Alliedbankers Insurance Corporation

Company Financial Statements
December 31, 2024 and 2023

and

Independent Auditor's Report

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Building a better working world

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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Alliedbankers Insurance Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Alliedbankers Insurance Corporation, which comprise the statements of financial position as at December 31, 2024 and 2023, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024 and 2023 and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Report on the Supplementary Information Required under Revenue Regulation No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulation No. 15-2010 in Note 29 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Alliedbankers Insurance Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

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PTR No. 10465367, January 2, 2025, Makati City

April 14, 2025

ALLIEDBANKERS INSURANCE CORPORATION
COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2024	2023
ASSETS		
Cash and cash equivalents (Notes 4 and 24)	**₱2,104,227,286**	₱2,015,370,645
Insurance receivables – net (Notes 5 and 24)	**1,734,045,336**	1,848,982,721
Financial assets (Note 6 and 24)		
Financial assets at fair value through profit or loss	**60,078,640**	59,597,135
Available-for-sale financial assets	**873,333,868**	924,775,550
Held-to-Maturity	**1,054,470,074**	1,066,439,646
Loans and receivables	**16,007,074**	19,587,368
Accrued income (Note 7)	**25,491,299**	34,979,525
Reinsurance assets (Notes 8 and 14)	**2,907,600,334**	3,876,807,140
Deferred acquisition costs (Note 9)	**143,061,352**	133,515,212
Property and equipment – net (Note 10)	**49,898,623**	61,660,778
Right-of-use assets - net (Note 26)	**18,246,677**	24,008,786
Intangible asset – net (Note 11)	**37,987,778**	41,409,111
Deferred tax assets – net (Note 23)	**59,543,520**	64,280,286
Net pension asset (Note 22)	**33,661,676**	12,824,579
Other assets (Note 12)	**626,925,618**	453,087,777
	₱9,744,579,155	₱10,637,326,259

LIABILITIES AND EQUITY		
Liabilities		
Insurance contract liabilities (Notes 14 and 24)	**₱3,862,655,494**	₱4,668,297,252
Insurance payables (Notes 15 and 24)	**1,149,906,991**	1,287,750,488
Accounts payable and accrued expenses (Notes 13 and 24)	**812,758,165**	899,201,996
Deferred reinsurance commissions (Note 9)	**67,557,115**	65,516,689
Lease liabilities (Note 26)	**20,067,421**	26,954,033
Dividends payable	**19,237,343**	19,237,343
	5,932,182,529	6,966,957,801
Equity		
Capital stock (Notes 17)	**845,000,000**	845,000,000
Treasury shares	**(809,600,377)**	(809,600,377)
Subscribed capital stock (Note 17)	**600,137,877**	600,137,877
Contingency surplus (Note 17)	**1,600,000,000**	1,600,000,000
Contributed surplus (Note 17)	**441,615,510**	441,615,510
Revaluation reserve on AFS financial assets (Note 6)	**86,756,175**	53,660,751
Remeasurement losses on defined benefit plan (Note 22)	**26,510,351**	9,224,363
Retained earnings	**1,021,977,090**	930,330,334
	3,812,396,626	3,670,368,458
	₱9,744,579,155	₱10,637,326,259

See accompanying Notes to Financial Statements.

ALLIEDBANKERS INSURANCE CORPORATION

COMPANY STATEMENTS OF INCOME

	Years Ended December 31	
	2024	2023
REVENUES		
Gross earned premiums	**₱3,090,436,372**	₱3,184,641,110
Reinsurers' share of gross earned premiums		
Net earned premiums (Note 18)	**750,500,238**	629,858,270
Commission income (Note 9)	**338,566,225**	360,575,414
Investment income - net (Note 19)	**218,150,126**	196,826,513
Other underwriting income	**31,273,645**	27,812,099
Foreign exchange gain – net	**15,756,107**	4,914,068
Miscellaneous income	**12,608,720**	17,833,965
Other income	**616,354,823**	607,962,059
Total Income	**1,366,855,061**	1,237,820,329
BENEFITS, CLAIMS AND EXPENSES		
Gross insurance benefits and claims paid	**1,137,567,802**	542,594,666
Reinsurers' share of gross insurance benefits and claims paid	**(859,207,471)**	(294,852,097)
Gross change in insurance contract liabilities	**(898,249,668)**	(665,023,943)
Reinsurers' share of gross change in insurance contract liabilities	**977,775,356**	600,698,337
Net insurance benefits and claims (Notes 14 and 20)	**357,886,019**	183,416,963
General and administrative expenses (Notes 21)	**387,646,716**	414,189,021
Underwriting expenses (Note 9)	**289,995,424**	311,733,989
Commission expense	**190,764,501**	207,868,755
Interest expense on lease liabilities (Notes 26)	**1,702,627**	1,908,456
Other expenses	**870,109,267**	935,700,221
Total benefits, claims and other expenses	**1,227,995,287**	1,119,117,184
INCOME BEFORE INCOME TAX	**138,859,774**	118,703,145
PROVISION FOR INCOME TAX (Note 23)	**47,213,018**	37,591,994
NET INCOME	**₱91,646,756**	₱81,111,151

See accompanying Notes to Financial Statements.

ALLIEDBANKERS INSURANCE CORPORATION

COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2024	2023
NET INCOME	**₱91,646,756**	₱81,111,151
OTHER COMPREHENSIVE INCOME (LOSS)		
To be reclassified to profit or loss in subsequent periods:		
Net change in the fair value of AFS financial assets (Note 6)	**33,704,029**	48,299,269
Valuation gain (loss) realized through profit or loss:		
Realized gain on amortization of revaluation reserve related to reclassified investments to HTM (Notes 6 and 19)	**(681,095)**	(2,952,174)
Realize loss on corporate bonds - AFS (Notes 6 and 19)	**72,490**	–
	33,095,424	45,347,095
Not to be not reclassified to profit and loss in subsequent periods:		
Remeasurement gains (losses) on defined benefit obligation (Note 22)	**23,047,984**	(8,956,463)
Income tax effect (Note 22)	**(5,761,996)**	2,239,115
	17,285,988	(6,717,348)
	50,381,412	38,629,747
TOTAL COMPREHENSIVE INCOME	**₱142,028,168**	₱119,740,898

See accompanying Notes to Financial Statements.

ALLIEDBANKERS INSURANCE CORPORATION

COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	Capital stock (Note 17)	Subscribed capital stock (Note 17)	Treasury Shares	Contingency surplus (Note 17)	Contributed surplus (Note 17)	Reserve for fluctuation on available-for-sale financial assets (Note 6)	Remeasurement gains (losses) on defined benefit plan (Note 22)	Retained earnings	Total
Balance at January 1, 2024	**₱845,000,000**	**₱600,137,877**	**(P₱809,600,377)**	**₱1,600,000,000**	**₱441,615,510**	**₱53,660,751**	**₱9,224,363**	**₱930,330,334**	**₱3,670,368,458**
Net income for the year	–	–	–	–	–	–	–	**91,646,756**	**91,646,756**
Other comprehensive income	–	–	–	–	–	**33,095,424**	**17,285,988**	–	**50,381,412**
Total comprehensive income	–	–	–	–	–	**33,095,424**	**17,285,988**	**91,646,756**	**142,028,168**
Balance at December 31, 2024	**₱845,000,000**	**₱600,137,877**	**(P₱809,600,377)**	**₱1,600,000,000**	**₱441,615,510**	**₱86,756,175**	**₱26,510,351**	**₱1,021,977,090**	**₱3,812,396,626**
Balance at January 1, 2023	**₱470,000,000**	**₱165,537,500**	**₱–**	**₱1,600,000,000**	**₱441,615,510**	**₱54,459,997**	**₱15,941,711**	**₱793,196,560**	**₱3,540,751,278**
Net income for the year	–	–	–	–	–	–	–	**81,111,151**	**81,111,151**
Other comprehensive income	–	–	–	–	–	**45,347,095**	**(6,717,348)**	–	**38,629,747**
Total comprehensive income	–	–	–	–	–	**45,347,095**	**(6,717,348)**	**81,111,151**	**119,740,898**
Issuance of shares (Note 1)	**375,000,000**	–	–	–	–	–	–	–	**375,000,000**
Re-acquisition of own shares (Note 1)	–	–	**(809,600,377)**	–	–	–	–	–	**(809,600,377)**
Effect of accounting for merger (Note 1)	–	**434,600,377**	–	–	–	**(46,146,341)**	–	**56,022,623**	**444,476,659**
Balance at December 31, 2023	**₱845,000,000**	**₱600,137,877**	**(P₱809,600,377)**	**₱1,600,000,000**	**₱441,615,510**	**₱53,660,751**	**₱9,224,363**	**₱930,330,334**	**₱3,670,368,458**

	Capital stock (Note 17)	Subscribed capital stock (Note 17)	Treasury Shares	Contingency surplus (Note 17)	Contributed surplus (Note 17)	Reserve for fluctuation on available-for-sale financial assets (Note 6)	Remeasurement gains (losses) on defined benefit plan (Note 22)	Retained earnings	Total
Balance at January 1, 2024	**₱845,000,000**	**₱600,137,877**	**(₱809,600,377)**	**₱1,600,000,000**	**₱441,615,510**	**₱53,660,751**	**₱9,224,363**	**₱930,330,334**	**₱3,670,368,458**
Net income for the year	–	–	–	–	–	–	–	**91,646,756**	**91,646,756**
Other comprehensive income	–	–	–	–	–	**33,095,424**	**17,285,988**	–	**50,381,412**
Total comprehensive income	–	–	–	–	–	**33,095,424**	**17,285,988**	**91,646,756**	**142,028,168**
Balance at December 31, 2024	**₱845,000,000**	**₱600,137,877**	**(₱809,600,377)**	**₱1,600,000,000**	**₱441,615,510**	**₱86,756,175**	**₱26,510,351**	**₱1,021,977,090**	**₱3,812,396,626**
Balance at January 1, 2023	**₱470,000,000**	**₱165,537,500**	**₱–**	**₱1,600,000,000**	**₱441,615,510**	**₱54,459,997**	**₱15,941,711**	**₱793,196,560**	**₱3,540,751,278**
Net income for the year	–	–	–	–	–	–	–	**81,111,151**	**81,111,151**
Other comprehensive income	–	–	–	–	–	**45,347,095**	**(6,717,348)**	–	**38,629,747**
Total comprehensive income	–	–	–	–	–	**45,347,095**	**(6,717,348)**	**81,111,151**	**119,740,898**
Issuance of shares (Note 1)	**375,000,000**	–	–	–	–	–	–	–	**375,000,000**
Re-acquisition of own shares (Note 1)	–	–	**(809,600,377)**	–	–	–	–	–	**(809,600,377)**
Effect of accounting for merger (Note 1)	–	**434,600,377**	–	–	–	**(46,146,341)**	–	**56,022,623**	**444,476,659**
Balance at December 31, 2023	**₱845,000,000**	**₱600,137,877**	**(₱809,600,377)**	**₱1,600,000,000**	**₱441,615,510**	**₱53,660,751**	**₱9,224,363**	**₱930,330,334**	**₱3,670,368,458**

See accompanying Notes to Financial Statements.

ALLIEDBANKERS INSURANCE CORPORATION
COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱138,859,774**	₱118,703,145
Adjustments for:		
Interest income (Notes 6 and 19)	**(211,531,482)**	(193,092,232)
Pension expense (Notes 21 and 22)	**30,822,416**	25,766,761
Depreciation and amortization (Notes 10, 11, 21 and 26)	**19,833,599**	22,412,895
Unrealized foreign exchange loss (gain)	**(8,316,183)**	2,799,462
Provision for claims IBNR and MfAD (Note 14)	**(5,966,417)**	25,651,219
Fair value gain on financial assets at FVTPL (Notes 6 and 19)	**(3,445,784)**	(100,619)
Dividend income (Notes 6 and 19)	**(3,245,350)**	(3,812,397)
Provision (reversal of provision) for doubtful accounts (Notes 5, 6 and 21)	**(3,143,996)**	7,912,252
Interest expense (Notes 15, 22 and 26)	**2,859,170**	2,700,713
Amortization of revaluation reserve related to reclassified investments to HTM (Note 19)	**(681,095)**	(2,952,174)
Gain on disposal of property and equipment	**(265,279)**	(237,869)
Realized loss on corporate bonds - AFS (Note 19)	**72,490**	–
Operating income (loss) before changes in working capital	**(44,148,137)**	5,751,156
Decrease (increase) in:		
Insurance receivables	**115,902,700**	88,498,933
Loans and receivables	**3,613,101**	127,388,856
Reinsurance assets	**1,079,365,573**	866,948,756
Deferred acquisition costs	**(9,546,140)**	18,456,077
Right-of-use assets	**1,944,505**	(30,214,512)
Intangible assets	**–**	875,126
Other assets	**(173,837,841)**	60,638,308
Increase (decrease) in:		
Insurance contract liabilities	**(909,834,108)**	(918,608,733)
Accounts payable and accrued expenses	**(86,443,831)**	(218,565,222)
Insurance payables	**(127,311,812)**	68,419,191
Lease liabilities	**(6,886,612)**	11,131,548
Deferred reinsurance commissions	**2,040,426**	(3,581,171)
Changes in operating assets and liabilities due to merger entries	**–**	(4,560,067)
Net cash generated from (used in) operations	**(155,142,176)**	72,578,246
Contributions to plan assets (Note 22)	**(27,833,077)**	(26,606,327)
Income taxes paid	**(48,238,248)**	(42,927,745)
Interest paid (Note 15)	**(1,934,995)**	(2,072,977)
Net cash provided by (used in) operating activities	**(233,148,496)**	971,197
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received (Note 19)	**3,245,350**	3,812,397
Interest received (Note 6 and Note 7)	**230,213,053**	192,083,407
Proceeds from disposal/maturities of:		
Financial assets at FVTPL (Note 6)	**2,964,279**	26,855,786
AFS financial assets (Note 6)	**111,200,000**	84,576,684
HTM investments (Note 6)	**256,500,000**	218,284,815
Property and equipment (Note 10)	**1,525,607**	1,043,565
Acquisitions of:		
Financial assets at FVTPL (Note 6)	**–**	(5,667,234)
AFS financial assets (Note 6)	**(33,058,062)**	(77,095,769)
Held to Maturity (Note 6)	**(246,720,000)**	(277,140,274)
Intangible asset (Note 11)	**–**	(626,588)
Property and equipment (Note 10)	**(3,795,462)**	(18,743,663)
Net cash provided by investing activities	**322,074,765**	147,383,126

(Forward)

	Years Ended December 31	
	2023	2022
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(₱69,628)**	(₱1,237,299)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**88,856,641**	147,117,024
CASH AND CASH EQUIVALENTS ACQUIRED AS A RESULT OF MERGER (Notes 1 and 2)	–	122,565,621
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,015,370,645**	1,745,688,000
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱2,104,227,286**	₱2,015,370,645

See accompanying Notes to Financial Statements.

1. Corporate Information

Alliedbankers Insurance Corporation (the Company) was registered with the Philippine Securities and Exchange Commission (SEC) on December 22, 2010 primarily to engage in the business of non-life insurance, indemnifying others against loss, damage or liability arising from unknown or contingent events and to act as agent to other insurance or surety companies, or any of its branches, including life insurance. It includes lines such as health, accident, fire and allied lines, motor vehicle, casualty, surety, marine cargo, marine hull, comprehensive liability insurance and allied risks.

The registered office address of the Company is 17th Floor Federal Tower Building, Dasmariñas St. Barangay 282 1010 San Nicolas, Manila.

Legal Merger with Summit General Insurance Corporation ("Summit Gen")

In 2022, the Company processed its application for the plan of merger with Summit Gen as approved by Board of Directors on December 11, 2021. The merger is expected to maximize synergy and improve operational efficiency thru reduction of IT, labor and business handling expenses. On September 29, 2022, the Company and Summit Gen received from the Insurance Commission its approval for the merger and the endorsement for the same to the Philippine Securities and Exchange Commission (PSEC). On June 30, 2023, the SEC approved the Articles of Merger and the Plan of Merger between the Company ("Surviving Corporation") and Summit Gen ("Absorbed Corporation").

At the date of the effectivity of the merger, the Company issued a total of 375,000,000 common shares with a par value of ₱1 in exchange for the carrying amount of the net assets of Summit Gen as of June 30, 2023. As a result, the legal merger resulted in recognition of additional paid-in capital as follows (see Note 17):

Carrying amount of the net assets of Summit Gen as of June 30, 2023 (excluding contingency and contributed surplus)	₱809,600,377
Issued - 375,000,000 shares, ₱1 par value	(375,000,000)
Additional paid-in capital	₱434,600,377

On the same date, the Company acquired its own shares and accounted for it as 'Treasury stock' amounting to ₱809.60 million (see Note 17).

The carrying amounts of the assets and liabilities of Summit Gen transferred in the books of the Company as of June 30, 2023 follow:

	Note	
Assets		
Cash and cash equivalents	4	₱122,565,621
Insurance receivables – net	5	39,209,511
Financial assets		
Financial assets at fair value through profit or loss (FVTPL)	6	1,436,352
Financial assets at fair value through other comprehensive income (FVOCI)	6	612,017,068
Financial assets at amortized cost	6	622,805,055
Accrued interest	7	₱13,189,734
Reinsurance assets	8	634,678,020
Deferred tax assets	23	31,038,662
Other assets	12	275,926,540
Total assets		₱2,352,866,563
Liabilities		
Insurance contract liabilities	14	₱746,795,211
Accounts payable and accrued expenses	13	35,564,976
Total liabilities		782,360,187
Net assets as of June 30, 2023		1,570,506,377
Less: Contingency and contributed surplus		760,906,000
Carrying amount of the net assets as of June 30, 2023		₱809,600,377

As a result of the merger, the Company recognized the revaluation reserves on available-for-sale financial assets from the absorbed entity as of June 30, 2023 amounting to ₱46.15 million (see Note 6).

On February 13, 2025, the Insurance Commission approved the application of a portion of the Contingency Surplus given by Qualisure Holdings, Inc. to purchase the 375,000,000 treasury shares and pay in full its subscription receivable. The Deed of Sale will be executed once the signatures of the parties are completed.

The accompanying financial statements were authorized for issuance by the Board of Directors (BOD) on April 14, 2025.

2. Summary of Material Accounting Policies

Basis of Preparation
The Company's financial statements have been prepared on a historical cost basis, except for available-for-sale (AFS) financial assets and fair value through profit or loss (FVTPL) which have been measured at fair value and pension liability which is measured at the present value of the defined benefit obligation.

The Company's presentation and functional currency is the Philippine peso (₱). All amounts are rounded off to the nearest peso unit, unless otherwise indicated.

The Company presents its statements of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within twelve (12) months after the reporting date and more than twelve (12) months after the reporting date is presented in Note 28.

The financial statements provide comparative information in respect of the previous period. Statement of Compliance

The financial statements of the Company have been prepared in compliance with PFRS Accounting Standards.

New Standards, Interpretations and Amendments
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2024. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
  The amendments clarify:
  - That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right.
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*
  The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*
  The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

Standards Issued but Not Yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2025

- Amendments to PAS 21*, Lack of exchangeability*

  The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2025. Earlier adoption is permitted and that fact must be disclosed. When applying the amendments, an entity cannot restate comparative information.

Effective beginning on or after January 1, 2026

- Amendments to PFRS 9 and PFRS 7, *Classification and Measurement of Financial Instruments*

  The amendments clarify that a financial liability is derecognized on the 'settlement date', i.e., when the related obligation is discharged, cancelled, expires or the liability otherwise qualifies for derecognition. They also introduce an accounting policy option to derecognize financial liabilities that are settled through an electronic payment system before settlement date if certain conditions are met.

  The amendments also clarify how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features. Furthermore, the amendments clarify the treatment of non-recourse assets and contractually linked instruments.

  - Annual Improvements to PFRS Accounting Standards—Volume 11

    The amendments are limited to changes that either clarify the wording in an Accounting Standard or correct relatively minor unintended consequences, oversight or conflicts between the requirements in the Accounting Standards. The following is the summary of the Standards involved and their related amendments.

    - Amendments to PFRS 1, *Hedge Accounting by a First-time Adopter*
      The amendments included in paragraphs B5 and B6 of PFRS 1 cross references to the qualifying criteria for hedge accounting in paragraph 6.4.1(a), (b) and (c) of PFRS 9. These are intended to address potential confusion arising from an inconsistency between the wording in PFRS 1 and the requirements for hedge accounting in PFRS 9.

    - Amendments to PFRS 7, *Gain or Loss on Derecognition*
      The amendments updated the language of paragraph B38 of PFRS 7 on unobservable inputs and included a cross reference to paragraphs 72 and 73 of PFRS 13.

- Amendments to PFRS 9
  - Lessee Derecognition of Lease Liabilities
    The amendments to paragraph 2.1 of PFRS 9 clarified that when a lessee has determined that a lease liability has been extinguished in accordance with PFRS 9, the lessee is required to apply paragraph 3.3.3 and recognize any resulting gain or loss in profit or loss.

  - Transaction Price
    The amendments to paragraph 5.1.3 of PFRS 9 replaced the reference to 'transaction price as defined by PFRS 15 *Revenue from Contracts with Customers*' with 'the amount determined by applying PFRS 15'. The term 'transaction price' in relation to PFRS 15 was potentially confusing and so it has been removed. The term was also deleted from Appendix A of PFRS 9.

- Amendments to PFRS 10, *Determination of a 'De Facto Agent'*
  The amendments to paragraph B74 of PFRS 10 clarified that the relationship described in B74 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor.

- Amendments to PAS 7, *Cost Method*
  The amendments to paragraph 37 of PAS 7 replaced the term 'cost method' with 'at cost', following the prior deletion of the definition of 'cost method'.

Effective beginning on or after January 1, 2027

- PFRS 18, *Presentation and Disclosure in Financial Statements*

  The standard replaces PAS 1 Presentation of Financial Statements and responds to investors' demand for better information about companies' financial performance. The new requirements include:
  - Required totals, subtotals and new categories in the statement of profit or loss
  - Disclosure of management-defined performance measures
  - Guidance on aggregation and disaggregation

- PFRS 19, *Subsidiaries without Public Accountability*

  The standard allows eligible entities to elect to apply PFRS 19's reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other PFRS accounting standards. The application of the standard is optional for eligible entities.

- PFRS 17, *Insurance Contracts*

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

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the FSRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

The Company does not intend to early adopt PFRS 17. The Company continues its assessment of the implications of this standard and expects that it will have a significant impact on the Company's financial statements as the requirements of the new standard are complex and requires application of significant judgments and estimates. Specifically, the establishment of CSM (or the unearned profits) on in-force insurance contracts will result in adjustments in insurance contract liabilities and corresponding movements in equity upon transition. Subsequently, the Company expects changes in the timing and recognition of the profits via amortization of the CSM into income as services are provided. The Company is continuously assessing the potential impact of all other changes including accounting policy choices available under PFRS 17 on how insurance contract liabilities are measured and the impact on presentation and disclosure of the financial results in the financial statements.

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

The impact of adopting the IFRS 17 will increase the surplus by minimal amount. This is due to the net impact of the decrease in claims liabilities and the decrease in reinsurance recoverable on unpaid losses from discounting. The net income after tax, on the other hand, remains unchanged.

This is based on the IFRS 17 report submitted by the Company to Insurance Commission as of June 30,2024.

A reliable estimate of the impact to the Company's financial statements arising from the initial application of PFRS 17 is not yet available as implementation is still in progress which includes enhancements to the Company's actuarial and accounting systems and updating of the accounting manual and operating controls.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial and Sustainability Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Legal Merger
The Company accounted for the legal merger using the pooling of interests method. Under this approach, the acquired assets and assumed liabilities from the absorbed entity are recognized at the carrying amounts as of the date of the effectivity of the legal merger. This includes any goodwill recognized when the absorbed entity was originally acquired. Under this approach, the legal merger of the Company is in substance the redemption of the Company's shares in the absorbed entity, in exchange for the underlying assets of the absorbed entity.

Product Classification
Insurance contracts are defined as those contracts under which the Company (the insurer) accepts significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholder. As a general guideline, the Company defines significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or other variable. Investment contracts mainly transfer financial risk but can also transfer insignificant insurance risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or has expired. Investment contracts can however be reclassified as insurance contracts after inception if the insurance risk becomes significant.

Foreign Currency Transactions and Translations
Transactions in foreign currencies are initially recorded in Philippine peso at exchange rate at the date of the transaction. Outstanding foreign currency denominated monetary assets and liabilities are retranslated at the closing exchange rate at the reporting date. Outstanding foreign currency denominated nonmonetary items that are measured in terms of historical cost are translated using the exchange rate at the date of initial transaction and are not subsequently restated. Outstanding foreign currency denominated nonmonetary items measured at fair value are translated using the exchange rate at the date when the fair value was determined. All foreign exchange differences are taken to profit or loss, except where it relates to equity securities where gains or losses are recognized directly in other comprehensive income.

Fair Value Measurement
The Company measures financial instruments, including AFS financial assets and financial assets at FVTPL, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Cash and Cash Equivalents
Cash and cash equivalents are carried in the statement of financial position at face amount or nominal amount. Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of placement and that are subject to an insignificant risk of changes in value and are free of any encumbrances.

Short-term Investments
Short-term investments are made for periods ranging more than three (3) months and up to twelve (12) months and earn interest at the respective short-term investment rates which is not restricted as to use.

Insurance Receivables

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

Insurance receivables are derecognized following the derecognition criteria of financial assets.

Financial Instruments – Recognition and Measurement

Date of recognition

Financial instruments are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Initial recognition

Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in the case of a liability). The initial measurement of financial assets includes transaction costs except for financial assets at fair value through profit or loss (FVTPL).

The Company classifies its financial assets in the following categories: financial assets at FVTPL, AFS financial assets, held-to-maturity (HTM) investments, and loans and receivables. The Company classifies its financial liabilities as other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market.

Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting period.

As of December 31, 2024 and 2023 the Company's financial instruments include AFS financial assets, financial assets at FVTPL, loans and receivables and other financial liabilities.

'Day' 1 difference

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

AFS financial assets

AFS financial assets are those which are designated as such or do not qualify to be classified as financial assets at FVTPL, HTM financial assets or loans and receivables. They are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in profit or loss. Interest earned on holding AFS debt securities are reported as interest income using the effective interest method. Dividends earned on holding AFS equity securities are recognized in profit or loss as dividend income when the right to receive the payment has been established. The unrealized gains and losses arising from the fair valuation of AFS financial assets are reported in the statement of comprehensive income. Losses arising from impairment of such investments are recognized in profit or loss. When the security is disposed of, the cumulative gain or loss previously recognized in other comprehensive income is recognized in profit or loss

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

The Company evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets, the Company may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and management has the intention and ability to hold these assets for the foreseeable future or until maturity. The reclassification to HTM is permitted only when the entity has the ability and intention to hold the financial asset until maturity.

For a financial asset reclassified out of the available-for-sale category, the fair value at the date of reclassification becomes its new amortized cost and any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held-for-trading, nor designated as AFS financial assets or at financial assets at FVTPL. This accounting policy relates to the statement of financial position ‘Cash and cash equivalents’, ‘Short-term investments’, ‘Insurance receivables’, ‘Loans and receivables’ and ‘Accrued income’.

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Amortization is included in the interest income in profit or loss. The losses arising from impairment of such loans and receivables are recognized in the profit or loss.

Other financial liabilities
Issued financial instruments or their components, which are not held for trading or designated as FVTPL, are classified as other financial liabilities, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. This includes investment contracts which mainly transfer financial risk and has no significant insurance risk.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

As of December 31, 2024 and 2023, the Company's other financial liabilities include 'Accounts payable and accrued expenses' that meet the above definition (other than liabilities covered by other accounting standards, such as provisions, pension liability and income tax payable), and dividends payable.

Classification of Financial Instruments between Debt and Equity
Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interests, dividends, gains and losses relating to a financial instrument or a component that is financial liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefit.

A financial instrument is classified as debt if it has a contractual obligation to:
- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- if the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Company assesses that is has a currently enforceable right of offset if the right is not contingent on a future event and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counter parties.

Impairment of Financial Assets
The Company assesses at every end of the reporting date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower, or a group of borrowers, is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

AFS financial assets carried at fair value
In case of equity investments classified as AFS, impairment indicators would include a significant or prolonged decline in the fair value of the investments below cost. Where there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss) is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in other comprehensive income.

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

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

Loans and receivables
For loans and receivables carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized, are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as a difference between the assets' carrying amount and the present value of the estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. The carrying amount of the asset shall be reduced through the use of an allowance account. The amount of loss shall be recognized in profit or loss.

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

Derecognition of Financial Assets and Liabilities

Financial asset

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

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

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

Financial liability

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

Reinsurance Assets

The Company cedes insurance risk in the normal course of business. Reinsurance assets represent balance due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exist that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. Any impairment loss is charged against profit or loss.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

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

Amounts payable are estimated in a manner consistent with the associated reinsurance contract. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

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

Deferred Acquisition Costs and Deferred Reinsurance Commission
Commission and other acquisition costs incurred during the reporting period that vary with and are related to securing new insurance contracts or renewing existing insurance contracts, but which relates to subsequent reporting periods, are deferred to the extent that they are recoverable out of future revenue margins. All other acquisition costs are recognized as expense when incurred.

Subsequent to initial recognition, these costs are amortized using the 24th method for policies with a term of exactly one year, otherwise, 365th method is used. Amortization is charged to profit or loss. The unamortized acquisition costs are shown as "Deferred acquisition costs" in the statement of financial position. Reinsurance commissions are deferred and shown in the statement of financial position as "Deferred reinsurance commissions", subject to the same amortization method as the related acquisition costs.

Prepayments
Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as these are consumed in operations or expire with the passage of time depending on the terms of the related agreements, if covered by a contract.

Property and Equipment
Property and equipment are stated at cost, net of accumulated depreciation and any impairment in value.

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

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

	Years
Condominium units	50
Furniture, fixtures and equipment	10
Electronic data processing (EDP) equipment	5-10
Leasehold improvements	10 or the term of the lease, whichever is shorter
Transportation equipment	5

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

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The estimated useful lives and the depreciation and amortization method are reviewed periodically to ensure that the period and the method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets are retained in accounts until they no longer in use and no further depreciation is credited or charged against current operations.

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

Intangible Asset

Intangible asset acquired separately is measured on initial recognition at cost. Following initial recognition, intangible asset is carried at cost less any accumulated amortization and any accumulated impairment loss. The estimated useful life of intangible asset with finite life is assessed at the individual asset level. Intangible asset with finite life is amortized over its estimated useful life of. as follows:

	Years
Software development	5
Marketing upfront fee	15

Periods and method of amortization for intangible asset with finite useful lives are reviewed annually or earlier when an indicator of impairment exists.

Gain or loss arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in statement of income when the asset is derecognized.

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term as follows.

	Term
Office spaces	16 months

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

Investment in Subsidiary
Investment in a subsidiary is accounted for under the cost method less accumulated impairment losses, if any.

A subsidiary is an entity over which the Company has control. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Company has:

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

The Company recognizes revenue from the investment in profit or loss only to the extent that the Company receives distributions from retained earnings of the investee arising after the date of acquisition. Dividends received from the investee in excess of accumulated net income from the acquisition date are regarded as a recovery of investment and are recognized as a reduction in the cost of investment.

Impairment of Non-Financial Assets
At each reporting period, the Company assesses whether there is any indication that nonfinancial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Company makes a formal estimate of recoverable amount.

Recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed for the cash generating unit to which the asset belongs. Where the carrying amount of an asset (or cash generating unit) exceeds its recoverable amount, the asset (or cash generating unit) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash generating unit). An impairment loss is charged against operations in the year in which it arises.

An assessment is made at each end of the reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior periods. Such reversal is recognized in profit or loss. After such reversal, the depreciation and amortization expense is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Creditable Withholding Taxes
Creditable withholding pertains to the taxes paid by the Company that is withheld by its counterparty for the payment of its expenses and other purchases. Creditable withholding taxes are recorded at cost as “Other Assets” in the statement of financial position.

At each end of the tax reporting deadline, creditable withholding taxes may either be offset against future income tax payable or be claimed as a refund from taxation authorities at the option of the Company. If creditable withholding taxes are claimed as a refund, these will be recorded as a receivable under “Loans and receivable” in the statement of financial position.

At each end of the reporting period, an assessment for impairment is performed as to the recoverability of creditable withholding taxes. If any indication of impairment exists, the Company makes an estimate of the asset’s recoverable amount. The Company provides the unrecoverable creditable withholding taxes through valuation account. Factors which primarily affect the recoverability of these assets include the completeness of the supporting documentation (certificates of creditable tax withheld at source subject to rules on Philippine income taxation). A review to determine the adequacy of allowance is made by the Company on a continuing basis year on year.

Value-Added Tax (VAT)
Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position to the extent of the recoverable amount.

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

Provisions for claims reported, provision for claims Incurred But Not Reported (IBNR) losses, claims handling expense (CHE) and Margin for Adverse Deviation (MfAD)
Provisions for claims reported are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of which cannot be known with certainty at the end of each reporting date. The liability is not discounted for the time value of money.

Provision for claims IBNR pertains to amount provided for claim events that have occurred but have not been reported to the Company as of the reporting date. The provision for claims IBNR at each reporting date is calculated by an independent actuary accredited by the IC using standard actuarial projection techniques (or combination of such techniques), including but not limited to the chain ladder method, the expected loss ratio approach, and the Bornhuetter-Fergusion method. The actuary determines the appropriateness of the method used by considering the characteristics of the Company’s claims data and other factors such as maturity of the business, large losses arising from significant past events, operational changes in claims and underwriting processes and external conditions.

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

Provision for claims handling expense (CHE) is also calculated by the actuary to cover estimated expenses of settling all claims, both reported and unreported, outstanding as of the reporting date.

Quarterly, an actuarial valuation is performed on the gross and net claims and premium liabilities to ensure that the reserves are in compliance with the Valuation Standards for Non-Life Insurance Policy Reserves as required by the IC guided by Sections 219 and 220 of the Amended Insurance Code (Republic Act (RA) No. 10607) along with Circular Letters No. 2018-18 and No. 2018-19.

Additional reserves are set up if the result of the actuarial investigation shows that the existing balances are not in accordance with the mandate of IC.

Claim cost recognition
Liabilities for unpaid claim costs and claim adjustment expenses relating to insurance contracts are accrued when the insured events occur.

An insurance contract remains in force at the inception date of policy until its maturity or expiry regardless of the number of the claims reported and, for as long as the coverage is sufficient.

Premium liabilities
Premium liabilities is equal to the provision for unearned premiums plus the difference between the provision for unexpired risk and the provision for unearned premiums, net of deferred acquisition costs, if the provision for unexpired risk is greater than the provision for unearned premiums net of deferred acquisition costs. Otherwise, it is equal to the provision for unearned premiums.

Provision for unearned premiums
The proportion of written premiums, gross of commissions payable to intermediaries, attributable to subsequent periods or to risks that have not yet expired is deferred as provision for unearned premiums. Premiums from policy contracts with a term of exactly one year are recognized as revenue over the period of the contracts using the 24th method, otherwise, 365th method is used. The portion of the premiums written that relate to the unexpired periods of the policies at the reporting date are accounted for as provision for unearned premiums and presented as part of “Insurance contract liabilities” in statement of financial position. The change in the provision for unearned premiums is taken to profit or loss in the order that revenue is recognized over the period of risk.

Further, provisions are made to cover claims under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

Provision for unexpired risk
Provision for unexpired risk (URR) is the best estimate that relates to expected future claim payments and related expenses to be incurred after the valuation date, arising from future events. This shall be calculated as the best estimate of future claims and expenses for all classes of business, with MfAD.

Lease liabilities

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

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date for office spaces. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of office and parking spaces (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below ₱216,000).

Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Pension Cost

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

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit cost comprises the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

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

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

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

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Company’s right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Equity

Capital stock

Capital stock represents the value of shares that have been issued at par. The transaction costs incurred as a necessary part of completing an equity transaction are accounted for as part of the transaction and are deducted first from additional paid-in-capital

Contingency surplus

Contingency surplus represents the contribution of Qualisure Holdings, Inc., (one of the Company's major shareholders) to cover the deficiency on the required Statutory Net Worth to comply with the New Insurance Code. This shall be maintained during the period of merger process of the Company with Summit General Insurance Corporation. This can be withdrawn or released upon approval by the Insurance Commission after completing the Merger as the aggregate net worth of the Company after the merger would be more than the required minimum legal net worth requirement.

Contributed surplus

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

Retained earnings

Retained earnings represent the cumulative balance of net income or loss of the Company, effects of any change in accounting policy and other adjustment affecting the account such as dividend distribution.

Treasury stock
Own equity instruments which are acquired (treasury stocks) are deducted from equity and accounted for at cost. No gain or loss is recognized in the income statement on the purchase, sale, issue or cancellation of the Company's own equity instruments. Voting rights related to treasury stocks are nullified for the Company and no dividends are allocated to them.

<u>Revenue Recognition</u>
Revenue from contracts with customers is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services.

The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements.

Other income
Income from other sources is recognized when earned.

Other underwriting income
Other underwriting income pertains to income other than premiums but related to the issuance of insurance policies. These are recognized as income when earned.

The following revenue accounts are outside the scope of PFRS 15:

Premiums
Gross insurance written premiums comprise the total premiums receivable for the whole cover period provided by contracts entered into during the reporting period. Premiums include any adjustments arising in the reporting period for premium receivable in respect of business written in prior periods. Premiums from policies with a term of exactly one year are recognized as revenue over the period of the contracts using the 24th method, otherwise 365th method is used. The portion of the premiums written that relate to the unexpired periods of the policies at the end of the reporting period are accounted for as provision for unearned premiums and is presented under "Insurance contract liabilities" in the statement of financial position. The related reinsurance premiums ceded that pertain to the unexpired periods at reporting date are accounted for as deferred reinsurance premiums shown under "Reinsurance assets" in the statement of financial position. The net changes in these accounts between reporting dates are credited or charged against profit or loss for the year.

Commission income
Reinsurance commissions are recognized as revenue over the period of the contracts using the 24^{th} method for polices with a term of exactly one year, otherwise, 365th method is used. The portion of the commissions that relates to the unexpired periods of the policies at the end of the reporting period is accounted for as "Deferred reinsurance commissions" in the statement of financial position.

Interest income
Interest income is recognized in the profit or loss as it accrues, taking into account the effective yield of the asset. Interest income includes the amortization of any discount or premium using the effective interest method.

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

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

The following specific recognition criteria must also be met before revenue is recognized:

Benefits and claims
Benefits and claims consist of benefits and claims paid to policyholders and which include changes in valuation of insurance contract liabilities, except for changes in the provision for unearned premiums which are included in net earned premiums. It further includes internal and external claims handling cost that are directly related to the processing and settlement of claims. Amounts receivable in respect of salvage and subrogation are also considered and are offset against related claims. Insurance claims are recorded on the basis of notifications received.

Commission expense
Commissions are recognized as expense over the period of the contracts using the 24th method for polices with a term of exactly one year, otherwise, 365th method is used. The portion of the commissions that relates to the unexpired periods of the policies at reporting date is accounted for as "Deferred Acquisition Cost" and presented in the asset section of the statement of financial position.

Underwriting expense and general and administrative expense
These expenses are recognized in profit or loss as they are incurred.

Interest expense
Interest expense is recognized as incurred, taking into account the effective yield of the liabilities.

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

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

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

Deferred income tax liabilities are recognized for all taxable temporary differences, including assets revaluations, with certain exceptions. Deferred income tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences, carryforward of unused tax credits from excess MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the same time of the transaction, affects neither the accounting income nor taxable income or loss.

The carrying amount of deferred income tax assets is reviewed at each end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each end of the reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted as of the reporting date. Movements in the deferred income tax assets and liabilities arising from changes in the rates are charged against or credited to profit or loss for the period.

Deferred income tax relating to items recognized in other comprehensive income is also recognized in other comprehensive income and not in profit or loss.

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

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain and the expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Contingencies
Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in profit or loss.

Events after the Reporting Date
Any post year-end event up to the date of approval of the BOD of the financial statements that provides additional information about the Company's financial position at the end of the reporting date (adjusting event) is reflected in the financial statement. Post year-end events that are not adjusting events, if any, are disclosed in the notes to the financial statements when material.

3. Significant Accounting Judgments and Estimates

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

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

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

Product classification
The Company has determined that the insurance policies have significant insurance risks and therefore meet the definition of insurance contracts and should be accounted for as such.

Classification of financial instruments
The Company classifies a financial instrument depending on the purpose for which the financial instrument was acquired or originated. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates this classification at every reporting date.
In addition, the Company classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

The classification of the Company's financial instrument by categories is shown in Note 6. Estimates

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

Valuation of insurance contract liabilities
Estimates have to be made both for the expected ultimate cost of claims reported at the end of the reporting date and for the expected ultimate cost of claims IBNR at the end of the reporting date. It can take a significant period of time before the ultimate claim cost can be established with certainty. Non-life liabilities are not discounted for the time value of money.

The main assumption underlying estimation of the claims provision is that a company's past claim development experience can be used to project future claims development and hence ultimate claims costs. Historical claims development is mainly analyzed by accident years as well as by significant business lines and claims types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development.

In addition to the use of loss development triangles per class of business as basis for projection of future claims, the independent actuary also considers the information gathered from the Company's Underwriting and Claims Departments in the actuarial computation of the policy reserves including claims IBNR and ultimate cost of CHE. This information includes, among others, large loss experience, concerns and uncertainties, operation changes in claims and underwriting processes, and external conditions such as market outlook, inflation and current catastrophes.

The carrying value of claims reported and IBNR included in the insurance contract liabilities account amounted to ₱2,277.48 million and ₱3,175.73 million as of December 31, 2024 and 2023, respectively (see Note 14).

Impairment of AFS financial assets
The Company assesses its AFS financial assets for impairment when there has been a significant or prolonged decline in the fair value below cost. This determination of what is significant or prolonged requires judgment. The Company treats 'significant' generally as 20% or more of the original cost of investment, and 'prolonged' as being more than twelve (12) months. In making this judgment, the Company evaluates, among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

The carrying value of the Company's AFS equity financial assets amounted to ₱173.02 million and ₱152.22 million as of December 31, 2024 and 2023, respectively. The Company did not recognize impairment loss on its investment in equity securities in 2024 and 2023, respectively (see Note 6).

In case of AFS debt securities, impairment is assessed based on the same criteria as financial assets at amortized cost. An amount comprising the difference between its cost, net of any principal payment and amortization, and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss. Future interest income is based on the reduced carrying amount and is accrued based on the rate on interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of interest income in profit or loss. If, in subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

The carrying value of AFS debt securities amounted to ₱700.31 million and ₱772.55 million as of December 31, 2024 and 2023, respectively. The Company did not recognize impairment loss on its debt securities in 2024 and 2023 (see Note 6).

Estimation of allowance for credit losses on loans and receivables
The Company reviews its insurance receivables and loans and receivables at each reporting date to assess whether an allowance for credit losses should be recorded in profit or loss. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. The level of this allowance is evaluated by management on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Company's relationship with the debtor, the debtor's payment behavior and known market forces. The Company reviews the age and status of receivables and identifies accounts that are to be provided with allowance on a continuous basis.

The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different estimates. An increase in allowance for credit losses would increase recorded expenses and decrease the asset's carrying values.

The carrying value of insurance receivables amounted to ₱1,734.05 million and ₱1,848.98 million as of December 31, 2024 and 2023, respectively (see Note 5). The allowance for credit losses amounted to ₱319.94 million and ₱323.06 million as of December 31, 2024 and 2023, respectively.

As of December 31, 2024 and 2023, the carrying value of loans and receivables amounted to ₱16.01 million and ₱19.59 million, respectively. The allowance for credit losses on loans and receivables is ₱27.45 million and ₱27.52 million in 2024 and 2023 respectively (see Note 6).

Impairment of nonfinancial assets
The Company assesses impairment on property and equipment, intangible assets, right-of-use assets and other assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The factors that the Company considers important which could trigger an impairment review include the following:
- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

The Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

The carrying values of property and equipment amounted to ₱49.90 million and ₱61.66 million as of December 31, 2024 and 2023, respectively (see Note 10).

The carrying values of intangible asset amounted to ₱37.99 million and ₱41.41 million as of December 31, 2024 and 2023, respectively (see Note 11).

The carrying value of right-of-use assets amounted ₱18.25 million and ₱24.01 million as of December 31, 2024 and 2023, respectively (see Note 26).

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

As of December 31, 2024 and 2023, the Company recognized deferred tax assets amounting to ₱70.46 million and ₱67.36 million, respectively (see Note 23).

Pension benefits
The determination of obligation and cost of pension benefits is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rate and salary increase rate. In accordance with PFRS, actual results that differ from the Company's assumptions are recognized outright in the statement of comprehensive income.

While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension obligation.

As of December 31, 2024 and 2023, net pension asset amounted to ₱33.66 million and ₱12.82 million respectively (Note 22).

4. Cash and Cash Equivalents

This account consists of:

	2024	2023
Cash on hand	**₱250,000**	₱250,000
Cash in banks (Notes 24)	**259,586,528**	322,045,202
Cash equivalents (Note 24)	**1,844,390,758**	1,693,075,443
	₱2,104,227,286	₱2,015,370,645

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents are made for varying periods of up to three months depending on the immediate cash requirements of the Company and earned interest at annual rates that ranged from 0.25% to 6.00% in 2024 and in 2023.

Interest income earned from cash in banks and cash equivalents amounted to ₱121.15 million and ₱102.61 million in 2024 and 2023, respectively (see Note 19).

Money market placements are composed of time deposits which have been acquired with original maturities of more than one year. Interest income from money market placements amounted to ₱0.55 million in 2023 (Note 19).

5. Insurance Receivables

This account consists of:

	2024	2023
Premiums receivable (Note 24)	**₱1,398,948,854**	₱1,449,327,948
Reinsurance recoverable on paid losses (Note 24)	**505,959,461**	495,377,324
Due from ceding companies (Note 24)	**136,528,154**	213,829,005
Fund held by ceding companies (Note 24)	**12,553,390**	10,949,830
Commissions receivable (Note 24)	**–**	2,554,326
	2,053,989,859	2,172,038,433
Less: allowance for credit losses	**319,944,523**	323,055,712
	₱1,734,045,336	₱1,848,982,721

The aging analysis of insurance receivables as of December 31 follows:

	2024					
	Less than 30 days	**31 to 60 days**	**61 to 120 days**	**121 to 180 days**	**More than 180 days**	**Total**
Premiums receivable	**₱1,033,402,606**	**₱61,550,978**	**₱120,785,989**	**₱20,500,347**	**₱162,708,934**	**₱1,398,948,854**
Reinsurance recoverable on paid losses	**2,114,762**	**10,488,714**	**9,638,180**	**1,595,900**	**482,121,905**	**505,959,461**
Due from ceding companies	**2,610,826**	**707,249**	**2,078,955**	**2,293,378**	**128,837,746**	**136,528,154**
Funds held by ceding companies	**—**	**496,690**	**—**	**412,493**	**11,644,207**	**12,553,390**
	₱1,038,128,194	**₱73,243,631**	**₱132,503,124**	**₱24,802,118**	**₱785,312,792**	**₱2,053,989,859**

	2023					
	Less than 30 days	31 to 60 days	61 to 120 days	121 to 180 days	More than 180 days	Total
Premiums receivable	₱1,048,382,447	₱66,101,415	₱88,096,700	₱21,379,294	₱225,368,092	₱1,449,327,948
Reinsurance recoverable on paid losses	60,179,234	43,206,355	3,400,523	16,478,810	372,112,402	495,377,324
Due from ceding companies	83,820,585	769,332	1,805,658	3,167,242	124,266,188	213,829,005
Funds held by ceding companies	492,637	(3,124)	(675)	505,044	9,955,948	10,949,830
Commissions receivable	–	–	–	–	2,554,326	2,554,326
	₱1,192,874,903	₱110,073,978	₱93,302,206	₱41,530,390	₱734,256,956	₱2,172,038,433

As of December 31, 2024 and 2023, allowance for doubtful accounts for insurance receivables follows:

	2024			
	Premiums receivable	**Due from ceding companies**	**Reinsurance recoverable on paid losses**	**Total**
Balance at beginning of year	**₱69,504,167**	**₱17,022,614**	**₱236,528,931**	**₱323,055,712**
Provision (reversal of provision) for credit losses	**(3,895,333)**	**(76,880)**	**861,024**	**(3,111,189)**
Balance at end of year	**₱65,608,834**	**₱16,945,734**	**₱237,389,955**	**₱319,944,523**

	2023			
	Premiums receivable	Due from ceding companies	Reinsurance recoverable on paid losses	Total
Balance at beginning of year	₱18,942,223	₱16,383,210	₱20,632,064	₱55,957,497
Provision (reversal of provision) for credit losses	6,336,963	(4,581,206)	6,600,495	8,356,252
Effect of the accounting for merger (Note 1)	44,224,981	5,220,610	209,296,372	258,741,963
Balance at end of year	₱69,504,167	₱17,022,614	₱236,528,931	₱323,055,712

6. Financial Assets

As of December 31, 2024 and 2023, the Company's financial assets are summarized by measurement categories as follows:

	2024	2023
Financial assets at FVTPL	**₱60,078,640**	₱59,597,135
AFS financial assets	**873,333,868**	924,775,550
Held-to-maturity	**1,054,470,074**	1,066,439,646
Loans and receivables	**16,007,074**	19,587,368
	₱2,003,889,656	₱2,070,399,699

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

Financial assets at FVTPL
This account consists of quoted preferred shares and peso-denominated term notes. These financial assets were designated as at FVTPL at initial recognition. The fair value gain on financial assets at FVTPL amounted to ₱3.45 million and ₱0.10 million in 2024 and 2023, respectively, reported under 'Investment income – net' in the statements of income (Note 19).

The rollforward of financial assets at FVTPL have been determined as follows:

	2024	2023
Balance at beginning of year	**₱59,597,135**	₱79,248,716
Additions	–	5,667,234
Disposals/maturities	**(2,964,279)**	(26,855,786)
Fair value gain on financial assets at FVTPL (Note 19)	**3,445,784**	100,619
Effect of the accounting for merger (Note 1)	–	1,436,352
Balance at end of year	**₱60,078,640**	₱59,597,135

AFS financial assets
This account consists of the following:

	2024	2023
Government debt securities	**₱557,150,354**	₱635,586,906
Private debt securities	**143,162,824**	136,967,964
Equity securities:		
Listed common shares	**690**	680
Private common shares	**173,020,000**	152,220,000
	₱873,333,868	₱924,775,550

The cost of AFS financial assets are as follows:

	2024	2023
Government debt securities	**₱587,039,683**	₱674,623,205
Private debt securities	**147,057,510**	143,330,000
Equity securities:		
Listed common shares	**500**	500
Private common shares	**52,480,000**	52,480,000
	₱786,577,693	₱870,433,705

The carrying values of AFS financial assets have been determined as follows:

	2024	2023
Balance at beginning of year	**₱924,775,550**	₱280,831,484
Additions	**33,058,062**	77,095,769
Disposals/maturities	**(111,200,000)**	(84,576,684)
Amortization of discount	**(7,003,773)**	(8,891,356)
Changes in fair value of AFS financial assets	**33,704,029**	48,299,269
Effect of the accounting for merger (Note 1)	–	612,017,068
Balance at end of year	**₱873,333,868**	₱924,775,550

The Company reclassified AFS investments to HTM investments amounting to ₱232.00 million in 2021 and ₱70.00 million in 2023, representing the fair value at the date of reclassification which became the new amortized cost of the financial asset. As of reclassification date, the amounts of revaluation reserve related to these investments amounted to ₱3.63 million and ₱9.90 million in 2022 and 2021 respectively, which will be amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss. The revaluation reserve was fully amortized in 2024.

The rollforward analysis of the revaluation reserve on AFS financial assets follows:

	2024	2023
Balance at beginning of year	**₱53,660,751**	₱54,459,997
Change in fair value of AFS financial assets	**33,704,029**	48,299,269
Realized gain on amortization of revaluation reserve related to reclassified investments to HTM (Note 19)	**(681,095)**	(2,952,174)
Realized loss on corporate bonds - AFS (Note 19)	**72,490**	–
Effect of the accounting for merger (Note 1)	–	(46,146,341)
Balance at end of year	**₱86,756,175**	₱53,660,751

Interest income earned from AFS financial assets in 2024 and 2023 amounted to ₱32.68 million and ₱34.53 million, respectively (see Note 19).

In 2024 and 2023, dividend income earned from investments in equity securities amounted to ₱3.25 million and ₱3.81 million, respectively (see Note 19).

Held-to-maturity
Interest income earned from HTM investments in 2024 and 2023 amounted to ₱57.50 million and ₱54.60 million, respectively (see Note 19).

This account consists of government securities as follows:

	2024		2023	
	Cost	**Amortized Cost**	Cost	Amortized Cost
Quoted securities – at fair value				
Government debt securities:				
Local currency	**₱933,190,000**	**₱1,054,470,074**	₱840,321,920	₱1,066,439,646

The carrying values of the held-to-maturity investments have been determined as follows:

	2024	2023
At January 1	**₱1,066,439,646**	₱387,923,270
Additions	**246,720,000**	277,140,274
Disposals	**(256,500,000)**	(218,284,815)
Amortization of premium	**(2,189,572)**	(3,144,138)
Effect of the accounting for merger (Note 1)	–	622,805,055
At December 31	**₱1,054,470,074**	₱1,066,439,646

Loans and receivables

This account consists of the following:

	2024	2023
Accounts receivable	**₱42,415,041**	₱45,505,360
Advances to employees	**1,046,374**	1,602,101
	43,461,415	47,107,461
Allowance for credit losses	**(27,454,341)**	(27,520,093)
	₱16,007,074	₱19,587,368

Accounts receivable pertain to employees' cash advances, insurance premiums receivable from employees and receivables which have been endorsed to the legal department. Accounts receivable are all due within one year.

The Company provided allowance for credit losses on accounts receivable amounting to ₱27.45 million and ₱27.52 million as of December 31, 2024 and 2023, respectively. The reconciliation of changes in allowance for credit losses on accounts receivable as of December 31 follows:

	2024	2023
January 1	**₱27,520,093**	₱–
Effect of the accounting for merger (Note 1)	–	27,637,647
Write-off	**(32,945)**	–
Recovery from credit losses	**(32,807)**	(117,554)
December 31	**₱27,454,341**	₱27,520,093

7. Accrued Income

This account consists of accrued interest on the following accounts:

	2024	2023
Cash and cash equivalents	**₱6,574,433**	₱18,619,025
AFS financial assets	**11,018,383**	10,466,576
HTM investments	**7,898,483**	5,893,924
	₱25,491,299	₱34,979,525

8. Reinsurance Assets

This account consists of:

	2024	2023
Reinsurance recoverable on unpaid losses (Note 14)	**₱1,628,081,486**	₱2,605,856,843
Less: allowance for impairment losses	**(23,363,568)**	(23,363,568)
	1,604,717,918	2,582,493,275
Deferred reinsurance premiums (Note 14)	**1,302,882,416**	1,294,313,865
	₱2,907,600,334	₱3,876,807,140

The allowance for impairment losses on reinsurance recoverable on unpaid losses amounting to ₱23.36 million as of December 31, 2024 and 2023 was transferred to the Company from Summit Gen through the merger.

9. Deferred Acquisition Costs and Deferred Reinsurance Commissions

The rollforward analysis of deferred acquisition costs follows:

	2024		
	Commission Expense	**Other Acquisition Costs**	**Total**
Balance at beginning of year	**₱86,498,555**	**₱47,016,657**	**₱133,515,212**
Cost deferred during the year	**213,109,565**	**277,196,500**	**490,306,065**
Cost incurred during the year	**(190,764,501)**	**(289,995,424)**	**(480,759,925)**
Balance at end of year	**₱108,843,619**	**₱34,217,733**	**₱143,061,352**

	2023		
	Commission Expense	Other Acquisition Costs	Total
Balance at beginning of year	₱99,849,553	₱52,121,736	₱151,971,289
Cost deferred during the year	194,517,757	306,628,910	501,146,667
Cost incurred during the year	(207,868,755)	(311,733,989)	(519,602,744)
Balance at end of year	₱86,498,555	₱47,016,657	₱133,515,212

The rollforward analysis of deferred reinsurance commissions follows:

	2024	2023
Balance at beginning of year	**₱65,516,689**	₱69,097,860
Income deferred during the year	**340,606,651**	356,994,243
Income earned during the year	**(338,566,225)**	(360,575,414)
Balance at end of year	**₱67,557,115**	₱65,516,689

10. Property and Equipment – net

The composition of and movements of this account follows:

2024	**Condominium units**	**Furniture, fixtures and equipment**	**EDP equipment**	**Leasehold improvements**	**Transportation equipment**	**Total**
Cost						
Balance at beginning of year	**₱24,721,098**	**₱7,645,467**	**₱32,192,987**	**₱29,305,282**	**₱29,259,803**	**₱123,124,637**
Additions	–	**213,694**	**376,151**	**916,548**	**2,289,069**	**3,795,462**
Disposal/Retirement	–	–	–	**(3,135,550)**	**(2,788,888)**	**(5,924,438)**
Balance at end of year	**24,721,098**	**7,859,161**	**32,569,138**	**27,086,280**	**28,759,984**	**120,995,661**
Accumulated depreciation						
Balance at beginning of year	**₱15,203,475**	**₱3,497,416**	**₱22,287,085**	**₱6,540,640**	**₱13,935,243**	**₱61,463,859**
Depreciation (Note 21)	**494,422**	**758,444**	**3,905,144**	**4,781,227**	**4,358,052**	**14,297,289**
Disposal/Retirement	–	–	–	**(3,135,550)**	**(1,528,560)**	**(4,664,110)**
Balance at end of year	**15,697,897**	**4,255,860**	**26,192,229**	**8,186,317**	**16,764,735**	**71,097,038**
Net book value	**₱9,023,201**	**₱3,603,301**	**₱6,376,909**	**₱18,899,963**	**₱11,995,249**	**₱49,898,623**

2023	Condominium units	Furniture, fixtures and equipment	EDP equipment	Leasehold improvements	Transportation equipment	Total
Cost						
Balance at beginning of year	₱24,721,098	₱7,305,031	₱31,759,039	₱15,419,671	₱29,495,367	₱108,700,206
Additions	–	340,436	502,594	13,885,611	4,015,022	18,743,663
Disposal/Retirement	–	–	(68,646)	–	(4,250,586)	(4,319,232)
Balance at end of year	24,721,098	7,645,467	32,192,987	29,305,282	29,259,803	123,124,637
Accumulated depreciation						
Balance at beginning of year	₱14,709,053	₱2,741,437	₱17,578,604	₱4,379,251	₱12,428,758	₱51,837,103
Depreciation (Note 21)	494,422	755,979	4,748,059	2,161,389	4,980,443	13,140,292
Disposal/Retirement	–	–	(39,578)	–	(3,473,958)	(3,513,536)
Balance at end of year	15,203,475	3,497,416	22,287,085	6,540,640	13,935,243	61,463,859
Net book value	₱9,517,623	₱4,148,051	₱9,905,902	₱22,764,642	₱15,324,560	₱61,660,778

The cost of fully depreciated property and equipment still in use amounted to ₱15.30 million and ₱11.94 million as of December 31, 2024 and 2023, respectively.

Gain on disposal of property and equipment amounted to ₱0.27 million and ₱0.24 million as of December 31, 2024 and 2023, respectively

11. Intangible Assets

	2024		
	Software Cost	**Upfront Fee**	**Total**
Cost			
At January 1 and December 31, 2024	**₱4,606,666**	**₱50,000,000**	**₱54,606,666**
Accumulated Amortization At			
January 1, 2024	**4,308,667**	**8,888,888**	**13,197,555**
Amortization (Note 21)	**88,000**	**3,333,333**	**3,421,333**
At December 31, 2024	**4,396,667**	**12,222,221**	**16,618,888**
Net Book Value	**₱209,999**	**₱37,777,779**	**₱37,987,778**

	2023		
	Software Cost	Upfront Fee	Total
Cost			
At January 1,2023	₱4,855,204	₱50,000,000	₱54,855,204
Retirement	(875,126)	–	(875,126)
Additions	626,588	–	626,588
At December 31, 2023	4,606,666	50,000,000	54,606,666
Accumulated Amortization At			
January 1, 2023	2,666,667	5,555,555	8,222,222
Amortization (Note 21)	1,642,000	3,333,333	4,975,333
At December 31, 2023	4,308,667	8,888,888	13,197,555
Net Book Value	₱297,999	₱41,111,112	₱41,409,111

The software cost pertains to accounting system acquired from Summit Gen through Business Enterprise Transfer (BET) in September 2021.

The upfront fee amounting to ₱50.00 million pertains to the fee paid by the Company to PNB on April 30, 2021 for an Exclusive Marketing Agreement that will run for 15 years. The same will also be amortized for 15 years.

12. Other Assets

This account consists of:

	2024	2023
Creditable Withholding Taxes	**₱394,240,478**	₱339,181,611
Documentary stamps fund	**123,436,787**	6,377,559
Escrow fund	**50,600,043**	49,074,206
Deferred input VAT	**21,727,060**	22,077,679
Salvage recoverables	**15,613,199**	8,540,961
Deposits	**6,463,365**	17,850,685
Prepaid expenses	**6,292,791**	2,863,431
Claims fund (Note 19)	**6,234,980**	6,282,126
Others	**2,316,915**	839,519
	₱626,925,618	₱453,087,777

The creditable withholding taxes pertains to taxes withheld from the Company and can be applied against future income tax liabilities.

Documentary stamps fund pertains to fund set aside for payment of documentary stamps tax to Bureau of Internal Revenue (BIR).

The escrow fund was established pursuant to the requirement of the Land Transportation Franchising and Regulatory Board (LTFRB) wherein the Company, being accredited for the Personal Passenger Accident Insurance Program (PPAI), is required to establish an escrow to guaranty the payment of the claims of insured Public Utility Vehicles. The escrow agreement was entered by the Company, LTFRB, and PNB Trust Banking Group (escrow agent) on November 15, 2013 to set up a fund amounting to ₱40.00 million with accumulated interest amounting to ₱9.53 million and ₱8.02 million as of 2024 and 2023, respectively. The additional escrow fund was acquired from Summit Gen through Business Enterprise Transfer (BET) amounting to ₱1.00 million with accumulated interest amounting to ₱0.07 million and ₱0.05 million as of 2024 and 2023, respectively

Deferred input VAT arises from purchases of goods and services from VAT-registered suppliers which were not yet paid as of reporting date.

Salvage recoverables pertain to both motor car and surety claims. Salvage recoverable on motor car pertain to the fair value of the recovered vehicles to date while salvage recoverable on surety claims pertain to the value of collateral collected by the Company.

Deposits represent security rent deposits of branches and fund set aside as per requirement of the Supreme Court for the issuance of bonds for the Company's assured.

Prepaid expenses pertain to prepayments for various expenses and stationery and supplies.

Claims fund pertains to a portion of reinsurance premiums withheld by the ceding company under facultative reinsurance as reserve for losses specifically for PAMI. (Note 19)

Others pertain to security fund, CIS fund, marketing and planning fund – SCCI, authentication fee fund (SQL).

13. Accounts Payable and Accrued Expenses

This account consists of:

	2024	2023
Commissions payable (Note 25)	**₱158,199,044**	₱231,142,960
Output VAT	**175,119,317**	63,474,506
Taxes payable	**128,311,327**	14,171,251
Accounts payable	**114,938,891**	209,847,069
Accrued expenses	**96,233,646**	77,985,600
Premium deposits	**89,434,283**	97,729,281
Deferred output VAT	**50,521,657**	204,851,329
	₱812,758,165	₱899,201,996

Commissions payable are unpaid commissions on the Company's direct business, payable to agents and brokers which are due upon the collection of the related premiums receivable.

Output VAT pertains to VAT incurred from policy issuances.

Taxes payable pertain to documentary stamps payable, withholding taxes payable, fire service tax payable and other taxes and licenses that are due for settlement within one month after the reporting date.

Accounts payable pertain to bond collaterals and various unpaid invoices from suppliers.

Accrued expenses comprise of contingent profit commission, employee benefits, service fees, utilities and other expenses accrued as of the reporting date which are due within one year.

Premium deposits pertain to collections from policyholders which were received but were not yet properly applied due to incomplete reference.

Deferred output VAT consists of VAT incurred from policy issuances where the corresponding premiums remain unpaid as of reporting date.

14. Insurance Contract Liabilities

Insurance contract liabilities may be analyzed as follows:

	2024			2023		
	Insurance contract liabilities	**Reinsurers' share of liabilities (Note 9)**	**Net**	Insurance contract liabilities	Reinsurers' share of liabilities (Note 9)	Net
Provision for claims reported	**₱1,890,846,814**	**₱1,332,732,588**	**₱558,114,226**	₱2,684,904,132	₱2,200,349,179	₱484,554,953
Provision for claims IBNR and MfAD	**386,630,265**	**295,348,898**	**91,281,367**	490,822,615	405,507,664	85,314,951
Total provision for claims reported, claims IBNR and MfAD	**2,277,477,079**	**1,628,081,486**	**649,395,593**	3,175,726,747	2,605,856,843	569,869,904
Provision for unearned premiums	**1,585,178,415**	**1,302,882,416**	**282,295,999**	1,492,570,505	1,294,313,865	198,256,640
	₱3,862,655,494	**₱2,930,963,902**	**₱931,691,592**	₱4,668,297,252	₱3,900,170,708	₱768,126,544
Allowance for recoverable on unpaid losses	–	**(23,363,568)**	**23,363,568**	–	(23,363,568)	23,363,568
	₱3,862,655,494	**₱2,907,600,334**	**₱955,055,160**	₱4,668,297,252	₱3,876,807,140	₱791,490,112

The provision for claims reported, claims IBNR and MfAD may be analyzed as follows:

	2024			2023		
	Insurance contract liabilities	**Reinsurers' share of liabilities (Note 9)**	**Net**	Insurance contract liabilities	Reinsurers' share of liabilities (Note 9)	Net
Balance at beginning of year	**₱3,175,726,747**	**₱2,605,856,843**	**₱569,869,904**	₱3,088,523,765	₱2,544,019,740	₱544,504,025
Claims incurred during the year	**343,510,484**	**(8,409,119)**	**351,919,603**	235,648,471	49,005,995	186,642,476
Claims paid during the year (Note 20)	**(1,137,567,802)**	**(859,207,471)**	**(278,360,331)**	(542,594,666)	(294,852,097)	(247,742,569)
Increase (decrease) in IBNR and MfAD (Note 20)	**(104,192,350)**	**(110,158,767)**	**5,966,417**	(352,646,034)	(326,994,815)	(25,651,219)
Effect of the accounting for merger (Note 1)	–	–	–	746,795,211	634,678,020	112,117,191
Balance at end of year	**₱2,277,477,079**	**₱1,628,081,486**	**₱649,395,593**	₱3,175,726,747	₱2,605,856,843	₱569,869,904

The provision for unearned premiums may be analyzed as follows:

	2024			2023		
	Insurance Contract Liabilities	**Reinsurers' share of liabilities (Note 9)**	**Net**	Insurance Contract Liabilities	Reinsurers' share of liabilities (Note 9)	Net
Balance at beginning of year	**₱1,492,570,505**	**₱1,294,313,865**	**₱198,256,640**	₱1,398,940,975	₱1,238,063,320	₱160,877,655
Policies written during the year (Note 18)	**3,183,044,282**	**2,348,504,685**	**834,539,597**	3,278,270,640	2,611,033,385	667,237,255
Premiums earned during the year (Note 18)	**(3,090,436,372)**	**(2,339,936,134)**	**(750,500,238)**	(3,184,641,110)	(2,554,782,840)	(629,858,270)
Balance at end of year	**₱1,585,178,415**	**₱1,302,882,416**	**₱282,295,999**	₱1,492,570,505	₱1,294,313,865	₱198,256,640

15. Insurance Payables

This account consists of:

	2024	2023
Premiums due to reinsurers (Note 25)	**₱1,081,521,056**	₱1,191,981,580
Funds held for reinsurers	**68,385,935**	95,768,908
	₱1,149,906,991	₱1,287,750,488

Premiums due to reinsurers represent the reinsurance premiums due and payable by the Company to all its reinsurers whether by treaty or facultative.

Funds held for reinsurers represent the amounts pertaining to a certain percentage of the total reinsurance premiums due to reinsurers within one (1) year from date of retention being held by the Company as reserves for unpaid losses.

The rollforward analysis of insurance payables follows:

	2024		
	Premiums due to reinsurers	**Funds held for reinsurers**	**Total**
Balance at beginning of year	**₱1,191,981,580**	**₱95,768,908**	**₱1,287,750,488**
Arising during the year	**2,280,118,749**	**68,385,936**	**2,348,504,685**
Paid during the year	**(2,390,579,273)**	**(95,768,909)**	**(2,486,348,182)**
Balance at end of year	**₱1,081,521,056**	**₱68,385,935**	**₱1,149,906,991**

	2023		
	Premiums due to reinsurers	Funds held for reinsurers	Total
Balance at beginning of year	₱1,009,578,442	₱212,464,135	₱1,222,042,577
Arising during the year	2,515,264,475	95,768,910	2,611,033,385
Paid during the year	(2,332,861,337)	(212,464,137)	(2,545,325,474)
Balance at end of year	₱1,191,981,580	₱95,768,908	₱1,287,750,488

Interest expense on funds held for reinsurers amounted to ₱1.93 million and ₱2.07 million in 2024 and 2023, respectively.

16. Insurance Contract Liabilities and Reinsurance Assets – Terms, Assumptions and Sensitivities

Terms and Conditions

The major classes of general insurance written by the Company include aviation, fire, surety, casualty, and engineering. Risks under these policies usually cover one-month to three-year periods.

For general insurance contracts, claims provisions (comprising provision for claims reported and claims IBNR) are established to cover the ultimate cost of settling the liabilities in respect of claims that have occurred and are estimated based on known facts at the reporting date.

The provisions are refined quarterly as part of a regular ongoing process as claims experience develops, certain claims are settled and further claims are reported. Outstanding claims provisions are not discounted for the time value of money.

The measurement process primarily includes projections of future claims through use of historical experience statistics. In certain cases, where there is lack of reliable historical data on which to estimate claims development, relevant benchmarks of similar business are used in developing claims estimates. Claims are usually assessed by loss adjusters.

Assumptions

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

Sensitivities

The general insurance claims provision is sensitive to the above key assumptions. The sensitivity of certain assumptions such as legislative change and uncertainty in the estimation process is not possible to quantify. As a result, the final liabilities may change as result of succeeding developments. Differences from recomputation of the final liabilities are taken up in subsequent financial statements.

The sensitivity analysis below is performed for a reasonably possible movement in key assumptions with all other assumptions held constant. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumption changes had to be done on an individual basis.

	2024			
	Change in assumption	**Impact on gross insurance contract liabilities**	**Impact on net insurance contract liabilities**	**Impact on income before liabilities income tax**
Average claim costs	**+5.58%**	**₱111,668,548**	**(₱68,470,127)**	**(₱68,470,127)**
Average number of claims	**2.55%**	**22,004,855**	**(6,636,416)**	**(6,636,416)**

	2023			
	Change in assumption	Impact on gross insurance contract liabilities	Impact on net insurance contract liabilities	Impact on income before liabilities income tax
Average claim costs	+8.27%	₱98,047,613	(₱9,352,268)	(₱9,352,268)
Average number of claims	-1.74%	(13,426,528)	4,758,826	4,758,826

Claims Development Tables

The tables in the next page show the development of claims over a period of time. These reflect the cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date.

The Company aims to maintain strong reserves in respect of its general insurance in order to protect against adverse future claims experience and development. As claims develop and ultimate costs of claims become more certain, the absence of adverse claims experience will then result in a release of reserves from earlier accident years.

	Gross insurance contract liabilities for 2024							
	2018 and prior	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**Total**
Estimate of ultimate claim costs								
At the end of accident year	**₱1,914,619,825**	**₱420,083,823**	**₱431,533,054**	**₱972,882,211**	**₱1,420,276,332**	**₱1,008,898,458**	**₱1,047,782,606**	**₱1,047,782,606**
One year later	**133,372,136**	**61,825,428**	**1,017,341,388**	**1,427,015,815**	**420,311,387**	**275,332,492**	–	**275,332,492**
Two years later	**68,559,191**	**206,906,886**	**437,788,296**	**708,514,530**	**140,061,377**	–	–	**140,061,377**
Three years later	**6,459,567**	**80,647,217**	**229,592,422**	**350,501,723**	–	–	–	**350,501,723**
Four years later	**186,886,363**	**461,022,324**	**64,270,547**	–	–	–	–	**64,270,547**
Five years later	**241,554,020**	**707,953,202**	–	–	–	–	–	**707,953,202**
Six years later	**850,074,623**	–	–	–	–	–	–	**850,074,623**
Current estimate of cumulative claims	**850,074,623**	**707,953,202**	**64,270,547**	**350,501,723**	**140,061,377**	**275,332,492**	**1,047,782,606**	**3,435,976,570**
Cumulative payments to date	**27,753,221**	**603,539,953**	**27,608,411**	**131,596,917**	**73,468,142**	**115,159,041**	**179,373,806**	**1,158,499,491**
Total gross insurance contract liabilities in the statement of financial position	**₱822,321,402**	**₱104,413,249**	**₱36,662,136**	**₱218,904,806**	**₱66,593,235**	**₱160,173,451**	**₱868,408,800**	**₱2,277,477,079**

	Net insurance contract liabilities for 2024							
	2018 and prior	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**Total**
Estimate of ultimate claim costs								
At the end of accident year	**₱420,232,224**	**₱111,202,984**	**₱156,569,514**	**₱155,799,495**	**₱246,015,452**	**₱446,274,288**	**₱590,493,880**	**₱590,493,880**
One year later	**33,100,445**	**8,066,870**	**3,911,021**	**101,443,214**	**175,322,068**	**120,958,047**	–	**120,958,047**
Two years later	**13,473,190**	**1,755,963**	**84,304,208**	**74,162,889**	**50,090,990**	–	–	**50,090,990**
Three years later	**3,590,604**	**23,133**	**27,775,307**	**28,097,336**	–	–	–	**28,097,336**
Four years later	**9,421,631**	**62,118,584**	**21,856,340**	–	–	–	–	**21,856,340**
Five years later	**19,982,310**	**38,974,726**	–	–	–	–	–	**38,974,726**
Six years later	**98,216,294**	–	–	–	–	–	–	**98,216,294**
Current estimate of cumulative claims	**98,216,294**	**38,974,726**	**21,856,340**	**28,097,336**	**50,090,990**	**120,958,047**	**590,493,880**	**948,687,613**
Cumulative payments to date	**4,036,125**	**18,466,392**	**8,976,687**	**9,873,128**	**31,871,337**	**67,992,907**	**158,075,444**	**299,292,020**
Total gross insurance contract liabilities in the statement of financial position	**₱94,180,169**	**₱20,508,334**	**₱12,879,653**	**₱18,224,208**	**₱18,219,653**	**₱52,965,141**	**₱432,418,436**	**₱649,395,593**

	Gross insurance contract liabilities for 2023							
	2017 and prior	2018	2019	2020	2021	2022	2023	Total
Estimate of ultimate claim costs								
At the end of accident year	₱1,648,517,062	₱266,102,763	₱420,083,823	₱431,533,054	₱972,882,211	₱1,420,276,332	₱1,008,898,461	₱1,008,898,461
One year later	102,522,597	30,849,539	61,825,428	1,017,341,388	1,427,015,815	420,311,387	–	420,311,387
Two years later	63,641,335	4,917,856	206,906,886	437,788,296	708,514,530	–	–	708,514,530
Three years later	6,253,516	80,647,217	80,647,217	229,592,422	–	–	–	229,592,422
Four years later	11,366,558	175,519,806	461,022,324	–	–	–	–	461,022,324
Five years later	70,265,408	171,288,612	–	–	–	–	–	171,288,612
Six years later	730,975,377	–	–	–	–	–	–	730,975,377
Current estimate of cumulative claims	730,975,377	171,288,612	461,022,324	229,592,422	708,514,530	420,311,387	1,008,898,461	3,730,603,113
Cumulative payments to date	13,585,852	38,927,765	(236,565,378)	27,035,073	350,353,220	264,661,704	96,878,130	554,876,366
Total gross insurance contract liabilities in the statement of financial position	₱717,389,525	₱132,360,847	₱697,587,702	₱202,557,349	₱358,161,310	₱155,649,683	₱912,020,331	₱3,175,726,747

	Net insurance contract liabilities for 2023							
	2017 and prior	2018	2019	2020	2021	2022	2023	Total
Estimate of ultimate claim costs								
At the end of accident year	₱420,232,224	₱111,202,984	₱156,569,514	₱155,799,495	₱246,015,452	₱446,274,288	₱388,031,050	₱388,031,050
One year later	33,100,445	8,066,870	3,911,021	101,443,214	175,322,068	166,526,596	–	166,526,596
Two years later	13,473,190	1,755,963	84,304,208	74,162,889	45,200,676	–	–	45,200,676
Three years later	3,590,604	27,775,307	27,775,307	33,998,282	–	–	–	33,998,282
Four years later	9,421,631	62,118,584	46,056,900	–	–	–	–	46,056,900
Five years later	19,982,310	53,486,085	–	–	–	–	–	53,486,085
Six years later	96,594,582	–	–	–	–	–	–	96,594,582
Current estimate of cumulative claims	96,594,582	53,486,085	46,056,900	33,998,282	45,200,676	166,526,596	388,031,0450	829,894,171
Cumulative payments to date	1,209,725	33,799,353	4,177,967	10,886,589	14,166,733	104,420,753	91,363,147	260,024,267
Total gross insurance contract liabilities in the statement of financial position	₱95,384,857	₱19,686,732	₱41,878,933	₱23,111,693	₱31,033,943	₱62,105,843	₱296,667,903	₱569,869,904

17. Equity

Capital stock

Details of the Company's common shares as of December 31, 2024 and 2023 follow:

	Number of shares	Amount
Authorized capital stock – ₱1 par value per share	1,000,000,000	₱1,000,000,000
Issued and fully paid	845,000,000	845,000,000
Subscribed (net of subscriptions receivable of ₱304,112,500)		600,137,877
Paid-up capital		1,445,137,877
Treasury shares		(809,600,377)
Contingency surplus		1,600,000,000
Contributed surplus		441,615,510
		₱2,677,153,010

The details of the Company's subscribed capital stock as of December 31, 2024 and 2023 follow:

Subscribed capital stock	₱155,000,000
Additional paid-in capital in excess of par	749,250,377
Subscription receivable	(304,112,500)
Subscribed and paid	₱600,137,877

Contingency surplus amounting to ₱1.60 billion as of December 31, 2024 and 2023 represents the contribution of Qualisure Holdings, Inc., (one of the Company's major shareholders) to cover the deficiency to comply with the required Statutory Net Worth under the Insurance Code (as Amended). This shall be maintained during the period of merger process between Company with SummitGen. On February 13, 2025, the Insurance Commission approved the application of a portion of the Contingency Surplus given by Qualisure Holdings, Inc. to purchase the 375,000,000 treasury shares and pay in full its subscription receivable. The Deed of Sale will be executed once the signatures of the parties are completed.

Contributed surplus amounting to ₱0.44 billion as of December 31, 2024 and 2023 represents the original contribution of the stockholders of the Company, in addition to the paid-up capital stock.

Out of the ₱125.00 million cash dividends declared in 2016, ₱19.24 million remain outstanding as of December 31, 2024 and 2023 and is included under "Dividends payable" in the statements of financial position.

18. Net Earned Premiums

Total gross earned premiums on insurance contracts follow:

	2024	2023
Gross premiums written		
Direct	**₱3,047,813,778**	₱2,937,657,948
Assumed	**135,230,504**	340,612,692
Total gross premiums written	**3,183,044,282**	3,278,270,640
Gross change in provision for unearned premiums	**(92,607,910)**	(93,629,530)
Total gross earned premiums (Note 14)	**₱3,090,436,372**	₱3,184,641,110

Total reinsurers' share of gross earned premiums on insurance contracts follows:

	2024	2023
Reinsurers' share of gross premiums written Direct		
Direct	**₱2,275,876,562**	₱2,354,581,402
Assumed	**72,628,123**	256,451,983
Total reinsurers' share of gross premiums written	**2,348,504,685**	2,611,033,385
Reinsurers' share of gross change in provision for unearned premiums	**(8,568,551)**	(56,250,545)
Total reinsurers' share of gross earned premiums (Note 14)	**₱2,339,936,134**	₱2,554,782,840

19. Investment Income–net

This account consists of:

	2024	2023
Interest income on:		
Cash and cash equivalents (Note 4)	**₱121,154,817**	₱102,611,795
HTM investments (Note 6)	**57,504,035**	54,599,231
AFS financial assets (Note 6)	**32,676,360**	34,528,587
Escrow fund (Note 12)	**243,416**	276,615
Money market placements (Note 6)	**–**	553,264
Claims fund (Note 12)	**(47,146)**	522,740
Fair value gain on FVTPL (Note 6)	**3,445,784**	100,619
Dividend income (Note 6)	**3,245,350**	3,812,397
Amortization of revaluation reserve reclassified AFS investments (Note 6)	**681,095**	2,952,174
Realized loss on corporate bonds - AFS (Note 6)	**(72,490)**	–
Others	**(681,095)**	(3,130,909)
	₱218,150,126	₱196,826,513

20. Net Insurance Benefits and Claims

Details of gross insurance contract benefits and claims paid are as follows:

	2024	2023
Direct	**₱1,060,128,482**	₱360,579,132
Assumed	**77,439,320**	182,015,534
	₱1,137,567,802	₱542,594,666

Details of reinsurers' share of gross insurance contracts benefits and claims paid are as follows:

	2024	2023
Direct	**₱802,367,687**	₱149,361,324
Assumed	**56,839,784**	145,490,773
	₱859,207,471	₱294,852,097

Details of gross change in insurance contract liabilities are as follows:

	2024	2023
Change in provision for claims reported: Direct	**(₱769,518,169)**	(₱143,844,845)
Assumed	**(24,539,149)**	(168,533,064)
	(794,057,318)	(312,377,909)
Provision for claims IBNR and MfAD	**(104,192,350)**	(352,646,034)
	(₱898,249,668)	(₱665,023,943)

Details of reinsurers' share of gross change in insurance contract liabilities are as follows:

	2024	2023
Change in provision for claims reported: Direct	**(₱860,403,180)**	(₱128,791,925)
Assumed	**(7,213,410)**	(144,911,597)
	(867,616,590)	(273,703,522)
Provision for claims IBNR and MfAD	**(110,158,767)**	(326,994,815)
	(₱977,775,357)	(₱600,698,337)

21. General and Administrative Expenses

This account consists of:

	2024	2023
Salaries and allowances (Note 25)	**₱183,121,975**	₱185,851,459
Pension expense (Note 22)	**30,822,416**	25,766,761
Bank, trust and other fees	**29,553,770**	18,703,984
Professional fees	**26,638,888**	38,678,948
Depreciation and amortization (Notes 10, 11 and 26)	**19,833,599**	22,412,895
Social security and other contributions	**10,760,341**	10,037,813
Hospitalization contribution	**7,296,136**	8,062,724
Rent (Note 26)	**7,261,280**	13,530,928
Other employee benefits	**6,768,926**	6,813,043
Taxes and licenses	**5,280,807**	9,972,729
Information technology expenses	**4,934,619**	5,629,222
Board meeting expenses and directors' fees	**3,952,381**	4,642,087
Communication and postage	**3,718,196**	3,791,547
Stationery and supplies	**2,975,624**	1,886,040
Transportation and travel	**2,936,577**	3,572,814
Advertising, promotion and marketing expense	**2,447,653**	1,968,079
Light and water	**2,051,240**	3,127,564
Representation and entertainment	**2,027,583**	1,653,743
Fringe benefit tax	**1,550,863**	1,948,900
Association dues	**1,306,241**	1,155,039
Repairs and maintenance	**539,611**	559,699
Professional and technical development	**357,815**	403,930
Provision (reversal of provision) for doubtful accounts (Notes 5 and 6)	**(3,143,996)**	7,912,252
Others	**34,654,170**	36,106,821
	₱387,646,715	₱414,189,021

Others include payments made to agency, software and maintenance, books and periodicals, donations and charitable contributions.

22. Pension Cost

The Company has an unfunded, non-contributory defined benefit retirement plan covering substantially all of its regular employees.

The following tables summarize the components of retirement cost recognized in the statements of income and pension obligation recognized in the statements of financial position:

	2024		
	Present value of defined benefit obligation	**Fair value of plan assets**	**Total Net pension liability (asset)**
Balance at beginning of the year	**₱111,465,433**	**(₱124,290,012)**	**(₱12,824,579)**
Current service cost (Note 21)	**30,822,416**	**–**	**30,822,416**
Net interest expense (income)	**6,765,952**	**(7,544,404)**	**(778,452)**
Total pension expense	**37,588,368**	**(7,544,404)**	**30,043,964**
Actuarial gain on defined benefit obligation	**(24,172,552)**	**–**	**(24,172,552)**
Remeasurement loss on plan assets	**–**	**1,124,568**	**1,124,568**
Net remeasurement loss (gain)	**(24,172,552)**	**1,124,568**	**(23,047,984)**
Benefits paid	**(2,404,334)**	**2,404,334**	**–**
Contributions	**–**	**(27,833,077)**	**(27,833,077)**
Balance at the end of the year	**₱122,476,915**	**(₱156,138,591)**	**(₱33,661,676)**

	2023		
	Present value of defined benefit obligation	Fair value of plan assets	Total Net pension liability (asset)
Balance at beginning of the year	₱74,581,114	(₱92,568,743)	(₱17,987,629)
Current service cost (Note 21)	25,766,761	–	25,766,761
Net interest expense (income)	5,310,175	(6,590,895)	(1,280,720)
Total pension expense	31,076,936	(6,590,895)	24,486,041
Actuarial loss on defined benefit obligation	5,807,383	–	5,807,383
Remeasurement loss on plan assets	–	1,475,953	1,475,953
Total remeasurement loss	5,807,383	1,475,953	7,283,336
Contributions	–	(26,606,327)	(26,606,327)
Balance at the end of the year	₱111,465,433	(₱124,290,012)	(₱12,824,579)

Details of accumulated remeasurement gain (loss) on defined benefit plan as of December 31 follows:

	2024	2023
Balance at beginning of year	**₱9,224,363**	₱15,941,711
Remeasurement gain recognized in other comprehensive income during the year	**23,047,984**	(7,283,336)
	32,272,347	8,658,375
Income tax effect	**(5,761,996)**	565,988
Balance at end of year	**₱26,510,351**	₱9,224,363

Pension expense and the present value of the defined benefit obligation are determined using actuarial valuation. The actuarial valuation involves making various assumptions. The latest actuarial valuation report is as of December 31, 2024.

The principal assumptions used to determine pension for the defined benefit plans follows:

	2024	2023
Discount rate	**6.11%**	6.07%
Salary increase rate	**10.00%**	10.00%
Average years of service	**4.39**	3.91

The discount rate used to determine the defined benefit obligation is determined by reference to the approximated zero-coupon yields of government bonds with remaining period to maturity approximating the estimated average duration of the benefit payment.

The salary increase rate takes into consideration the prevailing inflation rate and Company policy.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant:

	Change in variables	**Increase (decrease) in present value of defined benefit obligation**	
		2024	2023
Discount rate	+0.50%	**(₱8,995,516)**	(₱8,259,045)
	-0.50%	**10,079,552**	9,253,047
Salary increase rate	+1.00%	**19,694,338**	18,093,462
	-1.00%	**(16,156,825)**	(14,844,133)

There were no significant changes from the previous period in the methods and assumptions used in preparing the sensitivity analysis.

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

	2024	2023
Less than 1 year	**₱9,957,465**	₱7,994,470
More than 1 year to 5 years	**27,134,953**	31,732,058
More than 5 years to 10 years	**61,775,507**	71,983,476
More than 10 years to 15 years	**177,456,566**	159,168,477
More than 15 years to 20 years	**278,062,817**	312,041,499
More than 20 years	**3,527,819,649**	3,539,486,235

The Company expects to contribute at least ₱29.82 million to the defined benefit plan in 2024.

The average expected future working lives of the employees of the Company is 4.39 and 3.91 years as of December 31, 2024 and 2023.

The distribution of the plan assets as of December 31, 2024 and 2023 follows:

	2024		2023	
	Amount	**%**	Amount	%
Savings deposit	**₱21,605**	**0.01%**	₱31,531	0.03%
Investment in unit investment trust fund	**11,118,437**	**7.12%**	48,134,223	38.72%
FVTPL - debt and equities	**143,828,735**	**92.10%**	75,454,112	60.69%
Other Assets	–	**%**	67,901	0.05%
Accrued interest	**1,199,350**	**0.77%**	630,959	0.51%
	156,168,127	**100.00%**	124,318,726	100.00%
Less: Allowance for expected credit losses AIR	**(171)**		(333)	
Less: Allowance for expected credit losses DIB	**(29,365)**		(28,381)	
	₱156,138,591	**100.00%**	₱124,290,012	100.00%

The carrying values of plan assets approximate their fair values as of December 31, 2024 and 2023.

23. Income Tax

a. Details of the provision for income tax follows:

	2024	2023
Current	**₱4,448,813**	₱2,535,659
Final	**43,789,435**	40,338,235
	48,238,248	42,873,894
Deferred	**(1,025,230)**	(5,281,900)
	₱47,213,018	₱37,591,994

b. Components of deferred tax assets follow:

	2024	2023
Presented in profit or loss		
Allowance for credit losses	**₱36,222,342**	₱30,473,484
Provision for claims IBNR, CHE and MfAD	**22,820,342**	21,328,737
Unamortized past service cost	**1,858,468**	2,597,600
Net pension asset	**421,364**	6,280,933
MCIT	**8,681,647**	5,441,457
Net lease liability	**455,186**	–
Unrealized foreign exchange loss (gain)	**(2,079,046)**	1,232,863
	68,380,303	67,355,074
Presented in other comprehensive income		
Deferred income tax asset on remeasurement loss on defined benefit obligation	**(8,836,783)**	(3,074,788)
	₱59,543,520	₱64,280,286

Movements in net deferred tax assets comprise of:

	2024	2023
Balance at beginning of year	**₱64,280,286**	₱27,339,885
Deferred income tax recognized in profit or loss	**1,025,230**	5,281,900
Deferred income tax recognized in other comprehensive income	**(5,761,996)**	619,839
Effect of the accounting for merger (Note 1)	–	31,038,662
Balance at end of the year	**₱59,543,520**	₱64,280,286

c. Details of NOLCO and MCIT as of December 31 follows:

Year Incurred	Year Expiring	NOLCO 2024	NOLCO 2023	MCIT 2024	MCIT 2023
2024	2027	**₱36,857,306**	₱–	**₱3,240,190**	₱–
2023	2026	**63,035,583**	63,035,583	**2,535,659**	2,535,659
2022	2021	–	–	**2,905,798**	2,905,798
		₱99,892,889	₱63,035,583	**₱8,681,647**	₱5,441,457

The movements in NOLCO and MCIT as of December 31 are as follows:

	NOLCO 2024	NOLCO 2023	MCIT 2024	MCIT 2023
Beginning balances	**₱63,035,583**	₱–	**₱5,441,457**	₱2,905,798
Additions	**36,857,306**	63,035,583	**3,240,190**	2,535,659
Application	–	–	–	–
Expiration	–	–	–	–
Ending balances	**₱99,892,889**	₱63,035,583	**₱8,681,647**	₱5,441,457

	2024	2023
*No deferred income tax for NOLCO	**₱9,214,327**	₱15,758,896

d. The reconciliation of the statutory corporate income tax rate to the effective income tax rate follows:

	2024	2023
Statutory corporate income tax	**₱34,714,943**	₱29,675,786
Add (deduct) the tax effects of:		
Interest income already subjected to final tax	**(8,879,979)**	(11,220,726)
Non-deductible expenses	**12,497,668**	4,260,186
Deficiencies on income tax	**1,208,623**	–
Non-taxable income	**(1,542,564)**	2,023,651
Deferred MCIT	**(3,240,190)**	(5,441,457)
Others	**12,454,517**	18,294,554
Effective income tax	**₱47,213,018**	₱37,591,994

24. Management of Insurance and Financial Risks

Governance Framework
The primary objective of the Company's risk and financial management framework is to protect the Company from events that hinder the sustainable achievement of the Company's performance objectives, including failure to exploit opportunities. The Company recognizes the importance of having efficient and effective risk management systems in place.

Regulatory Framework
Regulators are interested in protecting the rights of the policyholders and maintain close vigil to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Company maintains appropriate solvency position to meet liabilities arising from claims and that the risk levels are at acceptable levels.

The operations of the Company are subject to the regulatory requirements of the IC. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions (e.g., capital adequacy to minimize the risk of default and insolvency on the part of the insurance companies to meet the unforeseen liabilities as these arise).

Fair Value Measurement
As of December 31, 2024 and 2023, the carrying values of the Company's assets and liabilities as reflected in the statements of financial position and related notes approximate their respective fair values as of the statements of financial position date.

The methods and assumptions used by the Company in estimating the fair values of the financial instruments are as follows:

Cash and cash equivalents, insurance receivables, accrued income and loans and receivables
Due to the short-term nature of these accounts, the fair values approximate the carrying amounts as of the reporting date.

AFS financial assets and financial assets at FVTPL
The fair values of equity securities that are actively traded in organized financial markets are determined using quoted market prices within the bid-offer price change at reporting date. Unquoted equity securities are carried at cost subject to impairment when the fair value could not be reliably determined.

Financial liabilities
The fair values of insurance contract liabilities, accounts payable and accrued expenses (excluding statutory liabilities) and insurance payables approximate their carrying values due to either the demandable feature or the relatively short-term maturities of these liabilities.

The fair value hierarchy of the Company's financial assets are summarized in the table below.

	2024			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL	**₱60,078,640**	**₱–**	**₱–**	**₱60,078,640**
AFS financial assets:				
Government debt securities	**557,150,354**	–	–	**557,150,354**
Private debt securities	**143,162,824**	–	–	**143,162,824**
Listed equity securities	**690**	–	–	**690**
	₱760,392,508	**₱–**	**₱–**	**₱760,392,508**

	2023			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	₱59,597,135	₱–	₱–	₱59,597,135
AFS financial assets:				
Government debt securities	635,586,906	–	–	635,586,906
Private debt securities	136,967,964	–	–	136,967,964
Listed equity securities	680	–	–	680
	₱832,152,685	₱–	₱–	₱832,152,685

In 2024 and 2023, there were no transfers between Level 1 and Level 2 of fair value measurements, and no transfer into and out of Level 3 fair value measurement.

Financial Risk

The Company is exposed to financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are credit risk, liquidity risk and market risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company manages the level of credit risk by setting up exposure limits for each counterparty or group of counterparties and industry segments; right of offset where counterparties are both debtors and creditors; guidelines on obtaining collaterals and guarantees; reporting of credit risk exposures; monitoring compliance with credit risk policy; and review of credit risk policy for pertinence and changing environment.

The Company sets the maximum amounts and limits that may be advanced to or placed with individual corporate counterparties which are set by reference to their long-term ratings.

Credit risk exposure in respect of all other counterparties is managed by setting standard business terms that are required to be met by all counterparties. Commissions due to intermediaries are set off against amounts receivable from them to reduce the risk of doubtful accounts.

As of December 31, 2024 and 2023, the carrying values of the Company's financial instruments represent maximum exposure to credit risk as of reporting date.

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counterparties as of December 31:

	2024			
	Neither past due nor impaired			
	Investment grade	**Non-investment grade**	**Past due or impaired**	**Total**
Cash and cash equivalents*	**₱2,103,977,286**	**₱–**	**₱–**	**₱2,103,977,286**
Insurance receivables:				
Premiums receivable	**–**	**1,333,340,020**	**65,608,834**	**1,398,948,854**
Reinsurance recoverable on paid losses	**–**	**268,569,506**	**237,389,955**	**505,959,461**
Due from ceding companies	**–**	**119,582,420**	**16,945,734**	**136,528,154**
Funds held by ceding companies	**–**	**12,553,390**	**–**	**12,553,390**
Accounts receivable	**–**	**14,960,700**	**27,454,341**	**42,415,041**
Advances to employees	**–**	**1,046,374**	**–**	**1,046,374**
Accrued income	**25,491,299**	**–**	**–**	**25,491,299**
Investment securities at amortized cost	**1,054,470,074**	**–**	**–**	**1,054,470,074**
Financial assets at FVTPL	**60,078,640**	**–**	**–**	**60,078,640**
AFS financial assets:				
Government debt securities	**557,150,354**	**–**	**–**	**557,150,354**
Private debt securities	**143,162,824**	**–**	**–**	**143,162,824**
Listed common shares	**690**	**–**	**–**	**690**
Private common shares	**173,020,000**	**–**	**–**	**173,020,000**
	₱4,117,351,167	**₱1,750,052,410**	**₱347,398,864**	**₱6,214,802,441**

**excludes cash on hand*

	2023			
	Neither past due nor impaired			
	Investment grade	Non-investment grade	Past due or impaired	Total
Cash and cash equivalents*	₱2,015,120,645	₱–	₱–	₱2,015,120,645
Insurance receivables:				
Premiums receivable	–	1,379,823,781	69,504,167	1,449,327,948
Reinsurance recoverable on paid losses	–	258,848,393	236,528,931	495,377,324
Due from ceding companies	–	196,806,391	17,022,614	213,829,005
Funds held by ceding companies	–	10,949,830	–	10,949,830
Commissions receivable	–	2,554,326	–	2,554,326
Accounts receivable	–	17,985,267	27,520,093	45,505,360
Advances to employees	–	1,602,101	–	1,602,101
Accrued income	34,979,525	–	–	34,979,525
Investment securities at amortized cost	1,066,439,646	–	–	1,066,439,646
Financial assets at FVTPL	59,597,135	–	–	59,597,135
AFS financial assets:				
Government debt securities	635,586,906	–	–	635,586,906
Private debt securities	136,967,964	–	–	136,967,964
Listed common shares	680	–	–	680
Private common shares	152,220,000	–	–	152,220,000
	₱4,100,912,501	₱1,868,570,089	₱350,575,805	₱6,320,058,395

**excludes cash on hand*

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

a. *Cash and cash equivalents and accrued income*
   These are classified as investment grade. These are deposited, placed or invested in foreign and local banks belonging to the top banks in the Philippines in terms of resources and profitability.

b. *Insurance receivables and loans and receivables*
   The Company uses a credit rating concept based on the borrower's overall credit worthiness. Investment grade is given to borrowers and counterparties having good standing in terms of credit and paying habits and their outstanding account balance does not exceed 30% of their total production. Non-investment grade is given to borrowers and counterparties having low standing in terms of credit and paying habits and their outstanding balance exceeds 50% of their total production.

c. *Debt securities*
   These are classified as investment grade. The government debt securities are issued by the local government authority and are considered as risk-free debt securities. The private debt securities are issued by the stable companies and are considered to be high credit worthiness.

d. *Equity securities*
   Equity securities not subjected to other than temporary decline are classified as investment grade.

The table below shows the aging analysis of financial assets that are past due but not impaired.

	2024 Past due but not impaired						
	Less than 30 days	**31 to 60 days**	**61 to 90 days**	**Over 90 days**	**Total**	**Past due and impaired**	**Total**
Insurance receivables:							
Premiums receivable	**₱32,881,360**	**₱14,096,780**	**₱6,499,020**	**₱97,255,277**	**₱150,732,437**	**₱65,608,834**	**₱216,341,271**
Reinsurance recoverable on paid losses	**2,114,762**	**10,488,714**	**7,400,871**	**248,565,159**	**268,569,506**	**237,389,955**	**505,959,461**
Due from ceding companies	**952,460**	**165,456**	**992,725**	**117,471,779**	**119,582,420**	**16,945,734**	**136,528,154**
Funds held by ceding companies	**–**	**496,690**	**–**	**12,056,700**	**12,553,390**	**–**	**12,553,390**
	₱35,948,582	**₱25,247,640**	**₱14,892,616**	**₱475,348,915**	**₱551,437,753**	**₱319,944,523**	**₱871,382,276**

	2023 Past due but not impaired						
	Less than 30 days	31 to 60 days	61 to 90 days	Over 90 days	Total	Past due and impaired	Total
Insurance receivables:							
Premiums receivable	₱20,467,392	₱11,538,406	₱9,665,954	₱150,013,930	₱191,685,682	₱69,504,167	₱261,189,849
Reinsurance recoverable on paid losses	60,179,234	43,206,355	3,122,424	152,340,380	258,848,393	236,528,931	495,377,324
Due from ceding companies	83,820,585	769,332	846,882	111,369,592	196,806,391	17,022,614	213,829,005
Funds held by ceding companies	–	–	–	10,949,830	10,949,830	–	10,949,830
Commissions receivable	–	–	–	2,554,326	2,554,326	–	2,554,326
	₱164,467,211	₱55,514,093	₱13,635,260	₱427,228,058	₱660,844,622	₱323,055,712	₱983,900,334

The Company has a significant concentration of credit risk with the Lucio Tan Group as of December 31, 2024 and 2023 (Note 25).

Liquidity risk
Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; counterparty failing on repayment of a contractual obligation; insurance liability falling due for payment earlier than expected; or inability to generate cash inflows as anticipated.

The major liquidity risk confronting the Company is the potential daily calls on its available cash resources in respect of claims arising from insurance contracts.

The Company manages liquidity risk by specifying minimum proportion of funds to meet emergency calls; specifying the sources of funding and the events that would trigger the plan; determining concentration of funding sources; reporting of liquidity risk exposures; monitoring compliance with liquidity risk policy and review of liquidity risk policy for pertinence and changing environment.

The following tables analyze financial assets and liabilities of the Company into their relevant maturity groups based on the remaining period at the reporting dates to their contractual maturities or expected repayment dates. The company expects future interest on the following accounts: Cash and Cash Equivalents, Investment securities at amortized cost, Financial assets at FVTPL and AFS financial assets.

	2024				
	Up to a year	2-5 years	Over 5 years	No term	Total
Financial assets					
Cash and cash equivalents*	₱2,103,977,286	₱–	₱–	₱–	₱2,103,977,286
Insurance receivables:					
Premiums receivable	1,398,948,854	–	–	–	1,398,948,854
Reinsurance recoverable on paid losses	505,959,461	–	–	–	505,959,461
Due from ceding companies	136,528,154	–	–	–	136,528,154
Funds held by ceding companies	12,553,390	–	–	–	12,553,390
Accounts receivable	42,415,041	–	–	–	42,415,041
Advances to employees	1,046,374	–	–	–	1,046,374
Accrued income	25,491,299	–	–	–	25,491,299
Investment securities at amortized cost	–	1,054,470,074	–	–	1,054,470,074
Financial assets at FVTPL	60,078,640	–	–	–	60,078,640
AFS financial assets:					
Government debt securities	64,717,406	351,980,214	140,452,734	–	557,150,354
Private debt securities	36,097,265	73,635,551	33,430,008	–	143,162,824
Listed common shares	–	–	–	690	690
Private common shares	–	–	–	173,020,000	173,020,000
	₱4,387,813,170	₱1,480,085,839	₱173,882,742	₱173,020,690	₱6,214,802,441
Financial liabilities					
Insurance contract liabilities	₱3,862,655,494	₱–	₱–	₱–	₱3,862,655,494
Accounts payable and accrued expenses**	812,758,165	–	–	–	812,758,165
Insurance payables	1,149,906,991	–	–	–	1,149,906,991
	₱5,825,320,650	₱–	₱–	₱–	₱5,825,320,650

**excludes cash on hand*
***excludes taxes payable*

	2023				
	Up to a year	2-5 years	Over 5 years	No term	Total
Financial assets					
Cash and cash equivalents*	₱2,015,120,645	₱–	₱–	₱–	₱2,015,120,645
Insurance receivables:					
Premiums receivable	1,449,327,948	–	–	–	1,449,327,948
Reinsurance recoverable on paid losses	495,377,324	–	–	–	495,377,324
Due from ceding companies	213,829,005	–	–	–	213,829,005
Commissions receivable	2,554,326	–	–	–	2,554,326
Funds held by ceding companies	10,949,830	–	–	–	10,949,830
Accounts receivable	45,505,360	–	–	–	45,505,360
Advances to employees	1,602,101	–	–	–	1,602,101
Accrued income	34,979,525	–	–	–	34,979,525
Investment securities at amortized cost	–	1,066,439,646	–	–	1,066,439,646
Financial assets at FVTPL	59,597,135	–	–	–	59,597,135
AFS financial assets:					
Government debt securities	104,927,984	297,912,696	232,746,226	–	635,586,906
Private debt securities	6,178,760	97,167,737	33,621,467	–	136,967,964
Listed common shares	–	–	–	680	680
Private common shares	–	–	–	152,220,000	152,220,000
	₱4,439,949,943	₱1,461,520,079	₱266,367,693	₱152,220,680	₱6,320,058,395
Financial liabilities					
Insurance contract liabilities	₱4,668,297,252	₱–	₱–	₱–	₱4,668,297,252
Accounts payable and accrued expenses**	899,201,996	–	–	–	899,201,996
Insurance payables	1,287,750,488	–	–	–	1,287,750,488
	₱6,855,249,736	₱–	₱–	₱–	₱6,855,249,736

**excludes cash on hand*
***excludes taxes payable*

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

The Company structures levels of market risk it accepts through a market risk policy that determines what constitutes market risk for the Company; determines the basis used to fair value financial assets and liabilities; defines asset allocation and portfolio limit structure; provides diversification benchmarks by type of instrument; sets out the net exposure limits by each counterparty or group of counterparties, reports market risk exposures and breaches; and monitors compliance with market risk policy; and reviews market risk policy for pertinence and changing environment.

a. *Currency risk*
   The Company's principal transactions are carried out in Philippine Peso and its exposure to foreign exchange risk arises primarily with respect to the United Stated Dollar (US$).

   The Company's financial assets are denominated in the same currencies as its insurance liabilities, which mitigate the foreign currency exchange rate risk. Thus, the main foreign exchange risk arises from recognized assets and liabilities denominated in currencies other than those in which insurance liabilities are expected to be settled.

The following table shows the details of the Company's foreign currency denominated monetary assets and liabilities and their Philippine Peso equivalents.

	2024		2023	
	US$	**PHP**	US$	PHP
Cash and cash equivalents	**US$562,543**	**₱32,540,277**	US$469,700	₱26,007,286

The exchange rates used are ₱57.85 to US$1.00 in 2024 and ₱55.37 to US$1.00 in 2023.

The Company has no foreign currency-denominated financial liabilities as of December 31, 2024 and 2023.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax (due to changes in fair value of currency sensitive monetary assets and liabilities) and equity (that reflects adjustments to profit before tax).

	2024		2023	
Currency	**Change in Rate**	**Impact on income before tax**	Change in Rate	Impact on income before tax
US$	**+4.37%**	**₱1,421,477**	+4.94%	₱1,285,816
US$	**-4.37%**	**-1,421,477**	-4.94%	(1,285,816)

The Company used the average of changes in year-end closing rate for the past three (3) years in determining the reasonably possible change in foreign exchange rates.

b. *Interest rate risk*

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

The following tables show the information relating to the Company's financial instruments that are exposed to interest rate risk presented by maturity profile.

			2024		
	Interest rates	**Within 1 year**	**2-5 years**	**Over 5 years**	**Total**
Financial assets					
Cash and cash equivalents*	**5.90% to 6.00%**	**₱2,103,977,286**	**₱–**	**₱–**	**₱2,103,977,286**
AFS financial assets:					
Government debt securities	**2.62% to 6.87%**	**64,717,406**	**351,980,214**	**140,452,734**	**557,150,354**
Private debt securities	**3.29% to 7.40%**	**36,097,265**	**73,635,551**	**33,430,008**	**143,162,824**
Investment securities at amortized cost	**2.62%to 8.00%**	**124,734,576**	**757,047,337**	**172,688,161**	**1,054,470,074**
		2,329,526,533	**1,182,663,102**	**346,570,903**	**3,858,760,538**
Financial liabilities					
Funds held for reinsurers	**5.00%**	**₱68,385,935**	**₱–**	**₱–**	**₱68,385,935**

*excludes cash on hand

	2024				
	Interest rates	Within 1 year	2-5 years	Over 5 years	Total
Financial assets					
Cash and cash equivalents*	5.90% to 6.00%	₱2,015,120,645	₱–	₱–	₱2,015,120,645
AFS financial assets:					
Government debt securities	2.37% to 4.87%	104,927,984	297,912,696	232,746,226	635,586,906
Private debt securities	3.29% to 7.40%	6,178,760	97,167,737	33,621,467	136,967,964
Investment securities at amortized cost	2.62% to 6.38%	–	1,066,439,646	–	1,066,439,646
		₱2,126,227,389	₱1,461,520,079	₱266,367,693	₱3,854,115,161
Financial liabilities					
Funds held for reinsurers	5.00%	₱95,768,908	₱–	₱–	₱95,768,908

*excludes cash on hand

a. *Price risk*

The Company's price risk exposure at year-end relates to financial assets and liabilities whose values will fluctuate as a result of changes in market prices, principally equity securities.

Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

The Company's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plan, and limits on investment in each sector and market.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on other comprehensive income (due to changes in fair value of AFS financial assets). The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

The following table shows the equity impact of reasonably possible changes in the Philippine Stock Exchange index (PSEi):

	2024		2023	
Market indices	**Change in variables**	**Impact on equity**	Change in variables	Impact on equity
PSEi	**+3.56%**	**₱12,439,055**	+8.66%	₱31,306,720
PSEi	**-3.56%**	**(12,439,055)**	-8.66%	(31,306,720)

The impact on other comprehensive income is arrived at using the reasonably possible change in PSEi and the specific adjusted beta of each stock the Company holds. Adjusted beta is the forecasted measure of the volatility of the security for a portfolio in comparison to the market as a whole.

Insurance Risk

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk that the Company faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims when actual benefits paid are greater than originally estimated and subsequent development of long-term claims.

The following table sets out the concentration of the claims liabilities by type of contract as of December 31.

	2024		
	Insurance contract liabilities	**Reinsurers' share of liabilities**	**Net**
Fire	**₱1,894,438,720**	**₱1,396,796,907**	**₱497,641,813**
Marine	**11,122,755**	**3,579,472**	**7,543,283**
Aviation	**99,802,655**	**98,738,602**	**1,064,053**
Motor Car	**93,917,040**	**2,261,342**	**91,655,698**
Personal Accident	**12,536,071**	**5,506,324**	**7,029,747**
Bonds	**19,916,258**	**15,778,641**	**4,137,617**
Engineering	**119,692,793**	**103,803,267**	**15,889,526**
Casualty	**26,050,787**	**1,616,931**	**24,433,856**
	₱2,277,477,079	**₱1,628,081,486**	**₱649,395,593**

	2023		
	Insurance contract liabilities	Reinsurers' share of liabilities	Net
Fire	₱2,682,996,927	₱2,265,988,734	₱417,008,193
Marine	11,065,691	7,346,486	3,719,205
Aviation	92,370,586	91,254,735	1,115,851
Motor Car	79,385,013	4,044,803	75,340,210
Personal Accident	17,948,084	9,773,837	8,174,247
Bonds	15,975,806	805,836	15,169,970
Engineering	244,643,113	225,404,084	19,239,029
Casualty	31,341,527	1,238,328	30,103,199
	₱3,175,726,747	₱2,605,856,843	₱569,869,904

For general insurance contracts, the most significant risks arise from climate changes, natural disasters and terrorist activities. These risks vary significantly in relation to the location of the risk insured by the Company and types of risks insured.

The variability of risks is improved by careful selection and implementation of underwriting strategies, strict claims review policies to assess all new and ongoing claims, as well as the investigation of possible fraudulent claims. The Company also enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

The Company also limits its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements. The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes to a predetermined maximum amount based on the Company's premiums retained.

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

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to the reinsurance ceded, to the extent that any reinsurers is unable to meet its obligations assumed under such reinsurance agreements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract.

25. Related Party Transactions

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

Outstanding balances as of year-end are settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the years ended December 31, 2024 and 2023, the Company has not recorded any impairment on receivables relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

	2024		2023		
Category	**Amount**	**Outstanding Balance**	Amount	Outstanding Balance	Terms and Conditions
Stockholder					
Philippine National Bank (PNB)					
Cash and cash equivalents (a)	**₱–**	**₱2,010,649,891**	₱1,982,667,011	₱1,982,667,011	
Premiums (b)	**83,774,942**	**28,299,032**	45,457,597	15,361,608	(i)
Service Fee	**37,150,773**	**–**	792,352	–	(i)
Rental	**960,234**	**–**	–	–	
Other related parties					
Premiums (b)					
AB Heineken Philippines Inc.	**(134,855)**	**–**	–	167,134	
AB Nutribev Corp.	**455,064**	**11,951**	428,332	2,850	
ABI Pascual Foods Inc.	**69,736**	**52,758**	76,836	49,803	
Absolut Distillers, Inc.	**5,714,688**	**23,762**	4,832,389	3,624	
Agua Vida Systems, Inc.	**16,432**	**2,966**	33,284	5,707	
Air Philippines Corp.	**212,964,102**	**242,963,876**	194,131	232,255,708	
Ali-Eton Property Development Corporation	**1,353,750**	**(534)**	303,711	482,492	
All Seasons Realty Corporation	**–**	**550,257**	434,608	550,257	
Allianz Pnb Life Insurance	**721,392**	**438,262**	790,108	183,426	
Allied Banking Corporation	**–**	**–**	–	70,891	
Allied Leasing & Finance Corporation	**–**	**–**	–	255,138	
Allied Savings Bank	**–**	**–**	–	37,083	
Asia Brewery, Inc.	**67,354,650**	**42,760,605**	46,232,789	37,810,772	
Asia's Emerging Dragon Corp.	**–**	**6,112**	–	6,112	
Asian Alcohol Corporation	**1,003,756**	**25,480**	713,755	29,755	
Basic Holdings Corp	**4,507**	**–**	2,338	–	
Belton Communities Inc.	**(374,992)**	**629,437**	3,386,844	1,734,935	
Charter House, Inc	**525,671**	**400,726**	680,252	838,349	
Dyzum Distillery Inc.	**551**	**5,023**	1,593	–	
Eton City	**646,156**	**1,155,889**	–	–	
Eton Properties Phils. Inc	**5,265,431**	**13,256,715**	44,353,329	28,836,896	
Foremost Farms, Inc	**236,291**	**4,581**	521,179	310,348	
Fortune Tabacco Corporation	**2,125,080**	**2,203,384**	6,067,175	7,373,607	
Grandspan Development Corp	**75,315**	**480**	550,781	130,616	
H & E Manufacturing Corporation	**–**	**48,937**	731,776	96,313	
Himmel Industries, Inc	**3,661,011**	**507,891**	2,924,825	262,955	
Interbev Philippines, Inc	**708,003**	**628,758**	637,309	333,289	
LT Group, Inc.	**11,460,135**	**12,944**	11,125,350	–	
Luftansa Technical Philippines	**2,304,535**	**106,789**	2,463,980	1,300,953	
Macro Asia Properties Development Corp.	**40,362**	**–**	–	10,348	
Macroasia Airport Services Corp.	**24,720,462**	**116,364**	21,799,998	47,480	
Macroasia Catering Services	**11,761,419**	**3,014,895**	11,001,246	906,343	
Macroasia Corporation	**2,379,991**	**1,060,059**	1,488,136	–	
Macroasia Properties Development Corporation	**–**	**–**	71,491	24,241	
Macroasia SATS Food Industries Corporation	**1,784,606**	**1,243,285**	1,394,147	1,606,613	
Macroasia SATS Inflight Services Corporation	**495,848**	**514**	341,110	812	
Macroasia SATS Inflight Catering	**–**	**–**	14,282	–	

Category	2024 Amount	2024 Outstanding Balance	2023 Amount	2023 Outstanding Balance	Terms and Conditions
Services					
Macroasia Air Taxi Services, Inc.	**–**	**–**	30,316	–	
Manuafacturing Services & Trade Corp	**115,224**	**122,359**	119,502	156,756	
Maranaw Hotels & Resort Corp	**3,751,200**	**3,472,911**	4,014,201	5,064,850	
Packageworld, Inc	**33,509**	**4,863**	166,749	8,913	
Pal Express Inc.	**₱200,717**	**₱163,940**	₱204,770,840	₱113,627	
Philippine Airlines, Inc	**932,970,941**	**632,435,665**	881,918,999	597,752,179	
PMFTC Inc.	**864,274**	**398,311**	958,868	120,979	
PNB Holdings Inc.	**8,379,140**	**–**	–	–	
Tanduay Distillers Inc	**95,810,242**	**2,144,390**	79,093,114	1,829,949	
Tanduay Brands International Inc.	**37,200**	**1,488**	37,200	46,955	
University Of The East	**6,983,399**	**233,874**	7,284,088	568,010	
Victorias Milling Company	**560,660**	**268,130**	297,277	155,058	
Zebra Holdings Inc	**96,279**	**5,897**	96,279	5,918	
Commissions (b)					(ii)
Himmel Industries Inc	**15,510,544**	**5,371,428**	13,760,928	10,382,867	
Philippine Airlines, Inc	**213,096,664**	**–**	198,233,527	–	
Leases					
PNB Holdings Inc.	**6,450,628**	**–**	29,400,959	–	
	₱1,764,085,667	**₱2,994,804,345**	₱3,612,696,891	₱2,929,959,530	

(i) Interest-bearing, unsecured, no impairment
(ii) Non-interest bearing, due and demandable, unsecured

(a) The Company maintains savings accounts, current accounts and cash equivalents with PNB, details follow:

	2024	2023
Current account	**₱144,583,371**	₱254,854,186
Savings account	**40,910,174**	36,111,058
Time deposits	**1,825,156,346**	1,691,701,767
	₱2,010,649,891	₱1,982,667,011

(b) In the ordinary course of business, the Company accepts insurance business from related parties, normally through Himmel, the Company's general agent and a related party under common control and Summit General Insurance Corporation. These transactions are based on terms similar to those offered to third parties.

(c) The Company paid an upfront fee to PNB on April 30, 2021 for an Exclusive Marketing Agreement which is included in the terms and conditions for the acquisition of Summit Gen (see Note 11).

(d) The Company's key management personnel include its executive, managers, supervisors and officer-in-charge. The summary of compensation of key management personnel is as follows:

	2024	2023
Salaries and other short-term employee benefits	**₱113,592,569**	₱139,162,736
Post-employment benefits and others	**27,628,915**	19,397,546
	₱141,221,484	₱158,560,282

26. Lease Commitments

The Company entered into a lease agreement for its office space with PNB Holdings Inc. commencing on March 1, 2023 and ending on February 28, 2028. The stipulated monthly rent amounted to ₱372,415 with common area charges of ₱156,414 and parking rent of ₱20,800 with increment of 10% per year.

The Company's branches entered into non-cancellable lease agreements with third parties for their office spaces. These leases are renewed annually upon mutual agreement of both parties.

The rollforward analysis of right-of-use asset on office and parking spaces follows:

	2024	2023
Cost		
At January 1	**₱43,723,421**	₱15,417,365
Retirement	**(11,265,746)**	(504,487)
Additions (Reduction)	**(3,647,132)**	28,810,543
At December 31	**₱28,810,543**	₱43,723,421
Accumulated depreciation At January 1	**₱19,714,635**	₱15,417,365
Retirement	**(11,265,746)**	(504,487)
Depreciation	**2,114,977**	4,801,757
At December 31	**10,563,866**	19,714,635
Net Book Value	**₱18,246,677**	₱24,008,786

The rollforward analysis of lease liabilities follows:

	2024	2023
At January 1	**₱26,954,033**	₱15,822,486
Additions	**–**	28,810,543
Interest expense	**1,702,627**	1,908,456
Payments	**(8,589,239)**	(19,587,452)
At December 31	**₱20,067,421**	₱26,954,033

For short-term and low-value leases, rent expense charged against operations amounted to ₱7.26 million and ₱13.53 million in 2024 and 2023, respectively (Note 21). The following are the amounts recognized in the statements of income:

	2024	2023
Depreciation expense of right-of-use assets	**₱2,114,977**	₱4,297,270
Rent expense	**7,261,280**	13,530,928
Interest expense on lease liabilities	**1,702,627**	1,908,456
Total amount recognized in statement of income	**₱11,078,884**	₱19,736,654

As of December 31, 2024 and 2023, future minimum rentals payable under non-cancellable operating leases follow:

	2024	2023
Within one year	**₱7,985,140**	₱6,912,045
More than 1 year	**8,034,316**	10,083,648

27. Capital Management and Regulatory Requirements

Regulatory Framework
Regulators are interested in protecting the rights of the policyholders and maintain close vigil to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Company maintains appropriate solvency position to meet liabilities arising from claims and that the risk levels are at acceptable levels.

The operations of the Company are subject to the regulatory requirements of the IC. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions (e.g., minimum statutory net-worth and risk-based capital requirements).

Capital Management Framework
The Company maintains a certain level of capital to ensure sufficient solvency margins and to adequately protect the policyholders.

The Company reviews the capital requirements by monitoring the minimum statutory net worth and the risk-based capital (RBC) which is regularly communicated to the major shareholders. With this procedure, shareholders are forewarned in anticipation of the IC requirements of additional capital infusion.

Shareholders are well updated with these externally imposed capital requirements since these are being discussed during the annual BOD meeting.

Minimum statutory net worth
On August 5, 2013, the President of the Philippines approved RA No. 10607, known as the "New Insurance Code", which provides the new capitalization requirements for all existing insurance companies based on net worth on a staggered basis starting June 30, 2013 up to December 31, 2022.

On January 13, 2015 the IC issued CL No. 2015-02-A, *Minimum Capitalization Requirements Under Sections 194, 197, 200 and 289 of Republic Act 10607 (The Amendment Insurance Code)*, which provides for the clarification of minimum capital requirements under Section 194, 197, 200 and 289 of the New Insurance Code. Under the said circular, non-life insurance companies duly licensed by the IC must have a net worth of at least ₱250,000,000 by December 31, 2013. The minimum net worth of the said companies shall increase to the following amount:

Compliance date	Minimum net worth
December 31, 2016	₱550,000,000
December 31, 2019	900,000,000
December 31, 2022	1,300,000,000

The said circular supersedes Department Order Nos. 27-06 and 15-2012 and CL Nos. 22-2008 and 26-2008.

As of December 31, 2024 and 2023, the Company has an estimated statutory net worth of ₱3,419,941,727 and actual net worth of ₱2,832,755,459, respectively.

Below are the lists of estimated non-admitted assets and non-ledger liabilities as of December 31, 2024 and actual as of December 31, 2023:

	2024	2023
Non-Admitted Assets		
Premium Receivables beyond 90 days	**₱131,288,659**	₱202,760,931
Surety Losses Recoverable	**4,724,406**	5,135,861
HTM Investments	**–**	681,095
Loans and Receivables	**13,086,621**	17,022,861
Available-for-Sale (AFS) Financial Assets		300
Property, Plant, & Equipment - net	**34,498,514**	42,237,254
Pension Assets	**33,661,676**	12,824,579
Deferred Tax Assets	**59,543,520**	64,280,286
Other Assets	**115,651,501**	492,602,405
Non-Ledger Liabilities		
Taxes Payable	**–**	67,419
	₱392,454,897	₱837,612,991

RBC requirements
For purposes of the December 31, 2024 and 2023 financial reporting, the Company determined its compliance with the RBC requirements based on the provisions of CL No. 2016-68, *Amended Risk-Based Capital (RBC2) Framework*, and IMC No. 7-2006, *Compliance to IC Requirements*, respectively. These circulars provide RBC frameworks for non-life insurance companies in order to establish the required amounts of capital to be maintained in relation to investment and insurance risks. A non-life insurance company is required to maintain a minimum RBC ratio ration shall subject the fail trend test on a yearly basis. Failure to meet the minimum RBC ratio shall subject the insurance company to corresponding regulatory intervention which has been defined at various levels.

Pursuant to CL no. 2017-15, effective January 1, 2017, non-life insurance companies are required to maintain the minimum RBC2 requirement as prescribed under CL No. 2016-68. Under the RBC2 framework, the RBC2 ratio shall be calculated as total available capital divided by the RBC2 requirement. The final RBC2 ratio can be determined only after the accounts of the Company have been examined by the IC.

The following table shows the estimated RBC2 ratio as of December 31, 2024 and actual as of 2023 as determined by the Company based on the RBC2 framework:

	2024 (Estimate)	2023 (Actual)
Total available capital	**₱3,701,061,853**	₱3,550,100,243
RBC2 requirement	**672,233,707**	901,901,784
RBC2 ratio	**551%**	394%

The total available capital shall be the aggregate of Tier 1 and Tier 2 capital minus deductions, subject to applicable limits and determinations. Tier 1 capital represents capital that is fully available to cover losses of the insurer at all times on a going-concern and winding up basis. This capital is considered to be the highest quality capital available to the insurer. Tier 2 capital does not have the same high-quality characteristics of Tier 1, but can provide an additional buffer to the insurer. Tier 2 capital shall not exceed 50% of Tier 1 capital. The RBC2 requirement shall be the capital that is required to be held in order to cover the risks an insurance company is exposed to and shall be computed using the formula as prescribed under CL No. 2016-68.
Net worth shall include paid-up capital, contributed and contingency surplus and unassigned surplus. Revaluation and fluctuation reserve accounts shall form part of net worth only to the extent

authorized by the IC. The RBC requirement shall be computed using the formula prescribed under IMC No. 7-2016.

If the Company failed to meet the minimum required statutory net worth and RBC requirements, the IC is authorized to suspend or revoke all certificates of authority granted to the Company, its officers and agents, and no new business shall be borne by and for the Company until its authority is restored by the IC.

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

The FRF includes the economic valuation of assets and liabilities based on internationally accepted accounting, actuarial and insurance core principles which requires quarterly and annual reporting of net worth to the IC.

28. Maturity Analysis of Assets and Liabilities

The table below show the Company's asset and liabilities analyzed according to when they are expected to be recovered, settled or reversed.

	2024		
	Less than 12 months	**Over 12 months**	**Total**
Assets			
Cash and cash equivalents	**₱2,104,227,286**	**₱–**	**₱2,104,227,286**
Insurance receivables – net	**1,734,045,336**	–	**1,734,045,336**
Financial assets			
Financial assets at FVTPL	**60,078,640**	–	**60,078,640**
AFS financial assets	**100,814,671**	**772,519,197**	**873,333,868**
Held to Maturity	–	**1,054,470,074**	**1,054,470,074**
Loans and receivables	**16,007,074**	–	**16,007,074**
Accrued income	**25,491,299**	–	**25,491,299**
Reinsurance assets	**2,907,600,334**	–	**2,907,600,334**
Deferred acquisition costs	**143,061,352**	–	**143,061,352**
Property and equipment – net	–	**49,898,623**	**49,898,623**
Right-of-use assets	**18,246,677**	–	**18,246,677**
Intangible asset - net	–	**37,987,778**	**37,987,778**
Deferred tax assets – net	–	**59,543,520**	**59,543,520**
Net Pension Asset	–	**33,661,676**	**33,661,676**
Other assets	**8,189,069**	**618,736,549**	**626,925,618**
	₱7,117,761,738	**₱2,626,817,417**	**₱9,744,579,155**
Liabilities			
Insurance contract liabilities	**₱3,862,655,494**	**₱–**	**₱3,862,655,494**
Accounts payable and accrued expenses	**812,758,165**	–	**812,758,165**
Insurance payables	**1,149,906,991**	–	**1,149,906,991**
Dividends payable	**19,237,343**	–	**19,237,343**
Deferred reinsurance commissions	**67,557,115**	–	**67,557,115**
Lease liabilities	**20,067,421**	–	**20,067,421**
	₱5,932,182,529	**₱–**	**₱5,932,182,529**

	2023		
	Less than 12 months	Over 12 months	Total
Assets			
Cash and cash equivalents	₱2,015,370,645	₱–	₱2,015,370,645
Insurance receivables – net	1,848,982,721	–	1,848,982,721
Financial assets	59,597,135	–	59,597,135
Financial assets at FVTPL			
AFS financial assets	111,106,745	813,668,805	924,775,550
Held to Maturity	–	1,066,439,646	1,066,439,646
Loans and receivables	19,587,368	–	19,587,368
Accrued income	34,979,525	–	34,979,525
Reinsurance assets	3,876,807,140	–	3,876,807,140
Deferred acquisition costs	133,515,212	–	133,515,212
Property and equipment – net	–	61,660,778	61,660,778
Right-of-use assets	24,008,786	–	24,008,786
Intangible asset - net	–	41,409,111	41,409,111
Deferred tax assets – net	–	64,280,286	64,280,286
Net Pension Asset	–	12,824,579	12,824,579
Other assets	3,240,190	449,847,587	453,087,777
	₱8,127,195,467	₱2,510,130,792	₱10,637,326,259
Liabilities			
Insurance contract liabilities	₱4,668,297,252	₱ –	₱4,668,297,252
Accounts payable and accrued expenses	899,201,996	–	899,201,996
Insurance payables	1,287,750,488	–	1,287,750,488
Dividends payable	19,237,343	–	19,237,343
Deferred reinsurance commissions	65,516,689	–	65,516,689
Lease liabilities	26,954,033	–	26,954,033
	₱6,966,957,801	₱ –	₱6,966,957,801

29. Supplementary Information required by the Bureau of Internal Revenue (BIR)

Revenue Regulations 15-2010

In compliance with the requirements set forth by Revenue Regulations No. 15-2010 issued by the Philippine Bureau of Internal Revenue (BIR) hereunder are the information on taxes and licenses fees paid or accrued during the taxable year 2024.

VAT

The Company is a VAT-registered entity with VAT output tax declarations for premiums, commissions and other miscellaneous collections as follows:

	Amount	Output VAT
VATable sales	₱3,782,373,819	₱453,884,858

"VAT zero-rated sales" pertains to gross receipts/collections on premiums from contracts issued to PEZA entities of which are entitled to VAT zero-rating under Section 108(B)(7) of the 1997 Tax Code. On the other hand, "VATable sales", pertains to gross receipts/collections from the issuance of policy from other sources.

The Company has no output VAT from sales of goods and leasing income. There are exempt sales amounting to ₱728.37 million and zero-rated sales of ₱30.90 million during the year.

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

Balance at January 1, 2024	₱–
Current year's domestic purchases/payments for:	
Services lodged under other accounts	62,829,782
From Merger Entries – SGIC balance	(10,656,133)
	52,173,649
Input VAT applied to output VAT	52,173,649
Balance at December 31, 2024	₱–

Other taxes and license fees
This includes all other taxes, local and national, including real estate taxes, licenses and permit fees. Details consist of the following: (Note 21)

Local:	
Local government tax	₱–
Clearance and certificate fees	807,595
Business permit	247,009
Community tax	12,799
Real Property Tax	145,126
Others	349,713
	1,562,242
National:	
Filing of annual statement	40,400
DST expense	3,672,060
VAT registration	6,105
	3,718,565
	₱5,280,807

Documentary Stamp Tax (DST)
The DST paid for the period of January 1 to December 31, 2024 amounted to ₱301,512,122 which is based on premiums written during the year amounting to ₱3,047,813,778.

The Company has other taxes relating to non-life insurance policies that have been passed on to the policyholders and are not recognized in the statement of income. Details of these taxes in 2024 follow:

Fire service tax	₱14,710,759
Premium tax	14,418,781
	₱29,129,540

Withholding taxes
The amount of withholding taxes paid and accrued for the year amounted to:

Expanded withholding taxes	₱44,626,063
Withholding taxes on compensation and benefits	22,696,133
Final withholding taxes	2,698,783
	₱70,020,979