Pioneer Insurance & Surety Corporation

Audited Financial Statements
December 31, 2023 and 2022

and

Independent Auditor's Report

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INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Pioneer Insurance & Surety Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Pioneer Insurance & Surety Corporation (the Company), which comprise the statements of financial position as at December 31, 2023 and 2022, 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 to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 33 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Pioneer Insurance & Surety Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Bernalette L. Ramos

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Partner
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BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-081-2024, January 26, 2024, valid until January 25, 2027
PTR No. 10079998, January 6, 2024, Makati City

April 4, 2024

PIONEER INSURANCE & SURETY CORPORATION
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2023	2022
ASSETS		
Cash and cash equivalents (Notes 4 and 32)	**₱7,716,244,467**	₱7,044,020,017
Short-term investments (Notes 5, 9 and 32)	**983,129,120**	529,625,874
Insurance receivables - net (Notes 6, 30 and 32)	**2,571,553,348**	2,123,072,576
Financial assets (Notes 7, 9, 30 and 32)		
Financial assets at fair value through profit or loss (FVTPL)	**401,636,742**	285,233,115
Financial assets at fair value through other comprehensive income (FVOCI)	**1,229,178,128**	1,096,230,259
Financial assets at amortized cost	**1,098,172,047**	1,154,215,054
Accrued income (Notes 8 and 32)	**38,326,142**	20,640,519
Deferred acquisition costs (Note 10)	**344,354,576**	274,854,561
Reinsurance assets (Notes 11, 16 and 32)	**18,593,359,435**	22,080,331,740
Investment properties (Note 12)	**3,017,324,268**	2,913,889,752
Property and equipment - net (Note 13)	**7,621,356,545**	5,650,875,943
Investments in subsidiaries, associates and a joint venture (Note 14)	**11,051,024,904**	10,996,438,361
Pension asset - net (Note 20)	**188,110,722**	229,006,902
Right-of-use asset - net (Note 26)	**26,414,594**	11,193,267
Other assets (Note 15)	**599,634,829**	605,059,134
TOTAL ASSETS	**₱55,479,819,867**	₱55,014,687,074
LIABILITIES AND EQUITY		
LIABILITIES		
Insurance contract liabilities (Notes 16 and 32)	**₱23,233,597,569**	₱26,094,550,754
Insurance payables (Notes 17, 30, and 32)	**9,614,316,624**	8,699,324,158
Accounts payable (Notes 18 and 32)	**1,516,389,879**	1,072,171,682
Notes payable (Notes 19 and 32)	**839,000,000**	1,141,000,000
Deferred reinsurance commissions (Note 10)	**88,977,121**	113,387,997
Lease liabilities (Note 26)	**26,379,774**	12,027,842
Deferred tax liabilities - net (Note 27)	**1,216,313,017**	901,723,734
Total Liabilities	**36,534,973,984**	38,034,186,167
EQUITY		
Capital stock - ₱100 par value		
Authorized, issued and outstanding - 3,000,000 shares	**₱300,000,000**	₱300,000,000
Additional paid-in capital	**72,500,000**	72,500,000
Revaluation surplus on property and equipment (Note 13)	**4,419,081,798**	3,367,009,452
Reserve for fluctuation in value of financial assets at FVOCI (Notes 7 and 14)	**706,019,713**	578,009,533
Cumulative translation adjustments	**318,412,255**	263,431,246
Net remeasurement gain on defined benefit obligation (Note 20)	**1,531,729**	27,296,403
Retained earnings (Note 21)	**13,127,300,388**	12,372,254,273
Total Equity	**18,944,845,883**	16,980,500,907
TOTAL LIABILITIES AND EQUITY	**₱55,479,819,867**	₱55,014,687,074

See accompanying Notes to Financial Statements.

PIONEER INSURANCE & SURETY CORPORATION
STATEMENTS OF INCOME

	Years Ended December 31	
	2023	2022
REVENUES		
Gross earned premiums	**₱14,296,824,983**	₱13,021,803,998
Reinsurers' share of gross earned premiums	**(10,359,459,208)**	(9,566,778,904)
Net earned premiums (Notes 16 and 22)	**3,937,365,775**	3,455,025,094
Investment income (Note 23)	**647,024,369**	439,984,402
Commission income (Note 10)	**437,838,253**	402,080,817
Foreign currency exchange gains – net	**28,139,887**	176,644,816
Other income	**11,196,945**	2,698,879
Total Revenues	**5,061,565,229**	4,476,434,008
BENEFITS, CLAIMS, AND EXPENSES		
Gross insurance contract benefits and claims paid (Notes 16 and 24)	**3,828,903,079**	4,113,854,393
Reinsurers' share of gross insurance contract benefits and claims paid (Notes 16 and 24)	**(2,417,851,229)**	(2,420,931,491)
Gross change in insurance contract liabilities (Notes 16 and 24)	**(4,114,549,426)**	9,625,506,780
Reinsurers' share of gross change in insurance contract liabilities (Notes 16 and 24)	**4,244,031,000**	(9,678,801,948)
Net insurance benefits and claims	**1,540,533,424**	1,639,627,734
Commission expense (Note 10)	**1,292,259,938**	982,455,136
General expenses (Note 25)	**1,174,107,552**	1,152,444,315
Interest expense (Notes 17 and 19)	**58,327,210**	15,093,231
Provision (reversal of provision) for impairment losses – net (Notes 6, 7 and 14)	**(48,248,867)**	199,802,419
Other underwriting expenses	**15,425,446**	11,583,406
Total Benefits, Claims and Expenses	**4,032,404,703**	4,001,006,241
INCOME BEFORE INCOME TAX	**1,029,160,526**	475,427,767
PROVISION FOR INCOME TAX (Note 27)	**(219,845,311)**	(109,607,201)
NET INCOME	**₱809,315,215**	₱365,820,566

See accompanying Notes to Financial Statements.

PIONEER INSURANCE & SURETY CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2023	2022
NET INCOME	**₱809,315,215**	₱365,820,566
OTHER COMPREHENSIVE INCOME		
Items that will be recycled to profit or loss in subsequent periods:		
Change in cumulative translation adjustments	**54,981,009**	58,875,166
	54,981,009	58,875,166
Item that will not be recycled to profit or loss in subsequent periods:		
Fair value gain on equity securities designated at FVOCI (Note 7)	**132,947,869**	124,337,447
Tax effect (Note 27)	**(4,937,689)**	(1,288,118)
	128,010,180	123,049,329
Change in revaluation surplus on property and equipment (Note 13)	**1,402,763,128**	331,612,927
Tax effect (Note 27)	**(350,690,782)**	(82,903,232)
	1,052,072,346	248,709,695
Net remeasurement gain (loss) on defined benefit obligation (Note 20)	**(34,352,898)**	81,576,929
Tax effect (Note 27)	**8,588,224**	(20,394,232)
	(25,764,674)	61,182,697
	1,154,317,852	432,941,721
TOTAL OTHER COMPREHENSIVE INCOME	**1,209,298,861**	491,816,887
TOTAL COMPREHENSIVE INCOME	**₱2,018,614,076**	₱857,637,453

See accompanying Notes to Financial Statements.

PIONEER INSURANCE & SURETY CORPORATION
STATEMENTS OF CHANGES IN EQUITY

	Capital Stock	Additional Paid-in Capital	Revaluation Surplus on Property and Equipment (Note 13)	Reserve for Fluctuation in Value of FVOCI (Note 7)	Cumulative Translation Adjustments	Net Remeasurement Gain (Loss) on Defined Benefit Obligation (Note 20)	Retained Earnings: Unappropriated (Notes 2 and 21)	Total
As of January 1, 2023	**₱300,000,000**	**₱72,500,000**	**₱3,367,009,452**	**₱578,009,533**	**₱263,431,246**	**₱27,296,403**	**₱12,372,254,273**	**₱16,980,500,907**
Net income	–	–	–	–	–	–	**809,315,215**	**809,315,215**
Other comprehensive income (loss)	–	–	**1,052,072,346**	**128,010,180**	**54,981,009**	**(25,764,674)**	–	**1,209,298,861**
Total comprehensive income	**₱300,000,000**	**₱72,500,000**	**4,419,081,798**	**706,019,713**	**318,412,255**	**1,531,729**	**13,181,569,488**	**18,999,114,983**
Cash dividends (Note 21)	–	–	–	–	–	–	**(54,269,100)**	**(54,269,100)**
As of December 31, 2023	**₱300,000,000**	**₱72,500,000**	**₱4,419,081,798**	**₱706,019,713**	**₱318,412,255**	**₱1,531,729**	**₱13,127,300,388**	**₱18,944,845,883**
As of January 1, 2022	₱300,000,000	₱72,500,000	₱3,118,299,757	₱454,960,204	₱204,556,080	(₱33,886,294)	₱12,046,433,907	₱16,162,863,654
Net income	–	–	–	–	–	–	365,820,566	365,820,566
Other comprehensive income	–	–	248,709,695	123,049,329	58,875,166	61,182,697	–	491,816,887
Total comprehensive income	–	–	248,709,695	123,049,329	58,875,166	61,182,697	365,820,566	857,637,453
Cash dividends (Note 21)	–	–	–	–	–	–	(40,000,200)	(40,000,200)
As of December 31, 2022	₱300,000,000	₱72,500,000	₱3,367,009,452	₱578,009,533	₱263,431,246	₱27,296,403	₱12,372,254,273	₱16,980,500,907

See accompanying Notes to Financial Statements.

PIONEER INSURANCE & SURETY CORPORATION
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱1,029,160,526**	₱475,427,767
Adjustments for:		
Fair value gain on investment properties (Notes 12 and 23)	**(108,718,716)**	(156,571,119)
Depreciation and amortization (Notes 13, 25 and 26)	**127,162,986**	132,031,040
Unrealized foreign currency exchange gain – net (Notes 4, 5, 6, and 17)	**5,486,593**	(256,278,168)
Interest income (Note 23)	**(393,657,002)**	(149,268,003)
Dividend income (Note 23)	**(68,246,937)**	(40,056,010)
Provision (reversal of provision) for impairment loss on loans and receivables (Note 7)	**(1,060,000)**	141,500,000
Reversal of provision for credit loss on insurance receivables (Note 6)	**(51,785,147)**	(20,104,040)
Provision for impairment loss on investment in associate (Note 14)	**–**	78,406,459
Retirement expense (Note 20)	**9,617,454**	24,130,205
Interest on notes payable (Note 19)	**54,039,865**	13,860,000
Fair value losses on financial assets at FVTPL (Notes 7 and 23)	**9,362,848**	9,660,856
Gain on sale of memorial lots (Notes 15 and 23)	**–**	(17,379,867)
Interest on funds held for reinsurers (Note 17)	**4,287,346**	1,223,231
Interest on lease liabilities (Note 26)	**986,106**	778,361
Actuarial loss on service award benefit of employees	**460,685**	(791,054)
Operating gain before changes in working capital	**617,096,607**	249,777,940
Decrease (increase) in:		
Insurance receivables	**(275,088)**	199,642,885
Loans and receivables	**(424,642,668)**	190,217,814
Accrued income	**196,680**	1,351,821
Deferred acquisition costs	**(69,500,015)**	(8,193,156)
Reinsurance assets	**3,486,972,305**	(9,825,288,444)
Other assets	**(484,082,083)**	83,022,218
Increase (decrease) in:		
Insurance contract liabilities	**(2,860,953,185)**	9,828,106,167
Insurance payables	**914,992,466**	1,888,812,197
Accounts payable and other liabilities	**919,952,742**	(233,643,449)
Deferred reinsurance commissions	**(24,410,876)**	(5,418,335)
Net cash generated from operations	**2,075,346,885**	2,368,387,658
Income tax paid (Note 27)	**(252,296,273)**	(117,824,175)
Contributions to the pension fund (Note 20)	**(3,074,172)**	(62,889,948)
Net cash provided by operating activities	**1,819,976,440**	2,187,673,535

(Forward)

	Years Ended December 31	
	2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of/additions to:		
Short-term investments (Note 5)	**(₱983,129,120)**	(₱529,625,874)
Financial assets at FVTPL (Note 7)	**(327,566,582)**	(199,680,695)
Investment securities at amortized cost (Note 7)	**(10,360,000)**	(126,000,000)
Investments in subsidiaries, associates, and a joint venture (Note 14)	**54,586,543**	(670,000,000)
Property and equipment (Note 13)	**(617,284,997)**	(63,644,870)
Proceeds from sale/maturities of:		
Short-term investments	**529,625,874**	529,141,286
Financial assets at FVTPL (Note 7)	**199,779,590**	119,651,113
Investments securities at amortized cost (Note 7)	**–**	26,000,000
Interest received	**375,979,760**	135,992,209
Dividends received	**68,041,876**	39,814,709
Net cash used in investing activities	**(710,327,056)**	(738,352,122)
CASH FLOWS FROM FINANCING ACTIVITIES		
Availment of notes payable (Note 19)	**–**	747,000,000
Payment of/maturities of		
Notes payable (Note 19)	**(302,000,000)**	(2,000,000)
Interest paid (Notes 17, 19 and 26)	**(59,313,316)**	(15,861,592)
Lease liabilities (Note 26)	**(12,875,998)**	(10,912,435)
Cash dividends (Note 21)	**(54,269,100)**	(40,000,200)
Net cash provided by (used in) financing activities	**(428,458,414)**	678,225,773
NET EFFECT OF FOREIGN CURRENCY TRANSLATION	**(8,966,520)**	(318,832,904)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**672,224,450**	1,796,264,361
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**7,044,020,017**	5,247,755,656
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱7,716,244,467**	₱7,044,020,017

See accompanying Notes to Financial Statements.

1. Corporate Information

Pioneer Insurance & Surety Corporation (the Company) is a domestic corporation which was registered with the Philippine Securities and Exchange Commission (SEC) on May 13, 1954. On January 31, 2003, the Company filed with the SEC an Amended Articles of Incorporation to amend Article IV which extended the term of the Company's corporate existence for fifty (50) years. On the same date, the amendment was approved by the SEC. Republic Act No. 11232, otherwise known as "An Act Providing for the Revised Corporation Code of the Philippines" (RCC) was signed into law on February 20, 2020 and took effect on February 23, 2020. Under paragraph 2 of Section 11 of the RCC, a corporation with certificate of incorporation issued prior to the effectivity of the RCC, and which continue to exist shall have perpetual existence, unless the corporation, upon a vote of its stockholders representing a majority of its outstanding capital stock, notifies the Commission that it elects to retain its specific corporate term pursuant to its articles of incorporation, without prejudice to the appraisal right of dissenting stockholders in accordance with the provisions of the RCC. Accordingly, the corporate term of the Company became perpetual.

The Company is engaged in the business of nonlife insurance, indemnifying others against loss, damage or liability arising from unknown or contingent events. It includes lines such as accident, fire and allied lines, motor vehicle, aviation, casualty, surety, marine cargo, marine hull, comprehensive liability insurance and allied risks, and/or such other insurance coverage allied with an incident to the aforementioned lines. The Company is 55.51% owned by Pioneer, Inc. (the Parent Company), a company incorporated in the Philippines.

The registered office address of the Company is Pioneer House, 108 Paseo de Roxas Street, Legaspi Village, Makati City.

Authorization for the Issuance of the Financial Statements
The accompanying financial statements of the Company were approved and authorized for issue by the Board of Directors (BOD) on April 4, 2024.

2. Basis of Preparation and Summary of Material Accounting Policies

Statement of Compliance
The accompanying separate financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Basis of Preparation
The financial statements of the Company have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVTPL), financial assets at fair value through other comprehensive income (FVOCI), investment properties, and certain property and equipment that have been measured at fair value. The financial statements are presented in Philippine Peso (₱), which is also the Company's functional currency. All amounts are rounded off to the nearest peso unit, unless otherwise indicated.

The Company has made use of the exemption from consolidation under PFRS 10, *Consolidated Financial Statements*. These financial statements are the separate financial statements of the Company. The financial statements of the Company and its subsidiaries are included in the consolidated financial statements of Pioneer, Inc., which are prepared in accordance with PFRSs.

The consolidated financial statements of Pioneer, Inc. can be obtained from Pioneer House, 108 Paseo de Roxas, Legaspi Village, Makati City, its registered office address.

In 2022, the Company changed its accounting policy on the recognition of cumulative gains upon gaining significant influence in an investment in associate from 'Reserve for fluctuation on reclassified financial assets' to "Retained earnings".

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2023. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements of the Company.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

- Amendments to PAS 8, *Definition of Accounting Estimates*

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

  The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

- Amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*

  The amendments introduce a mandatory exception in PAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

  The amendments also clarify that PAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for

Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as ‘Pillar Two legislation’ and ‘Pillar Two income taxes’, respectively.

The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception, apply immediately and retrospectively upon adoption of the amendments in June 2023.

Meanwhile, the disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after January 1, 2023.

Standards Issued but Not Yet Effective

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

Effective beginning on or after January 1, 2024
- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16*, Lease Liability in a Sale and Leaseback*
- Amendments to PAS 7 and PFRS 7*, Disclosures: Supplier Finance Arrangements*

Effective beginning on or after January 1, 2025
- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

The core of PFRS 17 is the general model, which is based on the following building blocks for each group of insurance contracts: (a) fulfilment cash flows and (b) a contractual service margin or CSM (i.e., unearned profit). This is supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the Financial and Sustainability Reporting Standards Council (FSRSC) amended the mandatory effective date of PFRS 17 in the Philippines from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with full retrospective application from the transition date is required. The transition date is the beginning of the annual reporting period immediately preceding the date of initial application. If it is impracticable to apply PFRS 17 retrospectively for a group of insurance contracts, the Company must apply either the modified retrospective approach or the fair value approach. Early application is permitted.

The Company does not intend to early adopt PFRS 17. The Company continues its assessment of the implications of this standard and expects that it will have a significant impact on the Company's financial statements as the requirements of the new standard are complex and requires application of significant judgments and estimates. Specifically, the establishment of CSM (or the unearned profits) on in-force insurance contracts will result in adjustments in insurance contract liabilities and corresponding movements in equity upon transition. Subsequently, the Company expects changes in the timing and recognition of the profits via amortization of the CSM into income as services are provided. The Company is continuously assessing the potential impact of all other changes including accounting policy choices available under PFRS 17 on how insurance contract liabilities are measured and the impact on presentation and disclosure of the financial results in the financial statements.

The adoption of PFRS 17 requires significant changes to the Company's accounting and reporting processes. To ensure readiness, the Company has invested on financial and actuarial technology platforms that will enhance data capture, improve actuarial models and assumptions, among others and subsequently, produce management information for financial planning and enhance business and strategic analyses.

The Company has established a transition program for PFRS 17 and has dedicated significant resources to execute and oversee the plan to manage operational, regulatory, and business and strategic risks associated with the implementation of this standard.

A reliable estimate of the impact to the Company's financial statements arising from the initial application of PFRS 17 is not yet available as implementation is still in progress which includes enhancements to the Company's actuarial and accounting systems and updating of the accounting manual and operating controls.

- Amendments to PAS 21*, Lack of exchangeability*

Deferred effectivity

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

Translation of Foreign Currency-Denominated Transactions

Transactions in foreign currencies are initially recorded at the prevailing functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated using the prevailing functional currency rate of exchange at the reporting date. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. All foreign exchange differences are taken to the statement of income.

Assets and liabilities of the foreign branch are translated at the exchange rate prevailing at the end of the reporting period, and revenue and expenses are translated at the monthly average exchange rates. The resulting translation adjustments are charged to cumulative translation adjustments and recognized as other comprehensive income.

Product Classification

Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

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

Cash and Cash Equivalents

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

Short-term Investments

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

Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date are based on their quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which observable current market prices exist, option pricing models, and other relevant valuation models. Any difference noted between the fair value and the transaction price is recognized in the statement of income, unless it qualifies for recognition as some type of asset or liability.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial assets by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable in the market, either directly or indirectly; or
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

During the reporting period ended December 31, 2023 and 2022, there were no transfers between level 1 and level 2 fair value movements, and no transfers into and out of level 3 fair value measurement.

Day 1 difference
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" profit or loss) in the statement of income unless it qualifies for recognition as some other type of asset or liability. In cases where an unobservable data is used, the difference between the transaction price and model value is only recognized in the statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the Day 1 profit or loss amount.

<u>Financial Instruments</u>
A financial instrument is any contract that gives rise to financial asset of one entity and a financial liability or equity instrument of another entity.

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

Financial assets at FVOCI (equity instruments)
Upon initial recognition, the Company can elect to irrevocably classify its equity investments as equity instruments designated at FVOCI when these meet the definition of equity under Philippine Accounting Standard (PAS) 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined by instrument level.

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

Financial assets at amortized cost
The Company measures financial assets at amortized cost when:

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

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

The Company's investment securities at amortized cost include cash and cash equivalents, short term investments, insurance receivables, loans and receivables, and investments in debt instruments.

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

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

Financial assets or financial liabilities designated by management as at FVTPL are designated as such on initial recognition when any of the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis;
- The assets and liabilities are part of a group of financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative would not be separated.

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

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

This accounting policy relates to the statement of financial position captions ‘Cash and cash equivalents’, ‘Short-term investments’, ‘Insurance receivables’, ‘Loans and receivables’, and ‘Accrued income’.

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

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

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

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

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

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

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

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

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

Staging assessment
For non-credit-impaired financial instruments:

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

- Stage 2 is comprised of all non-impaired debt financial assets which have experienced a SICR since initial recognition. The Company recognizes a lifetime ECL for Stage 2 debt financial assets.

For credit-impaired financial instruments:

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

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

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

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

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

Classification of Financial Instruments Between Debt and Equity
A financial instrument is classified as debt, if it has a contractual obligation to:

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

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

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

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. In order for the Company to have a currently enforceable legal right of set-off, the right must not be contingent on a future event, and must be legally enforceable in all of the following circumstances:

- the normal course of business;
- the event of default; and
- the event of insolvency or bankruptcy of the entity and all of the counterparties.

Derecognition of Financial Assets and Liabilities

Financial asset

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

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

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

Financial liabilities

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

Reinsurance

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

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence shows that the Company may not recover outstanding amounts due under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurers can be measured reliably. The impairment loss is recorded in the statement of income. Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

The Company also assumes reinsurance risk in the normal course of business. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies, which are included under 'Insurance payables' in the statement of financial position. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

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

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

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

Deferred Acquisition Costs (DAC) and Deferred Reinsurance Commissions (DRC)
Commissions and other acquisition costs incurred during the financial period that vary with and are primarily related to the acquisition of new and renewal insurance contracts, but which relates to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins.

Subsequent to initial recognition, these costs are amortized using the 24th method over the life of the contract. Amortization is charged against the profit or loss. The unamortized acquisition costs are shown in the assets section of the statement of financial position as 'Deferred acquisition costs'. Reinsurance commissions are deferred and shown in the liabilities section of the statement of financial position as 'Deferred reinsurance commissions', subject to the same amortization method as the related acquisition costs.

Investment Properties
Investment properties are properties that are held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business.

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the statement of financial position date. Gains or losses arising from changes in fair values of the investment properties are included in the statement of income in the year in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of income in the year of retirement or disposal.

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

For a transfer from investment property to owner-occupied property, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Company becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Property and Equipment

Property and equipment are stated at cost, except for land, buildings, and building machinery and equipment that are carried at appraised values, less accumulated depreciation and amortization and any allowance for impairment in value.

The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the statement of income during the reporting period in which they are incurred.

Land, buildings, and building machinery and equipment are measured at fair value less accumulated depreciation on buildings, and building machinery and equipment and impairment losses recognized after the date of the revaluation. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any revaluation surplus is credited to the revaluation surplus included in the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss, in which case the increase is recognized in profit or loss. A revaluation deficit is recognized in the statement of income, except to the extent that it offsets an existing surplus on the same asset recognized in the revaluation surplus.

Accumulated depreciation as of the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Recognition of depreciation commences when the asset becomes available for its intended use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation ceases at the time the asset is classified as held for sale (or it is included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, or at the date the asset is derecognized.

Depreciation and amortization are calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	Years
Buildings	50
Building machinery and equipment	5 - 20
Computer equipment and mobile phones	3 - 5
Transportation equipment	5
Furniture, fixtures, and equipment	8

Leasehold improvements are amortized over the term of the lease or estimated useful life of five (5) years, whichever is shorter.

The assets' residual values, useful lives, and depreciation and amortization method are reviewed periodically to ensure that the method, residual value, and period of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of income in the year the item is derecognized.

Right-of-use assets
The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

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

Investments in Subsidiaries, Associates and a Joint Venture
The investments in a subsidiary, an associate, and a joint venture are carried in the statement of financial position at cost, less any impairment in value (see Note 14).

Investment in subsidiaries
Investments in subsidiaries are carried at cost less any impairment in value. Subsidiaries are entities which the Company has control. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Company's voting rights and potential voting rights.

Investment in associates and a joint venture
An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The investments are derecognized on disposal, with the difference between the net proceeds and the carrying amount being recognized in the statement of income. The reporting dates of the subsidiary and the associate and joint venture are identical with the Company and the accounting policies conform to those used by the Company for like transactions and events in similar circumstances.

The Company's percentages of ownership in the shares of stock of subsidiaries, associate, and joint venture in 2023 and 2022 are shown in the below:

	Country of Incorporation	**Effective Percentage of Ownership**	
		2023	2022
Subsidiaries			
Pioneer Intercontinental Insurance Corporation (PIIC)	Philippines	**97.43%**	96.86%
Center for Agriculture and Rural Development (CARD) Pioneer Microinsurance Inc. (CPMI)	Philippines	**47.88%**	47.88%
Associate			
Pilipinas Autogroup, Inc. (PAI)	Philippines	**35.45%**	35.45%
Philippine Trust Company (PTC)	Philippines	**9.86%**	9.86%
Pioneer Hollard Inc. (PHI)	Philippines	**25.00%**	25.00%
Joint Venture			
M Pioneer Insurance Inc. (MPII)	Philippines	**65.00%**	65.00%

<u>Legal merger of parent and subsidiaries</u>
The merger was accounted for as legal merger of parent and subsidiary. The assets and liabilities are recognized at carrying amounts at date of the legal merger. Any difference between the cost of the investment and the fair value of the subsidiary's identifiable net assets is recognized as negative goodwill under 'Investment income'.

<u>Impairment of Nonfinancial Assets</u>
The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely

independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the statement of income in those expense categories consistent with the function of the impaired asset.

For assets, excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If any such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. If such is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal, the depreciation and amortization charge are adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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

Provision for Claims Reported and Incurred But Not Reported (IBNR) Losses
Provision for claims reported and IBNR losses are based on the estimated ultimate cost of all claims incurred but not settled at the statement of financial position date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims therefore, the ultimate cost of which cannot be known with certainty at the reporting date. The liability is not discounted for the time value of money and includes provision for claims reported and IBNR claims. The provision for IBNR claims is calculated based on standard actuarial projection techniques or combination of such techniques, such as but not limited to Chain Ladder, Bornhuetter-Ferguson (BF), and Expected Loss Ratio (ELR) methods. No provision for equalization or catastrophic reserves is recognized. The liabilities are derecognized when the contract is discharged, cancelled, or has expired.

The Company shall include an MfAD to allow for inherent uncertainty of the best estimate of the policy reserves which shall be determined by an independent actuary at least on an annual basis based on standard projection techniques or combination of such techniques such as, but not limited to, the Mack Method, Bootstrapping Method, Stochastic Chain Ladder Method to bring the actuarial estimate of the policy liabilities at the 75% level of sufficiency.

Provision for unearned premiums
The proportion of written premiums, gross of commissions payable to intermediaries, attributable to subsequent periods or to risks that have not yet expired is deferred as provision for unearned premiums. This is accounted for as 'Provision for unearned premiums' as part of 'Insurance contract liabilities' and presented in the liabilities section of the statement of financial position. Premiums from insurance contracts are recognized as revenue over the period of the contracts using the 24th method. The change in the provision for unearned premiums is taken to the statement of income in the order that revenue is recognised over the period of risk. Further provisions are made to cover

future claims and expenses under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

Liability Adequacy Test
At each reporting date, liability adequacy test is performed to ensure the adequacy of the insurance liabilities. The test considers current best estimates of all contractual cash flows, claims and claims handling cost. If the test shows that the liability is inadequate, the entire deficiency is recognized in profit or loss.

Quarterly, an actuarial valuation is performed on the gross and net claims and premium liabilities to ensure that the reserves are in compliance with the Valuation Standards for Non-life Insurance Policy Reserves as required by the IC guided by Sections 219 and 220 of the Amended Insurance Code (Republic Act. No. 10607) along with Circular Letters No. 2018-18 and No. 2018-19. Additional reserves are set up if the result of the actuarial investigation shows that the existing balances are not in accordance with the mandate of IC.

Insurance Payables
Insurance payables are recognized when due and measured on initial recognition at the fair value of the consideration received less attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using the effective interest rate method.

Insurance payables are derecognized when the obligation under the liability is settled, cancelled or expired.

Pension Cost
The Company operates a defined benefit pension plan, which requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit plan is determined separately using the projected unit credit method. The Company has a funded, non-contributory retirement plan, administered by a trustee, covering its regular employees. Retirement cost is actuarially determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

Defined retirement cost comprises the following:

(a) Service cost;
(b) Net interest on the net defined benefit liability or asset; and
(c) Remeasurements of net defined benefit liability or asset.

Service cost, which includes current service cost, past service cost and gain or losse on non-routine settlements, is recognized as expense in profit or loss. Past service cost is recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit and loss.

Remeasurements comprising actuarial gains and losses, return on plan assets, and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income under 'Net remeasurement on loss on defined benefit plan' in the period in which they arise. Remeasurements are not recycled to profit and loss in subsequent periods.

Past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits vest immediately following the introduction of, or changes to, a pension plan, the past service cost is recognized immediately.

The net pension asset or liability comprises the present value of the pension benefit obligation less actuarial gains and past service cost not yet recognized, and less the fair value of plan assets out of which the obligations are to be settled directly. The value of any asset is restricted to the sum of any past service cost not yet recognized and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Short-term employee benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Lease Liabilities
At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below ₱250,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Equity
Capital stock
Capital stock is measured at par value for all shares issued.

Additional paid-in capital
Additional paid in capital represents the original contribution of the stockholders of the Company, in addition to the paid-up capital stock

Retained earnings
Retained earnings represent the cumulative balance of net income or loss of the Company, net of any dividend distribution and restatements, net of consequential tax impact.

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

Premiums
Premiums are recognized as revenue over the period of the contracts using the 24th method. The portion of the premiums written and assumed that relate to the unexpired periods of the policies at reporting date is accounted for as 'Provision for unearned premiums' and is presented under 'Insurance contract liabilities' in the liabilities section of the statement of financial position. The related reinsurance premiums that pertain to the unexpired periods at reporting date are accounted for as 'Deferred reinsurance premiums' shown under 'Reinsurance assets' in the assets section of the statement of financial position. The net changes in these accounts between reporting dates are charged against or credited to income for the year.

Commission income
Commissions earned are recognized as revenue over the period of the contracts using the 24th method. The portion of the commissions that relates to the unexpired periods of the policies at reporting date is accounted for as 'Deferred reinsurance commissions' and presented in the liabilities section of the statement of financial position.

Investment income

- Interest income is recognized in the statement of income as it accrues, taking into account the effective yield of the asset. Interest income includes the amortization of any discount or premium using the effective interest method.
- Dividend income is recognized when the Company's right to receive the payment is established.
- Rental income from investment property is recognized in the statement of income on a straight-line basis over the lease term.

Other income
All other income items are recognized in the statement of income when earned.

Expense Recognition
Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants.

Benefits and claims
Gross benefits and claims consist of benefits and claims paid to policyholders and changes in the gross valuation of insurance contract liabilities, including IBNR and MfAD, except for gross changes in the provision for unearned premiums which are included in net earned premiums. It further includes internal and external claims handling costs that are directly related to the processing and settlement of claims.

Commission expense
Commissions are recognized as revenue over the period of the contracts using the 24th method. The portion of the commissions that relates to the unexpired periods of the policies at reporting date is

accounted for as 'Deferred acquisition costs' and presented in the asset section of the statement of financial position.

Interest expense
Interest expense is recognized in the statement of income as incurred.

General expenses
All other expenses are recognized in the statement of income as incurred.

Borrowing costs
Interest incurred on a project financed by a loan is capitalized.

<u>Income Tax</u>
Income tax for the year consists of current and deferred tax. Income tax is determined in accordance with Philippine tax laws. Income tax is recognized in the statement of income, except to the extent that it relates to items recognized directly in equity or other comprehensive income. Tax on these items is recognized in the statement of comprehensive income.

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

Deferred tax
Deferred tax is provided, using the balance sheet liability method, on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax, and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences and carry forward of unused tax credits from excess MCIT and NOLCO 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 assets 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 all or part of the deferred tax assets to be recovered.

Current tax and deferred tax relating to items recognized directly in the statement of comprehensive income are likewise recognized in the statement of comprehensive income.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted as of end of the reporting period.

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.

Movements in the deferred tax assets and liabilities arising from changes in the rates are charged against or credited to operations for the period.

Value-Added Tax (VAT)
Revenue, expenses, liabilities, and assets are recognized net of the amount of sales tax except:

- where the tax incurred on a purchase of assets or services is not recoverable from the tax 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 payable to the tax authority is included as part of accounts and other payables in the Company's statement of financial position.

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

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

3. Material Accounting Judgements and Estimates

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

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

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

Product classification
The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. As a general guideline, the Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

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

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately at the reporting date, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Company considers each property separately in making its judgment (see Notes 12 and 13).

Evaluation of control
The Company owns a number of subsidiaries. PFRS 10 requires an entity to reassess whether it has control over an investee. Management assessed that it has control over its subsidiaries as it is exposed, or has rights, to variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over the subsidiaries. There have been no changes in the composition of the Company's subsidiaries in 2023 and 2022 (see Note 14).

Determination of existence of significant influence
In determining whether the Company has significant influence over an investee requires significant judgment. Generally, a shareholding of 20.00% to 50.00% of the voting rights of an investee is presumed to give the Company a significant influence.

There are instances that an investor exercises significant influence even if its ownership is less than 20.00%. The Company applies significant judgment n assessing whether it holds significant influence over an investee and considers the following: (a) representation to the board of directors or equivalent governing body of the investee; (b) participation in policy-making processes, including participation in decisions about dividends or other distributions; (c) material transactions between the investor and the investees; (d) interchange of managerial personnel; or (e) provision of essential technical information.

In 2019, the Company gained significant influence over PTC in which investments were previously classified as financial assets at FVOCI. On May 28, 2019, the Company together with other entities within the Pioneer Group with aggregate ownership of 9.86% were granted two (2) representatives in PTC's board of directors equivalent to 16.67% of the voting power effective October 4, 2019. On September 18, 2019, the Pioneer Group signed a memorandum of agreement stating that Pioneer Group shall jointly vote as one in all matters affecting its rights as stockholders of PTC and that the Pioneer Group's representatives to the Board shall decide and vote jointly for every corporate act and purpose during meetings of PTC for and in behalf of the Pioneer Group. Accordingly, the investment in PTC was reclassified from financial assets at FVOCI to investment in associate effective October 4, 2019 (see Note 14).

The Company together with Pioneer Life, Inc. entered into a joint venture on December 31, 2021 with Hollard International Proprietary Limited ("HINT") to form Pioneer Hollard Inc. (PHI). The Company subscribed 250,000 shares or ₱25,000,000 for 25% or the total outstanding capital stock of PHI. The Company assessed that it holds significant influence over PHI. Accordingly, the investment in PHI was classified as an 'Investment in associate' in the Company's financial statements. PHI was established primarily to develop and provide a customer relationship management services through various media including, but not limited to, telephone, facsimile,e-mail, web chat and voice-over internet and any and all allied or related business (see Note 14).

Determination of existence of joint control
On December 22, 2017, the Company acquired 51% ownership in MPII for a total consideration of ₱288.15 million. On February 28, 2021, the Company infused an additional amount of ₱441,054,961 increasing the the Company's share to 65%. Management assessed that PISC and the other party have joint control over MPII as either of the parties cannot make unilateral decisions over the operations of MPII. The Company continued to classify its investment in MPII as investment in a joint venture (see Note 14).

Evaluation of business model in managing financial assets
The Company manages its financial assets based on business models that maintain adequate level of financial assets to match its expected cash outflows, largely arising from payments of customers' claims, while maintaining a strategic portfolio of financial assets for investment and trading activities consistent with its risk appetite.

In determining the classification of a financial instrument, the Company developed business models which reflect how it manages its portfolio of financial instruments. The Company's business models need not be assessed at entity level or as a whole but applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Company) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument). The Company evaluates in which business model financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Company.

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

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

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

Short-term leases and leases of low-value assets
PFRS 16, *Leases*, provides a practical expedient wherein it allows exemption from the recognition of right-of-use asset and lease liability applicable for short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option)

and low value assets. The Company has certain leases of office spaces with lease terms of 12 months or less and leases of office equipment with low value. The Company applies the ‘short-term lease’ and ‘lease of low-value assets’ recognition exemptions for these leases (see Note 26).

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

Valuation of insurance contract liabilities
Estimates have to be made at the reporting date for the expected ultimate cost of both claims reported and claims IBNR. It can take a significant period of time before the ultimate claim cost can be established with certainty and for some types of policies, IBNR claims form the majority of the claims provision.

The primary technique adopted by management in estimating the cost of notified and IBNR claims is that of using past claims settlement trends to predict future claims settlement trends. IBNR claims is mainly calculated using Chain Ladder method but BF and ELR methods are also used whenever appropriate. At each reporting date, prior year claims estimates are assessed for adequacy and any changes made are charged to provision. Insurance claims liabilities are not discounted for the time value of money.

The margin for adverse deviation reflects the degree of uncertainty of the best estimate assumption. For claims liabilities, the Company estimated the appropriate margin for adverse deviation using the Stochastic Chain Ladder method to bring the actuarial estimate of the claims liabilities at 75% percentile level of sufficiency. The Stochastic Chain Ladder method is a common methodology used in calculating claims reserves at various confidence levels.

The carrying value of claims reported, IBNR and MfAD included in the insurance contract liabilities account are disclosed in Note 16.

In calculating the undiscounted unexpired risk reserves (URR), the unearned premium reserves (UPR) were multiplied by the ultimate loss and LAE ratio adjusted for policy maintenance expenses (gross and net basis). The ultimate loss and LAE ratio was derived from the estimation of the claims liabilities supplemented by industry ratios. URR is then compared to UPR net of Deferred Acquisition Cost (DAC) to test the adequacy of premiums liablity at each reporting date. As of December 31, 2023 and 2022, the URR did not exceed UPR net of DAC. Hence, no additional provisions are made.

Fair values of unquoted financial assets at FVOCI
The Company has unquoted FVOCI equity securities whose fair value is determined using dividend discount model (DDM). The use of a different pricing model and assumptions could produce materially different estimates of fair values. Discussion of the method used by the Company to value its unquoted FVOCI is disclosed under Note 31.

The carrying value of FVOCI not quoted in an active market as of December 31, 2023 and 2022 are diclsoed in Notes 7 and 31.

Provision for expected credit losses
The Company uses a provision matrix to calculate ECLs for Insurance receivables except reinsurance assets. The provision rates are based on days past due per policy .

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's Premiums and Reinsurance receivables is disclosed in Note 6.

The carrying value of insurance receivables and related allowance for ECL as of December 31, 2023, and 2022 are disclosed in Note 6.

Fair values of investment properties and property and equipment
Investment properties and certain types of property and equipment are carried at fair value, which has been determined based on market data approach. In determining the fair value of investment properties and property and equipment, the Company's external appraisers use generally accepted methodologies. There have been no significant changes on the valuation methodologies used by the external appraisers.

The carrying values of investment properties and property and equipment carried at fair value follow:

	2023	2022
Investment properties (Note 12)	**₱3,017,324,268**	₱2,913,889,752
Property and equipment (Note 13)	**6,504,190,654**	5,014,544,536

Impairment of property and equipment
The Company assesses the impairment of its property and equipment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

The factors that the Company considers important which could trigger an impairment review include the following:

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

The carrying values of the Company's property and equipment are disclosed in Note 13.

Impairment of investments in subsidiaries, associates, and a joint venture
The Company assesses impairment of its investments in subsidiaries, an associate and joint venture whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Among others, the factors that the Company considers important which could trigger an impairment review on its investments in subsidiaries include the following:

- deteriorating or poor financial condition;
- recurring net losses; and
- significant changes with an adverse effect on the subsidiaries have taken place during the period, or will take place in the near future and the technological, market, economic, or legal environment in which the subsidiaries operates.

The carrying value of investments in subsidiaries, an associate, and a joint venture, including related allowance for impairment as of December 31, 2023 and 2022 are disclosed in Note 14.

Recognition of deferred tax assets
Deferred tax assets are recognized for all temporary tax deductible differences to the extent that it is probable that the taxable income will be available against which these temporary differences can be utilized. Management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies.

The Company's recognized deferred tax assets as of December 31, 2023 and 2022 are disclosed in Note 27.

Pension and other employee benefits
The determination of the obligation and cost of pension and other employee benefits is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rate, expected return on plan assets, and salary increase rate. In accordance with the relevant PFRS, actual results that differ from the Company's assumptions are accumulated and amortized over future periods and, therefore, generally affect the recognized expense and recorded obligation in such future periods. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension obligations.

The net pension asset as of December 31, 2023 and 2022 are disclosed in Note 20.

The Company also estimates other employee benefit obligations, including costs of paid leaves, based on historical leave availments of employees and subject to the Company's policy. These estimates may vary depending on the future changes in salaries and actual experiences during the year.

The accrued balance of other employee benefits, included under 'Accounts payable and other liabilities' in the statements of financial position are disclosed in Note 18.

Leases - Estimating the incremental borrowing rate
The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

The Company's lease liabilities as of December 31, 2023 and 2022 are disclosed in Note 26.

4. Cash and Cash Equivalents

This account consists of:

	2023	2022
Petty cash fund	**₱599,734**	₱533,264
Cash in commercial banks and trust companies	**2,004,863,438**	2,492,255,227
Cash equivalents	**5,710,781,295**	4,551,231,526
	₱7,716,244,467	₱7,044,020,017

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents consist of time deposits that are placed for varying periods of up to three months, depending on the immediate cash requirements of the Company. Cash and cash equivalents earned interest at annual rates ranging from 0.067% to 6.50% and 0.067% to 5.75% in 2023 and 2022, respectively.

Interest income from cash and cash equivalents amounted to ₱315,262,020 and ₱89,227,735 in 2023 and 2022, respectively (see Note 23).

5. Short-term Investments

This account consists of cash placed in commercial banks and trust companies amounting to ₱983.13 million and ₱529.63 million as of December 31, 2023 and 2022, respectively. Short-term investments represent time deposits with maturities of more than three months but not more than one year from dates of placement and earned interest at annual rates ranging from 0.067 % to 6.50% in 2023 and 0.125% to 3.00% in 2022 (see Note 9).

	2023	2022
At January 1	**₱529,625,874**	₱529,141,286
Additions	**983,129,120**	529,625,874
Maturities	**(529,625,874)**	(529,141,286)
At December 31	**₱983,129,120**	₱529,625,874

Interest income from short-term investments amounted to ₱44.21 million and ₱24.46 million in 2023 and 2022, respectively (see Note 23).

6. Insurance Receivables

This account consists of:

	2023	2022
Reinsurance recoverable on paid losses	**₱1,571,139,411**	₱1,174,718,874
Premiums receivable	**864,910,173**	943,497,816
Due from ceding companies	**165,602,534**	195,013,013
Funds held by ceding companies – treaty	**108,183,562**	681,491
Loss reserve withheld by ceding company	**1,583,803**	812,664
	2,711,419,483	2,314,723,858
Less allowance for credit losses	**139,866,135**	191,651,282
	₱2,571,553,348	₱2,123,072,576

Reinsurance recoverable on paid losses pertains to amounts recoverable from reinsurers in respect of claims already paid by the Company. These amounts are due and demandable.

Premiums receivable represent premiums on written policies which are collectible within the Company's grace period.

Due from ceding companies pertains to premiums collectible from ceding companies with respect to assumed policies. These amounts are due and demandable.

Funds held by ceding companies - treaty pertain to amounts retained by ceding companies computed at a certain percentage of reinsurance premiums due. These amounts are interest-bearing and are generally collected within one year after the reporting date.

In 2023 and 2022, interest income from funds held by ceding companies - treaty amounted to ₱520,747 and ₱1,046,087, respectively (see Note 23).

The aging analyses of insurance receivables follow:

	2023					
	0 to 90 days	**91 to 150 days**	**151 to 220 days**	**221 to 270 days**	**More than 270 days**	**Total**
Reinsurance recoverable on paid losses	**₱215,121,942**	**₱141,061,548**	**₱42,782,382**	**₱187,220,703**	**₱984,952,836**	**₱1,571,139,411**
Premiums receivable	**516,882,162**	**108,425,833**	**68,099,537**	**11,418,267**	**160,084,374**	**864,910,173**
Due from ceding companies	**20,113,744**	**29,253,958**	**28,037,422**	**10,933,067**	**77,264,343**	**165,602,534**
Funds held by ceding companies – treaty	**30,639,646**	**29,980,613**	–	**57,297,195**	**(9,733,892)**	**108,183,562**
Loss reserve withheld by ceding company	**260,630**	**116,081**	–	**210,737**	**996,355**	**1,583,803**
	₱783,018,124	**₱308,838,033**	**₱138,919,341**	**₱267,079,969**	**₱1,213,564,016**	**₱2,711,419,483**

	2022					
	0 to 90 days	91 to 150 days	151 to 220 days	221 to 270 days	More than 270 days	Total
Reinsurance recoverable on paid losses	₱257,138,057	₱94,559,173	₱13,893,856	₱129,147,446	₱679,980,342	₱1,174,718,874
Premiums receivable	451,601,657	138,823,854	86,524,046	₱48,047,535	218,500,724	943,497,816
Due from ceding companies	5,242,151	30,865,330	14,924,429	4,373,025	139,608,078	195,013,013
Funds held by ceding companies – treaty	258,206	395,042	14,639	–	13,604	681,491
Loss reserve withheld by ceding company	–	208,437	–	227,770	376,457	812,664
	₱714,240,071	₱264,851,836	₱115,356,970	₱181,795,776	₱1,038,479,205	₱2,314,723,858

The reconciliation of the changes in the allowance for impairment are as follows:

	2023			
	Premiums Receivable	**Reinsurance Recoverable on Paid Losses (Facultative)**	**Due from Ceding Companies (Facultative)**	**Total**
At January 1	**₱151,380,852**	**₱38,519,733**	**₱1,750,697**	**₱191,651,282**
Rreversal of provision for credit losses	**(51,785,147)**	**–**	**–**	**(51,785,147)**
At December 31	**₱99,595,705**	**₱38,519,733**	**₱1,750,697**	**₱139,866,135**

	2022			
	Premiums Receivable	Reinsurance Recoverable on Paid Losses (Facultative)	Due from Ceding Companies (Facultative)	Total
At January 1	₱171,484,892	₱38,519,733	₱1,750,697	₱211,755,322
Reversal of provision for credit losses	(20,104,040)	–	–	(20,104,040)
At December 31	₱151,380,852	₱38,519,733	₱1,750,697	₱191,651,282

7. **Financial Assets**

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

	2023	2022
Financial assets at FVTPL	**₱401,636,742**	₱285,233,115
Financial assets at FVOCI	**1,229,178,128**	1,096,230,259
Financial assets at amortized cost:		
Investment securities at amortized cost (Note 9)	**353,079,974**	344,259,260
Loans and receivables	**745,092,073**	809,955,794
	₱2,728,986,917	₱2,535,678,428

Allowance for impairment losses amounting to ₱140,440,000 and ₱141,500,000 have been recognized for the above financial assets as of December 31, 2023 and 2022, respectively.

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

a. *Financial assets at FVTPL*

	2023	2022
Listed equity securities	**₱171,410,901**	₱225,421,381
Government debt securities - foreign currency	**230,225,841**	59,811,734
	₱401,636,742	₱285,233,115

Interest income from government debt securities at FVTPL amounted to ₱5,087,224 and 1,321,932 in 2023 and 2022, respectively (see Note 23).

Dividend income from equity securities at FVTPL amounted to ₱4,667,855 and ₱2,418,081 in 2023 and 2022, respectively (see Note 23).

b. *Financial assets at FVOCI*

	2023	2022
Financial assets at FVOCI		
Equity securities		
Quoted securities - at fair value		
Common shares from listed companies	**₱589,341,809**	**₱489,311,868**
Unquoted securities:		
Preferred shares	**639,717,207**	**606,799,279**
Common shares	**119,112**	**119,112**
	₱1,229,178,128	**₱1,096,230,259**

The roll forward analyses of the reserve for fluctuation in value of financial assets at FVOCI (net of tax) follow:

	2023	2022
At January 1	**₱578,009,533**	₱454,960,204
Fair value gains	**132,947,869**	124,337,447
Tax effect (Note 27)	**(4,937,689)**	(1,288,118)
At December 31	**₱706,019,713**	₱578,009,533

c. *Financial assets at amortized cost*

As of December 31, 2023 and 2022, financial assets at amortized cost are composed of:

	2023	2022
Investment securities	**₱353,079,973**	₱344,259,260
Loans and receivables	**745,092,074**	809,955,794
	₱1,098,172,047	₱1,154,215,054

Investment securities

Investment securities at amortized cost as of December 31, 2023 and 2022 pertain to government securities in local currency. Interest income from these investments amounted to ₱19,139,937 and ₱15,876,259 in 2023 and 2022, respectively (see Note 23).

The carrying values of financial assets (excluding loans and receivables) have been determined as follows:

	2023			
	Financial Assets at FVTPL	**Financial Assets at FVOCI**	**Investment Securities at Amortized Cost**	**Total**
At January 1	**₱285,233,115**	**₱1,096,230,259**	**₱344,259,260**	**₱1,725,722,634**
Additions	**327,566,582**	**–**	**10,360,000**	**337,926,582**
Disposals/Maturities	**(199,779,590)**	**–**	**–**	**(199,779,590)**
Fair value gains (losses)	**(9,362,848)**	**132,947,869**	**–**	**123,585,021**
Discount amortization	**36,741**	**–**	**(1,539,286)**	**(1,502,545)**
Foreign exchange adjustment	**(2,057,258)**	**–**	**–**	**(2,057,258)**
At December 31	**₱401,636,742**	**₱1,229,178,128**	**₱353,079,974**	**₱1,983,894,844**

	2022			
	Financial Assets at FVTPL	FVOCI Financial at Assets	Investment Securities at Amortized Cost	Total
At January 1	₱209,157,189	₱971,892,812	₱235,955,153	₱1,417,005,154
Additions	199,680,695	–	126,000,000	325,680,695
Disposals	(119,651,113)	–	(26,000,000)	(145,651,113)
Fair value gains (losses)	(9,660,856)	124,337,447	–	114,676,591
Premium amortization	–	–	8,304,107	8,304,107
Foreign exchange adjustment	5,707,200	–	–	5,707,200
At December 31	₱285,233,115	₱1,096,230,259	₱344,259,260	₱1,725,722,634

Loans and receivables

	2023	2022
Accounts receivable	**₱393,252,849**	₱508,249,957
Loans receivable	**227,000,000**	228,000,000
Due from related parties (Note 29)	**210,116,007**	165,459,371
Chattel mortgage loans	**50,229,194**	46,980,370
Accountable cash advances	**4,934,023**	2,766,096
	885,532,073	951,455,794
Less allowance for impairment loss	**(140,440,000)**	(141,500,000)
	₱745,092,073	₱809,955,794

Accounts receivable consist of advances to contractors which pertain to the Company's Building Construction in Progress and receivable from confiscated bonds which pertain to the outstanding premiums for bond policies wherein claims were reported and paid accordingly. This also includes receivable from assured related to adjusters' other expenses. These are due and demandable.

Loans receivable pertain to amounts loaned to a third party earning interest at 2.75% per annum payable on demand after the eleventh month from issuance. Interest income amounted to ₱6,270,000 and ₱6,295,390 in 2023 and 2022, respectively.

Amounts due from related parties pertain to the Company's noninterest-bearing receivables from its related parties - Pioneer Life Inc. (PLI) and Pioneer Land Holdings, Inc. (PLHI), which are entities under common control; M Pioneer Insurance Inc. (MPII), a joint venture; Pilipinas Autogroup Inc. (PAI) and Pioneer Hollard Inc. (PHI), which are associates; and CARD Pioneer Microinsurance, Inc. (CPMI) which are subsidiaries. The Company's receivables are related to the reimbursement for various common expenses which are due and demandable (see Note 29).

The rollforward for allowance for impairment follows:

	2023	2022
At January 1	**₱141,500,000**	₱–
Additions	–	141,500,000
Reversal	**(1,060,000)**	–
	₱140,440,000	₱141,500,000

Interest income from PAI amounted to nil and ₱7,864,723 in 2023 and 2022, respectively.

Chattel mortgage loans consist mainly of loans extended to employees. Chattel mortgage loans earn interest at 6% per annum with maturities of 4 to 7 years. Interest income from chattel mortgage loans amounted to ₱3,166,542 and ₱3,172,231 in 2023 and 2022, respectively (see Note 23). These are collected through payroll deduction.

Accountable cash advances of employees are collected through payroll deduction or expense liquidation.

8. Accrued Income

This account consists of:

	2023	2022
Interest receivable	**₱37,120,445**	₱19,443,203
Rent receivable	**755,082**	951,762
Dividends receivable	**450,615**	245,554
	₱38,326,142	₱20,640,519

9. Statutory Deposits

The following are deposited with local and foreign government agencies in compliance with insurance laws and requirements:

	2023	2022
Government debt securities (Note 7)	**₱325,500,000**	₱325,500,000
Short-term investments (Note 5)	**72,774,486**	73,669,829
	₱398,274,486	₱399,169,829

Government debt securities are deposited with the IC in accordance with the provisions of the Insurance Code (the "Code") for the benefit and security of policyholders and creditors of the Company. The face value of government debt securities deposited with the Bureau of Treasury amounted to ₱325,500,000 as of December 31, 2023 and 2022. The government debt securities are recorded as investment securities at amortized cost.

The above short-term investments represent placements by the Company's Hong Kong Branch to a bank, which are held in trust for the beneficiary title of the Insurance Authority of Hong Kong. These deposits earned interest at 6.00% and 4.00% in 2023 and 2022, respectively. Interest income from these deposits amounted to ₱3,445,938 and ₱1,087,775 in 2023 and 2022, respectively.

10. Deferred Acquisition Costs and Deferred Reinsurance Commissions

The rollforward analyses of deferred acquisition costs follow:

	2023	2022
At January 1	**₱274,854,561**	₱266,661,405
Cost incurred during the year	**(1,292,259,938)**	(982,455,136)
Cost deferred during the year	**1,361,759,953**	990,648,292
At December 31	**₱344,354,576**	₱274,854,561

The rollforward analyses of deferred reinsurance commissions follow:

	2023	2022
At January 1	**₱113,387,997**	₱118,806,332
Income earned during the year	**(437,838,253)**	(402,080,817)
Income deferred during the year	**413,427,377**	396,662,482
At December 31	**₱88,977,121**	₱113,387,997

11. Reinsurance Assets

This account consists of:

	2023	2022
Reinsurance recoverable on unpaid losses (Note 16)	**₱15,601,015,446**	₱19,837,543,629
Deferred reinsurance premiums (Note 16)	**2,992,343,989**	2,242,788,111
	₱18,593,359,435	₱22,080,331,740

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

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

12. **Investment Properties**

The rollforward analyses of this account follow:

	2023			
	Land	**Building**	**Condominium**	**Total**
At January 1	**₱2,177,529,100**	**₱304,384,652**	**₱431,976,000**	**₱2,913,889,752**
Fair value gains (loss) (Note 23)	**168,705,350**	**(17,348,234)**	**(42,638,400)**	**108,718,716**
Foreign exchange loss	–	–	**(5,284,200)**	**(5,284,200)**
At December 31	**₱2,346,234,450**	**₱287,036,418**	**₱384,053,400**	**₱3,017,324,268**

	2022			
	Land	Building	Condominium	Total
At January 1	₱2,031,432,032	₱293,910,601	₱390,606,000	₱2,715,948,633
Fair value gains (loss) (Note 23)	146,097,068	10,474,051	–	156,571,119
Foreign exchange gain	–	–	41,370,000	41,370,000
At December 31	₱2,177,529,100	₱304,384,652	₱431,976,000	₱2,913,889,752

The land and building located in the Philippines were valued at ₱2,633,270,868 and ₱2,481,913,752 as of December 31, 2023 and 2022, respectively. The condominium unit located in Hong Kong was last appraised on January 11, 2024 by Hong Kong's independent professionally qualified valuer, Cushman & Wakefield Limited. The property is on a 50-year lease contract and was valued at HK$54,000,000 or ₱384,053,400 and HK$60,000,000 or ₱431,976,000 as of December 31, 2023 and 2022, respectively.

The properties of the Company in the Philippines were last appraised between October 18, 2023 to November 17, 2023, by an independent firm of appraisers, Cuervo Appraisers, Inc. (CAI). As of December 31, 2023 and 2022, the fair values of the properties in the Philippines were based on valuations performed by CAI, an accredited independent valuer and a specialist in valuing these types of investment properties.

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

The fair value, categorized as Level 3, of certain parcels of land amounting to ₱2,346,234,450 and ₱2,177,529,100 as of December 31, 2023 and 2022, respectively, are based on their highest and best use which is to convert the said properties for residential purposes. For strategic reasons, these properties are not being used in this manner.

There were no transfers between levels of fair value measurement in 2023 and 2022. As at December 31, 2023 and 2022, no property has been pledged as collateral or security for any of the Company's liabilities and the Company has no restrictions on the realizability of its land and condominium units and no contractual obligation to purchase, construct or develop such property or for repairs, maintenance and enhancements.

Foreign exchange adjustment includes the effect of translation of investment property of the Hong Kong Branch to its Philippine Peso equivalent.

Description of the valuation techniques used and key inputs to valuation on investment properties follow:

Location	Valuation Techniques	Unobservable Inputs Used (Level 3)	Range (Weighted Average) 2023	2022
1. Southeast corner of Ramon Magsaysay and Pioneer Avenue, within Barangay Dadaingas South, General Santos City	Sales comparison approach	Price per square meter	**₱39,000 to ₱51,124 (₱45,062)**	₱39,000 to ₱47,000 (₱43,000)
2. Cebu Business Park, Barangay Hipodromo (former Barangay Mabolo), Cebu City	Sales comparison approach for land	Price per square meter for land	**₱350,000 to ₱450,000 (₱400,000)**	₱350,000 to ₱450,000 (₱400,000)
3. Cardinal Rosales Avenue and Panglao Road, within Cebu Business Park, Barangay Hipodromo (former Barangay Mabolo), Cebu City	Sales comparison approach	Price per square meter	**₱350,000 to ₱450,000 (₱400,000)**	₱350,000 to ₱450,000 (₱400,000)
4. Forest Hills Avenue, located within Barangay Inarawan (formerly Barrio Pinagbarilan), Antipolo City	Sales comparison approach	Price per square meter	**₱4,915 to ₱5,400 (₱5,158)**	₱4,655 to ₱6,199 (₱5,427)
5. Barangay Malayong, Gloria (formerly Barangay Balate, Pinamalayan), Oriental Mindoro	Sales comparison approach	Price per square meter	**₱60 to ₱100 (₱80)**	₱60 to ₱80 (₱70)
6. Northeast Corner of Mahagnao and Danao Streets, within Lakeside Evozone South, Barangay Sto. Domingo, Sta. Rosa City	Sales comparison approach	Price per square meter	**₱151,500 to ₱151,800 (₱151,650)**	₱80,000 to ₱130,000 (₱105,000)
7. 27th Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong	Sales comparison approach	Price per square foot	**HK$25,325 to HK$40,804 (HK$33,065)**	HK$26,337 to HK$34,618 (HK$30,478)
8. East Corner of Lacson Street and 9th Street, within Barangay 7, Zone 1 (Poblacion) Bacolod City, Negros Occidental	Sales comparison approach	Price per square meter	**₱50,000 to ₱ 55,000 (₱52,500)**	₱50,000 to ₱ 50,000 (₱50,000)
(Forward)				
9. Northeast Corner of General Luna Street and road right-of-way, within Barangay Inday,City Proper, Iloilo City	Sales comparison approach	Price per square meter	**₱50,000 to ₱ 57,823 (₱53,912)**	₱45,000 to ₱ 59,523 (₱52,262)

Rental income and direct operating expenses included in the statements of income from the investment properties follow:

	2023	2022
Rental income (Notes 23 and 26)	**₱85,764,562**	₱86,370,259
Direct operating expenses	**(16,574,942)**	(18,359,795)
	₱69,189,620	₱68,010,464

13. Property and Equipment - net

This account consists of property and equipment carried at revalued amount and at cost which are as follows:

	2023	2022 As Restated
At revalued amount	**₱6,504,190,655**	₱5,014,544,536
At cost	**1,117,165,890**	636,331,407
	₱7,621,356,545	₱5,650,875,943

Property and equipment carried at revalued amounts follow:

	2023			
	Land	**Buildings**	**Building Machinery and Equipment**	**Total**
Revalued Amount				
At January 1	**₱4,014,295,040**	**₱965,799,990**	**₱197,358,782**	**₱5,177,453,812**
Additions	**–**	**76,815,040**	**1,354,175**	**78,169,215**
Appraisal increase (decrease)	**1,485,535,360**	**(115,932,167)**	**21,925,867**	**1,391,529,060**
Retirements	**–**	**–**	**(3,480,497)**	**(3,480,497)**
Foreign exchange adjustment	**–**	**67,675,557**	**–**	**67,675,557**
At December 31	**5,499,830,400**	**994,358,420**	**217,158,327**	**6,711,347,147**
Accumulated Depreciation				
At January 1	**₱–**	**₱115,222,164**	**₱47,687,111**	**₱162,909,275**
Closed to revaluation surplus	**–**	**(6,158,955)**	**(5,075,113)**	**(11,594,068)**
Retirements	**–**	**–**	**(3,480,496)**	**(3,480,496)**
Depreciation (Note 25)	**–**	**47,472,114**	**11,489,666**	**58,961,780**
At December 31	**–**	**156,175,323**	**50,621,168**	**206,796,491**
Net Book Value	**₱5,499,830,400**	**₱838,183,097**	**₱166,537,159**	**₱6,504,550,656**

	2022			
	Land	Buildings	Building Machinery and Equipment	Total
Revalued Amount				
At January 1	₱3,819,500,800	₱870,123,980	₱197,732,423	₱4,887,357,203
Additions	–	–	1,686,772	1,686,772
Appraisal increase (decrease)	194,794,240	96,516,143	22,164,826	313,475,209
Retirements	–	(16,779,329)	(7,445,910)	(24,225,239)
Foreign exchange adjustment	–	(840,134)	–	(840,134)
At December 31	4,014,295,040	949,020,660	214,138,111	5,177,453,811

(Forward)

	2022			
	Land	Buildings	Building Machinery and Equipment	Total
Accumulated Depreciation				
At January 1	₱–	₱91,990,469	₱50,579,585	₱142,570,054
Closed to revaluation surplus	–	(10,602,936)	(7,534,782)	(18,137,718)
Retirements	–	(16,779,329)	(7,445,910)	(24,225,239)
Depreciation (Note 25)	–	50,613,960	12,088,218	62,702,178
At December 31	–	115,222,164	47,687,111	162,909,275
Net Book Value	₱4,014,295,040	₱833,798,496	₱166,451,000	₱5,014,544,536

Property and equipment of the Company in the Philippines were last appraised between October 18, 2023 to November 17, 2023, by an independent firm of appraisers, Cuervo Appraisers, Inc.

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

The fair value, categorized as Level 3, of the parcels of land at the measurement date are based on their highest and best use which is to convert the said properties for residential purposes. For strategic reasons, these parcels of land are not being used in this manner. There was no transfer between levels of fair value measurement in 2023 and 2022.

Description of the valuation techniques used and key inputs to valuation on property and equipment follow:

			Range (Weighted Average)	
Location	**Valuation Techniques**	**Unobservable Inputs Used (Level 3)**	**2023**	2022
Don A. Velez Street and Mabini Streets, within Barangay 14, Cagayan de Oro City	Sales comparison approach for land and cost approach for improvements	Price per square meter for land and current materials and labor cost for improvements	**₱38,095 to ₱53,750 (₱45,923)**	₱38,095 to ₱53,000 (₱45,548)
South corner of 5th Avenue and 26th Streets (with FAR 12), within Fort Bonifacio, Global City, Taguig City, Metro Manila	Sales comparison approach	Price per square meter	**₱1,500,00 to ₱1,677,705 (₱1,588,853)**	₱1,040,763 to ₱1,695,364 (₱1,368,064)
Cebu Business Park, Barangay Hipodromo (former Barangay Mabolo), Cebu City	Sales comparison approach for land and cost approach for improvements	Price per square meter for land and current materials and labor cost for improvements	**₱350,000 to ₱450,000 (₱400,000)**	₱350,000 to ₱450,000 (₱400,000)
Southeast corner of Paseo de Roxas and Gallardo Streets, and extending to the northeast corner of Paseo de Roxas and Legaspi Streets, within Legaspi Village, Makati City, Metro Manila	Comparison approach for land and cost approach for improvements	Price per square meter for land and current materials and labor cost for improvements	**₱882,000 to ₱1,000,000 (₱941,000)**	₱489,362 to ₱1,000,000 (₱744,681)
Northeast corner of Yuchengco Street and Escolta Street, within Barangay 291, Zone 97, Binondo, City of Manila	Sales comparison approach for land and cost approach for improvements	Price per square meter for land and current materials and labor cost for improvements	**₱350,000 to ₱500,000 (₱425,000)**	₱350,000 to ₱500,000 (₱425,000)
27th Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong	Sales comparison approach	Price per square foot	**HK$25,325 to HK$40,804 (HK$33,065)**	HK$26,337 to HK$34,618 (HK$30,478)

As of December 31, 2023 and 2022, property and equipment located in the Philippines that are carried at revalued amount amounted to ₱6,084,576,755 and ₱4,539,370,936, respectively. The condominium unit in Hong Kong was valued at HK$59,000,000 or ₱419,613,900 and

HK$66,000,000 or ₱475,173,600 as of December 31, 2023 and 2022, respectively . The property and equipment used by the Company's Hong Kong Branch were appraised by an independent professionally qualified valuer, Cushman Wakefield Limited.

The changes in revaluation surplus recognized directly in other comprehensive income amounted to ₱1,052,072,346 and ₱248,709,695 in 2023 and 2022, respectively.

If land, buildings, and building machinery and equipment were carried at cost less accumulated depreciation, the amounts would be as follow:

	2023	2022
Cost	**₱817,159,577**	₱742,470,860
Accumulated depreciation and amortization	**(115,580,393)**	(106,238,141)
Net book value	**₱701,579,184**	₱636,232,719

Foreign exchange adjustment includes the effect of translation of property and equipment of the Hong Kong Branch to their Philippine Peso equivalent.

Restatement of Prior Year Statement of Financial Position

In 2022, the Company recognized Building Construction in Progress (CIP) amounting to ₱2.29 billion, which represents the total contract price with DM Consunji Inc. (DMCI) for the construction of new Pioneer House building at BGC, with a corresponding equal recognition of accounts payable to DMCI. The Company has restated the carrying amounts of CIP and Accounts payable, as well as recognized Advances to contractor shown under Other assets to reflect the correct balances of these accounts as of December 31, 2022.

Summarized below are the effects of the restatement:

Statement of Financial Position	As previously reported	Effect of restatement	As restated
Property and Equipment - net	₱7,912,059,699	(₱2,261,183,756)	₱5,650,875,943
Deferred input VAT (Note 15)	28,759,406	2,656,799	31,416,205
Accounts receivable (Note 7)	18,743,569	489,506,388	508,249,957
Accounts payable (Note 18)	1,968,279,019	(1,769,020,570)	199,258,449

Property and equipment carried at cost follows:

	2023					
	Leasehold & Building Improvements	**Computer Equipment and Mobile Phones**	**Transportation Equipment**	**Furniture, Fixtures and Equipment**	**Building Construction in Progress** (Note 18)	**Total**
Cost						
At January 1	**₱80,960,447**	**₱128,826,435**	**₱50,482,132**	**₱86,972,623**	**₱466,976,248**	**₱814,217,885**
Additions	**10,669,276**	**30,945,021**	**16,576,147**	**2,590,617**	**478,334,720**	**539,115,781**
Disposal/retirements	**(21,580,731)**	**(15,985,157)**	**(4,574,971)**	**(13,181,154)**	**–**	**(55,322,013)**
At December 31	**70,048,992**	**143,786,299**	**62,483,308**	**76,382,086**	**945,310,968**	**1,298,011,653**
Accumulated Depreciation						
At January 1	**₱51,133,952**	**₱57,000,001**	**₱20,420,138**	**₱49,332,387**	**–**	**₱177,886,478**
Depreciation and amortization (Note 25)	**12,301,459**	**26,439,393**	**11,385,421**	**7,054,435**	**–**	**57,180,708**
Disposal/retirements	**(21,580,732)**	**(15,756,125)**	**(3,690,431)**	**(13,194,135)**	**–**	**(54,221,423)**
At December 31	**41,854,679**	**67,683,269**	**28,115,128**	**43,192,687**	**–**	**180,845,763**
Net Book Value	**₱28,194,313**	**₱76,103,030**	**₱34,368,180**	**₱33,189,399**	**₱945,310,968**	**₱1,117,165,890**

	2022					
	Leasehold & Building Improvements	Computer Equipment and Mobile Phones	Transportation Equipment	Furniture, Fixtures and Equipment	Building Construction in Progress	Total
Cost						
At January 1	₱98,438,244	₱132,617,870	₱57,678,852	₱86,693,071	₱380,440,661	₱755,868,698
Additions	–	33,527,119	16,551,339	1,648,250	86,535,587	138,262,295
Disposal/retirements	(17,477,797)	(37,462,258)	(23,748,059)	(2,046,949)	–	(80,735,063)
Foreign exchange adjustment	–	143,704	–	678,251	–	821,955
At December 31	₱80,960,447	₱128,826,435	₱50,482,132	₱86,972,623	₱466,976,248	₱814,217,885
Accumulated Depreciation						
At January 1	₱55,134,066	₱67,966,424	₱29,662,851	₱42,833,718	–	₱195,597,059
Depreciation and amortization (Note 25)	13,477,680	25,697,053	12,739,083	7,849,611	–	59,763,427
Disposal/retirements	(17,477,794)	(36,807,181)	(21,981,795)	(2,046,949)	–	(78,313,719)
Foreign exchange adjustment	–	143,704	–	696,007	–	839,711
At December 31	51,133,952	57,000,000	20,420,139	49,332,387	–	177,886,478
Net Book Value	₱29,826,495	₱71,826,435	₱30,061,993	₱37,640,236	₱466,976,248	₱636,331,407

Total depreciation and amortization expense of property and equipment carried at cost and revalued amounts charged against operations amounted to ₱116,142,488 and ₱122,465,605 in 2023 and 2022, respectively (see Note 25).

14. Investments in Subsidiaries, Associates and a Joint Venture

Investments in subsidiaries, associates, and a joint venture consist of investments in the following entities, which are all incorporated and operating in the Philippines, as of December 31, 2023 and 2022:

	Date of Incorporation	Principal Activity
Subsidiary		
PIIC	February 24, 1966	Nonlife insurance
CPMI	August 16, 1963	Nonlife insurance
Associate		
PAI	April 10, 2012	Purchase and sale of motor vehicles
PTC	October 21, 1916	Universal banking
PHI	February 17, 2022	Business process outsourcing
Joint venture		
MPII	July 8, 1948	Nonlife insurance

The Company's percentage of ownership in the shares of stock of its investees follow:

	Effective Percentage of Ownership		Carrying Amount of Investment	
	2023	2022	**2023**	2022
PIIC	**97.43%**	96.86%	**₱596,741,644**	₱542,155,101
CPMI	**47.88%**	47.88%	**358,620,731**	358,620,731
PAI**	**35.45%**	35.45%	**–**	–
PTC	**9.86%**	9.86%	**8,970,237,161**	8,970,237,161
PHI	**25.00%**	25.00%	**12,500,000**	12,500,000
MPII	**65.00%**	65.00%	**1,112,925,368**	1,112,925,368
Total			**₱11,051,024,904**	₱10,996,438,361

**In 2021, the Company and PLand obtained the approval of the merger from the Securities and Exchange Commission (SEC) The merger took effect on first day of the month immediately following the SEC approval.*
***Net of allowance for impairment*

The rollforward analyses of this account follow:

	2023						
	PIIC	**CPMI**	**PAI**	**PTC**	**PHI**	**MPII**	**Total**
January 1	**₱542,155,101**	**₱358,620,731**	**₱78,406,459**	**₱8,970,237,161**	**₱12,500,000**	**₱1,112,925,368**	**₱11,074,844,820**
Additions	**54,586,543**	**–**	**–**	**–**	**–**	**–**	**54,586,543**
	596,741,644	**358,620,731**	**78,406,459**	**8,970,237,161**	**12,500,000**	**1,112,925,368**	**11,074,844,820**
Impairment	**–**	**–**	**(78,406,459)**	**–**	**–**	**–**	**(78,406,459)**
December 31	**₱596,741,644**	**₱358,620,731**	**₱–**	**₱8,970,237,161**	**₱12,500,000**	**₱1,112,925,368**	**₱11,051,024,904**

	2022						
	PIIC	**CPMI**	**PAI**	**PTC**	**PHI**	**MPII**	**Total**
January 1	₱242,155,101	₱358,620,731	₱78,406,459	₱8,970,237,161	₱12,500,000	₱742,925,368	₱10,404,844,820
Additions	300,000,000	–	–	–	–	370,000,000	670,000,000
	542,155,101	358,620,731	78,406,459	8,970,237,161	12,500,000	1,112,925,368	11,074,844,820
Impairment	–	–	(78,406,459)	–	–	–	(78,406,459)
December 31	₱542,155,101	₱358,620,731	₱–	**₱8,970,237,161**	₱12,500,000	**₱1,112,925,368**	₱10,996,438,361

a. CPMI
The Company's ownership in CPMI is 47.88%. The Company still maintains control over CPMI since it holds more voting rights relative to other vote holders: CARD MBA (46.08%), CaMia (2.92%), PIIC (1.48%), PLI (1.424%), and PLHI (0.214%). The Company's holding and the size of the holdings of entities of the Pioneer Group would also give the Company power since collective ownership of the Group is 51%. During the April 5, 2023 board director's meeting,

CPMI declared cash dividends amounting to ₱8.7450 per share or ₱54,656,250 to stockholders of record as of December 31, 2022 which was paid on April 28, 2023. In the November 22, 2023 Special Meeting of the BOD, a special cash dividend was declared in celebration of CPMI's 10th Anniversary amounting to ₱12.5000 per share or ₱78,125,000 to stockholders of record as of December 31, 2022 which was paid on November 30, 2023. PISC received the amount of ₱26,170,820 and ₱37,408,263, respectively (see Note 23).

b. PIIC
In compliance with the Insurance Commission's required minimum net worth of ₱1,300,000,000 as at December 31, 2022, the Company put in its share in the amount of ₱300,000,000 as cash infusion in PIIC on December 27, 2022. The funds used for the said cash infusion came from PISC's residual earnings and bank borrowings. During the June 19, 2023 Board Meeting, the Company was approved to purchase the respective shares of the individual shareholders of PIIC. On June 19, 2023, the BOD approved the purchase of 16,585 PIIC shares from individual stockholders at ₱324.78 per share. As of December 31, 2023, the Company completed the purchase of 14,122 shares amounting to ₱4,586,543. On September 26, 2023, the Company infused additional ₱50,000,000 to comply with the required minimum net worth of ₱ 1,300,000,000.

c. PAI
The Company assessed that the investment in PAI is no longer recoverable. Consequently, full impairment of ₱78,406,459 was recognized on this investment in 2022.

d. PTC
On May 28, 2019, the BOD of PTC at its regular meeting has resolved that Pioneer Group, consisting of the Company, PLI, and PIIC having an aggregate ownership of 9.86% of the total outstanding capital stock of PTC, be allowed to have two (2) representatives in the BOD of PTC effective October 4, 2019. On September 18, 2019, the Pioneer Group signed a memorandum of agreement stating that Pioneer Group shall jointly vote as one in all matters affecting its rights as stockholders of PTC and that the Pioneer Group's representatives to the board shall decide and vote jointly for every corporate act and purpose during meetings of PTC for and in behalf of the Pioneer Group. As a result, the Company together with other entities within the Pioneer Group, gained significant influence over PTC effective October 4, 2019.

Prior to October 4, 2019, the Company classified its investments in PTC as financial assets at FVOCI. The Company used the fair value as of reclassification date as the deemed cost of the investment in associate. Accordingly, the Company reclassified the investments in PTC from 'Financial assets at FVOCI' amounting to ₱10,642,654,260 to 'Investment in associate' on October 4, 2019. Impairment allowance recognized for this investment amounted to ₱1,672,417,099 as of December 31, 2023 and 2022.

The Company, PLI, and PIIC are subject to statutory regulations on capital requirement of the IC. The Company, PLI, and PIIC submit annual reports to the IC to determine adequacy of its investment. IC classifies assets according to admitted and non-admitted assets for purposes of calculating financial ratios that the Company, PLI, and PIIC are required to maintain. These, among others, may pose restrictions as to the use or transfer of assets, as well as the settlement of liabilities as of December 31, 2023 and 2022.

e. PHI
The Company, together with Pioneer Life, Inc. entered into a joint venture with Hollard International Proprietary Limited ("HINT") to form Pioneer Hollard Inc. (PHI). The Company subscribed and paid for 250,000 shares or ₱25,000,000 for 25% or the total outstanding capital

stock of PHI. The Company assessed that it holds significant influence over PHI. Accordingly, the investment in PHI was classified as an investment in associate in the Company's financial statements. PHI was established primarily to develop and provide a customer relationship management services through various media including, but not limited to, telephone, facsimile,e-mail, web chat and voice-over internet and any and all allied or related business.

f. MPII
In compliance with the Insurance Commission's required minimum net worth of ₱1,300,000,000 as at December 31, 2022, the Company put in its share in the amount of ₱370,000,000 as cash infusion in MPII on December 21, 2022. The funds used for the said cash infusion came from PISC's residual earnings and bank borrowings. This resulted to an increase in share of ownership in 2020 to 65% from 51% in 2019. There were no changes in the joint venture agreement in consideration of the cash infusion. Accordingly, the Company still cannot make unilateral decision without Meralco. Hence, the Investment in MPII remain to be accounted for as a joint venture (see Note 3).

Financial information of the subsidiaries, associates, and joint venture follow:

	2023	2022
Subsidiaries		
PIIC		
Total assets	**₱2,795,602,326**	₱2,481,457,363
Total liabilities	**1,250,299,222**	1,098,236,624
Total equity	**1,545,303,104**	1,383,220,739
Revenue	**307,151,023**	263,505,836
Net income	**70,314,385**	19,128,847
CPMI		
Total assets	**3,702,801,859**	3,115,466,831
Total liabilities	**1,224,266,659**	856,312,209
Total equity	**2,478,535,200**	2,259,154,622
Revenue	**1,312,396,311**	1,056,117,635
Net income	**355,455,243**	312,318,645
Associates		
PTC		
Financial position		
Financial assets	**170,182,521,000**	163,294,150,000
Bank's premises, furniture, fixtures and Equipment	**3,304,479,000**	3,187,581,000
Investment properties	**2,220,428,000**	2,005,435,000
Deferred tax assets	**372,194,000**	544,689,000
Other assets	**357,016,000**	323,510,000
Accrued taxes, interest and other expenses	**(376,773,000)**	(208,389,000)
Manager's checks	**(155,863,000)**	(142,903,000)
Deposit liabilities	**(151,698,140,000)**	(147,072,526,000)
Deferred Credit and other liabilities	**(726,141,000)**	(265,924,000)
Lease liability	**(303,940,000)**	(193,870,000)
Retirement liability	**(2,558,000)**	(3,300,000)
Equity	**₱23,173,223,000**	₱21,468,453,000

	2023	2022
Financial performance		
Net Interest Income	**₱3,142,406,000**	₱2,821,020,000
Income before tax	**2,295,968,000**	1,433,303,000
Net income for the year	**1,029,109,000**	745,286,000
<u>*PHI*</u>		
Financial position		
Financial assets	**6,655,621**	25,802,405
Other current assets	**3,335,818**	2,017,006
Right-of-use asset	**10,674,618**	14,428,938
Property and equipment - net	**138,501**	195,739
Software costs - net	**31,250**	44,642
Accounts payable and accrued expenses	**(1,602,789)**	(1,667,016)
Advances from a related party	**(63,947,219)**	(45,271,802)
Lease liability	**(12,144,251)**	(16,067,212)
Equity	**(₱56,858,451)**	(₱20,517,300)
Financial performance		
Revenue	**₱14,280,000**	₱13,260,000
Loss before tax	**(36,310,223)**	(32,818,024)
Net loss for the year	**(36,341,151)**	(32,834,535)
Joint Venture		
<u>*MPII*</u>		
Financial position		
Financial assets	**2,722,098,336**	2,478,516,494
Reinsurance assets	**1,280,354,367**	783,144,612
Deferred acquisition costs	**41,666,687**	37,161,908
Property and equipment - net	**5,074,870**	7,480,347
Right-of-use asset	**6,490,343**	12,714,290
Pension asset	**7,369,151**	5,993,738
Other assets	**113,280,619**	104,878,437
Insurance contract liabilities	**(₱2,209,133,557)**	(₱1,554,164,754)
Insurance payables	**(301,989,789)**	(332,052,695)
Deferred reinsurance commissions	**(22,616,414)**	(16,272,088)
Lease liability	**(5,182,895)**	(12,331,434)
Accounts and other liabilities	**(123,785,863)**	(91,186,142)
Equity	**₱1,513,625,855**	₱1,423,882,713
Financial performance		
Revenue	**₱653,740,979**	₱416,017,452
Income before tax	**123,016,932**	89,178,018
Net income for the year	**91,635,295**	79,174,774

15. **Other Assets**

Other assets consist of:

	2023	2022
Creditable withholding taxes (CWTs)	**₱486,947,332**	₱497,834,103
Prepayments	**49,064,720**	52,984,298
Deferred input VAT	**39,477,115**	31,416,205
Claims fund	**16,146,185**	14,825,051
Memorial lots	**6,304,360**	6,304,360
Security fund	**1,025,117**	1,025,117
Nonproprietary golf and club shares	**670,000**	670,000
	₱599,634,829	₱605,059,134

CWTs pertain to withholding taxes from prior years and current transactions.

Prepayments include deposits for utility services, and funds set aside for the payment of documentary stamps tax and VAT.

Deferred input VAT pertains unutilized input VAT on capital goods.

Claims fund refers to the deposits made for payment of possible future claims related to motor car policies.

Memorials lots located in Heritage Park consist of 14 for 2023 and 2022. Gain on sale of memorial lot amounted to nil in 2023 and ₱17,379,867 in 2022 (see Note 23)**.**

Security fund pertains to the fund which will be used for payment of allowed claims against insolvent insurance companies as required under Section 378 of the Amended Insurance Code.

Nonproprietary golf and club shares pertain to assets deemed nonproprietary by the Company.

16. **Insurance Contract Liabilities**

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

	2023			2022		
	Insurance Contract Liabilities	**Reinsurers' Share of Liabilities** (Note 11)	**Net**	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 11)	Net
Provision for:						
Claims reported (Note 31)	**₱12,256,095,472**	**₱10,030,153,731**	**₱2,225,941,741**	₱14,504,244,502	₱12,497,060,671	₱2,007,183,831
Claims IBNR and MfAD (Note 31)	**6,479,956,696**	**5,570,861,715**	**909,094,981**	8,342,137,078	7,340,482,958	1,001,654,120
	18,736,052,168	**15,601,015,446**	**3,135,036,722**	22,846,381,580	19,837,543,629	3,008,837,951
Provision for unearned premiums	**4,497,545,401**	**2,992,343,989**	**1,505,201,412**	3,248,169,174	2,242,788,111	1,005,381,063
	₱23,233,597,569	**₱18,593,359,435**	**₱4,640,238,134**	₱26,094,550,754	₱22,080,331,740	₱4,014,219,014

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

	2023			2022		
	Provision for Claims Reported and Claims IBNR	**Reinsurers' Share of Liabilities** (Note 11)	**Net**	Provision for Claims Reported and Claims IBNR	Reinsurers' Share of Liabilities (Note 11)	Net
At January 1	**₱22,846,381,580**	**₱19,837,543,629**	**₱3,008,837,951**	₱13,196,667,294	₱10,160,116,953	₱3,036,550,341
Claims incurred	**1,576,534,035**	**(56,558,529)**	**1,633,092,564**	8,650,992,737	7,146,273,909	1,504,718,828
Claims paid (Note 24)	**(3,828,903,079)**	**(2,417,851,229)**	**(1,411,051,850)**	(4,113,854,393)	(2,420,931,491)	(1,692,922,902)
Increase in claims IBNR and MfAD	**(1,862,180,382)**	**1,769,621,243**	**(92,559,139)**	5,088,368,436	4,953,459,530	134,908,906
	18,731,832,154	**15,593,512,628**	**3,138,319,526**	22,822,174,074	19,838,918,901	2,983,255,173
Effect of foreign exchange on outstanding claims	**4,220,014**	**7,502,818**	**(3,282,804)**	24,207,506	(1,375,272)	25,582,778
At December 31	**₱18,736,052,168**	**₱15,601,015,446**	**₱3,135,036,722**	₱22,846,381,580	₱19,837,543,629	₱3,008,837,951

The provision for unearned premiums may be analyzed as follows:

	2023			2022		
	Provision for Unearned Premiums	**Reinsurers' Share of Liabilities** (Note 11)	**Net**	Provision for Unearned Premiums	Reinsurers' Share of Liabilities (Note 11)	Net
At January 1	**₱3,248,169,174**	**₱2,242,788,111**	**₱1,005,381,063**	₱3,069,777,293	₱2,094,926,343	₱974,850,950
New policies written (Note 22)	**15,546,201,210**	**11,109,015,086**	**4,437,186,124**	13,200,195,879	9,714,640,672	3,485,555,207
Premiums earned (Note 22)	**(14,296,824,983)**	**(10,359,459,208)**	**(3,937,365,755)**	(13,021,803,998)	(9,566,778,904)	(3,455,025,094)
At December 31	**₱4,497,545,401**	**₱2,992,343,989**	**₱1,505,201,412**	₱3,248,169,174	₱2,242,788,111	₱1,005,381,063

17. Insurance Payables

This account consists of:

	2023	2022
Due to reinsurers	**₱9,038,298,223**	₱8,128,259,752
Funds held for reinsurers	**576,018,401**	571,064,406
	₱9,614,316,624	₱8,699,324,158

The roll forward analyses of due to reinsurers follow:

	2023	2022
At January 1	**₱8,128,259,752**	₱6,368,148,663
Arising during the year (Note 16)	**11,109,015,086**	9,714,640,672
Paid during the year	**(10,198,976,615)**	(7,954,529,583)
At December 31	**₱9,038,298,223**	₱8,128,259,752

Funds held for reinsurers represent premiums payable held for one year by the ceding company based on treaty reinsurance contracts. These are interest-bearing and are generally settled within one year.

	2023	2022
At January 1	**₱571,064,406**	₱442,363,298
Arising during the year	**215,534,640**	281,433,913
Paid during the year	**(214,580,645)**	(152,732,805)
At December 31	**₱576,018,401**	₱571,064,406

Funds held for reinsurers pertain to amounts retained by the Company computed as a certain percentage of reinsurance premiums ceded out in accordance with reinsurance agreements. Interest expense on funds held for reinsurers amounted to ₱4,287,345 and ₱1,223,231 in 2023 and 2022, respectively.

18. Accounts Payable

This account consists of:

	2023	2022
Accounts payable (Note 13)	**₱250,899,059**	₱199,258,449
Output VAT payable	**663,144,246**	275,756,825
Commissions payable	**241,393,204**	237,348,112
Taxes payable	**222,434,237**	246,415,205
Accrued employee benefits	**45,750,284**	43,103,422
Due to related parties (Note 29)	**31,236,624**	11,489
Deposit surety bond	**28,309,234**	39,607,083
Security deposits	**21,669,042**	20,361,226
Accrued expenses	**11,343,017**	10,098,939
Others	**210,932**	210,932
	₱1,516,389,879	₱1,072,171,682

Accounts payable consists of advance premium payments from various brokers and suppliers. This also includes accrual of the construction cost of the property in Bonifactio, Global City, Taguig capitalized as "Building Construction in Progress" in Note 13.

Output VAT payable is net of input VAT and advance payment thru Bayad Center.

Commissions payable represent unpaid commissions to agents and brokers arising from policy issuances. Commission rates vary depending on the product line and coverage of the policy. These are noninterest-bearing and are due upon receipt of premium payments.

Taxes payable consist of documentary stamps, business tax, fire service tax, premium tax, and withholding tax. These are subsequently remitted within one month after the reporting date.

Accrued employee benefits include service award liability and accruals for productivity incentives granted to the Company's employees except those under contractual employment. Productivity incentives are due on the 15th of May of the following year. Service awards expense included under "Salaries, allowances and benefits" amounted to ₱3,604,862 and ₱61,070 was recognized in 2023 and 2022, respectively. Actuarial loss/(gain) on service award benefit of employees amounted to to ₱ 460,865 and (₱791,054) in 2023 and 2022, respectively.

Due to related parties represent the premium cessions and acceptances, which are due and demandable, of the Company in accordance with terms agreed.

Deposit surety bond pertains to bond deposits which will be refunded by the Company upon the performance of the contractual obligations set forth in the surety bond agreement.

Security deposits represent advance payments from tenants which are refunded upon termination of the related lease contracts.

Accrued expenses include unpaid utility, contracted services, professional, and maintenance expenses. These are settled within one year after the reporting date.

Others are noninterest-bearing and are normally settled within one year.

19. Notes Payable

Movements of the account follow:

	2023	2022
At January 1	**₱1,141,000,000**	₱396,000,000
Availments	**–**	747,000,000
Payments	**(302,000,000)**	(2,000,000)
At December 31	**₱839,000,000**	₱1,141,000,000

This account consists of various promissory notes against a local bank with terms ranging from 1 month to 6 years. The notes payable bear nominal interest of 5.8000% to 6.9572% in 2023 and 3.5000% to 5.8035% in 2022.

Interest expense on notes payable amounted to ₱54,039,865 and ₱13,860,000 in 2023 and 2022, respectively.

20. **Pension Asset - net**

The Company has a noncontributory defined benefit plan covering all regular employees and which requires contributions to be made to a separately administered retirement fund. Benefits are based on the employee's years of service and final plan salary. The Board of Trustees of the plan is responsible for setting investment strategies. The Retirement Plan is considered a "reasonable private benefit plan" within the contemplation of Republic Act No. 4917.

The retirement plan of the Company is being administered by Pioneer Group of Insurance Companies Staff Retirement Benefit Plan.

Changes in pension liability (asset) are as follows:

		Net benefit cost in statement of income				**Remeasurements in other comprehensive income**							
	At January 1, 2023	**Current service cost** (Note 25)	**Net interest** (Note 25)	**Subtotal**	**Benefits paid**	**Return on plan assets (excluding amount included in net interest)**	**Actuarial changes arising from changes in demographic assumptions**	**Actuarial changes rising from changes in financial assumptions**	**Actuarial changes arising from experience adjustments**	**Subtotal**	**Net acquired obligation due to transfers**	**Contributions**	**At December 31, 2023**
Present value of defined benefit obligation	**₱272,276,101**	**₱22,129,679**	**₱18,388,045**	**₱40,517,724**	**(₱26,060,819)**	**₱–**	**₱–**	**₱30,675,883**	**(₱16,483,569)**	**₱14,192,314**	**₱993,702**	**₱–**	**₱301,919,022**
Fair value of plan assets	**(501,283,003)**	–	**(34,968,144)**	**(34,968,144)**	**26,060,819**	**20,160,584**	–	–	–	**20,160,584**	–	–	**(490,029,744)**
	(₱229,006,902)	**₱22,129,679**	**(₱16,580,099)**	**5,549,580**	**₱–**	**₱20,160,584**	**₱–**	**₱30,675,883)**	**(₱16,483,569)**	**₱34,352,898**	**₱993,702**	**₱–**	**(₱188,110,722)**

		Net benefit cost in statement of income				Remeasurements in other comprehensive income							
	At January 1, 2022	Current service cost (Note 25)	Net interest (Note 25)	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes rising from changes in financial assumptions	Actuarial changes arising from experience adjustments	Subtotal	Net acquired obligation due to transfers	Contributions	At December 31, 2022
Present value of defined benefit obligation	₱363,237,318	₱27,097,090	₱17,499,954	₱44,597,044	(₱13,221,645)	₱–	₱–	(₱14,441,316)	(₱108,565,700)	(₱136,228,661)	₱670,400	₱–	₱272,276,101
Fair value of plan assets	(471,907,548)	–	(24,027,187)	(24,027,187)	13,221,645	41,430,087	–	–	–	54,651,732	–	(₱60,000,000)	(501,283,003)
	(₱108,670,230)	₱27,097,090	(₱6,527,233)	₱20,569,857	₱–	₱41,430,087	₱–	(₱14,441,316)	(₱108,565,700)	(₱81,576,929)	₱670,400	(₱60,000,000)	(₱229,006,902)

The distribution of the plan assets of the Pioneer Group, of which 66.08% and 69.33% is attributed to the Company as of December 31, 2023 and 2022, respectively, follows:

	2023	2022
Cash and cash equivalents	**₱68,033,919**	₱89,667,579
Investment in associate - at fair value	**137,801,349**	138,799,103
Equity securities - at fair value	**219,805,992**	205,721,263
Investment properties - at fair value	**61,805,214**	62,252,717
Accounts receivable	**2,583,270**	4,842,341
Total plan assets	**₱490,029,744**	₱501,283,003

The carrying value of retirement plan assets approximates its fair value as of December 31, 2023 and 2022. All investments held have quoted prices in active markets. Also, the plan assets have diverse investments and do not have any concentration risk.

The Company does not expect to contribute to the retirement fund in 2024. Currently, the Company does not employ any asset-liability matching strategy.

The principal assumptions used in determining pension obligation for the Company's plan are shown below:

	2023	2022
Discount rate*	**6.12%**	7.24%
Salary increase rate	**7.50%**	7.50%
Average years of service	**8.50**	8.94
Mortality rate**	**2017 PICM**	2017 PICM
Disability rate	**1952 Disability Study, Period 2, Benefit 5**	1952 Disability Study, Period 2, Benefit 5

** This is the single weighted average discount rate which is based on PHP-BVAL rates at various tenors as of December 27, 2021 and PDEX-PDST R2 rates at various bootstrapped tenors as of December 29,2018. Rates for intermediate durations were interpolated.*
*** Philippine intercompany mortality*

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2023 and 2022, assuming all other assumptions were held constant. The impacts on present value of defined benefit obligation follow:

	Increase (decrease)	Impact on present value of defined benefit obligation **2023**	2022
Discount rates	+1%	**(₱27,831,586)**	(₱21,424,994)
	-1%	**32,877,549**	25,025,715
Future salary increases	+1%	**33,455,592**	25,960,436
	-1%	**(28,862,270)**	(22,628,066)

The maturity analysis of the undiscounted benefit payments follows:

	2023	2022
Within 1 year	**₱22,707,574**	₱36,595,168
More than 1 year to 5 years	**92,959,367**	87,036,058
More than 5 years to 10 years	**183,025,710**	154,963,326
More than 10 years to 15 years	**218,809,663**	230,734,571
More than 15 years to 20 years	**189,000,619**	173,941,647
More than 20 years	**1,453,322,839**	1,276,434,158

Salaries, allowances, and other benefits consist of (see Note 25):

	2023	2022
Salaries and wages	**₱421,198,708**	₱378,334,411
Employee welfare and allowances	**93,167,340**	82,528,486
Social security costs	**28,828,919**	22,635,724
Pension expense	**9,617,454**	24,130,205
Others	**1,779,069**	2,690,006
	₱554,591,490	₱510,318,832

Pension expense includes payments to the defined contribution retirement plan of employees of the Company's Hong Kong branch amounting to ₱3,074,172 and ₱2,889,948 in 2023 and 2022, respectively.

21. Retained Earnings

On March 17, 2023, the BOD approved the declaration of cash dividends amounting to ₱54,269,100 or ₱18.0897 per share out of the unappropriated retained earnings of the Company in favor of stockholders of record as of December 31, 2022. The Company fully paid the said dividends on August 30, 2023.

On June 24, 2022, the BOD approved the declaration of cash dividends amounting to ₱40,000,200 or ₱13.3334 per share out of the unappropriated retained earnings of the Company in favor of stockholders of record as of December 31, 2021. The Company fully paid the said dividends on August 30, 2022.

22. Net Earned Premiums

Net earned premiums on insurance contracts are as follows:

	2023	2022
Gross premiums written:		
Direct	**₱14,817,888,765**	₱12,401,793,654
Assumed	**728,312,445**	798,402,225
Total gross premiums written (Note 16)	**15,546,201,210**	13,200,195,879
Gross change in provision for unearned premiums	**(1,249,376,227)**	(178,391,881)
Total gross earned premiums (Note 16)	**14,296,824,983**	13,021,803,998

(Forward)

	2023	2022
Reinsurers' share of gross premiums written:		
Direct	**₱10,949,262,210**	₱9,311,249,446
Assumed	**159,752,876**	403,391,226
Total reinsurer's share of gross premiums written	**11,109,015,086**	9,714,640,672
Reinsurers' share of change in provision for unearned premiums	**(749,555,878)**	(147,861,768)
Total reinsurers' share of gross earned premiums (Note 16)	**10,359,459,208**	9,566,778,904
	₱3,937,365,775	₱3,455,025,094

23. Investment Income

This account consists of:

	2023	2022
Interest income		
Cash and cash equivalents (Note 4)	**₱315,262,020**	₱89,227,735
Short-term investments (Note 5)	**44,210,533**	24,463,646
Investment securities at amortized cost (Note 7)	**19,139,937**	15,876,259
Loans receivable (Note 7)	**6,270,000**	14,160,113
Financial assets at FVTPL (Note 7)	**5,087,224**	1,321,932
Chattel mortgage loans (Note 7)	**3,166,541**	3,172,231
Insurance receivables (Note 6)	**520,747**	1,046,087
	393,657,002	149,268,003
Fair value gains on investment properties (Note 12)	**108,718,716**	156,571,119
Rental income (Notes 12 and 26)	**85,764,562**	86,370,259
Dividend income (Notes 7 and 14)	**68,246,937**	40,056,010
Fair value losses on financial assets at FVTPL (Note 7)	**(9,362,848)**	(9,660,856)
Gain on sale of memorial lots (Note 15)	**–**	17,379,867
	₱647,024,369	₱439,984,402

24. Net Insurance Contract Benefits and Claims Paid

Gross insurance contract benefits and claims paid follow:

	2023	2022
Direct	**₱3,681,554,005**	₱3,949,967,612
Assumed	**147,349,074**	163,886,781
	₱3,828,903,079	₱4,113,854,393

Reinsurers' share of insurance contracts benefits and claims paid follows:

	2023	2022
Direct	**₱2,367,521,080**	₱2,363,478,647
Assumed	**50,330,149**	57,452,844
	₱2,417,851,229	₱2,420,931,491

Gross change in insurance contract benefits and claims liabilities follow:

	2023	2022
Change in provision for claims reported and loss adjustment expenses (Note 16)		
Direct	**₱2,125,794,143**	₱4,387,339,194
Assumed	**126,574,901**	149,799,150
Change in provision for claims IBNR (Note 16)	**1,862,180,382**	5,088,368,436
	₱4,114,549,426	₱9,625,506,780

Reinsurers' share of change in insurance contract benefits and claims liabilities follow:

	2023	2022
Reinsurers' share of change in insurance provision for claims reported and loss adjustment expenses (Note 16)	**₱2,474,409,758**	₱4,725,342,418
Reinsurer's share of change in provision for claims IBNR (Note 16)	**1,769,621,242**	4,953,459,530
	₱4,244,031,000	₱9,678,801,948

25. General Expenses

This account consists of:

	2023	2022
Salaries, allowances and benefits (Note 20)	**₱554,591,490**	₱510,318,832
Depreciation and amortization (Notes 13 and 26)	**127,162,985**	132,031,040
Security, janitorial, and contractual services	**120,270,869**	79,787,697
Professional fees	**73,883,363**	74,501,321
Repairs and maintenance	**66,595,273**	55,139,793
Communication, light, and water	**36,068,794**	33,371,124
Advertising expense	**21,861,857**	11,707,438
Taxes and licenses	**20,628,197**	16,179,795
Transportation and travel	**20,504,639**	13,003,779
Entertainment, amusement, and recreation	**16,112,003**	16,396,567
Office supplies, printing, and stationery	**14,095,195**	13,035,246
Membership and subscription dues	**8,704,702**	8,910,594
Seminar and training expenses	**7,869,768**	6,734,381
Rent expense (Note 26)	**5,695,471**	5,364,511
Insurance expense	**3,263,564**	8,390,797
Interest expense on lease liabilities (Note 26)	**986,106**	778,361
Donation and charitable contribution	**375,000**	673,500
Miscellaneous	**75,438,276**	166,119,539
	₱1,174,107,552	₱1,152,444,315

26. **Leases**

Company as a lessee
The Company has lease contracts for various items office spaces used in its operations. Leases of office spaces generally have lease terms between 3 and 5 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Company is restricted from assigning and subleasing the leased assets and some contracts require the Company to maintain certain financial ratios. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The Company also has certain leases of office spaces with lease terms of 12 months or less and leases of office equipment with low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

The rollforward analysis of the right-of-use asset follows:

	2023	2022
Cost		
At January 1	**₱46,518,737**	₱43,970,375
Additions	**26,241,824**	2,548,362
At December 31	**72,760,561**	46,518,737
Accumulated Depreciation and Amortization		
At January 1	**35,325,470**	25,760,035
Amortization	**11,020,497**	9,565,435
At December 31	**46,345,967**	35,325,470
Net Book Value	**₱26,414,594**	₱11,193,267

The rollforward analysis of lease liabilities follows:

	2023	2022
At January 1	**₱12,027,842**	₱19,613,554
Additions	**26,241,824**	2,548,362
Interest expense (Note 25)	**986,106**	778,361
Payments	**(12,875,998)**	(10,912,435)
As at December 31	**₱26,379,774**	₱12,027,842

The following are the amounts recognized in the statements of income under 'General expenses' account (see Note 25):

	2023	2022
Amortization expense of right-of-use assets	**₱11,020,497**	₱9,565,435
Interest expense on lease liabilities	**986,106**	778,361
Rent expense relating to short-term leases	**5,695,471**	5,364,511
Total amount recognized in statement of income (Note 25)	**₱17,702,074**	₱15,708,307

Shown below is the maturity analysis of the undiscounted lease payments:

	2023	2022
1 year	**₱9,668,608**	₱6,450,503
more than 1 years to 2 years	**11,794,649**	2,793,902
more than 2 years to 3 years	**7,075,325**	1,561,098
more than 3 years to 4 years	**5,843,707**	1,184,469
more than 4 years to 5 years	**2,580,740**	398,755
more than 5 years	**1,541,801**	–
	₱38,504,830	₱12,388,727

Company as a lessor
The Company has entered into various leases for its investment properties and office spaces. These leases have terms ranging from one to five years. Some of these lease agreements include clauses for 5% annual escalation in rental fees.

The Company, as a lessor, earned rental income of ₱85,764,562 and ₱86,370,259 in 2023 and 2022, respectively (see Notes 12 and 23).

The Company, as lessor, has future minimum rentals receivable under noncancellable operating leases on its investment properties as follows:

	2023	2022
1 year	**₱75,564,560**	₱115,136,754
more than 1 years to 2 years	**63,540,173**	86,323,884
more than 2 years to 3 years	**53,858,349**	68,337,277
more than 3 years to 4 years	**36,207,092**	66,479,994
more than 4 years to 5 years	**16,748,691**	36,612,887
	₱245,918,865	₱372,890,796

27. **Income Tax**

The provision for (benefit from) income tax consists of:

	2023	2022
Current	**₱252,296,273**	₱117,824,175
Deferred	**(32,450,962)**	(8,216,974)
	₱219,845,311	₱109,607,201

The current provision for income tax consists of:

	2023	2022
Regular corporate income tax (RCIT)	**₱182,790,756**	₱92,383,107
Final tax	**69,445,757**	25,183,726
Gross income tax (GIT) (Note 28)	**59,760**	257,342
	₱252,296,273	₱117,824,175

The Company's net deferred tax liabilities relate to the tax effects of the following:

	2023	2022
Through profit or loss		
Deferred tax assets:		
Provision for IBNR	**₱258,209,899**	₱281,349,684
Allowance for credit and impairment losses	**112,257,321**	124,319,538
Unamortized past service cost	**40,848,841**	46,562,183
Accrued service award and bonuses	**2,367,042**	1,705,326
Right of use asset - net	**65,361**	282,710
	413,748,464	454,219,441
Deferred tax liabilities:		
Unrealized foreign currency exchange gain	**(5,400,135)**	(68,098,029)
Pension asset	**(59,579,643)**	(69,803,688)
	348,768,686	316,317,724
Through OCI		
Deferred tax liabilities:		
Pension asset	**(510,580)**	(9,098,806)
Revaluation surplus on property and equipment	**(1,473,027,266)**	(1,122,336,484)
Deemed cost adjustments on property and equipment	**(55,586,276)**	(55,586,276)
Reserve for fluctuation in value of FVOCI financial assets	**(35,957,581)**	(31,019,892)
	(1,565,081,703)	(1,218,041,458)
	(₱1,216,313,017)	(₱901,723,734)

There were no unrecognized deferred tax assets as of December 31, 2023 and 2022.

The reconciliation of income tax computed at statutory income tax rate to the provision for income tax reported in the statements of income is shown below:

	2023	2022
Income tax at statutory income tax rate (25%)	**₱257,290,132**	₱118,856,942
Add (deduct) the tax effects of:		
Tax exempt income	**(45,452,058)**	(118,812,215)
Nondeductible expenses	**31,558,274**	118,400,484
Interest income already subjected to final tax	**(23,252,238)**	(7,808,640)
Income subjected to lower tax rate (Note 28)	**(298,799)**	(1,029,369)
Provision for income tax	**₱219,845,311**	₱109,607,202

28. Registration with PEZA

On April 23, 2007, the Company was registered with the PEZA to establish, develop, construct, administer, manage, and operate an Information Technology (IT) Center known as Pioneer House Cebu. Under the terms and conditions of its registration, the Company is entitled to the option to pay a special 5% tax on gross income earned from IT Locator enterprises, in lieu of all national and local taxes, except real property taxes on land owned by the Company. Accordingly, the Company took the option to pay 5% tax on gross income earned as IT locator enterprise, of which 2% was remitted to the Local Government Unit (LGU) and 3% to the national government.

29. Related Party Transactionsn

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Significant related party transactions are summarized in the succeeding page.

	2023			
Category	Volume	Outstanding balance	Terms	Conditions
Parent				
Pioneer, Inc.				
Due from related parties (d) (Note 7)	**₱52,000,000**	**₱52,000,000**	Noninterest-bearing, due and demandable	Unsecured, no impairment
Due to related parties (d) (Note 18)	**(33,874)**	**(22,385)**	Noninterest-bearing, due and demandable	Unsecured
Subsidiaries				
PIIC				
Due from ceding company (a, b)	**6,382,052**	**12,856,500**	Noninterest-bearing, due and demandable	Unsecured, no impairment
Insurance recoverable on paid losses (a, b)	**36,290,626**	**82,127,362**	Noninterest-bearing, due and demandable	Unsecured, no impairment
Insurance recoverable on unpaid losses (a, b)	**(15,644,337)**	**114,272,301**	Noninterest-bearing, due and demandable	Unsecured, no impairment
Rental income (c)	**1,877**	**231,754**	Noninterest-bearing, due and demandable	Unsecured
Due to related parties (d) (Note 18)	**(4,995,895)**	**729,899**	Noninterest-bearing, due and demandable	Unsecured, no impairment
Due to reinsurer (a, b)	**70,793,721**	**247,812,773**	Noninterest-bearing, due and demandable	Unsecured
Funds held for ceding company	**(169,280)**	**801,757**	Noninterest-bearing, due and demandable	Unsecured
CPMI				
Due from ceding company (a, b)	**40,289**	**40,289**	Noninterest-bearing, due and demandable	Unsecured, no impairment
Insurance recoverable on paid losses (a, b)	**5,094,528**	**11,194,222**	Noninterest-bearing, due and demandable	Unsecured, no impairment
Insurance recoverable on unpaid losses (a, b)	**837,219**	**5,993,294**	Noninterest-bearing, due and demandable	Unsecured, no impairment
Funds held for ceding companies (a, b)	**(1,014,579)**	**5,158,437**	Noninterest-bearing, due and demandable	Unsecured, no impairment
Rental income (c)	**423,163**	**1,297,855**	Noninterest-bearing, due and demandable	Unsecured,
Due from related parties (d)	**(192,742)**	–	Noninterest-bearing, due and demandable	Unsecured
Due to reinsurer (a, b)	**23,893,000**	**48,457,469**	Noninterest-bearing, due and demandable	Unsecured
Funds held by ceding company	**107,700,713**	**107,700,713**	Noninterest-bearing, due and demandable	Unsecured, no impairment
Associate				
PTC				
Cash and cash equivalents (e)	**518,311,487**	**4,996,042,784**	Interest-bearing, due and demandable	Unsecured
Short term investments (e)	**399,139,293**	**568,065,916**	Interest-bearing, due and demandable	Unsecured
Premiums receivable (b)	**8,956,600**	**9,031,401**	Noninterest-bearing, due and demandable	Unsecured, no impairment

(Forward)

Category	2023 Volume	Outstanding balance	Terms	Conditions
PAI				
Due from related parties (d)	**₱–**	**₱–**	Interest-bearing, due and demandable	Unsecured
PHI				
Rental income (c)	**5,761,142**	**5,761,142**	Noninterest-bearing, due and demandable	Unsecured
Due from related parties (d)	**7,574,604**	**17,080,579**	Noninterest-bearing, due and demandable	Unsecured
Joint Venture				
MPII				
Due from ceding company (a,b)	**(18,299,081)**	**67,074,856**	Noninterest-bearing, due and demandable	Unsecured
Insurance recoverable on paid losses (a, b)	**115,806,598**	**156,204,875**	Noninterest-bearing, due and demandable	Unsecured, no impairment
Insurance recoverable on unpaid losses (a, b)	**(148,049,578)**	**259,383,550**	Noninterest-bearing, due and demandable	Unsecured, no impairment
Due to reinsurer (a, b)	**36,900,003**	**237,514,489**	Noninterest-bearing, due and demandable	Unsecured
Rental income (c)	**46,800**	**46,800**	Noninterest-bearing, due and demandable	Unsecured
Due from related parties (d) (Note 7)	**(587,770)**	**391,522**	Noninterest-bearing, due and demandable	Unsecured, no impairment
Funds held by ceding companies (a, b)	**(155,273)**	**372,376**	Noninterest-bearing, due and demandable	Unsecured, no impairment
Funds held for ceding companies (a, b)	**40,636,662**	**45,838,625**	Noninterest-bearing, due and demandable	Unsecured, no impairment
Entities under common control				
PLI				
Rental income (c)	**12,752,012**	**12,752,012**	Noninterest-bearing, due and demandable	Unsecured
Due from related parties (d)	**(7,351,662)**	**–**	Noninterest-bearing, due and demandable	Unsecured
Due to related parties (Note 18)	**30,529,110**	**30,529,110**	Noninterest-bearing, due and demandable	Unsecured
Pioneer Life Holdings Inc.				
Due from related parties (d)	**–**	**203,906**	Noninterest-bearing, due and demandable	Unsecured, no impairment

Category	2022 Volume	Outstanding balance	Terms	Conditions
Parent				
Pioneer, Inc.				
Due from related parties (d) (Note 18)	₱11,489	₱11,489	Noninterest-bearing, due and demandable	Unsecured, no impairment
Subsidiaries				
PIIC				
Due from ceding company (a, b)	5,448,298	6,474,448	Noninterest-bearing, due and demandable	Unsecured, no impairment
Insurance recoverable on paid losses (a, b)	14,754,778	45,836,736	Noninterest-bearing, due and demandable	Unsecured, no impairment
Reinsurance recoverable on unpaid losses (a, b)	46,736,379	129,916,638	Noninterest-bearing, due and demandable	Unsecured, no impairment

(Forward)

	2022			
Category	Volume	Outstanding balance	Terms	Conditions
Rental income (c)	₱229,877	₱229,877	Noninterest-bearing, due and demandable	Unsecured,
Due to related parties (d) (Note 18)	20,274,199	5,725,794	Noninterest-bearing, due and demandable	Unsecured,
Due to reinsurers (a, b)	54,579,207	177,019,052	Noninterest-bearing, due and demandable	Unsecured
Funds held for reinsurers	503,383	971,037	Noninterest-bearing, due and demandable	Unsecured
CPMI				
Due from ceding companies (a, b)	(2,097,196)	–	Noninterest-bearing, due and demandable	Unsecured, no impairment
Insurance recoverable on paid losses (a, b)	3,753,601	6,099,694	Noninterest-bearing, due and demandable	Unsecured, no impairment
Reinsurance recoverable on unpaid losses (a, b)	1,163,140	5,156,075	Noninterest-bearing, due and demandable	Unsecured, no impairment
Funds held by ceding companies (a, b)	5,011,759	6,173,016	Noninterest-bearing, due and demandable	Unsecured, no impairment
Rental income (c)	874,692	874,692	Noninterest-bearing, due and demandable	Unsecured,
Due from related parties (d)	182,430	192,742	Noninterest-bearing, due and demandable	Unsecured
Due to reinsurers (a, b)	24,564,469	24,564,469	Noninterest-bearing, due and demandable	Unsecured,
Associate				
PTC				
Cash and cash equivalents (e)	813,829,036	4,477,731,297	Interest-bearing, due and demandable	Unsecured
Short term investments (e)	(7,270,721)	168,926,623	Interest-bearing, due and demandable	Unsecured
Premiums receivable (b)	152,180	74,801	Noninterest-bearing, due and demandable	Unsecured
PAI				
Due from related parties (d)	(33,500,000)	–	Interest-bearing, due and demandable	Unsecured
PHI				
Rental income (c)	4,503,222	4,503,222	Noninterest-bearing, due and demandable	Unsecured
Due to related parties (d)	8,699,575	9,505,975	Noninterest-bearing, due and demandable	Unsecured
Joint Venture				
MPII				
Due from ceding companies (a,b)	28,017,741	85,373,937	Noninterest-bearing, due and demandable	Unsecured
Insurance recoverable on paid losses (a, b)	(27,419,942)	40,398,277	Noninterest-bearing, due and demandable	Unsecured, no impairment
Reinsurance recoverable on unpaid losses (a, b)	180,244,242	407,433,128	Noninterest-bearing, due and demandable	Unsecured, no impairment
Due to reinsurer	71,170,703	200,614,486	Noninterest-bearing, due and demandable	Unsecured,
Due from related parties (d)	128,982,596	979,292	Noninterest-bearing, due and demandable	Unsecured
Rental income (c)	46,800	46,800	Noninterest-bearing, due and demandable	Unsecured

(Forward)

	2022			
Category	Volume	Outstanding balance	Terms	Conditions
Due from related parties (d)	(₱194,566)	₱527,649	Noninterest-bearing, due and demandable	Unsecured, no impairment
Funds held by ceding companies (a, b)	(194,566)	527,649	Noninterest-bearing, due and demandable	Unsecured, no impairment
Funds held for reinsurers (a, b)	1,144,822	5,201,963	Noninterest-bearing, due and demandable	Unsecured, no impairment
Entities under common control				
PLI				
Rental income (c)	14,399,025	14,399,025	Noninterest-bearing, due and demandable	Unsecured
Due from related parties (d)	14,399,025	7,351,662	Noninterest-bearing, due and demandable	Unsecured
Pioneer Life Holdings Inc.				
Due from related parties (d)	–	203,906	Noninterest-bearing, due and demandable	Unsecured, no impairment

The Company's related party transactions pertain to the following:

a. In the ordinary course of business, the Company accepts and cedes insurance business under various reinsurance contracts with its subsidiaries PIIC and CPMI and joint venture, MPII (see Notes 22 and 24).

b. The Company has outstanding insurance balances due from (to) its subsidiaries PIIC and CPMI and its associate, PTC included in the statements of financial position (see Notes 6, 16, and 17).

c. The Company earns rentals from its buildings and condominium units under lease agreements with its subsidiaries PIIC and CPMI and an entity under common control PLI (see Note 26).

d. The Company has receivables from (payables to) its parent company PI, its affiliates PIIC, CPMI, PTA, and entity under common control PLI, for their advances for various expenses, which are included in 'Loans and receivables' (see Note 7) and 'Accounts payable' (see Note 18).

e. The Company has time deposits from the PTC which earns interest at annual interest rates ranging from 5.75% to 6.5% and 2.00% to 4.00% in 2023 and 2022, respectively.

f. The Company's retirement fund is administered and monitored by the Pioneer Group's Investment Committee which is headed by the Company's independent director (see Note 20).

g. The Company has investments in unquoted preferred equity shares of PLHI classified as financial assets at FVOCI in 2023 and 2022 (see Notes 7 and 32).

h. Key management personnel of the Company include all personnel having a position of Assistant Vice President and above. The summary of compensation of key management personnel is shown below:

	2023	2022
Salaries and other short-term employee benefits	**₱147,597,483**	₱140,320,098
Post-employment and other long-term benefits	**3,252,365**	(214,698)
	₱150,849,848	₱140,105,400

i. As of December 31, 2023 and 2022, the Company does not have any transactions, either directly or indirectly, with the retirement benefit fund.

30. Capital Management

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 regulators and the amount computed under the Risk-Based Capital (RBC) Model.

To ensure compliance with these externally imposed capital requirements, it is the Company's policy to monitor the paid-up capital, net worth and RBC requirements on a quarterly basis as part of the Company's internal financial reporting process.

As of December 31, 2023 and 2022, the Company fully complied with the externally-imposed capital requirements during the reported financial periods. These are the fixed capitalization requirement and RBC requirement.

Fixed Capitalization Requirements

On January 13, 2015, the Insurance Commission issued Circular Letter No. 2015-02-A clarifying the minimum capitalization and net worth requirements of new and existing insurance companies in the Philippines. Based on the said Circular Letter, all domestic life and non-life insurance companies duly licensed by the Insurance Commission must have a net worth of at least ₱550.0 million by December 31, 2016. The minimum net worth of the said companies shall remain unimpaired at all times and shall increase to the amounts as follows:

Minimum Networth	Compliance Date
₱550,000,000	December 31, 2016
900,000,000	December 31, 2021
1,300,000,000	December 31, 2022

The Company has ₱18,944,845,883 and ₱16,980,500,907 estimated net worth as of December 31, 2023 and 2022, respectively, and has complied with the minimum paid-up capital and net worth requirements.

RBC Requirements

Insurance Memorandum Circular (IMC) No. 7-2006 adopted the RBC framework for the nonlife insurance industry to establish the required amounts of capital to be maintained by the companies in relation to their investment and insurance risks. Every nonlife insurance company is annually required to maintain a minimum required RBC ratio of 100% and not fail the trend test. Failure to meet the minimum RBC ratio shall subject the nonlife insurance company to the corresponding regulatory intervention which has been defined at various levels.

Pursuant to IC CL No. 2017-15, *Regulatory Requirements and Actions for the New Regulatory Framework*, effective January 1, 2017, nonlife insurance companies are required to maintain minimum RBC2 requirement as prescribed under IC CL No. 2016-68, *Amended Risk-Based Capital (RBC2) Framework*. Under the RBC2 Framework, the RBC ratio shall be calculated as total available capital divided by the RBC2 requirement. The following table shows the estimated RBC ratio as of December 31 as determined by the Company based on the RBC2 Framework:

	2023	2022
Total available capital	**₱19,439,935,390**	₱14,819,546,962
RBC2 requirement	**5,894,326,363**	5,782,256,496
RBC2 ratio	**330%**	256%

Based on the 2022 initial result of IC examination, the Company was able to comply with the minimum RBC2 requirement. The final amount of the 2023 RBC ratio can only be determined after the accounts of the Company have been examined by the IC.

The total available capital shall be the aggregate of Tier 1 and Tier 2 capital minus deductions, subject to applicable limits and determinations. Tier 1 capital represents capital that is fully available to cover losses of the insurer at all times on a going-concern and winding up basis. This capital is considered to be the highest quality capital available to the insurer. Tier 2 Capital does not have the same high quality characteristics of Tier 1 capital, but can provide an additional buffer to the insurer. Tier 2 capital shall not exceed 50% of Tier 1 Capital.

The RBC requirement shall be the capital that is required to be held appropriately to the risks an insurance company is exposed to, computed using the formula as prescribed under IC CL No. 2016-68.

Financial Reporting Framework

IC CL No. 2016-65, *Financial Reporting Framework under Section 189 of the Amended Insurance Code*, prescribes the new financial reporting framework (FRF) that will be used for the statutory quarterly and annual reporting effective January 1, 2017. This also includes rules and regulations concerning Titles III and IV of Chapter III of the Amended Insurance Code and all other accounts not discussed in the Amended Insurance Code but are used in accounting of insurance and reinsurance companies.

Circular Letter 2016-67, *Valuation Standards for Non-life Insurance Policy Reserves*, prescribes the new valuation methodology for the non-life insurance companies. This circular letter superseded Circular Letter No. 2015-32. Non-life insurance companies will be changing the basis of valuation of their non-life insurance reserves. In addition to the unearned premium reserves, the concept of unexpired risk reserves is also included in the calculation of the premium liability. The incurred but not reported (IBNR) reserves will now be computed using actuarial projection techniques such as but not limited to the chain ladder method, expected loss ratio method and Bornheutter-Ferguson method. A margin for adverse deviation is estimated based on standard projection techniques or combination of such techniques, such as but not limited to the Mack Method, Bootstrapping Method, Stochastic Chain Ladder Method to bring the actuarial estimate of the Policy Liabilities at the 75th percentile level of sufficiency. Discount rates to be used shall be current risk-free rates. The rates shall exactly match the duration of the policy and the currency of the cash flows and shall be prescribed by the Insurance Commission.

Circular Letter No. 2016-68, *Amended Risk-Based Capital (RBC2) Framework*, prescribes that all insurance companies must satisfy the minimum statutory RBC ratio of 100% and not fail the Trend Test as stated under Section 3 of this Circular. The RBC ratio of an insurance company shall be equal to the Total Available Capital (TAC) divided by the RBC requirement.

Circular Letter 2018-18, *New Standards for Non-Life Insurance Policy Reserves*, superseded Circular Letters 2016-06 and 2016-67. Under this methodology of determining the ultimate premium liability, the concept of deferred acquisition cost is introduced. The premium liability to be recognized is the higher of the unearned premium reserve net of deferred acquisition cost or the unearned risks reserve.

On March 9, 2018 the IC issued Circular Letter 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",* which provides that item *3c Margin for Adverse Deviation* (MfAD) of said circular is hereby amended as follows:

Companies shall be allowed to set the MfAD as follows:

Period Covered	Percentage (%) of company-specific MfAD
2017	0%
2018	50%
2021 onwards	100%

The Company complied with the aforementioned regulation and recognized MfAD of ₱409,450,223 and ₱391,699,718 in the 2023 and 2022 respectively, within 'Insurance contract liabilities'. The Company used 100% in for 2023 and 2022.

31. **Management of Insurance and Financial Risks**

Insurance Risk
The risk under an insurance contract is the possibility of occurrence of insured event and uncertainty of the amount and timing of the resulting claim. The principal risk the Company faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims and if actual benefits paid is greater than originally estimated.

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

The majority of reinsurance business ceded is placed on a quota share basis with retention limits. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the statements of financial position as 'Reinsurance assets'.

Although the Company has reinsurance agreements, 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 assumed under such reinsurance agreements.

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

The business of the Company mainly comprises of nonlife insurance contracts.

The Company principally issues the following types of general insurance contracts: fire, engineering, marine, motor car, general and personal accident, and miscellaneous casualty.

The following table sets out the concentration of the claims liabilities as of December 31, 2023 and 2022 by type of contract (see Note 16).

	2023			2022		
	Gross Claims Liabilities	**Reinsurers' Share of Claims Liabilities**	**Net**	Gross Claims Liabilities	Reinsurers' Share of Claims Liabilities	Net
Fire	**₱12,564,291,890**	**₱10,784,637,907**	**₱1,779,653,983**	₱16,953,268,418	₱15,268,650,623	₱1,684,617,795
Marine hull	**1,191,981,119**	**926,596,639**	**265,384,480**	1,826,089,854	1,562,263,114	263,826,740
Engineering	**1,050,280,727**	**1,004,985,961**	**45,294,766**	808,007,862	773,561,711	34,446,151
General accident	**669,160,049**	**379,484,072**	**289,675,977**	315,464,743	229,604,132	85,860,611
Motor car	**533,114,609**	**35,158,452**	**497,956,157**	506,841,567	33,824,572	473,016,995
Others	**2,727,223,774**	**2,470,152,415**	**257,071,359**	2,436,709,136	1,969,639,477	467,069,659
	₱18,736,052,168	**₱15,601,015,446**	**₱3,135,036,722**	₱22,846,381,580	₱19,837,543,629	₱3,008,837,951

The geographical concentration of the Company's insurance contract liabilities is noted below. The disclosures are based on the countries where the business is written.

	2023			2022		
	Gross Claims Liabilities	**Reinsurers' Share of Claims Liabilities**	**Net**	Gross Claims Liabilities	Reinsurers' Share of Claims Liabilities	Net
Philippines	**₱18,468,426,958**	**₱15,594,150,428**	**₱2,874,276,530**	₱22,580,014,465	₱19,838,646,422	₱2,741,368,043
Hong Kong	**267,625,210**	**6,865,018**	**260,760,192**	266,367,115	(1,102,793)	267,469,908
	₱18,736,052,168	**₱15,601,015,446**	**₱3,135,036,722**	₱22,846,381,580	₱19,837,543,629	₱3,008,837,951

Key assumptions

The principal assumption underlying the estimates is the Company's past claims development experience. This includes assumptions in respect of average claim costs, claims handling costs, claims inflation factors and number of claims for each accident year. Judgment is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

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

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities and income before income tax.

	2023			
	Change in Assumptions	**Impact on Gross Insurance Contract Liabilities**	**Impact on Net Insurance Contract Liabilities**	**Impact on Income Before Income Tax**
Average claim costs	**5% increase**	**₱834,924,901**	**₱192,032,727**	**(₱192,992,891)**
Average number of claims	**5% increase**	**₱796,156,651**	**₱183,116,030**	**(₱184,031610)**

	2022			
	Change in Assumptions	Impact on Gross Insurance Contract Liabilities	Impact on Net Insurance Contract Liabilities	Impact on Income Before Income Tax
Average claim costs	5% increase	₱1,003,859,408	₱200,771,882	(₱201,775,741)
Average number of claims	5% increase	₱1,018,101,439	₱203,620,288	(₱204,638,389)

Average claim costs and number of claims used for valuation are selected with consideration for statutory requirements, as specified in the Code.

The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

Claims development table
The Company aims to maintain strong reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. As claims develop and the ultimate cost of claims become more certain, adverse claims experiences are eliminated which results in the release of reserves from earlier accident years. In order to maintain strong reserves, the Company transfers much of this release to current accident year reserves when the development of claims is less mature and there is much greater uncertainty attaching to the ultimate cost of claims.

The following tables reflect the cumulative incurred claims, including both claims notified and claim IBNR, for each successive accident year at each reporting date, together with cumulative payments to date:

	Gross Insurance Contract Liabilities for 2023					
Accident year	2019 and prior years	2020	2021	2022	**2023**	**Total**
Estimate of ultimate claim costs						
At the end of accident year	₱6,699,320,699	₱5,955,562,248	₱5,494,414,528	₱10,859,055,996	**₱9,376,842,721**	**₱9,376,842,721**
One year later	6,699,320,699	5,126,757,932	7,895,746,664	2,563,275,814	**–**	**2,563,275,814**
Two years later	3,660,287,397	3,853,835,741	5,043,778,260	–	**–**	**5,043,778,260**
Three years later	2,958,676,484	1,772,859,090	–	–	**–**	**1,772,859,090**
Four years later	3,808,199,363	–	–	–	**–**	**3,808,199,363**
Current estimate of cumulative claims	3,808,199,363	1,772,859,090	5,043,778,260	2,563,275,814	**9,376,842,721**	**22,564,955,248**
Cumulative payments to date	228,121,776	346,953,700	1,436,227,706	1,227,091,660	**590,508,238**	**3,828,903,080**
Liability recognized in the statement of financial position	₱3,580,077,587	₱1,425,905,390	₱3,607,550,554	₱1,336,184,154	**₱8,786,334,483**	**₱18,736,052,168**

	Net Insurance Contract Liabilities for 2023					
Accident year	2019 and prior years	2020	2021	2022	**2023**	**Total**
Estimate of ultimate claim costs						
At the end of accident year	₱1,741,321,333	1,467,774,030	₱1,985,591,640	₱2,244,714,310	**₱2,306,279,939**	**₱2,306,279,939**
One year later	389,700,303	1,467,774,030	1,182,522,470	1,081,202,674	**–**	**1,081,202,674**
Two years later	389,700,303	589,076,614	400,411,058	–	**–**	**400,411,058**
Three years later	435,542,600	296,298,887	–	–	**–**	**296,298,887**
Four years later	461,896,016	–	–	–	**–**	**461,896,016**
Current estimate of cumulative claims	461,896,016	296,298,887	400,411,058	1,081,202,674	**2,306,279,939**	**4,546,088,574**
Cumulative payments to date	110,452,905	71,013,748	165,873,942	594,710,965	**469,000,292**	**1,411,051,852**
Liability recognized in the statement of financial position	₱351,443,111	₱225,285,139	₱234,537,116	₱486,491,709	**₱1,837,279,647**	**₱3,135,036,722**

Governance Framework
The Company has established a risk management function with clear terms of reference and with the responsibility for developing group-wide policies on credit, liquidity and market risk. It also supports the effective implementation of policies at the overall group and the individual business unit levels.

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

Fair Value of Financial Instruments
Due to short-term nature of cash and cash equivalents, short-term investments, insurance receivables, loans and receivables, accrued income, insurance payables, accounts payable and other liabilities and notes payable, the carrying values reasonably approximate fair values as of the reporting date.

The fair values of quoted financial assets at FVTPL, and FVOCI were determined using quoted market prices.

The table below shows an analysis of financial assets recorded at fair value by level of the fair value hierarchy:

	2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets measured at fair value:				
Financial assets at FVTPL:				
Listed equity securities	**₱171,410,901**	**₱–**	**₱–**	**₱171,410,901**
Government debt securities	**–**	**230,225,841**	**–**	**230,225,841**
Financial assets at FVOCI:				
Listed equity securities	**116**	**–**	**–**	**116**
Golf club shares	**–**	**589,341,693**	**–**	**589,341,693**
Unquoted equity securities	**–**	**119,112**	**639,717,207**	**639,836,319**
Assets for which fair values are disclosed:				
Investment securities at amortized cost				
Government debt securities	**513,423,998**	**–**	**–**	**513,423,998**
Loans and receivables	**–**	**–**	**745,092,073**	**745,092,073**
	₱684,835,015	**₱819,686,646**	**₱1,384,809,280**	**₱2,889,330,941**

	2022			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Financial assets at FVTPL:				
Listed equity securities	₱225,421,381	₱–	₱–	₱225,421,381
Government debt securities	–	59,811,734	–	59,811,734
Financial assets at FVOCI:				
Listed equity securities	174	–	–	174
Golf club shares	–	489,311,694	–	489,311,694
Unquoted equity securities	–	119,112	606,799,279	606,918,391
Assets for which fair values are disclosed:				
Investment securities at amortized cost				
Government debt securities	500,597,539	–	–	500,597,539
Loans and receivables	–	–	809,955,794	809,955,794
	₱726,019,094	₱549,242,540	₱1,416,755,073	₱2,692,016,707

The following table shows the reconciliation of the beginning and ending balances of Level 3 FVOCI financial assets which are recorded at fair value:

	2023	2022
At January 1	**₱606,799,279**	₱598,211,827
Fair value gains	**32,917,928**	8,587,452
At December 31	**₱639,717,207**	₱606,799,279

The Company has investments in PLHI's preferred shares of stock which are not quoted in the market as of December 31, 2023 and 2022. In 2023 and 2022, PLHI's preference shares were valued using dividend discount model (DDM) which calculates the intrinsic value of a stock, exclusive of current market conditions. DDM equates this value to the present value of a stock's future dividends.

PLHI did not distribute any dividend in 2023 and 2022. In performing its valuation, management assumed dividend payouts.

In accordance with the Company's fair value calculation using the DDM, the following fair value adjustments and consequential deferred tax impact were determined:

	2023	2022
Financial assets at FVOCI- at cost	**₱606,799,279**	₱598,211,827
Add fair value gains recognized in OCI, gross of deferred tax impact:		
Reserve for fluctuation in value of financial assets at FVOCI	**27,980,239**	7,299,334
Deferred tax liability on the reserve for fluctuation in value of financial assets at FVOCI (Note 27)	**4,937,689**	1,288,118
	32,917,928	8,587,452
Financial assets at FVOCI- at fair value	**₱639,717,207**	₱606,799,279

The analysis of the fair market value of PLHI's preferred shares below is performed for the reasonably possible movement in future dividend payments with all other variables held constant, showing the impact on the other comprehensive income:

	Significant unobservable input	**Level at yearend**	**Sensitivity of the input to fair value**
2023	**Dividend per share**	**₱6.00 per share**	**5% increase (decrease) in the dividend per share of the investee holding company would result in the decrease (increase) in fair value by ₱11,852,860.**
2022	Dividend per share	₱6.00 per share	5% increase (decrease) in the dividend per share of the investee holding company would result in the decrease (increase) in fair value by ₱11,406,964.

Financial Risk

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

Credit risk

Credit risk is the risk that the Company will incur a loss arising from its counterparties that fail to discharge their contractual obligations.

Prior to extending credit, the Company manages its credit risk by assessing the credit quality of its counterparty. The Company has a credit policy group that reviews all information about the counterparty which may include its statements of financial position, statements of income, statements of comprehensive income and other market information, and implements the internal rating system of the Company. The nature of the obligation is likewise considered. Based on this analysis, the credit analyst assigns the counterparty a credit rating to determine whether or not credit may be provided.

Credit risk limits are also used to manage credit exposure specific to each intermediary depending on the size of its portfolio and its ability to meet its obligation based on past experience.

As of December 31, 2023 and 2022, the carrying values of the Company's financial instruments represent maximum exposure to credit risk as reporting date. The Company does not enter into collateral or credit enhancements.

The table below provides information regarding the credit risk exposure of the Company by classifying financial assets according to external (cash and cash equivalent, short term investments and debt instruments) and internal (insurance receivables, other receivables at amortized cost and reinsurance recoverable on unpaid losses) credit ratings of the counterparties:

	2023				
	Investment Grade/ High Grade	**Below Investment Grade**	**Non-Investment Grade**	**Past Due or Impaired**	**Total**
Assets at amortized cost					
Cash and cash equivalents*	**₱7,715,732,697**	**₱–**	**₱–**	**–**	**₱7,715,732,697**
Short-term investments	**983,129,120**	**–**	**–**	**–**	**983,129,120**
Insurance receivables**					
Premiums receivable	**290,477,888**	**226,404,274**	**–**	**248,432,305**	**765,314,467**
Reinsurance recoverable on paid losses	**166,063,136**	**1,366,556,542**	**–**	**–**	**1,532,619,678**
Due from ceding companies	**20,498,138**	**143,353,700**	**–**	**–**	**163,851,838**
Loss reserve withheld by ceding company	**–**	**1,583,803**	**–**	**–**	**1,583,803**
Funds held by ceding companies - treaty	**88,620**	**108,094,942**	**–**	**–**	**108,183,562**
Loans receivable					
Due from related parties	**–**	**–**	**–**	**69,676,007**	**69,676,007**
Chattel mortgage loan	**50,229,194**	**–**	**–**	**–**	**50,229,194**
Accounts receivable	**–**	**–**	**–**	**393,252,850**	**393,252,850**
Accountable cash advance	**–**	**4,934,023**	**–**	**–**	**4,934,023**
Accrued income	**38,326,142**	**–**	**–**	**–**	**38,326,142**
Financial assets at FVTPL			**–**	**–**	
Government debt securities	**230,225,841**	**–**	**–**	**–**	**230,225,841**
Investments at amortized cost:					
Government debt securities	**353,079,973**	**–**	**–**	**–**	**353,079,973**
Reinsurance recoverable on unpaid losses	**645,374,883**	**14,955,640,565**	**–**	**–**	**15,601,015,448**
	₱10,493,225,632	**₱16,806,567,849**	**₱–**	**₱711,361,162**	**₱28,011,154,643**

** Cash and cash equivalents exclude petty cash fund.*
***High grade based on internal rating*

	2022				
	Investment Grade/ High Grade	Below Investment Grade	Non-Investment Grade	Past Due or Impaired	Total
Assets at amortized cost					
Cash and cash equivalents*	₱7,043,497,984	₱–	₱–	–	₱7,043,497,984
Short-term investments	529,625,874	–	–	–	529,625,874
Insurance receivables**					
Premiums receivable	246,798,117	204,803,539	–	491,896,160	943,497,816
Reinsurance recoverable on paid losses	175,240,145	961,302,626	–	38,176,103	1,174,718,874
Due from ceding companies	24,733,673	170,279,340	–	–	195,013,013
Funds held by ceding companies - treaty	–	812,664	–	–	812,664
Loans receivable	138,399	543,092	–	–	681,491
Due from related parties					
Chattel mortgage loan					
Accounts receivable	46,980,370	–	–	–	46,980,370
Accountable cash advance	–	–	–	508,249,957	508,249,957
Accrued income	–	2,766,096	–	–	2,766,096
Financial assets at FVTPL	20,640,519	–	–	–	20,640,519
Corporate debt securities					
Government debt securities	59,811,734	–	–	–	59,811,734
Investments at amortized cost:					
Corporate debt securities	344,259,260	–	–	–	344,259,260
Reinsurance recoverable on unpaid losses	885,440,392	18,952,103,237	–	–	19,837,543,629
	₱9,377,166,467	₱20,292,610,594	₱–	₱1,038,322,220	₱30,708,099,281

** Cash and cash equivalents exclude petty cash fund.*
***High grade based on internal rating*

The credit quality of the financial assets was determined as follows:

Cash and cash equivalents and short-term investments
These are classified as investment grade. These are deposited, placed or invested in foreign and local banks belonging to the top banks in the Philippines in terms of resources and profitability.

Debt securities
These are classified as investment grade. The government debt securities are issued by the Philippine Government and are considered as risk-free debt securities. The corporate debt securities are issued by stable companies and are considered to be of high creditworthiness.

As of December 31, 2023 and 2022, no allowance for impairment losses has been recognized for the foregoing balances.

Insurance Receivables
For insurance receivables, the Company uses a credit rating concept based on the borrowers and counterparties' overall creditworthiness. Investment grade is given to borrowers and counterparties who possess strong to very strong capacity to meet its obligations and that are consistently collected before the maturity date. Non investment grade is given to those financial assets outstanding beyond their due date but still collectible.

The Company applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for premiums receivables.

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

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

The credit quality of investment securities and loans and receivables, gross of allowance for credit losses, as of December 31, 2023 and 2022 are as follows:

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Insurance Receivables				
High Grade	**₱–**	**₱783,018,125**	**₱–**	**₱783,018,125**
Noninvestment Grade	**–**	**–**	**–**	**–**
Past Due or Impaired	**–**	**–**	**1,788,535,223**	**1,788,535,223**
	₱–	**₱783,018,125**	**₱1,788,535,223**	**₱2,571,553,348**
Financial Assets at FVTPL				
High Grade	**₱230,225,841**	**₱–**	**₱–**	**₱230,225,841**
Investment Securities at Amortized Cost				
High Grade	**₱353,079,973**	**₱–**	**₱–**	**₱353,079,973**
Loans and Receivables				
High Grade	**₱55,163,217**	**₱–**	**₱–**	**₱55,163,217**
Noninvestment Grade	**–**	**–**	**–**	**–**
Past Due or Impaired	**–**	**–**	**462,928,857**	**462,928,857**
	₱55,163,217	**₱–**	**₱462,928,857**	**₱518,092,074**

	2022			
	Stage 1	Stage 2	Stage 3	Total
Insurance Receivables				
High Grade	₱–	₱714,240,071	₱–	₱714,240,071
Noninvestment Grade	–	–	–	–
Past Due or Impaired	–	–	1,600,483,787	1,600,483,787
	₱–	₱714,240,071	₱1,600,483,787	₱2,314,723,858
Financial Assets at FVTPL				
High Grade	₱59,811,734	₱–	₱–	₱59,811,734
Investment Securities at Amortized Cost				
High Grade	₱344,259,260	₱–	₱–	₱344,259,260
Loans and Receivables				
High Grade	₱178,949,406	₱–	₱–	₱178,949,406
Noninvestment Grade	–	–	–	–
Past Due or Impaired	–	–	141,500,000	141,500,000
	₱178,949,406	₱–	₱141,500,000	₱320,449,406

Movements of investment securities and loans and receivables are as follows:

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Insurance Receivables				
Balance as of January 1, 2023	**₱–**	**₱714,240,071**	**₱1,600,483,787**	**₱2,314,723,858**
New assets originated	**–**	**17,542,496,692**	**–**	**17,542,496,692**
Assets derecognized or repaid	**–**	**(16,759,478,568)**	**(526,188,634)**	**(17,285,667,202)**
Transfers to Stage 3	**–**	**(714,240,071)**	**714,240,071**	**–**
Balance at December 31, 2023	**₱–**	**₱783,018,123**	**₱1,788,535,224**	**₱2,571,553,348**
Financial Assets at FVTPL				
Balance as of January 1, 2023	**₱59,811,374**	**₱–**	**₱–**	**₱59,811,374**
New assets originated	**166,110,000**	**–**	**–**	**166,110,000**
Assets derecognized or repaid	**–**	**–**	**–**	**–**
Foreign exchange adjustment	**4,304,107**	**–**	**–**	**4,304,107**
Balance at December 31, 2023	**₱230,225,841**	**₱–**	**₱–**	**₱230,225,481**

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Investment Securities at Amortized Cost				
Balance as of January 1, 2023	**₱344,259,260**	**₱–**	**₱–**	**₱344,259,260**
New assets originated	**10,360,000**	**–**	**–**	**10,360,000**
Assets derecognized or repaid	**–**	**–**	**–**	**–**
Amortization	**(1,539,287)**	**–**	**–**	**(1,539,287)**
Foreign exchange adjustment	**–**	**–**	**–**	**–**
Balance at December 31, 2023	**₱353,079,973**	**₱–**	**₱–**	**₱353,079,973**
Loans and Receivables				
Balance as of January 1, 2023	**₱668,455,794**	**₱–**	**₱141,500,000**	**₱809,955,794**
New assets originated	**55,163,217**	**–**	**125,803,378**	**180,966,595**
Assets derecognized or repaid	**(178,949,406)**	**–**	**(66,880,910)**	**(245,830,316)**
Balance at December 31, 2023	**₱544,669,605**	**₱–**	**₱200,422,468**	**₱745,092,073**

	2022			
	Stage 1	Stage 2	Stage 3	Total
Insurance Receivables				
Balance as of January 1, 2022	₱–	₱1,077,109,503	₱1,437,257,240	₱2,514,366,743
New assets originated	–	15,274,066,822	–	15,274,066,822
Assets derecognized or repaid	–	(14,559,826,751)	(913,882,956)	(15,473,709,707)
Transfers to Stage 3	–	(1,077,109,503)	1,077,109,503	–
Balance at December 31, 2022	₱–	₱714,240,071	₱1,600,483,787	₱2,314,723,858
Financial Assets at FVTPL				
Balance as of January 1, 2022	₱64,376,293	₱–	₱–	₱64,376,293
New assets originated	–	–	–	–
Assets derecognized or repaid	–	–	–	–
Foreign exchange adjustment	(4,564,559)	–	–	(4,564,559)
Balance at December 31, 2022	₱59,811,374	₱–	₱–	₱59,811,734
Investment Securities at Amortized Cost				
Balance as of January 1, 2022	₱235,955,153	₱–	₱–	₱235,955,153
New assets originated	126,000,000	–	–	126,000,000
Assets derecognized or repaid	(26,000,000)	–	–	(26,000,000)
Amortization	8,304,107	–	–	8,304,107
Foreign exchange adjustment	–	–	–	–
Balance at December 31, 2022	₱344,259,260	₱–	₱–	₱344,259,260
Loans and Receivables				
Balance as of January 1, 2022	₱44,344,365	₱–	₱466,322,855	₱510,667,220
New assets originated	668,455,794	–	–	668,455,794
Assets derecognized or repaid	(44,344,365)	–	(324,822,855)	(369,167,220)
Balance at December 31, 2022	₱668,455,794	₱–	₱141,500,000	₱809,955,794

As of December 31, 2023 and 2022, no allowance for impairment losses has been recognized for the investment securities and loans and receivables.

Movements of the allowance for credit losses on insurance receivables during the year are as follows:

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Insurance Receivables				
Balance as of January 1, 2023	**₱–**	**₱934,761**	**₱190,716,521**	**₱191,651,282**
New assets originated	**–**	**362,869,432**	**–**	**362,869,432**
Assets derecognized or repaid	**–**	**(129,226,298)**	**(285,428,281)**	**(414,654,579)**
Transfers to Stage 3	**–**	**(139,866,135)**	**139,866,135**	**–**
Balance at December 31, 2023	**₱–**	**₱94,711,760**	**₱45,154,375**	**₱139,866,135**

	2022			
	Stage 1	Stage 2	Stage 3	Total
Insurance Receivables				
Balance as of January 1, 2022	₱–	₱1,409,666	₱210,345,656	₱211,755,322
New assets originated	–	266,118,643	–	266,118,643
Assets derecognized or repaid	–	(110,391,564)	(175,831,119)	(286,222,683)
Transfers to Stage 3	–	(156,201,984)	156,201,984	–
Balance at December 31, 2022	₱–	₱934,761	₱190,716,521	₱191,651,282

Liquidity risk

Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments as they fall due. Liquidity risks may result from either the inability to sell financial assets quickly at their fair values, the counterparty failing to repay a contractual obligation, insurance liabilities falling due for payment earlier than expected, or inability to generate cash inflows as anticipated.

An institution may suffer from a liquidity problem when its credit standing falls. The Company is also exposed to liquidity risk if the market on which it depends on is subject to loss of liquidity. The major liquidity risk confronting the Company is the potential daily calls on its available cash resources in respect of claims arising from insurance contracts.

The Company manages liquidity through a liquidity risk policy which determines what constitutes liquidity risk for the Company, specifies minimum proportion of funds to meet emergency calls, sets up policies on contingency funding plans, specifies the sources of funding and the events that would trigger the plan as well as concentration of funding sources, requires reporting of liquidity risk exposures and breaches to the monitoring authority, and calls for monitoring of compliance with liquidity risk policy and review of liquidity risk policy.

The tables below group the financial assets and liabilities, including reinsurance assets and insurance contract liabilities, of the Company as of December 31 into their relevant maturity groups based on the remaining period at the reporting date to their undiscounted contractual maturities or expected repayment dates. For financials assets at FVTPL and FVOCI, the analysis into maturity grouping is based on the remaining period from the end of the reporting period to the expected date the assets will be realized.

	2023					
	Up to a year	**1-3 years**	**3-5 years**	**Over 5 years**	**No Maturity Date**	**Total**
Assets at amortized cost						
Cash and cash equivalents	**₱7,719,572,154**	**₱–**	**₱–**	**₱–**	**₱–**	**₱7,719,572,154**
Short-term investments	**996,467,147**	–	–	–	–	**996,467,147**
Insurance receivables	**2,571,553,348**	–	–	–	–	**2,571,553,348**
Loans and receivables	**745,092,074**	–	–	–	–	**745,092,074**
Accrued income	**21,660,428**	–	–	–	–	**21,660,428**
Financial assets at FVTPL						
Listed securities	–	–	–	–	**171,410,901**	**171,410,901**
Government debt securities*	**10,243,450**	**75,856,900**	**74,334,225**	**129,704,225**	–	**290,138,800**
Corporate debt securities	–	–	–	–	–	–
Financial asset at FVOCIs						
Listed equity securities	–	–	–	–	**116**	**116**
Golf club shares	–	–	–	–	**589,341,694**	**589,341,694**
Unlisted equity securities	–	–	–	–	**639,836,319**	**639,836,319**
Investment securities at amortized cost						
Government debt securities*	**21,157,675**	**42,315,350**	**112,832,650**	**381,741,719**	–	**558,047,394**
Reinsurance recoverable on	**15,601,015,446**					**15,601,015,446**
unpaid losses	–	–	–	–	–	–
Total Financial Assets	**₱27,686,761,722**	**₱118,172,250**	**₱187,166,875**	**₱511,445,944**	**₱1,400,589,030**	**₱29,904,135,821**

(Forward)

	2023					
	Up to a year	**1-3 years**	**3-5 years**	**Over 5 years**	**No Maturity Date**	**Total**
Other Financial Liabilities and Insurance Contract Liabilities						
Insurance contract liabilities	**₱23,233,597,569**	**₱–**	**₱–**	**₱–**	**₱–**	**₱23,233,597,569**
Insurance payables	**9,614,316,624**	**–**	**–**	**–**	**–**	**9,614,316,624**
Accounts and other payables**	**1,293,955,642**	**–**	**–**	**–**	**–**	**1,293,955,642**
Notes payable*	**414,520,502**	**–**	**–**	**477,476,710**	**–**	**891,997,212**
Lease liability	**10,963,068**	**15,416,706**	**–**	**–**	**–**	**26,379,774**
Total Liabilities	**34,567,353,405**	**15,416,706**	**₱–**	**₱477,476,710**	**₱–**	**₱35,060,246,821**

**Includes future interest*
***Accounts and other payables exclude taxes payable.*

	2022					
	Up to a year	1-3 years	3-5 years	Over 5 years	No Maturity Date	Total
Assets at amortized cost						
Cash and cash equivalents	₱7,048,414,010	₱–	₱–	₱–	₱–	₱7,048,414,010
Short-term investments	532,344,531	–	–	–	–	532,344,531
Insurance receivables	2,123,072,576	–	–	–	–	2,123,072,576
Loans and receivables	352,365,556	–	–	–	–	352,365,556
Accrued income	13,527,868	–	–	–	–	13,527,868
(Forward)						
Financial assets at FVTPL						
Listed securities	₱–	₱–	₱–	₱–	₱225,421,381	₱225,421,381
Government debt securities*	1,324,181	2,648,363	57,636,731	16,447,725	–	78,057,000
Corporate debt securities	–	–	–	–	–	–
Financial asset at FVOCIs						
Listed equity securities	–	–	–	–	174	174
Golf club shares	–	–	–	–	489,311,694	489,311,694
Unlisted equity securities	–	–	–	–	606,918,391	606,918,391
Investment securities at amortized cost						
Government debt securities*	52,300,000	28,761,250	91,203,750	271,172,188	–	443,437,188
Reinsurance recoverable on unpaid losses	19,837,543,629	–	–	–	–	19,837,543,629
Total Financial Assets	₱29,960,892,352	₱31,409,613	₱148,840,481	₱287,619,913	₱1,321,651,640	₱31,750,413,998
Other Financial Liabilities and Insurance Contract Liabilities						
Insurance contract liabilities	₱26,094,550,754	₱–	₱–	₱–	₱–	₱26,094,550,754
Insurance payables	8,699,324,158	–	–	–	–	8,699,324,158
Accounts and other payables**	2,594,777,046	–	–	–	–	2,594,777,046
Notes payable*	15,651,400	423,097,000	–	–	–	438,748,400
Lease liability	9,767,920	9,845,634	–	–	–	19,613,554
Total Liabilities	37,414,071,278	432,942,634	₱–	₱–	₱–	₱37,847,013,912

**Includes future interest*
***Accounts and other payables exclude taxes payable.*

It is unusual for a Company in the insurance industry to predict the requirements of funding with absolute certainty since the theory of probability is applied on insurance contracts to ascertain the likely provision and the time period when such liabilities will require settlement. The amounts and maturities in respect of insurance liabilities are, thus, based on management's best estimated timing of net cash outflows.

Market risk

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

The Company manages market risk by evenly distributing capital among investment instruments, sectors, and geographical areas.

The Company structures levels of market risk it accepts through a sound market risk policy based on specific guidelines set by the Investment Committee. This policy sets certain limits on exposure to investments mostly with top-rated banks, which are selected on the basis of the banks' credit ratings, capitalization and quality servicing being rendered to the Company. Also, the said policy includes diversification benchmarks of investment portfolio to different investment types duly approved by the IC, asset allocation and portfolio limit structure. Moreover, control of relevant market risks can be addressed through compliance reporting of market risk exposures to the IC, regular monitoring and review of the Company's investment performance and upcoming investment opportunities for pertinence and changing environment.

a. *Currency risk*
Currency risk is the risk that the value of the financial instrument will fluctuate because of changes in foreign exchange rates. The Company's principal transactions in the Philippines and Hong Kong - Branch are carried out in Philippine Peso and HK Dollar, respectively. Other foreign currency-denominated transactions are primarily in terms of the US Dollar and Euro. The tables below show the Company's exposure to currency risk.

	2023		
	US Dollar	**Euro**	**Total**
Financial Assets			
Financial assets at FVTPL:			
Government debt securities	**₱229,758,922**	**₱–**	**₱229,758,922**
Corporate debt securities	**–**	**–**	**–**
Cash and cash equivalents	**3,157,220,595**	**–**	**3,157,220,595**
Short-term investments	**426,053,190**	**–**	**426,053,190**
Insurance receivables	**288,295,744**	**–**	**288,295,744**
Accrued income	**11,962,325**	**–**	**11,962,325**
	₱4,113,290,776	**₱–**	**₱4,113,290,776**
Financial Liabilities			
Insurance payables	**₱5,391,156,219**	**₱1,533,796**	**₱5,392,690,015**
Net currency exposure	**(₱1,277,865,443)**	**(₱1,533,796)**	**(₱1,279,399,239)**

The exchange rates used were ₱55.37 to US$1; and ₱61.4378 to EUR.

	2022		
	US Dollar	Euro	Total
Financial Assets			
Financial assets at FVTPL:			
Government debt securities	₱59,811,734	₱–	₱59,811,734
Corporate debt securities	–	–	–
Cash and cash equivalents	3,749,730,061	–	3,749,730,061
Short-term investments	412,670,495	–	412,670,495
Insurance receivables	390,457,809	37,866	390,495,675
Accrued income	3,462,494	–	3,462,494
	₱4,616,132,593	₱37,866	₱4,616,170,459
Financial Liabilities			
Insurance payables	₱4,324,758,140	₱24,438,531	₱4,349,196,671
Net currency exposure	₱291,374,453	(₱24,400,665)	₱266,973,788

The exchange rates used were ₱55.755 to US$1; and ₱59.5545 to EUR.

The table below shows the effect of the increase or decrease in applicable foreign exchange rates:

	2023	
Currency	**Change in variable**	**Impact on Income Before Tax**
US Dollar	**+4.3%**	**₱50,800,252**
	-4.3%	**(50,800,252)**
Euro	**+3.4%**	**(₱49,008)**
	-3.4%	**49,008**

	2022	
Currency	Change in variable	Impact on Income Before Tax
US Dollar	+7.8%	₱20,455,458
	-7.8%	(20,455,458)
Euro	+3.7%	(₱1,038,292)
	-3.7%	1,038,292

Reasonably possible movements in foreign exchange rates are computed based on average percentage changes in closing rate for 3 years.

b. *Interest rate risk*
Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The tables below set out the Company's financial instruments subject to fixed interest rates by maturity.

		December 31, 2023				
	Range of Interest Rate	**Within One Year**	**1-2 years**	**2-3 years**	**More than 3 years**	**Total**
Loans and receivables						
Cash and cash equivalents*	**0.067%-6.50%**	**₱7,715,732,697**	**₱–**	**₱–**	**₱–**	**₱7,715,732,697**
Short-term investments	**0.067%-6.50%**	**983,129,120**	**–**	**–**	**–**	**983,129,120**
Loans and receivables	**2.75%-6.00%**	**745,092,074**	**–**	**–**	**–**	**745,092,074**
Financial assets at FVTPL						
Government debt securities	**1.375%-5.75%**	**–**	**–**	**–**	**230,225,841**	**230,225,841**
Investment securities at amortized cost						
Government debt securities	**4.625%-8.00%**	**–**	**–**	**–**	**355,595,020**	**355,595,020**
Total interest-bearing financial assets		**₱9,443,953,891**	**₱–**	**₱–**	**₱585,820,861**	**₱10,029,774,752**
Insurance payables	**5.40%**	**₱576,018,401**	**₱–**	**₱–**	**₱–**	**₱576,018,401**
Notes payable	**5.8387% - 6.9572%**	**392,000,000**	**–**	**–**	**447,000,000**	**839,000,000**
Total interest-bearing financial liabilities		**₱968,018,401**	**₱–**	**₱–**	**₱447,000,000**	**₱1,415,018,401**

**Excluding petty cash funds*

	Range of Interest Rate	December 31, 2022 Within One Year	1-2 years	2-3 years	More than 3 years	Total
Loans and receivables						
Cash and cash equivalents*	0.67%-5.75%	₱7,043,497,984	₱–	₱–	₱–	₱7,043,497,984
Short-term investments	0.125%-3.00%	529,625,874	–	–	–	529,625,874
Loans and receivables	2.75%-6.00%	352,365,556	–	–	–	352,365,556
Financial assets at FVTPL						
Government debt securities	1.375%-5.00%	–	–	–	64,376,293	64,376,293
Investment securities at amortized cost						
Government debt securities	4.625%-8.00%	60,000,000	–	11,001,821	197,762,015	268,763,835
Total interest-bearing financial assets		₱7,985,489,415	₱–	₱11,001,821	₱262,138,308	₱8,258,629,542
Insurance payables	1.00%-5.00%	₱571,064,406	₱–	₱–	₱–	₱571,064,406
Notes payable	3.5000% -5.8035%	2,000,000	–	–	1,139,000,000	1,141,000,000
Total interest-bearing financial liabilities		₱573,064,406	₱–	₱–	₱1,139,000,000	₱1,712,064,406

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's net income before income tax and other comprehensive income.

Currency	**2023** **Change in variable**	**Impact on profit before tax**
Peso	**0.24%**	**₱7,951,185**
Peso	**-0.24%**	**(8,122,618)**
US$	**0.40%**	**543,636**
US$	**-0.40%**	**(574,309)**

Currency	2022 Change in variable	Impact on profit before tax	Impact on other comprehensive income
Peso	0.24%		₱7,951,185
Peso	-0.24%		(8,122,618)
US$	0.40%		543,636
US$	-0.40%		(574,309)

The Company determined the reasonably possible change in interest rates using the daily percentage changes in weighted average yield rates of outstanding securities for the past three years.

c. *Equity price risk*
The Company's price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

The Company's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plan, limits on investment in each sector and market.

The analysis below is performed for reasonably possible movements in the Philippine Stock Exchange index (PSEi) with all other variables held constant, showing the impact on profit before tax for financial assets at FVTPL and the impact on other comprehensive income for FVOCI financial assets (impact to other comprehensive income excludes impact on profit before tax):

	2023		
	Change in variable	**Impact on profit before tax**	**Impact on other comprehensive income**
PSEi	**+4%**	**₱4,507,593**	**₱2**
PSEi	**-4%**	**(4,507,593)**	**(2)**

	2022		
	Change in variable	Impact on profit before tax	Impact on other comprehensive income
PSEi	+6%	₱7,685,069	₱2
PSEi	-6%	(7,685,069)	(2)

The impact on profit before tax and other comprehensive income is arrived at using the reasonably possible change of PSEi and the specific adjusted beta of each stock the Company holds. The possible change of PSEi is determined by obtaining expected movement of PSEi based on a 3-year data of its annual historical movements. Adjusted beta is the forecasted measure of the volatility of a security or a portfolio in comparison to the market as a whole.

32. Contingencies

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

Also, the Company may have certain obligations under the terms of bonds issued in favor of the Bureau of Customs but management believes that these obligations, if any, will not materially affect the financial statements.

33. Supplementary Tax Information Under Revenue Regulation (RR) No. 15-2010

In compliance with the requirements set forth by RR No. 15-2010 hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year.

Value Added Tax (VAT)

The Company is a VAT-registered company with VAT output tax declaration of ₱1,722,919,448 in 2023 based on the amount reflected in the gross sales of ₱14,357,662,063.

The Company has zero-rated/exempt sales amounting to ₱911,409,269 pursuant to the provisions of Section 108 B-3 of National Internal Revenue Code, *Value-added Tax on Sale of Services and Use or Lease of Properties*.

The amount of VAT input taxes claimed are broken down as follows:

Balance at January 1, 2023	₱28,762,814
Current year's purchases:	
Services lodged under commission and general administrative expenses	257,812,937
Goods other than capital goods	58,572,049
Capital goods subject to amortization	19,268,682
Input VAT applied to exempt sales	(7,787,000)
Input VAT applied to output VAT	(317,152,367)
	₱39,477,115

Import Duties
The Company did not have any importations in 2023.

Documentary Stamp Tax (DST)
In 2023, the Company paid ₱153,454 DST on leases.

Other Taxes and Licenses
This includes all other taxes, local and national, including real estate taxes, licenses, and permit fees. Details consist of the following:

Local	
Real estate tax	₱4,613,715
Licenses and fees	564,777
	5,178,492
National	
Input VAT allocated to exempt sales	₱12,579,345
Renewal of agents' license & resident agent of foreign reinsurers	880,613
Accreditation, application and filing fees	878,195
Taxes on condominium property - Hong Kong	506,931
Supervision fee	186,850
Documentary stamp tax	153,454
Company car registration	55,973
Gross receipts tax on rental	32,542
Renewal of VAT registration	10,000
Others	165,802
	15,449,705
	₱20,628,197

The Company has taxes relating to nonlife insurance policies that have been shifted or passed on to the policyholders and are not recognized in the statement of income. Details follow:

DST on:	
DS110-Policies of insurance upon property	₱1,767,197,662
DS109-Accident and health	28,084,790
DS110-Migrant workers	10,075,260
DS111-Fidelity bonds	4,138,549
DS114-CTPL	3,348,030
Local government taxes	33,761,737
Fire service taxes	80,273,585
Premium taxes	11,325,949
	₱1,938,205,563

Withholding Taxes

The amount of withholding taxes remitted for the year amounted to:

Expanded withholding taxes	₱231,561,730
Withholding taxes on compensation and benefits	42,767,826
Final withholding taxes	4,245,177
	₱278,574,733

Excise Taxes

The Company did not incur any excise tax in 2023.

Tax Assessments and Cases

The Company has no deficiency tax assessment from the Bureau of Internal Revenue or any tax case, litigation, and/or prosecution in courts or bodies outside the Bureau of Internal Revenue as of December 31, 2023.