

ANNUAL REPORT 2020

PIONEER LIFE INC

Pioneer House Makati
108 Paseo De Roxas, Legaspi Village, Makati City
www.pioneer.com.ph



PIONEER GROUP

Established in 1954, the Pioneer Group has consistently charted insurance milestones for over half a century through its main arms of life and non-life insurance.

Pioneer Group has an extensive network of 23 branch offices and shared offices throughout the country. With an office in Hong Kong, it remains as the only active Philippine non-life company writing business in China's Special Administrative Region.

Pioneer has been named by Euromoney Annual Insurance Survey as the best Insurance Company in the Philippines for two consecutive years beginning 2009. In 2010, it was likewise recognized as the Best Insurer in Asia. In 2012, Pioneer was recognized by the Insurance Commission for its significant contributions to the field of microinsurance.

Comprising the Pioneer Group are: Pioneer Insurance & Surety Corporation, Pioneer Life Inc, Pioneer Intercontinental Insurance Corporation, CARD Pioneer Microinsurance Inc, M Pioneer Insurance Inc., and Pioneer Hollard Inc.

CORPORATE PROFILE

Pioneer's life operations were established in 1964, and its evolution has included a fruitful five-year joint venture with Allianz AG of Germany in the form of Pioneer Allianz. Following the joint venture in 2003, an agreement was reached to move forward as a 100 percent Filipino-owned company.

Today, Pioneer Life Inc. is a significant player in the industry, and it continues to grow with a record number of Million Dollar Round Table qualifiers.

Board of Directors

Mr. David C. Coyukiat, Chairman

Mr. Ernesto O. Chan, Treasurer

Mr. Lorenzo O. Chan, Jr., President/CEO

Ms. Sally C. Ong Pac, Member

Ms. Molly C. Uyecio, Member

Atty. Ma. Bertola D. Medialdea, Member

Ms. Caridad Chua Unsu, Member

Ms. Emily A. Abrera, Independent Director

Mr. Vitaliano N. Nanagas II, Independent Director

OUR CORE VALUES

Humanity

We are in the business of helping people secure their lives and what matters most to them. We provide services that enable our stakeholders to prepare for and face some of life's most challenging moments. We do so with warmth, compassion, and a sincere concern for the quality of life of every stakeholder.

Excellence

We value excellence that goes beyond mere compliance. We believe in doing the right things the right way. Because we care about what is important to our stakeholders and caring is part of who we are, we will go out of our way to provide superior products and services that communicate our concern and desire to delight them.

Integrity

We recognize that each employee of Pioneer defines our organization by the way he/she carries him/herself. Integrity is all about knowing who we are and taking pride in what we stand for. It is about how we turn values into actions, how our actions reflect who we are, and how we see ourselves through the things we do. We strongly believe in this dual standard: to be strict with others but strictest with one's self, especially when no one is looking.

We believe that mediocrity is a form of dishonesty; it is not being true to who we are.

WHAT WE OFFER

- **Individual Life Insurance & Investment**
- **Health Insurance**
- **Accident & Health Insurance**
- **Insurance for Groups or Employees**
- **Travel Insurance**
- **OFW Insurance**

FINANCIAL STATEMENTS

PIONEER LIFE INC.
(A Wholly-Owned Subsidiary of Pioneer Life Holdings, Inc.)
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2020	2019
ASSETS		
Cash and cash equivalents (Notes 4, 7, and 29)	₱2,310,067,873	₱1,714,786,310
Insurance receivables (Notes 5 and 29)	555,854,022	686,129,916
Financial assets (Notes 6, 7, and 29)		
Financial assets at fair value through profit or loss	3,905,701,760	4,109,712,519
Financial assets at fair value through other comprehensive income (FVOCI)	4,376,547,945	4,057,568,107
Financial assets at amortized cost	1,076,599,780	1,356,169,201
Accrued income (Notes 8 and 29)	76,172,758	81,494,394
Reinsurance assets (Notes 13, 14, and 29)	1,000,000	1,000,000
Investment properties (Note 9)	14,874,950	14,681,520
Property and equipment - net (Note 10)	32,871,451	37,211,623
Software costs - net (Note 11)	4,323,543	1,949,953
Right-of-use asset (Note 27)	45,292,297	80,396,859
Investments in an associate (Note 12)	2,372,794,480	2,372,794,480
Deferred tax asset - net (Note 25)	92,505,687	-
Other Assets	74,420,296	80,273,223
TOTAL ASSETS	₱14,939,026,842	₱14,594,168,105
LIABILITIES AND EQUITY		
Liabilities		
Insurance contract liabilities (Notes 12, 13, and 29)		
Legal policy reserves	₱10,010,502,790	₱9,365,779,230
Policy and contract claims	1,115,435,825	801,968,955
Policyholders' dividends (Note 29)	269,679,490	277,198,183
Reserve for policyholders' dividends (Note 29)	13,575	13,575
Policyholders' deposits (Note 29)	361,743,354	377,516,243
Insurance payables (Notes 15 and 29)	480,050,734	554,377,416
Accounts payable and accrued expenses (Notes 7, 16, and 29)	184,593,937	277,778,480
Lease liability (Note 27)	48,992,417	83,330,876
Pension liability - net (Note 24)	32,129,884	48,568,934
Deferred tax liability - net (Note 25)	-	221,307,435
Total Liabilities	12,503,142,006	12,007,839,327
Equity		
Capital stock (Note 17)	260,000,000	260,000,000
Additional paid-in capital	261,297,581	261,297,581
Contributed surplus	430,000,000	430,000,000
Contingency surplus	111,000,000	111,000,000
Reserve for fluctuation in value of financial assets at FVOCI	778,096,685	437,766,034
Remeasurement gains (losses) on legal policy reserves (Note 13)	(177,432,565)	495,612,070
Remeasurement gains on retirement benefit plan (Note 24)	1,644,627	9,239,487
Retained earnings	771,278,508	581,413,606
Total Equity	2,435,884,836	2,586,328,778
TOTAL LIABILITIES AND EQUITY	₱14,939,026,842	₱14,594,168,105

See accompanying Notes to Financial Statements.



PIONEER LIFE INC.
(A Wholly-Owned Subsidiary of Pioneer Life Holdings, Inc.)

STATEMENTS OF INCOME

	Years Ended December 31	
	2020	2019
REVENUE		
Gross earned premiums on insurance contracts	₱4,421,934,861	₱4,854,439,634
Reinsurers' share of gross earned premiums on insurance contracts	(1,112,406,788)	(1,135,591,503)
Net earned premiums (Note 18)	3,309,528,073	3,718,848,131
Investment income (loss) - net (Note 19)	4,629,224	609,555,735
Foreign currency exchange loss - net (Note 6)	(72,289,796)	(39,275,643)
Other income	1,526,949	2,210,628
Other revenues	(66,133,623)	572,490,720
	3,243,394,450	4,291,338,851
BENEFITS, CLAIMS, EXPENSES AND LOSSES		
Gross change in legal policy reserves	(309,563,977)	357,943,427
Reinsurers' share of gross change in legal policy reserves	(7,204,795)	(21,909,228)
Gross benefits and claims incurred on insurance contracts	2,540,467,546	2,681,250,610
Reinsurers' share of gross benefits and claims incurred on insurance contracts	(550,112,324)	(629,880,211)
Net insurance benefits and claims (Notes 13 and 20)	1,673,586,450	2,387,404,598
General and administrative expenses (Note 21)	758,082,591	842,499,544
Commissions and other direct expenses (Note 22)	566,993,139	585,913,759
Interest expense	15,614,812	15,679,157
Expenses and losses	1,340,690,542	1,444,092,460
	3,014,276,992	3,831,497,058
INCOME BEFORE INCOME TAX	229,117,458	459,841,793
PROVISION FOR INCOME TAX (Note 25)	39,252,556	35,405,277
NET INCOME	₱189,864,902	₱424,436,516

See accompanying Notes to Financial Statements.



PIONEER LIFE INC.
(A Wholly-Owned Subsidiary of Pioneer Life Holdings, Inc.)
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2020	2019
NET INCOME	₱189,864,902	₱424,436,516
OTHER COMPREHENSIVE INCOME		
<i>Items to be recycled to profit or loss in subsequent periods:</i>		
Fair value gain on debt securities at FVOCI (Note 6)	359,830,842	734,708,606
Transfers to profit or loss (Notes 6 and 19)	–	(23,628,704)
	359,830,842	711,079,902
<i>Items not to be recycled to profit or loss in subsequent periods:</i>		
Fair value gain (loss) on equity securities designated at FVOCI (Note 6)	(22,277,871)	10,451,084
Consequential income tax effect (Note 25)	2,777,680	(1,635,163)
	(19,500,191)	8,815,921
Remeasurement loss on legal policy reserves (Note 13)	(961,492,334)	(590,398,843)
Consequential income tax effect (Note 25)	288,447,699	177,119,653
	(673,044,635)	(413,279,190)
Remeasurement loss on retirement benefit plan (Note 24)	(10,861,910)	(57,269,419)
Consequential income tax effect (Note 25)	3,267,050	17,180,826
	(7,594,860)	(40,088,593)
	(340,308,844)	266,528,040
TOTAL COMPREHENSIVE INCOME (LOSS)	(₱150,443,942)	₱690,964,556

See accompanying Notes to Financial Statements.



PIONEER LIFE INC.
(A Wholly-Owned Subsidiary of Pioneer Life Holdings, Inc.)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	Capital Stock (Note 17)	Additional Paid-in Capital	Contributed Surplus	Contingency Surplus	Reserve for fluctuation in value of Financial Assets at FVOCI (Notes 6 and 29)	Remeasurement Gains (Losses) on Legal Policy Reserves	Remeasurement Gains (Losses) on Retirement Benefit Plan (Note 24)	Retained Earnings (Deficit)	Total
At January 1, 2020	P260,000,000	P261,297,581	P430,000,000	P111,000,000	P437,766,034	P495,612,070	P9,239,487	P581,413,606	P2,586,328,778
Net income	—	—	—	—	—	—	—	189,864,902	189,864,902
Other comprehensive income (loss)	—	—	—	—	340,330,651	(673,044,635)	(7,594,860)	—	(340,308,844)
Total comprehensive income (loss)	—	—	—	—	340,330,651	(673,044,635)	(7,594,860)	189,864,902	(150,443,942)
At December 31, 2020	P260,000,000	P261,297,581	P430,000,000	P111,000,000	P778,096,685	(P177,432,565)	P1,644,627	P771,278,508	P2,435,884,836
At January 1, 2019	P260,000,000	P261,297,581	P430,000,000	P111,000,000	P1,396,985,531	P908,891,260	P49,328,080	(P1,522,138,230)	P1,895,364,222
Net income	—	—	—	—	—	—	—	424,436,516	424,436,516
Impact of reclassification from financial assets at FVOCI to investment in an associate (Note 12)	—	—	—	—	(1,679,115,320)	—	—	1,679,115,320	—
Other comprehensive income (loss)	—	—	—	—	719,895,823	(413,279,190)	(40,088,593)	—	266,528,040
Total comprehensive income (loss)	—	—	—	—	(959,219,497)	(413,279,190)	(40,088,593)	2,103,551,836	690,964,556
At December 31, 2019	P260,000,000	P261,297,581	P430,000,000	P111,000,000	P437,766,034	P495,612,070	P9,239,487	P581,413,606	P2,586,328,778

See accompanying Notes to Financial Statements.



PIONEER LIFE INC.
(A Wholly-Owned Subsidiary of Pioneer Life Holdings, Inc.)

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱229,117,458	₱459,841,793
Adjustments for:		
Interest income (Note 19)	(347,544,948)	(371,296,045)
Net change in legal policy reserves (Note 13)	(316,768,774)	336,034,200
Fair value loss (gains) on financial assets at FVTPL (Notes 6 and 19)	393,618,006	(160,029,134)
Dividend income (Note 19)	(50,508,852)	(54,471,622)
Loss on sale of financial assets at FVOCI (Notes 6 and 19)	–	(23,628,704)
Foreign currency exchange losses – net (Note 6)	49,145,562	22,735,318
Depreciation and amortization (Notes 10, 11 and 21)	51,915,585	50,757,182
Loss on lease termination (Note 27)	943,717	–
Retirement expense (Note 24)	14,413,307	7,625,381
Interest expense on lease liabilities (Note 27)	3,948,851	5,145,180
Provision for ECL (Notes 5, 6, and 21)	53,364,585	(231,325)
Fair value gain on investment properties (Notes 9 and 19)	(193,430)	(130,230)
Net change in reserve for policyholders' dividends	–	770
Operating income before changes in working capital	81,451,067	272,352,764
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Insurance receivables	123,981,369	(83,998,555)
Loans and receivables	232,499,358	(65,118,545)
Other assets	5,852,927	(11,343,014)
Increase (decrease) in:		
Policy and contract claims	313,466,870	143,277,773
Accounts payable and accrued expenses	(93,184,543)	136,265,724
Insurance payables	(74,326,682)	33,448,037
Policyholders' deposits	(15,772,889)	(8,132,806)
Policyholders' dividends	(7,518,693)	(2,645,669)
Net cash generated from operations	566,448,784	414,105,709
Contributions to the retirement fund (Note 24)	(41,714,267)	–
Income tax paid	(58,573,251)	(47,777,698)
Net cash provided by operating activities	466,161,266	366,328,011
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Financial assets at FVTPL (Note 6)	(2,879,024,562)	(3,623,154,292)
Financial Assets at FVOCI (Note 6)	–	(50,766,999)
Property and equipment (Note 10)	(14,940,263)	(19,519,639)
Software (Note 11)	(3,127,025)	(1,680,000)

(Forward)



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	Years Ended December 31	
	2020	2019
Proceeds from sale/maturities of:		
Financial assets at FVTPL (Note 6)	₱2,675,638,556	₱2,994,884,741
Financial assets at FVOCI (Note 6)	-	217,571,104
Interest received	361,029,373	377,460,398
Dividends received	50,491,246	53,204,646
Net cash provided by (used in) investing activities	190,067,325	(52,000,041)
CASH FLOWS FROM FINANCING ACTIVITY		
Payment of principal portion of lease liabilities (Note 27)	(36,008,177)	(30,464,444)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	(24,938,851)	(8,254,074)
NET INCREASE IN CASH AND CASH EQUIVALENTS	595,281,563	275,609,452
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,714,786,310	1,439,176,858
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱2,310,067,873	₱1,714,786,310

See accompanying Notes to Financial Statements.



INDEPENDENT AUDITOR'S REPORT

https://www.pioneer.com.ph/sites/default/files/PLI_FS1220.pdf