



FOR SEC FILING

Financial Statements and
Independent Auditors' Report

Cocogen Insurance, Inc.

December 31, 2024 and 2023

Report of Independent Auditors

The Board of Directors**Cocogen Insurance, Inc.***(Formerly UCPB General Insurance Company, Inc.)**(A Wholly Owned Subsidiary of**United Coconut Planters Life Assurance Corporation)*

22F, One Corporate Centre Condominium

Doña Julia Vargas Avenue, corner Meralco Avenue

Ortigas Center, San Antonio, Pasig City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Cocogen Insurance, Inc. (the Company), which comprise the statements of financial position as at December 31, 2024 and 2023, and the 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 (PSA). Our responsibilities under those standards are further described in the *Auditors' 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 audits 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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


- Identify and assess the risks of material misstatement of the 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 auditors' 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 auditors' 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 Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2024 required by the Bureau of Internal Revenue as disclosed in Note 38 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS Accounting Standards. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO


By: **Jonavell B. Santiago**
Partner

CPA Reg. No. 0154806
TIN 443-050-313
PTR No. 10465918, January 2, 2025, Makati City
BIR AN 08-002551-049-2023 (until November 14, 2026)
BOA/PRC Cert. of Reg. No. 0002/P-023 (until August 12, 2027)

April 24, 2025

Supplemental Statement of Independent Auditors

Punongbayan & Araullo

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The Board of Directors
Cocogen Insurance, Inc.
(Formerly UCPB General Insurance Company, Inc.)
(A Wholly Owned Subsidiary of
United Coconut Planters Life Assurance Corporation)
22F, One Corporate Centre Condominium
Doña Julia Vargas Avenue, corner Meralco Avenue
Ortigas Center, San Antonio, Pasig City

We have audited the financial statements of Cocogen Insurance, Inc. (the Company) for the year ended December 31, 2024, on which we have rendered the attached report dated April 24, 2025.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has only one stockholder owning 100 or more shares of the Company's capital stock as at December 31, 2024, as disclosed in Note 23 to the financial statements.

PUNONGBAYAN & ARAULLO


By: **Jonavell B. Santiago**
Partner

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April 24, 2025

COCOGEN INSURANCE, INC.
(Formerly UCPB General Insurance Company, Inc.)
(A Wholly Owned Subsidiary of United Coconut Planters Life Assurance Corporation)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2024 AND 2023
(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>2024</u>	<u>2023</u>
<u>A S S E T S</u>			
CASH AND CASH EQUIVALENTS	4	P 284,871,237	P 273,021,497
INSURANCE RECEIVABLES - Net	5	1,049,295,426	820,887,462
TRADING AND INVESTMENT SECURITIES			
Financial assets at fair value through profit or loss	6	273,532,144	268,762,816
Available-for-sale financial assets	8	650,029,512	467,560,457
Held-to-maturity securities	7	374,171,189	367,367,270
LOANS AND RECEIVABLES - Net	9	740,365,962	717,788,314
REINSURANCE ASSETS - Net	11	1,628,719,186	1,718,594,898
DEFERRED ACQUISITION COSTS	12	189,848,875	187,561,574
INVESTMENT PROPERTIES - Net	13	211,951,232	47,900,814
PROPERTY AND EQUIPMENT - Net	14	290,432,090	287,177,381
INTANGIBLE ASSETS - Net	16	7,883,655	15,300,847
RIGHT-OF-USE ASSETS - Net	15	35,776,177	27,422,176
DEFERRED TAX ASSETS - Net	30	162,391,743	168,756,145
OTHER ASSETS	17	<u>123,420,473</u>	<u>113,609,510</u>
TOTAL ASSETS		<u>P 6,022,688,901</u>	<u>P 5,481,711,161</u>
<u>LIABILITIES AND EQUITY</u>			
INSURANCE CONTRACT LIABILITIES	18	P 2,384,338,806	P 2,363,589,135
INSURANCE PAYABLES	20	666,428,484	490,614,537
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	21	522,713,726	466,525,651
DEFERRED REINSURANCE COMMISSIONS	22	50,599,778	54,288,031
LEASE LIABILITIES	15	37,021,968	28,422,281
NET PENSION LIABILITY	29	<u>87,422,676</u>	<u>50,807,303</u>
Total Liabilities		3,748,525,438	3,454,246,938
EQUITY		<u>2,274,163,463</u>	<u>2,027,464,223</u>
TOTAL LIABILITIES AND EQUITY		<u>P 6,022,688,901</u>	<u>P 5,481,711,161</u>

See Notes to Financial Statements.

COCOGEN INSURANCE, INC.
(Formerly UCPB General Insurance Company, Inc.)
(A Wholly Owned Subsidiary of United Coconut Planters Life Assurance Corporation)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(Amounts in Philippine Pesos)

	Notes	2024	2023
NET PREMIUMS EARNED	24		
Gross premiums earned		P 3,712,394,016	P 3,454,495,753
Reinsurers' share of gross premiums		(1,888,704,699)	(1,846,875,681)
		<u>1,823,689,317</u>	<u>1,607,620,072</u>
OTHER INCOME			
Commission income	22	192,904,289	160,472,680
Investment and other income - net	25	85,480,300	129,934,819
		<u>278,384,589</u>	<u>290,407,499</u>
TOTAL NET PREMIUMS EARNED AND OTHER INCOME		<u>2,102,073,906</u>	<u>1,898,027,571</u>
NET BENEFITS AND CLAIMS	26		
Gross insurance contracts benefits and claims paid		888,147,047	1,235,923,977
Reinsurers' share of gross insurance contracts benefits and claims paid		(145,578,403)	(438,688,126)
Net change in provision for incurred but not reported losses		<u>7,916,329</u>	<u>(73,773,399)</u>
		<u>750,484,973</u>	<u>723,462,452</u>
OTHER EXPENSES			
Operating expenses	27	610,910,074	543,262,670
Commission expense	12	452,405,863	396,581,964
Other underwriting expenses	28	159,729,573	165,711,538
Investment expenses		<u>2,830,179</u>	<u>3,645,335</u>
		<u>1,225,875,689</u>	<u>1,109,201,507</u>
TOTAL NET BENEFITS AND CLAIMS, AND OTHER EXPENSES		<u>1,976,360,662</u>	<u>1,832,663,959</u>
PROFIT BEFORE TAX		125,713,244	65,363,612
TAX EXPENSE	30	(20,539,404)	(7,848,557)
NET PROFIT		<u>105,173,840</u>	<u>57,515,055</u>
OTHER COMPREHENSIVE INCOME			
Item that will not be reclassified to profit or loss			
Remeasurements of net pension liability	29	(36,616,763)	(53,492,490)
Item that will be reclassified to profit or loss			
Changes in fair values of available-for-sale financial assets	8	<u>1,164,163</u>	<u>7,970,158</u>
Other Comprehensive Loss - Net of Tax		(35,452,600)	(45,522,332)
TOTAL COMPREHENSIVE INCOME		<u>P 69,721,240</u>	<u>P 11,992,723</u>

See Notes to Financial Statements.

COCOGEN INSURANCE, INC.
(Formerly UCPB General Insurance Company, Inc.)
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STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(Amounts in Philippine Pesos)

	Capital Stock (see Note 23)	Deposit for Future Stock Subscription (see Note 23)	Contributed Surplus (see Note 23)	Revaluation Reserve on Available-for-sale Financial Assets (see Notes 8 and 23)	Reserve for Net Pension Liability (see Notes 23 and 29)	Retained Earnings (see Note 23)			Total Equity
						Appropriated for Catastrophic Losses	Unappropriated	Total	
Balance as at January 1, 2024	P 957,020,178	P 170,000,000	P 240,000,000	(P 135,845,155)	P 6,281,750	P -	P 790,007,450	P 790,007,450	P 2,027,464,223
Issuance during the year	346,978,000	(170,000,000)	-	-	-	-	-	-	176,978,000
Total comprehensive income (loss) for the year	-	-	-	1,164,163	(36,616,763)	-	105,173,840	105,173,840	69,721,240
Balance as at December 31, 2024	<u>P 1,303,998,178</u>	<u>-</u>	<u>P 240,000,000</u>	<u>(P 134,680,992)</u>	<u>(P 30,335,013)</u>	<u>P -</u>	<u>P 895,181,290</u>	<u>P 895,181,290</u>	<u>P 2,274,163,463</u>
Balance as at January 1, 2023	P 650,000,000	P 157,020,178	P 240,000,000	(P 143,815,313)	P 59,774,240	P 30,532,854	P 701,959,541	P 732,492,395	P 1,695,471,500
Subscription during the year	-	170,000,000	-	-	-	-	-	-	170,000,000
Issuance during the year	307,020,178	(157,020,178)	-	-	-	-	-	-	150,000,000
Reversal of appropriation	-	-	-	-	-	(30,532,854)	30,532,854	-	-
Total comprehensive income (loss) for the year	-	-	-	7,970,158	(53,492,490)	-	57,515,055	57,515,055	11,992,723
Balance as at December 31, 2023	<u>P 957,020,178</u>	<u>P 170,000,000</u>	<u>P 240,000,000</u>	<u>(P 135,845,155)</u>	<u>P 6,281,750</u>	<u>-</u>	<u>P 790,007,450</u>	<u>P 790,007,450</u>	<u>P 2,027,464,223</u>

See Notes to Financial Statements.

COCOGEN INSURANCE, INC.
(Formerly UCPB General Insurance Company, Inc.)
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STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(Amounts in Philippine Pesos)

	Notes	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		P 125,713,244	P 65,363,612
Adjustments for:			
Depreciation and amortization	13, 14, 15, 16	61,880,309	60,548,092
Interest income	4, 7, 8, 9, 17	(52,535,528)	(39,854,738)
Losses (gains) on sale of available-for-sale (AFS) financial assets	8	(10,038,073)	3,165,676
Dividend income	8	(9,826,924)	(11,606,571)
Interest expense	15, 28, 29	5,868,674	6,885,367
Unrealized foreign exchange gains - net	4, 8	(5,472,402)	(10,388,457)
Fair value losses (gains) on financial assets at fair value through profit or loss (FVTPL) - net	6	1,579,316	(1,982,433)
Impairment losses (recoveries) on financial assets - net	5, 9, 11	(251,337)	20,017,803
Gain on sale of property and equipment	14	(65,610)	(53,522,587)
Gain on sale of investment properties	13	-	(1,001,038)
Operating profit before working capital changes		116,851,669	37,624,726
Decrease (increase) in insurance receivables		(229,167,494)	80,357,342
Increase in loans and receivables		(26,631,194)	(512,564,326)
Decrease in reinsurance assets		89,877,550	427,502,840
Increase in deferred acquisition costs		(2,287,301)	(5,966,577)
Increase in other assets		(14,861,728)	(29,088,727)
Increase (decrease) in insurance contract liabilities		20,749,671	(328,721,015)
Increase (decrease) in insurance payables		174,742,098	(230,983,513)
Increase in accounts payable and accrued expenses		56,188,075	27,041,869
Increase (decrease) in deferred reinsurance commissions		(3,688,253)	6,315,991
Decrease in net pension liability		(3,100,635)	(8,558,449)
Cash from (used in) operations		178,672,458	(537,039,839)
Cash paid for income taxes		(9,124,237)	(7,247,620)
Net Cash From (Used in) Operating Activities		169,548,221	(544,287,459)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of:			
AFS financial assets	8	(743,414,555)	(646,728,967)
Held-to-maturity (HTM) securities	7	(97,306,286)	(186,749,788)
Financial assets at FVTPL	6	(23,523,136)	(176,616,418)
Property and equipment	14	(17,905,405)	(7,301,128)
Intangible assets	16	(6,880,143)	(3,919,663)
Proceeds from sale/maturities of:			
AFS financial assets	8	572,830,188	632,751,689
HTM securities	7	88,595,583	160,986,088
Financial assets at FVTPL	6	17,174,492	160,415,333
Property and equipment	14	233,639	100,544,475
Investment properties	13	-	5,500,000
Interest received		53,530,546	41,446,363
Dividends received	8	9,826,924	11,606,571
Net Cash From (Used in) Investing Activities		(146,838,153)	91,934,555
Balance Carried Forward		P 22,710,068	(P 452,352,904)

	Notes	2024	2023
<i>Balance Brought Forward</i>		P 22,710,068	(P 452,352,904)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of lease liabilities	15	(16,562,044)	(15,767,818)
Proceeds from deposit for future stock subscription	23, 31	-	170,000,000
Proceeds from issuance of capital stock	23	-	150,000,000
Net Cash From (Used in) Financing Activities		(16,562,044)	304,232,182
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		5,701,716	10,508,380
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		11,849,740	(137,612,342)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		273,021,497	410,633,839
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 284,871,237	P 273,021,497

Supplemental Information on Non-cash Investing Activities:

- 1) The Company recognized additional right-of-use assets and lease liabilities amounting to P23.4 million and P4.0 million in 2024 and 2023, respectively (see Note 15).
- 2) In 2024 and 2023 deposits for future stock subscription amounting to P177.0 million and P157.0 million, respectively, was reclassified to capital stock upon issuance of the stock certificate (see Note 23).
- 3) In 2024, the Company issued capital stock to its Parent Company in exchange of a certain investment property amounting to P177.0 million (see Notes 13 and 23). The Company reclassified portion of this property amounting to P8.8 million to property and equipment (see Note 14). There was no similar transaction in 2023.
- 4) In 2024, the Company foreclosed collateral on certain mortgage loans receivables which resulted to a recognition of additional investment property amounting to P5.1 million (see Note 13). There was no similar transaction in 2023.

See Notes to Financial Statements.

COCOGEN INSURANCE, INC.
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023
(Amounts in Philippine Pesos)

1. GENERAL INFORMATION

1.1 Corporate Information

Cocogen Insurance, Inc. (the Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on January 29, 1963 to engage in the business of non-life insurance and to act as agent to other insurance or surety companies. It includes lines such as accident, fire and allied lines, motor vehicle, casualty, marine cargo, marine hull, comprehensive liability insurance and allied risks, and/or such other insurance coverage allied with an incident to the aforementioned lines.

The Company is a wholly owned subsidiary of United Coconut Planters Life Assurance Corporation (the parent company), a stock corporation. The parent company was formed to undertake life insurance business, including accident and health insurance.

The Company's registered office address and principal place of business is located at 22F, One Corporate Centre Condominium, Doña Julia Vargas Avenue, corner Meralco Avenue, Ortigas Center, San Antonio, Pasig City. The parent company's registered office address is at Cocolife Building, 6774 Ayala Avenue, Makati City.

1.2 Approval of Financial Statements

The financial statements of the Company as of and for the year ended December 31, 2024 (including the comparative financial statements as of and for the year ended December 31, 2023) were authorized for issue by the Board of Directors (BOD) on April 24, 2025.

2. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information that have been used in the preparation of these financial statements are summarized in the succeeding pages. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards Accounting Standards (PFRS Accounting Standards). PFRS Accounting Standards are adopted by the Financial and Sustainability Reporting Standards Council (FSRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

The financial statements have been prepared using the measurement bases specified by PFRS Accounting Standards for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standards (PAS) 1, *Presentation of Financial Statement*. The Company presents all items of income, expenses, and other comprehensive income (loss) in a single statement of comprehensive income.

The Company presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos (PHP), the Company's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Company are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Company operates.

2.2 Adoption of Amended PFRS Accounting Standards

(a) Effective in 2024 that are Relevant to the Company

The Company adopted for the first time the following amendments to PFRS Accounting Standards, which are mandatorily effective for annual periods beginning on or after January 1, 2024:

PAS 1 (Amendments)	:	Presentation of Financial Statements – Classification of Liabilities as Current or Non-current, and Non-current Liabilities with Covenants
PAS 7 and PFRS 7 (Amendments)	:	Statement of Cash Flows, and Financial Instruments: Disclosures – Supplier Finance Arrangements
PFRS 16 (Amendments)	:	Leases – Lease Liability in a Sale and Leaseback

Discussed in the below and in succeeding pages are the relevant information about these amendments.

- (i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*. The amendments provide guidance on whether a liability should be classified as either current or non-current. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and that the classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The application of these amendments had no significant impact on the Company's financial statements.
- (ii) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*. The amendments provide guidance on whether a liability should be classified as either current or non-current. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and that the classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The application of these amendments had no significant impact on the Company's financial statements.
- (iii) PAS 7 and PFRS 7 (Amendments), *Statement of Cash Flows, Financial Instruments: Disclosures – Supplier Finance Arrangements*. The amendments add a disclosure objective to PAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, PFRS 7 is amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk. The application of these amendments had no significant impact on the Company's financial statements.

- (iv) PAS 16 (Amendments), *Leases – Lease Liability in a Sale and Leaseback*. The amendments clarify the subsequent measurement requirements to the lease liability that arises in the sale and leaseback transaction. The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The application of these amendments had no significant impact on the Company's financial statements.

(b) *Effective Subsequent to 2024 but not Adopted Early*

There are new standards and amendments to existing standards effective for annual periods subsequent to 2024, which are adopted by the FSRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, none of these are expected to have significant impact on the Company's financial statements:

- (i) PAS 21 (Amendments), *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability* (effective from January 1, 2025)
- (ii) PFRS 9 and PFRS 7 (Amendments), *Financial Instruments, and Financial Instruments: Disclosures – Amendments to the Classification and Measurement of Financial Instruments* (effective from January 1, 2026)
- (iii) PFRS 18, *Presentation and Disclosure in Financial Statements* (effective from January 1, 2027). The new standard impacts the classification of profit or loss items (i.e., into operating, investing and financing categories) and the presentation of subtotals in the statement of income (i.e., operating profit and profit before financing and income taxes). The new standard also changes the aggregation and disaggregation of information presented in the primary financial statements and in the notes. It also introduces required disclosures about management-defined performance measures. The amendments, however, do not affect how an entity recognizes and measures its financial condition, financial performance and cash flows.
- (iv) PFRS 9, *Financial Instruments* (issued in 2014). This new standard on financial instruments replaces PAS 39, *Financial Instruments* and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:
- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments, i.e. financial asset at amortized costs, fair value through profit or loss (FVTPL), and fair value through other comprehensive income (FVOCI);
 - an expected credit loss model in determining impairment of all financial assets that are not measured at FVTPL, which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,

- a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at FVOCI if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

Management opted to defer application of PFRS 9 (2014) to periods beyond January 1, 2018 until PFRS 17 is adopted. Consequently, the Company continued to apply the existing requirements of PAS 39 with respect to its financial instruments.

- (v) PFRS 4 (Amendments), *Insurance Contracts – Applying PFRS 9 with PFRS 4*, provide two options for entities that issue insurance contracts within the scope of PFRS 4:
- an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets (the “overlay approach”); and,
 - an optional temporary exemption from applying PFRS 9 for entities whose predominant activity is issuing contracts within the scope of PFRS 4 (the “deferral approach”).

Management exercised the second option provided by PFRS 4, effectively deferring the application of PFRS 9 to periods beyond January 1, 2018 until PFRS 17 is adopted.

- (vi) PFRS 17, *Insurance Contracts* (effective from January 1, 2027). The new standard for insurance contracts, which covers recognition, measurement, presentation and disclosure, will eventually replace PFRS 4.

On December 15, 2021, the FSRSC amended the effective date of PFRS 17 from January 1, 2023 to January 1, 2025. In line with this, the IC issued Circular Letter (CL) No. 2020-62 on May 18, 2020 providing further deferral of the implementation of PFRS 17 for life insurance and non-life insurance industry by two years after the IASB effective date.

On March 10, 2025, the IC issued CL No. 2025-04, which further deferred the effectivity date of PFRS 17 to January 1, 2027, as approved by the FSRSC and Philippine Board of Accountancy.

This new standard requires a current measurement model where estimates are remeasured in each reporting period. Moreover, contracts are measured using the building blocks of:

- discounted probability-weighted cash flows;
- an explicit risk adjustment; and,
- a contractual service margin (CSM) representing the unearned profit of the contract which is recognized as revenue over the coverage period.

PFRS 17 further allows a choice between recognizing changes in discount rates either in the statement of income or directly in other comprehensive income. The choice is likely to reflect how insurers account for financial assets under PFRS 9.

In addition, the standard provides an optional, simplified premium allocation approach for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

A modification of the general measurement model called the variable fee approach is also introduced by PFRS 17 for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model.

In preparation for the adoption of PFRS 17, the following activities have been taken by the Company:

- complete selection of members of the PFRS 17 technical working group;
- sourcing of past actuarial models and assumptions for preparation of expected cashflows for retrospective transition approaches;
- initial enhancement of assumption methodology to be more consistent with PFRS 17 requirements;
- engagement with external experts for the training of personnel for the adoption of PFRS 17;
- conducting analysis to identify gaps on operational and accounting policies; and,

- discussion with the existing system provider for system design necessary in preparation for PFRS 17.

As of the date of the approval of the financial statements, management has yet to quantify the impact of the adoption of PFRS 17.

- (vii) PFRS 17 (Amendments), *Insurance Contracts – Initial Application of PFRS 17 and PFRS 9 – Comparative Information* (effective from January 1, 2027). The amendments add a transition option for a classification overlay to address possible accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented on initial application of PFRS 17. This amendment is applicable to the Company to annual reporting periods beginning on or after January 1, 2027 in accordance with the IC CL No. 2025-04.

2.3 Insurance and Reinsurance Contracts

(a) Insurance Contracts

Insurance contracts are defined as those contracts under which the Company (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that is significantly greater than the 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, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Investment contracts are financial instruments that do not transfer enough insurance risk to qualify as insurance contracts.

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 the period, unless all the rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if the insurance risk becomes significant.

(i) Gross Premiums Earned on Insurance Contracts

Premiums from short-duration insurance contracts are recognized as revenue over the period of the insurance contracts using the 24th method. The portion of the premiums written that relates to the unexpired periods of the policies at each reporting date is accounted for as provision for unearned premiums under Insurance contract liabilities account in the statement of financial position. The related reinsurance premiums ceded that pertain to the unexpired periods at reporting dates are debited to or charged against income for the year.

(ii) *Reinsurers' Share of Gross Premiums on Insurance Contracts Earned*

Premiums ceded from short-duration insurance contracts are recognized as expense over the period of the contracts using the 24th method. The related reinsurance premiums that pertain to the unexpired periods at reporting date are accounted for as deferred reinsurance premiums shown under Reinsurance Assets in the statement of financial position. The net changes in the deferred reinsurance premiums between reporting dates are charged against or credit to income for the year.

(b) *Reinsurance Contracts*

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more insurance contracts issued by the Company and that meet the classification requirements for the insurance contracts are classified as reinsurance contracts held.

The benefits to which the Company is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consist of short-term balances due from ceding companies, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Reinsurance assets are derecognized when the contractual rights are extinguished or expired, or when the contract is transferred to another party.

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 reinsurance were considered as 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 to reinsurers are estimated in a manner consistent with the associated 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 exists that the Company may not recover outstanding amounts under the terms of the reinsurance contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is charged in the statement of comprehensive income.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Receivables and payables are recognized when due. These include amounts due to and from agents and brokers.

(i) *Commission Income and Deferred Reinsurance Commission (DRC)*

Commission earned from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method. The portion of the commissions that relates to the unexpired periods of the policies at reporting date is accounted for as Deferred Reinsurance Commissions in the statement of financial position. The net changes in the DRC between reporting dates are charged against or credited to income for the year.

(ii) *Commission Expense and Deferred Acquisition Costs (DAC)*

Commissions incurred from short-term duration insurance contracts are recognized as expense over the period of the contracts. Subsequent to initial recognition, these costs are amortized using the 24th method. The portion of the commissions that relates to the unexpired periods on the policies at the end of the reporting period is accounted for as Deferred Acquisition Costs in the statement of financial position.

Commissions and other acquisition costs incurred during the financial period that vary with and are related to securing new insurance contracts and or renewing existing insurance contracts, but which relate to subsequent financial 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.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. The carrying value of DAC is written down to a recoverable amount. The impairment loss is charged to profit or loss. DAC is also considered in the liability adequacy test for each reporting period. DAC is derecognized when the related contracts are settled or disposed of.

2.4 Financial Instruments

(a) *Financial Assets*

(i) *Classification and Measurement of Financial Assets*

Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Loans and Receivables

The Company's financial asset categorized as loans and receivables are presented as Cash and Cash Equivalents, Insurance Receivables, Loans and Receivables, Reinsurance Assets (for Paid losses recoverable from insurers), and Other Assets (for Claims fund, Security deposit, Short-term investments and Security fund) in the statement of financial position.

Held-to-Maturity Securities

Investments intended to be held for an undefined period are not included in this classification. If the Company were to sell other than an insignificant amount of HTM investments, or as a consequence of a non-recurring, isolated event beyond the Company's control that could not have been reasonably anticipated, the whole category would be tainted and reclassified to AFS financial assets. The Company currently holds government securities and corporate notes designated into this category.

Available-for-Sale (AFS) Financial Assets

The Company's AFS financial assets include equity and debt securities, and club shares.

When the financial asset is disposed of or is determined to be impaired, that is, when there is a significant or prolonged decline in the fair value of the security below its cost, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income even though the financial asset has not been derecognized.

Financial Assets at Fair Value through Profit or Loss (FVTPL)

The Company's financial assets at FVTPL consist of investments in mutual funds, unit investment trust funds (UITF) and trust funds.

(ii) *Items of Income and Expense Related to Financial Assets*

All income and expenses, except for impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Investment Income or Investment Expenses account in the statement of comprehensive income. Impairment losses are presented as part of Operating expenses under Other Expenses account in the statement of comprehensive income.

(iii) *Impairment of Financial Assets*

Carried at Amortized Cost – Loans and Receivables and HTM Securities

If there is objective evidence that an impairment loss on loans and receivables or HTM securities carried at cost has been incurred, the amount of the impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

For loans and receivables, 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. For the purpose of a collective evaluation of impairment, loans and receivables are grouped on the basis of such credit risk characteristics as type of borrower, collateral type, credit and payment status, and term.

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 (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date of the impairment is reversed. The amount of the reversal is recognized in the profit or loss.

AFS Carried at Cost

If there is an objective evidence of an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying value and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS Carried at Fair Value

In case of equity securities classified as AFS, impairment indicators would include a significant or prolonged decline in the fair value of the investments below cost. When there is objective evidence of impairment, the cumulative loss in equity, measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognized, is transferred to profit or loss in the statement of comprehensive income.

Subsequent recovery in the fair value of an impaired AFS equity financial asset is recognized in other comprehensive income as fair value adjustment. In the case of AFS debt financial assets, impairment is assessed based on the same criteria as loans and receivables and HTM securities.

(b) *Financial Liabilities*

Financial liabilities, which include accounts payable and accrued expenses (except tax-related liabilities), insurance payables, lease liabilities and deposit for future stock subscription, are recognized when the Company becomes a party to the contractual agreements of the instrument.

All interest-related charges incurred on a financial liability are recognized as an expense in profit or loss as part of Investment expenses under Operating Expenses account in the statement of comprehensive income.

2.5 Investment Properties

Investment properties are accounted for using the cost model. Except for land and memorial lots, investment properties are carried at cost less accumulated depreciation and impairment in value.

Depreciation of condominium units is computed using the straight-line method over the estimated useful life of ten years of the properties regardless of utilization.

2.6 Property and Equipment

Property and equipment, except for land, are carried at acquisition cost less accumulated depreciation and amortization, and any impairment in value. Land is carried at cost less any impairment losses.

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

Building	42 years
Furniture, fixtures and office equipment	5 years
Electronic data processing (EDP) hardware	5 years
Transportation equipment	5 years

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

2.7 Intangible Assets

Intangible assets pertain to software used in operations and administration which are accounted for under the cost model. Capitalized software costs are amortized on a straight-line basis over the estimated useful lives of five to ten years as these intangible assets are considered finite.

2.8 Deposit for Future Stock Subscription

Deposit for future stock subscription refers to the amount of money or property received by the Company with the purpose of applying the same as payment for future issuance of stocks which may or may not materialize. Deposit for future stock subscriptions cannot be considered as part of the capital stock of the Company until shares of stock are actually issued in consideration thereof.

On May 11, 2017, the SEC issued an amendment on SEC Bulletin No. 6 (issued in 2012) for the treatment of the deposit for future stock subscriptions. As stated, an entity shall classify a contract to deliver its own equity instruments under equity as deposit for future stock subscriptions if and only if, all of the following elements are present as of end of the period:

- (i) the unissued authorized capital of the entity is insufficient to cover the amount of shares indicated in the contract;
- (ii) there is a BOD approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation);

- (iii) there is stockholders' approval of said proposed increase in authorized capital stock; and,
- (iv) the application for the approval of the increase in capital stock has been presented for filing or has been filed with the SEC.

If any or all of the foregoing elements are not present, the transaction should be recognized as part of liability. The amount of deposit for future stock subscriptions will be reclassified to equity account when the Company meets the foregoing elements.

2.9 Revenue and Income Recognition

The Company's significant revenues pertain to net premiums earned, investment income and rental income which are accounted for by the Company in accordance with PFRS 4, PAS 39, and PFRS 16, respectively.

The following provides information about the specific recognition criteria of the significant revenues recognized:

- (a) *Premiums* – Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by the contracts entered into during the accounting period and are recognized on the inception date of the policy. Premiums include any adjustment arising in the accounting period for premiums receivable in respect of business written in prior years.

Premiums from insurance contracts are recognized as revenue over the period of the insurance contracts using the 24th method. The 24th method assumes that the average date of issue of all policies written during any one month is the middle of that month. Accordingly, 1/24th of the net premiums are considered earned in the month the insurance contracts are issued and 2/24th for every month thereafter (or 1/24th for every 15-day period after the issue month).

The portion of the premiums written that relates 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 the statement of financial position. The related reinsurance premiums ceded that pertains to the unexpired periods at the end of the reporting period are accounted for as deferred reinsurance premiums shown as part of Reinsurance Assets in the statement of financial position. The net change in this account between reporting dates are recognized in profit or loss.

- (b) *Commission Income* – Commissions earned from short-duration reinsurance contracts are recognized over the period of the contracts using the 24th method. The portion of the commissions that is related to the unexpired periods of the policies at the reporting date is accounted for as Deferred Reinsurance Commissions in the statement of financial position.
- (c) *Interest Income* – This is recognized as the interest accrues taking into account the effective yield on the asset. Interest income include the amortization of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

- (d) *Gain on Sale of AFS Financial Assets* – Gain includes realized gains and losses on the sale of AFS financial assets which are calculated as the difference between net sales proceeds and the carrying value. Realized gains and losses are recognized in profit or loss in the statement of comprehensive income when the sales transaction occurred.
- (e) *Gain on Sale of Property and Equipment, and Investment Properties* – These are recognized when the risks and rewards of ownership of the property and equipment, and investment property have passed to the buyer or at a point in time when the control of the non-financial assets transfers to the customer.
- (f) *Fair Value Gains (Losses) on Financial Assets at FVTPL* – Fair value gains and losses from the changes in the market values of financial assets at FVTPL are recognized in profit or loss at the end of the reporting period.
- (g) *Dividend Income* – This is recognized when the Company's right to receive payment is established.

2.10 Expense Recognition

Cost and expenses are recognized in the profit or loss upon utilization of the goods and services or at the date they are incurred. Gross benefits and claims consist of benefits and claims paid to policyholders and changes in the gross valuation of insurance contract liabilities, except for gross changes in the provision for unearned premiums which are included in net premiums earned. It further includes internal and external claims handling cost that are directly related to the processing and settlement of claims. The amortized portion of the deferred acquisition costs which is computed using the 24th method is recognized as Commission Expense in the statement of comprehensive income.

2.11 Leases

(a) Company as a Lessee

Subsequent to initial recognition, the Company depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company has elected to account for short-term leases using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

(b) Company as a Lessor

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

2.12 Impairment of Non-financial Assets

The Company's property and equipment, investment properties, intangible assets, right-of-use assets and other non-financial assets are subject to impairment testing. All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

2.13 Insurance Contract Liabilities

Insurance contract liabilities consist of provision for claims reported by policyholders, provision for incurred but not reported (IBNR) losses, and provision for unearned premiums.

(a) Provision for Claims Reported by Policyholders

Provision for claims reported by policyholders are based on the estimated ultimate cost of claims incurred which are reported but not settled as at the reporting date together with related claims handling costs and reduction for expected value of salvage and other recoveries. Significant delays can be experienced in the notification and settlement of certain type of insurance claims, particularly in respect of liability business, therefore the ultimate cost of which cannot be known with certainty at the reporting date. Differences between the provision for claims reported by policyholder at the reporting date and subsequent revisions and settlements are included in the statement of comprehensive income for subsequent years. The liability is derecognized when the contract is discharged, cancelled or has expired.

(b) Provision for IBNR Losses

Provision is made for the cost of claims incurred as at the reporting date but not reported. For each identified loss, the provision for IBNR is based on the independent actuarial report. For unidentified losses, the provision for IBNR is based on the Bornhuetter-Ferguson Method which purposes predictors of the outstanding losses and every predictor is obtained by multiplying an estimator of the percentage of the outstanding losses with respect to the ultimate one.

(c) Provision for Unearned Premiums

The portion of written premiums attributable to subsequent periods or to risks that have not yet expired is deferred as provision for unearned premiums. The change in the provision for unearned premiums is taken to the statement of comprehensive income in the order that revenue is recognized over the period of risk. When the anticipated losses, loss adjustment expenses, commissions, and other acquisition costs, and maintenance costs exceed the recorded unearned premium reserve, and any future instalment premiums on existing policies, a premium deficiency reserve shall be recognized by recording an additional liability for the deficiency, with a corresponding charge to the statement of comprehensive income.

(d) *Liability Adequacy Test*

At end of each reporting period, liability adequacy tests are performed, to ensure the adequacy of insurance contract liabilities, net of related deferred acquisition costs. In performing the test, current best estimates of future cash flows, claims handling and policy administration expenses are used. Changes in expected claims that have occurred, but which have not been settled, are reflected by adjusting the liability for claims and future benefits. Any inadequacy is charged to profit or loss by establishing an unexpired risk provision for losses arising from the liability adequacy tests.

2.14 Employee Benefits

The Company provides post-employment benefits to employees through a defined benefit plan and defined contribution plans, and other employee benefits.

The Company's defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified, non-contributory and administered by a trustee.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements in accordance with PFRS Accounting Standards requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. 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 reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) *Determination of Lease Term of Contracts with Renewal and Termination Options*

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

For leases of offices, the factors that are normally the most relevant are (a) if there are significant penalties should the Company pre-terminate the contract, and (b) if any leasehold improvements are expected to have a significant remaining value, the Company is reasonably certain to extend and not to terminate the lease contract. Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The Company did not include the renewal period as part of the lease term for leases of office spaces because the terms are renewable upon the mutual agreement of the parties.

The lease term is reassessed if an option is actually exercised or not exercised or the Company becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Company.

(b) Classification of Financial Instruments

The Company exercises judgments in classifying a financial instrument, or its components parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the definitions of a financial asset or liability. The substance of a financial instrument, rather than its legal form, governs its classification in the statement of financial position.

In classifying non-derivative financial assets with fixed or determinable payments and fixed maturity, such as bonds, as HTM securities, the Company evaluates its intention and ability to hold such investments up to maturity. Management has confirmed its intention and determined its ability to hold the investments up to maturity. If the Company fails to keep these investments to maturity other than for specific circumstances as allowed under the standard, it will be required to reclassify the whole class as AFS financial assets. In such case, the investments would, therefore, be measured at fair value, not at amortized cost.

In addition, the Company classifies financial assets by evaluation, 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 an active market is the determination on whether the quoted prices are readily and regularly available and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

As of December 31, 2024 and 2023, the Company's financial assets are classified as financial assets at FVTPL, HTM securities, AFS financial assets, and loans and receivables.

(c) *Distinction Between Investment Properties and Owner-Occupied Properties*

The Company determines whether a property qualifies as investment property or owner-occupied property. In making its judgment, the Company considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process. Investment property is held primarily to earn rental and capital appreciation and is not substantially for use by, or in the operations of the Company.

(d) *Distinction Between Operating and Finance Leases for Contracts where the Company is the Lessor*

The Company has entered into a lease agreement for certain investment properties. Critical judgment was exercised by management to distinguish the lease agreement as either an operating or a finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the property covered by the agreement. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

In 2024 and 2023, the Company has determined that its existing leases, where the Company is the lessor, are treated as operating leases.

(e) *Recognition of Provisions and Contingencies*

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events. Judgment is exercised by management to distinguish between provisions and contingencies. The disclosures on relevant contingencies are presented in Note 32.

(f) *Impairment of AFS Financial Assets*

The Company considers that financial assets at fair value are impaired when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is significant or prolonged decline requires judgment. In making this judgment, the Company evaluates other factors, including normal volatility in share price for quoted securities and the future cash flows and the discount factors for unquoted securities. 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.

Based on the recent evaluation of information and circumstance affecting the Company's AFS financial assets, the management concluded that no AFS financial assets are impaired as of December 31, 2024 and 2023.

3.2 Key Sources of Estimation Uncertainty

The following are 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 reporting period.

(a) Estimation of Claims Liability Arising from Insurance Contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. Estimation of the ultimate cost of claims is a complex process and can be evaluated with the aid of adjuster's estimates. The Company considers that it is impracticable to discuss with sufficient reliability the possible effects of sensitivities surrounding the ultimate liability arising from claims made under insurance contracts as the major uncertainties may differ significantly. With this, it is reasonably possible, based on existing knowledge, that the outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the asset or liability affected including reserve for outstanding losses and related insurance balances.

As of December 31, 2024 and 2023, total insurance contract liabilities amounted to P2.4 billion (see Note 18).

(b) Valuation of Insurance Contract Liabilities

Estimates have to be made both for the expected ultimate cost of claims reported and for the expected ultimate cost of IBNR losses at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty.

The primary technique adopted by the management in estimating the cost of IBNR losses is using the past claims settlement trend to predict the future claims settlement. At each reporting date, prior year claims estimates are assessed for adequacy and changes made are charged to provisions. Insurance contract liabilities are not discounted for the time value of money.

As of December 31, 2024 and 2023, the total claims reported and provisions for IBNR losses amounted to P1.1 billion and P1.2 billion, respectively (see Note 18).

The Company's adjustment to provision for IBNR losses is presented as Net Change in Provision for IBNR losses in the statement of comprehensive income (see Note 26).

(c) *Measurement of Fair Values*

The Company has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value adjustments, including Level 3 fair values. The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the valuation team assesses the evidence obtained to support the conclusion that such valuations meet the requirements of PFRS Accounting Standards, including the level in the fair value hierarchy in which such valuations should be classified.

The Company uses market observable data when measuring the fair value of an asset or liability. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

If the inputs used to measure the fair value of an asset or liability might be categorized in different levels of the fair value hierarchy, then fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The methods and assumptions used to estimate fair values for both financial and non-financial assets and liabilities are discussed in Note 36.

(d) *Estimation of Impairment of Financial Assets*

(i) *Financial Assets at Fair Value – AFS Financial Assets*

The Company treats AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The 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 greater than six months.

In addition, the Company evaluates other factors, including normal volatility in share price for listed AFS equity financial assets and the future cash flows and the discount factors for unlisted AFS equity financial assets.

Impairment may be appropriate also when there is evidence of deterioration in the financial health of the investee, the industry and sector performance, changes in technology and operational and financing cash flows.

As of December 31, 2024 and 2023, the carrying amount of AFS financial assets and impairment loss, if any, recognized is disclosed in Note 8.

(ii) *Financial Assets at Amortized Cost*

The Company reviews its financial assets at amortized cost to assess impairment at least on an annual basis, or as the need arises due to significant movements on certain accounts. These financial assets that are individually significant are assessed to determine whether objective evidence of impairment exists on an individual basis, while those that are not individually significant are assessed for objective evidence of impairment either on an individual or on collective basis.

In determining whether an impairment loss should be recognized, the Company makes judgment as to whether there are any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets before the decrease can be identified with an individual financial asset in that portfolio.

As at December 31, 2024 and 2023, allowance for impairment losses was recognized for insurance receivables, loans and receivables, and reinsurance assets (see Notes 5, 9 and 11). There was no impairment loss recognized for HTM securities.

(e) *Estimation of Impairment of Non-financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Based on management's evaluation, there are no impairment losses to be recognized on the Company's non-financial assets in both 2024 and 2023.

(f) *Valuation of Net Pension Liability*

The determination of the Company's obligation and cost of post-employment benefits is dependent on the selection of certain assumptions used by the actuary in calculation such amounts. Those assumptions include, among others, discount rates and salary rate increase.

A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the net pension liability in the next reporting period.

The amounts of net pension liability and expense and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used in estimating such liability are presented in Note 29.2.

(g) *Estimation of Useful Lives of Investment Properties, Property and Equipment, Right-of-use Assets, and Intangible Assets*

The Company estimates the useful lives of investment properties, property and equipment, right-of-use assets, and intangible assets based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of investment properties and property and equipment are based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. For the right-of-use assets, the Company bases the useful lives on the lease terms agreed upon in each lease contract.

The carrying amounts of investment properties, property and equipment, right-of-use assets, and intangible assets are analyzed in Notes 13, 14, 15.1, and 16, respectively. Based on management's assessment as of December 31, 2024 and 2023, there is no change in estimated useful lives of those assets during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(h) *Determination of Appropriate Discount Rate in Measuring Lease Liabilities*

The Company measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Company's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(i) *Determination of Realizable Amount of Deferred Tax Assets*

The Company reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the deferred tax assets recognized as of December 31, 2024 and 2023 will be fully utilized in the coming years. The carrying value of deferred tax assets as of those dates is disclosed in Note 30.

4. CASH AND CASH EQUIVALENTS

This account includes the following components as of December 31:

<i>(Amounts in PHP)</i>	2024	2023
Cash on hand	1,470,000	1,968,180
Cash in banks	265,657,246	266,278,494
Cash equivalents	17,743,991	4,774,823
	<u>284,871,237</u>	<u>273,021,497</u>

Cash in banks generally earn interest ranging based on daily bank deposit rates. Cash equivalents include 60 to 90-day Philippine peso time deposits made for varying periods depending on the immediate cash requirements of the Company and earn interest at rates ranging from 0.70% to 5.60% per annum in both 2024 and 2023.

Interest income earned from cash and cash equivalents amounted to P0.5 million and P2.0 million in 2024 and 2023, respectively, and is presented as Interest income on cash and cash equivalents under Investment and other income – net, as part of Other Income account in the statements of comprehensive income (see Note 25).

Foreign exchange gains on United States dollar (USD)-denominated cash and cash equivalents amounted to P5.7 million and P10.5 million in 2024 and 2023, respectively, and is recognized as Foreign exchange gains on cash and cash equivalents under Investment and Other Income in the statements of comprehensive income (see Note 25).

5. INSURANCE RECEIVABLES

The components of this account are as follows:

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Due from agents and brokers	914,407,875	740,093,940
Due from ceding companies	209,772,147	155,064,380
Funds held by ceding companies	8,231,900	8,086,108
	<u>1,132,411,922</u>	<u>903,244,428</u>
Allowance for impairment losses	<u>(83,116,496)</u>	<u>(82,356,966)</u>
	<u>1,049,295,426</u>	<u>820,887,462</u>

Due from agents and brokers pertains to premium payments that are yet to be remitted to the Company by its insurance agents and brokers.

Due from ceding companies refers to the premiums receivable from the ceding companies as a result of treaty and facultative acceptances.

Funds held by ceding companies pertains to the portion of reinsurance premiums withheld by ceding companies in accordance with treaty and facultative agreements.

The maturity profile of the insurance receivables (gross of allowance) is shown below.

<i>(Amount in PHP)</i>	<u>2024</u>	<u>2023</u>
Within one year	953,162,813	752,827,358
Beyond one year	179,249,109	150,417,070
	<u>1,132,411,922</u>	<u>903,244,428</u>

All of the Company's insurance receivables have been reviewed for indicators of impairment. The reconciliation of the allowance for impairment at the beginning and end of 2024 and 2023 is shown below.

<i>(Amount in PHP)</i>	<u>2024</u>	<u>2023</u>
Balance at beginning of year	82,356,966	65,959,971
Impairment for the year	759,530	16,396,995
Balance at end of year	83,116,496	82,356,966

In 2023, the additional impairment losses on the Company's insurance receivables are shown as part of Impairment losses – net under Operating Expenses account in the 2023 statement of comprehensive income (see Note 27). In 2024, the additional impairment losses on the Company's insurance receivables are netted against impairment recoveries and shown as part of Investment and other income - net under Other Income account in the 2024 statement of comprehensive income (see Note 25).

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As of December 31, financial assets at FVTPL consists of the following:

<i>(Amount in PHP)</i>	<u>Notes</u>	<u>2024</u>	<u>2023</u>
Mutual funds	31.2	205,803,130	203,665,009
Trust funds	10	67,619,623	64,989,777
UITF		109,391	108,030
		273,532,144	268,762,816

The reconciliation of the fair values of financial assets at FVTPL are as follows:

<i>(Amount in PHP)</i>	<u>Note</u>	<u>2024</u>	<u>2023</u>
Balance at beginning of year		268,762,816	250,579,298
Additions		23,523,136	176,616,418
Disposals		(17,174,492)	(160,415,333)
Fair value gains (losses) - net	25	(1,579,316)	1,982,433
Balance at end of year		273,532,144	268,762,816

7. HELD-TO-MATURITY SECURITIES

The account consists of:

<i>(Amount in PHP)</i>	2024	2023
Treasury notes	264,363,036	181,608,516
Retail treasury bonds	106,808,153	130,888,171
Corporate notes	3,000,000	-
Treasury bills	-	54,870,583
	<u>374,171,189</u>	<u>367,367,270</u>

These investments bear interest at rates ranging from 4.88% to 9.25% in both 2024 and 2023. Interest earned from these investments amounting to P22.0 million and P21.0 million in 2024 and 2023, respectively, is presented as Interest income on HTM securities under Investment and other income – net, as part of Other Income account in the statements of comprehensive income (see Note 25).

Investments in HTM securities are deposited with the IC as security for the benefit of policyholders and creditors of the Company in accordance with the provision of the Code.

The reconciliation of the carrying amount of HTM at the beginning and end of 2024 and 2023 is as follows:

<i>(Amount in PHP)</i>	2024	2023
Balance at beginning of year	367,367,270	343,203,183
Additions	97,306,286	186,749,788
Maturities	(88,595,583)	(160,986,088)
Amortization	(1,906,784)	(1,599,613)
Balance at end of year	<u>374,171,189</u>	<u>367,367,270</u>

The maturity profile of HTM securities follows:

<i>(Amount in PHP)</i>	2024	2023
Within one year	3,000,000	88,639,352
Beyond one year	<u>371,171,189</u>	<u>278,727,918</u>
Balance at end of year	<u>374,171,189</u>	<u>367,367,270</u>

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

This account consists of:

<i>(Amount in PHP)</i>	<u>2024</u>	<u>2023</u>
Quoted securities:		
Equity securities:		
Common	213,797,745	215,149,746
Preferred	28,387,285	32,587,170
Debt securities:		
Corporate securities	125,313,417	125,754,669
Government securities	268,583,565	83,121,372
Club shares	7,990,000	7,990,000
	<u>644,072,012</u>	<u>464,602,957</u>
Unquoted securities –		
Equity securities	<u>5,957,500</u>	<u>2,957,500</u>
	<u>650,029,512</u>	<u>467,560,457</u>

The reconciliation of the carrying amounts of AFS financial assets follows:

<i>(Amount in PHP)</i>	<u>Note</u>	<u>2024</u>	<u>2023</u>
Balance at beginning of year		467,560,457	449,065,776
Additions		743,414,555	646,728,967
Maturities and disposals		(562,792,115)	(635,917,365)
Net change in fair value		1,164,163	7,970,158
Amortization of (discount)			
premium - net		911,766	(167,156)
Foreign exchange loss - net	25	<u>(229,314)</u>	<u>(119,923)</u>
Balance at end of year		<u>650,029,512</u>	<u>467,560,457</u>

The maturity profile of the AFS debt securities follows:

<i>(Amount in PHP)</i>	<u>2024</u>	<u>2023</u>
Within one year	170,504,915	98,517,993
Beyond one year	<u>223,392,067</u>	<u>110,358,048</u>
Balance at end of year	<u>393,896,982</u>	<u>208,876,041</u>

Dividend income earned from equity securities amounted to P9.8 million and P11.6 million both in 2024 and 2023, and is presented as Dividend income on AFS financial assets under Investment and other income – net, as part of Other Income account in the statements of comprehensive income (see Note 25).

Interest income earned from debt securities amounted to P20.8 million and P10.9 million in 2024 and 2023, respectively, and is presented as Interest income on AFS financial assets under Investment and other income – net, as part of Other Income account in the statements of comprehensive income (see Note 25).

Movement in the revaluation reserve on AFS financial assets is as follows:

<i>(Amount in PHP)</i>	<u>Notes</u>	<u>2024</u>	<u>2023</u>
Balance at beginning of year		<u>(135,845,155)</u>	<u>(143,815,313)</u>
Other comprehensive income:			
Fair value gains - net		11,202,236	4,804,482
Transferred to profit or loss	25	<u>(10,038,073)</u>	<u>3,165,676</u>
	23.4	<u>1,164,163</u>	<u>7,970,158</u>
Balance at end of year		<u>(134,680,992)</u>	<u>(135,845,155)</u>

There were no impairment losses recognized in 2024 and 2023.

9. LOANS AND RECEIVABLES

As of December 31, this account consists of:

<i>(Amounts in PHP)</i>	<u>Notes</u>	<u>2024</u>	<u>2023</u>
Surety loss recoverable		661,101,560	621,340,649
Accounts receivable		110,979,385	115,000,207
Mortgage, collateral and guaranteed loans		64,357,499	83,836,771
Accrued income		8,470,762	5,400,018
Due from related parties	31.1(b), 31.3	<u>4,138,007</u>	<u>1,900,949</u>
		<u>849,047,213</u>	<u>827,478,594</u>
Allowance for impairment		<u>(108,681,251)</u>	<u>(109,690,280)</u>
		<u>740,365,962</u>	<u>717,788,314</u>

Accounts receivable includes receivables from institutions, intermediaries, and employees.

Surety loss recoverable represents estimated recoveries the Company may have from losses on surety policies issued.

Mortgage, collateral and guaranteed loans earn interest ranging from 2.50% to 12.00% per annum in both 2024 and 2023. Interest income earned from these loans receivables amounted to P6.1 million in both 2024 and 2023 and is presented as Interest income on loans and receivables under Investment and Other Income account in the statements of comprehensive income (see Note 25).

Accrued income refers to earned but not yet collected interest income from loans and receivables.

The table below shows the reconciliation of the changes in the allowance for impairment as of December 31, 2024 and 2023.

<i>(Amount in PHP)</i>	Mortgage, Collateral and Guaranteed Loans	Accounts Receivable	Total
Balance at January 1, 2024	5,415,307	104,274,973	109,690,280
Impairment recoveries for the year	<u>(257,774)</u>	<u>(751,255)</u>	<u>(1,009,029)</u>
Balance at December 31, 2024	<u>5,157,533</u>	<u>103,523,718</u>	<u>108,681,251</u>
Balance at January 1, 2023	3,980,150	104,274,973	108,255,123
Impairment losses for the year	<u>1,435,157</u>	<u>-</u>	<u>1,435,157</u>
Balance at December 31, 2023	<u>5,415,307</u>	<u>104,274,973</u>	<u>109,690,280</u>

In 2023, the additional impairment losses on the Company's loans and receivables are shown as part of Impairment losses – net under Operating Expenses account in the 2023 statement of comprehensive income (see Note 27). In 2024, the impairment recoveries, net of impairment losses, on the Company's loans and receivables are shown as part of Investment and other income – net under Other Income account in the 2024 statement of comprehensive income (see Note 25).

10. ASSETS HELD IN TRUST

As the lead insurance entity among a consortium of non-life insurance companies, the Company entered into trust agreements with two local banks in October 2006 to establish trust funds for the fulfilment of the consortium obligations under the non-life insurance agreements. The Company owns 10% of the trust funds, with the rest of the consortium members sharing 90%. The corresponding liability of the Company is presented as Liability for assets held in trust under Accounts Payable and Accrued Expenses account in the statements of financial position (see Note 21).

The details of assets held in trust are as follows:

<i>(Amount in PHP)</i>	<u>Note</u>	<u>2024</u>	<u>2023</u>
Cash and cash equivalents		656,706	627,996
Financial assets at FVTPL		57,198,938	57,165,683
Accrued income		<u>9,763,979</u>	<u>7,196,098</u>
	6	<u>67,619,623</u>	<u>64,989,777</u>

11. REINSURANCE ASSETS

The components of this account are as follows:

<i>(Amount in PHP)</i>	<u>Note</u>	<u>2024</u>	<u>2023</u>
Reinsurance recoverable:			
From paid losses		808,070,629	835,729,658
From unpaid losses	18	676,284,711	778,526,080
		1,484,355,340	1,614,255,738
Deferred reinsurance premiums	18	293,256,188	253,233,340
		1,777,611,528	1,867,489,078
Allowance for impairment		(148,892,342)	(148,894,180)
		1,628,719,186	1,718,594,898

The movements of reinsurance recoverable are as follows:

<i>(Amount in PHP)</i>	<u>Note</u>	<u>2024</u>	<u>2023</u>
Balance at beginning of year		1,614,255,738	2,021,824,871
Reinsurer's share from losses	26	145,578,403	438,688,126
Collection from reinsurers		(277,154,290)	(812,112,881)
Reinsurer's share in IBNR		1,675,489	(34,144,378)
		1,484,355,340	1,614,255,738
Balance at end of year		1,484,355,340	1,614,255,738

Movements in the deferred reinsurance premiums are as follows:

<i>(Amount in PHP)</i>	<u>Notes</u>	<u>2024</u>	<u>2023</u>
Balance at beginning of year		253,233,341	275,583,191
Premiums ceded and paid during the year	24	1,928,727,546	1,824,525,831
Premiums ceded during the year	24	(1,888,704,699)	(1,846,875,681)
		293,256,188	253,233,341
Balance at end of year	18	293,256,188	253,233,341

Paid losses recoverable from reinsurers represents amounts due from reinsurers under treaty and facultative agreements as their share in losses already paid by the Company. Unpaid losses recoverable from reinsurers, on the other hand, pertains to amounts due from reinsurers under treaty and facultative as their share in losses on claims not yet paid but already reported in the books.

Deferred reinsurance premiums pertains to the portion of the reinsurance premiums ceded out related to the unexpired periods of the policies at the end of each reporting period.

Changes in the allowance for impairment losses on paid losses recoverable from reinsurers are as follows:

<i>(Amount in PHP)</i>	<u>Notes</u>	<u>2024</u>	<u>2023</u>
Balance at beginning of year		148,894,180	149,124,673
Reversal for the year	25	(1,838)	-
Impairment for the year	27	-	2,185,651
Write-offs		-	(2,416,144)
Balance at end of year		<u>148,892,342</u>	<u>148,894,180</u>

In 2023, the additional impairment losses on the Company's reinsurance assets are shown as part of Impairment losses – net under Operating Expenses account in the 2023 statement of comprehensive income (see Note 27). In 2024, the reversal of impairment losses on the Company's reinsurance assets are shown as part of Investment and other income – net under Other Income account in the 2024 statement of comprehensive income (see Note 25).

12. DEFERRED ACQUISITION COSTS

The movements of this account consist of:

<i>(Amount in PHP)</i>	<u>2024</u>	<u>2023</u>
Balance at beginning of year	187,561,574	181,594,997
Commissions paid during the year	454,693,164	402,548,541
Commissions incurred during the year	(452,405,863)	(396,581,964)
Balance at end of year	<u>189,848,875</u>	<u>187,561,574</u>

Commissions incurred are recognized as Commission expense under Other Expenses in the statements of comprehensive income.

13. INVESTMENT PROPERTIES

The gross amounts and accumulated depreciation of investment properties at the beginning and end of 2024 and 2023 are shown below and in the succeeding page.

<i>(Amount in PHP)</i>	<u>Land and Memorial Lots</u>	<u>Building</u>	<u>Total</u>
December 31, 2024			
Acquisition cost	2,416,000	265,153,838	267,569,838
Accumulated depreciation	-	(55,618,606)	(55,618,606)
Net carrying amount	<u>2,416,000</u>	<u>209,535,232</u>	<u>211,951,232</u>

<i>(Amount in PHP)</i>	Land and Memorial Lots	Building	Total
December 31, 2023			
Acquisition cost	2,416,000	91,912,200	94,328,200
Accumulated depreciation	-	(46,427,386)	(46,427,386)
Net carrying amount	<u>2,416,000</u>	<u>45,484,814</u>	<u>47,900,814</u>
January 1, 2023			
Acquisition cost	2,416,000	96,411,162	98,827,162
Accumulated depreciation	-	(37,236,166)	(37,236,166)
Net carrying amount	<u>2,416,000</u>	<u>59,174,996</u>	<u>61,590,996</u>

A reconciliation of the carrying amounts of investment properties at the beginning and end of 2024 and 2023 is shown below.

<i>(Amount in PHP)</i>	Land and Memorial Lots	Buildings and Improvements	Total
December 31, 2024			
Balance at beginning of year, net of accumulated depreciation	2,416,000	45,484,814	47,900,814
Additions	-	182,040,575	182,040,575
Reclassification	-	(8,798,937)	(8,798,937)
Depreciation charges for the year	-	(9,191,220)	(9,191,220)
Balance at end of year, net of accumulated depreciation	<u>2,416,000</u>	<u>209,535,232</u>	<u>211,951,232</u>
December 31, 2023			
Balance at beginning of year, net of accumulated depreciation	2,416,000	59,174,996	61,590,996
Disposals	-	(4,498,962)	(4,498,962)
Depreciation charges for the year	-	(9,191,220)	(9,191,220)
Balance at end of year, net of accumulated depreciation	<u>2,416,000</u>	<u>45,484,814</u>	<u>47,900,814</u>

As of December 31, 2024 and 2023, the estimated fair value of these investment properties amounted to P292.4 million and P136.5 million, respectively (see Note 36.4).

Depreciation charges in 2024 and 2023 are recognized as part of Depreciation and amortization under Operating Expenses in the statements of comprehensive income (see Note 27). Real estate tax on investment properties amounting to P0.2 million and P0.9 million in 2024 and 2023, respectively, is recognized as part of Taxes and licenses under Operating Expenses in the statements of comprehensive income (see Note 27).

Rent income from office building leased out amounted to P6.3 million and P4.1 million in 2024 and 2023, respectively (see Notes 25 and 32.1).

In 2024, the Company recognized additional investment property amounting to P5.1 million, acquired through foreclosure of collateral on certain mortgage loan receivables. There was no similar transaction in 2023.

In 2024, the Company issued additional shares to its Parent Company where the former received investment properties consisting of condominium units and parking lots amounted P177.0 million in exchange for the shares issued (see Note 23). There was no similar transaction in 2023.

In 2024, the Company assessed that a certain portion of its Buildings and improvements under Investment Properties is significantly occupied by the Company for its operations. Hence, the Company reclassified the property, with carrying value of P8.8 million, to Property and Equipment in the 2024 statement of financial position (see Note 14). There was no similar transaction in 2023.

In 2023, the Company sold certain investment properties resulting to a gain on sale amounting to P1.0 million which is recognized as Gain on sale of investment properties under Investment and Other Income account in the statements of comprehensive income (see Note 25). There was no similar transaction in 2024.

14. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2024 and 2023 are shown below.

<i>(Amount in PHP)</i>	Land	EDP Hardware	Transportation Equipment	Furniture, Fixtures and Equipment	Leasehold Improvements	Building	Total
December 31, 2024							
Cost	-	52,960,268	51,264,413	29,087,742	26,498,267	298,467,625	458,278,315
Accumulated depreciation and amortization	-	(37,838,341)	(32,360,368)	(23,491,516)	(23,994,336)	(50,161,664)	(167,846,225)
Net carrying amount	-	<u>15,121,927</u>	<u>18,904,045</u>	<u>5,596,226</u>	<u>2,503,931</u>	<u>248,305,961</u>	<u>290,432,090</u>
December 31, 2023							
Cost	-	51,791,205	47,979,932	27,016,158	25,040,800	289,275,833	441,103,928
Accumulated depreciation and amortization	-	(33,254,427)	(32,972,907)	(21,166,690)	(23,258,444)	(43,274,079)	(153,926,547)
Net carrying amount	-	<u>18,536,778</u>	<u>15,007,025</u>	<u>5,849,468</u>	<u>1,782,356</u>	<u>246,001,754</u>	<u>287,177,381</u>
January 1, 2023							
Cost	18,794,054	51,322,069	44,996,932	24,493,469	23,714,496	323,700,020	487,021,040
Accumulated depreciation and amortization	-	(23,995,977)	(25,209,337)	(17,672,251)	(19,924,125)	(42,181,297)	(128,982,987)
Net carrying amount	<u>18,794,054</u>	<u>27,326,092</u>	<u>19,787,595</u>	<u>6,821,218</u>	<u>3,790,371</u>	<u>281,518,723</u>	<u>358,038,053</u>

A reconciliation of the carrying amounts of property and equipment at the beginning and end of December 31, 2024 and 2023 is shown below.

<i>(Amount in PHP)</i>	<u>Land</u>	<u>EDP Hardware</u>	<u>Transportation Equipment</u>	<u>Furniture, Fixtures and Equipment</u>	<u>Leasehold Improvements</u>	<u>Building</u>	<u>Total</u>
Balance at January 1, 2024, net of accumulated depreciation and amortization	-	18,536,778	15,007,025	5,849,468	1,782,356	246,001,754	287,177,381
Additions	-	1,198,438	12,531,315	2,325,330	1,457,467	392,855	17,905,405
Reclassification	-	-	-	-	-	8,798,937	8,798,937
Disposals	-	-	(168,029)	-	-	-	(168,029)
Depreciation and amortization charge for the year	-	(4,613,289)	(8,466,266)	(2,578,572)	(735,892)	(6,887,585)	(23,281,604)
Balance at December 31, 2024, net of accumulated depreciation and amortization	-	15,121,927	18,904,045	5,596,226	2,503,931	248,305,961	290,432,090
Balance at January 1, 2023, net of accumulated depreciation and amortization	18,794,054	27,326,092	19,787,595	6,821,218	3,790,371	281,518,723	358,038,053
Additions	-	469,135	2,983,000	2,522,689	1,326,304	-	7,301,128
Disposals	(18,794,054)	-	-	-	-	(28,227,834)	(47,021,888)
Depreciation and amortization charges for the year	-	(9,258,449)	(7,763,570)	(3,494,439)	(3,334,319)	(7,289,135)	(31,139,912)
Balance at December 31, 2023, net of accumulated depreciation and amortization	-	18,536,778	15,007,025	5,849,468	1,782,356	246,001,754	287,177,381

Depreciation charges in 2024 and 2023 are recognized as part of Depreciation and amortization under Operating Expenses in the statements of comprehensive income (see Note 27).

In 2024, the Company reclassified certain property, with carrying value of P8.8 million, from Investment Property to Property and Equipment in the 2024 statement of financial position (see Note 13). There was no similar transaction in 2023.

The Company recognized gain on sale of property and equipment amounting P0.07 million and P53.52 million in 2024 and 2023, respectively, which is presented as Gain on sale of property and equipment under Investment and other income – net, as part of Other Income account in the statements of comprehensive income (see Note 25).

15. LEASES

The Company has leases for its head office and several branch offices. With the exception of short-term leases, each lease is reflected on the statements of financial position as a right-of-use asset and a lease liability.

Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublet the asset to another party, the right-of-use asset can only be used by the Company. The leases contain an option to extend the lease for a further term, which should be mutually agreed with the lessor. For leases over offices, the Company must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Company must insure the leased assets and incur maintenance fees on such items in accordance with the lease contracts.

The nature of the Company's leasing activities recognized in the statements of financial position is described in the succeeding page.

	<u>2024</u>	<u>2023</u>
Number of right-of-use assets leased	36	39
Range of remaining term	1 – 5 years	1 – 5 years
Average remaining lease term	2 years	2 years

15.1 Right-of-use Assets

The carrying amounts of the Company's right-of-use assets as of December 31, 2024 and 2023 and the movements during the years are shown below.

	<u>Note</u>	<u>2024</u>	<u>2023</u>
Balance at January 1, net of accumulated amortization		27,422,176	37,772,421
Additions		23,464,151	4,042,069
Amortization during the year	27	(15,110,150)	(14,392,314)
Balance at December 31, net accumulated amortization		<u>35,776,177</u>	<u>27,422,176</u>

15.2 Lease Liabilities

The movements in the lease liabilities recognized in the statements of financial position are as follows:

	<u>Note</u>	<u>2024</u>	<u>2023</u>
Balance at beginning of year		28,422,281	38,784,420
Cash flows from financing activities –			
Repayments of lease liabilities including interest		(16,562,044)	(15,767,818)
Non-cash financing activities:			
Additional lease obligation		23,464,151	3,886,219
Interest amortization	27	<u>1,697,580</u>	<u>1,519,460</u>
		<u>37,021,968</u>	<u>28,422,281</u>

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities at December 31, 2024 and 2023 are as follows:

<i>(Amount in PHP)</i>	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>3 to 4 years</u>	<u>4 to 5 years</u>	<u>Total</u>
December 31, 2024						
Lease payments	16,033,149	14,370,057	7,272,979	1,547,340	612,615	39,836,140
Finance charges	(1,608,623)	(862,715)	(257,942)	(72,103)	(12,789)	(2,814,172)
Net present values	<u>14,424,526</u>	<u>13,507,342</u>	<u>7,015,037</u>	<u>1,475,237</u>	<u>599,826</u>	<u>37,021,968</u>
December 31, 2023						
Lease payments	12,236,684	7,873,378	6,749,144	3,456,079	117,262	30,432,547
Finance charges	(1,012,501)	(617,416)	(311,258)	(68,028)	(1,063)	(2,010,266)
Net present values	<u>11,224,183</u>	<u>7,255,962</u>	<u>6,437,886</u>	<u>3,388,051</u>	<u>116,199</u>	<u>28,422,281</u>

15.3 Lease Payments Not Recognized as Liabilities

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases. Payments made under such leases are expensed on a straight-line basis. In 2024 and 2023, the expenses incurred on short-term leases amounted to P12.8 million and P7.5 million, respectively, and is presented as Rent under Operating Expenses in the statements of comprehensive income (see Note 27).

As at December 31, 2024 and 2023, total future cash outflows for short-term leases amounted to P0.2 million.

15.4 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of leases amounted to P29.4 million and P23.3 million in 2024 and 2023, respectively, including cash outflow from short term leases. Interest expense in relation to lease liabilities amounted to P1.7 million and P1.5 million in 2024 and 2023, respectively, and is presented as part of Interest expense under Operating Expense account in the statements of comprehensive income (see Note 27).

16. INTANGIBLE ASSETS

The Company's intangible assets pertain to computer software with remaining lives of one to five years.

The gross carrying amounts and accumulated amortization of intangible assets at the beginning and end of 2024 and 2023 are shown below.

<i>(Amount in PHP)</i>	December 31, 2024	December 31, 2023	January 1, 2023
Cost	67,660,162	60,780,019	56,860,356
Accumulated amortization	(59,776,507)	(45,479,172)	(39,654,526)
	<u>7,883,655</u>	<u>15,300,847</u>	<u>17,205,830</u>

A reconciliation of carrying amounts of intangible assets at the end of 2024 and 2023 is shown below.

<i>(Amount in PHP)</i>	<u>Note</u>	<u>2024</u>	<u>2023</u>
Balance at January 1, net of accumulated amortization		15,300,847	17,205,830
Additions during the year		6,880,143	3,919,663
Amortization for the year	27	<u>(14,297,335)</u>	<u>(5,824,646)</u>
Balance at December 31, net of accumulated amortization		<u>7,883,655</u>	<u>15,300,847</u>

17. OTHER ASSETS

The details of this account are as follows:

<i>(Amounts in PHP)</i>	2024	2023
Prepayments	60,683,194	66,367,218
Creditable withholding taxes	38,579,087	26,244,891
Claims fund	13,801,596	10,646,270
Security deposit	6,958,205	6,969,631
Other asset inventory	2,144,000	2,144,000
Short-term investments	1,205,952	1,189,061
Security fund	48,439	48,439
	<u>123,420,473</u>	<u>113,609,510</u>

Prepayments consist of prepaid rent for the Company's branches' premises, utility deposits and upfront fee. Upfront fee pertains to fees paid by the Company for the bancassurance agreement entered into by the Company and its parent company with United Coconut Planters Bank. The Company also entered into bancassurance agreement with UCPB Savings Bank, Inc. As of December 31, 2024 and 2023, the balance of the upfront fee amounted to P52.9 million and P61.9 million, respectively, and is to be amortized for a period of 10 years from the effectivity of the respective agreements. Amortization expense recognized in 2024 and 2023 amounted to P7.24 million and P8.28 million, respectively, and is presented as part of Advertising and promotions under Operating Expenses in the statements of comprehensive income (see Note 27).

Claims fund refers to restricted fund set aside to cover for claims applied by policyholders for reimbursements of losses incurred.

Short-term investments pertain to 91-day time deposits and earn interest at the rates ranging from 1.50% to 1.75% and from 0.05% to 1.50% per annum in 2024 and 2023, respectively. Interest income earned from these investments amounted to P0.02 million in both 2024 and 2023 and is presented as Interest income on short-term investments under Investment and other income – net, as part of Other Income account in the statements of comprehensive income (see Note 25).

Security fund represents the amount deposited with the IC. This was created under Section 365 of the Presidential Decree No. 612, as amended under the Presidential Decree No. 1640, to be used for the payment of valid claims against insolvent insurance companies.

18. INSURANCE CONTRACT LIABILITIES

The analysis of insurance contract liabilities, net of reinsurers' share of liabilities, is as follows:

<i>(Amount in PHP)</i>	Insurance Contract Liabilities	Reinsurer's Share of Liabilities <i>(see Note 11)</i>	Net Retention
<u>December 31, 2024</u>			
Provision for claims reported by policyholders	688,923,904	427,787,004	261,136,900
Provisions for IBNR losses	403,577,145	248,497,707	155,079,438
Total claims reported and provisions for IBNR losses	1,092,501,049	676,284,711	416,216,338
Provision for unearned premiums	1,291,837,757	293,256,188	998,581,569
	<u>2,384,338,806</u>	<u>969,540,899</u>	<u>1,414,797,907</u>
<u>December 31, 2023</u>			
Provision for claims reported by policyholders	819,333,330	531,703,861	287,629,469
Provisions for IBNR losses	395,660,816	246,822,218	148,838,598
Total claims reported and provisions for IBNR losses	1,214,994,146	778,526,079	436,468,067
Provision for unearned premiums	1,148,594,989	253,233,341	895,361,648
	<u>2,363,589,135</u>	<u>1,031,759,420</u>	<u>1,331,829,715</u>

Provision for claims reported by policyholders are losses and claims due to policyholders under direct insurance contracts and due to ceding companies under treaty and facultative agreements.

As stated in CL No. 2018-18, *Valuation Standards for Non-Life Insurance*, non-life insurance and reinsurance companies shall be allowed to set Margin for Adverse Deviation (Mfad) of 100% starting 2019 onwards.

Provision for unearned premiums is the portion of the direct insurance and reinsurance premiums assumed related to the unexpired periods of the policies at the end of each year.

The movements of provisions for unearned premiums are presented below and in the succeeding page.

<i>(Amount in PHP)</i>	Gross Provision for Unearned Premiums	Reinsurer's Share of Liabilities <i>(see Note 11)</i>	Net Retention
<u>December 31, 2024</u>			
Balance at beginning of year	1,148,594,989	253,233,341	895,361,648
New policies written during the year	3,855,636,784	1,928,727,546	1,926,909,238
Premiums earned during the year	(3,712,394,016)	(1,888,704,699)	(1,823,689,317)
Balance at end of year	<u>1,291,837,757</u>	<u>293,256,188</u>	<u>998,581,569</u>

<i>(Amount in PHP)</i>	Gross Provision for Unearned Premiums	Reinsurer's Share of Liabilities (see Note 11)	Net Retention
December 31, 2023			
Balance at beginning of year	1,188,031,140	275,583,191	912,447,949
New policies written during the year	3,415,059,602	1,824,525,831	1,590,533,771
Premiums earned during the year	<u>(3,454,495,753)</u>	<u>(1,846,875,681)</u>	<u>(1,607,620,072)</u>
Balance at end of year	<u>1,148,594,989</u>	<u>253,233,341</u>	<u>895,361,648</u>

19. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS - TERMS, ASSUMPTIONS AND SENSITIVITIES

19.1 Terms and Conditions

The major classes of general insurance written by the Company include motor, property, suretyship, casualty, marine and engineering. Risks under these policies usually cover a 12-month duration. For general insurance contracts, claims provisions (comprising provisions for claims reported by policyholders and IBNR losses) 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 end of the year.

The provisions are defined quarterly as part of 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 projection of future claims costs through a combination of actuarial and statistical projection techniques. In certain cases, where there is a lack of reliable historical data on which to estimate claims development, relevant benchmarks of similar business are used in developing claims estimates. Claims provisions are separately analyzed by class of business. In addition, larger claims are usually either separately assessed by loss adjusters or separately projected by the actuaries. The claims projection assumptions are generally intended to provide a best estimate of the most likely expected outcome.

19.2 Key Assumptions

The principal assumption underlying the estimates is the Company's past claims development experience. This includes assumptions in respect of average claim costs, claims handling costs, claims inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example, one-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

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

19.3 Loss Development Table

Reproduced below are the tables showing the development of claims over a period of time on a gross and net reinsurance basis.

Gross of Reinsurance – 2024

Accident Year	All Years Prior	2020	2021	2022	2023	2024	Total
<i>(Amounts in PHP)</i>							
Estimate of Ultimate Claims Costs							
At the end of accident year	19,318,985,104	729,319,769	833,288,551	828,055,306	1,130,036,641	1,094,085,636	1,094,085,636
One year later	19,533,329,656	903,679,177	1,529,491,342	726,818,230	911,336,547	-	911,336,547
Two years later	19,383,014,961	1,003,927,396	1,706,122,778	782,909,040	-	-	782,909,040
Three years later	19,353,588,325	992,368,425	1,684,595,812	-	-	-	1,684,595,812
Four years later	19,260,960,954	995,613,205	-	-	-	-	995,613,205
Five years later	19,603,855,988	-	-	-	-	-	19,603,855,988
Current estimate of cumulative claims	19,603,855,988	995,613,205	1,684,595,812	782,909,040	911,336,547	1,094,085,636	25,072,396,228
Cumulative payments to date	19,323,880,039	980,230,197	1,553,434,809	738,569,380	839,127,140	544,653,614	23,979,895,179
Estimated Gross Insurance Liabilities	279,975,949	15,383,008	131,161,003	44,339,660	72,209,407	549,432,022	1,092,501,049

Net of Reinsurance – 2024

Accident Year	All Years Prior	2020	2021	2022	2023	2024	Total
<i>(Amounts in PHP)</i>							
Estimate of Ultimate Claims Costs							
At the end of accident year	8,981,987,558	652,862,703	485,372,835	630,660,180	793,314,355	772,694,624	772,694,624
One year later	9,418,743,649	749,689,561	544,535,697	664,749,680	811,699,063	-	811,699,063
Two years later	9,534,717,825	692,397,216	523,228,520	685,352,101	-	-	685,352,101
Three years later	9,534,151,695	689,937,114	546,684,352	-	-	-	546,684,352
Four years later	9,555,944,598	690,859,091	-	-	-	-	690,859,091
Five years later	8,845,349,274	-	-	-	-	-	8,845,349,274
Current estimate of cumulative claims	8,845,349,274	690,859,091	546,684,352	685,352,101	811,699,063	772,694,624	12,352,638,505
Cumulative payments to date	8,749,268,182	688,872,920	524,138,267	670,249,710	777,552,864	526,340,224	11,936,422,167
Estimated Net Insurance Liabilities	96,081,092	1,986,171	22,546,085	15,102,391	34,146,199	246,354,400	416,216,338

Gross of Reinsurance – 2023

Accident Year	All Years Prior	2019	2020	2021	2022	2023	Total
<i>(Amount in PHP)</i>							
Estimate of Ultimate Claims Costs							
At the end of accident year	18,473,545,740	845,439,364	729,319,769	833,288,551	828,055,306	1,130,036,641	1,130,036,641
One year later	18,442,682,364	1,090,647,292	903,679,177	1,529,491,342	726,818,230	-	726,818,230
Two years later	18,209,374,636	1,173,640,325	1,003,927,396	1,706,122,778	-	-	1,706,122,778
Three years later	18,211,708,655	1,141,879,670	992,368,425	-	-	-	992,368,425
Four years later	18,108,883,153	1,152,077,801	-	-	-	-	1,152,077,801
Five years later	18,452,559,846	-	-	-	-	-	18,452,559,846
Current estimate of cumulative claims	18,452,559,846	1,152,077,801	992,368,425	1,706,122,778	726,818,230	1,130,036,641	24,159,983,721
Cumulative payments to date	18,153,682,771	1,119,858,119	963,158,261	1,516,631,530	643,564,294	548,094,600	22,944,989,575
Estimated Gross Insurance Liabilities	298,877,075	32,219,682	29,210,164	189,491,248	83,253,936	581,942,041	1,214,994,146

Net of Reinsurance – 2023

Accident Year	All Years Prior	2019	2020	2021	2022	2023	Total
<i>(Amount in PHP)</i>							
Estimate of Ultimate Claims Costs							
At the end of accident year	8,280,915,636	701,071,922	652,862,703	485,372,835	630,660,180	793,314,355	793,314,355
One year later	8,535,598,691	883,144,958	749,689,561	544,535,697	664,749,680	-	664,749,680
Two years later	8,585,989,026	948,728,799	692,397,216	523,228,520	-	-	523,228,520
Three years later	8,616,668,341	917,483,354	689,937,114	-	-	-	689,937,114
Four years later	8,637,475,167	918,469,431	-	-	-	-	918,469,431
Five years later	7,925,785,752	-	-	-	-	-	7,925,785,752
Current estimate of cumulative claims	7,925,785,752	918,469,431	689,937,114	523,228,520	664,749,680	793,314,355	11,515,484,852
Cumulative payments to date	7,833,441,222	913,960,933	686,616,509	503,070,426	607,534,073	534,393,622	11,079,016,785
Estimated Net Insurance Liabilities	92,344,530	4,508,498	3,320,605	20,158,094	57,215,607	258,920,733	436,468,067

19.4 Sensitivities

The claims provision is sensitive to the key assumptions discussed in Note 19.2. The sensitivity of certain assumptions such as legislative change, uncertainty in the estimation process, among others is not possible to quantify.

The analysis below is performed for a reasonable possible movement in key assumptions with all other assumptions held constant, on the statement of comprehensive income and statement of changes in equity. 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.

	Change in Assumption of Claims Development Factor	Increase (Decrease) in Gross Liabilities	Increase (Decrease) in Net Liabilities	Increase (Decrease) in Profit Before Tax	Increase (Decrease) in Equity
<i>(Amounts in PHP)</i>					
December 31, 2024					
Claims provision	5.0%	27,087,393	19,090,124	(19,090,124)	(19,090,124)
	-5.0%	(28,944,134)	(20,200,414)	20,200,414	20,200,414
December 31, 2023					
Claims provision	5.0%	31,283,440	21,762,007	(21,762,007)	(16,321,505)
	-5.0%	(32,870,925)	(22,695,314)	22,695,314	17,021,486

It should also be stressed that these assumptions are non-linear and larger or smaller impacts cannot easily be gleaned from these results.

Changes in claims development factor do not have material impact on the Company's financial statement because the Company acquires excess of loss agreements from reinsurers.

20. INSURANCE PAYABLES

As of December 31, this account consists of:

<i>(Amounts in PHP)</i>	2024	2023
Due to reinsurers	315,695,460	197,724,870
Reinsurance payable on paid losses	140,042,556	140,042,556
Commission payable	108,786,000	104,460,258
Funds held for reinsurers	101,904,468	48,386,853
	666,428,484	490,614,537

The movements of due to reinsurers and funds held for reinsurers consist of:

	2024		
<i>(Amount in PHP)</i>	Due to Reinsurers	Funds Held for Reinsurers	Total
Balance at beginning of year	197,724,870	48,386,853	246,111,723
Incurred during the year	1,918,536,197	100,456,014	2,018,992,211
Paid during the year	(1,800,565,607)	(46,938,399)	(1,847,504,006)
Balance at end of year	315,695,460	101,904,468	417,599,928

<i>(Amount in PHP)</i>	2023		
	Due to Reinsurers	Funds Held for Reinsurers	Total
Balance at beginning of year	366,098,158	131,655,480	497,753,638
Incurred during the year	1,217,762,292	78,552,938	1,296,315,230
Paid during the year	<u>(1,386,135,580)</u>	<u>(161,821,565)</u>	<u>(1,547,957,145)</u>
Balance at end of year	<u>197,724,870</u>	<u>48,386,853</u>	<u>246,111,723</u>

Due to reinsurers are unpaid reinsured premiums of reinsurers which are recognized as part of Reinsurer's share of gross premiums on insurance contracts earned in the statements of comprehensive income (see Note 11). Funds held for reinsurers represent portion of the reinsurance premium ceded to reinsurers, which are withheld by the Company in accordance with reinsurance agreements. The Company's payments of these reinsurance liabilities are netted by the reinsurers' share in losses paid and underwriting costs which are recognized as part of Reinsurer's Share of Gross Insurance Contracts Benefits and Claims Paid and Other Underwriting Expenses, respectively, in the statements of comprehensive income (see Notes 26 and 28).

21. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

As of December 31, this account consists of:

<i>(Amount in PHP)</i>	Notes	2024	2023
Accounts payable		318,824,310	282,245,367
Taxes payable		112,799,313	102,096,502
Liability for assets held in trust	10	60,857,661	58,490,799
Accrued expenses		30,232,442	21,525,311
Due to related parties	31.1 (b)	<u>-</u>	<u>2,167,672</u>
		<u>522,713,726</u>	<u>466,525,651</u>

Accounts payable pertains to the Company's share in SSS, PhilHealth and Pag-ibig of the employees for remittance and to collection made by the Company in behalf of other service providers which support the underwriting business of the Company. These are settled semi-monthly.

Taxes payable consists of amounts payable for income taxes, output value-added tax (VAT) payable, withholding taxes, premium tax, fire service tax and documentary stamp tax, which are subsequently remitted within one month after the reporting date.

Accrued expenses pertain to accrual for employee benefits, underwriting expenses, commissions, professional and legal fees, utilities, supplies, postage and shipping expenses. These are noninterest-bearing and are normally settled on 15 to 60-day periods.

22. DEFERRED REINSURANCE COMMISSIONS

The movements of this account are shown below.

<i>(Amount in PHP)</i>	<u>2024</u>	<u>2023</u>
Balance at beginning of year	54,288,031	47,972,040
Commission collected during the year	189,216,036	166,788,671
Commission earned during the year	<u>(192,904,289)</u>	<u>(160,472,680)</u>
Balance at end of year	<u>50,599,778</u>	<u>54,288,031</u>

Commission earned in 2024 and 2023 is recognized as Commission income under Other Income account in the statements of comprehensive income.

23. EQUITY

23.1 Capital Stock

As at December 31, 2024 and 2023, the Company has authorized shares of 1,000,000,000 with a par value of P1 per share. The movement of issued and outstanding shares in 2024 and 2023 are shown below:

<i>(Amount in PHP)</i>	<u>2024</u>		<u>2023</u>	
	<u>Number of shares</u>	<u>Amount</u>	<u>Number of shares</u>	<u>Amount</u>
Balance at the beginning of the year	957,020,178	957,020,178	650,000,000	650,000,000
Issuance during the year	<u>346,978,000</u>	<u>346,978,000</u>	<u>307,020,178</u>	<u>307,020,178</u>
Balance at the end of the year	<u>1,303,998,178</u>	<u>1,303,998,178</u>	<u>957,020,178</u>	<u>957,020,178</u>

Issued shares in 2024 and 2023 include reclassification from deposit for future stock subscription account amounting to P170.0 million and P157.0 million (see Note 23.3). In 2023, the Company also received additional capital infusion from the parent company amounting to P150.0 million.

On October 25, 2024, the Company issued 176,978,000 common shares to its Parent Company in exchange for investment properties consisting of condominium units and parking lots amounted P177.0 million (see Note 13). There was no similar transaction in 2023.

On October 20 and 23, 2023, the Company's BOD and stockholders, respectively, approved the increase in authorized capital stock from 1,000,000,000 common shares with a par value of P1 per share to 1,500,000,000 common shares with a par value of P1 per share. Consequently, the Company received cash deposit from its Parent Company amounting to P170.0 million in relation to the increase in authorized capital stock (see Note. 23.3). Accordingly, the Articles of Incorporation was amended to reflect the increase in authorized capital stock, of which the approval of the SEC is still pending as of December 31, 2023. In 2024, the SEC approved the amendment to the Articles of Incorporation, and the Company issued the additional shares to its Parent Company.

As of December 31, 2024 and 2023, the Company has only one stockholder owning 100 or more shares of the Company's capital stock.

23.2 Contributed Surplus

This account refers to the amount of capital from the issuance of shares above par value. The balance as of December 31, 2024 and 2023 amounted to P240.0 million.

23.3 Deposit for Future Stock Subscription

The movement of this account in 2024 and 2023 are shown below:

<i>(Amount in PHP)</i>	<u>Note</u>	<u>2024</u>	<u>2023</u>
Balance at beginning of year		170,000,000	157,020,178
Issuance during the year	23.1	(170,000,000)	(157,020,178)
Subscription during the year	23.1	<u>-</u>	<u>170,000,000</u>
Balance at end of year		<u>-</u>	<u>170,000,000</u>

In 2022, the Company received cash amounting to P157.0 million from the Parent Company as an additional capital infusion to comply with the minimum net worth requirement of the IC. The Company recognized the capital infusion as Deposit for Future Stock Subscription under equity section in the 2022 statement of financial position. On August 23, 2023, the Company's BOD approved the issuance of the capital stock to the Parent Company.

In 2023, the Company recognized a deposit for future subscription from its Parent Company amounting to P170.0 million in relation to the increase in authorized capital stock. In 2024, the Company issued the shares corresponding to the deposit for future stock subscription (see Note 23.1).

23.4 Revaluation reserves

The components and reconciliation of items of other comprehensive income presented in the statements of changes in equity at their aggregate amount under revaluation reserves account, are shown below.

<i>(Amount in PHP)</i>	<u>Notes</u>	<u>Revaluation Reserve on AFS Financial Assets</u>	<u>Reserve on Net Pension Liability</u>	<u>Total</u>
Balance on January 1, 2024		(135,845,155)	6,281,750	(129,563,405)
Total comprehensive income (loss) for the year	8, 29.2	<u>1,164,163</u>	<u>(36,616,763)</u>	<u>(35,452,600)</u>
Balance as of December 31, 2024		<u>(134,680,992)</u>	<u>(30,335,013)</u>	<u>(165,016,005)</u>
Balance on January 1, 2023		(143,815,313)	59,774,240	(84,041,073)
Total comprehensive income (loss) for the year	8, 29.2	<u>7,970,158</u>	<u>(53,492,490)</u>	<u>(45,522,332)</u>
Balance as of December 31, 2023		<u>(135,845,155)</u>	<u>6,281,750</u>	<u>(129,563,405)</u>

23.5 Retained Earnings

Prior to 2022, the Company appropriated retained earnings amounting to P30.5 million for catastrophic losses. On April 25, 2024, the BOD approved the reversal of the appropriation for catastrophic losses, effective as of December 31, 2023.

24. NET PREMIUMS EARNED

The details of gross premiums earned on insurance contracts are presented below.

<i>(Amount in PHP)</i>	<u>Note</u>	<u>2024</u>	<u>2023</u>
Gross premiums written:			
Direct		3,285,198,554	3,129,196,541
Assumed		570,438,230	285,863,061
	31.1(a)	<u>3,855,636,784</u>	<u>3,415,059,602</u>
Gross change in provision for unearned premiums		<u>(143,242,768)</u>	<u>39,436,151</u>
		<u>3,712,394,016</u>	<u>3,454,495,753</u>

Reinsurers' share of gross premiums on insurance contracts earned consists of:

<i>(Amount in PHP)</i>	<u>Note</u>	<u>2024</u>	<u>2023</u>
Reinsurers' share of gross premiums on insurance contracts earned:			
Direct		1,451,313,618	1,599,742,086
Assumed		477,413,929	224,783,745
	11	<u>1,928,727,547</u>	<u>1,824,525,831</u>
Reinsurers' share of gross change in provision for unearned premiums		<u>(40,022,848)</u>	<u>22,349,850</u>
	11	<u>1,888,704,699</u>	<u>1,846,875,681</u>

Net premium earned on insurance contracts consist of:

<i>(Amount in PHP)</i>	<u>Note</u>	<u>2024</u>	<u>2023</u>
Gross premium earned on insurance contracts		3,712,394,016	3,454,495,753
Reinsurers' share of gross premiums on insurance contracts earned	11	<u>(1,888,704,699)</u>	<u>(1,846,875,681)</u>
		<u>1,823,689,317</u>	<u>1,607,620,072</u>

25. INVESTMENT AND OTHER INCOME – Net

This account consists of:

<i>(Amount in PHP)</i>	Notes	2024	2023
Interest income on:			
HTM securities	7	22,034,985	20,998,716
AFS financial assets	8	20,778,119	10,759,306
Loans and receivables	9	6,130,799	6,098,988
Cash and cash equivalents	4	545,376	1,977,283
Short-term investments	17	20,445	20,445
Gain (loss) on sale of:			
AFS financial assets	8	10,038,073	(3,165,676)
Property and equipment	14	65,610	53,522,587
Investment properties	13	-	1,001,038
Dividend income on			
AFS financial assets	8	9,826,924	11,606,571
Rent income	13, 32.1	6,300,601	4,124,185
Foreign exchange gains (losses):			
Cash and cash equivalents	4	5,701,716	10,508,380
AFS financial assets	8	(229,314)	(119,923)
Fair value gains (losses) on			
financial assets at FVTPL - net	6	(1,579,316)	1,982,433
Notarial fees		3,613,151	3,794,829
Impairment recoveries – net	5, 9, 11	251,337	-
Other income		1,981,794	6,825,657
		85,480,300	129,934,819

26. NET BENEFITS AND CLAIMS

Gross insurance contract benefits and claims consist of:

<i>(Amount in PHP)</i>	2024	2023
Direct insurance	888,147,047	1,180,922,161
Assumed reinsurance	-	55,001,816
	888,147,047	1,235,923,977

Reinsurers' share of gross insurance contract benefits and claims consist of the following:

<i>(Amount in PHP)</i>	Note	2024	2023
Direct insurance		146,837,616	407,205,553
Assumed reinsurance		(1,259,213)	31,482,573
	11	145,578,403	438,688,126

27. OPERATING EXPENSES

Operating expenses consist of:

<i>(Amount in PHP)</i>	Notes	2024	2023
Salaries and employee benefits	29, 31.1(b) 31.4	337,020,621	308,063,816
Depreciation and amortization	13, 14, 15.1, 16	61,880,309	60,548,092
Advertising and promotions	17	47,703,194	31,342,576
Utilities		30,403,235	24,300,551
Repairs and maintenance		27,715,141	7,515,108
Rent	15.3, 31.1(b)	12,840,507	7,513,217
Transportation and travel		11,213,201	10,401,075
Entertainment, amusement and recreation		10,677,585	7,557,914
Postage, telephone and telegraph		10,221,653	13,545,673
Printing and office supplies		9,792,474	5,101,102
Taxes and licenses	13	7,473,811	8,487,197
Professional fees		4,551,918	4,186,272
Membership fees		2,420,706	1,908,992
Interest expense	15.2, 29	4,796,825	1,913,933
Insurance		897,263	2,123,171
Impairment losses – net	5, 9, 11	-	20,017,803
Miscellaneous		31,301,631	28,736,178
		610,910,074	543,262,670

Miscellaneous pertains to director's allowance, conference and meetings, and bank charges.

28. OTHER UNDERWRITING EXPENSES

Other underwriting expenses account consists of:

<i>(Amount in PHP)</i>	Note	2024	2023
Management expenses		144,775,407	122,111,287
Underwriting expenses	20	13,882,317	38,628,817
Interest expense on funds held		1,071,849	4,971,434
		159,729,573	165,711,538

29. SALARIES AND EMPLOYEE BENEFITS

29.1 Salaries and Employee Benefits

The details of salaries and employee benefits are presented below.

<i>(Amount in PHP)</i>	Notes	2024	2023
Salaries and short-term benefits		318,451,989	294,552,580
Post-employment defined benefit	29.2(b)	18,568,632	13,511,236
	27, 31.4	337,020,621	308,063,816

29.2 Post-employment Defined Benefit Plan

(a) Characteristics of the Post-employment Defined Benefit Plan

The Company has funded, non-contributory, defined benefit retirement plan covering all of its permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. Valuations are obtained on annual basis. The Company's latest actuarial valuation report is dated March 28, 2025. The plan is registered with the Bureau of Internal Revenue (BIR) as tax-qualified plan under Republic Act (R.A.) No. 4917, *The Retirement Pay Law*, as amended. The control and administration of the retirement plan is vested in the BOD. The BOD of the retirement plan exercises voting rights over the shares and approve material transactions.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs and the actual amount of contributions. All amounts presented below and in the succeeding pages are based on the actuarial valuation report obtained from an independent actuary in 2024 and 2023.

The amounts of net pension liability recognized in the statements of financial position are determined as shown below.

<i>(Amount in PHP)</i>	2024	2023
Present value of the obligation	249,069,420	231,831,433
Fair value of plan assets	(161,646,744)	(181,024,130)
	87,422,676	50,807,303

The movements in the present value of the defined benefit obligations are shown below.

<i>(Amount in PHP)</i>	<u>2024</u>	<u>2023</u>
Balance at beginning of year	231,831,433	198,263,194
Current service cost	15,469,387	13,116,763
Interest expense	14,141,717	14,274,950
Benefits paid	(46,531,191)	(40,519,451)
Remeasurements –		
Actuarial losses arising from:		
Experience adjustments	34,158,074	27,464,805
Changes in financial assumptions	-	19,231,172
Balance at end of year	<u>249,069,420</u>	<u>231,831,433</u>

The movements in the fair value of plan assets are presented below.

<i>(Amount in PHP)</i>	<u>2024</u>	<u>2023</u>
Balance at beginning of year	181,024,130	192,784,405
Contributions to the plan	18,570,022	21,675,212
Interest income	11,042,472	13,880,477
Benefits paid	(46,531,191)	(40,519,451)
Losses on plan assets (excluding amounts included in net interest and expected return)	<u>(2,458,689)</u>	<u>(6,796,513)</u>
Balance at end of year	<u>161,646,744</u>	<u>181,024,130</u>

The composition of the fair value of plan assets at the end of the year is shown below.

<i>(Amount in PHP)</i>	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	24,592,940	66,444,846
Financial Assets at FVTPL	137,348,488	113,528,996
Loans and receivables	211,773	1,292,244
Accounts payable	<u>(506,457)</u>	<u>(241,956)</u>
	<u>161,646,744</u>	<u>181,024,130</u>

Except for loans and receivables which is classified under Level 3, all other financial instruments in the Company's plan assets are classified under Level 1.

The components of amounts recognized in profit or loss and in other comprehensive income (loss) in respect of the post-employment defined benefit plan are shown below.

<i>(Amount in PHP)</i>	<u>2024</u>	<u>2023</u>
<i>Recognized in profit or loss:</i>		
Current service cost	15,469,387	13,116,763
Net interest expense	3,099,245	394,473
	<u>18,568,632</u>	<u>13,511,236</u>
<i>Recognized in other comprehensive loss:</i>		
Actuarial losses arising from:		
Experience adjustments	(34,158,074)	(27,464,805)
Changes in financial assumptions	-	(19,231,172)
Loss on plan assets (excluding amounts included in net interest expense)	<u>(2,458,689)</u>	<u>(6,796,513)</u>
	<u>(36,616,763)</u>	<u>(53,492,490)</u>

Current service cost and net interest expense are both recognized as part of Salaries and employee benefits under Operating Expenses account in the statements of comprehensive income (see Notes 27 and 29.1).

Amounts recognized in other comprehensive loss is presented as an item that will not be reclassified subsequently to profit or loss.

In determining the amounts of net pension liability, the following significant actuarial assumptions were used:

	<u>2024</u>	<u>2023</u>
Discount rates	6.10%	6.10%
Expected rates of salary increases	4.00%	4.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at age 65 is 34.26 years. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bond with terms to maturity approximating to the terms of the net pension liability. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risk Associated with the Post-employment Plan*

The plan exposes the Company to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) *Investment and Interest Rate Risks*

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan.

Currently, the plan has investment in cash and cash equivalents, equity securities and debt securities and loans and receivables. Due to the long-term nature of the plan obligation, a level of continuing debt and equity investments is an appropriate element of the Company's long-term strategy to manage the plan efficiently.

(ii) *Longevity and Salary Risks*

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions, the Company's asset-liability matching (ALM) strategy, and the timing and uncertainty of future cash flows related to the net pension asset/liability are described below.

(i) *Sensitivity Analysis*

The table below summarizes the effects of changes in the significant actuarial assumptions used in the determination of the net pension asset/liability.

(Amounts in PHP)	Impact on Post-employment Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
<u>December 31, 2024</u>			
Discount rate	+/-1.00%	(18,971,622)	21,888,291
Salary growth rate	+/-1.00%	20,374,096	(17,969,626)
<u>December 31, 2023</u>			
Discount rate	+/-1.00%	(17,599,861)	20,267,454
Salary growth rate	+/-1.00%	18,891,043	(16,700,599)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) ALM Strategies

To efficiently manage the retirement plan, the Company ensures that the investment positions are managed in accordance with its ALM strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in long-term fixed interest securities (i.e., government) with maturities that match the benefit payments as they fall due and in the appropriate currency.

In view of this, investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets.

A significant portion of the plan assets as of December 31, 2024 and 2023 consist of equity and debt securities. The Company believes that debt securities offer the best returns over the long term with an acceptable level of risk although the Company also invests in equity securities and cash and cash equivalents.

There has been no change in the Company's strategies to manage its risks from previous periods.

(iii) Funding Arrangements and Expected Contributions

The BOD reviews the level of funding required for the retirement fund. Such review includes ALM strategy and investment risk management policy. The Company's ALM objective is to match maturities of the plan assets to the retirement benefit obligation as they fall due. The Company monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligations.

The Company is currently assessing how much to contribute to the plan during the next reporting period.

The maturity profile of undiscounted expected benefit payments from the plan as of December 31, 2024 and 2023 are follows:

<i>(Amount in PHP)</i>	<u>2024</u>	<u>2023</u>
More than one year to five years	133,057,665	118,319,739
More than six years to ten years	129,395,396	129,254,423
More than 11 years to 15 years	177,675,692	170,930,613
More than 16 years and above	498,061,513	450,607,443
	<u>938,190,266</u>	<u>869,112,218</u>

The weighted average duration of the retirement benefit obligation at the end of the reporting period is 7 years.

30. TAX EXPENSE

The components of tax expense as reported in the statements of comprehensive income for the years ended December 31 are as follows:

<i>(Amount in PHP)</i>	<u>2024</u>	<u>2023</u>
Current tax expense		
Final tax at 20%	8,542,388	6,547,402
Minimum corporate income tax (MCIT) at 2% in 2024 and 1.5% in 2023	5,050,765	3,066,591
Stock transaction tax at 0.6%	581,849	700,218
	<u>14,175,002</u>	<u>10,314,211</u>
Deferred tax expense (income) relating to origination and reversal of temporary differences	6,364,402	(2,465,654)
	<u>20,539,404</u>	<u>7,848,557</u>

The reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in profit or loss is shown below:

<i>(Amount in PHP)</i>	<u>2024</u>	<u>2023</u>
Tax on pretax income at 25%	31,428,311	16,340,903
Adjustments for income subjected to lower income tax rates	(4,955,627)	(7,610,439)
Tax effect of:		
Non-taxable income	(6,604,859)	(460,515)
Non-deductible expenses	1,280,407	786,112
Unrecognized deferred tax assets	(608,828)	(1,207,504)
	<u>20,539,404</u>	<u>7,848,557</u>

The details of recognized net deferred tax as at December 31, 2024 relate to the following:

<i>(Amounts in PHP)</i>	Statements of Financial Position		Profit or Loss	
	2024	2023	2024	2023
Deferred tax assets:				
Provision for IBNR losses	100,894,286	98,915,204	1,979,082	(18,443,350)
Allowance for impairment losses	85,172,522	85,235,357	(62,835)	4,400,415
Net operating loss carry-over (NOLCO)	41,579,861	19,125,577	22,454,284	19,125,577
Deferred reinsurance commissions	12,649,945	13,572,008	(922,063)	1,578,998
Lease liabilities	9,255,492	7,105,570	2,149,922	(2,590,535)
MCIT	8,117,356	3,066,591	5,050,765	3,066,591
	<u>257,669,462</u>	<u>227,020,307</u>	<u>30,649,155</u>	<u>7,137,696</u>
Deferred tax liabilities:				
Deferred acquisition cost	(47,462,219)	(46,890,393)	(571,826)	(1,491,644)
Excess of provision for unearned premiums per books over tax basis	(37,503,355)	(1,921,111)	(35,582,244)	(4,271,575)
Right-of-use assets	(8,944,044)	(6,855,544)	(2,088,500)	2,587,561
Unrealized foreign exchange gains - net	(1,368,101)	(2,597,114)	1,229,013	(1,496,384)
	<u>(95,277,719)</u>	<u>(58,264,162)</u>	<u>(37,013,557)</u>	<u>(4,672,042)</u>
Deferred tax assets - net	<u>162,391,743</u>	<u>168,756,145</u>		
Deferred tax income (expense) - net			<u>(6,364,402)</u>	<u>2,465,654</u>

In 2024 and 2023, certain deferred tax assets of the Company were not recognized. The details of the Company's unrecognized deferred tax assets as of December 31, 2024 and 2023 are as follows:

<i>(Amounts in PHP)</i>	2024		2023	
	Tax Base	Tax	Tax Base	Tax
Net pension liability	87,422,676	21,855,669	50,807,303	12,701,826
Past service cost	25,866,792	6,466,698	28,300,713	7,075,178
	<u>113,289,468</u>	<u>28,322,367</u>	<u>79,108,016</u>	<u>19,777,004</u>

The Company is subject to MCIT which is computed at 1% from July 30, 2020 until June 30, 2023, after which it was reverted back to 2% of gross income net of allowable deductions, as defined under the tax regulations, or to regular corporate income tax (RCIT), whichever is higher. In both 2024 and 2023, no RCIT was reported as the Company was in tax loss provision, hence, the Company reported MCIT.

The details of NOLCO and MCIT which can be claimed as deduction from future taxable income and regular corporate income tax liabilities, respectively, within three years from the year the NOLCO and MCIT were incurred are shown below.

Year Incurred	Amount in PHP	Applied Amount	Remaining Balance in PHP	Valid Until
2024	89,489,453	-	89,489,453	2027
2023	76,502,308	-	76,502,308	2026
	<u>166,319,445</u>	<u>-</u>	<u>166,319,445</u>	

The details of the Company's MCIT are as follows:

Year Incurred	Amount in PHP	Applied Amount	Remaining Balance in PH	Valid Until
2024	5,050,765	-	5,050,765	2027
2023	3,066,591	-	3,066,591	2026
	8,117,356	-	8,117,356	

In 2024 and 2023, the Company opted to claim itemized deductions in computing its income tax due.

31. RELATED PARTY TRANSACTIONS

In the normal course of business, the Company has transactions with its parent company, company under common control and key management personnel and others. Details of these transactions are presented below.

<i>(Amounts in PHP)</i>		2024		2023	
Related Party Category	Notes	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance
Parent Company:					
Issuance of capital stock	23.1, 23.3	346,978,000	1,303,998,178	307,020,178	957,020,178
Deposit for future stock subscription	23.3	(170,000,000)	-	12,979,822	170,000,000
Premiums earned	31.1(a)	40,242,744	-	34,131,482	-
Reimbursements:	31.1(b)				
Payables		4,404,730	2,243,058	(2,161,672)	(2,161,672)
Receivables		-	1,468,730	(436,545)	1,468,730
Lease of office premise and reimbursements	31.1(b)	1,084,800	-	800,187	-
Related Parties Under Common Control:					
Cocolife Fixed Income Fund, Inc. –					
Investment in mutual funds	6, 31.2	7,148,911	177,148,911	170,000,000	170,000,000
Cocoplans, Inc. –					
Reimbursement expenses	31.3	(6,000)	426,219	51,071	432,219
Key Management Personnel –					
Compensation	31.4	77,712,963	-	75,970,104	-

31.1 Transactions with the Parent Company

- (a) The Company accepts insurance and reinsurance business from the parent company, which is recognized as part of Net Premiums Earned in statements of comprehensive income (see Note 24). As of December 31, 2024 and 2023, there was no outstanding net insurance receivables from these transactions.
- (b) Other transactions with the parent company include billings to cover health maintenance organization reimbursements and lease of office premises by the Company, which are recognized as part of Salaries and employee benefits and Rent, respectively, under Operating Expenses account in the statements of comprehensive income. As of December 31, 2024 and 2023, there was no outstanding net insurance receivables from these transactions.

Additionally, other transactions with the Parent Company also include its share on the marketing expenses initially paid by the Company on behalf of the parent company. On the other hand, in 2023, marketing expenses and other administrative expenses are also shouldered by the Parent Company on behalf of the Company.

The outstanding receivables balances from these transactions as of December 31, 2024 and 2023 are noninterest-bearing, unsecured and payable in cash within 12 months, and are recognized as part of Due from related parties under Loans and Receivables (see Note 9).

Expenses that are advanced and charged to the Company are payable in cash upon demand and is recognized as part of Due to related parties under Accounts Payable and Accrued Expenses in the 2024 and 2023 statements of financial position (see Note 21).

31.2 Transaction with Cocolife Fixed Income Fund, Inc.

In 2023, the Company invested P170.0 million with Cocolife Fixed Income Fund, Inc., in the form of a mutual fund. Such investment is recognized as part of Financial Assets at Fair Value Through Profit or Loss in the statements of financial position (see Note 6). There is no similar transaction in 2024.

31.3 Transaction with Cocoplans, Inc.

In 2024 and 2023, transactions with Cocoplans, Inc. include its share on expenditures in Bacolod office and expenses related to sale of investment properties. The outstanding balance from these transactions as of December 31, 2024 and 2023 is noninterest-bearing, unsecured and payable in cash within 12 months, and is recognized as part of Due from related parties under Loans and Receivables in the statements of financial position (see Note 9).

31.4 Key Management Personnel Compensation

Key management personnel of the Company include all management committee officers. The summary of compensation of key management personnel, which is recognized as part of Salaries and employee benefits under Operating Expenses in the statements of comprehensive income (see Notes 27 and 29), as follows:

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Salaries	64,296,525	63,157,759
Post-employment benefits	4,231,220	3,789,808
Other short-term employee benefits	9,185,218	9,022,537
	<u>77,712,963</u>	<u>75,970,104</u>

32. COMMITMENTS AND CONTINGENCIES

32.1 Operating Lease Commitments – Company as a Lessor

Certain real properties managed by the Company (see Note 13) are leased out under operating lease agreements. The leases have a maximum term of two years, with an option to renew under terms and conditions to be agreed upon by the parties. Income from these agreements are presented as Rent income under Investment and other income – net, as part of Other Income account in the statements of comprehensive income (see Note 13 and 25).

Future rental income from these leases as of December 31, are as follows:

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Within one year	3,107,356	2,802,033
After one year but not more than five years	<u>11,134,692</u>	<u>10,040,619</u>
	<u>14,242,048</u>	<u>12,842,652</u>

32.2 Pending Claims and Lawsuits

The Company is currently involved in various pending claims and lawsuits which could be decided in favour of or against the Company. The Company's estimate of the probable costs for the resolution of these pending claims and lawsuits has been developed in consultation with the legal counsel handling the prosecution and defense of these matters and is based on an analysis of potential results. The Company does not believe that these pending items and lawsuits will have a material adverse effect on its financial position and financial performance. It is possible, however, that the future financial performance could be materially affected by the changes in the estimates or in the effectiveness of strategies relating to these proceedings. No accruals were made in relation to these proceedings.

32.3 Others

There are commitments and contingencies that arise in the normal course of the Company's operation which are not reflected in the financial statements. The Company's management is of the opinion that losses, if any, from these contingencies will not have material effects on the financial statements.

33. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of financial risks which result from both its operating and investing activities. The Company's risk management focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to financial markets.

Moreover, the Company's activities expose it to a variety of risks such as capital, insurance and financial risks. The overall objective of risk management is to focus on the unpredictability of financial markets and insurance contingencies to minimize potential adverse effects on the financial position of the Company.

The Company has established risk management functions with clear cut responsibilities and with the mandate to develop company-wide policies on market, credit, liquidity, insurance and operational risk management. It also supports the effective implementation of risk management policies at the individual business unit and process levels.

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

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The significant financial risks to which the Company is exposed to are described below and in the succeeding pages.

33.1 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 the Company faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities.

The main risks that the Company is exposed to are as follows:

- *Occurrence Risk* - the possibility that the number of insured events will differ from those expected.
- *Severity Risk* - the possibility that the cost of the events will differ from those expected.
- *Development Risk* - the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The variability of risks is also improved by careful selection and implementation of underwriting strategies, 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 business of the Company comprises short-term non-life insurance contracts. For non-life insurance contracts, claims are often affected by natural disasters and calamities.

The risks currently do not vary significantly in relation to the location of the risk insured by the Company while undue concentration by amounts could have an impact on the Company.

The Company has an objective to control and minimize insurance risk to reduce volatility of operating profits. The Company manages insurance risk through the following mechanisms:

- the use and maintenance of management information systems that provide up-to-date, accurate and reliable data on risk exposure at any point in time;
- guidelines are issued for issuing insurance contracts and assuming insurance risks;
- pro-active claims handling procedures are followed to investigate and adjust claims, thereby preventing settlement of dubious fraudulent claims;
- reinsurance is used to limit the Company's exposure to large claims by placing risk with reinsurers providing high security; and,
- diversification is accomplished by achieving sufficiently large population of risks to reduce the variability of the expected outcome. The diversification strategy seeks to ensure that underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

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 reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

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

(a) *Concentration of Insurance Risk*

The following tables set out the concentration of the insurance contract liabilities by type of contract:

<i>(Amounts in PHP)</i>	Note	Gross Claims Liabilities	Reinsurer's Share of Claims Liabilities	Net of Claims Liabilities
<u>December 31, 2024</u>				
Fire		575,650,417	460,200,953	115,449,464
Motor		232,066,652	71,796,604	160,270,048
Bonds		121,354,796	34,449,727	86,905,069
Engineering		55,238,564	43,879,961	11,358,603
Personal accident		14,624,341	6,361,697	8,262,644
Marine		18,462,161	16,220,139	2,242,022
Hull		12,478,110	10,253,649	2,224,461
Miscellaneous casualty		16,056,851	6,645,148	9,411,703
OFW		16,642,475	1,904,591	14,737,884
Liability		29,926,682	24,572,242	5,354,440
	18	<u>1,092,501,049</u>	<u>676,284,711</u>	<u>416,216,338</u>

<i>(Amounts in PHP)</i>	Note	Gross Claims Liabilities	Reinsurer's Share of Claims Liabilities	Net of Claims Liabilities
December 31, 2023				
Fire		710,524,280	600,674,973	109,849,307
Motor		229,312,043	38,960,797	190,351,246
Bonds		93,934,687	19,226,338	74,708,349
Engineering		59,639,253	48,594,470	11,044,783
Personal accident		20,484,908	11,598,595	8,886,313
Marine		38,720,943	24,661,191	14,059,752
Hull		27,232,320	23,802,038	3,430,282
Miscellaneous casualty		8,749,394	5,766,024	2,983,370
OFW		17,008,923	547,357	16,461,566
Liability		9,387,395	4,694,296	4,693,099
	18	1,214,994,146	778,526,079	436,468,067

33.2 Financial Risk

The Company has significant exposure to the following financial risks from its use of financial instruments:

(a) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause another party to incur a financial loss. The Company manages the level of credit risk by setting up limits of exposure to bad debts to 10% of the gross premiums written. Counterparty may be subjected to a credit evaluation based on criteria set by management. The Company's reinsurance business is conducted among reinsurers with good credit rating and strong operational capability to meet their obligations as these become due. The Company has written underwriting policy guidelines which are communicated with all its underwriting and marketing personnel, and that should be strictly followed before accepting inward reinsurance or deciding the panel of reinsurers. Then, the management performs an annual assessment of creditworthiness of reinsurers to update reinsurance purchase strategies and ascertains suitable allowance for doubtful accounts.

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

The Company's standard business terms are set out at 90-day credit terms to licensed agents and brokers and deferred payments should not exceed 20% of their total production. Commissions due to intermediaries are netted off against amounts receivable from them to reduce the risk of doubtful debts. The credit risk in respect of customer balances, incurred on non-payment of premiums or contributions, will only persist during the grace period specified in the policy document or trust deed on the expiry of which the policy is either paid up or terminated.

As of December 31, 2024 and 2023, the Company did not have any significant concentration of credit risk with a single counterparty or group of counterparties, geographical and industry segments.

Generally, the maximum credit risk exposure of financial assets is the gross amount of the financial assets as shown in the statements of financial position (or the detailed analysis provided in the notes to the financial statement) as summarized below.

<i>(Amounts in PHP)</i>	<u>Notes</u>	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	4	284,871,237	273,021,497
Insurance receivables – gross:	5		
Due from agents and brokers		914,407,875	740,093,940
Due from ceding companies		209,772,147	155,064,380
Funds held by ceding companies		8,231,900	8,086,108
HTM securities	7	374,171,189	367,367,270
AFS financial assets –			
Debt securities	8	393,896,982	208,876,041
Loans and receivables - gross:	9		
Surety loss recoverable		661,101,560	621,340,649
Accounts receivable		110,979,385	115,000,207
Mortgage, collateral and guaranteed loans		64,357,499	83,836,771
Accrued income		8,470,762	5,400,018
Due from related parties		4,138,007	1,900,949
Reinsurance assets - gross –			
Paid losses recoverable from reinsurers	11	808,070,629	835,729,658
Other assets:	17		
Claims fund		13,801,596	10,646,270
Security deposit		6,958,205	6,969,631
Short-term investments		1,205,952	1,189,061
Security fund		48,439	48,439
		<u>3,864,483,364</u>	<u>3,434,570,889</u>

The table below provides information regarding the credit risk exposure of the Company as of December 31, 2024 and 2023 by classifying assets according to the Company's credit grading of counterparties.

		December 31, 2024						
(Amounts in PHP)	Notes	Neither Past Due nor Impaired			Past Due but not Impaired	Total	Past Due and Impaired	Total
		Investment High-grade	Non-investment Grade Satisfactory	Non-investment Grade Unsatisfactory				
Cash and cash equivalents	4	284,871,237	-	-	-	284,871,237	-	284,871,237
Insurance receivables	5							
Due from agents and brokers		-	895,906,827	-	-	895,906,827	18,501,048	914,407,875
Due from ceding companies		-	152,080,970	-	-	152,080,970	57,691,177	209,772,147
Funds held by ceding companies		-	-	-	1,937,629	1,937,629	6,294,271	8,231,900
HTM securities	7	374,171,189	-	-	-	374,171,189	-	374,171,189
AFS financial assets –								
Debt securities	8	393,896,982	-	-	-	393,896,982	-	393,896,982
Loans and receivables	9							
Accounts receivable		-	7,455,667	-	-	7,455,667	103,523,718	110,979,385
Surety loss recoverable		-	661,101,560	-	-	661,101,560	-	661,101,560
Mortgage, collateral and guaranteed loans		-	59,199,966	-	-	59,199,966	5,157,533	64,357,499
Accrued income		-	8,470,762	-	-	8,470,762	-	8,470,762
Due from affiliates		-	4,138,007	-	-	4,138,007	-	4,138,007
Reinsurance assets	11							
Paid losses recoverable from reinsurers		-	-	-	659,178,287	659,178,287	148,892,342	808,070,629
Other assets	17							
Claims Fund		-	13,801,596	-	-	13,801,596	-	13,801,596
Security deposit		-	6,958,205	-	-	6,958,205	-	6,958,205
Short-term investments		1,205,952	-	-	-	1,205,952	-	1,205,952
Security fund		48,439	-	-	-	48,439	-	48,439
		1,054,193,799	1,809,113,560	-	661,115,916	3,524,423,275	340,060,089	3,864,483,364

December 31, 2023

(Amounts in PHP)	Notes	Neither Past Due nor Impaired			Past Due but not Impaired	Total	Past Due and Impaired	Total
		Investment High-grade	Non-investment Grade Satisfactory	Non-investment Grade Unsatisfactory				
Cash and cash equivalents	4	273,021,497	-	-	-	273,021,497	-	273,021,497
Insurance receivables	5	-	-	-	-	-	-	-
Due from agents and brokers		-	721,592,892	-	-	721,592,892	18,501,048	740,093,940
Due from ceding companies		-	98,363,227	-	-	98,363,227	56,701,153	155,064,380
Funds held by ceding companies		-	-	-	931,343	931,343	7,154,765	8,086,108
HTM securities	7	367,367,270	-	-	-	367,367,270	-	367,367,270
AFS financial assets	8	-	-	-	-	-	-	-
Debt securities		208,876,041	-	-	-	208,876,041	-	208,876,041
Loans and receivables	9	-	-	-	-	-	-	-
Accounts receivable		-	10,725,234	-	-	10,725,234	104,274,973	115,000,207
Surety loss recoverable		-	621,340,649	-	-	621,340,649	-	621,340,649
Mortgage, collateral and guaranteed loans		-	78,421,464	-	-	78,421,464	5,415,307	83,836,771
Accrued income		-	5,400,018	-	-	5,400,018	-	5,400,018
Due from affiliates		-	1,900,949	-	-	1,900,949	-	1,900,949
Reinsurance assets	11	-	-	-	-	-	-	-
Paid losses recoverable from reinsurers		-	-	-	686,835,478	686,835,478	148,894,180	835,729,658
Other assets	17	-	-	-	-	-	-	-
Claims Fund		-	10,646,270	-	-	10,646,270	-	10,646,270
Security deposit		-	6,969,631	-	-	6,969,631	-	6,969,631
Short-term investments		1,189,061	-	-	-	1,189,061	-	1,189,061
Security fund		48,439	-	-	-	48,439	-	48,439
		<u>850,502,308</u>	<u>1,555,360,334</u>	<u>-</u>	<u>687,766,821</u>	<u>3,093,629,463</u>	<u>340,941,426</u>	<u>3,434,570,889</u>

The Company uses a credit rating concept based on the borrowers and counterparties overall credit worthiness, as described below.

Investment High Grade

This pertains to accounts with a very low probability of default as demonstrated by the borrower's strong financial position and reputation. The borrower has the ability to raise substantial amounts of funds through credit facilities with financial institutions. The borrower has a strong debt service record and a moderate use of leverage.

Non-investment Grade - Satisfactory

This pertains to current accounts with no history of default or which may have defaulted in the past, but the conditions and circumstances directly affecting the borrower's ability to pay has abated already. The borrower is expected to be able to adjust to the cyclical downturns in its operations. Any prolonged adverse economic conditions would however ostensibly create profitability and liquidity issues. The use of leverage may be above industry or credit standards but remains stable.

Past Due but not Impaired

This pertains to principal amounts that are past due but the Company believes that impairment is not appropriate based on the status of collection of the Company.

Past Due and Impaired

This pertains to principal amounts that are past due and the Company believes impairment is appropriate based on the assessment of a very low probability of collection.

		December 31, 2024							
		Past Due but not Impaired						Past Due and Impaired	Total
(Amounts in PHP)	Notes	Current	<30 Days	31 to 60 Days	61 to 120 Days	More than 120 Days	Total		
Insurance receivables	5								
Due from agents and brokers		-	-	-	-	-	-	18,501,048	18,501,048
Due from ceding companies		-	-	-	-	-	-	57,691,177	57,691,177
Funds held by ceding companies		-	-	-	-	1,307,629	1,307,629	6,924,271	8,231,900
Loans and receivables	9								
Accounts receivable		-	-	-	-	-	-	103,523,718	103,523,718
Mortgage, collateral and guaranteed loan		-	-	-	-	-	-	5,157,533	5,157,533
Reinsurance assets	11								
Paid losses recoverable from reinsurers		-	24,740,416	224,728	5,504,639	628,708,504	659,178,287	148,892,342	808,070,629
Total		-	24,740,416	224,728	5,504,639	630,016,133	660,485,916	340,690,089	1,001,176,005
December 31, 2023									
		Past Due but not Impaired						Past Due and Impaired	Total
(Amounts in PHP)	Notes	Current	<30 Days	31 to 60 Days	61 to 120 Days	More than 120 Days	Total		
Insurance receivables	5								
Due from agents and brokers		-	-	-	-	-	-	18,501,048	18,501,048
Due from ceding companies		-	-	-	-	-	-	56,701,153	56,701,153
Funds held by ceding companies		-	-	-	-	931,343	931,343	7,154,765	8,086,108
Loans and receivables	9								
Accounts receivable		-	-	-	-	-	-	104,274,973	104,274,973
Mortgage, collateral and guaranteed loan		-	-	-	-	-	-	5,415,307	5,415,307
Reinsurance assets	11								
Paid losses recoverable from reinsurers		-	25,778,451	234,157	5,735,598	655,087,272	686,835,478	148,894,180	835,729,658
Total		-	25,778,451	234,157	5,735,598	656,018,615	687,766,821	340,941,426	1,028,708,247

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters. Collateral is mainly obtained for securities lending and for cash purposes. Credit risk is also mitigated by entering into collateral agreements. Management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable.

(b) *Liquidity Risk*

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

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

The Company manages liquidity through a liquidity risk policy which determines what constitutes liquidity risk for the Company; controls maturity distribution of the investment portfolio and sets forth based on the cash flow experience for the last two years; specifies minimum proportion of funds to meet emergency calls; sets up contingency funding plans; specifies the sources of funding and the events that would trigger the plan; determines concentration of funding sources; reports liquidity risk exposures; monitors compliance with liquidity risk policy and reviews liquidity risk policy for pertinence and changing environment.

It is unusual for a company primarily transacting insurance business to predict the requirements of funding with absolute certainty as theory of probability is applied on insurance contracts to ascertain the likely provision and the time period when such liabilities will require settlement. The amounts and maturities in respect of insurance liabilities are thus based on management's best estimate using information that develops during the course of the loss adjustment process.

The analysis of the maturity groupings of the Company's financial assets and financial liabilities as of December 31, 2024 and 2023 as presented below.

<i>(Amounts in PHP)</i>	Less than One Year	One to Five Years	Over Five Years	Total
December 31, 2024				
<i>Financial assets</i>				
Cash and cash equivalents	284,871,237	-	-	284,871,237
Insurance receivables - gross	953,162,813	179,249,109	-	1,132,411,922
HTM financial assets	-	143,636,862	230,534,327	374,171,189
AFS financial assets	170,503,915	187,778,838	35,614,229	393,896,982
Loans and receivables - gross	671,435,160	31,826,437	145,785,616	849,047,213
Reinsurance assets – gross	808,070,629	-	-	808,070,629
Other assets	-	22,014,192	-	22,014,192
	<u>2,888,043,754</u>	<u>564,505,438</u>	<u>411,934,172</u>	<u>3,864,483,364</u>
<i>Financial liabilities</i>				
Claims reported and provisions for IBNR losses	1,092,501,049	-	-	1,092,501,049
Insurance payables	666,428,484	-	-	666,428,484
Accounts payable and accrued expenses	-	409,914,414	-	409,914,414
Lease liabilities	14,424,526	22,597,442	-	37,021,968
	<u>1,773,354,059</u>	<u>432,511,856</u>	<u>-</u>	<u>2,205,865,915</u>
Liquidity surplus	<u>1,114,690,695</u>	<u>131,993,582</u>	<u>411,933,172</u>	<u>1,658,617,449</u>
December 31, 2023				
<i>Financial assets</i>				
Cash and cash equivalents	273,021,497	-	-	273,021,497
Insurance receivables - gross	752,827,358	150,417,070	-	903,244,428
HTM financial assets	88,639,352	52,385,621	226,342,297	367,367,270
AFS financial assets	98,517,993	92,762,507	17,595,541	208,876,041
Loans and receivables - gross	654,327,741	31,164,974	141,985,879	827,478,594
Reinsurance assets – gross	835,729,658	-	-	835,729,658
Other assets	-	18,853,401	-	18,853,401
	<u>2,703,063,599</u>	<u>345,583,573</u>	<u>385,923,717</u>	<u>3,434,570,889</u>
<i>Financial liabilities</i>				
Claims reported and provisions for IBNR losses	1,214,994,146	-	-	1,214,994,146
Insurance payables	490,614,537	-	-	490,614,537
Accounts payable and accrued expenses	-	364,429,147	-	364,429,147
Lease liabilities	11,224,183	17,198,098	-	28,422,281
	<u>1,716,832,866</u>	<u>381,627,245</u>	<u>-</u>	<u>2,098,460,111</u>
Liquidity surplus (gap)	<u>986,230,733</u>	<u>(36,043,672)</u>	<u>385,923,717</u>	<u>1,336,110,778</u>

(c) *Market Risk*

Market risk is the risk of change in fair value of financial instruments from fluctuations in foreign exchange rates (currency risk), market interest risk rates (interest rate risk) and market equity prices (equity 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; defines basis used to determine fair value financial assets and liabilities; determines asset allocation and portfolio limit structure; determines diversification benchmarks by type of instrument and geographical area; sets out the net exposure limits by each counterparty or group of counterparties, geographical and industry segments; reports market risk exposures; monitors compliance with market risk policy; and reviews market risk policy for pertinence and changing environment.

(i) *Currency Risk*

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's principal transactions are carried out in Philippine peso and its exposure to foreign currency exchange rate risk arises primarily with respect to the USD, as it deals with foreign reinsurers in the settlement of its obligations and receipt of any claim reimbursements.

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 currency exchange rate risk arises from recognized assets and liabilities denominated in currencies other than those in which insurance liabilities are expected to be settled.

Foreign currency denominated financial assets and liabilities translated to Philippine peso at the closing rate are as follows:

	<u>USD</u>	<u>Peso</u>
<u>December 31, 2024</u>		
Assets:		
Cash and cash equivalents	883,557	51,109,361
Insurance receivables	663,188	38,362,134
Financial assets at FVTPL	291,001	16,832,963
	<u>1,837,746</u>	<u>106,304,458</u>
Liabilities:		
Insurance contract liabilities	347,263	20,087,412
Insurance payables	1,810,900	104,751,489
	<u>2,158,163</u>	<u>124,838,901</u>
	<u>(320,417)</u>	<u>(18,534,443)</u>

	USD	Peso
<u>December 31, 2023</u>		
Assets:		
Cash and cash equivalents	709,144	39,265,303
Insurance receivables	492,069	27,245,861
Financial assets at FVTPL	298,708	16,539,462
	<u>1,499,921</u>	<u>83,050,626</u>
Liabilities:		
Insurance contract liabilities	359,628	19,912,602
Insurance payables	1,392,748	77,116,457
	<u>1,752,376</u>	<u>97,029,059</u>
	<u>(252,455)</u>	<u>(13,978,433)</u>

The following table illustrates the sensitivity of the net result for the year and equity with regard to the Company's financial assets and financial liabilities and the USD – Philippine peso exchange rate. It assumes a +/-14.19% change and +/-16.06% change of the Philippine peso/USD exchange rate at December 31, 2024 and 2023, respectively. These percentages have been determined based on the average market volatility in exchange rates in the previous 12 months at a 99% confidence level. The sensitivity analysis is based on the Company's foreign currency financial instruments held at the end of each reporting period.

(Amounts in PHP)	2024		2023	
	Depreciation of Peso	Appreciation of Peso	Depreciation of Peso	Appreciation of Peso
Profit before tax	(2,630,037)	2,630,037	(2,245,258)	2,245,258
Equity	(1,972,528)	1,972,528	(1,683,943)	1,683,943

The correlation of variables will have a significant effect in determining the ultimate impact on market 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 nonlinear.

The Company determined the reasonably possible change in foreign currency using the one year volatility of the USD and PHP in reference to Philippine Dealing & Exchange Corp. (PDEX) as this will best represent the movement in foreign exchange rate until the next reporting date.

Reasonably possible movements in foreign exchange rates are computed based on the percentage change of the highest and lowest exchange rates during the year compared to the previous year.

(ii) *Interest Rate Risk*

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value risk. The Company's fixed rate investments and receivables in particular are exposed to fair value risk.

The following tables show the information relating to the Company's exposure to fair value interest rate risk presented by maturity profile:

Financial Assets: AFS Debt Securities	Range of Interest Rates	Up to a Year	One to Three Years	Three to Five Years	Over Five Years	Total
2024	3.95%-9.25%	170,504,915	42,072,724	106,981,697	74,337,646	393,896,982
2023	2.86%-9.25%	98,517,993	21,278,413	P 71,484,095	17,595,540	208,876,041

Financial Assets: HTM Debt Securities	Range of Interest Rates	Up to a Year	One to Three Years	Three to Five Years	Over Five Years	Total
2024	4.88%-9.25.00%	3,000,000	15,452,482	90,219,025	265,499,682	374,171,189
2023	4.88%-9.25.00%	88,639,352	2,991,448	49,394,172	226,342,298	367,367,270

Financial Assets: Loans and Receivables	Range of Interest Rates	Up to a Year	One to Three Years	Three to Five Years	Over Five Years	Total
2024	2.50%-12.00%	13,832,685	2,310,712	13,765,409	42,919,454	72,828,260
2023	2.50%-12.00%	9,707,375	10,350,818	12,390,587	56,788,009	89,236,789

The following analysis is performed for reasonably possible movements in interest rate (due to changes in fair value of AFS financial assets) with all other variables held constant, showing the impact on equity.

	2024		2023	
(Amounts in PHP)	Impact on Change in Interest Rate	Equity Increase (Decrease)	Impact on Change in Interest Rate	Equity Increase (Decrease)
PHP rate	+210 basis points	37,039,950	+116 basis points	33,725,558
PHP rate	-210 basis points	(37,039,950)	-116 basis points	(33,725,558)

In 2024 and 2023, the Company determined the reasonably possible change in interest rate based on the historical change in weighted average yield rates of outstanding investments of the Company.

The correlation of variables will have a significant effect in determining the ultimate impact on interest rate 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 nonlinear.

Reasonably possible movements in interest rates are computed based on the percentage changes in weighted average yield rates.

(iii) *Equity Price Risk*

Equity price risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

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

The Company manages and monitors its market risk exposures in such a way as to maintain a portfolio that the Company believes is well-diversified in the aggregate with respect to market risk factors and reflects the Company's aggregate risk tolerance as established by the Company's senior management.

The analysis below is performed for reasonably possible movements in Philippine Stock Exchange (PSE) index with all other variables held constant, showing the impact on income before income tax due to changes in fair value of financial assets whose fair values are recorded in the statements of comprehensive income and changes in equity (changes in fair value of AFS financial assets).

2024		2023	
Change in PSE Index	Impact on Equity Increase (Decrease)	Change in PSE Index	Impact on Equity Increase (Decrease)
<i>(Amounts in PHP)</i>			
+9.58%	20,858,353	+8.77%	18,469,876
-9.58%	(20,858,353)	-8.77%	(18,469,876)

34. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

34.1 Regulatory Framework

Regulators are interested in protecting the rights of the policyholders and maintain close monitoring to ensure that the Company is satisfactorily managing its affairs for their benefit. At the same time, regulators are also interested in ensuring that the Company maintains appropriate liquidity and solvency positions to meet maturing liabilities arising from claims and acceptable level of risks.

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

34.2 Capital Management

The Company's capital includes capital stock, contributed surplus and retained earnings.

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

The Company manages capital through a process that determines future projected capital requirements through the development of long-term financial plans and projections that consider the impact on surplus of new businesses, profitability of in-force business and other major corporate initiatives that will affect capitalization levels.

The IC is interested in protecting the rights of the policyholders and maintaining close vigil to ensure that the Company is satisfactorily managing the affairs for policyholders' benefits.

As of December 31, 2024 and 2023, there were no changes made to the Company's objectives, policies and processes.

As of December 31, 2024 and 2023, the Company's capital stock, contributed surplus and retained earnings are as follows:

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Capital stock	1,303,998,178	957,020,178
Deposit for future stock subscription	-	170,000,000
Contributed surplus	240,000,000	240,000,000
Retained earnings	895,181,290	790,007,450
	<u>2,439,179,468</u>	<u>2,157,027,628</u>

The estimated non-admitted assets as defined in the Code are included in the statements of financial position. These assets which are subject to final determination by the IC are as follows:

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Premiums receivable	84,764,985	80,000,778
Accounts receivable	2,229,608	1,780,132
Surety loss recoverable	573,295,764	78,511,447
Real estate mortgage loans	4,495,937	-
Leasehold improvements	2,503,930	1,782,355
Furniture, fixture and equipment	5,596,226	5,849,468
Transportation equipment	18,904,045	15,007,025
Prepayments	60,683,192	66,367,217
Deferred tax assets	162,391,743	168,756,145
Other assets	26,404,941	25,442,399
Other investments	2,937,500	2,937,500
	<u>944,207,871</u>	<u>446,434,466</u>

In accordance with pertinent provisions of the Code, the Company is restricted from declaring on its outstanding capital stock, except from profits attested to be remaining on hand after retaining unimpaired its entire capital stock, provision for unearned premiums and a sum sufficient to pay all net losses, or in the course of settlement, and all other liabilities.

On August 5, 2013, the President of the Philippines approved the R.A. No. 10607, *The Insurance Code*, which provides the new capitalization requirements of all existing life, non-life and reinsurance insurance companies based on the net worth on a staggered basis starting June 30, 2013 up to December 31, 2022.

The following presents the amount of required net worth and the schedule of compliance per the Code.

<u>Net worth in PHP</u>	<u>Compliance Date</u>
250,000,000	June 30, 2013
550,000,000	December 31, 2016
900,000,000	December 31, 2019
1,300,000,000	December 31, 2022

As of December 31, 2024 and 2023, the Company has complied with the net worth requirements based on its internal computation.

34.3 Risk-Based Capital Requirements

IC CL No. 2016-68 or Amended Risk Based Capital (RBC2) Framework requires non-life insurance industry to establish the required amount of capital to be maintained by the companies in relation to their investment and insurance risks. Every non-life insurance company is required to maintain a minimum RBC ratio of 100% and not fail the trend test. Failure to meet the minimum RBC ratio shall subject the insurance company to the corresponding regulatory intervention which has been defined at various levels.

The RBC ratio shall be calculated as Total Available Capital divided (TAC) by the RBC requirement. TAC is determined as the aggregate of Tier 1 and Tier 2 capital less deductions, subject to the limits stated in RBC2 Framework.

Tier 1 capital consists of capital that is fully available to cover losses of insurer at all times on a going-concern and winding up basis. This capital includes the capital stock, subscribed capital stock, contributed surplus, capital paid in excess of par, retained earnings, treasury stock, statutory deposit, reserve accounts, cost of share-based payments and fifty percent (50%) of the value of future bonus applicable for life companies.

Tier 2 capital serves as the additional buffer to the insurer to cover the losses that it may incur. This is comprised of reserve for appraisal increment of property and equipment, remeasurement gains (losses) on retirement pension asset (obligation), change in reserve estimates due to change in interest rate assumption, cumulative irredeemable preferred stocks, mandatory capital loan stock and other similar capital instruments, irredeemable subordinated debts, revenue reserves and subordinated term debts.

As of December 31, 2024 and 2023, the following table shows the RBC ratio of the Company based on internal computation:

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Total available capital	1,998,849,139	1,734,084,251
RBC requirement	621,551,841	597,506,846
	322%	290%

As at December 31, 2024 and 2023, the Company is compliant with RBC2-QIS. The final RBC2-QIS ratio can be determined only after the accounts of the Company have been examined by IC.

35. CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

35.1 Comparison of Carrying Amounts and Fair Values

The carrying values and fair values of the categories of financial assets and financial liabilities presented in the statements of financial position are shown below.

	Classes			
	At Amortized			
(Amounts in PHP)	Cost	At Fair Value	Carrying Amount	Fair Value
December 31, 2024				
Financial assets				
At amortized cost:				
Cash and cash equivalents	284,871,237	-	284,871,237	284,871,237
Insurance receivables – net	1,049,295,426	-	1,049,295,426	1,049,295,426
HTM securities	374,171,189	-	374,171,189	372,462,645
Loans and receivables – net	740,365,962	-	740,365,962	740,365,962
Reinsurance assets - net	659,178,287	-	659,178,287	659,178,287
Other assets	22,014,192	-	22,014,192	22,014,192
At fair value:				
Financial assets at FVTPL	-	273,532,144	273,532,144	273,532,144
AFS financial assets	-	650,029,512	650,029,512	650,029,512
	3,129,896,293	923,561,656	4,053,457,949	4,051,749,405
Financial liabilities				
At amortized cost:				
Claims reported and provisions for IBNR losses	1,092,501,049	-	1,092,501,049	1,092,501,049
Insurance payables	666,428,484	-	666,428,484	666,428,484
Accounts payable and accrued expenses	409,914,414	-	409,914,414	409,914,414
Lease liabilities	37,021,968	-	37,021,968	37,021,968
	2,203,628,849	-	2,203,628,849	2,203,628,849
December 31, 2023				
Financial assets				
At amortized cost:				
Cash and cash equivalents	273,021,497	-	273,021,497	273,021,497
Insurance receivables – net	820,887,462	-	820,887,462	820,887,462
HTM securities	367,367,270	-	367,367,270	367,367,270
Loans and receivables – net	717,788,314	-	717,788,314	717,788,314
Reinsurance assets - net	686,835,478	-	686,835,478	686,835,478
Other assets	18,853,401	-	18,853,401	18,853,401
At fair value:				
Financial assets at FVTPL	-	268,762,816	268,762,816	268,762,816
AFS financial assets	-	467,560,457	467,560,457	467,560,457
	2,884,753,422	736,323,273	3,621,076,695	3,621,076,695
Financial liabilities				
At amortized cost:				
Claims reported and provisions for IBNR losses	1,214,994,146	-	1,214,994,146	1,214,994,146
Insurance payables	490,614,537	-	490,614,537	490,614,537
Accounts payable and accrued expenses	364,429,147	-	364,429,147	364,429,147
Lease liabilities	28,422,281	-	28,422,281	28,422,281
	2,098,460,111	-	2,098,460,111	2,098,460,111

Management considers that the carrying amounts of other financial assets and financial liabilities, which are measured at amortized cost, approximate the fair values either because those instruments are short-term in nature or the effect of discounting for those with maturities of more than one year is not material.

35.2 Offsetting of Financial Assets and Financial Liabilities

The Company has not set-off financial instruments in 2024 and 2023 and does not have relevant offsetting arrangements. Currently, financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis in the event of default of the other party through approval by the BOD and stockholders of both parties.

36. FAIR VALUE MEASUREMENT AND DISCLOSURE

36.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those financial assets and financial liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS Accounting Standards, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy is presented in the succeeding page.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or financial liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Company uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates.

If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

36.2 Financial Instruments Measured at Fair Value

As of December 31, 2024 and 2023, financial instruments measured at fair value is comprised of financial assets at FVTPL and AFS securities. The details of these financial assets are grouped into fair value hierarchy as follows:

<i>(Amounts in PHP)</i>	<u>Notes</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2024					
Financial assets:					
Financial assets at FVTPL:	6				
Mutual funds		-	205,803,130	-	205,803,130
UITF		-	109,391	-	109,391
Trust fund		656,706	57,198,938	9,763,979	67,619,623
AFS financial assets:	8				
Listed equity securities:					
Common		213,797,745	-	-	213,797,745
Preferred		28,387,285	-	-	28,387,285
Debt Securities:					
Corporate securities		268,583,565	-	-	268,583,565
Government securities		125,313,417	-	-	125,313,417
Unlisted equity securities		-	-	5,957,500	5,957,500
Club shares		-	7,990,000	-	7,990,000
		<u>636,738,718</u>	<u>271,101,459</u>	<u>15,721,479</u>	<u>923,561,656</u>
December 31, 2023					
Financial assets:					
Financial assets at FVTPL:	6				
Mutual funds		-	203,665,009	-	203,665,009
UITF		-	108,030	-	108,030
Trust fund		627,996	57,165,683	7,196,098	64,989,777
AFS financial assets:	8				
Listed equity securities:					
Common		215,149,746	-	-	215,149,746
Preferred		32,587,170	-	-	32,587,170
Debt Securities:					
Corporate securities		83,121,372	-	-	83,121,372
Government securities		125,754,669	-	-	125,754,669
Unlisted equity securities		-	-	2,957,500	2,957,500
Club shares		-	7,990,000	-	7,990,000
		<u>457,240,953</u>	<u>268,928,722</u>	<u>10,153,598</u>	<u>736,323,273</u>

Unlisted equity securities measured at cost comprise of preferred shares of unlisted companies.

The Company has no financial liabilities measured at fair value as of December 31, 2024 and 2023.

36.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below summarizes the fair value hierarchy of the Company's financial assets and financial liabilities which are not measured at fair value in the statements of financial position but for which fair value is disclosed.

(Amounts in PHP)	Notes	Level 1	Level 2	Level 3	Total
December 31, 2024					
Financial assets:					
Cash and cash equivalents	4	284,871,237	-	-	284,871,237
Insurance receivables - net	5	-	-	1,049,855,324	1,049,855,324
HTM securities	7	372,462,645	-	-	372,462,645
Loans and receivables - net	9	-	-	739,606,432	739,606,432
Reinsurance assets - net	11	-	-	659,377,919	659,377,919
Other assets	17	-	-	22,014,192	22,014,192
		657,333,882	-	2,470,853,867	3,128,187,749
Financial liabilities:					
Claims reported and provision for IBNR losses	18	-	-	1,092,501,049	1,092,501,049
Insurance payables	20	-	-	666,428,484	666,428,484
Accounts payable and accrued expenses	21	-	-	409,914,414	409,914,414
Lease liabilities	15	-	-	37,021,968	37,021,968
		-	-	2,205,865,915	2,205,865,915
December 31, 2023					
Financial assets:					
Cash and cash equivalents	4	273,021,497	-	-	273,021,497
Insurance receivables - net	5	-	-	820,887,462	820,887,462
HTM securities	7	365,569,794	-	-	365,569,794
Loans and receivables - net	9	-	-	717,788,214	717,788,214
Reinsurance assets - net	11	-	-	686,835,478	686,835,478
Other assets	17	-	-	18,853,401	18,853,401
		638,591,291	-	2,244,364,555	2,882,955,846
Financial liabilities:					
Claims reported and provision for IBNR losses	18	-	-	1,214,994,146	1,214,994,146
Insurance payables	20	-	-	490,614,537	490,614,537
Accounts payable and accrued expenses	21	-	-	364,429,147	364,429,147
Lease liabilities	15	-	-	28,422,281	28,422,281
		-	-	2,098,460,111	2,098,460,111

Fair values of the foregoing financial assets and financial liabilities measured and presented in the statements of financial position at amortized cost are estimated as follows:

(a) Cash and Cash Equivalents

The estimated fair value of cash in banks and cash equivalents with fixed interest-bearing is based on the discounted cash flows using prevailing money market interest rates for debt with similar credit risk and remaining maturity, which for short-term deposits approximate the nominal value.

(b) *Insurance Receivables, Loans and Receivables and Reinsurance Assets*

Insurance receivables, loans and receivables and reinsurance assets are net of provisions for impairment. The estimated fair values of insurance receivables and reinsurance assets represent the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(c) *HTM Securities*

HTM securities consist of government securities and corporate notes. The fair value of these investment securities is determined by direct reference to published price quoted in an active market for traded securities.

(d) *Insurance Payables*

The estimated fair value is the amount payable on demand.

(e) *Other Assets, Accounts Payable and Accrued Expenses, and Deposit for Future Stock Subscription*

Due to their short duration, the carrying amounts of other financial assets, accounts payable and accrued expenses, and deposit for future stock subscription in the statements of financial position are considered to be reasonable approximation of their fair values.

(f) *Lease Liabilities*

The estimated fair values of lease liabilities represent the discounted amount of estimated future cash flows expected to be received or paid. Expected cash flows are discounted at current market rates to determine fair value.

The fair value of financial assets and financial liabilities included in Level 3 which are not based in an active market is determined based on the expected cash flows of the underlying net asset or liability based on the instrument where the significant inputs required to determine the fair value of such instruments are not based on observable data.

36.4 Fair Value Measurement for Investment Properties

The fair value of the Company's investment properties amounting to P292.4 million and P136.5 million as of December 31, 2024 and 2023, respectively, are determined on the basis of the appraisals performed by an independent appraiser with appropriate qualification and recent experience in the valuation of similar properties in the relevant locations (see Note 13). The properties were valued using the Market Data Approach every two years, which considers the sales and listings of comparable properties registered within the vicinity. The fair value of investment properties are categorized under Level 2 of the fair value hierarchy.

There had been no change in the valuation techniques used by the Company in 2024 and 2023 for its non-financial assets. Also, there were no transfers into or out of Level 2 fair value hierarchy in 2024 and 2023.

37. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled:

	2024			2023		
	Within One Year	Beyond One Year	Total	Within One Year	Beyond One Year	Total
<i>(Amounts in PHP)</i>						
Cash and cash equivalents	284,871,237	-	284,871,237	273,021,497	-	273,021,497
Insurance receivables - net	870,046,317	179,249,109	1,049,295,426	752,827,358	68,060,104	820,887,462
Financial assets at FVTPL	273,532,144	-	273,532,144	268,762,816	-	268,762,816
AFS financial assets	170,504,915	479,524,597	650,029,512	98,517,993	369,042,464	467,560,457
HTM securities	3,000,000	371,171,189	374,171,189	88,639,352	278,727,918	367,367,270
Loans and receivables - net	566,455,639	173,910,323	740,365,962	544,637,521	173,150,793	717,788,314
Reinsurance assets - net	1,628,719,186	-	1,628,719,186	1,718,594,898	-	1,718,594,898
Deferred acquisition costs	151,078,193	38,770,682	189,848,875	149,258,002	38,303,572	187,561,574
Investment properties - net	-	211,951,232	211,951,232	-	47,900,814	47,900,814
Property and equipment - net	-	290,432,090	290,432,090	-	287,177,381	287,177,381
Intangible assets - net	-	7,883,655	7,883,655	-	15,300,847	15,300,847
Right-of-use assets - net	-	35,776,177	35,776,177	-	27,422,176	27,422,176
Deferred tax assets - net	-	162,391,743	162,391,743	-	168,756,145	168,756,145
Other assets	-	123,420,473	123,420,473	-	113,609,510	113,609,510
Total Assets	3,948,207,631	2,074,481,270	6,022,688,901	3,894,259,437	1,587,451,724	5,481,711,161
Insurance contract liabilities	2,384,338,806	-	2,384,338,806	2,363,589,135	-	2,363,589,135
Insurance payables	666,428,484	-	666,428,484	490,614,537	-	490,614,537
Accounts payable and accrued expenses	522,713,726	-	522,713,726	466,525,651	-	466,525,651
Deferred reinsurance commissions	40,998,143	9,601,635	50,599,778	27,704,620	26,583,411	54,288,031
Lease liabilities	14,424,526	22,597,442	37,021,968	11,224,183	17,198,098	28,422,281
Net pension liability	-	87,422,676	87,422,676	-	50,807,303	50,807,303
Total Liabilities	3,628,903,685	119,621,753	3,748,525,438	3,359,658,126	94,588,812	3,454,246,938

38. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented below and in the succeeding page is the supplementary information which is required by the BIR under Revenue Regulations (RR) No. 15-2010 to be disclosed as part of the notes to financial statement. This supplementary information is not a required disclosure under PFRS Accounting Standards.

The information on taxes, duties and license fees paid or accrued during the taxable year required under RR No. 15-2010 are as follows:

(a) Output VAT

In 2024, the Company declared output VAT of P276,571,693 from its vatiable transactions amounting to P2,304,764,108. The tax base is based on the Company's gross receipts and sales for the period; hence, may not be the same as the amounts of revenues reported in the 2024 statement of comprehensive income.

The Company has deferred output VAT as of December 31, 2024 amounting to P14,282,502, which is presented as part of Taxes payable under Accounts Payable and Accrued Expenses account in the 2024 statement of financial position.

(b) *Input VAT*

The movements in input VAT in 2024 are summarized below.

(Amount in PHP)

Balance at beginning of year	-
Goods other than for resale or manufacture	113,489,704
Input VAT on exempt sales	(7,920,164)
Applied against output VAT	<u>(106,574,322)</u>
Balance at end of year	<u>-</u>

The Company has deferred input VAT as of December 31, 2024 amounting to P2,096,193, which is presented as deduction against Taxes payable under Accounts Payable and Accrued Expenses account in the 2024 statement of financial position.

(c) *Taxes on Importation*

The Company did not have any transactions in 2024 related to importations.

(d) *Excise Tax*

The Company did not have any transactions in 2024 which are subject to excise tax.

(e) *Documentary Stamp Taxes (DST)*

The total DST accrued and paid in 2024 amounted to P4,028,940, which pertains to execution of loan instruments and lease contracts [see Note 38(f)].

(f) *Taxes and Licenses*

The details of Taxes and licenses, which is presented as part of Operating Expenses account in the 2024 statement of comprehensive income, are broken down as follows:

<i>(Amount in PHP)</i>	<u>Note</u>	
DST	38(e)	4,028,940
Municipal licenses and permits		477,716
Fringe benefit		103,860
Real property taxes		187,322
Others		<u>2,675,973</u>
		<u><u>7,473,811</u></u>

(g) *Withholding Taxes*

The details of total withholding taxes in 2024 are shown below.

(Amount in PHP)

Expanded	42,140,987
Compensation and benefits	14,922,506
Final	<u>397,132</u>
	<u>57,460,625</u>

(h) *Deficiency Tax Assessments and Tax Cases*

As of December 31, 2024, the Company does not have any final deficiency tax assessments with the BIR nor does it have tax cases outstanding or pending in courts or bodies outside the BIR in any of the open taxable years.