PETROGEN INSURANCE CORPORATION

FINANCIAL STATEMENTS
December 31, 2024 and 2023

With Independent Auditors’ Report

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Petrogen Insurance Corporation
San Miguel Properties Centre,
7 St. Francis Street, Mandaluyong City

Opinion

We have audited the financial statements of Petrogen Insurance Corporation (the Company), which comprise the statements of financial position as at December 31, 2024 and 2023, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes, comprising material accounting policies and other explanatory information.

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

Basis for Opinion

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

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

R.G. MANABAT & CO.

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covering the audit of 2021 to 2025 financial statements
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PTR No. MKT 10467153
Issued January 2, 2025 at Makati City

April 29, 2025
Makati City, Metro Manila

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SUPPLEMENTAL WRITTEN STATEMENT OF AUDITOR

The Board of Directors and Stockholders
Petrogen Insurance Corporation
San Miguel Properties Centre,
7 St. Francis Street, Mandaluyong City

We have audited the accompanying financial statements of Petrogen Insurance Corporation (the Company) as at and for the year ended December 31, 2024 on which we have rendered our report dated April 29, 2025.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the said Company has two (2) stockholders owning one hundred (100) or more shares each.

R.G. MANABAT & CO.

FLORIZZA C. SIMANGAN
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PETROGEN INSURANCE CORPORATION
STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2024**	2023
ASSETS			
Cash and cash equivalents	*5, 6, 25*	**P4,987,453,535**	P4,042,717,068
Insurance receivables	*5, 7, 25*	**1,379,144,574**	871,099,467
Financial instruments at fair value through other comprehensive income	*5, 8, 22, 25*	**669,326,528**	667,745,297
Financial instruments carried at amortized cost	*5, 8, 25*	**679,680,146**	658,047,901
Deferred reinsurance premiums	*9, 25*	**1,100,358,703**	1,037,583,394
Property and equipment - net	*10, 25*	**16,962,503**	22,692,228
Deferred tax assets	*21, 25*	**52,656,252**	40,913,631
Other assets	*5, 11, 25*	**59,213,031**	62,212,057
		P8,944,795,272	P7,403,011,043
LIABILITIES AND EQUITY			
Liabilities			
Insurance liabilities	*12, 25*	**P2,713,666,052**	P2,057,911,105
Due to reinsurers - net	*5, 13, 25*	**1,408,167,985**	597,102,795
Accrued expenses and other liabilities	*5, 14, 25*	**204,289,509**	147,981,359
Deferred reinsurance commission	*15, 25*	**10,518,487**	2,700,542
		4,336,642,033	2,805,695,801
Equity			
Capital stock	*16*	**1,994,975,000**	1,994,975,000
Additional paid-in capital	*16*	**1,490,077,270**	1,490,077,270
Contributed surplus	*16*	**25,000,000**	25,000,000
Remeasurement of investments in debt securities - net of deferred tax	*8*	**(23,005,104)**	(24,191,028)
Retained earnings	*16*	**1,121,106,073**	1,111,454,000
		4,608,153,239	4,597,315,242
		P8,944,795,272	P7,403,011,043

See Notes to the Financial Statements.

PETROGEN INSURANCE CORPORATION
STATEMENTS OF INCOME

		Years Ended December 31	
	Note	**2024**	2023
UNDERWRITING INCOME			
Gross premiums written	*12, 17*	**P2,902,507,507**	P2,315,896,898
Premiums ceded	*9, 17*	**(2,169,493,352)**	(1,780,746,002)
Net premiums retained		**733,014,155**	535,150,896
Increase in reserve for unearned premiums - net of change in deferred reinsurance premiums		**(84,956,444)**	(60,351,628)
Net premiums earned	*17*	**648,057,711**	474,799,268
Reinsurance commission	*15*	**13,940,931**	7,608,893
GROSS UNDERWRITING INCOME		**661,998,642**	482,408,161
UNDERWRITING EXPENSE - Net	*12*	**(329,977,589)**	(153,844,687)
NET UNDERWRITING INCOME		**332,021,053**	328,563,474
INTEREST INCOME CALCULATED USING THE EFFECTIVE INTEREST METHOD	*18*	**333,392,285**	277,451,855
OTHER LOSS	*19*	**(24,571,586)**	(21,839,358)
OTHER INCOME		**5,989,064**	
INCOME AFTER INTEREST AND OTHER INCOME		**646,830,816**	584,175,971
GENERAL AND ADMINISTRATIVE EXPENSES	*20*	**(103,763,531)**	(119,415,254)
INCOME BEFORE INCOME TAX		**543,067,285**	464,760,717
INCOME TAX EXPENSE	*21*	**(103,415,212)**	(108,697,076)
NET INCOME		**P439,652,073**	P356,063,641

See Notes to the Financial Statements.

PETROGEN INSURANCE CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31	
	Note	**2024**	2023
NET INCOME		**P439,652,073**	P356,063,641
OTHER COMPREHENSIVE (LOSS) INCOME			
Items that may be reclassified subsequently to profit or loss			
Net change in fair value of investments in debt securities - net of deferred tax	*8*	**1,185,924**	(63,155,002)
		1,185,924	(63,155,002)
TOTAL COMPREHENSIVE INCOME		**P440,837,997**	P292,908,639

See Notes to the Financial Statements.

PETROGEN INSURANCE CORPORATION
STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 16)	Additional Paid-in Capital (Note 16)	Contributed Surplus (Note 16)	Remeasurement Of Investments in Debt Securities - net of deferred tax (Note 8)	Retained Earnings (Note 16)	Total Equity
						Years Ended December 31
Balance at January 1, 2024	**P1,994,975,000**	**P1,490,077,270**	**P25,000,000**	**(P24,191,028)**	**P1,111,454,000**	**P4,597,315,242**
Total Comprehensive Income						
Net income	**-**	**-**	**-**	**-**	**439,652,073**	**439,652,073**
Other comprehensive income	**-**	**-**	**-**	**1,185,924**	**-**	**1,185,924**
	-	**-**	**-**	**1,185,924**	**439,652,073**	**440,837,997**
Total transactions with the Owners of the Company						
Cash dividends	**-**	**-**	**-**	**-**	**(430,000,000)**	**(430,000,000)**
Balance at December 31, 2024	**P1,994,975,000**	**P1,490,077,270**	**P25,000,000**	**(P23,005,104)**	**P1,121,106,073**	**P4,608,153,239**
Balance at January 1, 2023	P1,994,974,000	P1,490,077,270	P25,000,000	P38,963,974	P755,390,359	P4,304,405,603
Total Comprehensive Income						
Net income	-	-	-	-	356,063,641	356,063,641
Other comprehensive loss	-	-	-	(63,155,002)	-	(63,155,002)
	-	-	-	(63,155,002)	356,063,641	292,908,639
Total transactions with the Owners of the Company						
Issuance of Stock	1,000	-	-	-	-	1,000
Balance at December 31, 2023	P1,994,975,000	P1,490,077,270	P25,000,000	(P24,191,028)	P1,111,454,000	P4,597,315,242

See Notes to the Financial Statements.

PETROGEN INSURANCE CORPORATION
STATEMENTS OF CASH FLOWS

	Note	2024	2023
		Years Ended December 31	
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P543,067,285**	P464,760,717
Adjustments for:			
Increase in reserve for unearned premiums - net of change in deferred reinsurance premiums		**84,956,444**	60,351,628
Interest income	*18*	**(333,392,285)**	(277,451,855)
Unrealized foreign exchange loss - net	*19*	**11,069,565**	52,516,274
Increase in deferred reinsurance commission	*15*	**7,817,945**	1,091,493
Depreciation	*10*	**6,973,672**	7,197,334
Other income	*19*	**(5,989,064)**	
Loss on retirement of asset	*10*	**-**	19,067
Operating income before working capital changes		**314,503,562**	308,484,658
Changes in operating assets and liabilities			
Decrease (increase) in:			
Insurance receivables		**(491,184,570)**	543,640,432
Other assets		**2,036,242**	15,253,381
Increase (decrease) in:			
Claims and losses payable		**500,085,212**	(241,190,454)
Due to reinsurers - net		**797,167,003**	(457,081,803)
Accrued expenses and other liabilities		**56,308,150**	(4,632,694)
Cash generated from operations		**1,178,915,599**	164,473,520
Income taxes paid		**(115,553,141)**	(116,789,511)
Net cash provided by operating activities		**1,063,362,458**	47,684,010
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investments in debt securities at amortized cost	*8*	**(665,960,425)**	(615,509,458)
Proceeds from maturity of investments in debt securities at amortized cost	*8*	**659,174,411**	605,961,599
Interest received		**319,508,838**	259,856,743
Acquisition of property and equipment	*10*	**(1,243,947)**	(2,595,804)
Net cash provided by investing activities		**311,478,877**	247,713,080
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	*16*	**(430,000,000)**	-
Issuance of capital stock	*16*	**-**	1,000
Net cash provided by (used in) financing activities		**(430,000,000)**	1,000
NET INCREASE IN CASH AND CASH EQUIVALENTS		**944,841,335**	295,398,089
NET EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(104,868)**	(4,081,009)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**4,042,717,068**	3,751,399,988
CASH AND CASH EQUIVALENTS AT END OF YEAR	*6*	**P4,987,453,535**	P4,042,717,068

See Notes to the Financial Statements.

PETROGEN INSURANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

Petrogen Insurance Corporation (the Company) was incorporated in the Philippines on August 23, 1996. The Company is presently engaged in the business and operation of all kinds of insurance and reinsurance, on sea as well as on land, of properties, goods and merchandise, of transportation or conveyance, against fire, earthquake, marine perils, accidents and all other forms and lines of insurance authorized by law, except life insurance.

The Company has a corporate life of 50 years pursuant to its articles of incorporation. However, under the Revised Corporation Code of the Philippines, the Company shall have a perpetual corporate life.

The Company was a formerly wholly-owned subsidiary of Petron Corporation (Petron). However, on December 3, 2020, the Board of Directors (BOD) of the Company approved the increase its authorized capital stock from 750,000 common shares to 2,250,000 common shares, both at par value of P1,000. Of the increase, 1,494,973 common shares were subscribed by San Miguel Corporation (SMC) at a subscription price of P3.00 billion. The application with the Securities and Exchange Commission (SEC) was approved on February 4, 2022. After such date and as at December 31, 2024, the Company is 74.94% and 25.06% owned by SMC and Petron, respectively, both incorporated and domiciled in the Philippines and whose shares are listed in the Philippine Stock Exchange.

The Company's ultimate parent is Top Frontier Investments Holdings, Inc.

The Company has Certificate of Authority No. 2023/65-R issued by the Insurance Commission (IC) to transact in a non-life insurance business until December 31, 2024. The renewal of the Company's license has been duly processed and is pending final issuance by the Insurance Commission.

The Company's principal and registered office address is at San Miguel Properties Centre 7 St. Francis Street, Mandaluyong City.

2. Basis of Preparation

<u>Statement of Compliance</u>
The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) Accounting Standards. PFRS Accounting Standards are based on International Financial Reporting Standards (IFRSs) Accounting Standards issued by the International Accounting Standards Board (IASB). PFRS Accounting Standards consists of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations issued by the Financial and Sustainability Reporting Standards Council (FSRSC).

The accompanying financial statements of the Company as at and for the year ended December 31, 2024 were authorized for issue by the BOD on March 26, 2025.

Basis of Measurement
The financial statements of the Company have been prepared on a historical cost basis, except for financial assets classified as investments in debt securities at fair value through other comprehensive income (FVOCI), which is stated at fair value.

Functional and Presentation Currency
The financial statements are presented in Philippine peso (P), which is the Company's functional currency. All financial information is rounded off to the nearest peso, except when otherwise indicated.

Presentation of Financial Statements
The Company presents its statements of financial position in a manner that the presentation provides information that is reliable and relevant. An analysis regarding recovery or settlement within 12 months after reporting date (current) and more than 12 months after reporting date (non-current) is presented in Note 25.

3. Summary of Material Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in the financial statements, except for the changes in accounting policies as explained below.

Adoption of Amendments to Standards
The Company has adopted the following amendments to standards starting January 1, 2024 is and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Company's financial statements.

- *Classification of Liabilities as Current or Noncurrent - 2020 amendments and Non-Current Liabilities with Covenants - 2022 amendments (Amendments to PAS 1 Presentation of Financial Statements).* To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:

  - removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;

  - clarified that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;

  - provided additional disclosure requirements for non-current liabilities subject to conditions within twelve months after the reporting period to enable the assessment of the risk that the liability could become repayable within twelve months; and

  - clarified that settlement of a liability includes transferring an entity's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.

New Standard and Amendments Issued But Not Yet Adopted
A number of new and amendments to standard is effective for annual periods beginning after January 1, 2024 and earlier application is permitted; however, the Company has not early adopted these new and amendments to standards in preparing these financial statements. The following new amendments to standards are not expected to have significant impact on the Company's financial statements.

Effective January 1, 2026

- Amendments to the Classification and Measurement of Financial Instruments (Amendments to PFRS 9 *Financial Instrument*s and PFRS 7 *Financial Instruments: Disclosures*). The amendments relate to the date of recognition and derecognition, classification of financial assets, contractually linked instruments and non- recourse features, and disclosures on investments in equity instruments.

  Date of recognition and derecognition. The amendments clarified that:

  - a financial asset or financial liability is recognized on the date on which the entity becomes party to the contractual provisions of the instrument unless the regular way exemption applies;

  - a financial asset is derecognized on the date on which the contractual rights to cash flows expire or the asset is transferred; and

  - a financial liability is derecognized on the settlement date, which is the date on which the liability is extinguished because the obligation specified in the contract is discharged or cancelled or expires or the liability otherwise qualifies for derecognition.

  However, the amendments provide an exception for the derecognition of financial liabilities where an entity may choose to derecognize a financial liability that is settled using an electronic payment system before the settlement date if, and only if, the entity has initiated the payment instruction that resulted in:

  - the entity having no practical ability to withdraw, stop or cancel the payment instruction;

  - the entity having no practical ability to access the cash to be used for settlement as a result of the payment instruction; and

  - the settlement risk associated with the electronic payment system is insignificant.

  Entities may choose to apply the exception on a system-by-system basis.

  Classification of financial assets. The amendments related to classification of financial assets introduces an additional test to assess whether the solely payments of principal and interest (SPPI) criterion is met for financial assets with contingent features that are not related directly to a change in basic lending risks or costs.

The amendments clarified that when a contingent feature gives rise to contractual cash flows that are consistent with a basic lending arrangement both before and after the change in contractual cash flows, but the nature of the contingent event itself does not relate directly to changes in basic lending risks and costs, the financial asset has contractual cash flows that are SPPI if, and only if, in all contractually possible scenarios, the contractual cash flows would not be significantly different from the contractual cash flows on a financial instrument with identical contractual terms, but without such a contingent feature.

Additional disclosures are required for all financial assets and financial liabilities that have certain contingent features that are not related directly to a change in basic lending risks or costs and are not measured at fair value through profit or loss.

Contractually linked instruments and non-recourse features. The amendments clarify the key characteristics of contractually linked instruments (CLIs) and how they differ from financial assets with non-recourse features. The amendments also include factors that a company needs to consider when assessing the cash flows underlying a financial asset with non-recourse features (the 'look through' test). For example, it clarifies that a financial asset has non-recourse features if an entity's ultimate right to receive cash flows is contractually limited to the cash flows generated by specified assets; that CLIs have non-recourse features, but not all financial assets with non-recourse features are CLIs; and that the underlying pool of instruments of CLIs may include financial assets outside the scope of IFRS 9.

Disclosures on investments in equity instruments. The amendments require additional disclosures for investments in equity instruments that are measured at fair value with gains or losses presented in other comprehensive income (FVOCI). The entity discloses for each class of investment the fair value gain or loss presented in other comprehensive income during the period, showing separately the fair value gain or loss related to investments derecognized during the reporting period and the fair value gain or loss related to investments held at the end of the reporting period. It also discloses any transfers of the cumulative gain or loss within equity during the reporting period related to investments derecognized during that reporting period.

The amendments apply for reporting periods beginning on or after January 1, 2026. Earlier application is permitted. Entities may choose to early-adopt the amendments for the recognition and derecognition of financial assets and financial liabilities separately from the other amendments.

- Annual Improvements to PFRS Accounting Standards - Volume 11. This cycle of improvements contains amendments to five standards, three of which are relevant to the Company, as outlined below:

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

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

  - clarified that the Guidance on implementing PFRS 7 does not necessarily illustrate all the requirements in the referenced paragraphs of PFRS 7;

  - made the wordings on the disclosure of deferred difference between fair value and transaction price in paragraph IG14 of PFRS 7 consistent with the requirements in paragraph 28 of PFRS 7 and with the concepts in PFRS 9 Financial Instruments and PFRS 13 Fair Value Measurement; and

  - simplified the wordings on credit risk disclosures in paragraph IG20B that the illustration does not include financial assets that are purchased or originated credit impaired.

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

Effective January 1, 2027

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

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

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

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

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

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

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

PFRS 17 is effective for annual periods beginning on or after January 1, 2025. Full retrospective application is required, unless it is impracticable, in which case the entity chooses to apply the modified retrospective approach or the fair value approach. However, if the entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it applies the fair value approach.

As of date, the Company remains on track with its implementation process and is expected to fully adopt PFRS 17 by the year 2027. Moreover, the actual impact of applying PFRS 17 on the financial statements, including the impact on the Company's net worth during the period of initial application, is not known and cannot be reasonably estimated as it will depend on future economic conditions as well as accounting elections and judgments that the Company will make in the future.

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

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

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

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

  PFRS 18 also now require goodwill to be presented as a line item in the statement of financial position.

Consequential amendments to PAS 7 *Statement of Cash Flows* requires the use of the operating profit or loss subtotal as the starting point when presenting operating cash flows under the indirect method and eliminate the options for classifying interest and dividend cash flows.

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

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

The amendments will apply retrospectively for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted. Management is still assessing the impact of this new standard on the Company's financial statements.

<u>Financial Assets and Financial Liabilities</u>

Date of Recognition

Financial instruments are recognized in the statements of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition is done using settlement date accounting.

Initial Recognition of Financial Instruments

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

C*lassification and Subsequent Measurement*

Financial Assets

The Company classifies its financial assets, at initial recognition, in the following categories: financial assets at amortized cost, financial assets at FVOCI and financial assets at FVPL. The classification depends on the business model of the Company for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets are not reclassified subsequent to initial recognition, unless the Company changes the business model for managing financial assets. All affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

Business Model Assessment
The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Company's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future salary activity.

Cash Flow Characteristics - Solely Payments of Principal and Interest
For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basis lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of the contractual cash flows such that it would not meet these conditions. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;

- terms that may adjust the contractual coupon rate, including variable rate features;

- prepayment and extension features; and

- terms that limit the Company's claim to cash flows from specified assets (e.g., non-recourse features).

For purposes of subsequent measurement, financial assets are classified in the following categories: financial assets at amortized cost, financial assets at FVOCI with or without recycling of cumulative gains and losses and financial assets at FVPL.

As at December 31, 2024 and 2023, the Company has financial assets classified at amortized cost and FVOCI.

Financial Assets at Amortized Cost. The Company measures financial assets at amortized cost if both of the following conditions are met:

- it is held within a business model with the objective of holding financial assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate (EIR). Gains and losses are recognized in profit or loss when the financial asset is derecognized, modified, or impaired.

Included in this category are: (a) cash in banks and cash equivalents; (b) insurance receivables, which arise primarily from premiums receivable, and reinsurance recoverable on paid losses; (c) investments in debt securities at amortized cost; (d) interest receivables, due from related party, and security deposit under “Other assets” account; and (e) due from reinsurers, net of allowance for impairment losses, under “Due to reinsurers - net” account (Notes 6, 7, 8, 11 and 13).

Financial Assets at FVOCI. Investment in debt securities is measured at FVOCI if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At initial recognition of an investment in equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the fair value in OCI. This election is made on an instrument-by-instrument basis.

Financial assets at FVOCI are subsequently measured at fair value. Changes in fair value are reported as remeasurement of investment in debt securities as part of OCI. Cumulative net change in the fair value of debt securities measured at FVOCI is presented as “Remeasurement of investments in debt securities - net of deferred tax” under equity section of the statements of financial position. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment on investment in debt securities are recognized in profit or loss. When investment in debt securities at FVOCI is derecognized the related accumulated gains or losses previously reported in the statements of changes in equity are transferred to and recognized in profit or loss.

The Company’s investments in debt securities at FVOCI are classified under this category (Note 8).

Impairment of Financial Assets
The Company recognizes allowance for impairment losses on its financial assets at amortized cost and investments in debt securities at FVOCI.

Expected credit losses (ECLs) are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive), discounted at the EIR of the financial asset, and reflects reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions.

The Company recognizes an allowance for impairment based on either 12-month or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company recognizes lifetime ECL for receivables that do not contain significant financing component. The Company uses provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the borrowers and the economic environment.

The Company considers a financial asset to be in default when a counterparty fails to pay its contractual obligations, or there is a breach of other contractual terms, such as covenants.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the restructuring of a financial asset by the Company on terms that the Company would not consider otherwise;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

Financial assets are written off when identified to be worthless after exhausting all collection efforts.

Financial Liabilities
The Company classifies its financial liabilities at initial recognition into the following categories: financial liabilities at FVPL and other liabilities. The Company determines the classification of its financial liabilities at initial recognition, and were allowed and appropriate, re-evaluates such designation at every reporting date. All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

As at December 31, 2024 and 2023, the Company only has financial liabilities classified as other liabilities.

Other Financial Liabilities
This category pertains to financial liabilities that are not designated or classified at FVPL.

Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered integral part of the EIR of the liability.

Included in this category are: (1) claims and losses payable presented as part of "Insurance liabilities" account; (2) due to reinsurers (gross of due from reinsurers); and (3) accrued expenses and other liabilities (excluding payable to regulatory agencies and deferred credits) (Notes 12, 13, and 14).

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

- the contractual rights to receive cash flows from the asset have expired;

- the Company retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Company has transferred its right to receive cash flows from the asset and either has:

  (a) transferred substantially all the risks and rewards of the asset; or

  (b) neither transferred nor retained substantially the risks and rewards of the financial asset but has transferred the control of the financial asset.

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

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

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

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

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

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

<u>Insurance Contracts</u>
Insurance contract is an agreement whereby one party called the insurer undertakes, for a consideration paid by the other party called the insured, promises to pay money, or its equivalent or to do some act valuable to the latter, upon happening of a loss, liability or disability arising from an unknown or contingent event.

Insurance Contract Receivables and Payables
Insurance contract receivables and payables are recognized when contracts are entered into and premiums are charged. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable and recognizes that impairment loss in profit or loss.

Claims and Losses Payable
Liabilities for unpaid claims and losses and claim adjustment expenses relating to insurance contracts are accrued when insured events occur. The liability is derecognized when the contract is discharged or cancelled.

The liabilities for claims are based on the estimated ultimate cost of settling the claims. The method of determining the expected ultimate cost of claims reported at reporting date are continually reviewed and updated. Changes in estimates of claim costs resulting from the continuous review process and difference between estimates and payments for claims are recognized as income or expense in the period in which the estimates are changed or payments are made.

Share in recoveries on claims are evaluated in terms of the estimated realizable values of the salvage recoverable. Recoveries on claims are recognized in profit or loss in the period the recoveries are determined. Recoverable amounts from reinsurers are presented as part of “Insurance receivables” account in the statements of financial position.

Incurred but Not Yet Reported (IBNR) Claims
IBNR is based on the estimated ultimate cost of all claims incurred but not reported at the end of the reporting period. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of which cannot be known with certainty at the end of the reporting period. This liability is discounted for the time value of money. The liability is derecognized when the contract is discharged, cancelled or has expired.

Liability Adequacy Test
At each reporting date, liability adequacy test (LAT) is performed to ensure the adequacy of the insurance liabilities. The test considers current best estimates of future cash flows, claims handling cost and policy administrative expenses. Changes in expected claims that have occurred, but which have not been settled, are reflected by adjusting the liability for claims and future benefits. Any inadequacy arising from the test is immediately charged to profit or loss by establishing an unexpired risk provision for losses.

The Company's insurance contract liabilities are composed of premium liabilities and claims liabilities. Premium liabilities are calculated as the higher of reserve for unearned premiums and the unexpired risk reserve for each line of business. Unexpired risk reserve is an estimate of total liability including expenses, at a designated level of confidence, in respect of the risk after the valuation date of the policies written prior to that date including expenses for policy management and claims settlement costs. If the unexpired risk reserve is higher than the reserve for unearned premiums, the excess is set up as an additional insurance reserve on top of reserve for unearned premiums.

While claims liabilities are composed of claims and losses payable and IBNR, significant accounting policies are disclosed in the preceding section of the notes to the financial statements.

Reinsurance
The Company cedes insurance risk in the normal course of business. Reinsurance assets primarily include balances due from reinsurance companies. Amounts due from reinsurers are estimated in a manner consistent with the associated reinsured policies and in accordance with the reinsurance contracts.

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

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

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

Revenue Recognition
The Company recognizes revenue from contracts with customers when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services, excluding amounts collected on behalf of third parties.

The Company's revenue streams arising from insurance contracts falls under PFRS 4 while interest income falls under PFRS 9 and other income under PFRS 15, *Revenue from Contracts with Customers*. The following specific criteria must also be met before revenue is recognized:

Gross Premium Written
Gross premiums written comprise the total premiums for the whole period of cover provided by contracts entered into during the accounting period and are recognized on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior periods. Premiums payable for reinsurance contracts are recognized as a contra-income account upon recognition of related premiums and presented as “Premiums ceded” in profit or loss.

Premiums from insurance contracts are recognized as revenue over the period of the contracts using the 24th method. The portion of the premiums written that relates to the unexpired periods of the policies at the reporting date is accounted for as “Reserve for unearned premiums” account and presented under “Insurance liabilities” in the statements of financial position. The related reinsurance premiums ceded that pertains to the unexpired periods at each reporting date is accounted for as “Deferred reinsurance premiums” and shown in the assets section of the statements of financial position. The net changes in these accounts between reporting dates are credited to or charged against income as “Increase or decrease in reserve for unearned premium - net of change in deferred reinsurance premiums” account in the profit or loss.

Ceded reinsurance recoveries are accounted for in the same period as the underlying claim.

Interest Income Calculated Using the Effective Interest Method
Interest income for all interest-bearing financial instruments is recognized in profit or loss using the effective interest method. Interest income is recognized at gross amount of the tax withheld.

Cost and Expense Recognition
Cost and expenses are recognized when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Costs and expenses are recognized when incurred.

Underwriting Expenses
Underwriting expenses consist of benefits and claims incurred during the year and loss adjustments. It further includes internal and external claims handling costs that are directly related to the processing and settlement of claims. Amounts receivable in respect of salvage and subrogation are also considered. General insurance claims are recorded on the basis of notifications received.

Foreign Currency Transactions and Translation
Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rates at reporting date; income and expenses are translated using the average rate for the year. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognized in profit or loss, except for differences arising on the translation of financial assets at FVOCI, a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognized in OCI.

<u>Taxes</u>
Current Tax
Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable is the best estimate of the tax amount expected to be paid that reflects uncertainty related to income taxes, if any.

Deferred Tax
Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - excess of Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of excess of MCIT over RCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at reporting date, and reflects uncertainty related to income taxes, if there is any.

Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

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

Final Tax
Interest income from cash in banks, cash equivalents and debt securities at amortize cost and FVOCI, which is subject to final withholding tax, is presented at gross amounts while taxes paid or withheld are included in ‘Income tax expense” account in the profit or loss.

Value-added Tax (VAT)
Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

4. Management’s Use of Significant Judgments, Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income, and expenses reported in the financial statements at the reporting date. However, actual results may differ from such judgments and estimates.

Judgments, estimates, and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments, estimates and assumptions are revised and in any future period affected.

Classification of Financial Instruments
The Company exercises judgment in classifying financial instruments in accordance with PFRS 9. The Company classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

The classification and fair values of financial assets and financial liabilities are presented in Note 5.

The Company uses its judgment in determining the classification of financial assets based on its business model (Note 3) in which assets are managed and their cash flow characteristics.

The Company determines that the business model for financial assets at amortized cost is held to collect contractual cash flows and meets the solely principal and interest criterion as of December 31, 2024 and 2023. Other financial assets are classified as financial assets at FVOCI based on the characteristics of the contractual cash flows of the instruments.

Determination of Fair Values of Financial Instruments
Where the fair values of financial assets and liabilities recorded in the statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models.

The Company uses judgment to select from a variety of valuation models and makes assumptions regarding considerations of liquidity and model inputs such as correlation and volatility for longer dated financial instruments. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair value.

Estimates and Assumptions
Estimation of Allowance for Impairment of Financial Assets
The Company measures allowance for impairment losses on financial assets at FVOCI and at amortized cost based on the assumptions about risk of default and expected credit loss rates. When estimating the expected credit loss, the Company uses judgments in making these assumptions based on the Company's past experience and historical data, existing market conditions as well as forward looking estimates. An increase in allowance for impairment losses would increase the recorded operating expenses and decrease assets.

As at December 31, 2024 and 2023, the Company assessed that there are no impairment indicators for its financial assets at FVOCI and financial assets at amortized cost (Note 8).

Valuation of Claims and Losses Payable and IBNR
The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. Estimation of the ultimate cost of claims is a complex process and can be evaluated with the aid of the adjuster's estimates.

The Company considers that it is impracticable to discuss with sufficient reliability the possible effects of sensitivities surrounding the ultimate liability arising from claims made under insurance contracts as the major uncertainties may differ significantly. With this, it is reasonably possible, based on existing knowledge, that the outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the asset or liability affected including reserve for outstanding losses and related insurance balances.

In estimating the ultimate cost of IBNR, the Company adopted the Incurred Chain Ladder Method, the Paid Chain Ladder Method, the Bornhuetter-Ferguson Incurred Approach, and the Bornhuetter-Ferguson Paid Approach, in weighted averages, to predict the future claims settlement.

At each reporting date, prior year claims estimates are assessed for adequacy and changes made are charged to claims and losses payable and IBNR claims.

As at December 31, 2024 and 2023, claims and losses payable and IBNR claims amounted to P1.35 billion and P0.84 billion, respectively (Note 12).

Reasonableness of Insurance Policy Reserves
The LATs are performed to ensure the adequacy of the insurance contract liabilities using the current best estimates of the future contractual cash flows and claims handling and administration expenses.

As at December 31, 2024 and 2023, the Company's reserve for unearned premiums amounting to P1.36 billion and P1.22 billion, respectively, and IBNR of P365.47 million and P268.85 million in 2024 and 2023, respectively, are adequate in using the best estimates assumptions (Note 12).

Realizability of Deferred Tax Assets
The Company reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Company's assessment on the recognition of deferred tax assets is based on the projected taxable income in the following periods.

As at December 31, 2024 and 2023, deferred tax assets amounted to P52.66 million and P40.91 million, respectively (Note 21).

5. Insurance and Financial Risks Management Objectives and Policies

Objectives and Policies
The primary objective of the Company's insurance and financial risk management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of the financial performance objectives, including failing to exploit opportunities.

Governance
Key management recognizes the critical importance of having efficient and effective risk management system.

The Company's risk management involves the close cooperation of the Company's BOD in developing objectives, policies and processes on insurance, liquidity, credit and market risks and the Company's management of capital.

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

The risks and the way the Company manages insurance and financial risks are set out below:

Insurance Risk
The major classes of general insurance written by the Company include fire, marine, casualty and motor. Risks under these policies usually cover a twelve-month duration.

The risk under insurance contracts is the possibility of occurrence of an insured event and uncertainty of the amount and timing of resulting claims. The principal risk the Company faces under such contracts is that the actual claims might exceed the carrying amount of insurance liabilities. This could occur due to any of the following:

- *Occurrence Risk* - the possibility that the number of insured events reported in a particular period will differ from those expected.

- *Severity Risk* - the possibility that the cost of the events will differ from those expected.

- *Development Risk* - the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The variability of risk is also improved by careful selection and implementation of underwriting strategy and guidelines.

The business of the Company comprises short-term nonlife insurance contracts. For general insurance contracts, claims are often affected by natural disasters, calamities, etc. These risks currently do not vary significantly in relation to the location of the risk insured by the Company while undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

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

- Reinsurance is used to limit the Company's exposure to large claims by placing risk with reinsurers providing high security; and

- Diversification is accomplished by achieving sufficiently large population of risks to reduce the variability of the expected outcome. The diversification strategy seeks to ensure that underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

The Company limits its exposure to loss within insurance operations through participation in reinsurance arrangements. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented as part of “Insurance receivables” in the statements of financial position.

The Company aims to maintain strong reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. Amounts of estimates at the accident year are based from adjusters’ report. Other estimates are based on reasonable approximation after an evaluation of reported claims. Adjustment to the loss reserves is made on the year the ultimate cost of claim becomes more certain. Reserves are either decreased or increased depending on the estimates.

The Company’s exposure to insurance risk as at December 31, 2024 and 2023 is as follows:

	Note	**2024**	2023
Claims and losses payable and IBNR	*12*	**P1,349,482,949**	P841,459,755
Less: reinsurance recoverable on unpaid losses and IBNR	*7*	**1,004,475,303**	622,447,452
	12	**P345,007,646**	P219,012,303

The concentration of claims and losses by type of contract is as follows:

	2024		
	Claims and Losses Payable and IBNR (Note 12)	**Reinsurance Recoverable on Unpaid Losses and IBNR** (Notes 7)	**Net** (Note 12)
Fire	**P430,639,992**	**P363,130,039**	**P67,509,953**
Engineering	**543,334,612**	**469,561,342**	**73,773,270**
Marine	**216,022,538**	**111,995,073**	**104,027,465**
Accident	**461,250**	**238,750**	**222,500**
Motor	**1,559,785**	**29,640**	**1,530,145**
Others	**157,464,772**	**59,520,459**	**97,944,313**
	P1,349,482,949	**P1,004,475,303**	**P345,007,646**

	2023		
	Claims and Losses Payable and IBNR (Note 12)	Reinsurance Recoverable on Unpaid Losses and IBNR (Notes 7)	Net
Fire	P321,090,352	P288,769,865	P32,320,487
Engineering	336,314,540	323,726,223	12,588,317
Marine	39,911,520	1,999,700	37,911,820
Accident	385,000	91,250	293,750
Motor	3,161,882	10,260	3,151,622
Others	140,596,461	7,850,154	132,746,307
	P841,459,755	P622,447,452	P219,012,303

Key Assumptions
The principal assumptions underlying the estimates made by the Company depends on the past claims experience and industry levels. This includes assumptions in respect to average claims costs, inflation factor and handling cost. Judgment is used to assess the extent to which external factors such as judicial decision and government legislation affect the estimates.

Sensitivity Analysis
The Company's claims provision is sensitive to the previous key assumptions. The sensitivity of certain assumptions such as legislative change, uncertainty in the estimation process, among others is not possible to quantify.

In accordance with the claims development methodology, claims and losses over a period of time on a gross and net reinsurance basis were developed as follows:

	2024						
Accident Year	**2019 and Prior Years**	**2020**	**2021**	**2022**	**2023**	**2024**	**Total**
Incremental claims settlements:							
At the end of accident year	**P2,793,867,687**	**P4,738,960**	**P1,148,515,450**	**P404,491,382**	**P409,226,156**	**P661,499,885**	**P661,499,885**
One year later	**1,696,512,980**	**4,949,296**	**714,390,274**	**431,759,164**	**533,161,343**	**-**	**533,161,343**
Two years later	**1,794,455,275**	**4,883,552**	**703,625,128**	**434,661,482**	**-**	**-**	**434,661,482**
Three years later	**1,783,064,871**	**4,883,552**	**709,734,991**	**-**	**-**	**-**	**709,734,991**
Four years later	**1,780,243,489**	**3,990,866**	**-**	**-**	**-**	**-**	**3,990,866**
Five to ten years later	**1,780,239,354**	**-**	**-**	**-**	**-**	**-**	**1,780,239,354**
Cumulative claims incurred including IBNR	**1,780,239,354**	**3,990,866**	**709,734,991**	**434,661,482**	**533,161,343**	**661,499,885**	**4,123,287,921**
Cumulative claims and losses paid	**1,672,640,370**	**3,689,622**	**695,398,993**	**128,198,672**	**211,759,058**	**62,118,257**	**2,773,804,972**
Claims and losses payable and IBNR	**107,598,984**	**301,244**	**14,335,998**	**306,462,810**	**321,402,285**	**599,381,628**	**1,349,482,949**
Reinsurance recoverable on unpaid losses	**-**	**-**	**-**	**300,410,743**	**288,098,753**	**415,965,807**	**1,004,475,303**
Net exposure	**P107,598,984**	**P301,244**	**P14,335,998**	**P6,052,067**	**P33,303,532**	**P183,415,821**	**P345,007,646**

	2023						
Accident Year	2018 and Prior Years	2019	2020	2021	2022	2023	Total
Incremental claims settlements:							
At the end of accident year	P404,588,794	P2,389,278,893	P4,738,960	P1,148,515,450	P404,491,382	P409,226,156	P409,226,156
One year later	429,468,126	1,267,044,854	4,949,296	714,390,274	431,759,164	-	431,759,164
Two years later	434,032,533	1,360,422,742	4,883,552	703,625,128	-	-	703,625,128
Three years later	449,651,238	1,333,413,633	4,883,552	-	-	-	4,883,552
Four years later	451,693,856	1,328,549,633	-	-	-	-	1,328,549,633
Five to ten years later	451,689,721	-	-	-	-	-	451,689,721
Cumulative claims incurred including IBNR	451,689,721	1,328,549,633	4,883,552	703,625,128	431,759,164	409,226,156	3,329,733,354
Cumulative claims and losses paid	368,661,972	1,303,978,398	3,689,622	690,568,931	109,920,974	11,453,702	2,488,273,599
Claims and losses payable and IBNR	83,027,749	24,571,235	1,193,930	13,056,197	321,838,190	397,772,454	841,459,755
Reinsurance recoverable on unpaid losses	-	-	-	52,664	300,517,499	321,877,289	622,447,452
Net exposure	P83,027,749	P24,571,235	P1,193,930	P13,003,533	P21,320,691	P75,895,165	P219,012,303

Even though the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations under such reinsurance agreements.

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

There has been no change to the Company's exposure to financial risks or the manner in which it manages and measures the risks since the last financial year.

Credit Risk
Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. In effectively managing credit risk, the Company regulates and extends credit only to qualified and credit-worthy related entities and other counterparties, and continuously monitors defaults of its counterparties, identified either individually or by group, and incorporate this information into its credit risk controls.

As at December 31, 2024 and 2023, the Company's concentration of credit risk arises from its cash and cash equivalents (except cash on hand) and investments in debt securities amounting to P6.34 billion and P5.37 billion, respectively, which represent 94.11% in 2024 and 95.31% in 2023 of the Company's financial assets (Notes 6 and 8).

The maximum credit risk exposure of the Company's financial assets is as summarized below:

	Note	**2024**	2023
Cash and cash equivalents	*25*	**P4,987,430,531**	P4,042,702,239
Investments in debt securities	*8, 25*	**1,349,006,674**	1,325,793,198
Insurance receivables [1]	*7, 25*	**374,669,271**	248,652,015
Interest receivable [2]	*11, 25*	**12,427,642**	13,390,426
Due from reinsurers [3]	*13, 25*	**8,247,920**	4,168,488
Security deposit [2]	*11, 25*	**1,188,403**	1,188,403
		P6,732,970,441	P5,635,894,769

1 Excluding reinsurance recoverable on unpaid losses and reinsurers' share on IBNR
2 Included under "Other assets" account
3 Included under "Due to reinsurers - net" account and gross of allowance for impairment loss

The credit risk for cash and cash equivalents and investments in debt securities at FVOCI is considered negligible, since the counterparties are reputable entities which are considered low risk. The credit quality of these financial assets is therefore considered as high grade. For the determination of credit risk, cash and cash equivalents does not include cash on hand amounting to P23,004 and P14,829 as at December 31, 2024 and 2023, respectively.

The Company uses a credit grading system based on the borrowers and counterparties overall credit worthiness, as described below:

Investment High Grade - This pertains to accounts with a very low probability of default as demonstrated by the borrower's strong financial position and reputation. The borrower has the ability to raise substantial amounts of funds through the public markets and/or credit facilities with financial institutions. The borrower has a strong debt service record and a moderate use of leverage. Financial assets classified as investment high grade are either current or past due, and not impaired.

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

The table below presents the Company's exposure to credit risk and shows the credit quality of the financial assets by indicating whether the financial assets are subjected to 12-month ECL or lifetime ECL. Assets that are credit-impaired are separately presented.

	2024				
	Financial Assets at Amortized Cost				
	12-Month ECL	**Lifetime ECL - not credit impaired**	**Lifetime ECL - credit impaired**	**Financial Assets at FVOCI**	**Total**
Cash and cash equivalents [1]	**P4,987,430,531**	**P -**	**P -**	**P -**	**P4,987,430,531**
Insurance receivables [2]	**374,669,271**	**-**	**-**	**-**	**374,669,271**
Investments in debt securities	**575,678,194**	**104,001,952**	**-**	**669,326,528**	**1,349,006,674**
Interest receivable [3]	**12,427,642**	**-**	**-**	**-**	**12,427,642**
Security deposit [3]	**1,188,403**	**-**	**-**	**-**	**1,188,403**
Due from reinsurers [4]	**8,247,920**	**-**	**-**	**-**	**8,247,920**
	P5,959,641,961	**P104,001,952**	**P -**	**P669,326,528**	**P6,732,970,441**

1 Excluding cash on hand amounting to P23,004.
2 Excluding reinsurance recoverable on unpaid losses and IBNR share and gross of allowance for impairment loss
3 Included under "Other assets" account
4 Included under "Due to reinsurers - net" account and gross of allowance for impairment loss

	2023				
	Financial Assets at Amortized Cost				
	12-Month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Financial Assets at FVOCI	Total
Cash and cash equivalents [1]	P4,042,702,239	P -	P -	P -	P4,042,702,239
Insurance receivables [2]	248,652,015	-	-	-	248,652,015
Investments in debt securities	554,418,058	103,629,843	-	667,745,297	1,325,793,198
Interest receivable [3]	13,390,426	-	-	-	13,390,426
Security deposit [3]	1,188,403	-	-	-	1,188,403
Due from reinsurers [4]	4,168,488	-	-	-	4,168,488
	P4,864,519,629	P103,629,843	P -	P667,745,297	P5,635,894,769

1 Excluding cash on hand amounting to P14,829.
2 Excluding reinsurance recoverable on unpaid losses and IBNR share and gross of allowance for impairment loss
3 Included under "Other assets" account
4 Included under "Due to reinsurers - net" account and gross of allowance for impairment loss

The aging of insurance receivables (excluding reinsurance recoverable on unpaid losses) is as follows:

	Note	**2024**	2023
Premiums Receivables			
Current		**P115,874,106**	P106,138,376
Past due but not impaired:			
31 - 60 days		**78,532,274**	50,693,739
61 - 90 days		**176,737,212**	371,243
More than 90 days		**-**	87,960,851
	7	**P371,143,592**	P245,164,209

The reinsurance recoverable on paid losses amounted to P3.53 million and P3.49 million in 2024 and 2023, respectively (Note 7) is more than 90 days past due and is unimpaired.

The Company provides allowance for impairment based on either 12-month or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. The allowance is evaluated by management on the basis of reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company’s historical experience and informed credit assessment and including forward-looking information. The Company has rebutted the presumption that default does not occur later than when a financial asset is 90 days past due, based on the reasonable and supportable information. Therefore, financial assets aging more than 90 days are not considered impaired.

At each reporting date, the Company assesses whether these financial assets at amortized cost and investments in debt instruments at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the restructuring of a financial asset by the Company on terms that the Company would not consider otherwise;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

The Company considers a financial asset to be in default when a counterparty fails to pay its contractual obligations, or there is a breach of other contractual terms, such as covenants.

Liquidity Risk
Liquidity risk pertains to the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Company’s objectives to manage its liquidity risk are as follows: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs; (c) to be able to access funding when needed at the least possible cost; and (d) to maintain an adequate time spread of refinancing maturities.

The Company manages its liquidity needs by carefully monitoring scheduled debt serving payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 6-month and 1-year period are identified monthly.

The Company maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash are invested in time deposits or short-term marketable securities.

Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As at December 31, 2024 and 2023, the contractual maturities of the Company are all due in one year or less.

	Note	**2024**	2023
Financial Liabilities			
Claims and losses payable	*12, 25*	**P984,014,159**	P572,609,565
Due to reinsurers [1]	*13, 25*	**1,416,415,905**	601,271,283
Accrued expenses and other liabilities [2]	*14, 25*	**85,417,971**	38,110,748
		P2,485,848,035	P1,211,991,596

1 Gross of due from reinsurer included under "Due to reinsurers - net" account
2 Excluding payable to regulatory agencies and deferred credits

The above contractual maturities reflect the gross cash flows, which is the same as the carrying values of the liabilities at reporting dates.

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

Foreign Currency Risk
Most of the Company's transactions are carried out in Philippine peso, its functional currency. Exposures to currency exchange rates arise from the Company's cessions to San Miguel Insurance Company, Ltd. (SMIC) and Overseas Ventures Insurance Corporation Ltd. (OVINCOR) and collection on fire and marine insurance premiums from Petron, which are primarily denominated in US dollar.

The Company also holds US dollar-denominated cash and cash equivalents.

To mitigate the Company's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

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

	2024		2023	
	US Dollar	**Peso Equivalent**[1]	US Dollar	Peso Equivalent[1]
Financial assets	**$13,997,064**	**P809,660,154**	$7,576,738	P419,523,973
Financial liabilities	**30,391,078**	**1,757,971,934**	16,224,800	898,367,185
Net exposure	**($16,394,015)**	**(P948,311,780)**	($8,648,062)	(P478,843,212)

[1] Difference may arise due to rounding off

The Company reported net foreign exchange losses of P24.57 million and P21.84 million in 2024 and 2023, respectively (Note 19), with the translation of its foreign currency-denominated assets and liabilities. These mainly resulted from the movements of the Philippine peso against the US dollar. The Company used the Banker's Association of the Philippines' closing rates of US dollar to peso of P57.85 and P55.37 as at December 27, 2024 and December 29, 2023, respectively.

The management of foreign currency risk is also supplemented by monitoring the sensitivity of financial instruments to various foreign currency exchange rate scenarios. Foreign exchange movements affect reported equity through the retained earnings arising from increases or decreases in unrealized and realized foreign exchange gains or losses.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, to income before tax and equity as at December 31:

	Change in US Dollar Exchange Rate	Effect on Income before Income Tax	Effect on Equity
2024	**1.24%**	**(P11,759,066)**	**(P8,819,300)**
	-1.24%	**11,759,066**	**8,819,300**
2023	1.59%	(7,613,607)	(5,710,205)
	-1.59%	7,613,607	5,710,205

In 2024, the peso volatility, as measured by the coefficient of variation of peso's daily closing rates, decreased to 1.24% from 1.59% in 2023. The Company determined that this will best represent the movement of foreign exchange rate until the next reporting date.

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Company's currency risk.

Interest Rate Risk
The management of interest rate risk involves maintenance of appropriate blend of financial instruments with consideration on the maturity profile of the financial instruments.

The Company's exposure to such instruments is not significant as most of the investments have fixed interest rates and maturities.

Price Risk
Price risk is the risk that future cash flows will fluctuate because of changes in market prices of individual stocks and the changes in the level of Philippine Stock Exchange index (PSEi).

As at December 31, 2024 and 2023, the Company does not have an exposure to price risk as it does not have investments in equity securities.

Fair Value of Financial Instruments
The fair value of cash in banks and cash equivalents, insurance receivables, investment in debt securities, interest receivables, security deposits, claims and losses payable, due from/to reinsurers, and accrued expenses and other liabilities (excluding amounts payable to government agencies and deferred credits), approximate their carrying amounts due to relatively short-term nature.

Fair Value Hierarchy
Financial assets and financial liabilities measured at fair value in the statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities.

As at December 31, investments in debt securities at FVOCI is the only financial asset measured at fair value in the statements of financial position. The fair value hierarchy of the Company's investments in debt securities is as follows:

	2024				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Investments in debt securities	**P669,326,528**	**P -**	**P669,326,528**	**P -**	**P669,326,528**

	2023				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Investments in debt securities	P667,745,297	P -	P667,745,297	P -	P667,745,297

Fair value of other debt securities is estimated using either values obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments or using the discounted cash flow methodology. The market price reference in determining the market values is derived from Bloomberg Valuation in 2024 and 2023.

As at December 31, 2024 and 2023 the Company has no financial instruments measured at fair value which are considered as Level 1 and Level 3. During the year, there were no transfers into and out of Level 1 and Level 3 fair value measurements.

6. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	Note	**2024**	2023
Cash on hand and in banks		**P96,353,535**	P82,717,068
Short-term placements		**4,891,100,000**	3,960,000,000
	5, 25	**P4,987,453,535**	P4,042,717,068

Cash in banks generally earns interest at rates based on daily bank deposit rates. Short-term placements are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Company and earn annual interest ranging from 2.75% to 6.00% in 2024 and 3.00% to 6.10% in 2023.

Interest earned on cash in banks and short-term placements amounted to P246.21 million and P198.27 million in 2024 and 2023, respectively (Note 18). Accrued interest receivable on cash and cash equivalents amounted to P9.00 million and P10.58 million as at December 31, 2024 and 2023, respectively.

7. Insurance Receivables

Insurance receivables consist of:

	Note	**2024**	2023
Premium receivables:			
Related party	*22*	**P368,434,046**	P243,623,689
Third parties		**2,709,546**	1,540,520
	5, 25	**371,143,592**	245,164,209
Reinsurance recoverable on paid losses:			
Related party	*22*	**824,253**	788,986
Third parties		**2,701,426**	2,698,820
	5, 25	**3,525,679**	3,487,806
Reinsurance recoverable on unpaid losses:			
Related party	*22*	**648,512,644**	352,022,345
Third parties		**103,477,255**	60,761,557
		751,989,899	412,783,902
Reinsurers' share on IBNR		**252,485,404**	209,663,550
		1,008,000,982	625,935,258
		P1,379,144,574	P871,099,467

All of the Company's insurance receivables have been reviewed for indicators of impairment. As at December 31, 2024 and 2023, none of these receivables were found to be impaired.

8. Investments in Debt Securities

This account consists of:

	Note	**2024**	2023
Government securities		**P679,680,146**	P658,047,901
Other debt securities		**669,326,528**	667,745,297
	5, 25	**P1,349,006,674**	P1,325,793,198

This account is comprised of investments in government and private securities. Government securities consist of bonds or other instruments of debt of the Government of the Philippines or its political subdivisions or instrumentalities, or of Government-owned and controlled corporations, including the Bangko Sentral ng Pilipinas, which are lodged with the Bureau of Treasury, in accordance with the provisions of the Insurance Code for the benefit and security of policyholders and creditors of the Company.

This account bears fixed interest rates ranging from 2.63% to 7.85% and 1.94% to 6.25% in 2024 and 2023, respectively. In 2024 and 2023, interest income on these investments amounted to P87.18 million and P79.19 million, respectively (Note 18). As at December 31, 2024 and 2023, accrued interest on these investments amounted to P3.42 million and P2.81 million, respectively.

The maturity profile of this account is as follows:

	Note	2024	2023
Due in one year or less	*25*	**P575,678,194**	P554,418,058
Due after one year through five years	*25*	**773,328,480**	771,375,140
	5, 25	**P1,349,006,674**	P1,325,793,198

The breakdown of investments by classification and measurement as of December 31 follows:

	Note	2024	2023
Financial assets at amortized cost		**P679,680,146**	P658,047,901
Financial assets at FVOCI	*5*	**669,326,528**	667,745,297
	5, 25	**P1,349,006,674**	P1,325,793,198

The reconciliation of the carrying amount of investments in debt securities as at December 31 is as follows:

	2024	2023
Financial Assets at Amortized Cost		
Balance at beginning of year	**P658,047,901**	P634,652,661
Additions	**665,960,425**	615,509,458
Maturity	**(659,174,411)**	(605,961,599)
Amortization of discount	**14,846,231**	13,847,381
Balance at end of year	**P679,680,146**	P658,047,901

	Note	2024	2023
Financial Assets at FVOCI			
Balance at beginning of year		**P667,745,297**	P738,957,969
Fair value gain (loss)		**1,581,231**	(71,212,672)
Balance at end of year	*5*	**P669,326,528**	P667,745,297

The reconciliation of remeasurement of investments in debt securities at FVOCI is as follows:

	2024	2023
Balance at beginning of year	**(P24,191,028)**	P38,963,974
Net change in fair value of investments in debt securities	**1,185,924**	(63,155,002)
Balance at end of year	**(P23,005,104)**	(P24,191,028)

9. Deferred Reinsurance Premiums

Deferred reinsurance premiums pertain to the portion of insurance premiums ceded out and that relates to the unexpired period of the policies at reporting dates.

The movement of this account for the years ended December 31 is as follows:

	Note	2024	2023
Balance at beginning of year		**P1,037,583,394**	P1,147,420,593
Premiums ceded		**2,169,493,352**	1,780,746,002
Premiums ceded related to expired periods	17	**(2,106,718,043)**	(1,890,583,201)
		62,775,309	(109,837,199)
Balance at end of year	25	**P1,100,358,703**	P1,037,583,394

10. Property and Equipment

The movement of this account is as follows:

	Note	Office Equipment	EDP Equipment	Leasehold Improvement	Transportation Equipment	Total
					Years Ended December 31	
Cost						
January 1, 2024		**P3,016,326**	**P26,372,056**	**P7,508,583**	**P -**	**P36,896,965**
Additions		**-**	**78,768**	**-**	**1,165,179**	**1,243,947**
Disposals		**-**	**-**	**-**	**-**	**-**
	25	**3,016,326**	**26,450,824**	**7,508,583**	**1,165,179**	**38,140,912**
Accumulated Depreciation						
January 1, 2024		**3,016,326**	**8,380,486**	**2,807,925**	**-**	**14,204,737**
Depreciation		**-**	**5,413,696**	**1,501,717**	**58,259**	**6,973,672**
Disposals		**-**	**-**	**-**	**-**	**-**
	25	**3,016,326**	**13,794,182**	**4,309,642**	**58,259**	**21,178,409**
Carrying Amount December 31, 2024		**P -**	**P12,656,642**	**P3,198,941**	**P1,106,920**	**P16,962,503**
Cost						
January 1, 2023		P3,016,326	P23,844,895	P7,508,583	P -	P34,369,804
Additions		-	2,595,804	-	-	2,595,804
Disposals		-	(68,643)	-	-	(68,643)
	25	3,016,326	26,372,056	7,508,583	-	36,896,965
Accumulated Depreciation					-	
January 1, 2023		3,016,326	2,734,445	1,306,208	-	7,056,979
Depreciation		-	5,695,617	1,501,717	-	7,197,334
Disposals		-	(49,576)	-	-	(49,576)
	25	3,016,326	8,380,486	2,807,925	-	14,204,737
Carrying Amount December 31, 2023		P -	P17,991,570	P4,700,658	P -	P22,692,228

The Company’s property and equipment are measured under cost model and are depreciated using the straight-line method over the useful life of 3-5 years.

The cost of the fully depreciated property and equipment still in use as at December 31, 2024 and 2023 amounted to P6.26 million and P4.84 million, respectively.

There are neither restrictions on title on the Company's property and equipment nor any of it pledged as security for liability. The Company has no contractual commitment for the acquisition of property and equipment

11. Other Assets

Other assets consist of:

	Note	**2024**	2023
Prepaid expenses		**P21,782,255**	P23,594,183
Creditable withholding tax (CWT)		**20,579,995**	19,891,116
Interest receivable	*5, 25, 8*	**12,427,642**	13,390,426
Deferred input VAT		**3,050,002**	3,963,196
Security deposit		**1,188,403**	1,188,403
Others		**184,734**	184,733
	25	**P59,213,031**	P62,212,057

Prepaid expenses pertain to excess amounts of taxes paid to the tax regulators and other prepaid expenses.

CWT pertains to the indirect tax paid by the Company that is withheld by its counterparty for the payment of its expenses and other purchases.

Interest receivable pertains to receivable from interest income on short term placements and investment in debt securities.

Security deposit was made with the IC in compliance with Section 378 of the Amended Insurance Code (R.A. No. 10607), to be used for payment of claims against insolvent insurance companies. As at December 31, 2024 and 2023, the balance of the deposit amounting to P0.18 million represents the Company's contribution to the deposit and it earns interest at rates determined by the IC annually. No interest income was earned from security deposit for the years ended December 31, 2024 and 2023.

12. Insurance Liabilities

Insurance liabilities consist of:

	Note	**2024**	2023
Claims and losses payable:			
Related party	*22*	**P617,067,859**	P513,407,551
Third parties		**366,946,300**	59,202,014
	5, 25	**984,014,159**	572,609,565
IBNR claims		**365,468,790**	268,850,190
	5	**1,349,482,949**	841,459,755
Reserve for unearned premiums		**1,364,183,103**	1,216,451,350
		P2,713,666,052	P2,057,911,105

In 2018, the Company adopted certain provisions in Circular Letter (CL) No. 2018-18 *Valuation Standards for Non-life Insurance Reserves* issued by the IC specifically the recognition of margin for adverse deviation (MfAD) on its IBNR. This brought the IBNR claims to 75% percentile level of sufficiency. The Company recognized 100% of the Company specific MfAD in 2024 and 2023, in accordance with the provision of IC CL No. 2018-19 *Amendment to Circular Letter No. 2016-69 "Implementation Requirements for Financial Reporting, Valuation Standards for Insurance Policy Reserves and Amended Risk-Based Capital (RBC2) Framework".*

The movement in claims and losses payable and IBNR and reinsurance recoverable on unpaid losses are accounted for as follows:

	2024			2023		
	Claims and Losses Payable and IBNR	**Reinsurance Recoverable on Unpaid Losses and IBNR** (Note 7)	**Net**	Claims and Losses Payable and IBNR	Reinsurance Recoverable on Unpaid Losses and IBNR (Note 7)	Net
Balance at beginning of year	**P841,459,755**	**P622,447,452**	**P219,012,303**	P1,082,650,209	P877,571,403	P205,078,806
Claims and losses incurred during the year	**696,935,967**	**458,579,882**	**238,356,085**	379,878,488	(296,449,113)	676,327,601
Claims and losses paid - net of recoveries	**(285,531,373)**	**-**	**(285,531,373)**	(665,103,182)	-	(665,103,182)
Increase in IBNR	**96,618,600**	**(76,552,031)**	**173,170,631**	44,034,240	41,325,162	2,709,078
Balance at end of year	**P1,349,482,949**	**P1,004,475,303**	**P345,007,646**	P841,459,755	P622,447,452	P219,012,303

A reconciliation of reserve for unearned premiums is as follows:

	Note	**2024**	2023
Balance at beginning of year		**P1,216,451,350**	P1,265,936,921
Gross premiums written	*17*	**2,902,507,507**	2,315,896,898
Gross earned premiums	*17*	**(2,754,775,754)**	(2,365,382,469)
	17	**147,731,753**	(49,485,571)
Balance at end of year		**P1,364,183,103**	P1,216,451,350

Underwriting expenses consists of:

	2024	2023
Claims and losses incurred during the year including IBNR	**P793,554,568**	P423,912,728
Reinsurers' share on IBNR	**(76,552,031)**	41,325,162
Reinsurance recoverable on claims and losses during the year	**(387,071,712)**	(311,958,968)
Others	**46,764**	565,765
Underwriting expenses	**P329,977,589**	P153,844,687

The claims and losses incurred by the Company for its related parties amounted to P656.17 million and P395.21 million in 2024 and 2023, respectively (Note 22).

13. Due to Reinsurers - net

Due to reinsurers - net consists of:

	Note	**2024**	2023
Due to reinsurers:			
Related party	*22*	**P1,373,813,566**	P593,497,067
Third parties		**42,602,339**	7,774,216
	5, 25	**1,416,415,905**	601,271,283
Due from reinsurers:			
Related party	*22*	**1,228,073**	1,186,007
Third parties		**7,019,847**	2,982,481
	5, 25	**8,247,920**	4,168,488
		P1,408,167,985	P597,102,795

Due to reinsurers pertain to the premiums payable to the reinsurers while due from reinsurers pertain to the Company's reinsurance commissions receivable.

All of the Company's receivables from reinsurers have been reviewed for indicators of impairment. No receivables were found to be impaired in both years.

14. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consist of:

	Note	**2024**	2023
Payable to regulatory agencies:			
National		**P98,520,620**	P91,967,808
Local		**20,350,918**	17,902,803
		118,871,538	109,870,611
Accrued expenses	*5*	**46,415,326**	35,709,966
Accounts payable	*5*	**38,172,467**	2,259,733
Unclaimed check	*5*	**830,178**	141,049
	25	**P204,289,509**	P147,981,359

Accrued expenses consist of unpaid obligations related to repairs and maintenance, professional fees, contracted services, and utilities.

Accounts payable consist of liabilities related to operational activities and deposits from counterparties.

Unclaimed checks pertain to checks prepared by the Company but are left unclaimed by the payees and are not stale as at reporting period

15. Deferred Reinsurance Commission

The reconciliation of deferred reinsurance commission is as follows:

	Note	**2024**	2023
Balance at beginning of year		**P2,700,542**	P1,609,049
Reinsurance commissions for the year		**21,758,876**	8,700,386
Reinsurance commissions earned for the year		**(13,940,931)**	(7,608,893)
		7,817,945	1,091,493
Balance at end of year	*25*	**P10,518,487**	P2,700,542

16. Equity

As at December 31, capital stock consists of:

	2024	2023
Authorized		
Par value per share	**P1,000**	P1,000
Number of shares	**2,250,000**	2,250,000
Issued and Outstanding		
Number of shares	**1,994,975**	1,994,975
Capital stock	**1,994,975,000**	1,994,975,000
Add: Additional paid-in capital	**1,505,027,000**	1,505,027,000
Less: Documentary stamp tax on issuance of shares	**(14,949,730)**	(14,949,730)
Capital stock and additional paid-in capital	**P3,485,052,270**	P3,485,052,270

As at December 31, 2024 and 2023, the Company's unappropriated retained earnings amounted to P1.12 billion and P1.11 billion, respectively. The Company is required under insurance regulations to maintain prescribed amount of capital including reserves such as contributed surplus and retained earnings.

The Company declared and paid dividends amounting to P430.00 million during the year 2024.

The Company has contributed surplus of P25.00 million as at December 31, 2024 and 2023.

17. Net Premiums Earned

The reconciliation of movement in net premiums earned is as follows:

	Note	**2024**	2023
Gross Earned Premiums			
Gross premiums written		**P2,902,507,507**	P2,315,896,898
(Increase) decrease in reserve for unearned premiums		**(147,731,753)**	49,485,571
	12	**2,754,775,754**	2,365,382,469
Reinsurers' Share of Gross Earned Premiums			
Reinsurers' share of gross premiums		**2,169,493,352**	1,780,746,002
(Increase) decrease in deferred reinsurance premiums		**(62,775,309)**	109,837,199
	9	**2,106,718,043**	1,890,583,201
		P648,057,711	P474,799,268

18. Interest Income Calculated Using the Effective Interest Method

Interest income calculated using the effective interest method consists of:

	Note	**2024**	2023
Cash and cash equivalents	*6*	**P246,211,500**	P198,265,717
Investments in debt securities at amortized cost	*8*	**32,192,904**	23,074,196
Investments in debt securities at FVOCI	*8*	**54,987,881**	56,111,942
		P333,392,285	P277,451,855

19. Other Loss and Other Income

Other loss - net consists of:

	2024	2023
Realized foreign exchange (loss) gain - net	**(P13,502,021)**	P30,676,916
Unrealized foreign exchange loss - net	**(11,069,565)**	(52,516,274)
	(P24,571,586)	(P21,839,358)

	2024	2023
Other income	**P5,989,064**	P-

Other income consists of miscellaneous income from the write-off of a liability that is no longer deemed payable.

20. General and Administrative Expenses

General and administrative expenses consist of:

	Note	**2024**	2023
Personnel		**P47,481,784**	P44,527,945
Management and directors		**15,926,628**	15,183,455
Repairs and maintenance		**7,300,462**	6,272,735
Depreciation	*10*	**6,973,672**	7,197,334
Rent	*22, 24*	**5,202,113**	4,972,393
Fringe benefit		**3,454,384**	2,915,169
Outside services		**3,116,073**	3,985,418
Taxes and licenses		**2,940,686**	19,158,126
Professional fees		**2,901,884**	8,732,873
Others		**8,465,845**	6,469,806
		P103,763,531	P119,415,254

Personnel cost pertains to salaries and wages and other employee benefits of the Company's employees.

Management cost pertains to the management fees paid to its Parent Company.

Taxes and licenses pertain to local and national regulatory expenses.

21. Income Taxes

Income tax expense consists of:

	2024	2023
Current income tax	**P53,513,635**	P65,137,637
Deferred income tax	**(12,137,929)**	(8,092,435)
Final tax	**62,039,506**	51,651,874
	P103,415,212	P108,697,076

On March 26, 2021, Republic Act (RA) No. 11534, also known as "Corporate Recovery and Tax Incentive for Enterprises Act" or "CREATE" Act was passed into law which reduced the corporate income tax rates and rationalized the current fiscal incentives by making it time bound, targeted and performance based.

Among other, the Act includes the following significant revisions:

- Effective July 1, 2020, domestic corporations with total assets not exceeding P100.00 million and net taxable income of P5.00 million and below shall be subject to 20% income tax rate while the other domestic corporations and resident foreign corporations will be subject to 25% income tax rate;

- Minimum corporate income tax (MCIT) rate is reduced from 2% to 1% from July 1, 2020 to June 30, 2023 and reverted to 2% effective July 1, 2023 onwards;

- Percentage tax for non-VAT taxpayers is reduced from 3% to 1% from July 1, 2020 to June 30, 2023; and

- Repeal of the improperly accumulated earnings tax.

The reconciliation between income tax computed at statutory income tax rate of 25 % in 2024 and 2023. The Company's income tax expense is as follows:

	2024	2023
Income before income tax	**P543,067,286**	P464,760,717
Income tax computed at statutory income tax rate of 25%	**135,766,821**	P116,190,179
(Decrease) increase in income tax resulting from tax effects of:		
Excess of itemized deductions over optional standard deduction	**(11,043,044)**	10,217,987
Interest income subjected to final tax	**(21,308,565)**	(17,711,090)
Income tax expense	**P103,415,212**	P108,697,076

Deferred tax assets arise from the following:

	Note	**2024**	2023
Amount Charged to Profit or Loss			
IBNR claims		**P28,245,846**	P15,784,963
Retirement		**5,503,872**	-
Provision for loss reserves		**4,128,777**	2,885,834
Unrealized foreign exchange loss		**2,767,391**	13,129,069
Deferred reinsurance commissions		**2,629,622**	675,135
Provision for loss adjustments		**1,712,376**	374,954
		44,987,884	32,849,955
Amount Charged to OCI			
Remeasurement of investments in debt securities		**7,668,368**	8,063,676
	25	**P52,656,252**	P40,913,631

The movement of deferred tax assets - net are accounted as follows:

	Note	**2024**	2023
Amount charged to profit or loss		**P12,137,929**	P8,092,435
Amount charged to OCI		**(395,308)**	8,063,676
	25	**P11,742,621**	P16,156,111

22. Related Party Transactions

The Company's related parties include its Parent Company and entities under common control as described below. Amounts due from or due to related parties are collectible or to be settled in cash. Details of related party transactions in 2024 and 2023 are as follows:

				Outstanding Balance			
Category/Transaction	***Note***	**Year**	**Amount of the Transaction**	**Due from Related Parties**	**Due to Related Parties**	**Terms**	**Conditions**
Parent Company							
Premiums written	*7*	**2024**	**P4,824,361**	**P -**	**P -**	On-demand;	Unsecured;
		2023	5,199,105	1,102	-	non-interest bearing	no impairment
Management fee	*20*	**2024**	**14,766,628**	**-**	**-**	On-demand;	Unsecured
		2023	14,063,455	-	-	non-interest bearing	
Dividends Declared		**2024**	**322,228,795**	**-**	**-**	On-demand;	Unsecured
		2023	-	-	-	non-interest bearing	
Other expenses	*20*	**2024**	**783,513**	**-**	**-**	On-demand;	Unsecured
		2023	580,301	-	-	non-interest bearing	
Entities under Common Control							
Premiums written	*7, 22.a*	**2024**	**2,848,663,703**	**368,434,046**	**-**	On-demand;	Unsecured;
		2023	2,279,969,823	243,622,587	-	non-interest bearing	no impairment
Claims	*12, 22.a*	**2024**	**656,174,538**	**-**	**617,067,859**	On-demand;	Unsecured
		2023	395,212,677	-	513,407,551	non-interest bearing	
Premiums ceded	*13*	**2024**	**2,088,959,556**	**-**	**1,373,813,566**	On-demand;	Unsecured
		2023	1,780,276,592	-	593,497,067	non-interest bearing	no impairment
Commissions earned	*13*	**2024**	**13,894,168**	**1,228,073**	**-**	On-demand;	Unsecured;
		2023	1,186,007	1,186,007	-	non-interest bearing	no impairment
Reinsurance recoverable	*7*	**2024**	**47,834,744**	**824,253**	**-**	On-demand;	Unsecured;
on paid losses		2023	-	788,986	-	non-interest bearing	no impairment
Reinsurance recoverable	*7*	**2024**	**319,396,743**	**648,512,644**	**-**	On-demand;	Unsecured;
on unpaid losses		2023	-	352,022,345	-	non-interest bearing	no impairment
Dividends Declared		**2024**	**107,770,559**	**-**	**-**	On-demand;	Unsecured
		2023	-	-	-	non-interest bearing	
Other expenses	*20*	**2024**	**5,695,585**	**-**	**-**	On-demand;	Unsecured
		2023	5,719,574	-	-	non-interest bearing	no impairment
Investment	*8*	**2024**	**-**	**669,326,528**	**-**	On-demand;	Unsecured
		2023	-	667,745,297	-	Interest bearing	no impairment
TOTAL		**2024**		**P1,688,325,544**	**P1,990,881,425**		
TOTAL		2023		P1,265,366,324	P1,106,904,618		

22.a In the normal course of business, the Company provides insurance cover to SMC and its affiliated companies, and obtains certain reinsurance coverage from SMIC and Overseas Ventures Insurance Corporation.

Key Management Compensation

The short-term compensation of the Company's key management personnel (KMP) amounted to P12.56 million and P11.50 million in 2024 and 2023, respectively.

23. Capital Management and Regulatory Requirements

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern; and

- to provide an adequate return to shareholders by complying with the capital requirements and limitation enforced by the IC and aligning the Company's operation strategy to its corporate goals.

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

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

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

The Company considers capital stock, contributed surplus, remeasurement of investments in debt securities and retained earnings as capital it manages.

There were no changes made to its capital base, objectives, policies and processes from previous years.

Net Worth Requirements

Under the Amended Insurance Code (Republic Act 10607) which was approved on August 15, 2013, every insurance company doing business in the Philippines needs to comply with the following net worth requirements:

Net Worth	Compliance Date
P250,000,000	On or before June 30, 2013
550,000,000	On or before December 31, 2016
900,000,000	On or before December 31, 2019
1,300,000,000	On or before December 31, 2023

As at December 31, 2024 and 2023, the Company has complied with the net worth requirements, based on internal calculations. The final amount of net worth can be determined only after the accounts of the Company have been examined by the IC, especially as to the admitted and non-admitted assets as defined under the Insurance Code.

RBC2 Requirements
IC Circular No. 2016-68, *Amended RBC2 Framework,* provides for the RBC2 framework for the non-life insurance industry to establish the required amounts of capital to be maintained by the insurance companies in relation to the risks an insurance company is exposed to. Annually, every non-life insurance company is required to maintain an RBC2 ratio of at least 100.00% and not to fail the trend test. Failure to meet the minimum RBC2 ratio shall subject the insurance company to regulatory intervention which could be at various levels depending on the degree of the violation.

The RBC2 ratio shall be calculated as total available capital (TAC) divided by the RBC2 requirement. TAC is the aggregate of Tier 1 and Tier 2 capital minus deductions, subject to applicable limits determined by IC. With Tier 1 Capital being the capital fully available to cover losses at all times on a going concern and winding up basis. And Tier 2 Capital as the capital that can also provide additional buffer to the insurance company, though it is not of the same high quality as Tier 1 Capital. RBC2 requirement shall be computed based on the formula provided in the Circular and shall include credit risk, insurance risk, market risk, operational risk, catastrophe risk, and surrender risk.

As at December 31, 2024 and 2023, the Company has complied with RBC2 requirements based on internal calculations.

The final RBC2 ratio 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 under the Insurance Code.

24. Leases

The Company has determined that the significant risks and rewards for leased property from a related party are retained by the lessor.

The Company has entered its operating lease agreement for office premises with terms of three (3) years which covered the periods from January 1, 2022 to December 31, 2024. The lease agreement includes escalation clauses that allow a reasonable increase in rates. The lease is renewable under certain terms and conditions. The Company has entered into a new lease agreement with a term of one (1) year, covering the period from January 1, 2025, to December 31, 2025.

The Company has elected to account for this lease using the practical expedient for leases for which the underlying asset is of low value. Instead of recognizing a right-of-use asset and lease liability, the payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

As at December 31, future minimum rental payments under the lease agreement are as follows:

	2024	2023
Within one year	**P5,381,040**	P3,901,585
After one year but not more than five years	**-**	-
	P5,381,040	P3,901,585

Rent expense amounting to P5.20 million and P4.97 million in 2024 and 2023, respectively, is presented as rent under the “General and administrative expenses” account in profit or loss (Notes 20 and 22).

25. Maturity Analysis of Assets and Liabilities

The following table show an analysis of assets and liabilities analyzed according to whether they are expected to be recovered or settled within 12 months and beyond 12 months from financial reporting date.

		December 31, 2024			December 31, 2023		
	Note	**Due Within 12 Months**	**Due Beyond 12 Months**	**Total**	Due Within 12 Months	Due Beyond 12 Months	Total
Financial Assets							
Cash and cash equivalents	*5, 6*	**P4,987,453,535**	**P -**	**P4,987,453,535**	P4,042,717,068	P -	P4,042,717,068
Insurance receivables [1]	*5, 7, 22*	**374,669,271**	**-**	**374,669,271**	248,652,015	-	248,652,015
Investment in debt securities	*5, 8*	**575,678,194**	**773,328,480**	**1,349,006,674**	554,418,058	771,375,140	1,325,793,198
Due from reinsurers [2]	*5, 13*	**8,247,920**	**-**	**8,247,920**	4,168,488	-	4,168,488
Other assets [3]	*5, 11*	**12,427,642**	**1,188,403**	**13,616,045**	13,390,426	1,188,403	14,578,829
		5,958,476,562	**774,516,883**	**6,732,993,445**	4,863,346,055	772,563,543	5,635,909,598
Non-financial Assets							
Insurance receivables [4]	*7*	**1,004,475,303**	**-**	**1,004,475,303**	622,447,452	-	622,447,452
Deferred reinsurance premiums	*9*	**1,100,358,703**	**-**	**1,100,358,703**	1,037,583,394	-	1,037,583,394
Property and equipment	*10*	**-**	**38,140,912**	**38,140,912**	-	36,896,965	36,896,965
Deferred tax assets	*21*	**-**	**52,656,252**	**52,656,252**	-	40,913,631	40,913,631
Other assets [5]	*11*	**45,596,986**	**-**	**45,596,986**	47,633,228	-	47,633,228
		2,150,430,992	**90,797,164**	**2,241,228,156**	1,707,664,074	77,810,596	1,785,474,670
Less							
Accumulated depreciation	*10*	**-**	**21,178,409**	**21,178,409**	-	14,204,737	14,204,737
		-	**21,178,409**	**21,178,409**	-	14,204,737	14,204,737
		P8,108,907,554	**P844,135,638**	**P8,953,043,192**	P -	P836,169,402	P7,407,179,530
Financial Liabilities							
Claims and losses payable [6]	*5, 12*	**P984,014,159**	**P -**	**P984,014,159**	P572,609,565	P -	P572,609,565
Due to reinsurers	*5, 13*	**1,416,415,905**	**-**	**1,416,415,905**	601,271,283	-	601,271,283
Accrued expenses and other liabilities [7]	*5, 14*	**85,417,971**	**-**	**85,417,971**	38,110,748	-	38,110,748
		2,485,848,035	**-**	**2,485,848,035**	1,211,991,596	-	1,211,991,596
Nonfinancial Liabilities			**-**			-	
Insurance liabilities	*12*	**1,729,651,893**	**-**	**1,729,651,893**	1,485,301,540	-	1,485,301,540
Accrued expenses and other liabilities [8]	*14*	**118,871,538**	**-**	**118,871,538**	109,870,611	-	109,870,611
Deferred reinsurance commission	*15*	**10,518,487**	**-**	**10,518,487**	2,700,542	-	2,700,542
		1,859,041,918	**-**	**1,859,041,918**	1,597,872,693	-	1,597,872,693
		P4,344,889,953	**P -**	**P4,344,889,953**	P2,809,864,289	P -	P2,809,864,289

1 *Excluding Reinsurance recoverable on unpaid losses, Reinsures' share on IBNR and gross of Allowance for impairment loss*
2 *Included under "Due to reinsurers - net" account and gross of Allowance for impairment loss*
3 *Includes Interest receivable and Security deposit*
4 *Includes Reinsurance recoverable on unpaid losses and Reinsurers' share on IBNR*
5 *Includes Deferred input tax, Creditable withholding tax, Prepaid expense and Others account*
6 *Included under "Insurance liabilities" account*
7 *Includes Accounts payable, Accrued expenses and Unclaimed checks*
8 *Including payable to government regulatory agencies*

26. Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010 of the Bureau of Internal Revenue (BIR)

The BIR has issued RR No. 15-2010 which requires certain tax information to be disclosed in the notes to the financial statements. The Company presented the required supplementary tax information as a separate schedule and attachment to its annual income tax return.