Asia Insurance (Philippines) Corporation

Financial Statements
As at and for the years ended December 31, 2024 and 2023

Independent Auditor's Report

To the Board of Directors and Shareholders of
Asia Insurance (Philippines) Corporation
15th Floor, Tytana Plaza
Plaza Lorenzo Ruiz
Binondo, Manila

Report on the Audits of the Financial Statements

Our Opinion

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

What we have audited

The financial statements of the Company comprise:

- the statements of financial position as at December 31, 2024 and 2023;
- the statements of total comprehensive income for the years ended December 31, 2024 and 2023;
- the statements of changes in equity for the years ended December 31, 2024 and 2023;
- the statements of cash flows for the years ended December 31, 2024 and 2023; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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

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

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

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

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 PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

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

Report on the Bureau of Internal Revenue Requirement

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 21 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Isla Lipana & Co.

Imelda Dela Vega-Mangundaya
Partner
CPA Cert. No. 0090670
PTR No. 0024586, issued on January 3, 2025, Makati City
TIN 152-015-124
SEC A.N (individual) as general auditors 90670-SEC, Category A; valid to audit 2019
to 2025 financial statements
SEC A.N (firm) as general auditors 0142-SEC, Category A; valid to audit 2020
to 2025 financial statements
BIR A.N. 08-000745-047-2021, issued on October 30, 2024; effective until October 29, 2027
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
August 10, 2025

Asia Insurance (Philippines) Corporation

Statements of Financial Position
December 31, 2024 and 2023
(All amounts in Philippine Peso)

	Notes	2024	2023
Assets			
Cash and cash equivalents	3	414,466,519	435,145,674
Receivables, net	4	592,135,608	482,819,705
Held-to-maturity securities	5	666,461,475	877,945,847
Investments at fair value through profit or loss	5	450,608,950	-
Available-for-sale securities	5	292,588,821	80,339,442
Other investments	5	18,741,283	366,069,813
Reinsurance recoverable on unpaid losses	6	558,091,335	473,770,249
Deferred reinsurance premiums	6	270,575,940	277,357,685
Deferred acquisition costs	6	139,349,842	133,869,116
Investment property, net	7	149,779,222	149,322,222
Non-current assets held for sale	7	2,745,000	-
Property and equipment, net	8	71,374,930	56,197,636
Other assets		32,949,465	16,711,901
Total assets		3,659,868,390	3,349,549,290
Liabilities and Equity			
Losses and claims payable	6	675,782,621	583,770,566
Reserve for unearned premiums	6	483,192,560	475,410,350
Deferred commission income	6	36,713,717	37,221,072
Due to reinsurers and ceding companies		235,509,208	297,193,133
Funds held for reinsurers		66,462,566	42,341,207
Commissions payable		23,464,722	27,686,885
Accounts payable and other liabilities	10	287,256,164	189,958,552
Deferred income tax liabilities, net	9	12,484,041	2,487,120
Total liabilities		1,820,865,599	1,656,068,885
Share capital	11	350,000,000	350,000,000
Contributed surplus	11	500,000	500,000
Accumulated other comprehensive gain	11	32,225,743	18,948,685
Retained earnings	11	1,456,277,048	1,324,031,720
Total equity		1,839,002,791	1,693,480,405
Total liabilities and equity		3,659,868,390	3,349,549,290

(The notes on pages 1 to 56 are integral part of these financial statements)

Asia Insurance (Philippines) Corporation

Statements of Total Comprehensive Income
For the years ended December 31, 2024 and 2023
(All amounts in Philippine Peso)

	Notes	2024	2023
UNDERWRITING INCOME			
Premiums written	2	1,115,534,863	1,113,405,855
Reinsurance premiums ceded	2	(614,700,428)	(655,371,770)
Premiums retained	2	500,834,435	458,034,085
(Increase) decrease in reserve for unearned premiums, net	6	(14,563,956)	597,249
Premiums earned	2	486,270,479	458,631,334
Commissions earned	2	97,764,768	100,029,324
Other underwriting income	2	832,645	613,942
GROSS UNDERWRITING INCOME	2	**584,867,892**	**559,274,600**
UNDERWRITING EXPENSES			
Commissions and other underwriting expenses	2	232,324,307	245,332,421
Losses and claims, net	2	173,708,901	116,456,399
	2	406,033,208	361,788,820
NET UNDERWRITING INCOME	2	**178,834,684**	**197,485,780**
INVESTMENT AND OTHER INCOME, NET			
Interest income	12	60,800,524	72,044,016
Foreign exchange gain (loss)	19	42,234,447	(11,902,766)
Dividend	5	17,046,355	3,661,806
Rent	7	6,445,057	6,172,769
Fair value gains on investment property, net	7	3,202,000	9,025,000
Miscellaneous		1,655,644	1,966,704
Gain (loss) on sale of investments	5	563,418	(2,518,844)
		131,947,445	**78,448,685**
NET UNDERWRITING AND INVESTMENT INCOME		**310,782,129**	**275,934,465**
GENERAL AND ADMINISTRATIVE EXPENSES			
Salaries and employee benefits	13	59,897,235	54,713,034
Occupancy and equipment-related costs		10,887,345	10,229,683
Representation and entertainment		7,134,968	7,440,368
Transportation and travel		6,306,409	5,526,720
Taxes, licenses and fees		4,102,689	3,074,170
Professional and directors' fees		3,010,596	2,435,729
Printing, stationery and supplies		2,186,405	2,668,363
Association dues	7	1,705,181	1,579,515
Communication and postage		1,337,788	1,308,408
Interest expense on lease liability	18	92,406	62,692
Advertising and promotion		26,157	31,880
Miscellaneous		7,778,649	5,704,061
		104,465,828	**94,774,623**
INCOME BEFORE INCOME TAX		**206,316,301**	**181,159,842**
PROVISION FOR INCOME TAX	15	(49,570,973)	(41,356,517)
NET INCOME FOR THE YEAR		**156,745,328**	**139,803,325**
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that will be subsequently reclassified to profit or loss			
Net change in fair value of available-for-sale securities, net of tax	5,11	14,445,718	972,020
Item that will not be subsequently reclassified to profit or loss			
Changes in revaluation surplus of property and equipment, net of tax	8,11	4,652,250	3,043,499
Remeasurement loss on retirement benefit obligation, net of tax	11,14	(5,820,910)	(4,119,306)
		13,277,058	**(103,787)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**170,022,386**	**139,699,538**

(The notes on pages 1 to 56 are integral part of these financial statements)

Asia Insurance (Philippines) Corporation

Statements of Changes in Equity
For the years ended December 31, 2024 and 2023
(All amounts in Philippine Peso)

	Share capital (Note 11)	Contributed surplus (Note 11)	Accumulated other comprehensive income (Note 11)	Retained earnings (Note 11)	Equity
Balances at January 1, 2023	**350,000,000**	**500,000**	**19,052,472**	**1,184,228,395**	**1,553,780,867**
Comprehensive income					
Net income for the year	-	-	-	139,803,325	139,803,325
Other comprehensive loss	-	-	(103,787)	-	(103,787)
Total comprehensive (loss) income for the year	-	-	(103,787)	139,803,325	139,699,538
Balances at December 31, 2023	**350,000,000**	**500,000**	**18,948,685**	**1,324,031,720**	**1,693,480,405**
Comprehensive income					
Net income for the year	-	-	-	156,745,328	156,745,328
Other comprehensive income	-	-	13,277,058	-	13,277,058
Total comprehensive income for the year	-	-	13,277,058	156,745,328	170,022,386
Transaction with owners					
Dividends declared and paid	-	-	-	(24,500,000)	(24,500,000)
Balances at December 31, 2024	**350,000,000**	**500,000**	**32,225,743**	**1,456,277,048**	**1,839,002,791**

(The notes on pages 1 to 56 are integral part of these financial statements)

Asia Insurance (Philippines) Corporation

Statements of Cash Flows
For the years ended December 31, 2024 and 2023
(All amounts in Philippine Peso)

	Notes	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	16	42,461,036	192,655,056
Interest received		155,442	8,022,429
Income taxes paid		(9,738,575)	(54,517,055)
Net cash from operating activities		**32,877,903**	**146,160,430**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment	8	(7,924,966)	(4,272,515)
Held-to-maturity securities	5	(15,000,000)	(261,561,521)
Available-for-sale securities	5	(262,598,435)	(5,000,000)
Investments at fair value through profit or loss		(453,155,325)	-
Other investments	5	(13,741,283)	(337,369,813)
Proceeds from:			
Maturities of held-to-maturity securities	5	226,031,044	255,447,959
Disposal of available-for-sale securities	5	69,932,761	2,545,046
Maturities of other investments	5	361,069,813	148,428,287
Interest received		51,664,378	61,982,290
Dividends received	5	17,046,355	3,661,806
Advances to related parties	17	(20,102,085)	(2,405,414)
Net cash (used in) investing activities		**(46,777,743)**	**(138,543,875)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of dividends	11	(24,508,574)	-
Payments on lease liabilities	18	(2,101,500)	(2,479,712)
Net cash used in financing activities		**(26,610,074)**	**(2,479,712)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(40,509,914)**	**5,136,843**
CASH AND CASH EQUIVALENTS			
At January 1		435,145,674	436,163,849
Effects of exchange rate changes on cash and cash equivalents		19,830,759	(6,155,018)
At December 31	**3**	**414,466,519**	**435,145,674**

(The notes on pages 1 to 56 are integral part of these financial statements)

Asia Insurance (Philippines) Corporation

Notes to Financial Statements
As at and for the years ended December 31, 2024 and 2023
(All amounts are shown in Philippine Peso, unless otherwise stated)

1 General information

Asia Insurance (Philippines) Corporation (the “Company”) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) primarily to engage in the sale of non-life insurance policies on fire, marine cargo, motor vehicle, casualty, surety bond, personal accident, comprehensive general liability, engineering lines and miscellaneous insurances.

As at reporting dates, the Company is 20% owned by Asian Insurance International (Holdings) Ltd., which is domiciled and incorporated in Bermuda, 20% owned by P.T. Asuransi Central Asia, which is domiciled and incorporated in the Indonesia, 11% owned by APIC Holdings, Inc., which is domiciled and incorporated in the Philippines, 10% owned by Bangkok Bank Public Company, Ltd., which is domiciled and incorporated in Thailand and a number of domestic corporate and individual shareholders.

The Company’s registered office, which is also its principal place of business, is located at the 15th Floor, Tytana Plaza, Plaza Lorenzo Ruiz, Binondo, Manila.

The Company has 86 employees as at December 31, 2024 (2023 - 83).

Approval of financial statements

The financial statements have been approved and authorized for issuance by the Company’s Board of Directors on August 8, 2025. There are no material events that occurred from August 8, 2025 to August 10, 2025.

2 Additional information on the results of operations by line of business

The following information shows the financial information by line of business for the years ended December 31:

	Fire	Marine	Motor Car	Casualty	Bond	Total
2024						
UNDERWRITING INCOME						
Premiums written	583,463,604	12,413,180	419,339,975	82,796,322	17,521,782	1,115,534,863
Reinsurance premium ceded	(524,355,530)	(8,967,379)	(4,153,991)	(70,842,204)	(6,381,324)	(614,700,428)
Premiums retained	59,108,074	3,445,801	415,185,984	11,954,118	11,140,458	500,834,435
Decrease (increase) in reserve for unearned premiums, net	2,728,054	49,728	(15,926,069)	158,884	(1,574,553)	(14,563,956)
Premiums earned	61,836,128	3,495,529	399,259,915	12,113,002	9,565,905	486,270,479
Commissions earned	69,630,046	3,310,329	659,771	21,492,389	2,672,233	97,764,768
Other underwriting income	24,514	2	258,321	411,166	138,642	832,645
GROSS UNDERWRITING INCOME	131,490,688	6,805,860	400,178,007	34,016,557	12,376,780	584,867,892
UNDERWRITING EXPENSES						
Commissions and other underwriting expenses	53,680,515	4,408,586	145,886,122	22,874,158	5,474,926	232,324,307
Losses and claims, net	8,381,046	888,464	158,929,119	3,139,713	2,370,559	173,708,901
	62,061,561	5,297,050	304,815,241	26,013,871	7,845,485	406,033,208
NET UNDERWRITING INCOME	69,429,127	1,508,810	95,362,766	8,002,686	4,531,295	178,834,684
INVESTMENT AND OTHER INCOME, NET						131,947,445
NET UNDERWRITING AND INVESTMENT INCOME						310,782,129
GENERAL AND ADMINISTRATIVE EXPENSES						(104,465,828)
INCOME BEFORE INCOME TAX						206,316,301
PROVISION FOR INCOME TAX						(49,570,973)
NET INCOME FOR THE YEAR						156,745,328
OTHER COMPREHENSIVE INCOME						13,277,058
TOTAL COMPREHENSIVE INCOME FOR THE YEAR						170,022,386

	Fire	Marine	Motor Car	Casualty	Bond	Total
2023						
UNDERWRITING INCOME						
Premiums written	571,525,574	12,987,454	385,694,027	124,603,872	18,594,928	1,113,405,855
Reinsurance premium ceded	(527,370,056)	(9,427,365)	(3,093,869)	(106,918,484)	(8,561,996)	(655,371,770)
Premiums retained	44,155,518	3,560,089	382,600,158	17,685,388	10,032,932	458,034,085
Decrease (increase) in reserve for unearned premiums, net	2,952,305	62,703	(2,965,921)	(1,233,930)	1,782,092	597,249
Premiums earned	47,107,823	3,622,792	379,634,237	16,451,458	11,815,024	458,631,334
Commissions earned	66,257,371	3,354,908	415,622	25,921,260	4,080,163	100,029,324
Other underwriting income	5,833	-	25,363	414,220	168,526	613,942
GROSS UNDERWRITING INCOME	113,371,027	6,977,700	380,075,222	42,786,938	16,063,713	559,274,600
UNDERWRITING EXPENSES						
Commissions and other underwriting expenses	54,809,659	4,763,964	146,934,189	30,868,086	7,956,523	245,332,421
Losses and claims, net	675,491	165,597	102,729,462	6,953,890	5,931,959	116,456,399
	55,485,150	4,929,561	249,663,651	37,821,976	13,888,482	361,788,820
NET UNDERWRITING INCOME	57,885,877	2,048,139	130,411,571	4,964,962	2,175,231	197,485,780
INVESTMENT AND OTHER INCOME, NET						78,448,685
NET UNDERWRITING AND INVESTMENT INCOME						275,934,465
GENERAL AND ADMINISTRATIVE EXPENSES						(94,774,623)
INCOME BEFORE INCOME TAX						181,159,842
PROVISION FOR INCOME TAX						(41,356,517)
NET INCOME FOR THE YEAR						139,803,325
OTHER COMPREHENSIVE LOSS						(103,787)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR						139,699,538

3 Cash and cash equivalents

The details of the account at December 31 are as follows:

	Interest rate (%)		Amount	
	2024	2023	2024	2023
Cash on hand	-	-	26,166,958	96,131,925
Cash in banks				
Philippine Peso	0.06 - 0.50	0.05 - 0.50	71,007,392	63,610,732
US Dollar	0.05 - 0.13	0.10 - 0.25	19,759,640	41,520,876
Time deposits				
Philippine Peso	0.04 – 0.07	0.60 - 6.50	233,903,029	233,882,141
US Dollar	0.04 – 0.04	1.25 - 2.00	63,629,500	-
			414,466,519	435,145,674

The maturities of cash equivalents which consist of time deposits from reporting dates are as follows:

	2024	2023
US Dollar	13 - 25 days	30 - 91 days
Philippine Peso	6 - 62 days	5 - 91 days

The related interest earned on cash and cash equivalents is presented in Note 12.

Cash on hand represents undeposited cash collections and various cash funds as at December 31, 2024 and 2023.

Cash and cash equivalents are available for normal business operations and classified as current.

4 Receivables, net

The account at December 31 consists of:

	Note	2024	2023
Receivables arising from insurance contracts			
Premium receivable		327,068,070	243,370,169
Reinsurance recoverable on paid losses		161,101,188	139,517,894
Due from reinsurers and ceding companies		27,726,980	45,154,536
Funds held by ceding companies		14,008,100	13,756,058
		529,904,338	441,798,657
Allowance for impairment on premium receivable		(1,553,000)	(1,553,000)
		528,351,338	440,245,657
Other receivables			
Accounts receivable		58,539,625	32,861,295
Accrued interest income		5,125,796	9,593,904
Refundable deposits		69,700	69,700
Security fund		49,149	49,149
		63,784,270	42,574,048
		592,135,608	482,819,705

The maturity profile of the Company's receivables is disclosed in Note 19.2.3. Accounts receivable is mainly composed of loans and advances to employees.

The security fund is maintained in compliance with Sections 365 and 367 of the Insurance Code of the Philippines (Insurance Code). The amount of security fund is determined by and deposited with the Insurance Commission (IC) to pay valid claims against insolvent insurance companies.

There were no movements in the allowance for impairment on premium receivable in 2024 and 2023.

There is no concentration of credit risk to a single counterparty with respect to receivables arising from insurance contracts.

Significant accounting judgment - Recoverability of receivables

The Company reviews its receivables at each reporting date to assess whether an allowance for impairment or write-off should be recorded. In these cases, management uses judgment based on the best available facts and circumstances, including but not limited to, the length of relationship with the counterparty and the counterparty's payment history. These also include factors, such as, but not limited to, age of balances and financial status of the counterparty. The amount and timing of recorded impairment losses for any period would therefore differ based on the judgments made. Based on management's assessment, there is no provision needed to be recognized on the Company's receivables for the years ended December 31, 2024 and 2023. Management did not identify any indications that these receivables will not be recovered.

5 Investments

Details and classification of the Company's investments at December 31 follows:

	2024	2023
Held-to-maturity (HTM) securities	666,461,475	877,945,847
Investments at fair value through profit or loss (FVTPL)	450,608,950	-
Available-for-sale (AFS) securities	292,588,821	80,339,442
Other investments	18,741,283	366,069,813
	1,428,400,529	1,324,355,102

The movements in investments are summarized as follows:

	HTM securities	Investments at FVTPL	AFS securities	Other investments
Balances at January 1, 2023	1,037,517,886	-	83,627,746	177,128,287
Additions	261,561,521	-	5,000,000	337,369,813
Maturities	(255,447,959)	-	(5,063,890)	(148,428,287)
Fair value adjustment	-	-	1,296,027	-
Foreign currency revaluation	505,626	-	(4,520,441)	-
Amortization of bond premium (discount), net	(166,191,227)	-	-	-
Balances at December 31, 2023	877,945,847	-	80,339,442	366,069,813
Additions	15,000,000	453,155,325	262,598,435	13,741,283
Maturities	(226,031,044)	-	(69,932,761)	(361,069,813)
Fair value adjustment	-	(2,546,375)	19,583,705	-
Foreign currency revaluation	(808,828)	-	-	-
Amortization of bond premium (discount), net	355,500	-	-	-
Balances at December 31, 2024	666,461,475	450,608,950	292,588,821	18,741,283

HTM securities

HTM securities as at December 31 are as follows:

	2024	2023
Treasury bonds		
Philippine Peso	451,600,000	562,951,400
US Dollar	78,379,975	140,488,267
Corporate bonds		
Philippine Peso	136,150,000	164,791,121
	666,129,975	868,230,788
Unamortized bond premiums, net	331,500	9,715,059
	666,461,475	877,945,847

Treasury bonds pertain to Philippine peso-denominated government debt securities issued by the Philippine Bureau of Treasury and US dollar-denominated government securities issued by US Department of Treasury. Corporate bonds are debt securities mainly issued by listed corporations.

The Company’s held-to-maturity securities earn interest rates (in %) as follows:

	2024	2023
Treasury bonds and notes	2.63 - 6.88	1.38 - 6.38
Corporate bonds	3.44 - 7.47	2.15 - 6.26
Time deposits	2.40 - 4.70	1.06 - 5.10

The maturity profile of the Company’s held-to-maturity securities at December 31 is as follows:

	2024	2023
Short-term (within one year)	139,548,600	154,637,522
Medium-term (more than one year to five years)	469,393,975	598,584,085
Long-term (more than five years)	57,518,900	124,724,240
	666,461,475	877,945,847

As at December 31, 2024, government securities included under treasury bonds and are classified as held-to-maturity securities with face amount of P443,600,000 (2023 - P359,600,000) are deposited with IC in compliance with the 25% of the Company’s minimum net worth required under Sec. 209 of the Insurance Code for the benefit of policyholders and creditors of the Company.

Investments at FVTPL

Investments at FVTPL as at December 31 consist of:

	2024	2023
Treasury bonds	165,312,482	-
Investment in mutual funds	52,429,858	-
Listed equity securities	232,866,610	-
	450,608,950	-

FVTPL investments are held primarily for trading and are expected to be realized within 12 months after the reporting date.

In 2024, the Company's treasury bonds classified as investments at FVTPL earn interest rates of 6.25%.
Available-for-sale securities

Available-for-sale securities as at December 31 consist of:

	2024	2023
Investment in mutual funds	-	52,579,366
Listed equity securities	232,028,821	17,200,076
Unquoted equity securities	60,560,000	10,560,000
	292,588,821	80,339,442

Proceeds from disposal of securities amount to P69,932,761 in 2024 (2023 - 2,545,046). Gain on sale of available-for-sale securities recognized in the statement of total comprehensive income amounts to P563,418 for the year ended December 31, 2024 (2023 - P2,518,844 loss).

Available-for-sale securities are intended to be held for more than 12 months.

Other investments

Other investments as at December 31 consists of:

	2024	2023
Time deposits		
Philippine Peso	18,741,283	70,545,738
US Dollar	-	295,076,514
Canadian Dollar	-	447,561
	18,741,283	366,069,813

Other investments as at December 31 consists of time deposits with maturity days of more than 90 days.

Dividend income on equity securities recognized in the statement of total comprehensive income amounts to P17,046,355 for the year ended December 31, 2024 (2023 - P3,661,806). There are no dividend receivable as at December 31, 2024 and 2023.

The related interest earned on treasury bonds and corporate bonds, classified as HTM securities and investments at FVTPL is presented in Note 12.

Significant accounting judgment - Classification to HTM securities, investments at FVTPL and AFS securities

The Company follows the guidance of PAS 39, *Financial Instruments: Recognition and measurement* in classifying HTM securities, investment at FVTPL and AFS securities.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified HTM securities. This classification requires significant judgment. In making this judgment, the Company evaluates its intention and ability to hold such investments to maturity. If the Company fails to keep these investments to maturity other than for the specific circumstances (for example, selling an insignificant amount close to maturity) it will be required to reclassify the entire class as available-for-sale securities. The investments would therefore be measured at fair value and not at amortized cost.

For investments at FVTPL, this includes judgment in assessing whether the assets are held for trading, managed on a fair value basis, or designated at initial recognition to eliminate or significantly reduce an accounting mismatch. The assessment involves evaluating the business model for managing the financial assets and the contractual cash flow characteristics.

For AFS securities, the Company exercises judgment in classifying certain debt and equity securities as available-for-sale. This classification is appropriate for assets that are intended to be held for an indefinite period of time and may be sold in response to liquidity needs, changes in market conditions, or other factors. This involves considering management's intention and the Company's ability to hold the assets for the foreseeable future.

Significant accounting judgment - Impairment of available-for-sale and held-to-maturity securities

The Company determines that available-for-sale securities are impaired when there has been a significant or prolonged decline in the fair value below its cost for equity securities. For debt securities classified as available-for-sale and held-to-maturity, the Company first assesses at each reporting date whether objective evidence of impairment exists. A financial asset or group of financial asset is impaired and impairment losses are incurred only if there is an objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The determination of what is significant or prolonged decline or objective evidence of impairment requires judgment (Note 20.2.3). Impairment may be appropriate when there is evidence of deterioration in the financial health and near-term business outlook of the investee or issuer, including factors such as industry and sector performance, changes in technology, and financing and operational cash flows.

6 Insurance contract liabilities and reinsurance contract assets

The account at December 31 consists of:

	2024	2023
Reserve for outstanding losses		
Reported claims	564,732,880	462,080,030
Incurred but not yet reported (IBNR) claims, gross of reinsurance	111,049,741	121,690,536
Losses and claims payable	675,782,621	583,770,566
Reserve for unearned premiums	483,192,560	475,410,350
Total insurance contract liabilities	1,158,975,181	1,059,180,916
Reinsurance recoverable on unpaid losses	558,091,335	473,770,249
Deferred reinsurance premiums	270,575,940	277,357,685
Total reinsurance contract assets	828,667,275	751,127,934

The maturity profile of the Company's insurance liabilities is disclosed in Note 19.2.3.

Provision for IBNR at December 31 consists of:

	2024			2023		
	Insurance liabilities, gross	Reinsurers' share of liabilities	Insurance liabilities, net	Insurance liabilities, gross	Reinsurers' share of liabilities	Insurance liabilities, net
IBNR best estimate	57,781,355	47,994,355	9,787,000	74,088,566	62,361,671	11,726,895
MfAD	51,265,480	48,631,947	2,633,533	38,678,422	36,708,712	1,969,710
CHE	2,002,906	823,443	1,179,463	8,923,548	5,632,283	3,291,265
At December 31	111,049,741	97,449,745	13,599,996	121,690,536	104,702,666	16,987,870

The movements in the insurance liabilities and reinsurance assets at December 31 are shown below:

	2024			2023		
(Amounts in thousands)	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Reported claims	462,080	369,068	93,012	461,396	350,990	110,406
IBNR claims	121,691	104,703	16,988	129,511	111,390	18,121
Balances at January 1	583,771	473,771	110,000	590,907	462,380	128,527
Claims and loss adjustment expenses						
Cash paid for claims settled during the year	252,519	86,501	166,018	178,548	43,565	134,983
Increase (decrease) in liabilities arising from current year claims	(160,507)	(2,180)	(158,327)	(185,684)	(32,174)	(153,510)
	92,012	84,321	7,691	(7,136)	11,391	(18,527)
Balances at December 31	675,783	558,092	117,691	583,771	473,771	110,000
Reported claims	564,733	460,642	104,091	462,080	369,068	93,012
IBNR claims	111,050	97,450	13,600	121,691	104,703	16,988
Balances at December 31	675,783	558,092	117,691	583,771	473,771	110,000

The Company utilizes reinsurance agreements to minimize its exposure to large losses in all aspects of its insurance business. Reinsurance permits recovery of a portion of losses from the reinsurer. However, it does not discharge the primary liability of the Company as direct insurer of the risk reinsured.

As disclosed in Note 20.5.8, the Company sells damaged property (salvage) or pursues third parties for some or all of the costs (subrogation). These are deducted from cash paid for claims settled. The Company’s total salvage and subrogation reimbursements for the year ended December 31, 2024 amount to P17,551,692 (2023 - P3,662,282).

Movements in reserve for unearned premiums and deferred reinsurance premiums, at December 31 follow:

	2024			2023		
(Amounts in thousands)	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At January 1	475,410	277,358	198,052	431,122	232,472	198,650
Increase (decrease) during the year	7,782	(6,782)	14,564	44,288	44,886	(598)
At December 31	483,192	270,576	212,616	475,410	277,358	198,052

Deferred acquisition cost and deferred commission income

The roll-forward analysis of deferred acquisition costs for the years ended December 31 follows:

	2024	2023
At January 1	133,869,116	131,558,630
Cost deferred during the year	212,120,242	222,562,476
Amortization charge for the year	(206,639,516)	(220,251,990)
At December 31	139,349,842	133,869,116

The roll-forward analysis of deferred commission income for the years ended December 31 follows:

	2024	2023
At January 1	37,221,072	29,621,257
Income deferred during the year	97,257,413	107,629,139
Amortization of commission income during the year	(97,764,768)	(100,029,324)
At December 31	36,713,717	37,221,072

Deferred acquisition costs and deferred commission income are amortized using the 24th method. Amortization charge of deferred acquisition costs is presented as part of commissions and other underwriting expenses while amortization of commission income is presented as part of commissions earned in the statement of total comprehensive income.

Critical estimate - Liability arising from claims made under insurance contracts

Management makes the best estimate of its insurance liability at reporting date using the adjuster's report and other available information relating to claims. However, there are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. The major uncertainties are the frequency of claims due to the contingencies covered and the timing of benefit payments (Note 19.1).

Sensitivity analysis is further disclosed in Note 19.1.6.

7 Investment property, net

The movements of the account at December 31 are as follows:

At fair value	Land	Condominium units and parking lots	Total
Balances at January 1, 2023	3,411,222	136,886,000	140,297,222
Fair value adjustment	305,000	8,720,000	9,025,000
Balances at December 31, 2023	3,716,222	145,606,000	149,322,222
Fair value adjustment	-	3,202,000	3,202,000
Reclassification to non-current asset held for sale	(2,745,000)	-	(2,745,000)
Balances at December 31, 2024	971,222	148,808,000	149,779,222

Rental income derived from these properties for the year ended December 31, 2024 amounts to P6,445,057 (2023 - P6,172,769) and presented in the statement of total comprehensive income. Expenses incurred in relation to the Company's investment properties are related to association dues and real estate tax amounting to P1,705,181 and P589,726 for the year ended December 31, 2024, respectively. (2023 - P1,579,515 and P589,158, respectively).

On May 4, 2021, the Company submitted a letter to the IC seeking approval to recognize its investment property at fair value and include the fair value changes as part of its net worth to further support and strengthen its capital build up plan (Note 19.5). The Company believes that the shift to fair value model best reflects the true measure of economic benefits arising from these assets. On May 24, 2021, the IC has issued a letter of approval granting the Company to use fair market value based on the appraisal reports as the valuation for the Company's investment in real properties.

Investment properties consist of land and four (4) condominium units located in Makati City and one (1) office condominium in Pasig City. The fair values of the investment properties were based on the appraisal reports issued by qualified independent firm of appraisers engaged by management. The latest appraisal was conducted in March 2025 (2023 - March 2024). The appraised values reasonably represent the fair values of the properties as at reporting dates.

The above fair value of the properties was computed using the Market Data Approach (Level 3). In this approach, the value of the properties was based on the sales and listings of comparable properties registered within the vicinity, as well as the extent, character and utility of the property. Information about valuation of investment properties is provided in Note 19.4.

In 2024, the Company reclassified its land located in Trece Martirez, Cavite City (a lot in Sherwood Hills Golf and Country Club) to non-current asset held for sale in view of its plan to sell the property. The non-current asset held for sale will be sold at its carrying value of P2,745,000 (Note 20.9) and the absolute sale will be consummated in August 2025. The carrying value of the land approximates the fair value at the time of management's decision to sell the investment property and its reclassification to non-current asset held for sale.

8 Property and equipment, net

The account at December 31 consists of:

	Building	EDP equipment	Leasehold improvements	Transportation equipment	Furniture, fixture and office equipment	Office premise	Total
Cost							
At January 1, 2024	25,510,250	8,240,401	1,091,716	9,906,053	1,361,917	7,220,624	53,330,961
Additions	-	4,131,734	1,662,144	1,532,375	598,713	7,333,752	15,258,718
Retirement	-	(646,743)	-	-	(109,276)	(7,220,624)	(7,976,643)
At December 31, 2024	25,510,250	11,725,392	2,753,860	11,438,428	1,851,354	7,333,752	60,613,036
Accumulated depreciation and impairment loss							
At January 1, 2024	25,510,250	4,469,258	148,211	4,293,360	526,695	5,997,551	40,945,325
Depreciation and amortization	-	1,720,180	320,438	2,055,443	111,944	2,171,419	6,379,424
Retirement	-	(646,743)	-	-	(109,276)	(7,220,624)	(7,976,643)
At December 31, 2024	25,510,250	5,542,695	468,649	6,348,803	529,363	948,346	39,348,106
Revaluation surplus							
At January 1, 2024	43,907,000	-	-	-	-	-	43,907,000
Increase during the year	6,203,000	-	-	-	-	-	6,203,000
At December 31, 2024	50,110,000	-	-	-	-	-	50,110,000
Net carrying value	50,110,000	6,182,697	2,285,211	5,089,625	1,321,991	6,385,406	71,374,930

	Building	EDP equipment	Leasehold improvements	Transportation equipment	Furniture, fixture and office equipment	Office premise	Total
Cost							
At January 1, 2023	25,510,250	8,090,455	1,643,315	8,051,064	1,955,602	5,339,405	50,590,091
Additions	-	591,940	956,027	2,704,464	20,084	1,881,219	6,153,734
Retirement	-	(441,994)	(1,507,626)	(849,475)	(613,769)	-	(3,412,864)
At December 31, 2023	25,510,250	8,240,401	1,091,716	9,906,053	1,361,917	7,220,624	53,330,961
Accumulated depreciation and impairment loss							
At January 1, 2023	25,510,250	3,375,794	1,592,422	2,820,570	941,514	3,737,103	37,977,653
Depreciation and amortization	-	1,535,433	63,405	1,992,061	197,935	2,260,448	6,049,282
Retirement	-	(441,969)	(1,507,616)	(423,271)	(613,754)	-	(2,986,610)
At December 31, 2023	25,510,250	4,469,258	148,211	4,389,360	525,695	5,997,551	41,040,325
Revaluation surplus							
At January 1, 2024	39,849,000	-	-	-	-	-	39,849,000
Increase during the year	4,058,000	-	-	-	-	-	4,058,000
At December 31, 2023	43,907,000	-	-	-	-	-	43,907,000
Net carrying value	43,907,000	3,771,143	943,505	5,516,693	836,222	1,223,073	56,197,636

In 2024, loss on retirement of property and equipment amounts to nil (2023 - P426,254).

Depreciation and amortization is included as part of occupancy and equipment-related costs in the statement of total comprehensive income.

On May 4, 2021, the Company submitted a letter to the IC seeking approval to recognize its Building (Note 8) at fair value and include the revaluation surplus as part of its net worth to further support and strengthen its capital build up plan (Note 19.5). The Company believes that the shift to revaluation model best reflects the true measure of economic benefits arising from these assets. On May 24, 2021, the IC has issued a letter of approval granting the Company to use fair value based on the appraisal reports as the valuation for Building.

Building consists of office unit at Tytana Plaza and a parking slot at Cityland Makati. The fair values of Building were based on the appraisal reports issued by qualified independent firm of appraisers engaged by management. The latest appraisal was conducted in March 2025 (2023 - February and March 2024). The fair value substantially and reasonably represents the fair value of the properties as at reporting periods

The fair value of the Building was computed using the Market Data Approach (Level 3). In this approach, the value of the Building was based on sales and listings of comparable property registered within the vicinity, as well as the extent, character and utility of the property. Information about valuation of the Building is provided in Note 7.

The remaining property and equipment, net are carried at cost less accumulated depreciation.

Critical accounting estimate - Estimated useful lives (EUL) of assets

The useful life of each of the Company’s property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of practices of similar businesses, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment would increase the recorded operating expenses and decrease the carrying value of non-financial assets.

The sensitivity of depreciation expense to changes in estimated useful life of property and equipment as at December 31 follows:

	2024	2023
Increase by 10%	(456,562)	(415,053)
Decrease by 10%	1,997,004	1,881,108

Significant accounting judgment - Impairment of property and equipment (Notes 7 and 8)

The Company’s building under property and equipment are carried at fair value. All other asset classes under property and equipment are carried at cost less accumulated depreciation and amortization and impairment losses, if any. The carrying value is reviewed and assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Changes in those judgments could have a significant effect on the carrying value of the properties and the amount and timing of recorded provision for any period.

As at December 31, 2024 and 2023, management believes, based on its assessment, that there are no indications of impairment or changes in circumstances indicating that the carrying value of its property and equipment is not recoverable.

9 Deferred income taxes, net

The significant components of deferred income tax assets and liabilities at December 31 are as follows:

	2024	2023
Deferred income tax assets		
Reserve for unearned premiums, net	53,154,155	49,513,166
IBNR, net	3,384,702	4,246,968
Retirement benefit obligation	4,652,430	2,879,296
Unrealized forex loss	-	1,003,704
Deferred commission income	9,178,430	9,305,268
Unrealized fair value loss on AFS securities	-	446,502
Allowance for impairment	388,250	388,250
Total deferred income tax assets	70,757,967	67,783,154
Deferred income tax liabilities		
Deferred acquisition cost	34,837,463	33,467,279
Fair value gains on investment property, net	26,510,038	25,785,787
Revaluation surplus	12,527,500	10,976,750
Leases (PFRS 16)	40,580	40,458
Unrealized fair value gain on AFS securities	4,368,737	-
Unrealized foreign exchange gain, net	4,957,690	-
Total deferred income tax liabilities	83,242,008	70,270,274
Deferred income tax liabilities, net	12,484,041	2,487,120

The movements in the deferred income tax account at December 31 are summarized as follows:

	2024	2023
At January 1	(2,487,120)	(4,700,142)
Amounts charged to profit or loss	(5,571,235)	2,178,426
Amounts credited to other comprehensive income	(4,425,686)	34,596
At December 31	(12,484,041)	(2,487,120)

Significant accounting judgment - recoverability of deferred income tax assets

The Company reviews at each reporting date the carrying amounts of DIT assets. The carrying amount of DIT assets is reduced to the extent that the related tax assets cannot be utilized due to insufficient taxable profit against which the deferred tax losses will be applied. The Company believes that sufficient taxable profit will be generated to allow all or part of the deferred income tax assets to be utilized.

10 Accounts payable and other liabilities

The account at December 31 consists of:

	Notes	2024	2023
Taxes payable		107,023,926	62,339,492
Accounts payable		87,695,777	53,218,587
Deferred output VAT		37,278,944	35,431,661
Accrued expenses		9,831,939	6,794,348
Dividend payable	11	8,376,338	8,384,912
Fees payable		9,054,917	7,777,809
Retirement benefit obligation	14	18,609,718	11,517,522
Lease liability	18	5,913,111	1,155,615
Others		3,471,494	3,338,606
		287,256,164	189,958,552

Accounts payable mainly consist of overpayment of premium receivables, staled checks and other accounts payable.

Taxes payable is comprised of documentary stamp taxes payable, output value-added tax (VAT), withholding taxes payable and local and national taxes due.

Accrued expenses mainly consist of professional fees, rental, and other operating expenses.

Fees payable pertains to amounts collected from motor car insurance holders for compulsory third party liability, and authentication and other registration costs to Land Transportation Office which will be subsequently paid to the appropriate agencies.

Other liabilities pertain mainly to employee-related benefit payables such as contributions to SSS, Philhealth and HDMF, and income tax payable.

The maturity profile of the Company's accounts payable and other liabilities is disclosed in Note 19.2.3. Taxes payable and other payables to government agencies are expected to be settled in the next 12 months.

11 Equity

Share capital

Details of the account at December 31 follow:

	2024		2023	
	Number of Shares	Amount	Number of shares	Amount
Authorized, at P100 par value per share	4,000,000	400,000,000	4,000,000	400,000,000
Issued and outstanding shares	3,500,000	350,000,000	3,500,000	350,000,000

Contributed Surplus

Contributed surplus represents additional capital contribution from shareholders to demonstrate the commitment and strong support of shareholders to the local operations. Such amount is presented as part of contributed surplus in accordance with the guidelines of the IC.

Contingency Surplus

On December 29, 2019, the shareholders initially agreed to subscribe additional 400,000 shares at P100 par value amounting to P40 million but the contributions which were fully paid on February 28, 2020 were eventually set aside by the shareholders as a contingency surplus to support their capital build-up plan and to cover any possible impairment in the Company's net worth consistent with the P1.3 billion net worth requirement at the end of 2023 under the amended Code. In 2022, the full amount of contingency surplus was returned to the shareholders.

Retained earnings

On July 8, 2024, the Board of Directors approved the declaration of cash dividends amounting to P7 per share for 3,500,000 shares, totaling P24,500,000. These dividends are payable to stockholders of record as at December 31, 2023. On August 15, 2024, the Insurance Commission acknowledged the submission of the post-reportorial requirements related to the dividend declaration.

As at December 31, 2024 and 2023, the Company has excess retained earnings over its paid-up capital.

In 2008, the SEC issued Memorandum Circular No. 11 providing the guidelines in determining the appropriate amount of retained earnings available for dividend distribution taking into consideration the effective accounting standards and rules of the SEC. Stock corporations are prohibited from retaining surplus profits in excess of 100% of their paid-in capital.

On October 3, 2019, the SEC published the Revised SRC Rule 68 which prescribed the required schedule of the Reconciliation of Retained Earning for Dividend Declaration.

Section 201 of the amended Code provides that no domestic insurance corporation shall declare or distribute any dividend on its outstanding stocks unless it has met the minimum paid-up capital and net worth requirements of the amended Code.

As at December 31, 2024, the Company plans to retain the excess retained earnings over its paid-up capital of P1,105,777,048 (2023 - P973,531,720) for the following:

- as an additional reserve for future contingencies, especially for catastrophe losses; and
- to continuously comply with the more robust Risk Based Capital ("RBC") and reserving requirements implemented by the IC effective January 1, 2017.

In 2025, the Company plans to declare cash dividend of at least P5.00 per share for stockholders of record as at December 31, 2024, amounting to a total of P17,500,000, subject to further approval of its board of directors and shareholders.

Management will continue to evaluate the plans to retain the excess retained earnings over its paid-up capital after considering the amended regulatory capital requirements of the IC on fixed capitalization and RBC2 framework as well as consider plans for dividend declaration, subject to Board of Directors and shareholders' approval in ensuing years.

Cash dividend (Note 10)

Dividends payable at December 31, 2024 and 2023 are comprised of the following unpaid cash dividend declarations:

Year declared	Cash dividend declared	Dividends per share	Dividends payable 2024	Dividends payable 2023
2012	10,000,000	P2.86	2,675,810	3,065,188
2013	17,500,000	P5.00	-	710,622
2014	15,000,000	P4.29	759,102	759,102
2015	17,500,000	P5.00	1,225,000	1,225,000
2017	17,500,000	P5.00	2,625,000	2,625,000
2024	24,500,000	P7.00	1,091,426	-
			8,376,338	8,384,912

Accumulated other comprehensive income

Details of the account at December 31 follow:

	2024	2023
Unrealized fair value loss on available-for-sale securities, net of tax	13,106,211	(1,339,506)
Cumulative remeasurement loss on retirement benefit obligation, net of tax	(18,462,968)	(12,642,058)
Revaluation surplus of property and equipment, net of tax	37,582,500	32,930,249
	32,225,743	18,948,685

The movements in accumulated other comprehensive (loss) income for the years ended December 31 are as follows:

	2024	2023
At January 1	18,948,685	19,052,472
Net change in fair value of available-for-sale securities, net of tax	14,445,718	972,020
Remeasurement loss on retirement benefit asset, net of tax	(5,820,910)	(4,119,306)
Changes in revaluation surplus of property and equipment, net of tax	4,652,250	3,043,499
At December 31	32,225,743	18,948,685

12 Interest income

Details of interest income for the years ended December 31 are as follows:

	2024	2023
Cash and cash equivalents	155,442	8,022,429
Fair value through profit or loss	1,610,665	-
Held-to-maturity securities		
Treasury bonds and notes		
US Dollar	27,621	4,821,815
Philippine Peso	15,585,144	8,228,374
Corporate bonds	11,217,240	27,262,817
Time deposits	32,204,412	23,708,581
	60,800,524	72,044,016

13 Salaries and employee benefits

The details of the account for the years ended December 31 are as follows:

	Note	2024	2023
Salaries and wages		39,468,205	36,120,106
Retirement benefit expense	14	4,002,346	3,213,520
Other employee benefits		16,426,684	15,379,408
		59,897,235	54,713,034

Other employee benefits pertain to payments to Health Maintenance Organizations (HMO) providers, social security contributions and allowance and bonuses.

14 Retirement benefit obligation

The Company has a funded, non-contributory defined benefit plan providing death, disability, and retirement benefits for all its employees. The fund is being managed and administered by a financial institution on the basis of a duly executed trust agreement and governed by local regulations in the Philippines. Under the plan, qualified officers and employees are entitled to retirement benefits when they reach the normal retirement age of 60 years with an option for early retirement at 50 years of age provided that they have completed at least 10 years of continuous service. Normal and early retirement benefits consist of a lump sum benefit equivalent to one month’s final pay for every year of service. The plan also provides late retirement, death, disability and voluntary separation benefits.

The Company’s obligation under the defined benefit plan may significantly vary depending on a number of market, economic and demographic conditions, such as yields on government debt, return on plan assets invested in debt and equity securities as well as pooled funds, employee turnover and retiree mortality rates.

These risk factors may affect the Company’s future cash outflows to fund its obligation, amounts of periodic benefit cost used in calculating net profit and remeasurement charges reported in other comprehensive income.

Following are the amounts based on the latest actuarial valuation as at December 31, 2024 and 2023 using the projected unit cost method.

Retirement benefit expense recognized as part of salaries and employee benefits in the statement of total comprehensive income for the years ended December 31 is as follows:

	2024	2023
Retirement benefit cost recognized in profit or loss		
Current service cost	3,303,233	2,829,304
Net interest cost	699,113	384,216
	4,002,346	3,213,520
Retirement benefit loss recognized in other comprehensive income		
Remeasurement loss - retirement benefit obligation	6,631,847	4,537,661
Remeasurement loss - plan assets	1,129,366	954,747
	7,761,213	5,492,408
Deferred tax effect	(1,940,303)	(1,373,102)
	5,820,910	4,119,306

Retirement benefit liability as at December 31 is determined as follows:

	2024	2023
Present value of defined benefit obligation	59,627,146	46,936,217
Fair value of plan assets	(41,017,428)	(35,418,695)
Retirement benefit liability	18,609,718	11,517,522

The movements in the present value of defined benefit obligation for the years ended December 31 are as follows:

	2024	2023
Beginning of year	46,936,217	43,150,134
Current service cost	3,303,233	2,829,304
Interest cost	2,849,028	3,067,975
Benefits paid	(93,179)	(6,648,857)
Remeasurements	-	-
Effect of changes in financial assumptions	4,583,129	1,804,116
Experience adjustments	2,048,718	2,733,545
End of year	59,627,146	46,936,217

The movements in the fair value of plan assets for the years ended December 31 are as follows:

	2024	2023
Beginning of the year	35,418,695	37,746,260
Interest income	2,149,915	2,683,759
Remeasurement	(1,129,366)	(954,747)
Benefits paid (net of contributions)	4,578,184	(4,056,577)
End of year	41,017,428	35,418,695

Benefit due reported under the present value of defined benefit obligation in 2024 and 2023 include benefits due to employees of the Company who have retired in 2024 and 2023 but were subsequently paid in the ensuing years. The Company has accrued for the benefits due which is presented under accounts payable and other liabilities (Note 10) in the statement of financial position.

The Company has no transactions with the plan other than the contributions and benefit payments presented above for the years ended December 31, 2024 and 2023.

The plan assets at December 31, 2024 and 2023 are substantially comprised of investments in mutual funds and unit investment trust funds that are carried at fair value. There are no plan assets invested in debt or equity securities of the Company or its related entity. The plan asset consists of the following:

	2024	2023
Investments in unit investment trust funds	30,838,682	25,482,673
Investments in mutual funds	10,178,746	9,936,022
	41,017,428	35,418,695

The movements in cumulative remeasurement losses on retirement benefit obligation, net of tax, presented as part of accumulated other comprehensive gain (loss) within equity for the years ended December 31 are as follows:

	2024	2023
Beginning of the year	(16,856,077)	(11,363,669)
Remeasurement loss - retirement benefit obligation	(6,631,847)	(4,537,661)
Remeasurement loss - plan assets	(1,129,366)	(954,747)
Total	(24,617,290)	(16,856,077)
Deferred tax on cumulative remeasurement of retirement benefit obligation	6,154,322	4,214,019
End of year	(18,462,968)	(12,642,058)

The principal actuarial assumptions used in determining the retirement benefit obligation for the years ended December 31 are shown below:

	2024	2023
Discount rate	6.11%	6.00%
Salary increase rate	8.00%	7.00%

Discount rate

The discount rate was determined in accordance with the Philippine Interpretations Committee (PIC) - approved Q&A 2008-01(Revised), which mandates that discount rates reflect benefit cash flows and use of zero-coupon rates, even though theoretically derived.

The reinvestment method was applied to the PH BVAL benchmark government bonds to arrive at the theoretical zero-coupon yield curve. These derived rates were then used to compute the present value of the expected future benefit cash flows across valuation years.

Finally, the single-weighted discount rate was calculated as the uniform discount rate that produced the same present value.

Future salary increases

This is the expected long-term average rate of salary increase taking into account inflation, seniority, promotion and other market factors. Salary increases comprise of the general inflationary increases plus a further increase for individual productivity, merit and promotion. The future salary increase rates are set by reference over the period over which benefits are expected to be paid.

Demographic assumptions

Assumptions regarding future mortality and disability rates are based on published statistics generally used for local actuarial valuation purposes.

The defined benefit plan typically exposes the Company to a number of risks such as investment risk, interest rate risk and salary risk. The most significant of which relate to investment and interest rate risks. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using 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 pension liability. A decrease in government bond yields will increase the defined benefit obligation. Hence, the present value of defined benefit obligation is directly affected by the discount rate to be applied by the Company. However, the Company believes that due to the long-term nature of the retirement benefit liability and the strength of the Company itself, the mix of debt and equity securities holdings of the plan under its mutual and unit investment trust funds is an appropriate element of the Company's long term strategy to manage the plan efficiently.

The Company ensures that the investment positions are managed within an asset-liability matching framework that has been developed to achieve long-term investments that are in line with the obligations under the plan. The Company's main objective is to match assets to the defined benefit obligation by investing primarily long-term debt securities which offer the best returns over the long term with an acceptable level of risk. The asset-liability matching is being monitored on a regular basis and potential change in investment mix is being discussed with the trustee bank, as necessary to better ensure the appropriate asset-liability matching.

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

Weighted average duration of the retirement benefit obligation is 22 years (2023 - 22 years).

The projected maturity analysis of undiscounted retirement benefit payments as at December 31 is as follows:

	2024	2023
Less than 1 year	18,284,719	16,430,869
1 to 5 years	8,594,034	7,137,712
6 to 10 years	17,841,410	14,464,030
11 to 20 years	52,958,180	43,547,566
Over 20 years	644,804,526	435,025,483

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions for the years ended December 31 is as follows:

	Change in	Impact on pension liability	
2024	assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	Decrease by 2,843,478	Increase by 3,511,401
Salary increase rate	1.0%	Increase by 7,129,026	Decrease by 4,714,739

	Change in	Impact on pension liability	
2023	assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	Decrease by 1,789,441	Increase by 1,108,862
Salary increase rate	1.0%	Increase by 4,263,689	Decrease by 1,824,574

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement benefit obligation recognized within the statement of financial position.

15 Provision for income tax

Provision for income tax for the years ended December 31 follows:

	Note	2024	2023
Current			
RCIT		30,770,842	30,796,070
Final tax		13,228,896	12,738,873
Deferred	9	5,571,235	(2,178,426)
		49,570,973	41,356,517

A reconciliation of the provision for income tax computed at the statutory rate to the actual provision for income tax for the years ended December 31 follows:

	2024	2023
Income before income tax	206,316,301	181,159,842
Income tax calculated at 25%	51,579,075	45,289,961
Income subject to final tax rate	(15,200,131)	(4,077,311)
Non-deductible expense	13,192,029	143,867
Actual provision for income tax	49,570,973	41,356,517

Significant accounting judgment - Provision for income tax

Significant judgment is required in determining the income tax expense. There are many transactions and calculations for which the ultimate tax determination is uncertain in the ordinary course of business.

The Company recognizes liabilities based on careful evaluation of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the Company's current and deferred income tax provisions in the period in which such determination is made. Further, recognition of deferred income taxes depends on management's assessment of the probability of available future taxable income against which the temporary difference can be applied (Note 9).

16 Cash generated from operations

The details of cash generated from operations for the years ended December 31 are as follows:

	Notes	2024	2023
Income before income tax		206,316,301	181,159,842
Adjustments for:			
Provision for IBNR, net	6	13,599,996	16,987,870
Retirement benefit expense	14	4,002,346	3,213,520
Depreciation	8	6,379,424	6,049,282
(Gain) Loss on sale of investments	5	(563,418)	2,518,844
Interest expense	18	92,406	62,692
Loss on retirement of property and equipment, net	8	-	426,254
Dividend income	5	(17,046,355)	(3,661,806)
Fair value gains on investment property, net	7	(3,202,000)	(9,025,000)
Unrealized foreign exchange (gain) loss		(19,830,759)	4,014,815
Interest income	12	(60,800,524)	(72,044,016)
Operating income before changes in operating assets and liabilities		128,947,417	129,702,297
Changes in operating assets and liabilities			
(Increase) decrease in:			
Reinsurance recoverable on unpaid losses		(84,321,086)	(11,390,160)
Deferred acquisition costs		(5,480,726)	(2,310,486)
Deferred reinsurance premiums		6,781,745	(44,885,652)
Receivables, net		(116,587,429)	95,348,302
Other assets		(16,237,564)	(6,162,027)
Increase (decrease) in:			
Reserve for unearned premiums		7,782,210	44,288,403
Deferred commission income		(507,355)	7,599,815
Accounts payable and other liabilities		85,456,494	2,499,027
Funds held for reinsurers		24,121,359	(12,242,782)
Commissions payable		(4,222,163)	5,361,331
Due to reinsurers and ceding companies		(61,683,925)	8,971,669
Losses and claims payable		78,412,059	(24,124,681)
Cash generated from operations		42,461,036	192,655,056

17 Related party transactions

In the ordinary course of business, the Company cedes reinsurance businesses under various reinsurance contracts (mainly treaty) with its related reinsurance companies.

Premiums paid to related party reinsurers are booked as reinsurance premiums ceded in profit or loss and the related payables are included as part of due to reinsurers and ceding companies in the statement of financial position. Commissions out of these reinsurance transactions are included as part of commissions earned and any outstanding uncollected commissions are offset with due to reinsurers and ceding companies.

The share of the related party reinsurer in incurred losses is included as part of reinsurance recoverable on unpaid losses or reinsurance recoverable on paid losses under net receivables in the statement of financial position.

Outstanding balances under treaty and facultative contracts with such related parties as at December 31 are as follows:

	2024	2023	Terms and conditions
Shareholders			
Reinsurance recoverable on paid losses	(90,641)	14,500,461	- Unsecured and unguaranteed - Non-interest bearing - Collectible in cash at gross within 15 days after reinsurer's confirmation
Reinsurance recoverable on unpaid losses	2,200,455	2,200,455	- Unsecured and unguaranteed - Non-interest bearing - Collectible in cash upon payment of the actual losses and follows the same term as reinsurance recoverable on paid losses above
	2,109,814	16,700,916	
Shareholders			-
Due to reinsurers and ceding companies	(774,885)	(15,391,955)	- Unsecured and unguaranteed - Non-interest bearing - Payable in cash at net of commission receivable within 15 days after reinsurer's confirmation
	(774,885)	(15,391,955)	
	1,334,929	1,308,961	

Transactions under treaty and facultative contracts with such related parties for the years ended December 31 are as follows:

	2024	2023	Terms and conditions
Shareholders			
Losses and claims	24,156	11,014	- Represents share of reinsurers in incurred loss - Unsecured and unguaranteed - Due and demandable - Payable in cash at gross amount
	24,156	11,014	

The table below shows transactions and outstanding balances with the Company's key management personnel as at and for the years ended December 31:

	2024		2023		Terms and conditions
	Transactions	Outstanding Balance	Transactions	Outstanding Balance	
Advances (Note 4)	20,102,085	23,075,588	2,405,414	6,264,186	- Secured and guaranteed up to the amount of the officer's retirement benefit - Interest-bearing at 8% per annum - Collectible in cash at gross over a period of one year or more through salary deduction
Salaries and other benefits	12,040,840	-	12,374,233	-	- Represents salaries and other benefits paid to key management personnel during the year - No provisions for termination, post- employment and other long- term benefits for key management personnel, except for such benefits to which they are entitled under the Company's retirement plan
Directors' fees	508,515	-	480,240	-	- Fees paid to directors during the year which are settled during the Board of Directors meeting

18 Contingencies and commitments

Contingencies

In the ordinary course of business, the Company, as plaintiff, is currently pursuing a number of collection-related cases against certain customers. Any asset or income arising from the ultimate resolution of these cases will be recognized when actual settlement is received or when collection is virtually certain.

Lease commitments

The Company has entered into various lease arrangements covering its office space and branches with terms ranging from one to two years.

The lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. The leased asset may not be used as security for borrowing purposes. Refundable deposits are collectible at the end of the lease term.

Details of right-of-use asset and lease liability at December 31 are as follows:

	2024	2023
Right-of-use assets (Note 8)		
Office premise	7,333,752	1,223,073
Lease liabilities (Note 10)		
Current	3,239,485	1,155,615
Non-current	2,673,626	-
	5,913,111	1,155,615

The movements in the lease liability for the years ended December 31 are as follows:

	2024	2023
As at January 1	1,155,615	1,607,052
Additions to lease liability	6,766,590	1,965,583
Interest accretion on lease liability	92,406	62,692
Payments during the year		
Principal portion of the lease liability	(2,009,094)	(2,417,020)
Interest expense on lease liability	(92,406)	(62,692)
As at December 31	5,913,111	1,155,615

The statement of total comprehensive income shows the following amounts relating to leases for the year ended December 31:

	2024	2023
Depreciation expense		
Office premise (Note 8)	2,171,419	2,260,448
Interest expense on lease liability	92,406	62,692
Expense relating to short-term leases (included in Occupancy and equipment-related expenses)	278,607	274,063

Critical accounting estimate - Determination of incremental borrowing rate

The lease payments for lease of office premise are discounted using the lessee's incremental borrowing rate, being the rate that the Branch would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; or
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held which do not have recent third-party financing, and
- makes adjustments specific to the lease, (e.g., term, currency and security).

The Company's weighted average incremental borrowing rate applied to the lease liability 2024 was 5.83% (2023 - 6.72%). As at December 31, 2024, if the Company's incremental borrowing rate increased/decreased by 10% while holding all other assumptions constant, the Company's lease liabilities would be lower/higher by P29,777 and P29,994, respectively (2023 - P2,422 and P2,414, respectively).

Significant accounting judgment - Determination of lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Company's existing contract has enforceable extension option provisions.

19 Insurance and financial risk and capital management

This section summarizes the Company's insurance and financial risks and the way the Company manages them, including the Company's capital management objectives.

19.1 Insurance risk

Insurance is a form of contract whereby periodic payments (also known as insurance premiums) are made to an insurance company, in order to provide an individual or business compensation in the event of property loss or damage. The risk under any one insurance contract is the uncertainty about an unfavorable outcome in a given situation. Insurance risk is an uncertainty over the likelihood of an insured event occurring, the quantum of the claim, or the time when claims payments will fall due.

The principal risk the Company is facing under insurance contracts is when the actual claims and benefit payments exceeds the carrying amount of the insurance liabilities. This could happen when there are numerous claims that occur in a particular period and the actual payment exceeds the estimated amount.

Factors that aggravate insurance risk include reduction in rates of premium, geographical location, and type of industry covered. One way of reducing insurance risk is by transfer and sharing of risk.

The Company has developed its insurance underwriting strategy to expand the type of insurance risk accepted in order to attain premium income growth and above-average underwriting profit.

19.1.1 Casualty insurance contracts

Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. Estimated inflation is a significant factor due to the long period typically required to settle these cases. Another factor is the political and economic stability of the country which could result to numerous theft claims. The Company manages these risks through its well-designed underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography in order to spread possible losses fairly between the Company (retention) and the reinsurers.

Management continues to review the loss experience and premium payment record of existing agencies to identify and weed out the bad agencies and motivate the good agencies to produce more business.

Sources of uncertainty in the estimation of future claim payments

The claims outstanding provision is the estimated ultimate cost of all claims and the related claims handling expenses in respect of events up to the accounting date less amounts already paid.

The provision will relate to all events that have occurred up to the accounting date, whether or not the Company has been notified of the claims in question before the close of the accounting period. The latter category of claims is referred to as IBNR claims.

It is impossible for an insurance company to predict its outstanding claims provision with 100% accuracy. If understated, the Company may distribute assets or otherwise act in a way that could lead to severe financial problems, and possible insolvency, when claims come to be paid.

The provision for reported and IBNR claims are the Company's estimate of the amount which it will have to pay at reporting date.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claim's exposures.

19.1.2 Property insurance contracts

Frequency and severity of claims

For property insurance contracts, climatic changes give rise to more frequent and severe extreme weather events (for example, flooding, typhoons, etc.) and their consequences.

Cost of rebuilding properties, replacement or indemnity for contents and time taken to restart operations for business interruption are the key factors that influence the level of claims under these policies. The greatest likelihood of significant losses on these contracts arises from storm or flood damage.

The Company has the right to reprice the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. Moreover, it has the right not to accept a certain risk by not engaging in any form of hazardous enterprise at all. These contracts are underwritten by reference to the commercial replacement value of the properties and contents insured, and claim payment limits are always included to cap the amount payable on occurrence of the insured event.

Sources of uncertainty in the estimation of future claims payments

Risk continues to be concentrated in the property business, particularly on the motor line. Treaty cession limits and underwriting strategies are being implemented to protect the Company and reinsurers from high exposures to possible losses. Property claims are analyzed separately for its exposures and risk accumulation. This is estimated within the definition of the crest zone exposures. The shorter settlement period for these claims allows the Company to achieve a higher degree of certainty about the estimated cost of claims.

19.1.3 Motor insurance contracts

Frequency and severity of claims

Motor insurance contracts are underwritten by placing underwriting limits to enforce appropriate risk selection criteria. For example, the Company has the right not to renew individual policies, it can impose deductibles, and it has the right to reject the payment of a fraudulent claim. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs (i.e., subrogation). All motor insurance policies issued are covered by a reinsurance program.

Sources of uncertainty in the estimation of future claim payments

Claims on motor insurance contracts are payable on a claims occurrence and claims made basis. The Company is liable for all insured events that occurred during the term of the contract.

The Company makes valuations and recommendations for the estimated loss reserves which include direct expenses to be incurred in settling claims, the expected subrogation value and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claim's exposures. The Actuary provides reasonable estimates of the ultimate cost of claims using the Company's past experience and recognized estimation techniques.

19.1.4 Valuation standards for insurance liabilities beginning January 1, 2017

On December 28, 2016, the IC, through its 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 UPR and the URR;
(ii) consideration of the claims handling expense ("CHE");
(iii) consideration of MfAD to allow for inherent uncertainty of the best estimate of policy reserve; and
(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.

Beginning January 1, 2017, the initial year of implementation of the New Valuation Standard for 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 UPR alone, instead of the higher of UPR (net of DAC) and URR;
(ii) set up MfAD to zero, instead of company specific MfAD.

On March 9, 2018, the IC, through its CL No. 2018-18, issued the New Valuation Standards for Non-life Insurance Policy Reserves and replaced CL No. 2016-67. Beginning January 1, 2018, among others, the new valuation standards provide for the determination of premium liabilities on an aggregate basis. A computation should be performed to determine whether an additional reserve is required to be booked on top of the UPR. Therefore, premium liabilities should be valued equal to the UPR plus the sum of the higher amount between the (1) URR and UPR, net of related DAC component, and (2) zero. UPR shall be calculated for all classes of business, on a gross of reinsurance basis while URR shall be calculated as the best estimate of future claims and expenses for all classes of business and with MfAD.

On the same date, IC issued its CL No. 2018-19 which amends certain provisions of CL No. 2016-69 as it relates to the calculation of MfAD. IC mandates that MfAD should be company-specific, and allows insurance entities to set MfAD as follows:

Period covered	Percentage (%) of company specific MfAD
2017	0%
2018	50%
2019 onwards	100%

As at December 31, 2024 and 2023, the Company's UPR, net of DAC, is determined to be higher than the URR. As such, the Company did not require any additional provision in respect to the unearned premiums. Moreover, the Company has applied entity specific MfAD for both claims and premiums liabilities, which is based on the bootstrapping method using the Company's own data at 75% sufficiency level for policy reserves.

19.1.5 Losses and claims payable

In 2017, the Company has adopted certain provisions of the Implementing Requirements for the New Valuation Standard for Insurance Policy Reserve through IC CL 2016-69 as its accounting policy for reserving, particularly the incorporation of MfAD and CHE in determining its claims obligation. The Company has engaged an external actuary in determining its Insurance Policy Reserve, who has considered actual historical claims data for the last 10 years, CHE of 2% and MfAD of 8.5%.

The Company has applied entity specific MfAD at 100% of claims and premiums liabilities, which is based on the Stochastic Chain Ladder method using the Company's own data at 75% sufficiency level for policy reserves. Entity-specific CHE assumption, on the other hand, is computed at the best estimate of IBNR and outstanding claims while policy maintenance expenses is computed at one-third of the Company's general and administrative expenses.

As at December 31, 2024, the incremental losses and claims reserve due to MfAD is P51,265,480 (2023 - P38,678,422).

19.1.6 Sensitivities

The general insurance claims provision is sensitive to the Company's past claims development experiences. The sensitivity of certain variables like legislative change, uncertainty in the estimation process, etc., is not possible to quantify. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claims provisions are not known with certainty at the reporting date.

Consequently, the ultimate liabilities will vary as a result of subsequent developments. Differences resulting from reassessments of the ultimate liabilities are recognized in subsequent financial statements.

Following the Company's adoption of certain provisions of the new valuation standards on insurance policy reserve, the analysis below is performed for a reasonable possible movement in key assumption with all other assumptions held constant, on income and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities but to demonstrate the impact due to changes in assumptions, assumption changes had to be done on an individual basis. It should also be stressed that these assumptions are non-linear and larger or smaller impacts cannot easily be gleamed from these results.

The key assumptions considered in the sensitivity analysis are as follows:

- 12 to 24-month Loss Development Factor (LDF)
- Initial Loss and Allocated Loss Adjustment Expenses (ALAE) Ratios

The LDF is used to estimate the ultimate losses under the Incurred Chain Ladder/Development Approach and Paid Chain Ladder Development approach. The LDF is based on the Company's historical loss experience supplemented with industry loss triangles.

Initial loss and ALAE Ratios are used to estimate the ultimate loss under Bornhuetter-Ferguson Incurred Approach and Bornhuetter-Ferguson Paid Approach.

Based on CL No. 2016-67, *Valuation Standards for Non-life Insurance Policy Reserves*, standard actuarial projection techniques, or combination of which, include but not limited to the chain ladder method, the expected loss ratio approach and the Bornhuetter-Ferguson method.

To show the sensitivity of this assumption, the impact of changing LDF and Initial and ALAE ratios by 10% as at December 31 is shown in the table below.

	Change in	% impact on claims liability	
2024	Assumption	Gross	Net
LDF	+10%	+6.61%	+15.36%
	-10%	-0.67%	-3.60%
Initial loss and ALAE ratios	+10%	+4.53%	+6.61%
	10%	-2.73%	-3.32%

	Change in	% impact on claims liability	
2023	Assumption	Gross	Net
LDF	+10%	+4.17%	+8.68%
	-10%	-1.83%	-6.22%
Initial loss and ALAE ratios	+10%	+2.10%	+1.79%
	10%	-2.07%	-1.79%

Loss development triangle

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

Gross reinsurance basis

As at December 31, 2024

	Accident Year						
Year of Assessment	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
2017 and prior	11,165,125,499	1,980,876,413	1,967,704,938	1,956,161,055	1,953,216,913	1,953,586,968	1,955,758,872
2018	443,885,767	442,076,474	431,559,988	419,000,609	414,527,051	414,527,051	413,761,367
2019	-	380,030,345	334,618091	324,648,395	318,944,339	309,613,065	307,230,895
2020	-	-	226,905,697	299,444,987	297,308,327	272,809,399	195,585,900
2021	-	-	-	347,269,956	363,410,199	342,236,187	310,603,493
2022	-	-	-	-	250,496,877	255,595,645	245,206,588
2023	-	-	-	-	-	231,475,724	331,385,792
2024	-	-	-	-	-	-	375,482,986
Cumulative estimate of claim	11,609,011,266	2,802,983,232	2,960,788,714	3,346,525,002	3,597,903,706	3,779,844,039	4,135,015,893
Cumulative payments to date	9,502,953,155	2,445,919,241	2,630,338,880	2,819,569,892	3,139,216,128	3,317,764,009	3,570,283,013
Reported claims	2,106,058,111	357,063,991	330,449,834	526,955,110	458,687,578	462,080,030	564,732,880
IBNR claims, gross of reinsurance (Note 6)							111,049,741
Reserve for outstanding losses (Note 6)							675,782,621

As at December 31, 2023

	Accident Year						
Year of Assessment	**2017**	**2018**	**2019**	**2020**	**2021**	**2023**	**2024**
2016 and prior	8,952,023,544	1,769,703,164	1,773,243,027	1,767,453,002	1,758,781,487	1,757,056,029	1,757,535,827
2017	233,689,130	209,709,661	207,633,386	200,251,936	197,379,568	196,160,884	196,051,141
2018	-	443,885,767	442,076,474	431,559,988	419,000,609	417,235,747	414,527,051
2019	-	-	380,030,345	334,618,091	324,648,395	318,944,339	309,613,065
2020	-	-	-	226,905,697	299,444,987	297,308,327	272,809,399
2021	-	-	-	-	347,269,956	363,410,199	342,236,187
2022	-	-	-	-	-	250,496,877	255,595,645
2023	-	-	-	-	-	-	231,475,724
Cumulative estimate of claim	9,185,712,674	2,423,298,592	2,802,983,232	2,960,788,714	3,346,525,002	3,600,612,402	3,779,844,039
Cumulative payments to date	7,440,718,041	2,062,235,115	2,445,919,241	2,630,338,880	2,819,569,892	3,139,216,128	3,317,764,009
Reported claims	1,744,994,633	361,063,477	357,063,991	330,449,834	526,955,110	461,396,274	462,080,030
IBNR claims, gross of reinsurance (Note 6)							121,690,536
Reserve for outstanding losses (Note 6)							583,770,566

Net reinsurance basis

As at December 31, 2024

	Accident Year						
Year of Assessment	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
2017 and prior	5,179,945,070	1,016,715,125	1,003,398,114	998,469,126	994,937,387	992,592,430	992,570,859
2018	182,758,686	186,273,477	181,201,306	175,078,770	173,881,786	172,676,216	172,155,621
2019	-	172,296,531	179,342,969	175,685,271	162,708,516	158,612,095	156,269,404
2020	-	-	99,913,648	113,101,929	72,277,194	63,618,414	62,138,038
2021	-	-	-	94,609,278	39,881,923	35,159,928	34,090,904
2022	-	-	-	-	123,086,454	128,189,636	123,196,393
2023	-	-	-	-	-	132,513,736	136,064,824
2024	-	-	-	-	-	-	183,973,188
Cumulative estimate of claim	5,362,703,756	1,375,285,133	1,463,856,037	1,556,944,374	1,566,773,260	1,683,362,455	1,860,459,231
Cumulative payments to date	4,608,380,036	1,240,677,344	1,341,611,859	1,449,113,511	1,455,366,637	1,590,350,007	1,756,367,941
Reported claims, net	754,323,720	134,607,789	122,244,178	107,830,863	111,406,623	93,012,448	104,091,290
IBNR claims, net of reinsurance (Note 6)							13,599,996
Reserve for outstanding losses, net (Note 6)							117,691,286

As at December 31, 2023

	Accident Year						
Year of Payment	**2017**	**2018**	**2019**	**2020**	**2021**	**2023**	**2024**
2016 and prior	3,999,058,012	854,778,234	857,662,900	851,451,097	849,042,327	846,917,773	844,682,606
2017	167,876,947	158,231,877	159,052,225	151,947,017	149,426,799	148,019,614	147,909,824
2018	-	182,758,686	186,273,477	181,201,306	175,078,770	173,881,786	172,676,216
2019	-	-	172,296,531	179,342,969	175,685,271	162,708,516	158,612,095
2020	-	-	-	99,913,648	113,101,929	71,277,194	63,618,414
2021	-	-	-	-	94,609,278	39,881,923	35,159,928
2023	-	-	-	-	-	123,086,454	128,189,636
2024	-	-	-	-	-	-	132,513,736
Cumulative estimate of claim	4,166,934,959	1,195,768,797	1,375,285,133	1,463,856,037	1,556,944,374	1,565,773,260	1,683,362,455
Cumulative payments to date	3,537,635,970	1,070,744,066	1,240,677,344	1,341,611,859	1,449,113,511	1,455,366,637	1,590,350,008
Reported claims, net	629,298,989	125,024,731	134,607,789	122,244,178	107,830,863	110,406,623	93,012,447
IBNR claims, net of reinsurance (Note 6)							16,987,870
Reserve for outstanding losses, net (Note 6)							110,000,317

19.1.7 Reserve for unearned premiums

The determination of the Company's reserve for unearned premium balance as at December 31 following the requirement of CL No. 2018-18 (Note 19.1.5) is shown below:

				2024			2023
	Note	Gross	Reinsurance	Net	Gross	Reinsurance	Net
UPR		483,192,560	270,575,940	212,616,620	475,410,350	277,357,685	198,052,665
Add: The higher of (a) or (b),							
(a) (1) URR (with MfAD),less		198,376,014	105,963,040	92,412,974	208,029,934	118,225,711	89,804,223
(2) UPR, net of DAC		343,842,718	233,881,474	109,961,244	341,541,234	242,014,665	99,526,569
		(145,466,704)	(127,918,434)	(17,548,270)	(133,511,300)	(123,788,954)	(9,722,346)
(b) Zero		-	-	-	-	-	-
Reserve for unearned premiums	6	483,192,560	270,575,940	212,616,620	475,410,350	277,357,685	198,052,665

The Company's UPR, net of DAC, is determined to be higher than the URR. As such, the Company did not require any additional provision for premium liability as the actuarial estimate of URR is less than the Company's UPR, net of DAC.

Critical accounting estimate - Unexpired risk reserves ("URR")

The Company calculates for the URR at 75th level percentile of sufficiency using the best estimate of future claims and expenses for all classes of business, including margin for adverse deviation to address uncertainty in the estimate of unexpired risks. In order to arrive at the URR, the Unearned Premium Reserve ("UPR") for each class of business is multiplied by the expected loss ratio, adjusted for future expenses and Margin for Adverse Deviation ("MfAD").

The expected future claims include all claims which might occur during the unexpired period including claims which are reported after the end of the unexpired exposure period, but have occurred within the unexpired exposure period; and claims which are reopened at any date, but have occurred within the unexpired exposure period. The expected future expenses include estimates of claims expenses and general policy maintenance expenses based on actual historical experience. The claims expense ratio is being applied to the gross unexpired risk reserves while the policy maintenance expense ratio is applied on the provision for unearned premiums.

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 unexpired risk exposures.

Following the requirements of CL 2018-18, the Company's premium liabilities are based on the UPR values as at December 31, 2024 and 2023, as the UPR is significantly higher based on the assessment made by management. As such, the Company no longer presented the necessary sensitivities related to URR.

19.2 Financial risk

The Company is exposed to financial risk through its financial assets and financial liabilities. The most important components of this financial risk are market risk, credit risk and liquidity risk.

19.2.1 Market risk Interest rate risk

This is the type of risk that the Company primarily faces due to the nature of its financial assets and liabilities. The interest rate risk is the only financial risk that has a materially different impact across the assets and liabilities categorized in the Company's asset liability management framework.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

Given that the Company's cash and cash equivalents, debt securities classified as held-to-maturity and lease liability are carried at amortized cost and have fixed interest rates, these are not exposed to fair value and cash flow interest rate risks.

Foreign currency risk

The insurance business of the Company is mostly denominated in local currency.

Currency exposures arise primarily from the holding of monetary assets and liabilities denominated in US Dollar. The Company does not enter into derivatives to manage foreign currency risks.

The Company’s foreign currency assets and liabilities denominated in US Dollars as at December 31 are as follows:

	Notes	2024	2023
Assets			
Cash and cash equivalents	3		
Cash in banks		341,596	749,880
Time deposits		1,100,000	-
Available-for-sale securities			
Investment in mutual funds	5	-	949,600
Held-to-maturity securities			
Treasury bonds and notes	5	1,355,000	2,537,263
Time deposits	5	-	5,337,260
Reinsurance recoverable on unpaid losses		630,000	175,264
Total assets		3,426,596	9,749,267
Liability			
Losses and claims payable		637,500	558,403
Net asset		2,789,096	9,190,864
Exchange rate		57.85	55.37
Peso equivalent		161,349,204	508,898,140

For the years ended December 31, the Company’s foreign exchange gain (loss) are as follows:

	2024	2023
Unrealized foreign exchange gain (loss)	19,830,759	(10,169,833)
Realized foreign exchange gain (loss)	22,403,688	(1,732,933)
	42,234,447	(11,902,766)

A sensitivity analysis was performed on the US Dollar denominated assets and liabilities. The fluctuation rate is based on the historical movement of US Dollar year on year.

Year	Change in currency	Effect on net income and equity in Philippine Peso
2024	+/- 1.04%	+/- 7,927,982
2023	+/- 1.27%	+/- 6,769,653

Price risk

The Company is exposed to price risk in respect of listed equity securities and investment in mutual funds classified as available-for-sale securities and investments at FVTPL.

The Company manages such risk by setting and monitoring objectives and diversification plan.

Net change in fair value of available-for-sale equity securities for the years ended December 31, 2024 would change by P3,322,515 (2023 - P3,821,508) as a result of an increase/decrease of 23% (2023 - 14.02%) in market prices which is based on the average historical fluctuation in the stock price index year-on-year.

Net change in fair value of fair value through profit or loss equity securities and investment in mutual funds for the year ended December 31, 2024 would change by P53,559,320 (2023 - nil) and P12,058,867 (2023 - nil) respectively as a result of an increase/decrease of 23% in market prices which is based on the average historical fluctuation in the stock price index year-on-year.

19.2.2 Credit risk

Credit risk management, risk limit and mitigation policies

(i) Insurance and reinsurance receivable balances

The Company structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or group of counterparties, and to geographical and industry segments. Such risks are subject to an annual or more frequent review. Limits on the level of credit risk by category and territory are approved annually by the Board of Directors.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract. For facultative reinsurers, only approved companies are being used after taking into consideration their paying habit and reciprocal business.

Key areas where the Company is exposed to credit risk are:
- Receivable arising from insurance contracts
- Reinsurance recoverable on unpaid losses

(ii) Available-for-sale and held-to-maturity debt securities and time deposits

One of the Company's primary investment objectives is to seek the preservation of its portfolio by mitigating the credit risk which is the risk of loss due to failure of the issuer to make good on its obligation when maturity becomes due. This is mitigated by investing in safe securities and diversifying its investment portfolio so that the failure of any one issuer would not materially affect the cash flow of the Company. Within the guidelines provided by the IC, the Company's Investment Committee ensures that the Company invests in allowable categories of investment instruments and provides limitation as to the percentage of the portfolio which can be invested in certain category. Presently, the Company has significant investments in government securities and time deposits with local banks.

For time deposits and debt and mutual fund securities, external ratings such as those provided by Philippine Rating Services Corporation (Phil ratings) and Standard & Poor (S&P) or their equivalent are used by the Company for managing credit risk exposures. Investments in these deposits and securities are viewed as a way to gain better credit quality mix and at the same time, maintain a readily available source to meet funding requirements.

(iii) Cash

The Company manages credit risk on its cash by depositing largely in reputable universal banks.

(iv) Other receivables

The Company continuously monitors the financial health and status of its counterparties to ascertain that other receivables from these counterparties will be substantially collected on due date. Credit risk on receivables is assessed on an on-going basis.

Maximum exposure to credit risk

Credit risk exposures relating to financial assets at December 31 are as follows:

	2024	2023
Cash and cash equivalents		
Cash in banks	90,767,032	105,131,608
Time deposits	297,532,529	233,882,141
	388,299,561	339,013,749
Receivable arising from insurance contracts		
Premium receivable, net of allowance	325,515,070	241,817,169
Reinsurance recoverable on paid losses	161,101,188	139,517,894
Due from reinsurers and ceding companies	27,726,980	45,154,536
Funds held by ceding companies	14,008,100	13,756,058
	528,351,338	440,245,657
Other receivables		
Accounts receivable	58,539,625	32,861,295
Accrued interest income	5,125,796	9,593,904
Refundable deposits	69,700	69,700
Security fund	49,149	49,149
	63,784,270	42,574,048
Held-to-maturity securities		
Treasury bonds and notes	530,307,375	713,154,726
Corporate bonds	136,154,100	164,791,121
	666,461,475	877,945,847
Investments at FVTPL		
Treasury bonds and notes	165,312,482	-
Other investments		
Time deposits	18,741,283	366,069,813
Reinsurance recoverable on unpaid losses	558,091,335	473,770,249
	2,389,041,744	2,539,619,363

Credit quality of receivables arising from insurance contracts and other loans and receivables

Amounts in thousands	Neither past due nor impaired (1-30 days)	Past due but not impaired 31-180 days	181-360 days	More than 360 days	Overdue and impaired	Total
December 31, 2024						
Receivable arising from insurance contracts						
Premium receivable	33,112	188,901	66,581	38,474	(1,553)	325,515
Reinsurance recoverable on paid losses	26,127	17,838	55,113	62,023	-	161,101
Due from reinsurers and ceding companies	2,492	9,453	1,428	14,354	-	27,727
Funds held by ceding companies	-	130	129	13,749	-	14,008
Other loans and receivables						
Accounts receivable (loans receivable)	7,459	3,789	3,437	43,854	-	58,539
Accrued interest income	5,126	-	-	-	-	5,126
Refundable deposits	-	-	-	70	-	70
Security fund	-	-	-	49	-	49
Reinsurance recoverable on unpaid losses	558,091	-	-	-	-	558,091
	632,407	220,111	126,688	172,573	(1,553)	1,150,226

Amounts in thousands	Neither past due nor impaired (1-30 days)	Past due but not impaired 31-180 days	181-360 days	More than 360 days	Overdue and impaired	Total
December 31, 2023						
Receivable arising from insurance contracts						
Premium receivable	23,079	161,320	48,032	10,939	(1,553)	241,817
Reinsurance recoverable on paid losses	6,210	31,157	38,192	63,959	-	139,518
Due from reinsurers and ceding companies	812	6,897	33,498	3,948	-	45,155
Funds held by ceding companies	439	1,715	327	11,275	-	13,756
Other loans and receivables						
Accounts receivable (loans receivable)	3,661	8,204	3,635	17,361	-	32,861
Accrued interest income	9,594	-	-	-	-	9,594
Refundable deposits	-	-	-	70	-	70
Security fund	-	-	-	49	-	49
Reinsurance recoverable on unpaid losses	473,770	-	-	-	-	473,770
	517,565	209,293	123,684	107,601	(1,553)	956,590

The credit quality of receivables can be assessed by reference to historical information about the counterparties' default rates. Currently, there is no history of default for these counterparties, and, hence, no impairment needs to be recognized on these receivables, other than those receivables which were classified under overdue and impaired category which have been fully provided for.

Receivables from insurance and reinsurance contracts and other loans and receivables which are neither past due nor impaired are assessed to be collectible and that no impairment indicators exist for such items.

As at December 31, 2024, receivables from insurance and reinsurance contracts and other loans and receivables of P519,372 thousand (2023 - P440,578 thousand) are past due but not impaired. These relate to a number of independent counterparties for whom there is no recent history of default and balances are fully collectible.

As at December 31, 2024 and 2023, allowance for impairment on premium receivable amounts to P1,553,000.

Credit quality of cash and cash equivalents, fair value through profit or loss, available-for-sale securities and held-to-maturity securities

	A+ to AAA*	BBB- to BB+**	CAMELS***	Unrated****	Total
December 31, 2024					
Investments at FVTPL	165,312,482	-	-	-	165,312,482
Held-to-maturity securities					
Treasury bonds and notes					
Philippine Peso	451,927,400	-	-	-	451,927,400
US Dollar	133,995	78,245,980	-	-	78,379,975
Corporate bonds	121,154,100	15,000,000	-	-	136,154,100
	573,215,495	93,245,980	-	-	666,461,475
Cash and cash equivalents					
Universal bank	62,966,253	281,259,049	24,509,912	-	368,735,214
Commercial bank	952,460	13,466,980	-	-	14,419,440
Thrift bank	2,728,165	521,211	-	544,770	3,794,146
Rural bank	-	-	-	1,350,761	1,350,761
	66,646,878	295,247,240	24,509,912	1,895,531	388,299,561
Other investments					
Time deposits	18,741,283	-	-	-	18,741,283
	823,916,138	388,493,220	24,509,912	1,895,531	1,238,814,801

** Based on Philratings*
*** Based on Standard & Poor's rating*
**** Based on CAMELS rating*
****Unrated short-term deposits and cash and cash equivalents are issued by local commercial, thrift and rural banks.*

	A+ to AAA	BBB- to BB+	CAMELS	Unrated	Total
December 31, 2023					
Held-to-maturity securities					
Treasury bonds and notes					
Philippine Peso	562,600,000	-	-	-	562,600,000
US Dollar	22,225,364	128,332,961	-	-	150,558,325
Corporate bonds	144,787,522	20,000,000	-	-	164,787,522
	729,612,886	148,332,961	-	-	877,945,847
Cash and cash equivalents					
Universal bank	241,024,627	46,816,024	23,018,574	-	310,859,225
Commercial bank	566,526	13,440,726	-	-	14,007,252
Thrift bank	8,273,587	4,644,961	-	504,265	13,422,813
Rural bank	-	-	-	724,459	724,459
	249,864,740	64,901,711	23,018,574	1,228,724	339,013,749
Other investments					
Time deposits	322,412,842	43,656,970	-	-	366,069,812
	1,301,890,468	256,891,642	23,018,574	1,228,724	1,583,029,408

** Based on Philratings*
*** Based on Standard & Poor's rating*
**** Based on CAMELS rating*
****Unrated short-term deposits and cash and cash equivalents are issued by local commercial, thrift and rural banks.*

The credit quality of cash and cash equivalents is based on the Bangko Sentral ng Pilipinas classification of banks operating in the Philippines. To minimize credit risk, the Company invests only in financial institutions which are reputable and in good credit standing.

Philratings and Standard & Poor's are reputable credit rating agencies used in the market to determine credit risk of local and international companies respectively.

Insurance-related assets are generally considered as unrated.

Unrated counterparties have no history of default and hence, no provisions are required.

19.2.3 Liquidity risk

The Company is exposed to daily calls on its available cash resources mainly from claims arising from short-term insurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The IC as well as the Board of Directors have issued certain guidelines to comply with to ensure that the Company maintains liquidity at all times. The amounts disclosed in the table are the maturity analysis of assets and liabilities, which the Company uses to manage the inherent liquidity risk.

Amounts in thousands	Up to one year	Over one year	Total
December 31, 2024			
Assets			
Cash and cash equivalents	414,466	-	414,466
Receivables arising from insurance contracts			
Premium receivable	288,594	36,921	325,515
Reinsurance recoverable on paid losses	99,078	62,023	161,101
Due from reinsurers and ceding companies	13,373	14,354	27,727
Funds held by ceding companies	259	13,749	14,008
Other loans and receivables			
Accounts receivable	14,685	43,854	58,539
Accrued interest income	5,126	-	5,126
Refundable deposits	-	70	70
Security fund	-	49	49
Held-to-maturity securities	139,549	526,912	666,461
Investments at fair value through profit or loss	-	165,312	165,312
Other investments	13,741	5,000	18,741
	988,871	868,244	1,857,115
Liabilities			
Losses and claims payable	336,330	339,453	675,783
Due to reinsurers and ceding companies	210,539	25,443	235,982
Funds held for reinsurers	66,462	-	66,462
Commissions payable	23,465	-	23,465
Accounts payable and other liabilities (excluding tax related payables)	57,214	58,860	116,074
	694,010	423,756	1,117,766
Net assets	294,861	444,488	739,349

Amounts in thousands	Up to one year	Over one year	Total
December 31, 2023			
Assets			
Cash and cash equivalents	435,146	-	435,146
Receivables arising from insurance contracts			
Premium receivable	232,431	9,386	241,817
Reinsurance recoverable on paid losses	75,559	63,959	139,518
Due from reinsurers and ceding companies	41,207	3,948	45,155
Funds held by ceding companies	2,481	11,275	13,756
Other loans and receivables			
Accounts receivable	15,500	17,361	32,861
Accrued interest income	9,594	-	9,594
Refundable deposits	-	70	70
Security fund	-	49	49
Held-to-maturity securities	154,637	723,309	877,946
Other investments	324,459	41,611	366,070
	1,291,014	870,968	2,161,982
Liabilities			
Losses and claims payable	235,780	347,990	583,770
Due to reinsurers and ceding companies	271,972	25,221	297,193
Funds held for reinsurers	42,341	-	42,341
Commissions payable	27,687	-	27,687
Accounts payable and other liabilities (excluding tax-related payables)	92,187	-	92,187
	669,967	373,211	1,043,178
Net assets	621,047	497,757	1,118,804

19.3 Fair value of financial assets and financial liabilities

The aggregate fair value of the Company’s available-for-sale securities at December 31, 2024 amounting to P292.59 million (2023 - P80.34 million), which is determined based on market prices, include investment in mutual funds and listed equity securities aggregating P232.02 million (2023 - P69.78 million) under Level 1 and unquoted equity securities amounting to P60.56 million (2023 - P10.56 million) under Level 3 of the fair value hierarchy.

There are no other financial instruments measured at fair value at December 31, 2024 and 2023.

As at December 31, 2024, the fair value of held-to-maturity securities amounts to P666.46 million (2023 - P877.95 million). Such valuation falls under Level 2 of the fair value hierarchy.

Unquoted equity securities are based on the net asset value of the investments. Based on management’s projections, a reasonably possible shift of +/-10% movement in the unquoted equity securities’ net asset value will increase/decrease the profit before tax for the year ended December 31, 2024 by P6,056,000 and P1,056,000.

The carrying amounts of the Company’s other financial assets approximate their respective fair values as at December 31, 2024 and 2023 due to their short-term maturities.

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

Cash in banks and cash equivalents

The estimated fair value of interest-bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and remaining maturity. The carrying values of interest-bearing deposits in which the interest rates are repriced approximate their fair values.

Receivables

The estimated fair value of receivables represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

Due to the short-term nature of the receivables, the carrying amount approximates fair value.

Held-to-maturity and available-for-sale securities

Fair values of held-to-maturity and available-for-sale securities are based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

Financial liabilities

The estimated fair value of liabilities with no stated maturity is the amount repayable on demand. Due to the short-term nature of the liabilities, the carrying values already approximate their fair values at reporting date.

19.4 Fair value of non-financial assets

The fair values of the Company's building and investment properties are determined from market-based evidence by appraisal that was undertaken by an independent firm of appraisers in calculating such amounts. While management believes that the assumptions and market-based evidence used are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the valuation of the Company's building and investment properties.

The table below presents the fair value hierarchy of the Company’s assets and liabilities that are measured at fair value on a recurring basis.

	Fair value hierarchy	Fair values 2024	Fair values 2023	Valuation technique	Unobservable input for Level 3
Investment properties	Level 3	149,779,222	149,322,222	Market Data Approach - range of price per square meter of PHP 5,000 to PHP 163,043;10% to 20% physical adjustments (2023- PHP 4,000 to PHP 184,000; 10% to 35%).	Concluded sales transactions for similar properties; physical adjustments (i.e. unit condition, bargaining allowance, marketability, location, amenities, size, shape)
Building (Property and equipment)	Level 3	50,110,000	43,907,000	Market Data Approach - range of price per square meter of PHP 99,612 to PHP 148,835; 40% physical adjustments. (2023- PHP 80,000 to PHP 119,047.62; 40%)	Concluded sales transactions for similar properties; physical adjustments (i.e. unit condition, bargaining allowance, marketability, location, amenities, size, shape)

Critical accounting estimate - Fair value of non-financial assets (Notes 7 and 8)

The fair values of the Company's property and equipment and investment property are determined from market-based evidence (Level 3) by appraisal that was undertaken by an independent firm of appraisers in calculating such amounts. While management believes that the assumptions and market-based evidences used are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the valuation of the Company's property and equipment and investment properties.

If the prices of the comparable properties under Market Data Approach in relation to investment properties and building were to differ by +/-10%, the carrying amount of investment properties and building as at December 31, 2024 would be approximately P14.98 million and P4.39 million (2023 - P14.93 million and P4.39 million), respectively, higher/lower.

The percentages used in the sensitivity analyses above presents management’s best assessment of reasonable possible change in the prices of its investment property and building considered by management to be significant.

19.5 Capital management

The Company's objectives when managing capital are:

- to comply with the minimum net worth requirement and Risk-Based Capital (RBC) model set by the IC;
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide security for its policyholders, returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

The Company calculates its capital as equity shown in the statement of financial position. Management also monitors capital in accordance with regulatory requirements. The Company maintains a certain level of capital to ensure solvency margin in excess of regulatory requirements, which in turn, protects its policyholders.

To ensure compliance with these externally imposed capital requirements, it is the Company's policy to assess its position, at least on a quarterly basis, against set minimum capital requirements. The Company elevates any requirement for additional capital infusion to its shareholders to address any foreseen capital deficiency.

19.5.1 Minimum statutory net worth

The Company also manages its capital through its compliance with Republic Act No. 10607 - Amended Insurance Code, effective September 20, 2013. Under this Act, the requirement for domestic insurance companies to maintain a minimum statutory net worth amounts to:

June 30, 2013	P250 million
December 31, 2016	P550 million
December 31, 2019	P900 million
December 31, 2023	P1.3 billion

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

On May 15, 2020, the IC issued CL No. 2020-60, which provides regulatory relief on net worth requirements where all insurance companies already in compliance with the net worth requirements under Section 194 of the amended Code before the declaration of the enhanced community quarantine affected by the crisis are relieved from the quarterly compliance of net worth requirements of P900 million. Provided however that for all insurance companies who are not compliant with the net worth requirements prescribed under the amended Code before the declaration of the enhanced community quarantine, they are required to put up additional funds to cover the deficiency before availing the relief.

The Company's net worth as at December 31, 2024 amounts to P1,839,002,791 (2023 - P1,307,079,923). The Company is compliant with the minimum statutory net worth as at December 31, 2024 and 2023.

19.5.2 RBC2 Framework

On December 28, 2016, the IC issued CL No. 2016-68 which provides for the Amended RBC 2 Framework with effect beginning January 1, 2017. The CL provides that the RBC ratio of a non-life insurance company is calculated by dividing the total available capital by the RBC requirement. Total available capital is the aggregate of Tier 1 and Tier 2 capital minus deductions, subject to applicable limits and deductions prescribed by the IC. The non-life RBC requirement considered the following components set by the IC:

(i) credit risk capital charge;
(ii) insurance risk capital charge;
(iii) market risk capital charge for equities;
(iv) market risk capital charge for other than equities;
(v) operational risk capital charge; and,
(vi) catastrophe risk capital charge.

The minimum RBC ratio is to be established at 100%. All non-life insurance companies are required to maintain the minimum RBC ratio and not fail the trend test. Failure to meet the minimum RBC ratio will trigger regulatory intervention by the IC.

On the same date, the IC issued CL No. 2016-69 which provides that on the year of implementation of the Amended RBC2 Framework, the RBC requirement will be relaxed to consider the level of sufficiency to be 95th percentile for year 2017, 97.5th percentile for year 2018 and 99.5th percentile for year 2019.

The following table shows how the RBC ratio as at December 31 was determined by the Company:

	2024	2023
Total available capital	1,611,430,264	1,680,640,772
RBC requirement	258,059,664	300,506,587
RBC ratio	624%	559%

The 2024 Annual Statement of the Company has not yet been approved by the IC. The final amount of the 2023 net worth and RBC 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 previous insurance code.
In addition to the regulatory relief on net worth requirements prescribed by the IC though CL No. 2020-60 issued on May 15, 2020, the IC has provided further guidelines on the implementation of the Amended RBC framework for the calendar year 2020 in order for insurance companies to better utilize their capital requirements while they continue to work on their recovery from the implications of the pandemic. Applying the revised regulatory intervention on the RBC ratio, no regulatory action is needed for the Company as its RBC ratio as at December 31, 2019, before the declaration of the enhanced community quarantine is over 100%.

The Company is compliant with the requirements of the RBC2 framework and will not require capital call from shareholders as at December 31, 2024 and 2023.

20 Summary of material accounting policies

The material accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

20.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards. PFRS Accounting Standards comprise the following authoritative literature:

- PFRS Accounting Standards
- Philippine Accounting Standards (PAS), and
- Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretations Committee (PIC), and Standing Interpretations Committee ("SIC") as approved by the Financial and Sustainability Reporting Standards Council (FSRSC) and Board of Accountancy, and adopted by the SEC.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale securities, building, investment property and retirement benefit assets.

The preparation of financial statements in conformity with PFRS Accounting Standards require the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

- Judgment on recoverability of receivables (Note 4)
- Judgment on classification to HTM securities, investments at FVTPL and AFS securities (Note 5)
- Judgment on impairment of AFS securities and HTM securities (Note 5)
- Estimation of liability arising from claims made under insurance contracts (Note 6)
- Estimation of useful lives (EUL) of assets (Note 8)
- Judgment on impairment of property and equipment (Note 8)
- Judgment on recoverability of deferred income tax assets (Note 9)
- Judgment on provision for income tax (Notes 15)
- Estimation of incremental borrowing rate on leases (Note 18)
- Judgment on determination of lease term (Note 18)
- Estimation of unexpired risk reserves ("URR") (Note 19.1.7)
- Estimation of fair value of non-financial assets (Notes 19.4)

Changes in accounting policy and disclosures

(a) Amendments to existing standards effective January 1, 2024

There are no new standards or amendments to existing standards effective January 1, 2024 that have a material impact to the Company.

(b) New standards, and amendments and interpretations to existing standards issued but not yet effective as at December 31, 2024

Certain new standards, and amendments and interpretations to existing standards have been published that are not mandatory for the December 31, 2024 reporting periods and have not been early adopted by the Company. None of these are expected to have a significant effect on the financial reporting of the Company, except as follows:

- PFRS 17, *'Insurance Contracts' (effective January 1, 2025)*

  PFRS 17 was issued in May 2018 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 re-measured 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, 2024. The IC, considering the extension of IFRS 17 and the challenges of the COVID-19 pandemic to the insurance industry, has deferred the implementation of PFRS 17 further to January 1, 2025, granting an additional two-year period from the date of effectivity proposed by the IASB.

  On March 10, 2025, the IC issued IC-CL 2025-04 further deferring the application of PFRS 17 effective January 1, 2027, due to gaps in the insurance industry's preparation for PFRS 17 and the need for additional time to ensure smooth transition while maintaining regulatory stability.

The Company is currently reviewing the impact of PFRS 17 across the Company and a project team is currently overseeing the impact assessment and the implementation program. Accordingly, it is not reasonably possible to determine financial impact of implementation at reporting date.

- PFRS 9, *'Financial instruments' and its interaction with PFRS 4 'Insurance Contracts'.*

  PFRS 9 replaces the multiple classification and measurement models for financial assets in PAS 39 with a single model that has three classification categories: amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL). Classification under PFRS 9 is driven by the entity's business model for managing and holding the financial assets and whether the contractual characteristics of the financial assets represent solely payments of principal and interest. Investments in equity instruments are required to be measured at FVTPL with the irrevocable option at inception to present changes in fair value in other comprehensive income. The classification and measurement of financial liabilities under PFRS 9 remains the same as in PAS 39 except where an entity has chosen to measure a financial liability at fair value through profit or loss. For such liabilities, changes in fair value arising from changes in the entity's own credit risk are presented separately in other comprehensive income.

  The impairment rules of PFRS 9 introduce an 'expected credit loss' (ECL) model that replaces the 'incurred credit loss' model used in PAS 39. Such new impairment model will generally result in earlier recognition of losses compared to PAS 39.

  The hedging rules of PFRS 9 better align hedge accounting with an entity's risk management strategies. Also, some of the prohibitions and rules in PAS 39 are removed or changed, making hedge accounting easier or less costly to achieve for many hedges.

  In September 2016, 'Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts (Amendments to PFRS 4)' was issued, which provides optional relief to insurers meeting certain criteria from any adverse impact that may arise from the different effective dates of PFRS 9 and PFRS 17. The two options for entities that issue contracts within the scope of PFRS 4 permit an entity to either:

  (1) reclassify from profit or loss to other comprehensive income some of the income or expenses arising from designated financial assets; referred to as the 'overlay approach', or
  (2) for entities whose predominant activity is issuing contracts within the scope of PFRS 4, defer the application of PFRS 9 entirely; referred to as the 'deferral approach'

<u>Deferral of adoption of PFRS 9</u>

The Company has elected to apply the temporary option since it satisfies the following criteria:

- The Company has not previously applied any versions of PFRS 9; and,
- The Company's activities are predominantly connected with insurance at annual reporting date that immediately precedes April 1, 2016, i.e., December 31, 2015, based on the eligibility assessment that:
  - the carrying amount of liabilities arising from contracts within the scope of PFRS 4 is greater than 90% of the total carrying amount of all its liabilities; or,
  - the carrying amount of liabilities arising from contracts within the scope of PFRS 4 is less than 90% and the total carrying amount of liabilities connected with insurance is equal to or less than 90% but greater than 80% of the total carrying amount of all its liabilities.

The Company made the assessment based on the financial position as at December 31, 2015, concluding that the carrying amount of the Company's liabilities arising from contracts within the scope of PFRS 4 was significant compared to the total carrying amount of all its liabilities. The percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities as at December 31, 2015 is assessed to be 90%. After the date of eligibility assessment, there has been no change in the Company's activities that requires a reassessment of the eligibility assessment.

All of the Company's financial assets, excluding those financial assets that are defined as 'held-for-trading' or that are managed and evaluated on a fair value basis (AFS equity securities), are with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. As at December 31, 2024 and 2023, the financial assets that are carried at fair value, are shown in Note 5. Changes in the fair value of these financial assets for the year ended December 31, 2024 and 2023 are disclosed in Note 11. Information about the credit risk exposure of these assets is disclosed in Note 19.2.2.

The following tables set out the fair value at December 31, 2024 and 2023 and changes in fair values for the years ended December 31, 2024 and 2023, of financial assets separately for the following groups:

- Financial assets that meet the SPPI criteria in PFRS 9, excluding those financial assets that are defined as 'held-for-trading' or that are managed and evaluated on a fair value basis; and
- All other financial assets, including those assets that do not meet the SPPI criteria in PFRS 9 and those financial assets that are defined as 'held-for-trading' or that are managed and evaluated on a fair value basis.

Financial assets that meet the SPPI criteria in PFRS 9 are those whose cash flows comprise solely payments of principal and interest on principal outstanding (SPPI).

The fair value of financial instruments at December 31 classified between those that meet and those that fail the SPPI criterion are described as follow:

	Financial assets that meet the SPPI criteria	Financial assets that fail the SPPI criteria	Total
2024			
Cash and cash equivalents	414,466,519	-	414,466,519
Available-for-sale securities	-	292,588,821	292,588,821
Fair value through profit or loss	165,312,482	285,296,468	450,608,950
HTM securities	666,461,475	-	666,461,475
Other investments	18,741,283	-	18,741,283
Other receivables			
Accounts receivables	58,539,625	-	58,539,625
Accrued interest income	5,125,796	-	5,125,796
Refundable deposits	69,700	-	69,700
Security fund	49,149	-	49,149
	1,328,766,029	577,885,289	1,906,651,318

	Financial assets that meet the SPPI criteria	Financial assets that fail the SPPI criteria	Total
2023			
Cash and cash equivalents	435,145,674	-	435,145,674
Available-for-sale securities	-	80,339,442	80,339,442
HTM securities	877,945,847	-	877,945,847
Other investments	366,069,813	-	366,069,813
Other receivables			
Accounts receivables	32,861,295	-	32,861,295
Accrued interest income	9,593,904	-	9,593,904
Refundable deposits	69,700	-	69,700
Security fund	49,149	-	49,149
	1,721,735,382	80,339,442	1,802,074,824

For financial assets as at December 31, 2024 and 2023 that meet the SPPI criteria, the current carrying values measured in accordance with PAS 39 are analyzed in the following tables by credit rating:

					Neither past due nor impaired	
	High	Medium	Low	Past due	Impaired	Total
December 31, 2024						
Cash and cash equivalents	414,466,519	-	-	-	-	414,466,519
Available-for-sale securities	-	-	-	-	-	-
HTM financial assets	666,461,475	-	-	-	-	666,461,475
Other receivables						
Accounts receivables	292,588,821	-	-	-	-	292,588,821
Accrued interest income	5,125,796	-	-	-	-	5,125,796
Refundable deposits	69,700	-	-	-	-	69,700
Security fund	49,149	-	-	-	-	49,149
	1,378,761,460	-	-	-	-	1,378,761,460

					Neither past due nor impaired	
	High	Medium	Low	Past due	Impaired	Total
December 31, 2023						
Cash and cash equivalents	435,145,674	-	-	-	-	435,145,674
HTM financial assets	1,244,015,660	-	-	-	-	1,244,015,660
Other receivables						
Accounts receivables	32,861,295	-	-	-	-	32,861,295
Accrued interest income	9,593,904	-	-	-	-	9,593,904
Refundable deposits	69,700	-	-	-	-	69,700
Security fund	49,149	-	-	-	-	49,149
	1,774,314,748	-	-	-	-	1,774,314,748

20.2 Financial assets and liabilities

20.2.1 Classification - Financial assets

The Company classifies its financial assets in the following categories: loans and receivables, held-to-maturity securities, investments at FVTPL and available-for-sale securities. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when they are either held for trading or designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the near term, forms part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, or is a derivative that is not designated and effective as a hedging instrument.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

The Company's loans and receivables consists of cash and cash equivalents (Note 3) and receivables (Note 4) in the statement of financial position.

Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less from the date of acquisition and are subject to an insignificant risk of changes in value.

Receivables consist of receivables arising from insurance contracts, such as premium receivable, reinsurance recoverable on paid losses, reinsurance recoverable on paid losses, due from reinsurers and ceding companies and funds held by ceding companies, and other receivables, such as accounts receivable, accrued interest income, refundable deposits and security fund.

Held-to-maturity securities

Held-to-maturity securities are non-derivative financial assets with fixed or determinable payments and fixed maturities for which management has the positive intention and ability to hold to maturity.

Held-to-maturity securities of the Company consist of treasury bonds and notes, corporate bonds and time deposits (Note 5).

Available-for-sale securities

Available-for-sale securities are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

Available-for sale securities consist of equity shares and investments in mutual funds.

20.2.2 Initial recognition and subsequent measurement - Financial assets

Financial assets, consisting of loans and receivables, held-to-maturity securities and available-for-sale securities, are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition.

Loans and receivables and held-to-maturity securities are subsequently carried at amortized cost using the effective interest rate method.

Available-for-sale securities are subsequently carried at fair value. Gains and losses arising from changes in the fair value of available-for-sale securities are recognized directly in equity, until the financial asset is derecognized or impaired at which time the cumulative gain or loss previously recognized in equity is recognized in profit or loss. Interest earned on these securities is recognized using the effective interest rate in profit or loss. Dividends on available-for-sale equity instruments are recognized in profit or loss when the Company's right to receive payment is established. Changes in the fair value of monetary securities denominated in foreign currency and classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. The translation differences are recognized in profit or loss, and other changes in carrying amount are recognized in equity. Changes in the fair value of monetary securities classified as available-for-sale and non-monetary securities classified as available-for-sale are recognized in equity.

Financial assets at FVTPL are initially recognized at fair value, with transaction costs recognized immediately in profit or loss. Subsequent to initial recognition, these assets are measured at fair value, and changes in fair value are recognized in profit or loss in the period in which they arise. Interest income, dividend income, and gains or losses arising from changes in fair value are included in profit or loss under "Finance income" or "Other gains and losses," as appropriate. The designation of financial assets at FVTPL is irrevocable and is only permitted if it results in more relevant information by eliminating or significantly reducing a measurement or recognition inconsistency (i.e., an accounting mismatch).

20.2.3 Impairment - Financial assets

Financial assets classified as loans and receivables and held-to-maturity securities

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

The criteria that the Company uses to determine that there is an objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as default or delinquency in interest or principal payments; and
- it becomes probable that the debtor will enter bankruptcy or other financial reorganization.

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

The amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the asset's original effective interest rate (recoverable amount). The calculation of recoverable amount of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs of obtaining and selling the collateral, whether or not foreclosure is probable. Impairment loss, if any, is recognized in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Company and historical loss experience for assets with credit risk characteristics similar to those in the Company. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in profit or loss as a reduction of impairment losses for the year.

Loans and receivables are written off in the year in which they are determined to be uncollectible. Loans and receivables are determined to be uncollectible after exerting effort to collect the accounts and upon approval by the Company's Board of Directors.

Financial assets classified as available-for-sale securities

The Company assesses at the end of each reporting period whether there is an objective evidence that available-for-sale debt securities are impaired using similar criteria and process applied to financial assets carried at amortized cost as described above.

For equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is an objective evidence that the assets are impaired. A decline in the fair value of the instrument by more than 20 percent is considered significant and a period of 12 months or greater is considered to be a 'prolonged' decline. If any such evidence exists for available-for-sale equity securities, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss) is removed from equity and recognized in profit or loss. Impairment losses on equity investment are not reversed in profit or loss. Increases in fair value after impairment are recognized directly in equity.

20.2.4 Classification - Financial liabilities

The Company classifies its financial liabilities in the following categories: at FVTPL and at amortized cost. The classification depends on the purpose for which the financial liabilities were acquired or incurred.

Management determines the classification of its financial liabilities at initial recognition.

The Company's financial liabilities include losses and claims payable (excluding IBNR) (Note 6), due to reinsurers and ceding companies (Note 6), funds held for reinsurers, commissions payable, and accounts payable and other liabilities (excluding tax-related payables and retirement benefit obligation).

The Company has no financial liabilities classified as at FVTPL during and at the end of each reporting period.

20.2.5 Initial recognition subsequent measurement – Financial liabilities

Financial liabilities are initially recognized at fair value of the consideration received plus transaction costs. Financial liabilities at amortized cost are subsequently measured at amortized cost using the effective interest rate method.

20.3 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 of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

Financial assets

The Company classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The fair values were determined in reference to observable market inputs reflecting orderly transactions, i.e. market listings, published broker quotes and transacted deals from similar and comparable assets, adjusted to determine the point within the range that is most representative of the fair value under current market conditions.

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

Non-financial assets

For non-financial assets, the Company uses valuation techniques that are appropriate in the circumstances and applies the technique consistently. Commonly used valuation techniques are as follows:

- Market approach - A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a group of assets and liabilities, such as a business.
- Income approach - Valuation techniques that convert future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.
- Cost approach - A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

The fair value of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

20.4 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is 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 realize the asset and settle the liability simultaneously.

There are no financial assets and liabilities which have been offset at reporting date.

20.5 Insurance contracts

20.5.1 Recognition and measurement

Short-term insurance contracts of the Company mainly include motor car, marine and casualty insurance contracts, while long-term insurance contracts of the Company mainly include fire and bond insurance.

For all these contracts, premiums are recognized as revenue as follows:

Direct business

Gross premiums written are recognized at the inception date of the risks underwritten and are earned over the period of cover in accordance with the incidence of risk using the 24th method, except for marine cargo where the provision for unearned premiums pertain to the premiums for the last two months of the year. The portion of the gross premiums written that relates to the unexpired periods of the policies at year-end is presented as reserve for unearned premiums in the statement of financial position.

Inward reinsurance business

Gross premiums written are recognized based on the date of notification by the ceding companies and are earned over the period of cover in accordance with the incidence of risk using the 24th method. The portion of the gross premiums written that relates to the unexpired periods of the policies at year-end is presented as reserve for unearned premiums in the statement of financial position.

Outward reinsurance business

The related reinsurance premiums ceded that pertain to the unexpired periods at year-end are reported as deferred reinsurance premiums in the statement of financial position.

The net change in the reserve for unearned premiums and deferred reinsurance premiums during the reporting period is recognized in profit or loss.

Reinsurance premiums are recognized based on notification of inception of the underlying risks underwritten and are allocated over the period of cover in accordance with the incidence of risk using the 24th method.

20.5.2 Insurance contracts liabilities

(a) Premium liabilities

The proportion of written premiums, gross of commissions payable to intermediaries, attributable to subsequent periods or to risk that have not yet expired, is deferred as provision for unearned premiums using the 24th method.

The change in provision for unearned premiums is taken to profit or loss in the order that revenue is recognized over the period of risk. Further provision is made to cover any deficiency to the extent that the URR exceeds the UPR, net of DAC. The URR represents the premiums to match future claims and expenses in the unexpired coverage period of in-force contracts. The future claims and expenses are adjusted for potential changes or uncertainties.

(b) Claims liabilities (losses and claims payable)

Losses and claims payable are recognized when the contracts are entered into and the premiums are charged. Loss and claims adjustment expenses are recognized in profit or loss based on the estimated liability for compensation owed to contract holders or to third parties damaged by the contract holders. These include direct and indirect claim settlement costs arising from events that have occurred up to the reporting date even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims.

Liabilities for unpaid claim costs, including those for IBNR, are estimated and accrued and considers actual claims reported in the succeeding year but for which the related insured event occurred in the year under coverage. The liabilities for unpaid claims are based on the estimated ultimate cost of settling the claims using the input of assessment for individual cases reported to the Company. The method of determining such estimates and establishing reserves is continually reviewed and updated.

Changes in estimates of claim costs resulting from the continuous review process and differences between estimates and payments for claims are recognized as income or expenses in the year in which the estimates are changed or payments are made. Estimated recoveries on settled and unsettled claims are evaluated in terms of estimated realizable values of the salvage recoverable and deducted from the liability for unpaid claims.

Outstanding claims and IBNR losses are presented in the statement of financial position as part of losses and claims payable.

20.5.3 Reinsurance commission

Reinsurance commission is initially recognized upon acceptance of the premium cession by reinsurers. Reinsurance commission is presented as commissions earned in the statement of income recognized over the period of the contracts using the 24th method, except for marine cargo where the deferred reinsurance commission pertains to the premiums for the last two months of the year.

Unamortized reinsurance commission are shown in the statement of financial position as deferred commission income.

20.5.4 Deferred acquisition costs

Costs that vary with and are primarily related to the acquisition of new and renewal insurance contracts such as commissions are deferred and charged to expense in proportion to premium revenue recognized. Unamortized acquisition costs are shown in the statement of financial position as deferred acquisition costs.

20.5.5 Liability adequacy test

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities, net of related deferred acquisition costs. In performing these tests, current best estimate of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss initially by writing-off deferred acquisition costs and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired provision). There were no deficiencies recognized in profit or loss during the reporting periods. Any deferred acquisition costs written off as a result of this test cannot be subsequently reinstated.

20.5.6 Reinsurance contracts held

Contracts entered by the Company with reinsurers, which compensate the Company for losses in one or more contracts issued and meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Insurance contracts entered into by the Company under which the contract holder is another insurer (inward reinsurance) are classified as insurance contracts. Contracts that do not meet these classification requirements are classified as financial contracts.

The benefits to which the Company is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consist of reinsurance recoverable on paid and unpaid losses, due from reinsurers and ceding companies and funds held by ceding companies (classified within receivables).

The Company assesses its reinsurance assets for impairment annually. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes an impairment loss in profit or loss. The Company gathers the objective evidence that a reinsurance asset is impaired using the same policies adopted for financial assets held at amortized cost. The impairment loss is also calculated following the same method used for these financial assets. These policies are described in Note 20.2.3.

Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognized as an expense upon recognition of related premiums. These liabilities pertain to due to reinsurers and ceding companies and funds held for reinsurers.

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

20.5.7 Receivables and payables related to insurance contracts

Receivables and payables, such as premium receivable, losses and claims payable and commissions payable, are recognized when the right to receive payment is established or when the obligation becomes due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is an objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognizes that impairment loss in profit or loss. The Company gathers the objective evidence that an insurance receivable is impaired using the same policies adopted for loans and receivables. The impairment loss is also calculated under the same method used for financial assets. These policies are described in Note 20.2.3.

20.5.8 Salvage and subrogation reimbursements

Some insurance contracts permit the Company to sell usually damaged property acquired in settling a claim (i.e., salvage). The Company also have the right to pursue third parties for payment of some or all costs (i.e., subrogation).

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are charged against losses and claims payable when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

20.6 Investment properties

Properties held for long term rental yields or for capital appreciation or for both, are classified as investment properties. These properties are initially measured at cost, which includes transaction costs, but excludes day to day servicing costs. Replacement cost is capitalized if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be reliably measured.

Subsequent expenditure is charged to the asset's carrying amount 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 costs are charged to the profit or loss during the financial period in which they are incurred.

After initial recognition, investment property is carried at fair value as determined by an independent firm of appraisers. Changes in fair values are recognized in the statement of comprehensive income under 'Fair value gains on investment property, net.'

Transfers are made to investment property when there is a change in use, evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development.

There were no transfers made to investment property during and at the end of each reporting period.

Any gain or loss on the retirement or disposal of investment property is recognized in profit or loss in the year of derecognition.

Rental income from investment property is recognized in profit or loss on a straight-line basis over the lease term. Lease incentives are recognized as an integral part of the total rent income. Expenses with regard to investment property are treated as ordinary operating expenses and are recognized when incurred.

20.7 Property and equipment

Property and equipment, except for building, are stated at cost less accumulated depreciation and any impairment in value. Historical cost includes expenditures that are directly attributable to the acquisition of items.

Building is initially recognized at cost and subsequently revalued based on periodic valuations by external independent appraisers, less subsequent depreciation and impairment losses, if there is any. The net appraisal increase resulting from the revaluation is credited to "Changes in revaluation surplus of property and equipment, net of tax" account, net of corresponding deferred tax liability in OCI and accumulated as part of “Accumulated other comprehensive income” in the equity section of the Company’s statement of financial position.

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that 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 are charged to profit or loss during the period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Building	27 years
EDP equipment	5 years
Transportation equipment	5 years
Furniture, fixtures and office equipment	5 to 7 years
Leasehold improvements	5 years or lease term, whichever is shorter
Office premise	5 years or lease term, whichever is shorter

The assets’ residual values and useful lives are reviewed, and adjusted as appropriate, at each reporting date.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of an asset’s fair value less cost to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are recognized as part of miscellaneous income or expense in the statement of total comprehensive income.

If the carrying amount of the Company's asset is decreased as a result of revaluation, this decrease is recognized as other comprehensive loss to the extent of any credit balance existing in the revaluation increment in respect of that asset. The excess of such decrease over the existing balance in the revaluation increment is recognized in profit or loss.

An increase in the carrying amount of the Company's building is recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss.

20.8 Impairment of non-financial assets

Assets that are subject to depreciation or amortization, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Value-in-use requires the Company to make estimates of future cash flows to be derived from a particular asset, and discount them using a pre-tax market rate that reflects current assessments of the time value of money and the risks specific to the asset. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

20.9 Non-current asset held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the asset is available for immediate sale in its present condition, and management is committed to a plan to sell the asset.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Depreciation or amortization of such assets ceases upon classification as held for sale.

Assets and liabilities classified as held for sale are presented separately in the statement of financial position.

20.10 Income taxes

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using the tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (net operating loss carryover or NOLCO) and unused tax credits (excess of minimum corporate income tax or MCIT) to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. Deferred income tax liabilities are recognized in full for all taxable temporary differences, except to the extent that the deferred income tax liability arises from the initial recognition of goodwill.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority and where there is an intention to settle the balances on a net basis.

Deferred income tax expense or credit included in provision for income tax is recognized for the changes during the year in the deferred income tax assets and liabilities.

The Company reassesses the carrying amount of deferred income tax assets at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred income tax asset to be utilized.

20.11 Provisions

Provisions for legal claims are recognized when the following are present:

- the Company has a present legal or constructive obligation as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

20.12 Retirement benefit obligation

The Company maintains a funded defined benefit plan for all its regular employees. A defined benefit plan is a retirement plan that defines an amount of retirement benefit that an employee will receive upon retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the statement of financial position in respect of defined benefit plan is the present value of the defined benefit obligation less the fair value of plan assets at reporting dates. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related retirement obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are credited to or charged against equity in other comprehensive income (shown as part of accumulated other comprehensive income in the statement of financial position) in the period in which they arise.

Past service cost, if any, are recognized immediately in profit or loss.

20.13 Equity

Share capital

Share capital represents share issued and outstanding. Subscription receivable is presented as deduction to share capital when there is no fixed payment date indicated in the subscription agreement.

Contributed surplus

Any amount received by the Company in excess of par value of its shares is credited to share premium which forms part of the non-distributable reserve of the Company and can be used only for purposes specified under corporate legislation.

Retained earnings

Retained earnings pertain to the unrestricted portion of the accumulated profit from operations of the Company, which are available for dividend declaration.

Contingency surplus

This represents contributions of the shareholders to cover any possible impairment in net worth as required under the amended Code. The contributions made can either be converted into share capital or returned to the shareholders at the option of the shareholders, subject to the approval of IC.

20.14 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's Board of Directors.

20.15 Revenue recognition

Revenue is recognized to the extent that it is a probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Premium revenue

Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method, except for marine cargo where the provision for unearned premiums pertain to the premiums for the last two months of the year. The portion of the premiums written that relate to the unexpired periods of the policies at reporting date is accounted for as reserve for unearned premiums in the statement of financial position. The related reinsurance premiums that pertain to the unexpired periods at reporting date are accounted for as deferred reinsurance premiums presented in the statement of financial position. The net changes in these accounts between reporting dates are included in the determination of net premium earned.

Commission income

Reinsurance commissions are recognized as revenue over the period of the contracts using the 24th method, except for marine cargo where the deferred reinsurance commission pertains to the premiums for the last two months of the year. The portion of the commissions that relates to the unexpired periods of the policies at the reporting date is accounted for as deferred reinsurance commissions and offset against deferred acquisition costs in the statement of financial position.

20.16 Leases

20.16.1 The Company is the lessee

The Company recognizes lease as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the lease commencement date plus any initial direct costs incurred, less any lease incentives received. The right-of-use asset is subsequently amortized on a straight-line basis from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the lease term. The estimated useful life of the right-of-use asset is determined on the same basis as those of the related property and equipment category. The right-of-use asset may be reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

20.16.2 The Company is the lessor

Properties leased out under operating leases are included in investment properties in the statement of financial position. Rental income under operating leases is recognized as part of investment and other income in the statement of total comprehensive income on a straight-line basis over the period of the lease.

20.17 General and administrative expenses

General and administrative expenses are recognized when incurred.

20.18 Foreign currency transactions and translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the “functional currency”). The Company’s financial statements are presented in Philippine Peso, which is the Company’s functional currency.

Transactions and balances

Foreign currency transactions are translated into Philippine Peso using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. Non-monetary items measured at historical cost denominated in a foreign currency are translated at the exchange rate as at the date of initial recognition. Non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rate at the date when the fair value is determined.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale securities are analyzed between translation differences resulting from changes in the amortized cost of the security, and other changes in the carrying amount of the security. Translation differences are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities classified as available-for-sale are included in other comprehensive income.

20.19 Related party transactions and relationships

Related party relationships exist when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

20.20 Events after the reporting date

Post year-end events that provide additional information about the Company’s position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

21 Supplementary information required by the Bureau of Internal Revenue (BIR)

Below is the additional information required by Revenue Regulation No. 15-2010 that is relevant to the Company. This information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements. All amounts are in Philippine Pesos.

(i) Output VAT

Output VAT declared for the year ended December 31, 2024 and the revenues upon which the same was based consist of:

	Gross amount of revenues	Output VAT
Premiums (non-life)	1,075,534,964	129,064,196
Commission income	85,832,230	10,299,868
Rental income	6,392,057	767,047
	1,167,759,251	140,131,111

The gross revenues shown above are based on gross receipts of the Company for VAT purposes while gross revenues presented in the statement of total comprehensive income are measured in accordance with the policy in Notes 20.15 and 20.16. Output VAT presented as part of taxes payables under Accounts payable and other liabilities in the statement of financial position amounts to P46,034,726.

(ii) Input VAT

Movements in input VAT for the year ended December 31, 2024 follow:

	Amount
Beginning balance	9,879,095
Input tax on services	38,277,099
Deferred input tax	(37,244,733)
Ending balance	10,911,461

The above input VAT is presented as part of other assets in the statement of financial position.

(iii) Documentary stamp tax

Documentary stamp taxes (DST) paid for the year ended December 31, 2024 amounts to P98,100,000. Documentary stamp taxes payable as at December 31, 2024 which amounts to P33,700,000 is included under taxes payable (Note 10). The DST related to policy issuances are passed on to the policyholders.

(iv) All other local and national taxes

All other local and national taxes paid and accrued for the year ended December 31, 2024 consist of:

	Paid	Accrued	Total
Fire service tax	2,625,972	3,873,272	6,499,244
Local government tax on premiums	-	1,812,038	1,812,038
Real property tax	888,018	-	888,018
IC supervision/filing fees	1,362,061	-	1,362,061
IC Certificate of Authority renewal fees	186,830	-	186,830
Municipality taxes	89,364	-	89,364
Premium tax (non-life)	64,966	39,096	104,062
Community tax	10,500	-	10,500
Others	65,397	-	65,397
	5,293,108	5,724,406	11,017,514

The above local and national taxes are charged to taxes, licenses and fees the statement of total comprehensive income, except for fire service tax, local government tax on premiums and premium tax (non-life) which are passed on to the policyholders. The accrued other local and national taxes are presented as part of taxes payable under Accounts payable and other liabilities in the statement of financial position.

(v) Withholding taxes

Withholding taxes paid and accrued for the year ended December 31, 2024 consist of:

	Paid	Accrued	Total
Expanded withholding tax	29,224,632	2,349,851	31,574,483
Withholding tax on compensation	1,440,600	650,957	2,091,557
Final withholding tax	4,984,104	110,566	5,094,670
	35,649,336	3,111,374	38,760,710

The accrued withholding taxes are included as part of taxes payable under Accounts payable and other liabilities in the statement of financial position.

(vi) Tax assessments and cases

As at December 31, 2024, the Company’s open tax years are 2023 and 2021. The Company has no pending tax cases as at and for the year ended December 31, 2024.

All other information required to be disclosed by the BIR have been included in this note.