES HELD FOR TRADING**

This represents financial liabilities that are:

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

## **28.2. FINANCIAL LIABILITIES DESIGNATED AT FVTPL**

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

## **28.3.DERIVATIVE LIABILITIES**

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

### **28.3.1. FOREIGN EXCHANGE CONTRACTS**

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

### **28.3.2. INTEREST RATE CONTRACTS**

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

### **28.3.3. EQUITY CONTRACTS**

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

### **28.3.4. CREDIT DERIVATIVES**

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



**29. NOTES PAYABLE**

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

**30. LEASE LIABILITY**

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

**31. NET PENSION OBLIGATION**

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

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

**32. ACCRUAL FOR OTHER LONG-TERM EMPLOYEE BENEFITS**

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

**33. PROVISIONS**

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

A provision shall be recognized when:

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

**34. CASH-SETTLED SHARE-BASED PAYMENT**

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

**35. DERIVATIVE LIABILITIES HELD FOR HEDGING**

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

**35.1.FAIR VALUE HEDGE**

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

**35.2.CASH FLOW HEDGE**

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

**35.3.HEDGES OF A NET INVESTMENT IN FOREIGN OPERATION**

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

**36. DEFERRED TAX LIABILITY**

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

**37. ACCRUED EXPENSES**

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

**37.1.ACCRUED UTILITIES**

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

**37.2.ACCRUED SERVICES**

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

**37.3.ACCRUAL FOR UNUSED COMPENSATED ABSENCES**

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

**37.4.ACCRUED INTEREST EXPENSE**

**38. OTHER LIABILITIES**

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

**38.1.SSS PREMIUMS PAYABLE**

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

**38.2.SSS LOANS PAYABLE**

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

**38.3.PAG-IBIG PREMIUMS PAYABLE**

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

**38.4.PAG-IBIG LOANS PAYABLE**

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

**38.5.PHILHEALTH PREMIUMS PAYABLE**

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

**38.6.RENT PAYABLE**

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

**38.7.DEFERRED INCOME**

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

**38.8.OTHERS**

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

EQUITY

**39. CAPITAL STOCK**

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

**39.1.COMMON STOCK**

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

**39.2.PREFERRED STOCK**

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

**40. STATUTORY DEPOSIT**

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

**41. CAPITAL STOCK SUBSCRIBED**

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

**41.1.SUBSCRIPTION RECEIVABLE**

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

**42. DEPOSIT FOR FUTURE STOCK SUBSCRIPTION**

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

**43. CONTRIBUTED SURPLUS**

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

**44. CONTINGENCY SURPLUS / HOME OFFICE INWARD REMITTANCES**

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

**45. CAPITAL PAID IN EXCESS OF PAR**

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

**46. RETAINED EARNINGS / HOME OFFICE ACCOUNT**

This represents the accumulated earnings of the company reduced by any losses the company may incur during a certain accounting period or by dividend declarations. For branch entities, the equivalent account for Retained Earnings is Home Office account.

**47. COST OF SHARE-BASED PAYMENT**

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

**48. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)**

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

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

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

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

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

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

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

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

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

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

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

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

**48.6. NET GAIN (LOSS) FROM FOREIGN CURRENCY TRANSLATION**

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

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

**48.7. SHARE IN ASSOCIATE'S EQUITY RESERVES**

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

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

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

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

**48.10. REVALUATION GAIN (LOSS) ON PROPERTY AND EQUIPMENT**

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

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

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

**48.12. OTHERS**

**49. TREASURY STOCK**

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

## B. STATEMENT OF COMPREHENSIVE INCOME

### INSURANCE SERVICE REVENUE – DIRECT BUSINESS

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

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

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

The allocation of the expected premium receipts should be based:

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

#### **51. INSURANCE CONTRACTS NOT MEASURED UNDER THE PAA**

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

###### **51.1.1. EXPECTED INCURRED CLAIMS AND OTHER SERVICE EXPENSES INCURRED**

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

###### **51.1.2. CHANGE IN RISK ADJUSTMENT FOR NON-FINANCIAL RISK**

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

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

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



**51.1.4. EXPERIENCE ADJUSTMENTS**

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

**51.1.5. OTHERS**

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

**51.2. RECOVERY OF INSURANCE ACQUISITION COSTS**

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

**INSURANCE SERVICE REVENUE – INWARD REINSURANCE**

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

**52. INSURANCE CONTRACTS MEASURED UNDER THE PAA**

**53. INSURANCE CONTRACTS NOT MEASURED UNDER THE PAA**

**53.1. AMOUNTS RELATING TO THE CHANGES IN LRC**

**53.1.1. EXPECTED INCURRED CLAIMS AND OTHER SERVICE EXPENSES INCURRED**

**53.1.2. CHANGE IN RISK ADJUSTMENT FOR NON-FINANCIAL RISK**

**53.1.3. CSM RECOGNIZED FOR SERVICES PROVIDED**

**53.1.4. EXPERIENCE ADJUSTMENTS**

**53.1.5. OTHERS**

**53.2. RECOVERY OF INSURANCE ACQUISITION COSTS**

**INSURANCE SERVICE EXPENSE – DIRECT BUSINESS**

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

**54. INCURRED CLAIMS AND OTHER INSURANCE SERVICE EXPENSES**

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

**55. AMORTIZATION OF INSURANCE ACQUISITION COSTS**

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

**56. ADJUSTMENTS TO LIABILITIES FOR INCURRED CLAIMS (LIC)**

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

**57. LOSSES ON ONEROUS CONTRACTS**

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

**58. REVERSAL OF LOSSES ON ONEROUS CONTRACTS**

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

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

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

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

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

**INSURANCE SERVICE EXPENSE – INWARD REINSURANCE**

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

**61. INCURRED CLAIMS AND OTHER INSURANCE SERVICE EXPENSES**

**62. AMORTIZATION OF INSURANCE ACQUISITION COSTS**

- 63. ADJUSTMENTS TO LIC
- 64. LOSSES ON ONEROUS CONTRACTS
- 65. REVERSAL OF LOSSES ON ONEROUS CONTRACTS
- 66. OTHER PRE-RECOGNITION CASH FLOW ASSETS DERECOGNIZED AT THE DATE OF INITIAL RECOGNITION
- 67. PROVISION FOR IMPAIRMENT LOSSES – ASSET FOR INSURANCE ACQUISITION CASH FLOWS
  - 67.1. REVERSAL OF IMPAIRMENT OF ASSETS FOR INSURANCE ACQUISITION CASH FLOWS

**NET EXPENSE FROM REINSURANCE CONTRACTS HELD**

**68. REINSURANCE EXPENSES – CONTRACTS MEASURED UNDER THE PAA**

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

**69. REINSURANCE EXPENSES – CONTRACTS NOT MEASURED UNDER THE PAA**

This shall comprise the following accounts:

**69.1. AMOUNTS RELATING TO THE CHANGES IN THE REMAINING COVERAGE**

**69.1.1. EXPECTED CLAIMS AND OTHER EXPENSES RECOVERY**

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

**69.1.2. CHANGE IN ADJUSTMENT FOR NON-FINANCIAL RISK**

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

**69.1.3. CSM RECOGNIZED FOR SERVICES RECEIVED**

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

**69.1.4. EXPERIENCE ADJUSTMENTS**

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

**70. OTHER INCURRED DIRECTLY ATTRIBUTABLE EXPENSES**

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

**72. RECOVERY OF INCURRED CLAIMS**

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

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

**74. ADJUSTMENTS TO INCURRED CLAIMS**

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

**75. INCOME ON INITIAL RECOGNITION OF ONEROUS UNDERLYING CONTRACTS**

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

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

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

**INSURANCE FINANCE INCOME AND EXPENSES**

**78. FINANCE INCOME (EXPENSES) FROM INSURANCE CONTRACTS ISSUED**

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

- (c) the effect of the time value of money and changes in the time value of money; and
- (d) the effect of financial risk and changes in financial risk.

**78.1.INTEREST ACCRETED TO INSURANCE CONTRACTS USING CURRENT FINANCIAL ASSUMPTIONS**

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

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

**78.4.NET FOREIGN EXCHANGE GAIN (LOSS)**

**79. FINANCE INCOME (EXPENSES) FROM REINSURANCE CONTRACTS HELD**

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

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

**79.1.INTEREST ACCRETED TO INSURANCE CONTRACTS USING CURRENT FINANCIAL ASSUMPTIONS**

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

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

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

**79.5.NET FOREIGN EXCHANGE GAIN (LOSS)**

**INVESTMENT INCOME**

**80. INTEREST INCOME**

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

**80.1.INTEREST INCOME – CASH IN BANKS**

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

**80.2.INTEREST INCOME – CASH EQUIVALENTS**

**80.3.INTEREST INCOME – DEBT SECURITIES AT FVTPL**

**80.3.1. DEBT SECURITIES HELD FOR TRADING**

**80.3.1.1. DEBT SECURITIES AT FVTPL – GOVERNMENT**

**80.3.1.2. DEBT SECURITIES AT FVTPL – PRIVATE**

**80.3.2. DEBT SECURITIES DESIGNATED AT FVTPL**

**80.3.2.1. DEBT SECURITIES AT FVTPL – GOVERNMENT**

**80.3.2.2. DEBT SECURITIES FVTPL – PRIVATE**

**80.4.INTEREST INCOME – DEBT SECURITIES AT FVOCI**

**80.4.1. DEBT SECURITIES AT FVOCI – GOVERNMENT**

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

**80.4.2. DEBT SECURITIES AT FVOCI– PRIVATE**

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

**80.5.INTEREST INCOME – DEBT SECURITIES AT AMORTIZED COST**

**80.5.1. DEBT SECURITIES AT AMORTIZED COST – GOVERNMENT**

**80.5.2. DEBT SECURITIES AT AMORTIZED COST – PRIVATE**

**80.6.INTEREST INCOME – LOANS AND RECEIVABLES**

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

**80.6.1. HOUSING LOANS**

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

**80.6.2. REAL ESTATE MORTGAGE LOANS**

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

**80.6.3. COLLATERAL LOANS**

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

**80.6.4. GUARANTEED LOANS**

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

**80.6.5. CHATTEL MORTGAGE LOANS**

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

**80.6.6. NOTES RECEIVABLE**

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

**80.6.7. CAR LOANS**

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

**80.6.8. PURCHASE MONEY MORTGAGES**

This represents the interest earned on purchase money mortgages.

**80.6.9. SALES CONTRACTS RECEIVABLES**

This represents the interest earned on sales contracts receivable.

**80.6.10. SALARY LOANS**

This represents the interest earned on salary loans.



**80.6.11. OTHERS**

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

**80.7.INTEREST INCOME – SECURITY FUND CONTRIBUTION**

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

**80.8.INTEREST INCOME – FINANCE LEASE RECEIVABLES**

This represents the interest earned on lease agreements.

**81. DIVIDEND INCOME**

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

**82. NET GAIN (LOSS) ON DISPOSAL OF INVESTMENTS**

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

This shall be composed of the following sub-accounts:

**80.1. FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING**

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

**80.3. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

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

**80.4. FINANCIAL ASSETS AT AMORTIZED COST**

**80.5. INVESTMENT PROPERTY**

**80.6. OTHERS**

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

**83. NET UNREALIZED GAIN (LOSS) ON INVESTMENTS**

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

This shall comprise the following sub-accounts:

**83.1. FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING**

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

**83.3. DERIVATIVE ASSETS/LIABILITIES**

**83.4. INVESTMENT PROPERTY**

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

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

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

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

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

**85. PROVISION FOR CREDIT LOSSES (REVERSALS)**

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

**85.1. DEBT SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

**85.2. DEBT SECURITIES AT AMORTIZED COST**

**85.3. LOANS AND RECEIVABLES**

**85.4. FINANCE LEASE RECEIVABLES**

**85.5. OTHERS**

**86. NET FOREIGN EXCHANGE GAIN (LOSS)**

**87. OTHER INVESTMENT MANAGEMENT EXPENSES**

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

**OTHER INCOME**

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

**88. RENTAL INCOME**

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

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

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

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

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

**91. MISCELLANEOUS INCOME**

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

**OTHER EXPENSES**

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

**92. SALARIES AND WAGES**

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

**93. SSS CONTRIBUTIONS**

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

**94. PHILHEALTH CONTRIBUTIONS**

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

**95. PAG-IBIG CONTRIBUTIONS**

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

**96. EMPLOYEES COMPENSATION AND MATERNITY CONTRIBUTIONS**

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

**97. HOSPITALIZATION CONTRIBUTION**

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

**98. MEDICAL SUPPLIES**

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

**99. EMPLOYEE'S WELFARE**

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

**100. EMPLOYEE BENEFITS**

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

**101. POST-EMPLOYMENT BENEFIT COST**

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

- (A) Current service cost;
- (B) Interest expense;
- (C) Interest income; and
- (D) Effect of any curtailment or adjustment.

**102. PROFESSIONAL AND TECHNICAL DEVELOPMENT**

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

**103. REPRESENTATION AND ENTERTAINMENT**

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

**104. TRANSPORTATION AND TRAVEL EXPENSES**

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

**105. DIRECTORS' FEES AND ALLOWANCES**

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

**106. CORPORATE SECRETARY'S FEES**

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

**107. AUDITORS' FEES**

This represents the professional fees paid to the external auditors for the year-end audit/examination of the company's books of accounts. It also includes the monthly retainers' fees, charges for the auditors' out of pocket expenses and fees for any special audit examination or consultations, including any audit and tax consultations which may be required by the company from time to time.

**108. ACTUARIAL FEES**

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

**109. SERVICE FEES**

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

**110. LEGAL FEES**

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

**111. ASSOCIATION DUES**

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

**112. LIGHT AND WATER**

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

**113. COMMUNICATION AND POSTAGE**

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

**114. PRINTING, STATIONERY AND SUPPLIES**

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

**115. BOOKS AND PERIODICALS**

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

**116. ADVERTISING AND PROMOTIONS**

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

**117. CONTRIBUTIONS AND DONATIONS**

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

**118. RENTAL EXPENSE**

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

**119. INSURANCE EXPENSES**

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

**120. TAXES AND LICENSES**

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

**121. BANK CHARGES**

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

**122. INTEREST EXPENSE**

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

**122.1. NOTES PAYABLE**

**122.2. LEASE LIABILITY**

**122.3. OTHERS**

**123. REPAIRS AND MAINTENANCE – MATERIALS**

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

**124. REPAIRS AND MAINTENANCE – LABOR**

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

**125. DEPRECIATION AND AMORTIZATION**

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

**126. PROVISION FOR IMPAIRMENT LOSSES**

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

This shall comprise the following sub-accounts:

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

**127. MISCELLANEOUS EXPENSE**

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

**128. PROVISION FOR INCOME TAX**

**128.1. PROVISION FOR INCOME TAX – FINAL**

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

**128.2. PROVISION FOR INCOME TAX – CURRENT**

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

**128.3. PROVISION FOR INCOME TAX – DEFERRED**

This represents the provision for deferred tax assets and liabilities.



**OTHER COMPREHENSIVE INCOME (OCI)**

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

This shall comprise the following accounts.

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

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

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

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

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

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

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

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

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

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

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

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

**129.6. NET GAIN (LOSS) FROM FOREIGN CURRENCY TRANSLATION**

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

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

**129.7. SHARE IN ASSOCIATE'S OCI**

**129.8. OTHERS**

**129.9. RELATED INCOME TAX**

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

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

This shall comprise the following accounts:

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

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

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

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

**130.3. REVALUATION GAIN (LOSS) ON PROPERTY AND EQUIPMENT**

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

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

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

**130.5. OTHERS**

**130.6. RELATED INCOME TAX**

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