The details of the Company's NOLCO not covered by RR No. 25-2020 are as follows:

Year Incurred	NOLCO	Utilized	Expired	Balance	Expiry Year
2024	P18,920,838	P -	P -	P18,920,838	2027
2023	11,753,394	-	-	11,753,394	2026
	P30,674,232	P -	P -	P30,674,232	

The details of the Company's excess MCIT over Regular Corporate Income Tax (RCIT) available for offsetting against future current tax liabilities are as follows:

Year Incurred	MCIT	Expired	Balance	Expiry Year
2023	P394,939	P -	P394,939	2027
2023	307,243	-	307,243	2026
2022	663,492	-	663,492	2025
2021	417,547	(417,547)	-	2024
	P1,783,221	(P417,547)	P1,365,674	

24. Equity

The details of this account are as follows:

	2024	2023
Authorized		
Par value per share	**P1**	P1
Number of shares	**1,510,482,753**	1,110,482,753
Issued and Outstanding		
Number of shares	**1,510,482,753**	1,110,482,753
Capital stock	**P1,510,482,753**	P1,110,482,753
Contributed surplus	**20,603,655**	20,603,655
	P1,531,086,408	P1,131,086,408

Reconciliation of the issued and outstanding number of shares at the beginning and end of each year is shown below:

	2024	2023
Balance at the beginning of the year	**1,110,482,753**	1,110,482,753
Issuance during the year	**400,000,000**	-
	1,510,482,753	1,110,482,753

As at December 31, 2024 and 2023 the Company has a deficit of P42.15 million and P59.36 million, respectively.

Deposit for Future Subscription

On December 23, 2022, the Company received P400.00 million as deposit for future subscription from SEL to comply with the minimum net worth requirements capital from SEL. The increase was filed with the IC on January 24, 2023 which was endorsed to SEC on April 19, 2023. The required documents to be filed to SEC were completed on January 31, 2024. This was presented as liability rather than equity in the Company's statement of financial position as at December 31, 2023 since some of the above considerations are not yet complied with as at the end of 2023(See Notes 26 and 28).

On February 15, 2024, the increase in authorized capital was approved by SEC. On April 4, 2024, the Company issued SEL 400 million common shares amounting P400.00 million.

As at December 31, 2024 and 2023, the Company has an authorized capital stock of P1.51 billion and P1.11 billion, respectively.

25. Leases

Lease under PFRS 16

In September 2021, the Company entered into a lease contract with Mr. Jose Periquet, Jr. for their office space in The Athenaeum Building located at L.P.Leviste Street, Makati City. The lease term, which commenced on September 9, 2021, is for a period of five years with a further option to renew subject to mutual agreement. The contract is also subject to a 5.00% escalation effective on the third year of the lease term.

The following assets do not meet the definition of investment property.

Right-of-Use Asset

	Note	**2024**	2023
Cost			
Balance at the beginning and end of the year		**P16,160,790**	P16,160,790
Accumulated Depreciation			
Balance at the beginning of the year		**7,541,702**	4,309,544
Depreciation	*20*	**3,232,158**	3,232,158
Balance at end of year		**10,773,860**	7,541,702
Net Book Value as at December 31		**P5,386,930**	P8,619,088

Lease Liabilities

	Note	**2024**	2023
Balance at January1		**P9,381,834**	P12,431,206
Interest	*20*	**444,037**	629,217
Payments	*26*	**(3,796,739)**	(3,678,589)
		P6,029,132	P9,381,834

	2024	2023
Maturity Analysis - Contractual Undiscounted Cash Flows		
Less than one (1) year	**P3,796,739**	P3,796,739
One to five (5) years	**2,531,159**	6,327,899
Total Undiscounted Lease Liabilities at December 31	**6,327,898**	10,124,638
Lease Liabilities included in the Statement of Financial Position	**6,029,132**	9,381,834
Current	**3,548,750**	3,352,702
Non-current	**2,480,382**	6,029,132

Amounts Recognized in Profit and Loss

	Note	**2024**	2023
Leased under PFRS 16			
Depreciation of right-of-use assets	*20*	**P3,232,158**	P3,232,158
Interest expense related to Lease liabilities	*20*	**444,037**	629,217

Amount Recognized in the Statement of Cash Flow

	2024	2023
Total cash outflow for leases	**P3,796,739**	P3,678,589

Renewal Option

The renewal option of this lease is exercisable by the Company by notice to the lessor not later than 180 days prior to the expiration of the initial lease term. The terms and conditions of the renewal shall be subject to mutual agreement of the parties. The lease does not include contingent rentals and restrictions.

26. Related Party Transactions

Related party relationship exists when one party has the ability to control, directly or indirectly, through one or more intermediaries, the other party or exercise significant influence over the other party in making the financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprises and their key management personnel or members.

The Company has the following significant related party balances and transactions as at December 31, 2024 and 2023:

				Outstanding Balances		
Category/Transaction	***Note***	**Year**	**Amount of the Transaction**	**Due from a Related Party**	**Due to Related Party**	**Terms**
Key management remuneration		**2024**	**P2,371,359**	**P -**	**P -**	**-**
		2023	2,371,359	-	-	-
Advances to key officers	*6a*	**2024**	**131,544**	**-**	**-**	Unsecured, not impaired;
		2023	102,705	-	-	noninterest-bearing; collectible on demand
Advances to a subsidiary	*6*	**2024**	**200,000,000**	**200,000,000**	**-**	Non-interest bearing; not
		2023	4,000,000	4,000,000	-	impaired collectible on demand
Leases expenditure	*25*	**2024**	**3,796,739**	**-**	**-**	
		2023	3,678,589	-	-	
Interest income on loans	*19b*	**2024**	**162,444**	**-**	**-**	
		2023	3,607,786	-	-	
Miscellaneous income	*17c*	**2024**	**191,071**	**-**	**-**	
		2023	907,477	-	-	
Total		**2024**		**P200,000,000**	**P -**	
Total		2023		P4,000,000	P -	

a. Key management personnel of the Company include all personnel having position of vice president and up. The transaction with key management personnel includes salaries and other employee benefits.

b. Interest income on loans includes income of the Company from the Loan Agreement with Streetcorner Ecommerce Limited.

c. Miscellaneous income includes pre-termination fees charged by the Company to the Parent Company. These fees are compensation for the foregone interest on the time deposit which was pre-terminated to fund the Advances Agreement between the Company and the Parent Company.

The related party transactions are normally settled in cash except for the Advances to a subsidiary.

27. Contingencies

The Company is contingently liable for various claims arising in the ordinary conduct of business which are either pending decision by the courts or are being contested, the outcomes of which are not presently determinable. In the opinion of management, the eventual liability under these claims, if any, will not have a material or adverse impact on the Company's financial position and results of operations.

Disclosure of additional details beyond the present disclosures usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed as it may prejudice the Company's position and negotiation with counterparties.

Thus, as allowed by PAS 37, only general disclosures were provided.

28. Maturity Profile of Assets and Liabilities

The following table presents all assets and liabilities as at December 31, 2024 and 2023 analyzed according to when they are expected to be recovered or settled (based on contractual maturity).

		2024			2023		
	Note	**Within One Year**	**Beyond One Year**	**Total**	Within One Year	Beyond One Year	Total
Assets							
Cash and cash equivalents	*4*	**P872,426,786**	**P -**	**P872,426,786**	P1,065,213,305	P -	P1,065,213,305
Insurance receivables - net	*5,30*	**57,783,813**	**(7,763,574)**	**50,020,239**	65,702,672	(7,672,951)	58,029,721
Financial assets:							
Available-for-sale financial assets	*6, 30, 31*	**-**	**214,456**	**214,456**	-	16,273,113	16,273,113
Held-to-maturity investments	*6, 30, 31*	**188,418,052**	**139,934,042**	**328,352,094**	292,054,634	30,862,903	322,917,537
Loans and receivables	*6, 30, 31*	**4,157,453**	**-**	**4,157,453**	1,696,062	-	1,696,062
Investment at FVPL	*6, 30, 31*	**115,195**	**-**	**115,195**	109,670	-	109,670
Advances to a subsidiary	*6, 30, 31*	**200,000,000**	**-**	**200,000,000**	4,000,000	-	4,000,000
Investment in a subsidiary	*7,30,31*	**-**	**81,821,881**	**81,821,881**	-	81,821,881	81,821,881
Reinsurance assets	*8*	**44,676,046**	**-**	**44,676,046**	63,063,701	-	63,063,701
Deferred acquisition costs	*9*	**9,922,820**	**-**	**9,922,820**	12,708,059	-	12,708,059
Property and equipment - net	*10*	**-**	**16,366,164**	**16,366,164**	-	15,720,653	15,720,653
Right-of-use (net)	*25*	**-**	**5,386,930**	**5,386,930**	-	8,619,088	8,619,088
Other assets	*11*	**22,776,800**	**-**	**22,776,800**	18,254,578	-	18,254,578
		P1,400,276,965	**P235,959,899**	**P1,636,236,864**	P1,522,802,681	P145,624,687	P1,668,427,368
Liabilities							
Insurance contract liabilities	*12*	**P96,894,668**	**P -**	**P96,894,668**	P117,312,275	P -	P117,312,275
Insurance payables	*13, 30, 31*	**7,769,518**	**-**	**7,769,518**	14,799,554	-	14,799,554
Commissions payable	*30, 31*	**11,942,435**	**-**	**11,942,435**	12,723,210	-	12,723,210
Deferred reinsurance commissions	*9*	**1,648,756**	**-**	**1,648,756**	2,162,306	-	2,162,306
Pension liability	*15*	**-**	**1,635,039**	**1,635,039**	-	1,044,083	1,044,083
Lease liability	*25*	**3,548,750**	**2,480,382**	**6,029,132**	3,352,702	6,029,132	9,381,834
Deposit for future subscription	*24, 26*	**-**	**-**	**-**	400,000,000	-	400,000,000
Deferred tax liability - net	*23*	**-**	**4,044,474**	**4,044,474**	-	7,815,503	7,815,503
Other payables	*14*	**8,269,762**	**-**	**8,269,762**	10,991,619	-	10,991,619
		P130,073,889	**P8,159,895**	**P138,233,784**	P561,341,666	P14,888,718	P576,230,384

29. Material Accounting Policies

The accounting policies applicable and adopted in the preparation of the separate financial statements are consistent with those of the previous financial year, except for the adoption of amendments to standards as discussed below.

Adoption of Amendments to Standards
As at December 31, 2024, there are no new and amended PFRS Accounting Standards that are relevant to the Company.

New Standards Amendments to Standards Not Yet Effective
A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2024. However, the Company has not early adopted the following new and amendments to standards in preparing these separate financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's separate financial statements.

The Company will adopt the following amended standards on the respective effective dates:

Effective January 1, 2026

- *Annual Improvements to PFRS Accounting Standards – Volume 11*. This cycle of improvements contains amendments to five standards, four of which is applicable to the Company:

  - *Gain or Loss on Derecognition (Amendments to PFRS 7)*. The amendments replaced the reference to 'inputs that were not based on observable market data' in the obsolete paragraph 27A of PFRS 7, with reference to 'unobservable inputs' in paragraphs 72-73 of PFRS 13, *Fair Value Measurement.*

  - *Introduction, Disclosure of Difference Between Fair Value and Transaction Price, and Credit Risk Disclosures (Amendments to Guidance on implementing PFRS 7)*. The amendments:

    - clarified that the Guidance on implementing PFRS 7 does not necessarily illustrate all the requirements in the referenced paragraphs of PFRS 7;
    - made the wordings on the disclosure of deferred difference between fair value and transaction price in paragraph IG14 of PFRS 7 consistent with the requirements in paragraph 28 of PFRS 7 and with the concepts in PFRS 9 and PFRS 13; and
    - simplified the wordings on credit risk disclosures in paragraph IG20B that the illustration does not include financial assets that are purchased or originated credit impaired.

  - *Derecognition of Lease Liabilities and Transaction Price (Amendments to PFRS 9 Financial Instruments)*. The amendments:

    - added a cross-reference to clarify that when a lessee has determined that a lease liability has been extinguished in accordance with PFRS 9, the lessee applies the requirement that the difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognized in profit or loss; and

- replaced the term 'their transaction price (as defined in IFRS 15)' with 'the amount determined by applying IFRS 15' because a receivable might be initially measured at an amount that differs from the transaction price recognized as revenue, for example, when you recognize full amount for consideration that's unconditionally receivable but at the same time recognize expected refund liability with respect to retrospective rebates. Consequently, the definition of the transaction price has been deleted.

- *Cost Method (Amendments to PAS 7 Statement of Cash Flows).* The amendments replaced the term 'cost method' with 'at cost' given the definition of 'cost method' has previously been removed from PFRS Accounting Standards.

Effective January 1, 2027

- PFRS 17, *Insurance Contracts* replaces the interim standard, PFRS 4, *Insurance Contracts.* Reflecting the view that an insurance contract combines features of both a financial instrument and a service contract, and considering the fact that many insurance contracts generate cash flows with substantial variability over a long period, PFRS 17 introduces a new approach that:

  a) combines current measurement of the future cash flows with the recognition of profit over the period services are provided under the contract;

  b) presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and

  c) requires an entity to make an accounting policy choice portfolio-by-portfolio of whether to recognize all insurance finance income or expenses for the reporting period in profit or loss or to recognize some of that income or expenses in other comprehensive income.

  Under PFRS 17, groups of insurance contracts are measured based on fulfilment cash flows, which represent the risk-adjusted present value of the entity's rights and obligations to the policy holders, and a contractual service margin, which represents the unearned profit the entity will recognize as it provides services over the coverage period. Subsequent to initial recognition, the liability of a group of insurance contracts represents the liability for remaining coverage and the liability for incurred claims, with the fulfilment cash flows remeasured at each reporting date to reflect current estimates.

  Simplifications or modifications to the general measurement model apply to groups of insurance contracts measured using the 'premium allocation approach', investment contracts with discretionary participation features, and reinsurance contracts held.

  PFRS 17 brings greater comparability and transparency about the profitability of new and in-force business and gives users of separate financial statements more insight into an insurer's financial health. Separate presentation of underwriting and financial results will give added transparency about the sources of profits and quality of earnings.

PFRS 17 is effective for annual periods beginning on or after January 1, 2025. Full retrospective application is required, unless it is impracticable, in which case the entity chooses to apply the modified retrospective approach or the fair value approach. However, if the entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it applies the fair value approach. There is also a transition option allowing presentation of comparative information about financial assets using a classification overlay approach on a basis that is more consistent with how PFRS 9 *Financial Instruments* will be applied in future reporting periods. Early application is permitted for entities that apply PFRS 9 on or before the date of initial application of PFRS 17.

The Company is currently performing detailed assessment on the impact of the adoption of the new standard in its separate financial statements.

As of date, the actual impact of applying the PFRS 17 on the financial statements, including the impact on the Company's net worth, in the period of initial application is not known and cannot be reasonably estimated because it will be dependent on future economic conditions as well as accounting elections and judgements that the Company will make in the future.

- PFRS 9 (2014) *Financial Instruments* replaces PAS 39, *Financial Instruments* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

  The Company availed the temporary exemption in the implementation of PFRS 9 as allowed by PFRS 4 below as the Company has not previously applied any version of PFRS 9 and its activities are predominantly connected with insurance.

- PFRS 18, *Presentation and Disclosure in Financial Statements* will replace PAS 1 Presentation of Financial Statements and aims to provide greater consistency in presentation of the income and cash flow statements, and more disaggregated information.

  - A more structured income statement. PFRS 18 promotes a more structured income statement. It introduces a newly defined 'operating profit or loss' and 'profit or loss before financing and income tax' subtotals, and a requirement for all income and expenses to be classified into three new distinct categories - operating, investing, and financing - based on a company's main business activities. PFRS 18 also requires companies to analyze their operating expenses directly on the face of the income statement - either by nature, by function or on a mixed basis. Companies need to choose the presentation method that provides the 'most useful structured summary' of those expenses. New disclosures apply if any operating expenses are presented by function.

- Management-defined performance measures. PFRS 18 provides a definition for management-defined performance measures (MPMs) and introduces specific disclosure requirements. MPMs are subtotals of income and expenses that are used in public communications outside the financial statements, communicate management's view of an aspect of the financial performance of the entity as a whole and are not a required subtotal or a common income and expense subtotal listed in PFRS 18. For each MPM presented, companies will need to explain in a single note to the financial statements why the measure provides useful information and how it is calculated, and to reconcile it to an amount determined under PFRS Accounting Standards.

- Greater disaggregation of information. PFRS 18 provides enhanced guidance on how companies group information in the financial statements, including newly defined roles of the primary financial statements and the notes, principles of aggregation and disaggregation based on shared and non-shared characteristics, and specific guidance for labelling and describing items in a way that faithfully represents an item's characteristics.

PFRS 18 also now require goodwill to be presented as a line item in the statement of financial position. Consequential amendments to PAS 7 Statement of Cash Flows requires the use of the operating profit or loss subtotal as the starting point when presenting operating cash flows under the indirect method and eliminate the options for classifying interest and dividend cash flows.

PFRS 18 also amends PAS 33, *Earnings per Share* to permit companies to disclose additional amounts per share using as numerator a required income and expenses total or subtotal, a common subtotal listed in PFRS 18 or an MPM disclosed by the entity.

PFRS 18 applies for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted. It applies retrospectively in accordance with PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Specific reconciliations are required to be disclosed. Eligible entities including venture capital organizations, mutual funds and some insurers will be allowed to change their election for measuring investments in associates and joint ventures from equity method to fair value through profit or loss.

Management is still assessing the impact of this new standard on the Company's financial statements.

<u>Product Classification</u>

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, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index, or other variable.

Investment Contracts

Investment contracts mainly transfer financial risk but can also transfer insignificant insurance risk.

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

Gross Premium on Insurance Contracts
Gross premium on insurance contracts comprise the total premiums for the whole coverage period provided in the insurance contracts entered during the accounting period and are recognized on the inception date of the policy. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior periods.

Commission Expense and Deferred Acquisition Costs
Commissions are recognized as expense 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 the end of the reporting period is accounted for as "Deferred acquisition costs" in the statement of financial position. The net changes in deferred acquisition costs at the end of each reporting period is recognized as "Commission expense" account in profit or loss.

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 relates 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 the end of each reporting periods or more frequently when an indication of impairment arises. The carrying value is written down to the recoverable amount. The impairment loss is charged to profit or loss.

Deferred acquisition costs are derecognized when the related contracts are settled or disposed of.

Reinsurance
The Company cedes insurance risk in the normal course of business. Ceded insurance arrangements do not relieve the Company from its obligation to the policyholders. Premiums payable for reinsurance contracts are recognized as a contra-income account upon recognition of related premiums which are presented under "Reinsurers' share of gross earned premiums" account in profit or loss.

The related reinsurance premium ceded that pertains to the unexpired periods at end of the reporting period are accounted for as reinsurance premiums reserve shown as part of "Reinsurance assets" account in the statement of financial position. The net changes in reinsurance premiums reserve between each end of reporting period are recognized using the 24th method and are presented as part of "Reinsurers' share of gross earned premiums" account in profit or loss.

Reinsurance assets represents balances due from reinsurance companies for its share on the unpaid losses incurred by the Company. Recoverable amounts are estimated in the manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract. Reinsurance recoverable on paid losses are included as part of "Insurance receivable - net" in the statement of financial position.

The benefits unpaid recoverable to which the Company is entitled under its reinsurance contracts held are recognized as reinsurance recoverable on unpaid losses classified under "Reinsurance assets" account in the statement of financial position. Reinsurance recoverable on unpaid losses are estimated in a manner consistent with the associated reinsured policies and in accordance with the reinsurance contracts.

When the Company enters into reinsurance agreements for ceding out its insurance business, the Company recognizes the amount payable to reinsurer under "Insurance payable" account in the statement of financial position for the reinsurer's share in premium.

The Company also assumes reinsurance risk in the normal course of business. Premiums and claims on assumed reinsurance are recognized in profit or loss as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the assumed business. For the assumed insurance risk, the Company recognizes its share in premium and portion of the reinsurance premium withheld by ceding companies as due from ceding companies and funds held by ceding companies, respectively, presented under "Insurance receivables" in the statement of financial position.

Gains and losses on buying reinsurance, if any, are recognized in profit or loss immediately at the date of purchase and are not amortized.

Premiums and claims are presented on a gross basis for ceded reinsurance. Reinsurance premiums are presented as "Reinsurers' share of gross earned premiums". The reinsurers' share in claims paid by the Company and unpaid including IBNR claims are presented as "Reinsurer's share of gross insurance contract benefits and claims paid" and "Reinsurer's share of gross change in insurance contract liabilities", respectively, in profit or loss.

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

Impairment of Reinsurance Assets

The Company assesses its reinsurance assets for impairment at least annually. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance assets to its recoverable amount and recognize that impairment loss in profit or loss. The Company gathers the objective evidence that a reinsurance asset is impaired using specific assessment. The Company identifies individually which accounts should be provided with impairment loss.

Commission Income and Deferred Reinsurance Commissions

Commissions earned from reinsurance contracts are recognized as revenue over the period of the contracts using the 24th method. The portion of the commissions that relate to the unexpired periods of the policies at end of the reporting period are accounted for as "Deferred reinsurance commissions" in the statement of financial position. The net changes in deferred reinsurance commissions between each end of reporting period are recognized as "Commission income" in the profit or loss.

Insurance Contract Liabilities

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

Provision for Unearned Premiums

The portion of written premiums, gross of commissions' payable to intermediaries, attributable to subsequent periods or to risks that have not yet expired, is deferred as provision for unearned premiums. Premiums from short-duration insurance contracts are recognized as revenue over the contract period using the 24th method. The change in the provision for unearned premiums is taken to profit or loss in the order that revenue is recognized over the period of risk. Further provisions are made to cover claims under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

Provision for Claims Reported and IBNR Losses

Provision for claims reported and IBNR losses are based on the estimated ultimate cost of all claims incurred but not settled at the end of the reporting period, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of which cannot be known with certainty at the reporting date. The IBNR shall be calculated based on standard actuarial projection techniques or combination of such techniques, such as but not limited to the chain ladder method, the expected loss ratio approach, the Bornhuetter - Ferguson method. At each reporting date, prior year claims estimates are reassessed for adequacy and changes made are charged to "Gross change in insurance contract liabilities" in profit or loss.

Liability Adequacy Test

At the end of each reporting period, liability adequacy test is performed to ensure the adequacy of insurance contract liabilities, net of the related deferred acquisition cost. The test considers current best estimates of future cash flows, claims handling cost and policy administrative expenses. 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 arising from the test is immediately charged to profit or loss by establishing an unexpired risk provision for losses.

The Company's insurance contract liabilities are composed of premium liabilities and claims liabilities. Premium liabilities are calculated as the higher of provision for unearned premiums and the unexpired risk reserve. Unexpired risk reserve (URR) is an estimate of future claims and expenses, at a designated level of confidence, in respect of the risk during the unexpired period after the valuation date of the policies written prior to that date including maintenance and claims handling expense. If the unexpired risk reserve is higher than the provision for unearned premiums, the excess is set up as an additional insurance reserves on top of provision for unearned premiums. The estimation of URR is made for each class of business line.

While claims liabilities are composed of provision for claims reported and IBNR. The related significant accounting policies are disclosed in the preceding section of the notes to the separate financial statements.

Financial Assets

Date of Recognition

Financial instruments are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. The purchase or sale of a non-derivative financial asset that will be delivered within the timeframe generally established by regulation or convention in the market concerned, except for equity securities, are recognized on the date on which the instrument is actually transferred (the settlement date).

Initial Recognition

On initial recognition, a financial asset or liability is measured at fair value plus directly attributable transaction costs, unless the instrument is classified at FVPL. Normally, the fair value on initial recognition is the transaction price - i.e., the fair value of the consideration given (in case of an asset) or received (in case of a liability) for the financial instrument.

Classification and Subsequent Measurement

The Company classifies its financial assets in the following categories: financial assets at FVPL, HTM investments, loans and receivables, and AFS financial assets. The Company classifies its financial liabilities as either financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at the end of each reporting period. As at December 31, 2024 and 2023, the Company did not have any financial liabilities at fair value and financial instruments at fair value, respectively.

Financial instruments issued by the Company are classified as a financial liability or equity in accordance with the substance of the contractual arrangement. Any interest, dividends, and realized and unrealized gains and losses from financial instruments or component considered as a financial liability are recognized in profit or loss for the period. On the other hand, distributions to holders of financial instruments classified as equity are treated as owner-related and thus charged directly to retained earnings.

As at December 31, 2024 and 2023, the Company did not issue any financial instruments classified as equity.

A more detailed description of the financial assets held by the Company is as follows:

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as financial assets at FVPL, AFS financial assets or HTM investments.

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on the acquisition and fees that are integral part of the effective interest rate (EIR). Loans and receivables that are perpetual and that have either a fixed or a market-based variable rate of interest are measured at cost.

Any interest earned on loans and receivables is recognized in profit or loss on an accrual basis. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired.

The Company's financial assets categorized as loans and receivables consist of cash and cash equivalents, insurance receivables and loans, security and deposit fund presented under "Other assets" and receivables.

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less while, short-term placements have maturities of more than three months to less than a year. Cash and cash equivalents and short-term placements are subject to an insignificant risk of changes in value.

HTM
HTM investments are non-derivative financial assets with fixed and determinable payments and a fixed maturity that the Company has the positive intention and ability to hold to maturity other than those that: (1) the Company designates on initial recognition as at FVPL, (2) the Company designates as AFS financial assets and (3) those financial assets that meet the definition of loans and receivables. HTM investments are initially measured at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method, less any impairment in value. The amortization of premiums and discounts and any impairment losses during the year are recognized in profit or loss.

AFS Financial Assets
AFS financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other financial asset categories. These financial assets are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. These include debt and equity securities.

Subsequent to initial recognition, AFS financial assets are measured at fair value. Fair value changes are recognized in other comprehensive income. Cumulative change in the fair value is presented as "Revaluation reserve on AFS financial assets". Impairment losses and foreign exchange gains and losses on AFS debt instruments are recognized in profit or loss as they arise.

When the relevant asset is derecognized, on sale or other disposal, or is impaired, the cumulative fair value changes recognized in other comprehensive income are reclassified from equity to profit or loss. For a partial disposal, a proportionate share of the fair value gains and losses previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Such gains and losses include all fair value changes until the date of disposal.

The Company's listed and unquoted equity securities are classified under this category.

Financial Instruments at FVPL
This category consists of financial instruments that are held-for-trading or designated by management on initial recognition. Financial instruments at FVPL are recorded in the statement of financial position at fair value.

These are allowed to be designated by management on initial recognition in this category when any of the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis; or
- these are part of a group of financial assets, financial liabilities or both which are managed, and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or, it is clear, with little or no analysis, that it would not be bifurcated.

As at December 31, 2024 and 2023, the Company's financial asset designated by management as financial instruments at FVPL include unit investment trust funds.

Impairment of Financial Assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or group of financial assets may be impaired. A financial asset or a group of financial assets is impaired and impairment loss is incurred if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (loss event) and that loss event(s) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

AFS Financial Assets Carried at Fair Value

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

In the case of AFS debt securities, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Interest continues to be accrued at the EIR on the reduced carrying amount of the asset and is recognized in profit or loss. If, in a subsequent year, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss to the extent that the resulting carrying amount of the security does not exceed its carrying amount had no impairment loss been recognized.

For a partial disposal, a proportionate share of the fair value gains and losses previously recognized in other comprehensive income is reclassified from equity account to profit or loss. Such gains and losses include all fair value changes until the date of disposal.

Gains (losses) on sale of AFS financial assets and impairment losses are reclassified from accumulated other comprehensive income to net gains (losses) on AFS financial assets.

Loans and Receivables and HTM Investments
For financial assets carried at amortized cost such as loans and receivables and HTM investments, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If no objective evidence of impairment has been identified for a particular financial asset that was individually assessed, the Company includes the asset as part of a group of financial assets with similar credit risk characteristics and collectively assesses the group for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in the collective impairment assessment.

Evidence of impairment for specific impairment purposes may include indications that a borrower or a group of borrowers is experiencing financial difficulty, default or delinquency in principal or interest payments, or may enter into bankruptcy or other form of financial reorganization intended to alleviate the financial condition of the borrower. For collective impairment purposes, evidence of impairment may include observable data on existing economic conditions or industry-wide developments indicating that there is a measurable decrease in the estimated future cash flows of the related assets.

If there is objective evidence of impairment, the amount of loss is measured 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 EIR (i.e., the EIR computed at initial recognition). Time value is generally not considered when the effect of discounting the cash flows is not material. If an asset has a variable rate, the discount rate for measuring any impairment loss is the current EIR, adjusted for the original credit risk premium. For collective impairment purposes, impairment losses are computed based on their respective default and historical loss experience.

The carrying amounts of the loans and receivables and HTM investments shall be reduced either directly or through the use of an allowance account. The impairment losses for the period shall be recognized in profit or loss. If, in a subsequent period, the amount of the impairment losses decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of impairment losses is recognized in profit or loss, to the extent that the carrying amounts of the loans and receivables and HTM investments do not exceed their amortized cost at the reversal date.

Where loans and receivables have been ascertained to be worthless, the related amount is written-off against the corresponding allowance for impairment.

Financial Liabilities
Issued financial instruments or their components, which are not classified as FVPL, are classified as other financial liabilities, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial instrument to the holder or lender, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial assets.

Subsequent to initial measurement, these financial liabilities are carried at amortized cost using the effective interest method, less any impairment losses. Amortized cost is calculated by taking into account any discount or premium on the acquisition and fees and costs that are an integral part of the EIR of the liability. The amortization is recognized in profit or loss.

Included in this category are claims reported under "Insurance contract liabilities", insurance payable, commission payable, lease liabilities and other payables (excluding amounts payable to government agencies).

Fair Value Measurements

Fair Value Hierarchy

All assets and liabilities for which fair value is measured or disclosed in the separate financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

For assets and liabilities that are recognized in the separate financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For purposes of the fair value disclosure, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

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

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

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