



SECURITIES AND EXCHANGE COMMISSION

Secretariat Building, PICC Complex, Roxas Boulevard, Pasay City, 1307 Metro Manila Philippines

Tel: (632) 818-0921 Fax: (632) 818-5293 Email: mis@sec.gov.ph



The following document has been received:

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Receipt Date and Time: May 15, 2025 02:10:30 PM

Company Information

SEC Registration No.: 0000000004

Company Name: PACIFIC UNION INSURANCE COMPANY

Industry Classification: 00000

Company Type: Stock Corporation

Document Information

Document ID: OST10515202583337182

Document Type: Financial Statement

Document Code: FS

Period Covered: December 31, 2024

Submission Type: Annual

Remarks: None

Acceptance of this document is subject to review of forms and contents

COVER SHEET FOR AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

[illegible]**PRINCIPAL PLACE** *(No./Street/Barangay/City/Town/Province)*[illegible]

Form Type

	A	F	S	
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

	N	A	
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COMPANY INFORMATION

Company's Email Address

admin@puicinsurance.com

Company's Telephone Number/s

(02) 8845-1033

Mobile NumberNA**No. of Stockholders**

29

**Annual Meeting
Month/Day**

2ND FRIDAY OF MAY

Fiscal Year
Month/Day

DECEMBER 31

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Email Address

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Telephone Number

Mobile Number

CONTACT PERSON'S ADDRESS

CONTACT PERSON ADDRESS

Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

Note 2: All boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

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Hi PACIFIC UNION INSURANCE COMPANY,

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Transaction Code: **AFS-0-MQQVV1ZZ0Q3T2VZVNPMV1TSRM0QMYYT33P**
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Company TIN: **000-484-676**

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PACIFIC UNION INSURANCE COMPANY

AUDITED FINANCIAL STATEMENTS

December 31, 2024 and 2023

and

Report of Independent Auditors



MAM & Co.

M. A. MERCADO & Co.
Certified Public Accountants
2109 Cityland 10 Tower 1
156 H.V. Dela Costa Street Cor.
6815 Ayala Avenue North
1226 Makati City, Philippines

Phone: +63 (2) 8894-5783
+63 (2) 8893-1509
Fax: +63 (2) 8894-4793
E-mail: mercado_cpa@yahoo.com
Website: mamercado.com

REPORT OF INDEPENDENT AUDITORS

The Stockholders and the Board of Directors
Pacific Union Insurance Company
Unit 2401 Antel Corporate Center
121 Valero Street, Salcedo Village
Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Pacific Union Insurance Company ("the Company"), which comprise the statements of financial position as at December 31, 2024 and 2023, and the statements of profit or loss and other 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 Pacific Union Insurance 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).

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, 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.



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



MAM & Co.

Assurance • Tax Advisory • Business Process

Report on the Supplementary Information Required Under Revenue Regulation No. 15-2010 of the Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulation No. 15-2010 in Note 34 to the financial statements is presented for the purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

M. A. MERCADO & CO.


MARCELINO A. MERCADO
Partner

CPA License No. 066885

Tax Identification No. 102-921-222

P.T.R No. 10471448; Issued on January 9, 2025, Makati City

BOA Accreditation No. 5658 / P-001

Issued on December 19, 2023; Valid until November 20, 2026

SEC Accreditation No. 66885 - SEC (Group B)

Issued on January 25, 2022

Valid until 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-006173-001-2025

Issued on March 12, 2025; Valid until March 12, 2028

IC Accreditation No. 66885-IC (Group A)

Issued January 26, 2021

Valid until 2024 financial statements of IC covered institutions

Firm's BOA/PRC Cert. of Reg. No. 5658

Issued December 19, 2023; Valid until November 20, 2026

Firm's SEC Accreditation No. 5658 – SEC (Group B)

Issued on January 25, 2022

Valid until 2025 financial statements of SEC covered institutions

Firm's BIR Accreditation No. 08-006173-000-2021

Issued March 5, 2024; Valid until March 4, 2027

Firm's IC Accreditation No. 5658-IC (Group A)

Issued January 26, 2021

Valid until 2024 financial statements of IC covered institutions

April 30, 2025

Makati City

PACIFIC UNION INSURANCE COMPANY
Supplementary Schedule of External Auditor Fee-Related Information
December 31, 2024

	Current Year	Prior Year
Total Audit Fees (Section 2.1a)	363,000.00	322,575.00
Non-audit service fees:		
Other Assurance services	-	-
Tax Services	-	-
All other Services	-	-
Total Non-audit Fees (Section 2.1b)	-	-
Total Audit and Non-audit Fees	363,000.00	322,575.00

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

Securities and Exchange Commission
The SEC Headquarters
7907 Makati Avenue, Salcedo Village
Barangay Bel-Air, Makati City

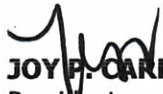
The Management of Pacific Union Insurance Company (the 'Company') is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2024 and 2023, in accordance with the prescribed financial reporting framework indicated therein, 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 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.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein and submits the same to the shareholders.

M. A. Mercado & Co., CPAs, the independent auditors appointed by the Board of Directors, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in their reports to the Management, has expressed their opinion on the fairness of presentation upon completion of such audit.


JOY P. CARLOS
President


JAN ADRIAN D. PADIERNOS
Chief Operating Officer


MAY P. CARANDANG
Treasurer

Signed this 30th day of April 2025

CONTACT US

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admin@PUICinsurance.com
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HEAD OFFICE

U2401 Antel Corporate Centre,
121 Valero St, Salcedo Village, Makati, PH 1227



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PACIFIC UNION INSURANCE COMPANY
STATEMENTS OF FINANCIAL POSITION

				December 31
				2023
				(as restated, see Note 33)
	Notes	2024		
ASSETS				
Cash and cash equivalents	6	P 914,164,803	P	966,260,008
Short-term investments	7	5,277,743		2,781,140
Insurance receivables	8	648,671,704		546,168,818
Financial assets				
Equity securities at FVOCI	9	16,461,908		14,212,629
Debt securities at amortized costs	9	383,408,196		372,535,145
Other receivables	9	14,500,366		10,932,199
Reinsurance assets	10,15	430,097,847		274,984,436
Property and equipment-net	11	268,043,130		228,887,091
Investment properties	12	547,719,689		386,091,550
Deferred acquisition costs	13	105,790,700		68,521,865
Deferred tax assets, net	24	-		35,891,873
Other assets	14	28,237,339		36,505,151
		P 3,362,373,425	P	2,943,771,905
LIABILITIES AND EQUITY				
Liabilities				
Insurance contract liabilities	15	P 877,705,784	P	707,606,656
Due to reinsurers	16	130,008,451		136,050,782
Accounts payable and other current liabilities	17	305,647,852		169,709,168
Deferred reinsurance commission	13	70,259,617		73,278,970
Retirement liability	19	14,575,862		12,903,978
Income tax payable	2	934,633		509,471
Lease liabilities	18	6,429,318		6,051,617
Deferred tax liabilities, net	24	30,886,291		-
		1,436,447,808		1,106,110,642
Equity				
Share capital	20	1,325,000,000		1,300,000,000
Contingency surplus	20	266,461,414		266,461,414
Retained earnings		305,257,435		257,114,672
Net changes in financial assets at FVOCI	9	(1,294,162)		(1,298,496)
Remeasurement gains on defined benefit obligation	19	2,474,707		2,474,707
Revaluation increment on property and equipment	11	28,026,223		12,908,966
		1,925,925,617		1,837,661,263
		P 3,362,373,425	P	2,943,771,905

See Accompanying Notes to Financial Statements.

PACIFIC UNION INSURANCE COMPANY
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Years Ended December 31	
		2024	2023 (as restated, see Note 33)
	Notes		
UNDERWRITING INCOME			
Direct premiums	30	P 1,399,380,504	P 1,097,733,456
Add: Premiums assumed	30	41,729,165	39,282,423
Gross premiums		1,441,109,669	1,137,015,879
Less: Premiums ceded	30	412,050,425	252,151,764
Net premiums retained		1,029,059,244	884,864,115
Less: Premiums reserve for the year		347,734,587	368,356,420
Gross premiums on net retained		681,324,657	516,507,695
Add: Premiums released from reserve		368,356,420	259,461,922
Premiums earned		1,049,681,077	775,969,617
Commissions earned	13	142,364,218	156,634,214
GROSS UNDERWRITING INCOME		1,192,045,295	932,603,831
UNDERWRITING EXPENSES			
Agents' commissions and expenses	13	168,134,854	103,219,351
Claims, losses paid and adjustment expenses		100,467,183	61,299,340
Other underwriting expense	21	500,781,219	498,734,793
TOTAL UNDERWRITING EXPENSES		769,383,256	663,253,484
NET UNDERWRITING INCOME		422,662,039	269,350,347
OTHER INCOME (EXPENSES)			
General and administrative expenses	22	(385,825,535)	(260,031,617)
Unrealized loss on foreign exchange	6,9	(4,764)	(4,438,947)
Fair value gain from investment properties	12	33,371,450	-
(Provision for) recovery from expected credit losses	8	(3,084,660)	7,479,157
Rental income	12	9,130,587	3,298,351
Interest income	23	35,447,269	39,666,086
		(310,965,653)	(214,026,970)
INCOME BEFORE INCOME TAX		111,696,386	55,323,377
PROVISION FOR INCOME TAX	24	(71,670,492)	899,875
NET INCOME		40,025,894	56,223,252
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Actuarial gain on defined benefit obligation	19	-	995,604
Net fair value gain (loss) on financial assets at FVOCI	9	4,334	(2,951)
Net revaluation increase on property and equipment	11	24,961,367	-
		24,965,701	992,653
TOTAL COMPREHENSIVE INCOME		P 64,991,595	P 57,215,905
EARNINGS PER SHARE			
Basic and diluted	25	P 3.07	P 4.32

See Accompanying Notes to Financial Statements.

PACIFIC UNION INSURANCE COMPANY
STATEMENTS OF CHANGES IN EQUITY

	Year Ended December 31, 2024									
	Share Capital (Note 20)	Contingency Surplus (Note 20)	Retained Earnings	Net Changes in Financial Assets at FVOCI/AFS (Note 9)	Net Remeasurement Gains on Defined Benefit Obligation (Note 19)	Revaluation Increment on Property and Equipment (Note 11)	Total Equity			
As at January 1, 2024, Period period adjustment (Note 33)	P 1,300,000,000	P 266,461,414	P 312,073,900	P (1,298,496)	P 2,474,707	P 12,908,966	P 1,892,620,491	(54,959,228)		
As at January 1, 2024, as restated	P 1,300,000,000	P 266,461,414	P 257,114,672	P (1,298,496)	P 2,474,707	P 12,908,966	P 1,837,661,263			
Additional subscription of share capital (Note 20)	25,000,000	-	40,025,894	-	-	-	25,000,000	40,025,894		
Net income	-	-	-	-	-	-	-	-		
Other comprehensive income (loss)	-	-	-	4,334	-	-	4,334	-		
Fair value gain on equity investment at FVOCI	-	-	-	-	-	24,961,367	24,961,367	-		
Revaluation gain on property and equipment	-	-	5,181,725	-	-	(6,908,966)	(1,727,241)	-		
Transfer of appraisal surplus from property and equipment to investment properties	-	-	-	-	-	-	-	-		
Transfer of portion of revaluation increment on property and equipment realized through depreciation	-	-	2,935,144	-	-	(2,935,144)	-	-		
As at December 31, 2024	P 1,325,000,000	P 266,461,414	P 305,257,435	P (1,294,162)	P 2,474,707	P 28,026,223	P 1,925,925,617	-		

Year Ended December 31, 2023									
	Share Capital (Note 20)	Contingency Surplus (Note 20)	Retained Earnings	Net Changes in Financial Assets at FVOCI/AFS (Note 9)	Net Remeasurement Gains on Defined Benefit Liability (Note 19)	Revaluation Increment on Property and Equipment (Note 11)	Total Equity		
As at January 1, 2023 Period period adjustment (Note 33)	P 1,300,000,000	P 266,461,414	P 244,684,225	P (1,295,545)	P 1,479,103	P 3,905,465	P 1,815,234,662	(34,929,635)	
As at January 1, 2023, as restated	P 1,300,000,000	P 266,461,414	P 209,754,590	P (1,295,545)	P 1,479,103	P 3,905,465	P 1,780,305,027	56,223,252	
Net income	-	-	56,223,252	-	-	-	-	-	
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	
Actuarial gain on defined benefit obligation	-	-	-	(2,951)	995,604	-	995,604	(2,951)	
Fair value loss on equity investment at FVOCI	-	-	-	-	-	-	-	-	
Transfer of appraisal surplus from investment properties to property and equipment previously recognized in profit or loss	-	-	(9,424,495)	-	-	9,424,495	-	-	
Transfer of portion of revaluation increment on property and equipment realized through depreciation	-	-	561,325	-	-	(420,994)	140,331	-	
As at December 31, 2023	P 1,300,000,000	P 266,461,414	P 257,114,672	P (1,298,496)	P 2,474,707	P 12,908,966	P 1,837,661,263	-	

See Accompanying Notes to Financial Statements.

PACIFIC UNION INSURANCE COMPANY
STATEMENTS OF CASH FLOWS

Years Ended December 31			
		2024	2023 (as restated, see Note 33)
	Notes		
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		P 111,696,386	P 55,323,377
Adjustments for:			
(Recovery from) Provision for expected credit losses	8	3,084,660	(7,479,157)
Fair value gain from investment properties	12	(33,371,450)	-
Unrealized loss on foreign exchange	6,9	4,764	4,438,947
Retirement expense	19	1,671,884	1,605,367
Depreciation and amortization	11,14	25,330,113	23,563,047
Interest income	23	(35,447,269)	(39,666,086)
Interest expense on lease liabilities	18,22	420,150	403,959
Operating income before working capital changes		73,389,238	38,189,454
Changes in operating assets and liabilities			
Decrease (increase) in:			
Short-term investments	7	(2,496,603)	1,591,553
Insurance receivables	8	(105,587,546)	159,558,247
Reinsurance assets	10	(155,113,411)	2,175,637
Other receivables	9	-	30,000,000
Deferred acquisition costs	13	(37,268,835)	8,453,298
Other assets	14	4,644,528	23,195,359
Increase (decrease) in:			
Insurance contract liabilities	15	170,099,126	84,244,623
Due to reinsurers	16	(6,042,331)	7,686,593
Deferred reinsurance commission		(3,019,353)	26,706,124
Accounts payable and other current liabilities	17	135,938,684	15,825,695
Cash generated from operations		74,543,497	397,626,583
Income tax paid		(15,315,175)	(14,625,502)
Interest income received		17,348,262	19,613,494
Net cash provided by operating activities		76,576,584	402,614,574
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of debt securities at amortized cost	9	246,895,000	285,794,144
Additions to:			
Debt securities at amortized cost	9	(247,200,171)	(237,669,754)
Equity securities at FVOCI	9	(2,243,500)	(4,500,000)
Property and equipment	11	(93,593,217)	(25,231,274)
Investment properties	12	(52,830,189)	(114,257,550)
Computer software	14	-	(6,429,640)
Net cash used in investing activities		(148,972,077)	(102,294,074)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from additional subscribed capital	20	25,000,000	-
Payment of lease liability	18,22	(4,685,600)	(6,049,272)
Net cash provided by (used in) financing activities		20,314,400	(6,049,272)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(52,081,093)	294,271,228
EFFECT OF FOREIGN EXCHANGE IN CASH AND CASH EQUIVALENTS	6	(14,113)	(142,626)
CASH AND CASH EQUIVALENTS, JANUARY 1	6	966,260,008	672,131,406
CASH AND CASH EQUIVALENTS, DECEMBER 31	6	P 914,164,803	P 966,260,008

See Accompanying Notes to Financial Statements.

PACIFIC UNION INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

1. General Information

Pacific Union Insurance Company (the Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on June 25, 1945 and started its commercial operations on July 21, 1945.

The Company's primary purpose is to engage in the business of insurance, reinsurance, bonding, fidelity and guaranty in any and all branches except life insurance, and to act as agent of other insurance or surety companies, in any of their branches of insurance including life and to do and perform all such acts and things as may be necessary, expedient or convenient to carry out the purposes intended by the organization of the corporation and not inconsistent with law.

The registered office address of the Company is at Unit 2401 Antel Corporate Centre, 121 Valero Street, Salcedo Village, Makati City.

Authorization for the Issuance of the Financial Statements

The accompanying financial statements were authorized for issue by the Board of Directors (BOD) on April 30, 2025.

2. Basis of Preparation

Statement of Compliance

The Company's financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Financial Statements Preparation

The financial statements of the Company have been prepared under the historical cost convention method except for financial assets at fair value through other comprehensive income (FVOCI), available-for-sale (AFS) financial assets, investment properties, and certain property and equipment that have been measured at fair value. The financial statements are presented in Philippine Peso (₱), which is the Company's functional and presentation currency. All financial information is rounded off to the nearest peso, except when otherwise indicated.

3. Changes in Accounting Policies

Adoption of New and Amended Standards

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective beginning January 1, 2024. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*.

The amendments clarify:

- That only covenants with which entity must comply on or before financial reporting date will affect a liability's classification as current or noncurrent.
- The classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The adoption of this amendment did not have a material impact on the Company's Financial Statements.

- Amendments to PFRS 16, *Lease*

In September 2022, the IASB issued amendments to IFRS 16, *Leases* to add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15, *Revenue Contracts with Customers* to be accounted for as a sale. The amendments require the 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 adoption of this amendment did not have material impact on the Company's Financial Statements.

- Amendments to PAS 7 and PFRS 7, *Financial Instruments: Disclosures – Supplier Finance Arrangements*

The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The adoption of this amendment did not have material impact on the Company's Financial Statements.

Issued but not yet Effective

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

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

PFRS 17 was issued in May 2017 as replacement for PFRS 4, *"Insurance Contracts"*. PFRS 17 represents a fundamental change in the accounting framework for insurance contracts requiring liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. It requires a current measurement model where estimates are remeasured each reporting period. Contracts are measured using the building blocks of (1) discounted probability-weighted cash flows, (2) an explicit risk adjustment, and (3) a contractual service margin ("CSM") representing the unearned profit of the contract which is recognized as revenue over the coverage period. The standard allows a choice between recognizing changes in discount rates either in the income statement or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under PFRS 9, *"Financial instruments"*. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

On March 17, 2020, the IASB has decided to further defer the effective date of the standard to annual reporting periods beginning on or after January 1, 2023. Taking into consideration the implications of the pandemic, the IC recognizes that the insurance industry has to realign its priority programs and focus on modifying its business operations under a new normal. The IC sees the need to support the insurance industry and hence, it delays full implementation of the standard to January 1, 2025, two (2) years after IASB's implementation in 2023.

On March 10, 2025, the IC issued circular letter no. 2025-04, further extending the full implementation of PFRS 17 to January 1, 2027. However, companies are allowed to adopt PFRS 17 beginning January 1, 2025.

The Company is in the process of ensuring the operating-readiness for the upcoming standard. However, it is deemed not practicable to reliably quantify its financial effect as at the reporting date.

- Amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*

On August 15, 2023, the International Accounting Standards Board (IASB) issued Law of Exchangeability which amended IAS 21, *the Effects of Changes in Foreign Exchange Rates (the Amendments)*. The Amendments introduce requirements to assess when a currency is exchangeable into another currency and when it is not. The Amendments require an entity to estimate the spot exchange rate when it concludes that a currency is not exchangeable into another currency.

The Company is currently assessing the impact of adoption of these amendments.

Effective beginning on or after January 1, 2026

- Amendments to PFRS 9, *Lessee Derecognition of Lease Liabilities and Transaction Price*

The IASB's amendments remove the conflict between IFRS 9 and IFRS 15 over the amount at which a trade receivable is initially measured. Under IFRS 15, a trade receivable may be recognized at an amount that differs from the transaction price – e.g., when the transaction price is variable. Conversely, IFRS 9 requires that companies initially measure trade receivables without a significant financing component at the transaction price. The IASB has amended IFRS 9 to require company initially measure a trade receivable without a significant financing component at the amount determined by applying IFRS 15.

The Company is currently assessing the impact of adoption of these amendments.

- Amendments to PFRS 10, *Determination of a "De Facto Agent"*

Amends paragraph B74 of IFRS 10, *Consolidated Financial Statements* to use less conclusive language and to clarify that the relationship described in paragraph B74 is just one example of a circumstance in which judgment is required to determine whether a party is acting as a de facto agent.

The amendment has no material impact on the Company's Financial Statements.

- Amendments to PAS 7, *Cost Method*

Amends paragraph 37 of IAS 7 to replace the term 'cost method with 'at cost'.

The amendment has no material impact on the Company's Financial Statements.

- Annual Improvements to PFRS Accounting Standards – Volume 11
 - Amendments to PFRS 1, *Hedge Accounting by a First-time Adopter*

The amendments modified paragraphs B5-B6 of IFRS 1:

- to improve consistency with the requirements in IFRS 9, *Financial Instruments*, and
- to add cross-reference to improve understandability of IFRS 1.

The amendment has no material impact on the Company's Financial Statements.

- Amendments to PFRS 7, *Gain on Loss on Derecognition*

The amendments modified paragraph B38 of IFRS 7:

- to replace an obsolete reference to paragraph 27A of IFRS with a reference to paragraphs 72-73 of IFRS 13, *Fair Value Measurement*, and
- to replace the phrase 'inputs that were not based on observable market data' with 'unobservable inputs' to make the wording consistent with the wording in paragraph 72 of IFRS 13.

The amendment has no material impact on the Company's Financial Statements.

- Amendments to PFRS 9 and PFRS 7, *Financial Instruments: Disclosures*

In May 2024, the IASB issued amendments to IFRS 9 and IFRS 7, *Financial Instruments: Disclosures* which clarify the derecognition of a financial liability settled through electronic transfer and introduces an accounting policy option to derecognize a financial liability settled through electronic transfer before the settlement date, if specific criteria are met. The amendments additionally clarify the classification of financial assets with environmental, social and corporate governance and similar features and also required additional disclosures for certain financial instruments. The amendments are to be applied retrospectively.

The Company is currently assessing the impact of adoption of these amendments.

Effective beginning on or after January 1, 2027

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

In April 2024, the IASB issued IFRS 18, *Presentation and Disclosure in the Financial Statements* which replaces IAS 1, *Presentation of Financial Statements*. IFRS 18 introduces new requirements on presentation within the statement of profit or loss, disclosure of management defined performance measures, and principles for aggregation and disaggregation of financial information in the financial statements and the notes. IFRS 18 is to be applied retrospectively.

The Company is currently assessing the impact of adopting this standard on its financial statements.

- PFRS 19, *Subsidiaries without Public Accountability*

PFRS 19 specifies reduced disclosure requirements that an eligible entity is permitted to apply instead of the disclosure requirements in other PFRS Accounting Standards.

The amendment has no material impact on the Company's Financial Statements.

Deferred effectivity

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

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

On January 13, 2016, the Financial Reporting Standards Council (FRSC) deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity

accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The amendments have not material impact on the Company's Financial Statements since the Company is not an investment entity or does it have an investment in associate.

The Company continues to assess the impact of the above new and amended accounting standards and interpretations when these become effective. Additional disclosures required by these amendments will be included in the financial statements when these amendments are adopted.

4. Summary of Material Accounting Policies

The material accounting policies adopted in the preparation of the financial statements are summarized below:

Product Classification

Insurance contracts

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

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or has expired.

Contract classification

The Company issues insurance contracts categorized as casualty insurance, property insurance, short duration accident, and suretyship. Sub-classifications are: (i) Fire and Allied Perils; (ii) Marine Cargo; (iii) Bonds/Suretyship; (iv) Motor CMVL; (v) Motor OD (Other than CMVL); (vi) Personal accident; (vii) Engineering and other risks.

Casualty insurance contract protects the assured against the risk causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. Property insurance contract mainly compensates the Company's assured for damages suffered to their properties or for the value of property lost. Short-duration accident insurance policy protects the assured from the consequences of events such as death or disability in connection with a specific travel whether for business or pleasure. Short-duration accident insurance covers also apply to insurance of goods or equipment while being transported from point of origin to point of destination under special risks or marine cargo insurance contract. Suretyship insurance contract is not a contract of indemnity, but a contract of guarantee it protect the Company's assured and their investments from loss when entering into a bond this includes bid bond, performance bond, surety bond, guarantee bond, fidelity bond and judicial and heirs' bond.

Cash and Cash Equivalents

Cash includes petty cash fund, cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of placement and that are subject to an insignificant risk of change in value.

Short-term Investments

Placements in time deposits and other money market instruments with original maturities of more than three months but less than one year are classified as short-term investments.

Fair Value Measurement

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

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

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

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

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level of input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level of input that is significant to the fair value measurement is unobservable.

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

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

Financial Instruments

A financial instrument is any contract that gives rise to financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL and financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if these were acquired for the purpose of selling or repurchasing in the near term. Financial assets at FVTPL are measured at fair value. Changes in fair values are recognized in the statement of comprehensive income.

Financial assets at FVOCI (equity instruments)

Upon initial recognition, the Company can elect to irrevocably classify its equity investment as equity instruments designated at FVOCI when these meet the definition of equity under Philippine

Accounting Standard (PAS) 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined by instrument level.

Gains and losses on these financial assets are never recycled to the statement of comprehensive income. Dividends are recognized as income in the statement of comprehensive income when the right of payment is established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

Financial assets at amortized cost

The Company measured financial assets at amortized cost when:

- The financial asset is held within a business model with the objective to hold these and collect contractual cash flow; and,
- The contractual term of the financial assets give rise, on specific dates, to cash flows that are SPPI.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in the statement of comprehensive income when the asset is derecognized, modified and impaired.

The Company's investment securities at amortized cost include cash and cash equivalents, short-term investments, insurance receivables, debt securities at amortized costs, other receivables, and rental deposits under 'other assets'.

Financial assets or financial liabilities at FVTPL

This category consists of financial assets or financial liabilities that are held-for-trading or designated by management as at FVTPL on initial recognition.

Financial assets or financial liabilities designated by management as at FVTPL are designated as such on initial recognition 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 liabilities or recognizing gains or losses on them on a different basis;
- The assets and liabilities 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 would not be separated.

Financial assets or financial liabilities are initially recorded at fair value. Subsequent to initial recognition, these instruments are re-measured at fair value. Fair value adjustments and realized gains and losses are recognized as 'fair value gains (losses) at FVTPL' under other income in the statement of comprehensive income.

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

This accounting policy related to the statement of financial position captions 'Cash and cash equivalents', 'Short-term investments', 'Insurance receivables', and 'Other receivables'.

Other financial liabilities

Issued financial liabilities or their components not designated as financial liabilities at FVTPL are classified as other financial liabilities. The substance of such contractual arrangements result in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that form an integral part of the effective interest rate. Any effects of restatement of foreign currency-denominated liabilities are recognized in the statement of comprehensive income.

This accounting policy related to the statement of financial position captions 'Insurance payables', 'Accounts and other payable', and 'Notes payable' that meet the above definition (other than liabilities covered by other accounting standards, such as pension liability and income tax payable).

Impairment of Financial Assets

The Company recognizes an allowance for expected credit losses (ECLs) for all loans and other debt financial assets not classified as at FVTPL, together with loan commitments and financial guarantee contracts.

Expected credit loss methodology

ECL represent credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances will be measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experience a significant increase in credit risk since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that result from all possible default events over the expected life of a financial instrument. In comparison, the previous incurred loss model recognizes lifetime credit losses only when there is objective evidence of impairment.

PFRS 9 also allows the use of the loss rate approach in estimating ECL in cases where no complex portfolio is present for an entity. As a result, the Company applies the simplified approach wherein ECL allowances will be measured at an amount equal to lifetime ECL. The assessment of SICR that is solely based on the change in the risk of default is not applied under the loss rate approach and the loss rate based on historical trend is adjusted for current conditions and expectations over the future using the overlay.

The Company applies the simplified approach in its 'Insurance receivables' and applies general approach for the related debt investment securities which include 'Cash and cash equivalents', 'Short-term investment', and 'Investment securities at amortized cost'.

Significant increase in credit risk (SICR)

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Company's aging information, the borrower becomes past due for over 30 days. Further, the Company assumes that the credit risk of a financial asset, particularly on cash and equivalents, short-term investments and debt securities at amortized cost, has not increased significantly since origination if the financial asset is determined to have 'low credit risk' as of the reporting date. A financial asset is considered 'low credit risk' when it has an external rating equivalent to 'investment grade'.

In subsequent reporting periods, if the credit risk of the financial instrument improves such that that there is no longer a significant increase in credit risk since initial recognition, the Company shall revert to recognizing a 12-month ECL.

Staging assessment

For non-credit-impaired financial instruments:

- Stage 1 is comprised of all non-impaired debt financial assets which have not experienced a SICR since initial recognition. The Company recognizes a 12-month ECL for Stage 1 debt financial assets.
- Stage 2 is comprised of all non-impaired debt financial assets which have experienced a SICR since initial recognition. The Company recognizes a lifetime ECL for Stage 2 debt financial assets.

For credit-impairment financial instruments:

- Financial instruments are classified as Stage 3 when there is objective evidence of impairment.

ECL parameters and methodologies

For 'Cash and cash equivalents', 'Short-term investments' and 'Debt securities at amortized cost', the Company's calculation of ECL is a function of the probability of default (PD), loss given default (LGD) and exposure at default (EAD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experience credit judgment.

For 'Insurance receivables', the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The provision rates are based on days past due for groupings of various counterparty segments that have similar loss patterns (e.g. by intermediary, debtor). The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

Forward looking information

A range of economic overlays are considered and expert credit judgment is applied in determining the forward-looking inputs to the ECL calculation. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstance and forecast of economic conditions may also not be representative of customer's actual default in the future.

Write-offs

Financial assets are written off either partially or in their entirety only when the Company has stopped pursuing the recovery. Any subsequent recoveries are credited to 'Provision for impairment loss – net' in the statement of comprehensive income.

Classification of Financial Instruments Between Debt and Equity

A financial instrument is classified as debt, if it has a contractual obligation to:

- deliver cash or another financial asset to another entity, or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

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

Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realized the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

Derecognition of Financial Assets and Liabilities

Financial Asset

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

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

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

Financial liabilities

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

Insurance Receivables

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

Reinsurance

The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets include balances recoverable from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled loans associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence shows that the Company may not recover outstanding amounts due under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurers can be

measured reliably. The impairment loss is recorded in profit or loss. Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

The Company also assumes reinsurance risk in the normal course of business for insurance contracts. 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 reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

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

Reinsurance contracts that do not transfer significant risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognized based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using effective interest method.

Deferred Acquisition Costs (DAC) and Deferred Reinsurance Commissions (DRC)

Costs that vary with and are primarily related to the acquisition of new and renewal insurance contracts are deferred and charged against income using the 24th method. The unamortized acquisition costs are shown in the assets section of the statement of financial position as "Deferred acquisition costs." Reinsurance commissions are deferred and shown in the liabilities section of the statement of financial position as "Deferred reinsurance commissions," subject to the same amortization method as the related acquisition costs.

Property and Equipment

Items of property and equipment are stated at cost, except for land and building and improvements that are carried at appraised values, less accumulated depreciation and amortization and accumulated impairment losses, if any.

The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the profit or loss during the reporting period in which they are incurred. Valuations of land and building and building improvements are performed frequently to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any revaluation surplus is recognized in other comprehensive income and credited to the 'Revaluation Reserves' account in the statement of financial position. Any revaluation deficit directly offsetting previous surplus in the same asset is charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and the remaining deficit, if any, is recognized in profit or loss. Annually, an amount from the Revaluation Reserves is transferred to retained earnings for the related depreciation relating to the revaluation increment. Upon disposal of the revalued assets, amount included in Revaluation Reserves is transferred to retained earnings.

Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives of the property and equipment:

Leasehold improvements	3 years or the lease term (whichever is shorter)
Furniture, fixtures and equipment	5 years
Building units and improvements	20-25 years
Transportation equipment	5 years

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation, amortization and any impairment in value are removed from the accounts. Any resulting gain or loss is recognized in profit or loss.

Investment Properties

Investment properties are properties that are held to earn rentals or for capital appreciation or both. These are initially recognized as cost, including transaction costs and subsequently measured at fair value. The fair value of investment properties is determined by independent real estate valuation experts based on "market approach" which are based on recent real estate transactions with similar characteristics and location to those of the Company's properties. Gains or losses arising from changes in fair values of investment properties are included in profit or loss in the period in which they arise.

Investment properties are derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

Transfers are made to or from investment property only when there is change in use. For transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner's occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Impairment of Nonfinancial Assets

As at each date of financial position, the Company reviews the carrying amounts of its nonfinancial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimated of future cash flows have not been adjusted.

Insurance Contract Liabilities

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

Provision for unearned premium

The proportion of written premiums, gross of commissions payable to intermediaries, attributable to subsequent periods or to risks that have not yet expired is deferred as provision for unearned premiums or UPR. Provision for unearned premiums shall be calculated based on 24th method for all classes of business, on both gross and net of reinsurance basis. Policies with duration of less than one (1) year or more than one (1) year, unearned premium considered the actual unearned premium from the date of valuation to the date of termination of the policy. The portion of the premiums written that relate to the unexpired periods of the policies at the reporting date are accounted for as provision for unearned premium and presented as part of "Insurance contract liabilities" in the statement of financial position. The change in the provision for unearned premium is taken to profit or loss in the order that revenue is recognized over the period of risk. Further, provisions are made to cover claims under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

Provision for unexpired risk reserves

The amount required to cover future claims and expenses, at a designated level of confidence, are expected to emerge from an unexpired period of cover. Unexpired risk reserves (URR) shall be calculated as the best estimate of future claims and expenses for all classes of business plus Margin for Adverse Deviation (MfAD) to allow for inherent uncertainty of the best estimate.

Provision for unearned premiums presented as part of "Insurance contract liabilities" equal to UPR plus excess of computed URR as against UPR net of deferred acquisition cost (DAC).

Provision for claims reported by policyholders and incurred but not reported (IBNR) losses.

Outstanding claims provisions are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of which cannot be known with certainty at the end of each reporting date. The liability is not discounted for the time value of money.

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

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

Equity

Share capital is determined using the nominal value of shares that have been issued.

Contingency surplus represents contributions from shareholders to cover any deficiency in Margin of Solvency as required under the Insurance Code (Code).

Retained earnings include all current and prior period results as disclosed in the statements of profit or loss and other comprehensive income.

Other comprehensive income are items of income and expense that are not recognized in the profit or loss for the year in accordance with PFRS.

Revenue Recognition

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

The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Company concluded that it is acting as a principal in all of its revenue arrangements. The Company has no revenue within the scope of PFRS 15.

Revenue outside the scope of PFRS 15

Premiums. Premiums from short-duration insurance contracts are recognized as revenue over the period of the insurance contract using the 24th method, except for contracts covering marine cargo risks wherein the premiums written during the first ten months of the current year and the last two months of the preceding year are recognized as revenue in the current year. The portion of the premiums written that relates to the unexpired periods of the policies as the end of financial reporting date are accounted for as 'Reserve for Unearned Premiums' and presented in the liability

section of the statements of financial position. The related reinsurance premiums ceded that pertains to the unexpired periods at financial reporting dates are accounted for as 'Deferred Reinsurance Premiums' shown as part of the assets in the statements of financial position. The net changes in this account between ends of reporting dates are credited to or charged against income for the year.

Commission income. Commissions 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 relate to the unexpired periods of the policies at each reporting dates are accounted for as reinsurance commissions and presented in the liabilities section of the statement of financial position.

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

Dividend Income. Dividend income is recognized when the Company's right to receive the payment is established.

Other underwriting income. Other underwriting income from other sources, if any, is recognized when earned.

Cost and Expense Recognition

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

Commission expense. Commissions are recognized as expense over the period of the contracts using the 24th method. The portion of the commissions that relates to the unexpired periods of the policies at the end of the reporting date is accounted for as "Deferred acquisition costs".

Operating and other expenses. Operating and other expenses are recognized in profit or loss in the period these are incurred.

Leases

The Company as a Lessee

At the commencement date, the Company recognizes ROU assets and lease liabilities for all leases, except for leases with lease terms of 12 months or less (short-term leases) and leases for which the underlying asset is of low value in which case the lease payments associated with those leases are recognized as an expense on a straight-line basis.

Right-of-use Asset. The Company recognizes right-of-use asset at the commencement date of the lease. Right-of use assets are measured at cost, less any accumulated amortization and impairment losses, and adjusted for any remeasurement of lease liabilities. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use asset are amortized on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

Lease Liability. At commencement date, the Company measures a lease liability at the present value of future lease payments using the interest rate implicit in the lease, if that rate can be readily determined. Otherwise, the Company uses its incremental borrowing rate.

A lease liability is subsequently measured at amortized cost. Interest on the lease liability and any variable lease payments not included in the measurement of lease liability are recognized in profit or loss unless these are capitalized as costs of another asset.

The Company as a Lessor

Leases where the Company does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. In determining significant risks and benefits of ownership, the Company considers, among others, the significance of the lease term as compared with the EUL of the related asset. Rental income is recognized over the lease term on a straight-line basis, unless another systematic basis is more representative of the time pattern in which use benefit is derived.

Foreign Exchange Transactions

The functional and presentation currency of the Company is the Philippine Peso. Transactions in foreign currency are recorded in Philippine peso based on the exchange rate prevailing at the date in which the transaction took place. Foreign currency denominated monetary assets and liabilities of the Company are translated using the prevailing exchange rate at the end of the financial reporting date. Gain or losses arising from these transactions and translation are credited or charged to the statements of profit or loss and other comprehensive income.

Income Taxes

Current Tax. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted as at the date of financial position.

Deferred Tax. Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, the Company determines that no sufficient taxable profit will be available to utilize all or part of deferred tax asset, such is not recognized.

Employee Benefits

The Company provides short-term and post-employment benefits to employees through defined benefit obligations and other employee benefits.

The Company's defined benefit obligation covers all regular full-time employees. It is calculated annually by independent actuaries using projected unit credit method. The defined benefit obligation is not funded.

Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are based on terms similar to those offered to non-related parties.

Provision and Contingencies

Provisions are recognized when there is a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities are not recognized in the financial statements but they are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed in the notes to financial statements when an inflow of economic benefit is probable.

Earnings Per Share (EPS)

Basic EPS is computed by dividing net income for the year by the weighted average number of common shares issued and outstanding during the year, after giving retroactive effect to stock

dividends declared, stock rights exercised and stock split, if any, declared during the year. The Company does not have any potential dilutive common shares.

Events After the Reporting Date

Post year-end events that provide additional information about the Company's position at the statement of financial position date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed in the notes to the financial statements, when material.

5. Material Accounting Judgments and Estimates

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

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

Judgments

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

Product classification

The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. 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 are at least 10% more than the benefits payable if the insured event did not occur.

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

Determination of functional currency

Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency is determined to be the Philippine peso. It is the currency that mainly influences the sale of services and the cost of providing the services.

Distinction between investment properties and owner-occupied properties

The Company determines whether a property qualifies as investment properties. In making its judgment, the Company considers whether the property generates cash flows largely independent of the other assets held by the entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately at the reporting date, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Company considers each property separately in making its judgment (see Notes 11 and 12).

Classification of financial instruments

The Company classifies its financial assets depending on the business model for managing those financial assets and whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.

The Company performs the business model assessment based on observable factors such as:

- Performance of the business model and the financial assets held within that business model are evaluated and reported to the Company's key management personnel.
- Risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- Compensation of business units whether based on the fair value of the assets managed or on the contractual cash flows collected.
- Expected frequency, value and timing of sales.

In performing the SPPI test, the Company applies judgment and considers relevant factors such as currency in which the financial asset is denominated, the period for which the interest rate is set, contingent events that would change the amount and timing of cash flows, leverage features, prepayments and extension terms and other features that may modify the consideration for the time value of money.

Determination of fair value of financial instruments

The Company carries certain financial assets at fair value, which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Company utilized different valuation methodologies and assumptions. Any changes in fair values of these financial assets and financial liabilities would affect the equity.

The fair values of the Company's financial instruments are set out in Note 31 to the financial statements.

Estimates

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

Determination of insurance liabilities arising from insurance contracts

Provision is made at the reporting date for the estimated cost of claims incurred but not settled at the reporting date. The liability for outstanding claims includes the cost of claims reported but yet to be paid, claims incurred but not reported ('IBNR'), and the estimated expenses to be incurred in settling claims.

The process of establishing liability estimates is subject to considerable variability as it requires the use of informed estimates and judgments. These estimates and judgments are based on numerous factors and may be revised as additional experience becomes available or as regulations change. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims' exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is available. Classes of business which have a longer reporting tail and where the IBNR proportion of the total reserve is therefore high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty in estimating these liabilities. For the short-tailed classes, claims are typically reported soon after the claim event, and tend to display less variation. In calculating the required levels of provisions, the Company uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. In arriving at booked claims provisions, management also make allowance for changes

or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in patterns of claim incidence, reporting, processing, finalization and payment;
- changes in the legal environment;
- the impact of inflation (both economic/wage and superimposed);
- changes in the mix of business;
- the impact of large losses;
- movements in industry benchmarks;
- changes in policyholder behavior

The methods used to analyze past claim experience and to project future claim experience are largely determined by the available data and the nature of the portfolio. The projections given by the different methodologies assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

Large claims impacting each relevant business class are generally assessed separately, being measured on a case-by-case basis or projected separately in order to allow for the possible distortive effect of the development and incidence of these large claims. Outstanding claims are calculated gross of reinsurance. A separate estimate is made of the amounts recoverable from reinsurers and third parties under insurance contracts based on the gross outstanding claims provision. Future cash flows are not discounted for time value of money.

Valuation of insurance contract liabilities

The Company's Insurance contract liabilities are composed of premium and claim liabilities. Premium liabilities are the premium reserves while claim liabilities include outstanding claims reserve, claims handling expense, IBNR and MFAD.

The Company's premium and claims liabilities are ascertained by an independent actuary. In calculating the unexpired risk reserves (URR), the unearned premium reserves (UPR) were multiplied by the ultimate loss and loss adjustment expense (LAE) ratio adjusted for policy maintenance expenses. The ultimate loss and LAE ratio was derived from estimated the estimation of the claims liabilities supplemented by industry ratios. A loading of MFAD is then added to the undiscounted URR. The total URR is then compared with the total UPR net of deferred acquisition cost (DAC). If the URR is greater, the difference is taken as an additional premium liability on top of UPR.

IBNR losses are estimated separately by accident year for each line of business. To estimate IBNR losses, incurred losses are subtracted from estimated ultimate losses. Ultimate losses were selected using the following methods: Chain Ladder/Development Approach (IDA), the Paid Chain Ladder/Development Method (PDA), the Bornhuetter-Ferguson Incurred Approach (BFIA) and Bornhuetter-Ferguson Paid Approach (BFIA). In applying the various approaches, the loss development factors on the Company's historical loss experience supplemented with industry triangles were used as basis.

Margin for Adverse Deviation (MFAD) reflects the degree of uncertainty of the best estimate assumption. For claims liabilities, MFAD is estimated using the Stochastic Chain Ladder Method to bring actuarial estimate of the claims' liabilities at 75% level of sufficiency.

Additional qualitative judgments are used by the independent actuary to assess the extent to which full tail of the claims development is influenced by the different factors such as historical combined development triangle, portfolio mix and policy conditions.

As at December 31, 2024 and 2023, the carrying values of premium and claims liabilities are recognized under insurance contract liabilities in the statement of financial position (See Note 15).

Determination of retirement and other employee benefits

The present value of the retirement obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate and salary increase rate and any changes to assumptions will impact the carrying amount of retirement obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligations. In determining the appropriate discount rate, the Company considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related retirement obligation.

Other key assumptions for retirement obligations are based in part on current market conditions.

Provision for expected credit losses

Receivables from policyholders and reinsurers 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.

The Company uses a provision matrix to calculate ECLs for insurance receivables. The provision rates are based on days past due per policy. The provision matrix is initially based on the Company's historically observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimated are analyzed. The amount of ECL's is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's premium and reinsurance receivables is disclosed in Note 8.

The carrying value of insurance receivables and related allowance for ECL as of December 31, 2024 and 2023 are disclosed in Note 8.

Estimated useful lives of property and equipment and investment properties

The Company reviews annually the estimated useful lives of property and equipment based on the period over which the assets are expected to be available for use and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned.

The carrying values of property and equipment and investment properties, net of accumulated depreciation, amortization and impairment losses, if any, are presented in Notes 11 and 12.

Asset impairment

The Company assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- significant underperformance relative to the expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length

transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Company is required to make estimates and assumptions that can materially affect the financial statements.

No provision for impairment losses arising from non-financial assets was recognized in the Company's financial statements in 2024 and 2023.

Recognition of deferred income tax assets

The Company reviews the carrying amounts of the deferred income tax assets at the end of each reporting period and adjusts the balance of deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The Company's assessment on the recognition of deferred income tax assets on deductible temporary differences is based on the level and timing of forecasted taxable income of the subsequent reporting periods. This forecast is based on the Company's past results and future expectations on revenues and expenses as well as future tax planning strategies. However, there is no assurance that the Company will generate sufficient taxable income to allow all or part of the deferred income tax assets to be utilized.

The components and details of movements of deferred tax assets are disclosed in Note 24.

Retirement Benefit

The cost of defined benefit pension plan is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

The assumed discount rates were determined using the market yields on the Philippine government bonds with terms consistent with the expected employee benefit payout as of statements of financial position date.

Leases - Estimating Incremental Borrowing Rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The incremental borrowing rate therefore reflects what the Company "would have to pay", which requires estimation when no observable rates are available. The Company estimates the incremental borrowing rate using observable inputs (such as market interest rates).

Determination of contingencies

The estimate of the probable costs for the resolution of possible claims has been developed in consultation with outside counsel handling the Company's defense in these matters and is based upon an analysis of potential results. The Company is a party to certain lawsuits or claims arising from the ordinary course of business. However, the Company's management and legal counsel believed that the eventual liabilities under these lawsuits or claims, if any, will not have a material impact on the Company's financial statements. Accordingly, no provision for probable losses arising from contingencies was recognized in the Company's financial statements as at December 31, 2024 and 2023.

6. Cash and Cash Equivalents

This account consists of:

	2024	2023
Cash on hand and in banks	P 210,619,442	P 323,373,963
Cash equivalents	703,545,361	642,886,045
	P 914,164,803	P 966,260,008

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents are made for varying periods of up to three months or less and earn interest at the respective short-term deposit rates.

Cash equivalents consist of time deposits with annual interest rate ranging from 0.375% to 5.50% in 2024 and 0.375% to 5.00% in 2023.

The Company has United States dollar (US\$)-denominated cash and cash equivalents amounting to US\$262,446 and US\$129,032, respectively. In 2024 and 2023, the Company recognized unrealized loss on foreign exchange amounting to P14,113 and P142,626, respectively.

Total interest earned from cash in banks and cash equivalents amounted to P5,941,656 and P9,769,625 in 2024 and 2023, respectively (see Note 23).

7. Short-term Investments

Short – term investments consist of time deposits with maturity of more than three months but less than one year from date of placement amounting to P5,277,743 and P2,781,140 as at December 31, 2024 and 2023 with annual interest rate ranging from 1.25% to 3.8% in 2024 and 2023.

Interest income earned from these investments amounted to P58,652 and P66,783 in 2024 and 2023, respectively (see Note 23).

8. Insurance Receivables

This account consists of:

	2024	2023
Premiums receivables	P 464,735,853	P 364,266,617
Due from ceding companies and reinsurers	31,538,514	48,779,002
Reinsurance recoverable on losses	178,095,880	161,853,596
	674,370,247	574,899,215
Total allowance for expected credit losses	(25,698,543)	(28,730,397)
	P 648,671,704	P 546,168,818

Premium receivables have terms ranging from 30-90 days and do not bear any interest. All premium receivables are subject to credit risk exposure. However, the Company does not identify specific concentrations of credit risk with regard to premiums receivable as the amount recognized resemble a large number of receivables from various customers.

The Company utilizes reinsurance agreements to minimize its exposures to large losses in all aspect of its insurance business. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Company as direct insurer of the risk of the insured.

Due from ceding companies and reinsurance are balances due to the Company as a result of treaty acceptances and facultative acceptances from ceding companies.

Reinsurance recoverable on losses pertains to amounts recoverable from reinsurers under treaty agreements and facultative reinsurances in respect of claims by the Company.

Reinsurance recoverable on paid losses, due from ceding companies and funds held by ceding companies are noninterest-bearing term.

Movements of allowance for expected credit losses as at December 31, 2024 and 2023 are as follows:

	2024	2023
Balance, beginning of year	₱ 28,730,397	₱ 19,946,047
Effect of PFRS 9 adoption	-	16,263,507
Write-off	(6,116,514)	-
(Recovery from) provision for expected credit losses	3,084,660	(7,479,157)
Balance, end of year	₱ 25,698,543	₱ 28,730,397

In 2024, the Company wrote-off receivables amounting to ₱6,116,514.

9. Financial Assets

The Company's financial assets are summarized by measurement categories as follows:

	2024	2023
Equity securities at FVOCI	₱ 16,461,908	₱ 14,212,629
Debt securities at amortized costs	383,408,196	372,535,145
Other receivables	14,500,366	10,932,199
	₱ 414,370,470	₱ 397,679,973

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

Equity securities at FVOCI

This account consists of investments in:

	2024	2023
Proprietary club shares	₱ 16,446,040	₱ 14,202,540
Quoted equity securities	1,753,417	1,753,417
	18,199,457	15,955,957
Less: Allowance for impairment	(12,000)	(12,000)
Market value loss	(1,725,549)	(1,731,328)
	₱ 16,461,908	₱ 14,212,629

Investment in club shares, which are carried at cost, includes shares held for golf and country club wherein the Company does not exercise control or demonstrate significant influence.

Listed equity securities pertain to investments in publicly-listed holding and service companies with fair values determined directly by reference to published prices in the Philippine Stock Exchange.

The movements in the equity securities at FVOCI account are as follows:

	2024	2023
Balance at beginning of the year	P 14,212,629	P 9,716,564
Additions	2,243,500	4,500,000
Fair value changes	5,779	(3,935)
Balance at end of the year	P 16,461,908	P 14,212,629

Details of net changes in equity securities at FVOCI, net of deferred tax, are as follows:

	2024	2023
Balance at beginning of the year	P (1,298,496)	P (1,295,545)
Fair value changes during the year	4,334	(2,951)
Balance at end of the year	P (1,294,162)	P (1,298,496)

The Company did not earn dividend income from these equity securities at FVOCI in 2024 and 2023.

Debt securities at amortized costs

This account consists of:

	2024	2023
Treasury notes	P 107,546,811	P 107,867,590
Treasury bills and bonds	275,861,385	264,667,555
	P 383,408,196	P 372,535,145

These investments, which are deposited with the Bureau of Treasury and IC as security for the benefit of policyholders and creditors of the Company, earn annual interest amounting to the following rates:

	2024	2023
Treasury notes	2.63%-5.75%	2.63%-5.75%
Treasury bonds	4.20%-5.725%	4.20%-5.725%
Treasury bills	5.90%-6.09%	5.25%-6.20%

Interest income from debt securities at amortized costs amounted to P29,446,961 and P29,829,678 in 2024 and 2023, respectively (see Note 23).

The movement in debt securities at amortized costs follows:

	2024	2023
Balance at beginning of the year	P 372,535,145	P 414,560,208
Additions	247,200,171	237,669,754
Disposal	(246,895,000)	(285,794,144)
Amortization of discount	10,558,531	10,395,648
Foreign exchange gains (losses)	9,349	(4,296,321)
Balance at end of the year	P 383,408,196	P 372,535,145

Other receivable

Other receivable pertains to accrual of interest on debt security investments at amortized cost amounting to ₱14,500,366 and ₱10,932,199 as at December 31, 2024 and 2023, respectively.

10. Reinsurance Assets

This account consists of:

	2024	2023
Reinsurance recoverable on unpaid losses	₱ 229,981,821	₱ 155,152,508
Deferred reinsurance premiums	200,116,026	119,831,928
	430,097,847	274,984,436
Less: Allowance for impairment	-	-
	₱ 430,097,847	₱ 274,984,436

The Company cedes insurance risk in the normal course of business for all its business. Reinsurance assets include balances recoverable from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Deferred reinsurance premiums are reinsurance premiums that pertain to the unexpired periods as at reporting date.

No impairment losses are recognized in 2024 and 2023, as management believes that reinsurance assets are fully recoverable.

11. Property and Equipment

Movement in property and equipment is summarized as follows:

	2024					
	Building Units and Improvements	Leasehold Improvements	Furniture, Fixtures and Equipment	Transportation Equipment	Right-of-use Asset (Note 19)	Total
Cost						
Balances at beginning of year	₱ 238,334,565	₱ 4,761,473	₱ 14,144,528	₱ 10,869,977	₱ 9,068,288	₱ 277,178,831
Additions	79,543,650	-	2,956,841	11,092,726	4,643,151	98,236,368
Revaluation increment	38,053,000	-	-	-	-	38,053,000
Transfer from (to) investment properties (Note 12)	(75,426,500)	-	-	-	-	(75,426,500)
Termination of lease	-	-	-	-	(2,077,016)	(2,077,016)
Balances at end of year	280,504,715	4,761,473	17,101,369	21,962,703	11,634,423	335,964,683
Accumulated depreciation and amortization						
Balances at beginning of year	25,006,176	4,756,039	9,112,391	6,264,614	3,152,520	48,291,740
Depreciation and amortization	13,099,799	5,434	2,096,286	2,089,991	4,415,319	21,706,829
Termination of lease	-	-	-	-	(2,077,016)	(2,077,016)
Balances at end of year	38,105,975	4,761,473	11,208,677	8,354,605	5,490,823	67,921,553
Net Book Values	₱ 242,398,740	₱ -	₱ 5,892,692	₱ 13,608,098	₱ 6,143,600	₱ 268,043,130

	2023											
	Building Units and Improvements		Leasehold Improvements		Furniture, Fixtures and Equipment		Transportation Equipment		Right-of-use Asset (Note 19)		Total	
Cost												
Balances at beginning of year	P	84,883,112	P	4,761,473	P	11,651,602	P	6,131,629	P	19,337,870	P	126,765,686
Additions		18,000,000		-		2,492,926		4,738,348		6,991,273		32,222,547
Adjustment		(183,047)		-		-		-		-		(183,047)
Transfer from (to) investment properties (Note 12)		135,634,500		-		-		-		-		135,634,500
Termination of lease		-		-		-		-		(17,260,855)		(17,260,855)
Balances at end of year		238,334,565		4,761,473		14,144,528		10,869,977		9,068,288		277,178,831
Accumulated depreciation and amortization												
Balances at beginning of year		13,894,085		3,845,095		7,037,882		5,998,380		14,868,125	P	45,643,567
Depreciation and amortization		11,112,091		910,944		2,074,509		266,234		5,545,250		19,909,028
Termination of lease		-		-		-		-		(17,260,855)		(17,260,855)
Balances at end of year		25,006,176		4,756,039		9,112,391		6,264,614		3,152,520		48,291,740
Net Book Values	P	213,328,389	P	5,434	P	5,032,137	P	4,605,363	P	5,915,768	P	228,887,091

Revaluation of land, building units and improvements

Details of the revaluation increment, net of tax follows:

	2024	2023
Revaluation increment	P 12,908,966	P 3,905,465
Increase in fair value	24,961,367	-
Transfer of appraisal surplus from property and equipment to investment properties	(6,908,966)	-
Transfer of appraisal surplus from investment properties to property and equipment previously recognized to profit and loss	-	9,424,495
Share on depreciation	(2,935,144)	(420,994)
Revaluation increment - net	P 28,026,223	P 12,908,966

If the cost model is used for building units and improvements, the carrying amounts would be as follows:

	2024	2023
Cost	P 227,543,650	P 210,726,500
Appraisal increase	(24,631,324)	(19,990,535)
	P 202,912,326	P 190,735,965

The revalued land, building units and improvements are the properties used as the main office of the Company. Management determined that these constitute one class of asset under PFRS 13, based on the nature, characteristics and risk of the property.

The Company revalued its building units based on estimated fair values performed by independent appraisers. The assigned value was estimated using the *Market Approach*. In this approach, the value of the building unit was based on sales and listing of comparable property registered within the vicinity. The technique of this approach requires the adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator. This was done by establishing the differences between the subject property and those actual sales and listings regarded as comparable. Last appraisal valuation made was in 2024.

In 2024 and 2023, management believes that the value of newly acquired land and building unit approximated its fair value, while previously appraised building units still approximates its fair value.

The following table provides the fair value hierarchy of the Company’s building units as of December 31, 2024 and 2023.

	Fair value measurement using		
	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Total			
Property and equipment			
Building units			
2024	P 238,018,450	P -	P 238,018,450
2023	194,088,420	-	194,088,420

The Company’s management believes that there is no impairment loss on the Company’s land, building units and improvements and there is no significant change in the fair value of the building units and improvements from that determined in 2024.

The Company also believes that the carrying values of additions to building units and improvements subsequent to the most recent valuation date would approximate their fair values.

The Company has no restriction on the realizability of its investment properties and no obligation to purchase, construct, or develop or for repairs, maintenance and enhancements.

Summary of depreciation on cost and appraised value is as follows:

	2024	2023
Cost	P 7,371,681	P 9,550,588
Appraisal increase	2,935,144	561,325
	P 10,306,825	P 10,111,913

The total cost of fully depreciated property, plant and equipment which are still being used amounted to P16,951,670 and P9,609,388 as at December 31, 2024 and 2023, respectively.

12. Investment Properties

Movement in investment property is summarized as follows:

2024	Land	Building and Condominium Units	Total
Cost			
Balance at beginning of year,	₱ 34,707,550	₱ 351,384,000	₱ 386,091,550
Additions	-	52,830,189	52,830,189
Transferred from (to) property and equipment (Note 11)	13,859,500	61,567,000	75,426,500
Change in fair value	11,492,450	21,879,000	33,371,450
Balance at end of the year	₱ 60,059,500	₱ 487,660,189	₱ 547,719,689

2023	Land	Building and Condominium Units	Total
Cost			
Balance at beginning of year,	₱ 28,809,500	₱ 378,659,000	₱ 407,468,500
Additions	19,757,550	94,500,000	114,257,550
Transferred from (to) property and equipment (Note 11)	(13,859,500)	(121,775,000)	(135,634,500)
Change in fair value	-	-	-
Balance at end of the year	₱ 34,707,550	₱ 351,384,000	₱ 386,091,550

The land, building and condominium units located in the Philippines were valued at ₱547,719,689 and ₱386,091,550, respectively. The properties were last appraised on between April 29, 2024 to May 10, 2024, by an independent appraiser.

The valuation for these properties were derived from market data approach based upon prices paid in actual market transactions. This approach relies on the comparison of recent sale transactions or offerings of similar properties which have occurred and/or offered with close proximity to the subject properties adjusted based on certain element of comparison (e.g. market conditions, location, physical condition and amenities). Significant increases (decrease) in estimated price per square meter/foot would result in a significant higher (lower) fair value of the properties.

The Company's management believes that there is no impairment loss on the Company's investment properties and there is no significant change in the fair value of the investment properties from that determined in 2024 and newly acquired properties.

The Company also believes that the carrying values of additions to building units and improvements subsequent to the most recent valuation date would approximate their fair values.

The Company has no restriction on the realizability of its investment properties and no obligation to purchase, construct, or develop or for repairs, maintenance and enhancements.

The following table provides the fair value hierarchy of the Company’s investment property as of December 31, 2024 and 2023.

Fair value measurement using				
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	Total			
Investment property				
2024	P 547,719,689	P -	P -	P 547,719,689
2023	386,091,550	-	-	386,091,550

Direct operating expenses incurred from these investment properties amounted to ₱3,023,950 and ₱410,893 in 2024 and 2023, respectively.

In 2024 and 2023, Rental income earned on these properties amounted to ₱9,130,587 and ₱3,298,351, respectively (see Note 28).

13. Deferred Acquisition Costs and Deferred Reinsurance Commissions

The roll forward analyses of deferred acquisition costs follow:

	2024	2023
Balance, beginning of year	P 68,521,865	P 76,975,163
Cost incurred during the year	168,134,854	103,219,351
Cost deferred during the year	(130,866,019)	(111,672,649)
Balance, end of year	P 105,790,700	P 68,521,865

The roll forward analyses of deferred reinsurance commissions follow:

	2024	2023
Balance, beginning of year	P 73,278,970	P 46,572,847
Income earned during the year	142,364,218	156,634,214
Income deferred during the year	(145,383,571)	(129,928,091)
Balance, end of year	P 70,259,617	P 73,278,970

14. Other Assets

This account consists of:

	2024	2023
Investment deposit	₱ 16,985,085	₱ 2,283,333
Computer software	8,826,416	12,449,700
Rental deposit (Note 28)	2,373,007	3,060,313
Input tax	-	14,172,288
Service fee deposit	-	4,486,686
Security fund	52,831	52,831
	₱ 28,237,339	₱ 36,505,151

Investment deposit pertains to deposits made for stock investments and acquisition of property.

The movements of computer software account are as follow:

	2024	2023
Cost		
Balance at beginning of year	₱ 25,800,689	₱ 19,371,049
Additions	-	6,429,640
Balance at end of year	25,800,689	25,800,689
Accumulated amortization		
Balance at beginning of year	13,350,989	9,696,970
Amortization	3,623,284	3,654,019
Balance at end of year	16,974,273	13,350,989
Net book value	₱ 8,826,416	₱ 12,449,700

Input tax is applied against output VAT. Any remaining balance is recoverable in the future periods.

Service fee deposit pertains to amounts paid by the Company for its Compulsory Third-Party Liability (CTPL) transactions. The amounts will be amortized in the next financial period.

Security fund pertains to the Company's contribution to the common fund of all domestic insurance companies intended to secure the payment of insurance claims even in case of insolvency as required by Section 367 of the Insurance Code. Earnings from the fund inures proportionately to the credit of contributing members.

15. Insurance Contract Liabilities

The analysis of insurance contract liabilities, net of reinsurers' share of liabilities follow:

	2024		
	Insurance Contract liabilities	Reinsurers' Share of Liabilities (Note 10)	Net
Provision for:			
Claims reported	P 185,142,156	P 160,133,625	P 25,008,531
Claims IBNR and MfAD	149,550,923	69,848,196	79,702,727
Provision for unearned premiums	543,012,705	200,116,026	342,896,679
	P 877,705,784	P 430,097,847	P 447,607,937
	2023		
	Insurance Contract liabilities	Reinsurers' Share of Liabilities (Note 10)	Net
Provision for:			
Claims reported	P 55,403,494	P 43,663,948	P 11,739,546
Claims IBNR and MfAD	168,852,722	111,488,560	57,364,162
Provision for unearned premiums	483,350,440	119,831,928	363,518,512
	P 707,606,656	P 274,984,436	P 432,622,220

The analysis of total provision for claims reported and claims IBNR follow:

	2024		
	Provision for Claims Reported and Claims IBNR	Reinsurers' Share of Liabilities (Note 10)	Net
Balance, beginning of year	P 224,256,216	P 155,152,508	P 69,103,708
Claims incurred	289,609,188	215,485,549	74,123,639
Claims paid	(160,943,258)	(99,015,872)	(61,927,386)
(Decrease) increase in claims IBNR and MfAD	(18,229,067)	(41,640,364)	23,411,297
Balance, end of year	P 334,693,079	P 229,981,821	P 104,711,258
	2023		
	Provision for Claims Reported and Claims IBNR	Reinsurers' Share of Liabilities (Note 10)	Net
Balance, beginning of year	P 235,851,848	P 144,273,902	P 91,577,946
Claims incurred	57,726,398	43,663,948	14,062,450
Claims paid	(59,117,717)	(30,214,743)	(28,902,975)
(Decrease) increase in claims IBNR and MfAD	(10,204,313)	(2,570,599)	(7,633,714)
Balance, end of year	P 224,256,216	P 155,152,508	P 69,103,708

16. Due to Reinsurers

This account represents reinsurance premiums payable to all its treaty and facultative reinsurers. Due to reinsurers amounted to ₱130,008,451 and ₱136,050,782 as at December 31, 2024 and 2023, respectively.

The roll forward analysis of due to reinsurers follow:

	2024	2023
Balance, beginning of year	₱ 136,050,782	₱ 128,364,189
Arising during the year	252,151,764	252,151,764
Paid during the year	(258,194,095)	(244,465,171)
Balance, end of year	₱ 130,008,451	₱ 136,050,782

17. Accounts Payable and Other Current Liabilities

This account consists of:

	2024	2023
Taxes payable	₱ 295,096,271	₱ 148,718,044
Accrued expenses	483,604	15,419,580
Accounts payable	8,330,942	3,402,652
Agency payables	1,737,035	2,168,892
	₱ 305,647,852	₱ 169,709,168

Taxes payable consist of VAT payable, documentary stamp tax payable, premium tax payable, withholding tax payable and fire service tax payable.

Accrued expenses consist mainly of accrual of administrative and other operating expenses.

Accounts payable pertains to amount due to other insurance and brokerage companies and is non-interest bearing.

Agency payables consist of SSS premium and loan payable, healthcare premium payable, and Pag-ibig premium and loan payable.

18. Lease Liabilities

Company as a lessee

The Company has a number of lease agreements covering its branch office spaces that are accounted for under PFRS 16, with periods from more than one year to five years. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the statement of financial position as a right of use asset and lease liability.

Right-of-use assets related to the leased properties are shown below:

	2024	2023
Cost		
Balance at beginning of year	₱ 9,068,288	₱ 19,337,870
Additions	4,643,151	6,991,273
Termination of lease	(2,077,016)	(17,260,855)
Balance at end of year	11,634,423	9,068,288
Accumulated depreciation		
Balance at beginning of year	(3,152,520)	(14,868,125)
Depreciation	(4,415,319)	(5,545,250)
Termination of lease	2,077,016	17,260,855
Balance at end of year	(5,490,823)	(3,152,520)
Net book value	₱ 6,143,600	₱ 5,915,768

Movement in lease liabilities follows:

	2024	2023
Balance at beginning of year	₱ 6,051,617	₱ 4,705,657
Additions	4,643,151	6,991,273
Accretion of interest	420,150	403,959
Payments for the year	(4,685,600)	(6,049,272)
Balance, end of year	₱ 6,429,318	₱ 6,051,617

The following are the amounts recognized in statements of profit or loss and other comprehensive income:

	2024	2023
Depreciation expense on right-of-use assets (Note 11)	₱ 4,415,319	₱ 5,545,250
Interest expense on lease liabilities (Note 22)	420,150	403,959
Rent expense - short-term and low-value leases (Note 22)	9,613,873	6,352,416
	₱ 14,449,342	₱ 12,301,625

Lease payments not recognized as liability

The Company has elected not to recognize lease liability for short-term leases (leases of expected term of 12 months or less) or for lease of low value assets. Payments made under such leases are expensed on a straight-line basis (see Note 28).

19. Retirement Liability

The Company has an unfunded, non-contributory defined benefit retirement plan which covers substantially all of its regular employees. The benefit conforms to the minimum regulatory benefit under the Retirement Pay Law (Republic Act No. 7641) which is of the defined benefit type and provides retirement benefit equal to 22.5 days for every year of credited service. The regulatory benefit is paid in a lump sum upon retirement. The latest actuarial valuation was made on December 31, 2023.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The components of retirement expense in the statements of profit or loss and comprehensive income are as follows:

	2024	2023
Current service cost	P 901,104	P 754,181
Net interest cost	770,780	851,186
	P 1,671,884	P 1,605,367

The retirement liability is as follows:

	2024	2023
Present value of benefit obligation	P 14,575,862	P 12,903,978
Fair value of plan assets	-	-
Liability recognized in the statements of financial position	P 14,575,862	P 12,903,978

The Company does not maintain a fund for its retirement benefit obligation and does not expect to make contributions in the succeeding years. Currently, the Company does not have any asset-liability matching strategy.

The changes in the present value of defined benefit obligation are as follow:

	2024	2023
Balance at beginning of year	P 12,903,978	P 12,626,083
Current service cost	901,104	754,181
Net interest cost	770,780	851,186
Remeasurement loss due to:		
Experience adjustments	-	(34,039)
Changes in financial assumptions	-	(1,293,433)
Balance at end of year	P 14,575,862	P 12,903,978

The movement in the net liability recognized in the statement of financial position is as follow:

	2024	2023
Balance at beginning of year	₱ 12,903,978	₱ 12,626,083
Defined benefit cost recognized in P&L	1,671,884	1,605,367
Remeasurement loss	-	(1,327,472)
Balance at end of year	₱ 14,575,862	₱ 12,903,978

Movement in remeasurement gain recognized in other comprehensive income is as follow:

	2024	2023
Balance at beginning of year	₱ (2,474,707)	₱ (1,479,103)
Remeasurement loss recognized in OCI	-	(995,604)
Balance at end of year	₱ (2,474,707)	₱ (2,474,707)

The assumptions used to determine retirement benefits of the Company are as follows:

	2024	2023
Discount rate	6.00%	5.97%
Salary increase rate	2.00%	2.00%

The assumption regarding the discount rate is based on the PDEX (PDST-R2) benchmark market yields on government bonds as at the valuation dates (or latest available) considering the average years of remaining working life of the employees as the estimated terms of the benefit obligation.

The average duration of the defined benefit obligation at the end of the reporting period is 5 years.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2024 and 2023, assuming if all other assumptions were held constant:

2024		Impact on defined
Description	Increase/decrease in basis points	benefit obligation Increase (decrease)
Discount rate	+ 0.5% bps	₱ (2,211,931)
	- 0.5% bps	(1,444,796)
Salary increase rate	+ 0.5% bps	(1,430,969)
	- 0.5% bps	(2,228,821)
2023		Impact on defined
Description	Increase/decrease in basis points	benefit obligation Increase (decrease)
Discount rate	+ 0.5% bps	₱ (1,934,036)
	- 0.5% bps	(1,166,901)
Salary increase rate	+ 0.5% bps	(1,153,074)
	- 0.5% bps	(1,950,926)

20. Equity

Share Capital
Share capital consist of:

	2024	2023
Authorized - ₱100.00 par value; 15,000,000 shares in 2024 13,000,000 shares in 2023	₱1,500,000,000	₱ 1,300,000,000
Issued - ₱100.00 par value; 13,250,000 shares in 2024 13,000,000 shares in 2023	₱1,325,000,000	₱ 1,300,000,000
Paid-up capital	₱1,325,000,000	₱ 1,300,000,000

As at December 31, 2024, the Company have unissued shares amounting to ₱175,000,000 equivalent to 1,750,000 shares, whereas, as at December 31, 2023, all shares are issued and outstanding.

Increase in Authorized Capital Stock

On July 12, 2022, the BOD and shareholders of the Company resolved and approved the increase in authorized capital stock (ACS) from ₱1,300,000,000 divided into 13,000,000 common shares with a par value of ₱100.00 per share to ₱1,500,000,000 equivalent to 15,000,000 shares at par value ₱100 by additional cash subscription of ₱25,000,000. The application of the increase in ACS is submitted to the SEC on May 08, 2023 and was approved on May 15, 2023.

Contingency Surplus

This represents capital infusion to cover up margin of solvency, deficiency and capital impairment. As of December 31, 2024 and 2023, contingency surplus amounted to ₱266,461,414.

21. Other Underwriting Expense

This account consists of:

	2024	2023
Agency expense	₱ 281,357,905	₱ 258,603,540
Marketing expense	206,136,242	187,995,880
Authentication fee	13,287,072	52,135,373
	₱ 500,781,219	₱ 498,734,793

22. General and Administrative Expenses

This account consists of:

	2024	2023
Salaries, wages and employee benefits	P 96,994,028	P 78,575,021
Management fee (Note 26)	47,356,042	15,058,026
Transportation and travel	39,521,993	25,721,109
Transaction fees	38,793,165	17,275,014
Depreciation and amortization (Notes 11 and 14)	25,330,113	23,563,047
Representation	23,142,105	7,589,639
Taxes and licenses (Note 34)	27,206,539	17,561,320
Printing and supplies	12,054,653	15,272,320
Membership and association dues	11,705,555	7,374,054
Repairs and maintenance	9,761,256	6,832,327
Rentals (Note 28)	9,613,873	6,352,416
Communication, light and water	7,043,988	6,284,559
Training and seminars	5,359,039	6,492,083
Donation and contribution	4,716,883	2,401,982
Advertising and promotion	4,422,126	1,291,934
Professional fees	3,547,483	3,382,409
Retirement	1,671,884	1,605,367
Shipping charges	1,596,375	1,342,944
Insurance	372,477	1,063,788
Interest on lease liabilities (Note 18)	420,150	403,959
Miscellaneous	15,195,808	14,588,299
	P 385,825,535	P 260,031,617

Depreciation and amortization consist of:

	2024	2023
Property and equipment (Note 11)	P 21,706,829	P 19,909,028
Computer software (Note 14)	3,623,284	3,654,019
	P 25,330,113	P 23,563,047

23. Interest Income

This account consists of:

	2024	2023
Interest income from debt securities at amortized cost (Note 9)	P 29,446,961	P 29,829,678
Interest income from cash in banks and cash equivalents (Note 6)	5,941,656	9,769,625
Interest income from short-term investments (Note 7)	58,652	66,783
	P 35,447,269	P 39,666,086

24. Income Taxes

Provision for income tax consists of the following:

	2024	2023
Current	₱ 15,740,337	₱ 10,058,596
Final	3,972,310	3,886,806
Deferred	51,957,845	(14,845,277)
	₱ 71,670,492	₱ (899,875)

The reconciliation of the income tax expense computed at the statutory income tax rate of 25% to the income tax expense in the statements of profit or loss and other comprehensive income is as follows:

	2024	2023
Statutory income tax	₱ 27,924,097	₱ 13,830,844
Effect of items not subject to statutory tax rate:		
Income subjected to final tax	(8,861,817)	(930,407)
Non-deductible expenses	6,387,897	-
Movement of deferrex tax assets	46,220,315	(13,800,312)
	₱ 71,670,492	₱ (899,875)

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

The components of net deferred tax liabilities as of December 31, 2024 and 2023 are as follows:

	2024	2023
Deferred tax assets:		
Deferred reinsurance commission	₱ 17,564,904	₱ 18,319,742
Allowance for impairment losses	6,424,637	7,182,599
Unfunded retirement liability	3,643,965	3,225,994
Net changes in AFS financial assets	431,387	432,832
Lease liabilities	71,429	33,962
Excess of unearned premium	-	32,351,199
	28,136,322	61,546,328
Deferred tax liability:		
Deferred acquisition cost	26,447,675	17,130,466
Fair value gain on investment property	15,153,613	4,221,000
Revaluation surplus	9,342,074	4,302,989
Excess of unearned premium	8,079,251	-
	59,022,613	25,654,455
Net deferred tax (liabilities) assets	₱ (30,886,291)	₱ 35,891,873

25. Earnings per Share

The computation of basic/diluted earnings per share is computed as follows:

	2024	2023
Net income	P 40,025,894	P 56,223,252
Weighted average number of shares outstanding	13,041,667	13,000,000
	P 3.07	P 4.32

The Company has no dilutive potential common shares, therefore the computation and amounts reported for basic and dilutive EPS were the same.

26. Related Party Transactions

Parties are considered to be related if one of the parties has the ability to control the other party or exercises significant influence over the other party in making financial and operating decisions. This includes: (a) individuals owning, directly or indirectly through one or more intermediaries, controlled by, or under common control with the Parent Company; (b) subsidiaries; (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that give them significant influence over the Company and close members of the family of any such individual; and (d) other related parties.

The amounts and balances arising from the foregoing significant related party transactions of the Company are as follows:

Classification		Year	Transactions	Outstanding Balance	Terms and Conditions
			(amounts in thousands)		
<i>Stockholders</i>					
Plutus Holding Corp. Corporation	Notes Receivable	2024 2023	P - (30,000)	P - -	5%-6% annual interest; Payable within 1 year; Unsecured
	Lease liability (Note 18)	2023 2023	- (2,276)	- -	Lease term is for 5 years; Renewable, no escalation; Unsecured
	Rent expense (Note 18)	2024 2023	2,653 2,895	- -	Lease term is for 1 year Renewable, no escalation; Unsecured
<i>Entities under common control</i>					
Plutus Management Co.	Management Services (Note 22)	2024 2023	47,356 15,058	- -	Payable monthly; to be settled in cash; due and demandable
<i>Key management Personnel</i>		2024 2023	17,955 9,490	- -	Payable monthly; to be settled in cash

Key management personnel of the company include all personnel having position of assistant vice president or higher.

The summary of compensation of key management personnel is shown below:

	2024	2023
Short-term employee benefits	P 17,955,154	P 9,490,000
Post-employee benefits	163,579	193,890
	P 18,118,733	P 9,683,890

There are no agreements between the Company and any of its directors or key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Company's retirement plan.

27. Provision for Losses and Claims

Process used to decide on assumptions

A loss is registered immediately upon receipt of a notice of claim from policyholders. Since insurance companies are required to set-up provisional loss reserves, a physical inspection is done on the damaged property to ensure a more accurate estimate on the amount of loss. For engineering insurance, services of a professional adjustment firm are sought to do the inspection, investigation and data gathering while marine surveyors are contacted to do loss surveys for marine losses. Motor car losses are mostly handled by the Company's motor car damage evaluators.

Insurance policy reserve

On December 28, 2016, the Insurance Commission (IC), through its Circular Letter (CL) No. 2016-67, issued the New Valuation Standard for Insurance Policy Reserve with effect beginning January 1, 2017 and onwards. Among others, the New Valuation Standard for Insurance Policy Reserve provides for (i) the determination of premium liabilities based on the higher of Unearned Premium Reserve (UPR) and Unearned Risk Reserve (URR); (ii) consideration of the Lost Adjustment Expense (LAE); (iii) consideration of Margin for Adverse Deviation (MfAD) to allow for inherent uncertainty of the best estimate of policy reserve; (iv) certification of an actuary on the calculation of the insurance policy reserve in accordance with the New Valuation Standard for Insurance Policy Reserve prescribed by the IC.

The Company has adopted the New Valuation Standard for Insurance Policy Reserve issued by the IC as described above. Beginning January 1, 2017, the initial year of implementation of the New Valuation Standard on Insurance Policy Reserve, the IC through its CL 2016-69 issued on December 28, 2016, has relaxed the valuation requirements in determining the Insurance Policy Reserve to consider (i) set up of premium liabilities using the UPR alone, instead of the higher of UPR and URR; and (ii) set up MfAD to zero, instead of the Company specific MfAD. Beginning January 1, 2018, premium liabilities will be determined based on the higher of the UPR and URR and application of Company-specific MfAD.

The Company has fully implemented the New Valuation Standard in determining the Insurance Policy Reserve applying the provisions of CL No. 2016-67 as at and for the year ended December 31, 2017. The adoption of the new reserving framework resulted to the recognition of additional claims reserve of P61,201,636 for the year ended December 31, 2017.

Presented below is the actuarial valuation of reserve for unearned premiums as determined by an actuary accredited by IC with report dated April 8, 2025 and April 22, 2024, for the years 2024 and 2023, respectively.

	2024	2023
Premium liabilities	₱ 543,012,705	₱ 483,350,440
Losses adjustment and claims payable	186,663,529	55,027,494
Claims and handling expense	660,000	376,000
IBNR and MfAD	147,369,550	168,852,722
	₱ 877,705,784	₱ 707,606,656

28. Commitments and Contingencies

Lease Commitments

Company as a Lessee

The Company leases a number of office space and branches under operating leases. The leases typically run for a period of 1 to 5 years, with the option to renew the lease after that date. Generally, the Company recognizes right-of-use asset and lease liabilities for its leases (see Note 18). For short-term and low value leases, rental expense is recognized on a straight-line basis over the lease term.

Total rental expense for short-term and low value leases recognized in 2024 and 2023 amounted to ₱9,613,873 and ₱6,352,416, respectively (see Note 22).

As at December 31, 2024 and 2023, rental deposit from these leases amounted to ₱2,373,007 and ₱3,060,313, respectively (see Note 14).

Company as a Lessor

The Company entered into various leases for investment properties under short-term operating lease for a period of one (1) year.

The Company earned rental income earned in 2024 and 2023 amounted to ₱9,130,587 and ₱3,298,351, respectively.

Contingent Liabilities

The Company has various contingent liabilities arising in the ordinary conduct of business, which are either pending decision by the courts or are being contested, the outcome of which are not presently determinable. In the opinion of management and its legal counsel, the eventual liability under these claims, if any, will not have a material or adverse effect on the Company's operations.

29. Regulatory Requirements

Net worth requirement

Under Section 194 of the amended Code, domestic insurance companies already doing business in shall have a required net worth as follows:

	Minimum Statutory Net Worth	By (Compliance Date)
A.	Php 250 million	June 30, 2013
B.	Php 550 million	December 31, 2016
C.	Php 900 million	December 31, 2019
D.	Php 1.0 billion	December 31, 2022

Net worth shall consist of paid-up capital, retained earnings, unimpaired contingency surplus, and revaluation of assets as may be approved by the Insurance Commission.

As of December 31, 2024 and 2023, the Company's estimated net worth amounts to ₱1,890,795,810 and ₱1,801,021,779, respectively.

The final amount of the net worth as at December 31, 2024 can only be determined after the accounts of the Company have been examined by the IC.

Financial Reporting Framework

On December 28, 2016, IC Circular Letter No. 2016-65 relating to the financial reporting framework under Section 189 of Republic Act No. 10607 known as the New Insurance Code. The circular enumerated the list of admitted and non-admitted assets and investments. It includes manual of accounts which enumerates certain admitted assets not specifically enumerated in Section 202 of the New Insurance Code. The manual of accounts discusses the nature, types and recognition and measurement of each account in the financial statements. This circular superseded Circular No. 2015-29 issued in June 10, 2015 and the effectivity date was moved from June 30, 2016 to January 1, 2017.

Risk-Based Capital Requirement

Risk-based capital requirements IMC No. 7-2006 provides for the RBC framework for the non-life insurance industry to establish the required amounts of capital to be maintained by the companies in relation to their investment and insurance risks. Every non-life insurance company is annually 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 net worth divided by the RBC requirement. Net worth shall include the company's paid-up capital, contributed and contingency surplus and unassigned surplus. Revaluation and fluctuation reserve accounts shall form part of net worth only to the extent authorized by the IC.

The following table shows the internal calculation of RBC ratio as at December 31, 2024 and 2023:

	2024	2023
Net worth	₱1,654,133,435	₱ 1,600,317,659
RBC requirement	435,509,387	289,911,059
	380%	552%

The final amount of the RBC ratio is determined only after the accounts of the Company have been examined by the IC, specifically as to admitted and non-admitted assets as defined under the Insurance Code.

Margin of solvency (MOS)

The amended Code grants the Insurance Commissioner the power to prescribe solvency based on internationally accepted solvency frameworks. Since the Insurance Commissioner has not prescribed new solvency requirements as yet, the margin of solvency as yet, the margin of solvency requirements of the previous insurance code was followed.

Under the previous insurance code, a non-life insurance company doing business in the Philippines shall maintain at all times a margin of solvency equal to ₱500,000 or 10% of the total amount of its net premium written during the preceding year, whichever is higher. The margin of solvency is the excess of the value of the Company's admitted assets as defined under existing insurance regulations, exclusive of its paid-up capital, over the amount of its liabilities, unearned premiums and reinsurance reserves in the Philippines.

The estimated MOS computations of the Company at December 31 follow:

	2024	2023
Total assets	₱3,362,373,425	₱ 2,943,771,905
Non-admitted assets	177,714,338	241,097,943
Total admitted assets	3,184,659,087	2,702,673,962
Less:		
Total liabilities	1,436,447,808	1,106,110,642
Paid-up capital	1,325,000,000	1,300,000,000
	2,761,447,808	2,406,110,642
Available for MOS	423,211,279	296,563,320
Minimum MOS	102,905,924	88,486,412
Excess MOS	₱ 320,305,355	₱ 208,076,909

The final amount of the MOS can be determined only after the accounts of the Company have been examined by the IC specifically as to admitted and non-admitted assets as defined in the Insurance Code.

30. Capital Management, Insurance and Finance Risks

Capital Management

The primary objective of the Company’s capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to these ratios in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend payment to shareholders, return capital structure or issue capital securities.

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

The capital structure of the Company comprises all components of equity including share capital, contingency surplus, deposit for future stock subscription and retained earnings.

The premiums received by the Company from policyholders are properly invested not only to provide for policy obligations but also to serve as capital or surplus to provide margin of safety which will attract insurance buyers.

The funds invested shall produce an investment income that will be needed to pay stockholders a fair return. While part of this income is due to favorable loss experience and sound cost management, a major portion of additional profits must be earned by managing the investment portfolio to produce a higher return on investment. While there may be a wide range of investment opportunities, the investment portfolio must always reflect the safety of the funds.

Since these funds are held in fiduciary capacity, the Code contains investment provisions that the Company should observe to protect the interest of the policyholders and of the stockholders. The three (3) general classifications of investment requirements are:

1. Capital Investments - The Company must invest at least 25% of its minimum paid-up capital in bonds or other evidences of debt of the Government of the Philippines or its political subdivisions or in government-owned or controlled corporations and entities, including the Bangko Sentral ng Pilipinas. Furthermore, investments shall at all times be maintained free

from any lien or encumbrance and shall be deposited and held by the Commissioner of the IC for the benefit and security of the policyholders.

2. Reserve Investment - The Company must invest 100% of the Reserve for unearned premiums and Reserve funds withheld for authorized reinsurer in common or preferred stocks and government or private bonds, real estate and real estate loans, collateral loans, adequately secured obligations and other securities as may be approved by the Commissioner.
3. Surplus Investment - After complying with the capital and reserve investment requirements, the Company may invest any portion of its funds, representing earned surplus in stocks, bonds, real estate, equities of other financial institutions, engaged in the buying and selling of short-term debt instruments, securities issued by registered enterprises under R.A. 5186, otherwise known as the Investment Incentives Act.

To meet its capital management objectives, the Company formed an Investment Management Committee primarily tasked to establish investment strategies consistent with the management objectives and the IC requirements. The Committee had likewise set up limits and control procedures and adequate contingency plans for the Company to withstand both temporary and long-term disruption in its ability to fund activities in a timely manner at a reasonable cost. No changes were made to its capital base, objectives, policies and processes from the previous year.

Insurance Risks

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim.

The principal risk the Company faces under such contracts is that the actual claims will exceed the carrying amount of insurance liabilities. This could occur due to any of the following:

- 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 and guidelines. The policies and procedures are developed internally and mandated by the regional and corporate offices of its management. The business of the Company comprises short-term non-life insurance contracts. For non-life insurance contracts, claims are often affected by accidents, natural disasters, calamities and the like.

These 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 severity of benefit payments on a portfolio basis.

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 sophisticated management information systems that provide up-to-date, accurate and reliable data on risk exposure at any point in time.
- Guidelines are issued for concluding insurance contracts and assuming insurance risks.
- Proactive claims handling procedures are followed to investigate and adjust claims thereby preventing settlement of dubious or fraudulent claims.
- Reinsurance is used to limit the Company's exposure to large claims by placing risk with reinsurers providing high security.

- 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.

Casualty insurance risk

Claims on casualty contracts are payable on a claims-occurrence basis. The Company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time and a larger element of the claims provision relates to incurred but not reported claims (IBNR). There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they adopted.

Reinsurance risk

In the normal course of business, the Company limits the amount of loss on any one policy by reinsuring certain levels of risk with other insurers. In addition, the Company accepts reinsurance from other reinsurers. Reinsurance ceded does not discharge the Company's liability as the primary insurer. Failure of reinsurers to honor their obligations could result in losses to the Company; consequently, allowances are established for amounts deemed uncollectible. In order to minimize losses from reinsurer insolvency, the Company monitors the concentration of credit risk both geographically and with any one reinsurer. In addition, the Company selects reinsurers with high credit ratings.

The effect of reinsurance on premium income was as follows:

	2024	2023
Direct premium income	₱1,399,380,504	₱ 1,097,733,456
Premium assumed	41,729,165	39,282,423
Premium ceded	(412,050,425)	(252,151,764)
	₱1,029,059,244	₱ 884,864,115

Financial Risks

The Company is exposed to financial risk through its financial assets and financial liabilities, particularly, credit risk, liquidity risk and market risk (foreign exchange, interest rate and equity price risks). The BOD reviews and amends policies for managing each of these risks. The Company's risk management policies and practices are documented in the subsequent paragraphs.

a. Credit risks

Credit risk is the risk that a party to a financial instrument will cause a financial loss to the Company by failing to honor its obligation to the Company. Credit risks are primarily associated with invested assets and reinsurance counter parties. The Company mitigates credit risk through detailed credit and underwriting policies and comprehensive due diligence and credit analyses.

As at December 31, 2024 and 2023, the carrying values of the Company's financial instruments represent maximum exposure to credit risk as of reporting date. The Company does not enter into collateral or credit enhancements.

The Company’s maximum credit exposure related to financial instruments is summarized in the following table.

	2024	2023
Cash in banks and cash equivalents*	₱ 910,294,803	₱ 962,740,008
Short - term investments	5,277,743	2,781,140
Insurance receivables, net	648,671,704	546,168,818
Financial assets		
Equity securities at FVOCI	16,461,908	14,212,629
Debt securities at amortized costs	383,408,196	372,535,145
Other receivables		
Accrued interest receivable	14,500,366	10,932,199
Other assets		
Rental deposit	2,373,007	3,060,313
Security fund	52,831	52,831
	₱ 1,981,040,558	₱ 1,912,483,083

**excluding cash on hand*

Risk concentrations of the maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company’s performance to developments affecting a particular industry or geographical location. Such credit risk concentrations, if not properly managed, may cause significant losses that could threaten the Company’s financial strength and undermine public confidence.

Given the Company’s diverse base of counterparty, it is not exposed to large concentration of credit risks.

Credit quality per class of financial assets

The following table provides information regarding the credit exposure of the Company by classifying financial assets according to the Company’s credit rating as shown on the next page:

December 31, 2024			Neither past due nor impaired	Past due but not impaired		Impaired
				90-360 days	361 days and above	
	Total					
Cash in banks and cash equivalents*	P 910,294,803	P 910,294,803	P -	P -	P -	
Short - term investments	5,277,743	5,277,743	-	-	-	
Insurance receivables, net	648,671,704	327,434,936	208,803,899	112,432,869	-	
Financial assets						
Equity securities at FVOCI	16,461,908	16,461,908	-	-	-	
Debt securities at amortized costs	383,408,196	383,408,196	-	-	-	
Other receivables						
Accrued interest receivable	14,500,366	14,500,366	-	-	-	
Other assets						
Rental deposit	2,373,007	2,373,007	-	-	-	
Security fund	52,831	52,831	-	-	-	
	P1,981,040,558	P 1,659,803,790	P208,803,899	P 112,432,869	P -	

**excluding cash on hand*

December 31, 2023				Neither	Past due but not impaired			
Total				past due nor	90-360	361 days		Impaired
				impaired	days	and above		
Cash in banks and cash equivalents*	P	962,740,008	P	962,740,008	P	-	P	-
Short - term investments		2,781,140		2,781,140		-		-
Insurance receivables, net		546,168,818		304,390,399		182,184,870		59,593,549
Financial assets								
Equity securities at FVOCI		14,212,629		14,212,629		-		-
Debt securities at amortized costs		372,535,145		372,535,145		-		-
Other receivables								
Accrued interest receivable		10,932,199		10,932,199		-		-
Other assets								
Rental deposit		3,060,313		3,060,313		-		-
Security fund		52,831		52,831		-		-
	P	1,912,483,083	P	1,670,704,664	P	182,184,870	P	59,593,549
							P	-

*excluding cash on hand

The credit quality of the Company's financial assets is evaluated using internal credit rating. Financial assets are considered as high grade if the counterparties are not expected to default in settling their obligations, thus credit risk exposure is minimal. These counterparties include banks and customers who pay on or before due date.

The Company's bases in grading its financial assets are as follows:

High grade cash and cash equivalents are short-term placements and working cash fund placed, invested, or deposited in foreign and local banks belonging to the top ten (10) banks in the Philippines in terms of resources, profitability and credit standing.

High grade equity securities at FVOCI consist of investments in quoted equity securities.

High grade accounts, other than cash and cash equivalents, are accounts considered to be of high value. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits.

Standard grade accounts are active accounts with propensity of deteriorating to mid-range age buckets. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

Substandard grade accounts are accounts which have probability of impairment based on historical trend. These accounts show propensity to default in payment despite regular follow-up actions and extended payment terms.

The table below shows the credit quality by class of financial assets of the Company based on their historical experience with the corresponding parties as of December 31, 2024 and 2023:

December 31, 2024		Neither Past Due Nor Impaired			Past Due but Not Impaired	Total
		High Grade	Standard Grade	Substandard Grade		
Cash in banks and cash equivalents*	P	910,294,803	P	-	P	910,294,803
Short - term investments		5,277,743		-	-	5,277,743
Insurance receivables, net		327,434,936		-	321,236,768	648,671,704
Financial assets						
Equity securities at FVOCI		16,461,908		-	-	16,461,908
Debt securities at amortized costs		383,408,196		-	-	383,408,196
Other receivables						
Accrued interest receivable		14,500,366		-	-	14,500,366
Other assets						
Rental deposit		2,373,007		-	-	2,373,007
Security fund		52,831		-	-	52,831
		P1,659,803,790	P	-	P	321,236,768
						P1,981,040,558

*excluding cash on hand

December 31, 2023	Neither Past Due Nor Impaired			Past Due but Not Impaired	Total
	High Grade	Standard Grade	Substandard Grade		
Cash in banks and cash equivalents*	P 962,740,008	P -	P -	P -	P 962,740,008
Short - term investments	2,781,140	-	-	-	2,781,140
Insurance receivables, net	304,390,399	-	-	241,778,419	546,168,818
Financial assets					
Equity securities at FVOCI	14,212,629	-	-	-	14,212,629
Debt securities at amortized costs	372,535,145	-	-	-	372,535,145
Other receivables					
Accrued interest receivable	10,932,199	-	-	-	10,932,199
Other assets					
Rental deposit	3,060,313	-	-	-	3,060,313
Security fund	52,831	-	-	-	52,831
	P 1,670,704,664	P -	P -	P 241,778,419	P 1,912,483,083

*excluding cash on hand

Impairment assessment

Cash and cash equivalents, short-term investments, notes receivables, debt securities, accrued interest receivable, rent deposit and security fund. The credit risk for these accounts is considered negligible or the probability of default from these reputable banks is remote since there has been no history of default from these counterparties and because of their high-quality external credit ratings.

Cash in banks are insured by the Philippine Deposit Insurance Corporation (PDIC) up to a maximum coverage of ₱500,000 per depositor per banking institution, as provided for under Republic Act (RA) No. 9576, Amendment to Charter of PDIC.

For investments in government securities classified as debt securities at amortized costs, the Company applied the low credit risk simplification. The probability of default and loss given defaults are publicly-available and are considered to be low credit risk investment. It is the Company's policy to measure ECL on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based in the lifetime ECL.

Insurance receivables. The Company applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for insurance receivables (except reinsurance recoverable from paid losses).

The expected loss rates on these receivables are determined based on the history of credit-impaired agent, broker and direct accounts. The Company analyzes insurance receivables bases on the number of days the receivables have been outstanding. Insurance receivables that are outstanding for ninety (90) days are assessed for credit impairment.

The historical loss rates, which are expressed as the relationship between the credit-impaired accounts and the related recognized insurance receivables are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company assessed that the expected loss rates for insurance receivables are a reasonable approximation of the loss rates for these financial assets.

Set out below is the information about the credit risk exposure on the Company’s insurance receivables using a provision matrix as at December 31, 2024 and 2023.

December 31, 2024	12-month ECL Stage 1	Lifetime ECL not Credit Impaired Stage 2	Lifetime ECL Credit Impaired Stage 3	Total
ECL rates	1.00%	4.53%	100.00%	
Gross carrying amount	₱ 420,824,049	₱ 243,066,056	₱ 10,480,142	₱ 674,370,247
ECL	4,208,000	11,010,401	10,480,142	25,698,543

December 31, 2023	12-month ECL Stage 1	Lifetime ECL not Credit Impaired Stage 2	Lifetime ECL Credit Impaired Stage 3	Total
ECL rates	0.96%	7.22%	100.00%	
Gross carrying amount	₱ 307,343,422	₱ 260,600,803	₱ 6,954,990	₱ 574,899,215
ECL	2,953,023	18,822,384	6,954,990	28,730,397

b. Liquidity risk

Liquidity risk is the risk that the Company will not be able to fund all cash outflow commitments as they fall due. The Company generally maintains a conservative liquidity position that exceeds all the liabilities payable on demand. The Company invests in various types of assets with a view of matching them with its liabilities of various durations. To strengthen its liquidity further, the Company actively manages and monitors its capital and asset levels, diversification and credit quality of its investments and cash forecasts and actual amounts against established targets. The Company also maintains liquidity contingency plans for the management of liquidity in the event of a liquidity crisis.

The table below summarize the maturity profile of the Company’s financial assets and financial liabilities based on contractual undiscounted payments.

December 31, 2024	On demand	Less than 1 year	Over 1 year but not over 2 years	Over 2 Years	Total
<i>Financial assets</i>					
Cash in banks and cash equivalents*	₱ 910,294,803	₱ -	₱ -	₱ -	₱ 910,294,803
Short - term investments	-	5,277,743	-	-	5,277,743
Insurance receivables, net	-	536,238,835	89,946,295	22,486,574	648,671,704
<i>Financial assets</i>					
Equity securities at FVOCI	-	-	-	16,461,908	16,461,908
Debt securities at amortized costs	-	310,922,909	25,792,692	46,692,595	383,408,196
Other receivables	-	-	-	-	-
Accrued interest receivable	-	14,500,366	-	-	14,500,366
<i>Other assets</i>					
Rental deposit	-	-	-	2,373,007	2,373,007
Security fund	-	-	-	52,831	52,831
	₱ 910,294,803	₱ 866,939,853	₱ 115,738,987	₱ 88,066,915	₱ 1,981,040,558
<i>*excluding cash on hand</i>					
<i>Financial liabilities</i>					
Insurance contract liabilities	-	877,705,784	-	-	877,705,784
Due to reinsurers	-	130,008,451	-	-	130,008,451
Accounts payable and other current liabilities*	-	8,814,546	-	-	8,814,546
Lease liabilities	-	3,116,871	1,516,835	1,795,612	6,429,318
	-	1,019,645,652	1,516,835	1,795,612	1,022,958,099
	₱ 910,294,803	₱ (152,705,799)	₱ 114,222,152	₱ 86,271,303	₱ 958,082,459

**excluding taxes payable and agency payables*

December 31, 2023		On demand		Less than 1 year		Over 1 year but not over 2 years		Over 2 Years		Total
<i>Financial assets</i>										
Cash in banks and cash equivalents*	P	962,740,008	P	-	P	-	P	-	P	962,740,008
Short - term investments		-		2,781,140		-		-		2,781,140
Insurance receivables, net		-		486,575,269		47,674,839		11,918,710		546,168,818
<i>Financial assets</i>										
Equity securities at FVOCI		-		-		-		14,212,629		14,212,629
Debt securities at amortized costs		-		264,667,555		55,966,123		51,901,467		372,535,145
Other receivables		-		-		-		-		-
Accrued interest receivable		-		10,932,199		-		-		10,932,199
<i>Other assets</i>										
Rental deposit		-		-		-		3,060,313		3,060,313
Security fund		-		-		-		52,831		52,831
	P	962,740,008	P	764,956,163	P	103,640,962	P	81,145,950	P	1,912,483,083
<i>*excluding cash on hand</i>										
<i>Financial liabilities</i>										
Insurance contract liabilities		-		707,606,656		-		-		707,606,656
Due to reinsurers		-		136,050,782		-		-		136,050,782
Accounts payable and other current liabilities*		-		18,822,232		-		-		18,822,232
Lease liabilities		-		2,902,461		1,130,036		2,019,120		6,051,617
		-		865,382,131		1,130,036		2,019,120		868,531,287
	P	962,740,008	P	(100,425,968)	P	102,510,926	P	79,126,830	P	1,043,951,796
<i>*excluding taxes payable and agency payables</i>										

c. Market risk

Market risk is the risk of loss of future earnings or future cash flows arising from changes in the price of financial instrument. The value of a financial an instrument may change as a result of changes in interest rates, foreign currency exchange rates, equity prices and other market changes. The Company's market risk is managed within conservative bounds. As of December 31, 2024, and 2023, the Company has not engaged in trading financial instruments.

Price risk

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

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

The Company is not significantly exposed to price risk.

Foreign exchange risk

The Company's exposure to foreign exchange risk results primarily from its business transactions denominated in foreign currencies, specifically US Dollar (\$). The table below summarizes the Company's exposure to foreign exchange risk as at December 31:

	2024		2023	
	\$USD	Peso Equivalent	\$USD	Peso Equivalent
Cash and cash equivalents	\$ 228,461	P 13,253,936	\$ 283,779	P 15,768,748
Short-term investments	51,896	3,010,695	11,526	640,465
Debt securities	359,561	20,859,572	364,170	20,235,834
	\$ 639,918	P 37,124,203	\$ 659,475	P 36,645,047

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar rate, with all variables held constant, of the Company's profit before tax:

	Peso Appreciation (Depreciation)	Effect on Profit Before Income Tax
2024	+10%	₱ 3,712,420
	-10%	(3,712,420)
2023	+10%	3,664,505
	-10%	(3,664,505)

Interest rate risk

Interest rate risk is the risk to earnings or capital resulting from adverse movements in the interest rates. The economic perspective of interest rate risk focuses on the value of a bank in the current interest rate environment and the sensitivity of that value to changes in interest rates.

The Company closely monitors the movements of interest rates in the market and reviews its assets and liability structure to ensure that exposures to fluctuations in interest rates are kept within acceptable limits.

The Company's interest-bearing financial instruments consist of its cash and cash equivalents, Short-term investments, debt securities at amortized costs/HTM investments and notes receivable.

As at December 31, 2024 and 2023, the Company's financial instruments are at fixed rate of interest, hence, the Company is not sensitive to interest rate changes.

31. Fair Value Measurement

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. In determining the fair value of its financial assets and liabilities, the Company takes into account its current circumstances and the costs that would be incurred to exchange or settle the underlying financial assets and liabilities.

Carrying amounts and Fair Values by Category

The table below presents a comparison by category of carrying amounts and estimated fair values of all the Company's financial instruments as at December 31, 2024 and 2023:

	2024		2023	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<i>Financial assets</i>				
Cash in banks and cash equivalents*	₱ 910,294,803	₱ 910,294,803	₱ 962,740,008	₱ 962,740,008
Short - term investments	5,277,743	5,277,743	2,781,140	2,781,140
Insurance receivables, net	648,671,704	648,671,704	546,168,818	546,168,818
Financial assets				
Equity securities at FVOCI	16,461,908	16,461,908	14,212,629	14,212,629
Debt securities at amortized costs	383,408,196	383,408,196	372,535,145	372,535,145
Other receivables				
Accrued interest receivable	14,500,366	14,500,366	10,932,199	10,932,199
Other assets				
Rent deposit	2,373,007	2,373,007	3,060,313	3,060,313
Security fund	52,831	52,831	52,831	52,831
	₱1,981,040,558	₱ 1,981,040,558	₱ 1,912,483,083	₱ 1,912,483,083

*excluding cash on hand

	2024		2023	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<i>Financial liabilities</i>				
Insurance contract liabilities	877,705,784	877,705,784	707,606,656	707,606,656
Due to reinsurers	130,008,451	130,008,451	136,050,782	136,050,782
Accounts payable and other current liabilities*	8,814,546	8,814,546	18,822,232	18,822,232
Lease liabilities	6,429,318	6,429,318	6,051,617	6,051,617
	1,022,958,099	1,022,958,099	868,531,287	868,531,287
	P 958,082,459	P 958,082,459	P 1,043,951,796	P 1,043,951,796

*excluding taxes payable and agency payables

The carrying amount of cash in banks and cash equivalents approximates fair value due to the short-term maturity of these financial instruments. The fair value of equity securities at FVOCI have been determined directly by reference to published prices in active markets.

	Fair value measurement using			
	Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets at FVOCI/AFS				
Quoted equity securities				
2024	P 15,868	P 15,868	P -	P -
2023	10,089	10,089	-	-

As at December 31, 2024 and 2023, there are no transfers between Levels.

32. Notes to Statement of Cash Flows

The reconciliation of cash flows from lease liabilities as at December 31, 2024 and 2023 follows:

	2024	2023
Balance at beginning of year	P 6,051,617	P 4,705,657
Cash Flows:		
Repayment	(4,685,600)	(6,049,272)
Non-cash:		
Additions to right-of-use asset in exchange for increased lease liabilities	4,643,151	6,991,273
Accretion of interest	420,150	403,959
Balance at end of year	P 6,429,318	P 6,051,617

The reconciliation of assets arising from investing activities as at December 31, 2024 and 2023 follows:

2024	Equity securities at FVOCI	Debt securities at Amorized Cost	Property and Equipment	Investment Properties	Computer Software
Balances at beginning of year	P 14,212,629	P 372,535,145	P 222,971,323	P 386,091,550	P 12,449,700
Cash flows:					
Proceeds from disposal	-	(246,895,000)	-	-	-
Additions	2,243,500	247,200,171	93,593,217	52,830,189	-
Non-cash:					
Adjustments	-	-	-	-	-
Transfer to/from	-	-	(75,426,500)	75,426,500	-
Fair value changes	5,779	-	38,053,000	33,371,450	-
Amortization of discount	-	10,558,531	-	-	-
Depreciation and amortization	-	-	(17,291,510)	-	(3,623,284)
Foreign exchange translation	-	9,349	-	-	-
Balances at end of year	P 16,461,908	P 383,408,196	P 261,899,530	P 547,719,689	P 8,826,416
2023	Equity securities at FVOCI	Debt securities at Amorized Cost	Property and Equipment	Investment Properties	Computer Software
Balances at beginning of year	P 9,716,564	P 414,560,208	P 76,652,374	P 407,468,500	P 9,674,079
Cash flows:					
Proceeds from disposal	-	(285,794,144)	-	-	-
Additions	4,500,000	237,669,754	25,231,274	114,257,550	6,429,640
Non-cash:					
Adjustments	-	-	(183,047)	-	-
Transfer to/from	-	-	135,634,500	(135,634,500)	-
Fair value changes	(3,935)	-	-	-	-
Amortization of discount	-	10,395,648	-	-	-
Depreciation and amortization	-	-	(14,363,778)	-	(3,654,019)
Foreign exchange translation	-	(4,296,321)	-	-	-
Balances at end of year	P 14,212,629	P 372,535,145	P 222,971,323	P 386,091,550	P 12,449,700

33. Restatement

During the year, the Company identified a prior period adjustment in 2023 related to 'Deferred reinsurance commission' and related deferred tax asset amounting to ₱73,278,970 and ₱18,319,742, respectively, which pertains to the portion of commission revenue deferral using 24th method.

In accordance with PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, restatement of the prior year financial statements is necessary. However, since the amount is not considered significant to the financial position or performance of those periods, adjustment to the beginning balances of the earliest period presented (as at January 1, 2023) will not be shown in the Balance sheet but is disclosed in the Notes to financial statement.

The financial statements of the year ended December 31, 2023 and January 1, 2023 from the previously reported to reflect the following adjustment:

As at December 31, 2023	reported	Adjustment	As restated
<i>Statement of Financial Position</i>			
Deferred tax assets, net	17,572,131	18,319,742	35,891,873
Deferred reinsurance commission	-	73,278,970	73,278,970
Deferred tax liabilities, net	-	-	-
Retained earnings	312,073,900	(54,959,228)	257,114,672
<i>Statement of Comprehensive income</i>			
Commissions earned	183,340,338	(26,706,124)	156,634,214
Provision for income tax	(5,776,656)	6,676,531	899,875
<i>Statement of Cash Flows</i>			
Income before income tax	82,029,501	(26,706,124)	55,323,377
Deferred reinsurance commission	-	26,706,124	26,706,124
As at January 1, 2023	As previously reported	Adjustment	As restated
<i>Statement of Financial Position</i>			
Deferred tax assets, net	-	6,997,532	6,997,532
Deferred reinsurance commission	-	46,572,847	46,572,847
Deferred tax liabilities, net	4,645,680	(4,645,680)	-
Retained earnings	244,684,225	(34,929,635)	209,754,590

34. Supplementary Information Required Under Revenue Regulation No. 15-2010

The Company reported and/or paid in the following types of taxes for the year ended December 31, 2024.

Duties and Tariff Fees and Excise Taxes

The Company has not entered into transactions which are subject to duties and tariff fees and excise taxes.

Output VAT declared in the Company's VAT returns for 2024 are as follows:

The tax base is the Company's gross receipts for the year hence, these may not be the same as the amounts of reported revenues in 2024 statements of profit or loss and other comprehensive income.

	Tax base	Output VAT
Vatable sales	₱ 521,793,244	₱ 62,615,189

Input VAT claimed in the Company's VAT returns for 2024 are as follows:

	Tax base	Input VAT
Balance at beginning of year		₱ -
Domestic purchase of goods and services	₱ 160,324,617	19,238,954
Total input VAT	160,324,617	19,238,954
Less: Input VAT applied		(19,238,954)
Balance at end of year		₱ -

Withholding taxes which are accrued/paid for 2024 are as follows:

	Paid	Accrued	Total
Compensation	₱ 4,273,321	₱ 26,083	₱ 4,299,404
Expanded	18,148,387	1,295,739	19,444,126
	₱ 22,421,708	₱ 1,321,822	₱ 23,743,530

Taxes and Licenses

This includes all other taxes, local and national licenses and permit fees lodged under the "Taxes and Licenses" account in the Company's statement of income and expenses. Details consist of the following:

IC fees	₱ 12,000,156
Transfer taxes	1,727,350
Real property taxes	572,360
Business permits and licenses	944,229
Deficiency taxes	11,962,444
	₱ 27,206,539

Deficiency Tax Assessments and Tax Cases

In 2024, the Company received and settled tax assessment from the Bureau of Internal Revenue BIR amounting to ₱20,061,125 for income tax, value added tax (VAT), withholding taxes, documentary stamp tax, and percentage tax for the taxable year 2023, including interest and miscellaneous charges.



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**SUPPLEMENTAL WRITTEN STATEMENT OF
INDEPENDENT AUDITORS**

The Stockholders and the Board of Directors
Pacific Union Insurance Company
Unit 2401 Antel Corporate Center
121 Valero St., Salcedo Village
Makati City

We have audited the financial statements of Pacific Union Insurance Company ('the Company') as at and for the year ended December 31, 2024, on which we have rendered the attached report dated April 30, 2025.

In compliance with Securities Regulation Code Rule 68, as Amended we are stating that the Company has eighteen (18) stockholders owning one hundred (100) or more shares each as at December 31, 2024.

M. A. MERCADO & CO.


MARCELINO A. MERCADO
Partner

CPA License No. 066885

Tax Identification No. 102-921-222

P.T.R No. 10471448; Issued on January 9, 2025, Makati City

BOA Accreditation No. 5658 / P-001

Issued on December 19, 2023; Valid until November 20, 2026

SEC Accreditation No. 66885 - SEC (Group B)

Issued on January 25, 2022

Valid until 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-006173-001-2025

Issued on March 12, 2025; Valid until March 12, 2028

IC Accreditation No. 66885-IC (Group A)

Issued January 26, 2021

Valid until 2024 financial statements of IC covered institutions

Firm's BOA/PRC Cert. of Reg. No. 5658

Issued December 19, 2023; Valid until November 20, 2026

Firm's SEC Accreditation No. 5658 - SEC (Group B)

Issued on January 25, 2022

Valid until 2025 financial statements of SEC covered institutions

Firm's BIR Accreditation No. 08-006173-000-2021

Issued March 5, 2024; Valid until March 4, 2027

Firm's IC Accreditation No. 5658-IC (Group A)

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April 30, 2025

Makati City



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**REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
Pacific Union Insurance Company
2401 Antel Corporate Center
121 Valero Street, Salcedo Village
Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Pacific Union Insurance Company (the "Company") as at and for the year ended December 31, 2024 and have issued our report thereon dated April 30, 2025. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of financial soundness indicators is the responsibility of the Company's management. These schedules are presented for the purpose of complying with Securities and Regulation Code Rule 68, as Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, fairly stated, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

M. A. MERCADO & CO.


MARCELINO A. MERCADO
Partner

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April 30, 2025
Makati City

PACIFIC UNION INSURANCE COMPANY
SCHEDULE SHOWING FINANCIAL SOUNDNESS INDICATORS
IN TWO COMPARATIVE PERIODS
UNDER SRC RULE 68, AS AMENDED
DECEMBER 31, 2024

Ratio	Formula	2024	2023
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	1.21	1.51
Acid test ratio	$\frac{\text{Cash and cash equivalents} + \text{Current receivables} + \text{Marketable securities}}{\text{Current liabilities}}$	1.21	1.51
Working capital ratio	$\frac{\text{Current assets} - \text{Current liabilities}}{\text{Total assets}}$	0.08	0.17
Solvency ratio	$\frac{\text{Total liabilities}}{\text{Total assets}}$	0.43	0.38
Debt to equity ratio	$\frac{\text{Total Liabilities}}{\text{Equity}}$	0.75	0.60
Asset to equity ratio	$\frac{\text{Total assets}}{\text{Equity}}$	1.75	1.60
Return on assets	$\frac{\text{Net income}}{\text{Total assets}}$	0.01	0.02
Return on equity	$\frac{\text{Net income}}{\text{Total equity}}$	0.02	0.03
Gross profit margin	$\frac{\text{Gross Profit}}{\text{Revenue}}$	1.15	1.04
Net profit margin	$\frac{\text{Net income}}{\text{Revenue}}$	0.03	0.06