Outlook

SEC eFast Initial Acceptance

From noreply-cifssost@sec.gov.ph <noreply-cifssost@sec.gov.ph>
Date Wed 4/30/2025 10:46 AM

Greetings!

SEC Registration No: 0000028856
Company Name: PIONEER INTERCONTINENTAL INSURANCE CORP.
Document Code: AFS

This serves as temporary receipt of your submission.
Subject to verification of form and quality of files of the submitted report.
Another email will be sent as proof of review and acceptance.

Thank you.

REMINDER:
TO ALL FILERS OF REPORTS IN THE e-FAST

Please strictly follow the instruction stated in the form.

Filings not in accordance with the prescribed template for the following reports will be automatically reverted by the system to the filer.

1. General Information Sheet (GIS-Stock)
2. General Information Sheet (GIS-Non-stock)
3. General Information Sheet (GIS- Foreign stock & non-stock)
4. Broker Dealer Financial Statements (BDFS)
5. Financing Company Financial Statements (FCFS)
6. Investment Houses Financial Statements (IHFS)
7. Publicly – Held Company Financial Statement
8. General Form for Financial Statements
9. Financing Companies Interim Financial Statements (FCIF)

10. Lending Companies Interim Financial Statements (LCIF)
Per Section 18 of SEC Memorandum Circular No. 3 series of 2021, the reckoning date of receipt of reports is the date the report was initially submitted to the eFast, if the filed report is compliant with the existing requirements.

A report, which was reverted or rejected, is considered not filed or not received. A notification will be sent to the filer, stating the reason for the reports rejection in the remarks box.

SECURITIES AND EXCHANGE COMMISSION
SEC Headquarters, 7907 Makati Avenue,
Salcedo Village, Barangay Bel-Air, Makati City,
1209, Metro Manila, Philippines

April 29, 2025

STATEMENT OF MANAGEMENT RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of Pioneer Intercontinental Insurance Corporation is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the year ended December 31, 2024, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as 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.

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

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Reyes Tacandong & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

ERNESTO O. CHAN
Chairman of the Board

MA. BERTOLA D. MEDIALDEA
President

MA. CRISTINA C. DE GUZMAN
Senior Vice President and Accounting Head

Signed this 29th day of April 2025

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

2	8	8	5	6

COMPANY NAME

PIONEER INTERCONTINENTAL INSURANCE CORPORATION

PRINCIPAL OFFICE *(No./Street/Barangay/City/Town/Province)*

PIONEER HOUSE, 108 PASEO DE ROXAS LEGASPI VILLAGE, MAKATI CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	Insurance Company

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
piic.corpsec@pioneer.com.ph	8-812-7777	09178153876
No. of Stockholders	**Annual Meeting (Month / Day)**	**Fiscal Year (Month / Day)**
11	April 8	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
ERNESTO O. CHAN	Ernesto.chan@pioneer.com.ph	8812-7777	09176504603

CONTACT PERSON'S ADDRESS

108 Paseo de Roxas Street, Legazpi Village, Makati City

NOTE 1: *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

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

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Pioneer Intercontinental Insurance Corporation
Pioneer House
108 Paseo De Roxas Street
Legaspi Village, Makati City

Opinion

We have audited the accompanying financial statements of Pioneer Intercontinental Insurance Corporation (the Company), which comprise the statement of financial position as at December 31, 2024, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to financial statements, including a summary of material accounting policy information.

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

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to the 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.

Emphasis of a Matter Paragraph

Without qualifying our opinion, we draw attention to matters discussed in Note 1 to the financial statements. On December 27, 2024, the Company's Board of Directors, approved the merger of the Company and Pioneer Insurance & Surety Corporation (PISC), the Parent Company, with PISC as the surviving entity. As a result of the merger, the operations and business of the Company will continue under PISC, upon the approval by the Securities and Exchange Commission of the Articles of Merger.

Other Matter

The financial statements of the Company as at and for the year ended December 31, 2023 were audited by another auditor whose report dated April 4, 2024 expressed an unqualified opinion on those financial statements.

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

REYES TACANDONG & CO.

PAMELA ANN P. ESCUADRO
Partner
CPA Certificate No. 128829
Tax Identification No. 216-321-918-000
BOA Accreditation No. 4782/P-013; Valid until June 6, 2026
IC Accreditation No. 128829-IC
Issued February 22, 2021
Valid for Financial Periods 2020 to 2024
BIR Accreditation No. 08-005144-013-2023
Valid until January 24, 2026
PTR No. 10467125
Issued January 2, 2025, Makati City

April 8, 2025
Makati City, Metro Manila

PIONEER INTERCONTINENTAL INSURANCE CORPORATION
(A Subsidiary of Pioneer Insurance & Surety Corporation)

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2024
(With Comparative Figures for 2023)

	Note	**2024**	2023
ASSETS			
Cash and cash equivalents	4	**₱472,852,400**	₱382,558,409
Short-term investments	4	**28,989,120**	–
Insurance receivables	5	**462,030,418**	349,083,842
Financial assets:	6		
Financial assets at fair value through profit or loss (FVPL)		**587,950**	7,667,914
Financial assets at fair value through other comprehensive income (FVOCI)		**459,414,935**	377,040,259
Investments in debt securities at amortized cost		**620,064,153**	669,714,001
Loans and receivables		**10,860,884**	8,259,638
Investment in an associate	7	**613,705,550**	629,715,260
Reinsurance assets	9	**454,011,739**	307,821,266
Deferred acquisition costs	8	**27,425,098**	24,451,993
Net retirement asset	20	**14,245,093**	17,005,564
Right-of-use (ROU) assets	22	**125,306**	341,634
Other assets	10	**17,733,244**	14,125,390
		₱3,182,045,890	₱2,787,785,170
LIABILITIES AND EQUITY			
Liabilities			
Insurance contract liabilities	11	**₱869,841,477**	₱742,115,811
Insurance payables	12	**375,006,434**	331,207,866
Accounts payable and accrued expenses	13	**40,319,347**	34,003,705
Commissions payable	8	**79,206,835**	63,346,180
Income tax payable		**16,756,257**	4,196,018
Deferred reinsurance commissions	8	**35,349,355**	26,143,107
Lease liabilities	22	**135,551**	345,094
Net deferred tax liabilities	21	**54,739,350**	41,124,285
Total Liabilities		**₱1,471,354,606**	₱1,242,482,066

(Forward)

	Note	2024	2023
Equity			
Capital stock		**₱250,000,000**	₱250,000,000
Contributed surplus		**350,000,000**	350,000,000
Retained earnings	15	**729,245,065**	631,163,458
Other components of equity:			
Cumulative gain on fair value changes on financial assets at FVOCI	6	**381,338,964**	311,320,489
Cumulative remeasurement gain on net retirement asset	20	**107,255**	2,819,157
Total Equity		**1,710,691,284**	1,545,303,104
		₱3,182,045,890	₱2,787,785,170

See accompanying Notes to the Financial Statements.

PIONEER INTERCONTINENTAL INSURANCE CORPORATION
(A Subsidiary of Pioneer Insurance & Surety Corporation)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2024
(With Comparative Figures for 2023)

	Note	**2024**	2023
REVENUE			
Gross premiums earned on insurance contracts	16	**₱505,397,170**	₱471,321,154
Reinsurers’ share of gross premiums earned on insurance contracts	16	**(329,060,472)**	(292,167,853)
Net insurance premiums earned		**176,336,698**	179,153,301
Investment income	19	**66,885,780**	52,566,432
Commission income	8	**81,129,074**	74,898,266
Other underwriting income		**2,617,503**	144,202
		326,969,055	306,762,201
BENEFITS, CLAIMS AND EXPENSES			
Net insurance benefits and claims	17	**41,765,811**	83,457,088
Commission expense	8	**79,774,201**	78,476,940
General and administrative expenses	18	**38,178,321**	15,703,059
Interest expense	12	**7,191,651**	3,966,525
Foreign exchange loss		**3,506**	887,586
Other underwriting expenses		**25,281,140**	33,208,673
		192,194,630	215,699,871
INCOME BEFORE INCOME TAX		**134,774,425**	91,062,330
INCOME TAX EXPENSE	21		
Current		**21,360,113**	10,008,320
Final		**13,169,874**	10,125,773
Deferred		**2,162,831**	613,852
		36,692,818	20,747,945
NET INCOME		**98,081,607**	70,314,385
OTHER COMPREHENSIVE INCOME			
Not to be reclassified to profit or loss:			
Unrealized gain on fair value changes of financial assets at FVOCI (net of tax effect of ₱12.4 million in 2024 and ₱7.6 million in 2023)	6	**70,018,475**	42,848,831
Remeasurement loss on net retirement asset (net of tax effect of ₱0.9 million in 2024 and ₱0.4 million in 2023)	20	**(2,711,902)**	(1,080,852)
		67,306,573	41,767,979
TOTAL COMPREHENSIVE INCOME		**₱165,388,180**	₱112,082,364

See accompanying Notes to Financial Statements.

PIONEER INTECONTINENTAL INSURANCE CORPORATION

(A Subsidiary of Pioneer Insurance & Surety Corporation)

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2024

(With Comparative Figures for 2023)

	Note	2024	2023
CAPITAL STOCK - ₱100 par value			
Authorized, issued and outstanding - 2,500,000 shares		**₱250,000,000**	₱250,000,000
CONTRIBUTED SURPLUS			
Balance at beginning of year		**350,000,000**	300,000,000
Capital infusion	15	**–**	50,000,000
Balance at end of year		**350,000,000**	350,000,000
RETAINED EARNINGS	15		
Balance at beginning of year		**631,163,458**	560,849,073
Net income		**98,081,607**	70,314,385
Balance at end of year		**729,245,065**	631,163,458
OTHER COMPONENTS OF EQUITY			
Cumulative gain on fair value changes on financial assets at FVOCI	6		
Balance at beginning of year		**311,320,489**	268,471,658
Unrealized gain on fair value changes, net of tax		**70,018,475**	42,848,831
Balance at end of year		**381,338,964**	311,320,489
Cumulative remeasurement gain on net retirement asset	20		
Balance at beginning of year		**2,819,157**	3,900,009
Remeasurement loss on net retirement asset, net of tax		**(2,711,902)**	(1,080,852)
Balance at end of year		**107,255**	2,819,157
		381,446,219	314,139,646
TOTAL EQUITY		**₱1,710,691,284**	₱1,545,303,104

See accompanying Notes to Financial Statements.

PIONEER INTERCONTINENTAL INSURANCE CORPORATION
(A Subsidiary of Pioneer Insurance & Surety Corporation)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2024
(With Comparative Figures for 2023)

	Note	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**₱134,774,425**	₱91,062,330
Adjustments for:			
Interest income	19	**(64,832,498)**	(49,527,849)
Provision for impairment losses on investment in an associate	7	**16,009,710**	–
Interest expense	12, 22	**7,191,651**	3,966,525
Dividend income	19	**(1,553,773)**	(2,284,268)
Retirement income	20	**(596,522)**	(961,662)
Depreciation of ROU assets	22	**216,328**	215,909
Unrealized gain on fair value changes on financial assets at FVPL	19	**(499,509)**	(754,315)
Operating income before changes in working capital		**90,709,812**	41,716,670
Increase in:			
Insurance receivables		**(112,946,576)**	(99,477,024)
Loans and receivables		**(204,810)**	(1,039,923)
Reinsurance assets		**(146,190,473)**	(11,744,073)
Deferred acquisition costs		**(2,973,105)**	(1,821,995)
Other assets		**(3,607,854)**	(4,727,462)
Increase (decrease) in:			
Insurance contract liabilities		**127,725,666**	10,986,264
Insurance payables		**43,798,568**	105,513,887
Deferred reinsurance commissions		**9,206,248**	7,278,677
Accounts payable and accrued expenses		**6,056,766**	(3,936,917)
Commissions payable		**15,860,655**	14,217,408
Net cash generated from operations		**27,434,897**	56,965,512
Income tax paid		**(21,969,748)**	(10,125,773)
Net cash provided by operating activities		**5,465,149**	46,839,739
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposals of:	6		
Investments in debt securities at amortized cost		**66,000,000**	2,000,000
Financial assets at FVPL		**7,579,473**	16,077,945
Acquisitions of:			
Short-term investments		**(28,989,120)**	–
Investments in debt securities at amortized cost	6	**(20,000,000)**	(313,960,000)
Financial assets at FVPL	6	–	(7,386,770)
Interest received		**66,085,910**	52,917,873
Interest paid		**(7,171,317)**	(3,966,525)
Dividends received		**1,553,773**	2,284,268
Net cash provided by (used in) investing activities		**85,058,719**	(252,033,209)

(Forward)

	Note	2024	2023
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liabilities	22	**(₱229,877)**	(₱225,186)
Infusion from Parent Company	15	**–**	50,000,000
Net cash provided by (used in) financing activities		**(229,877)**	49,774,814
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**90,293,991**	(155,418,656)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**382,558,409**	537,977,065
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	**₱472,852,400**	₱382,558,409

See accompanying Notes to Financial Statements.

PIONEER INTERCONTINENTAL INSURANCE CORPORATION
(A Subsidiary of Pioneer Insurance & Surety Corporation)

NOTES TO FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2024
(With Comparative Figures for 2023)

1. Corporate Information

Pioneer Intercontinental Insurance Corporation (PIIC or the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on February 24, 1966.

The Company is engaged in the business of non-life insurance which includes fire, motor car, marine hull, marine cargo, personal accident insurance and other products that are permitted to be sold by nonlife insurance companies in the Philippines. Starting January 2001, the Company has ceased from underwriting traditional nonlife insurance products and is now focusing on specialized casualty products.

On January 14, 2025, the Insurance Commission (IC) renewed the Company's license to operate as an Insurance Company with Certificate of Authority No. 2025/51-R valid until December 31, 2027.

The Company is 97.43% owned by Pioneer Insurance & Surety Corporation (PISC or the "Parent Company"), a company incorporated in the Philippines. The Company's ultimate parent is Pioneer, Inc., 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.

Merger Between the Company and PISC
On December 27, 2024, the Board of Directors (BOD) of the Company approved the merger of the PIIC as the absorbed company and PISC as the surviving company.

As at reporting date, the application for merger has been filed with the IC for endorsement. The Company is also in the process of collating all requirements necessary for its submission of application for merger to the SEC.

Approval of the Financial Statements
The financial statements as at and for the year ended December 31, 2024 was approved and authorized for issue by the BOD on April 8, 2025.

2. Summary of Material Accounting Policy Information

Basis of Preparation
The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) Accounting Standards issued by the Philippine Financial and Sustainability Reporting Standards Council (FSRSC) and adopted by SEC. This financial reporting framework includes PFRS Accounting Standards, Philippine Accounting Standards (PAS) and Philippine Interpretations from the International Financial Reporting Interpretations Committee (IFRIC) and SEC provisions.

Measurement Basis
The financial statements are presented in Philippine Peso (Peso), which is the Company's functional and presentation currency. All amounts are rounded to the nearest Peso unless otherwise stated.

The financial statements have been prepared on the historical cost basis of accounting, except for financial assets at FVPL and financial assets at FVOCI which are stated at fair value and net retirement asset which is measured at the fair value of plan assets less present value of the defined benefit obligation. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and fair value of the consideration received in exchange for incurring a liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

Level 1 - Quoted (unadjusted) market prices in active market for identical assets or liabilities;

Level 2 - Valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3 - Valuation techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

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

Further information about the assumptions made in measuring fair value is included in the following notes:

- Note 6 - *Financial Assets*
- Note 25 - *Fair Value of Financial Instruments*

Adoption of Amendments to PFRS Accounting Standards

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amendments to PFRS Accounting Standards effective for annual periods beginning on or after January 1, 2024:

- Amendments to PFRS Accounting Standards 16, *Leases - Lease Liability in a Sale and Leaseback* – The amendments clarify that the liability that arises from a sale and leaseback transaction, that satisfies the requirements in PFRS Accounting Standards 15, *Revenue from Contracts with Customers*, to be accounted for as a sale, is a lease liability to which PFRS Accounting Standards 16 applies and give rise to a right-of-use asset. For the subsequent measurement, the seller-lessee shall determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying this subsequent measurement does not prevent the seller-lessee from recognizing any gain or loss relating to the partial or full termination of a lease. Any gain or loss relating to the partial or full termination of the lease does not relate to the right of use retained but to the right of use terminated.

- Amendments to PAS 1, *Presentation of Financial Statements - Noncurrent Liabilities with Covenants* – The amendments clarified that covenants to be complied with after the reporting date do not affect the classification of debt as current or noncurrent at the reporting date. Instead, the amendments require the entity to disclose information about these covenants in the notes to the financial statements.

- Amendments to PAS 7, *Statement of Cash Flows* and PFRS Accounting Standards 7, *Financial Instruments: Disclosures - Supplier Finance Arrangements* – The amendments introduced new disclosure requirements to enable users of the financial statements assess the effects of supplier finance arrangements on the liabilities, cash flows and exposure to liquidity risk. The amendments also provide transitional relief on certain aspects, particularly on the disclosures of comparative information. Earlier application is permitted.

The adoption of the amendments to PFRS Accounting Standards did not materially affect the financial statements of the Company. Additional disclosures were included in the financial statements, as applicable.

New and Amendments to PFRS Accounting Standards in Issue But Not Yet Effective

Relevant new and amendments to PFRS Accounting Standards, which are not yet effective as at December 31, 2024 and have not been applied in preparing the financial statements, are summarized below:

Effective for annual periods beginning on or after January 1, 2026:

- Amendments to PFRS Accounting Standards 9, *Financial Instruments,* and PFRS Accounting Standards 7, *Financial Instruments: Disclosures – Classification and Measurement of Financial Assets* – The amendments clarify that a financial liability is derecognized when the related obligation is discharged, cancelled, expires or otherwise qualifies for derecognition (e.g. settlement date), and introduces a policy option to derecognize financial liabilities settled through an electronic payment system before settlement date if the required conditions are met. The amendments also clarify the assessment of contractual cash flow characteristics of financial assets, the treatment of non-recourse loans and contractually linked instruments, as well as require additional disclosure requirements for financial assets and liabilities with contingent features and equity instruments classified at fair value through other comprehensive income (FVOCI). Earlier application is permitted.

- Annual Improvements to PFRS Accounting Standards Volume 11:

  - Amendments to PFRS Accounting Standards 7, *Financial Instruments: Disclosures* – The amendments update and remove some obsolete references related to the gain or loss on derecognition on financial assets of an entity that has a continuing involvement and to the disclosure requirements on deferred differences between fair value and transaction price. The amendments also clarify that the illustrative guidance does not necessarily illustrate all the requirements for credit risk disclosure. Earlier application is permitted.

  - Amendments to PFRS Accounting Standards 9, *Financial Instruments – Transaction Price and Lessee Derecognition of Lease Liabilities* – The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with PFRS Accounting Standards 9, the lessee must apply the derecognition criteria for a financial liability which requires recognition of a gain or loss in profit or loss. The amendments also replace the reference to *'transaction price as defined by PFRS Accounting Standards 15, Revenue from Contracts with Customers'* to *'the amount determined by applying PFRS Accounting Standards 15'* to remove potential confusion. Earlier application is permitted.

  - Amendments to PAS 7, *Statement of Cash Flows - Cost Method* – The amendments replace the term 'cost method' with 'at cost' following the deletion of the definition of 'cost method'. Earlier application is permitted.

Effective for annual periods beginning on or after January 1, 2027:

- PFRS Accounting Standards 17, *Insurance Contracts* – This standard will replace PFRS 4, *Insurance Contracts*. It requires insurance liabilities to be measured at current fulfillment value and provides a more uniform measurement and presentation approach to achieve consistent, principle-based accounting for all insurance contracts. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. An amendment to the standard was issued to (i) reduce costs of transition by simplifying some requirements of the standard, (ii) make financial performance easier to explain, and (iii) ease transition by deferring the effectivity of the standard from 2021 to 2023 and by providing additional relief to reduce the effort required when applying PFRS Accounting Standards 17 for the first time.

  In response to the challenges brought by the COVID-19 pandemic, the Insurance Commission issued Circular Letter 2020-062, *Amendment of Section 1 of Circular Letter No. 2018-69, Deferral of IFRS 17 Implementation*, which provides a two-year deferral on the implementation of the standard from the 2023 effectivity date.

  Consequently, on March 10, 2025, the IC issued Circular Letter No. 2025-004, Application of PFRS Accounting Standards 17-Insurance Contracts in the Audited Financial Statements and Preparation of IC Reportorial Requirements, to further defer the initial application date of PFRS Accounting Standards 17 for an additional two years. The IC, FSRSC and SEC recognized the need to provide more time for the adoption of PFRS Accounting Standards 17 due to gaps in the insurance industry's preparation. Therefore, all life and nonlife insurance companies in the Philippines shall adopt PFRS Accounting Standards 17 for annual periods beginning on or after January 1, 2027. Earlier application is permitted.

- Amendment to PFRS Accounting Standards 17, *Insurance Contracts - Initial Application of PFRS Accounting Standards 17* and PFRS Accounting Standards 9, *Financial Instruments - Comparative Information* – The amendment adds a transition option for a "classification overlay" to address temporary accounting mismatches between financial assets and insurance contract liabilities relating to comparative information presented on the initial application of PFRS Accounting Standards 17. If an entity elects to apply the classification overlay, it can only do so for comparative periods to which it applies PFRS Accounting Standards 17. No amendments have been made to the transition requirements of PFRS Accounting Standards 9.

- PFRS Accounting Standards 18, *Presentation and Disclosure in Financial Statements* – This standard replaces PAS 1, *Presentation of Financial Statements*, and sets out the requirements for the presentation and disclosure of information to help ensure that the financial statements provide relevant information that faithfully represents the entity's assets, liabilities, equity, income and expenses. The standard introduces new categories and sub-totals in the statements of comprehensive income, disclosures on management-defined performance measures, and new principles for grouping of information, which the entity needs to apply retrospectively. Earlier application is permitted.

Under prevailing circumstances, the adoption of the foregoing new and amendments to PFRS Accounting Standards, except for the adoption of PFRS Accounting Standards 17 effective on or after January 1, 2027, is not expected to have any material effect on the financial statements of the Company. The management is currently in the process of performing detailed review and analysis to determine the financial impact of the adoption of PFRS Accounting Standards 17. Additional disclosures will be included in the financial statements, as applicable.

Current and Noncurrent Classification
The Company presents assets and liabilities in the statements of financial position based on liquidity.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when it is:

- Expected to be settled in its normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as noncurrent.

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

Date of Recognition. The Company recognizes a financial asset or liability in the statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

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

"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 comprehensive income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statement of comprehensive 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.

Financial Assets
In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Classification. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent to initial recognition, the Company may reclassify its financial assets only when there is a change in its business model for managing these financial assets. Reclassification of financial liabilities is not allowed. For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at FVPL
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at amortized cost (debt instruments)

In order for debt instruments to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Financial Assets at FVPL. Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL 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 FVPL are measured at fair value. Changes in fair values are recognized in profit or loss.

The Company classifies its investments in listed equity securities under this category (see Note 6).

Financial Assets at FVOCI - Equity Instruments. For equity instruments, the Company may irrevocably designate the financial asset to be measured at FVOCI in case the below conditions are not met.

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, equity instruments at FVOCI are measured at fair value with unrealized gains or losses recognized in OCI and are presented in the equity section of the statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods. Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established.

The Company elected to classify irrevocably investments in quoted and unquoted equity securities under this category (see Note 6).

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 gives 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, less any allowance for credit and impairment losses. Gains and losses are recognized in the profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost include cash and cash equivalents, short-term investments, investment in debt securities at amortized cost and loans and receivables (see Notes 4 and 6).

Impairment of Financial Assets at Amortized Cost
The Company records an allowance for expected credit loss (ECL) for financial assets measured at amortized cost based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate and adjusted for forward-looking estimates, as appropriate.

The Company recognizes impairment loss based on either the 12-month or lifetime ECL. The 12-month ECL pertains to the portion of ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company measures impairment loss at an amount equivalent to the 12-month ECL for financial assets that are determined to have low credit risk and those financial assets for which credit risk has not increased significantly since initial recognition.

When there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial asset. In determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial asset as at the reporting date with the risk of a default occurring on the financial asset as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

At each reporting date, the Company assesses whether financial assets at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset (net of any allowance account) that exceeds what the carrying amount would have been had the impairment not been recognized. The amount of the reversal shall be recognized in profit or loss immediately.

Financial Liabilities

Classification. Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, financial liabilities at amortized cost (e.g., loans and borrowings, payables), or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of financial liabilities at amortized cost, net of directly attributable transaction costs.

The Company's financial liabilities comprise of financial liabilities at amortized cost.

These are issued financial instruments or their components, which are not designated as at FVPL and where the substance of the contractual arrangement results 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 its own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Other Financial Liabilities. Issued financial liabilities or their components, which are not designated as financial liabilities at FVPL are classified as other financial liabilities, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial 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 are an integral part of the effective interest rate. Any effects of restatement of foreign currency-denominated liabilities are recognized in the statement of comprehensive income.

This category includes accounts payable and accrued expenses (excluding statutory liabilities), commissions payable and lease liabilities (see Notes 13 and 22).

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 has 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 rights to receive cash flows from an asset or has entered into a "pass-through" arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset 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 consideration that the Company could be required to repay.

Financial Liabilities. Financial liabilities are derecognized when the obligations under the liabilities have expired, discharged, or are 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 comprehensive income.

Offsetting of Financial Instruments
Financial assets and liabilities are offset and the net amount 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. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

Insurance Contracts
Insurance contracts are defined as those contracts under which the Company (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate if a specified uncertain future event (the insured event) adversely affects the policyholder. As a general guideline, the Company defines significant insurance risk, by comparing benefits paid against benefits

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

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

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 on 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 under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the profit or loss.

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

The Company also assumes reinsurance risk in the normal course of business. 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 expire, are extinguished, 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.

Insurance Contract Receivables

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

<u>Insurance Contract Liabilities</u>
Insurance contract liabilities are recognized when contracts are entered into and premiums are charged.

Provision for Claims Reported and Incurred But Not Reported (IBNR) Claims. Provisions for claims reported and IBNR claims are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims; therefore, the ultimate cost of which cannot be known with certainty at the 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 claims liability is based on the independent adjuster's report on the individual claims. The provision for IBNR claims was estimated using Chain Ladder method based on both claims paid and claims incurred, Bornheutter-Ferguson method based on both claims paid and claims incurred and expected loss ratio. No provision for equalization is recognized. The liability is derecognized when the contract expires, is discharged, or cancelled.

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. The change in the provision for unearned premiums is recognized in profit or loss using the 24th method. Further provisions are made to cover claims under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

Liability Adequacy Test. At each reporting date, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities, net of related deferred acquisition costs. In performing the test, current best estimates of future cash flows, claims handling and policy administration expenses are used. Changes in expected claims that have occurred, but which have not been settled, are reflected by adjusting the liability for claims and future benefits. Any inadequacy is immediately charged to the profit or loss by establishing an unexpired risk provision for losses arising from the liability adequacy tests.

<u>Other Assets</u>
Other assets include deferred input value-added tax (VAT), claim fund, creditable withholding taxes (CWT), prepayments and security fund, among others are initially recorded at transaction cost.

VAT. Revenue, expenses and assets are recognized net of the amount of VAT except:

- Where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT 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 VAT included.

The net amount of VAT payable to the taxation authority is included as part of "Statutory liabilities" line item under "Accounts payable and accrued expenses" account in the statement of financial position.

Deferred Input VAT. Deferred input VAT pertains to accrual of input VAT on unpaid commission which is reclassified to input VAT upon declaration in the VAT returns.

Deferred input and output VAT as at December 31, 2024 and 2023 are amounts recognized before the effectivity of Ease of Paying Taxes (EOPT) Law last April 27, 2024. After said effectivity, VAT is declared and remitted upon billing.

Investment in an Associate

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.

As permitted by PAS 28, *Investments in Associates and Joint Ventures*, the Company carries its investment in associates at cost as the ultimate parent company prepares consolidated financial statements in accordance with PFRS Accounting Standards. Under the cost method, investment in associates is accounted for at cost less any impairment in value.

The investments are derecognized on disposal, with the difference between the net proceeds and the carrying amount being recognized in the statement of comprehensive income.

The Company determines at the end of each reporting period whether there is any evidence that the investment is impaired. If this is the case, the amount of impairment is calculated as the difference between the carrying amount of the investment and recoverable amount.

Impairment of Nonfinancial Assets

At each reporting date, nonfinancial assets are reviewed to determine whether there is any indication that these nonfinancial assets may be impaired. If there is an indication of possible impairment, the recoverable amount of any asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in the statement of comprehensive income. The recoverable amount of an asset is the greater of its value in use or its fair value less cost to sell. Value in use is the present value of future cash flows expected to be derived from an asset. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized. Reversals of impairment are recognized in profit or loss.

Equity

Capital Stock. Capital stock is measured at par value for all shares issued and outstanding.

Contributed Surplus. Contributed surplus, which is measured at amount received, represents contributions to cover any deficiency in the net worth requirement under the IC.

Retained Earnings. Retained earnings represent the cumulative balance of net income or loss of the Company.

Cumulative Gain on Fair Value Changes on Financial Assets at FVOCI. This account pertains to accumulated unrealized fair value changes on financial assets at FVOCI, which are to be reclassified to profit or loss when realized. These income and expense, when earned or incurred for the period, are classified as other comprehensive income and presented after net income in the statements of comprehensive income.

Cumulative Remeasurement Gain on Net Retirement Asset. This account pertains to accumulated remeasurement gains and losses on retirement liability, which were not recognized in profit or loss. These income and expense when earned or incurred for the period are classified as other comprehensive income or loss and presented after net income in the statement of comprehensive income.

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 amount of revenue can be reliably measured.

The Company also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Company has assessed that it acts as principal in all of its revenue sources.

The following are the recognition criteria for revenues of the Company outside the scope of PFRS Accounting Standards 15:

Premiums Revenue. Premiums from short-duration insurance and reinsurance contracts 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 are accounted for as “Provision for unearned premiums” and are included in the “Insurance contract liabilities” in the statement of financial position. The related reinsurance premiums that pertain to the unexpired periods at reporting date are accounted for as “Deferred reinsurance premiums” and are included in the “Reinsurance assets” in the statement of financial position. The net changes in these accounts between reporting dates are charged to or credited against income for the year.

Commission Income. Commissions earned from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method. The portion of the commissions that relates to the unexpired periods of the policies at end of the reporting period is accounted for as “Deferred reinsurance commissions” and presented in the liabilities section of the statement of financial position.

Interest Income. Interest income is recognized in the statement of comprehensive 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 EIR.

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

Other Underwriting Income. Other underwriting income from other sources, if any, is recognized when earned and flow of economic benefit is reasonably assured and reliably measured.

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, except gross changes in the provision for unearned premiums which are included in net premiums earned. It further includes internal and external claims handling costs that are directly related to the processing and settlement of claims. Insurance claims are recorded on the basis of notifications received while IBNR claims is based on historical experience.

Net insurance benefits and claims represent gross insurance contract benefits and claims and gross change in insurance contract liabilities less reinsurer's share.

Commission Expense. Commissions incurred from short-duration insurance contracts are recognized as expense over the period of the contracts using the 24th method. The portion of the commissions that relates to the unexpired periods of the policies at reporting date is accounted for as "Deferred acquisition costs" and presented in the asset section of the statement of financial position.

Commissions payable pertains to unpaid commissions to agents and insurers ceding insurance risks to the Company. These are noninterest-bearing and are due upon receipt of premium payments.

General and Administrative Expenses. General and administrative expenses constitute costs of administrating the business. These are expensed when incurred.

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

Other Underwriting Expenses. Other underwriting expenses are recognized in the statement of comprehensive income as incurred.

Employee Benefits

Short-term Benefits. The Company provides short-term benefits to its employees in the form of basic salary, 13th month pay, bonuses, leave credits, employer's share on government contributions and other short-term benefits.

Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

Retirement Benefits. Retirement benefit 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.

The Company recognizes service costs, net interest on the net defined benefit liability or asset and remeasurements of net defined benefit liability or asset in the statements of comprehensive income

Service costs which include current service cost, past service cost, and gains or losses on non-routine settlements are 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 interest expense or interest income in statement of comprehensive income.

Remeasurements, comprising actuarial gains and losses and return on plan assets, are recognized immediately in OCI in the year in which these arise. Remeasurements are not reclassified to profit or loss in subsequent years.

The net retirement asset or liability is the aggregate of the present value of defined benefit obligations and the fair value of plan assets on which the liabilities are to be settled directly. The present value of the defined benefit obligations is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related defined benefit obligations.

Plan assets are assets that are held in trust and managed by a trustee bank. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. The fair value of the plan assets is based on the market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting net plan asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

Leases

The Company assesses whether the contract is, or contains, a lease. To assess whether a contract conveys the right to control the use of an identified assets for a period of time, the Company assesses whether, throughout the period of use, it has both of the following:

a. The right to obtain substantially all of the economic benefits from the use of the identified asset; and

b. The right to direct the use of the identified asset.

If the Company has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

The Company also assesses whether a contract contains a lease for each potential separate lease component.

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

ROU Asset. At commencement date, the Company measures ROU asset at cost. The cost comprises:

a. The amount of the initial measurement of lease liability;

b. Any lease payments made at or before the commencement date less any lease incentives received;

c. Any initial direct costs; and

d. An estimation of costs to be incurred by the Company in dismantling and removing the underlying asset, when applicable.

The ROU asset is recognized at the present value of the liability at the commencement date of the lease, adding any directly attributable costs. After the commencement date, the ROU asset is carried at cost less any accumulated amortization and accumulated impairment losses, and adjusted for any remeasurement of the related lease liability. The ROU asset is amortized over the shorter of the lease term or the useful life of the underlying asset of two (2) years.

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

Lease payments included in the measurement of a lease liability comprise the following:

a. Fixed payments, including in-substance fixed payments;

b. Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

c. Amounts expected to be payable by the lessee under residual value guarantees; and

d. The exercise price under a purchase option that the Company is reasonably certain to exercise; lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

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

If there is a change in the lease term or if there is a change in the assessment of an option to purchase the underlying asset, the lease liability is remeasured using a revised discount rate considering the revised lease payments on the basis of the revised lease term or reflecting the change in amounts payable under the purchase option. The lease liability is also remeasured using the revised lease payments if there is a change in the amounts expected to be payable under a residual value guarantee or a change in future lease payments resulting from a change in an index or a rate used to determine those payments.

Lease liability is classified in the statement of financial position as current liabilities when it is expected to be paid for no more than 12 months after the financial year. Otherwise, lease liability is classified as noncurrent liabilities.

For income tax reporting purposes, expenses under operating lease agreements are treated as deductible expenses in accordance with the terms of the lease agreements.

Foreign Currency-Denominated Transactions
Transactions in foreign currencies are initially recorded at the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated using the 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 comprehensive income.

For income tax reporting purposes, foreign exchange gains or losses are treated as taxable income or deductible expenses in the period such are realized.

Income Taxes
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 profit or loss, except to the extent that it relates to items recognized directly in other 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 substantively enacted as of the end 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 end of the reporting period 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.

The carrying amount of deferred tax assets is reviewed at each end of the reporting period 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 end of the reporting period 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.

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 substantively 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 or credited to operations for the period.

Final Tax. Interest income from cash in banks, cash equivalents, short-term investments and investments in debt securities at amortized cost, which are subject to final withholding tax, is presented at gross amounts, while taxes paid or withheld are recognized as final tax under "Income tax expense" account in the statements of comprehensive income.

Related Party Transactions and Relationships

Related party transactions consist of transfers of resources, services or obligations between the Company and its related parties, regardless whether a price is charged.

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. This includes: (a) individuals who, owning directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associates and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on legal form.

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 Company's financial statements but are disclosed when an inflow of economic benefits is probable.

Events After the Reporting Period

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

3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS Accounting Standards requires the Company to exercise significant judgments, make accounting estimates and use assumptions 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:

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

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

Classifying Financial Instruments. The Company classifies a financial instrument, on initial recognition as a financial asset, a financial liability or equity in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

The Company's financial assets include cash and cash equivalents, short-term investments, financial assets at FVPL, financial assets at FVOCI, investments in debt securities at amortized cost and loans and receivables. The Company's financial liabilities include accounts payable and accrued expenses (excluding statutory liabilities), commissions payable and lease liabilities.

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% to 50% 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%. The Company applies significant judgment in 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 Philippine Trust Company (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.

Accounting Estimates and Assumptions

The key accounting estimates and assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period 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.

Liability Adequacy Test. At each reporting period, management performs liability adequacy test to determine if there is a need to set aside expected claims and expenses which could arise during the unexpired coverage period of the policies after the reporting date which is over and above the reserve for unearned premiums. The Company calculated the best estimate of future claims and expenses for each line of business using actuarial valuation techniques. Expected future claims include policy maintenance and claims handling expenses.

As at December 31, 2024, the carrying amount of provision for unearned premiums amounting to ₱180.7 million (₱155.9 million as at December 31, 2023), are adequate for the latest current estimate of the Company's unexpired risk reserves (see Note 11).

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 takes a significant period of time before the ultimate claim cost can be established with certainty and for some type 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. At each reporting date, prior year claims estimates are assessed for adequacy and any changes made are charged to provision for claims reported and claims IBNR. 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.

In calculating the undiscounted unexpired risk reserves (URR), the unearned premium reserves were multiplied by the ultimate loss and LAE ratio adjusted for policy maintenance expenses (gross basis). The ultimate loss and

The outstanding balance of provision for claims reported, IBNR claims and MfAD included under "Insurance contract liabilities" account amounted to ₱689.1 million as at December 31, 2024 (₱586.2 million as at December 31, 2023) (see Note 11).

Determining the Fair Value of Financial Assets at FVPL and Financial Assets at FVOCI – Quoted Equity Securities. PFRS Accounting Standards 9 requires that certain financial assets be carried at fair value. Financial assets at FVPL and financial assets at FVOCI quoted equity securities are based on prevailing quoted market prices from active markets. Any change in the fair value of these financial instruments would directly affect the statements of comprehensive income and the statements of changes in equity.

The carrying amount of financial assets at FVPL amounted to ₱0.6 million as at December 31, 2024 (₱7.7 million as at December 31, 2023) (see Note 6). The carrying amount of financial assets at FVOCI quoted equity securities amounted to ₱209.0 million as at December 31, 2024 (₱154.0 million as at December 31, 2023) (see Note 6).

Determining the Fair Value of Financial Assets Not Quoted in an Active Market. The Company has financial assets at FVOCI not quoted in an active market whose fair value is determined using the discounted cash flow (DCF) method and adjusted net asset method which incorporate market observable and unobservable data (Level 3). The unobservable input to the model include assumptions regarding the future financial performance of the investee, its risk profile and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates. Discussion on the valuation methodology and significant inputs used is disclosed in Note 25.

The carrying value of financial assets at FVOCI not quoted in an active market amounted to ₱250.4 million as at December 31, 2024 (₱223.0 million as at December 31, 2023) (see Note 6).

Assessing the Expected Credit Losses on Financial Assets at Amortized Cost. When the Company assessed that there is a significant change in the credit risk, the Company estimates ECL using a provision matrix which considers the Company's historical credit loss experience adjusted for forward-looking factors, as appropriate.

No impairment loss was recognized on investment in debt securities at amortized cost and loans and receivables in 2024 (and 2023). The carrying amount of investment in debt securities at amortized cost amounted to ₱620.1 million as at December 31, 2024 (₱669.7 million as at December 31, 2023). The carrying amount of loans and receivables amounted to ₱10.9 million as at at December 31, 2024 (₱8.3 million as at December 31, 2023) (see Note 6).

Assessing the Impairment Losses on Insurance Receivables. At the end of each reporting period, the Company assesses the recoverability of insurance receivables based on facts and circumstances that indicate the asset may be impaired. Insurance receivables are impaired if there is objective evidence, as a result of an event that occurred after initial recognition that the Company may not receive all amounts due to it under the terms of the contract and that event has a reliably measurable impact on the amounts that the Company will receive.

No provision for impairment losses was recognized on insurance receivables in 2024 (and 2023). Allowance for impairment losses on insurance receivables amounted to ₱0.2 million as at December 31, 2024 (₱0.2 million as at December 31, 2023). The carrying amount of insurance receivables as at December 31, 2024 amounted to ₱462.0 million (₱349.1 million as at December 31, 2023) (see Note 5).

Assessing Impairment of Investment in an Associate. The Company assesses any impairment loss on investment in an associate whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Factors that the Company considers in deciding when to perform an impairment review include the following, among others:

- Deteriorating or poor financial condition;
- Recurring net losses; and
- Significant changes with an adverse effect on the associate 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 associate operates.

Based on management's assessment, the investment in an associate showed indicators of impairment arising from significant or prolonged decline in the fair value of the investment below its carrying amount, due to market price volatility and economic conditions.

The Company calculates the recoverable amount of its investment in an associate if there is deemed to be objective evidence of an impairment. Recoverable amount of an asset is the higher of its fair value less costs to sell or value in use. Value in use is determined as the present value of estimated future cash flows expected to be generated from the asset. Fair value less cost to sell was determined in reference to its market price in an active market (Level 1). If the recoverable amount is less than the carrying value, the asset is written down with the impairment loss recognized in the profit or loss. The recoverable amount, which was determined to be the fair value less cost to sell as it is higher than its value in use, is lower than its carrying amount.

Accordingly, additional impairment loss amounting to ₱16.0 million was recognized in 2024 and is included in "General and administrative expenses" account (see Note 18). Allowance for impairment loss in investment in an associate amounted to ₱133.4 million as at December 31, 2024 (₱117.4 million as at December 31, 2023) (see Note 7).

Recognition of Deferred Tax Assets. Deferred tax assets are recognized for all future tax deductibles to the extent that it is probable that the taxable income will be available against which these temporary differences can be utilized. Significant 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 recognized deferred tax assets amounted to ₱16.1 million as at December 31, 2024 (₱18.0 million as at December 31, 2023) (see Note 21).

4. Cash and Cash Equivalents

This account consists of:

	2024	2023
Cash on hand	**₱303,000**	₱303,000
Cash in banks	**16,106,674**	43,907,040
Cash equivalents	**456,442,726**	338,348,369
	₱472,852,400	₱382,558,409

Cash in banks earn interest at the prevailing bank deposit rates.

Cash equivalents are placed for varying periods of up to three months, depending on the immediate cash requirements of the Company.

Short-term investments amounting to ₱29.0 million as at December 31, 2024, are investments with maturity period of more than three months but less than one year. The short-term investments are presented separately in the statement of financial position.

Cash and cash equivalents and short-term investments earn interest ranging from 0.10% to 6.50% in 2024 (0.10% to 6.50% in 2023), with interest income amounting to ₱27.9 million in 2024 (₱22.0 million in 2023) (see Note 19).

5. Insurance Receivables

This account consists of:

	Note	**2024**	2023
Due from ceding companies		**₱392,580,007**	₱261,485,386
Premiums receivable		**45,523,998**	44,351,140
Reinsurance recoverable on paid losses	14	**18,260,615**	37,594,358
Funds held by ceding companies		**5,849,265**	5,836,425
		462,213,885	349,267,309
Less allowance for impairment losses		**183,467**	183,467
		₱462,030,418	₱349,083,842

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

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

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

Funds held by ceding companies are amounts pertaining to certain percentages of reinsurance premiums that are withheld by ceding companies representing the premium reserve.

6. Financial Assets

This account consists of:

	2024	2023
Financial assets at FVPL	**₱587,950**	₱7,667,914
Financial assets at FVOCI	**459,414,935**	377,040,259
Investments in debt securities at amortized cost	**620,064,153**	669,714,001
Loans and receivables	**10,860,884**	8,259,638
	₱1,090,927,922	₱1,062,681,812

Financial Assets at FVPL
Movements of these investments on listed equity securities are as follows:

	Note	**2024**	2023
Balance at beginning of year		**₱7,667,914**	₱15,604,774
Acquisitions		**–**	7,386,770
Unrealized gain on fair value changes	19	**499,509**	754,315
Disposals		**(7,579,473)**	(16,077,945)
Balance at end of year		**₱587,950**	₱7,667,914

The fair values of these investments are based on published closing rates from active markets, which are categorized as Level 1.

Dividend income from financial assets at FVPL amounted to ₱0.2 million in 2024 (₱0.3 million in 2023) (see Note 19).

Financial Assets at FVOCI
This account consists of:

	2024	2023
Quoted common shares	**₱209,000,000**	₱154,000,000
Unquoted common shares	**250,414,935**	223,040,259
	₱459,414,935	₱377,040,259

The fair values of quoted common shares are based on published bidding prices from active markets which are categorized under Level 1 of the fair value hierarchy. The fair value of unquoted common shares with no available published prices in an active market are determined using the DCF method and adjusted net asset method which incorporates unobservable data (Level 3).

Movements of financial assets at FVOCI are as follows:

	2024	2023
Balance at beginning of year	**₱377,040,259**	₱326,629,869
Unrealized gain on fair value changes	**82,374,676**	50,410,390
Balance at end of year	**₱459,414,935**	₱377,040,259

Movement of the cumulative gain on fair value changes of financial assets at FVOCI are as follows:

	2024	2023
Balance at beginning of year	**₱311,320,489**	₱268,471,658
Unrealized gain on fair value changes	**82,374,676**	50,410,390
Tax effect	**(12,356,201)**	(7,561,559)
Balance at end of year	**₱381,338,964**	₱311,320,489

Dividend income from financial assets at FVOCI amounted to ₱1.3 million in 2024 (₱2.0 million in 2023) (see Note 19).

Investments in Debt Securities at Amortized Cost

As at December 31, 2024 (and 2023), investments in debt securities at amortized cost pertains to government debt securities in local currency with maturity periods ranging from 3 to 25 years and earned interest at rates ranging from 4.75% to 8.25% in 2024 (4.75% to 8.125% in 2023).

Movements of the investments in debt securities at amortized cost are as follows:

	2024	2023
Balance at beginning of year	**₱669,714,001**	₱360,961,746
Acquisitions	**20,000,000**	313,960,000
Disposals and maturities	**(66,000,000)**	(2,000,000)
Net premium amortization	**(3,649,848)**	(3,207,745)
Balance at end of year	**₱620,064,153**	₱669,714,001

Interest income from investments in debt securities at amortized cost amounted to ₱36.9 million in 2024 including net premium amortization amounting to ₱3.7 million in 2024 (₱27.1 million in 2023 including net premium amortization amounting to ₱3.2 million in 2023) (see Note 19).

Government debt securities are deposited with the Insurance Commission (IC) in accordance with the provisions of the Insurance Code (the "Code") for the benefit and security of policy holders and creditors of the company. The face value of government debt securities deposited with IC amounted to ₱325.5 million as at December 31, 2024 (₱325.5 million as at December 31, 2023). The carrying value of these investments amounted to ₱354.0 million as at December 31, 2024 (₱357.5 million as at December 31, 2023).

Loans and Receivables

This account consists of:

	2024	2023
Interest receivable	**₱7,994,131**	₱5,597,695
Receivable from employees	**1,204,070**	748,414
Other receivables	**1,662,683**	1,913,529
	₱10,860,884	₱8,259,638

Other receivables include CWT not yet collected as at reporting date.

Interest income from loans and receivables amounted to ₱0.1 million in 2024 (₱0.4 million in 2023) (see Note 19).

7. Investment in an Associate

The carrying value of investment in associate as at December 31, 2024 (and 2023) has been determined as follows:

	Note	**2024**	2023
Cost		**₱747,116,956**	₱747,116,956
Less allowance for impairment losses	18	**133,411,406**	117,401,696
		₱613,705,550	₱629,715,260

Movements in allowance for impairment losses are as follows:

	2024	2023
Balance at beginning of year	**₱117,401,696**	₱117,401,696
Provision	**16,009,710**	–
Balance at end of year	**₱133,411,406**	₱117,401,696

On May 28, 2019, the BOD of PTC at its regular meeting has resolved that Pioneer Group, consisting of the Company, Pioneer Life Inc. (PLI) and PISC, having an aggregate ownership of 9.86% of the total outstanding capital stock of PTC, was allowed to have two (2) representatives in the BOD of PTC which is 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 BOD 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 investment 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 investment in PTC from "Financial assets at FVOCI" amounting to ₱747.1 million to "Investment in an associate" on October 4, 2019. The unrealized fair value gain amounting to ₱552.9 million under reserve for fluctuation in value of financial assets at FVOCI were not recycled to profit or loss but transferred to retained earnings.

In 2024, the Company recognized additional allowance for impairment losses amounting to ₱16.0 million included under "General and administrative expenses" account as the recoverable amount which is based on fair value less cost to sell is lower than its carrying amount (see Note 18).

The summarized financial information of the associate follows:

	2024	2023
Total assets	**₱175,471,176,000**	₱176,436,638,000
Total liabilities	**152,794,997,000**	153,263,415,000
Revenue	**3,165,490,000**	3,142,406,000
Net income for the year	**614,013,000**	1,029,109,000
Other comprehensive income (loss)	**(1,111,057,000)**	675,661,000
Total comprehensive income (loss)	**(497,044,000)**	1,704,770,000

8. Deferred Acquisition Costs and Deferred Reinsurance Commissions

Deferred Acquisition Costs
Movements in this account are as follows:

	2024	2023
Balance at beginning of year	**₱24,451,993**	₱22,629,998
Cost deferred	**82,747,306**	80,298,935
Amortization	**(79,774,201)**	(78,476,940)
Balance at end of year	**₱27,425,098**	₱24,451,993

Deferred acquisition costs refer to the portion of commission expense that relates to the unexpired periods of the policies as of the reporting date using the 24th method.

Commissions payable to agents and insurers ceding insurance risks to the Company amounted to ₱79.2 million as at December 31, 2024 (₱63.3 million as at December 31, 2023).

Deferred Reinsurance Commissions

Movements in this account are as follows:

	2024	2023
Balance at beginning of year	**₱26,143,107**	₱18,864,429
Income deferred	**90,335,322**	82,176,944
Amortization	**(81,129,074)**	(74,898,266)
Balance at end of year	**₱35,349,355**	₱26,143,107

Deferred reinsurance commissions refer to the portion of commission income that relates to the unexpired periods of the policies as of the reporting date using the 24th method.

9. Reinsurance Assets

This account consists of:

	Note	**2024**	2023
Reinsurance recoverable on unpaid losses	11	**₱314,633,356**	₱201,014,954
Deferred reinsurance premiums	11	**139,378,383**	106,806,312
		₱454,011,739	₱307,821,266

Reinsurance recoverable on unpaid losses is the reinsurer's share on the losses or claims that is yet to be settled by the Company.

Deferred reinsurance premiums are portions of the ceded premiums that relate to the unexpired periods of the policies as of the reporting date using the 24th method.

10. Other Assets

This account consist of:

	2024	2023
Deferred input VAT	**₱10,748,532**	₱7,140,678
Claim fund	**6,810,489**	6,810,489
CWT	**4,116,458**	4,116,458
Prepayments	**111,994**	111,994
Security fund	**62,229**	62,229
	21,849,702	18,241,848
Allowance for impairment loss	**(4,116,458)**	(4,116,458)
	₱17,733,244	₱14,125,390

Deferred input VAT relates to input VAT from unpaid commission recognized before the effectivity of EOPT Law.

Claims and security fund pertains to the fund which will be used for payment of allowed claims against insolvent insurance companies as required under the Company's treaty contracts.

Prepayments pertain to rental deposit and prepaid documentary stamp taxes.

Allowance for impairment loss pertains to CWT unsupported by certificates.

11. Insurance Contract Liabilities

Insurance contract liabilities consist of:

	2024		
	Insurance Contract Liabilities	**Reinsurer's Share of Liabilities (see Note 9)**	**Net**
Provision for:			
Claims reported	**₱573,299,883**	**₱257,980,910**	**₱315,318,973**
Claims IBNR and MfAD	**115,802,196**	**56,652,446**	**59,149,750**
Provision for claims reported, IBNR and MfAD	**689,102,079**	**314,633,356**	**374,468,723**
Provision for unearned premiums	**180,739,398**	**139,378,383**	**41,361,015**
	₱869,841,477	**₱454,011,739**	**₱415,829,738**

	2023		
	Insurance Contract Liabilities	Reinsurer's Share of Liabilities (see Note 9)	Net
Provision for:			
Claims reported	₱451,309,081	₱130,410,640	₱320,898,441
Claims IBNR and MfAD	134,891,855	70,604,314	64,287,541
Provision for claims reported, IBNR and MfAD	586,200,936	201,014,954	385,185,982
Provision for unearned premiums	155,914,875	106,806,312	49,108,563
	₱742,115,811	₱307,821,266	₱434,294,545

Movements of provision for claims reported and IBNR claims follow:

		2024		
	Note	**Provision for Claims Reported and IBNR Claims**	**Reinsurer's Share of Liabilities**	**Net**
Balance at beginning of year		**₱586,200,936**	**₱201,014,954**	**₱385,185,982**
Claims incurred		**185,495,034**	**138,591,430**	**46,903,604**
Claims paid	17	**(63,504,232)**	**(11,021,161)**	**(52,483,071)**
Decrease in claims IBNR	17	**(19,089,659)**	**(13,951,867)**	**(5,137,792)**
Balance at end of year		**₱689,102,079**	**₱314,633,356**	**₱374,468,723**

	Note	2023 Provision for Claims Reported and IBNR Claims	Reinsurer's Share of Liabilities	Net
Balance at beginning of year		₱600,075,690	₱219,572,266	₱380,503,424
Claims incurred		153,826,872	88,075,149	65,751,723
Claims paid	17	(201,287,561)	(122,513,031)	(78,774,530)
Increase in claims IBNR	17	33,585,935	15,880,570	17,705,365
Balance at end of year		₱586,200,936	₱201,014,954	₱385,185,982

Movements of provision for unearned premiums follow:

	Note	**2024** **Provision for Unearned Premiums**	**Reinsurer's Share of Liabilities**	**Net**
Balance at beginning of year		**₱155,914,875**	**₱106,806,312**	**₱49,108,563**
New policies written	16	**530,221,693**	**361,632,543**	**168,589,150**
Premiums earned	16	**(505,397,170)**	**(329,060,472)**	**(176,336,698)**
Balance at end of year		**₱180,739,398**	**₱139,378,383**	**₱41,361,015**

	Note	2023 Provision for Unearned Premiums	Reinsurer's Share of Liabilities	Net
Balance at beginning of year		₱131,053,856	₱76,504,928	₱54,548,928
New policies written	16	496,182,173	322,469,237	173,712,936
Premiums earned	16	(471,321,154)	(292,167,853)	(179,153,301)
Balance at end of year		₱155,914,875	₱106,806,312	₱49,108,563

12. **Insurance Payables**

This account consists of:

	2024	2023
Due to reinsurers	**₱248,881,325**	₱221,805,246
Funds held for reinsurers	**126,125,109**	109,402,620
	₱375,006,434	₱331,207,866

Movements of insurance payables follow:

	2024 **Due to Reinsurers**	**Funds Held for Reinsurers**	**Total**
Balance at beginning of year	**₱221,805,246**	**₱109,402,620**	**₱331,207,866**
Arising during the year	**230,796,371**	**242,458,201**	**473,254,572**
Paid during the year	**(203,720,292)**	**(225,735,712)**	**(429,456,004)**
Balance at end of year	**₱248,881,325**	**₱126,125,109**	**₱375,006,434**

	2023		
	Due to Reinsurers	Funds Held for Reinsurers	Total
Balance at beginning of year	₱139,702,387	₱85,991,592	₱225,693,979
Arising during the year	123,402,310	226,983,261	350,385,571
Paid during the year	(41,299,451)	(203,572,233)	(244,871,684)
Balance at end of year	₱221,805,246	₱109,402,620	₱331,207,866

Due to reinsurers represent premiums payable on treaty and facultative reinsurance contracts. These are noninterest-bearing and are generally settled within one year.

Funds held for reinsurers pertain to the retention of a certain percentage of the reinsurer's share of premium. This is to protect the Company from risks associated with collections of reinsurance recoverable on paid losses. These amounts are interest-bearing with annual rates ranging from 5.514% to 5.752% in 2024 (1.45% to 5.95% in 2023). Interest expense on funds held for reinsurers amounted to ₱7.2 million in 2024 (₱4.0 million in 2023). These are generally settled within one year after the reporting date.

13. **Accounts Payable and Accrued Expenses**

This account consists of:

	Note	**2024**	2023
Statutory liabilities		**₱38,098,526**	₱29,486,770
Accrued expenses		**1,350,175**	1,813,849
Due to related parties	14	**571,420**	1,248,738
Accounts payable		**299,226**	1,454,348
		₱40,319,347	₱34,003,705

Statutory liabilities include taxes payable such as output taxes, withholding taxes and municipal taxes and other government contributions. These are subsequently remitted within one month after the reporting date.

Accrued expenses include accruals for other employee benefits, professional fees and commission charges. Accrued expenses are noninterest-bearing and usually settled throughout the subsequent year.

Accounts payable mainly pertain to premium deposits.

14. **Related Party Transactions**

In the normal course of business, the Company has transactions with its related parties as follows:

			Amount of transaction		Outstanding balance	
Related Party	Nature of transaction	Note	**2024**	2023	**2024**	2023
Associate	Time deposit	e	**₱147,083,477**	(₱130,437,097)	**₱456,442,726**	₱338,348,369
Parent Company	Due from ceding companies	a	**₱123,808,604**	(70,819,759)	**₱371,647,415**	₱247,838,811
	Provision for claims reported	a	**77,336,290**	20,646,324	**273,735,989**	196,399,699
	Reinsurance recoverable on paid losses	a	**145,823**	12,571,277	**15,942,412**	15,796,589
	Reinsurance recoverable on unpaid losses	a	**7,741,210**	(10,679,586)	**7,819,142**	77,932
	Due to reinsurer	a	**(6,296,814)**	5,610,448	**5,788,082**	12,084,896
	Funds held by ceding companies	a	**(255,722)**	(37,557)	**677,758**	933,480
	Due to related parties (see Note 13)	c	**(1,405,898)**	(6,345,688)	258,876	1,664,774
	Accounts receivable		**(2,394,673)**	110,005	–	2,394,673
	Lease payments	d	**229,877**	212,050	–	–
Entities under common control	Due from ceding companies	a	**₱6,652,225**	(₱4,438,763)	**₱11,956,127**	₱5,303,902
	Reinsurance recoverable on unpaid losses	a	**12,206,997**	10,883,371	**24,708,545**	12,501,548
	Insurance payable	a	**8,394,066**	1,300,613	**14,522,602**	6,128,536
	Provision for claims reported	a, b	**(1,962,589)**	(6,239,843)	**7,114,913**	9,077,502
	Due to reinsurer	a	**(5,780,891)**	925,211	**6,540,783**	12,321,674
	Reinsurance recoverable on paid losses	a	**(13,887,801)**	12,778,147	**2,318,203**	16,206,004
	Due to related parties (see Note 13)	c	**(936,194)**	1,163,948	**312,544**	1,248,738
	Donation		**102,130**	50,000	**–**	–

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 Parent Company and with an entity under common control. Amounts due to and due from are the outstanding insurance balances related to these acceptances and cessions.

b. The Company has a payable to PLI, an entity under common control, consisting of payments of claims to beneficiaries for the Company's account.

c. The Company has payable to its Parent Company consisting mainly of share in common overhead expenses and transferred retirement liability.

   In 2024, the Company transferred an employee to its Parent Company who earned tenure of service. The Companies agreed that there will be no break in service due to the transfer and that the retirement benefit liability pertaining to this employee will be transferred with no corresponding asset transfers. Present value of transferred retirement liability amounted to ₱0.3 million (see Note 20).

d. The Company has a lease contract with PISC on the lease of its office space, for a term of two years (see Note 22).

e. The Company has time deposits with the PTC which earns interest at annual interest rates ranging from 5.06% to 6.50% in 2024 (3.00% to 6.50% in 2023).

f. Key management personnel of the Company include all personnel having position of Assistant Vice President and above. Compensation of key management personnel, which consist of salaries and other employee benefits, amounted to ₱1.8 million in 2024 (₱1.6 million in 2023).

Transactions with related parties are based on terms agreed to by the parties. Outstanding balances as of the end of the period are unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. The Company has not recorded any impairment of receivables relating to amounts owed by related parties in 2024 (and 2023). This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

15. Equity

Contributed Surplus

In compliance with Insurance Commission's required minimum net worth of ₱1,300.0 million, the Company received cash infusion from PISC amounting to ₱50.0 million in 2023.

Retained Earnings

Under the Revised Corporation Code of the Philippines, stock corporations are generally prohibited from retaining surplus profits in excess of 100% of their paid-up capital.

The Company's retained earnings amounting to ₱729.2 million as at December 31, 2024 (₱631.2 million as at December 31, 2023), is in excess of its paid-up capital. The retention of excess retained earnings is mainly due to the requirements to the IC for minimum statutory net worth for which the Company has to comply with (see Note 25).

16. Net Insurance Premiums Earned

Gross premiums earned on insurance contracts follow:

	Note	**2024**	2023
Gross premiums on insurance contracts:			
Direct insurance		**₱355,671,493**	₱289,287,702
Assumed		**174,550,200**	206,894,471
Total gross premiums on insurance contracts	11	**530,221,693**	496,182,173
Gross change in provision for unearned premiums		**(24,824,523)**	(24,861,019)
Gross premiums earned on insurance contracts	11	**₱505,397,170**	₱471,321,154

Reinsurers' share of gross premiums earned on insurance contracts follow:

	Note	2024	2023
Reinsurers' share of insurance contract premiums:			
Direct insurance		**₱233,046,012**	₱174,751,364
Assumed		**128,586,531**	147,717,873
Total reinsurer's share of insurance contracts	11	**361,632,543**	322,469,237
Reinsurers' share of change in provision for unearned premiums		**(32,572,071)**	(30,301,384)
Total reinsurer's share of gross premiums earned on insurance contracts	11	**₱329,060,472**	₱292,167,853

17. **Net Insurance Benefits and Claims**

This account consists of:

	2024	2023
Gross benefits and claims on insurance contracts	**₱166,405,375**	₱187,412,807
Reinsurers' share of benefits and claims on insurance contracts	**(124,639,564)**	(103,955,719)
Net insurance benefits and claims	**₱41,765,811**	₱83,457,088

Gross benefits and claims on insurance contracts consist of the following:

	Note	2024	2023
Insurance contract benefits and claims paid	11	**₱63,504,232**	₱201,287,561
Gross change in:			
Provision for claims reported		**121,990,802**	(47,460,689)
Provision for claims IBNR and MfAD	11	**(19,089,659)**	33,585,935
Gross benefits and claims on insurance contracts		**₱166,405,375**	₱187,412,807

Reinsurers' share of benefits and claims on insurance contracts:

	Note	2024	2023
Reinsurers' share of benefits and claims on insurance contracts	11	**₱11,021,161**	₱122,513,031
Reinsurers' share of gross change in:			
Provision for claims reported		**127,570,270**	(34,437,882)
Provision for claims IBNR and MfAD	11	**(13,951,867)**	15,880,570
Reinsurer's share of benefits and claims on insurance contracts		**₱124,639,564**	₱103,955,719

18. **General and Administrative Expenses**

This account consists of:

	Note	2024	2023
Provision for impairment loss on investment in an associate	7	**₱16,009,710**	₱–
Salaries, allowances, and benefits		**7,733,823**	6,492,080
IT repairs and maintenance		**5,043,626**	2,828,830
Agency related expenses		**3,368,362**	1,563,467
Entertainment, amusement, recreation, and meeting expenses		**1,555,707**	1,497,022
Professional fees		**982,692**	1,171,522
Taxes and licenses		**796,829**	273,820
Membership dues		**634,360**	585,163
Depreciation of ROU assets	22	**216,328**	215,909
Security, janitorial and contractual services		**181,302**	689,780
Donations and charitable contributions		**102,130**	50,000
Transportation and travel		**63,464**	24,148
Communication, light and water		**33,685**	28,493
Others		**1,456,303**	282,825
		₱38,178,321	₱15,703,059

Salaries, allowances and benefits consist of:

	Note	2024	2023
Salaries and wages		**₱6,289,580**	₱5,506,128
Bonuses		**1,032,141**	915,193
Retirement income	20	**(596,522)**	(961,662)
Other employee benefits		**1,008,624**	1,032,421
		₱7,733,823	₱6,492,080

19. **Investment Income**

Investment income consists of:

	Note	2024	2023
Interest income:			
Investments in debt securities at amortized cost	6	**₱36,855,934**	₱27,115,741
Cash and cash equivalents and short-term investments	4	**27,920,709**	21,985,581
Loans and receivables	6	**55,855**	426,527
Dividend income:			
Financial assets at FVOCI	6	**1,314,923**	1,963,973
Financial assets at FVPL	6	**238,850**	320,295
Unrealized gain on fair value changes on financial assets at FVPL	6	**499,509**	754,315
		₱66,885,780	₱52,566,432

20. Retirement Benefits

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 latest actuarial valuation date of the Company's retirement plan is as at December 31, 2024.

Net retirement income recognized in the statements of comprehensive income and presented under "General and administrative expenses" consists of:

	Note	**2024**	2023
Current service cost		**₱444,218**	₱314,746
Net interest income		**(1,040,740)**	(1,276,408)
	18	**(₱596,522)**	(₱961,662)

Net retirement asset recognized in the statements of financial position follows:

	2024	2023
Fair value of retirement plan assets	**₱18,940,650**	₱21,540,171
Present value of defined benefit obligations	**(4,695,557)**	(4,534,607)
	₱14,245,093	₱17,005,564

Changes in fair value of retirement plan assets are as follows:

	2024	2023
Balance at beginning of year	**₱21,540,171**	₱20,909,010
Remeasurement loss on plan assets	**(3,511,779)**	(893,657)
Interest income	**1,304,298**	1,524,818
Benefits paid from retirement fund	**(392,040)**	–
Balance at end of year	**₱18,940,650**	₱21,540,171

Changes in present value of defined benefits obligation are as follows:

	Note	**2024**	2023
Balance at beginning of year		**₱4,534,607**	₱3,423,972
Current service cost		**444,218**	314,746
Benefits paid from retirement fund		**(392,040)**	–
Interest cost		**263,558**	248,410
Transfer of retirement liability	14	**(258,876)**	–
Remeasurement loss on defined benefits obligation		**104,090**	547,479
		₱4,695,557	₱4,534,607

The retirement plan is shared by the Company and two (2) related parties. The retirement plan is being administered by Pioneer Group of Insurance Companies Staff Retirement Benefit Plan. The distribution of the plan assets of the Pioneer Group, of which 2.54% is attributed to the Company as at December 31, 2024 (2.90% as at December 31, 2023) follows:

	2024	2023
Equity financial assets	**₱8,088,997**	₱15,762,214
Cash and cash equivalents	**5,787,856**	3,079,355
Investment in associate	**4,956,542**	–
Receivables	**119,110**	90,718
Investment property at fair value	**–**	2,607,884
Liabilities	**(11,855)**	–
	₱18,940,650	₱21,540,171

The plan exposes the Company to the following risks:

- *Salary risk* - any increase in the retirement plan participants' salary will increase the retirement plan's liability.

- *Longevity risk* - any increase in the plan participants' life expectancy will increase the retirement plan's liability.

- *Interest rate risk* - a decrease in the bond interest rate will increase the present value of the retirement liability. However, partially counterbalanced by an increase in the return on the plan assets.

- *Investment risk* - if the actual return on plan assets is below the discount rate used in calculating the present value of the retirement liability, a plan deficit will arise. However, the compositions of plan assets are balanced enough not to expose the Company to significant concentrations of investment risk.

The Company does not expect to contribute to the retirement plan in 2025.

The cumulative remeasurement loss on net retirement asset recognized in OCI as at December 31 follows:

	2024		
	Cumulative Remeasurement Gain	**Deferred Tax (see Note 21)**	**Net**
Balance at beginning of year	**₱3,758,876**	**₱939,719**	**₱2,819,157**
Remeasurement loss	**(3,615,869)**	**(903,967)**	**(2,711,902)**
Balance at end of year	**₱143,007**	**₱35,752**	**₱107,255**

	2023		
	Cumulative Remeasurement Gain	Deferred Tax (see Note 21)	Net
Balance at beginning of year	₱5,200,012	₱1,300,003	₱3,900,009
Remeasurement loss	(1,441,136)	(360,284)	(1,080,852)
Balance at end of year	₱3,758,876	₱939,719	₱2,819,157

The principal assumptions used to determine the net retirement asset are as follows:

	2024	2023
Discount rates	**6.10%**	6.12%
Salary increase rate	**7.50%**	7.50%

Sensitivity analysis based on reasonably possible changes of the assumptions on present value of defined benefit obligation as at December 31, 2024 are as follows:

	Change in Assumption	Effect on Present Value of Defined Benefit Obligation	Present Value of Defined Benefit Obligation
Discount rate	+1.0%	(₱519,633)	₱4,175,924
	-1.0%	611,883	5,307,440
Salary increase rate	+1.0%	621,592	5,317,149
	-1.0%	(537,144)	4,158,413

21. Income Taxes

Under the "Corporate Recovery and Tax Incentives for Enterprises" (CREATE) Act which took effect on July 1, 2020, the regular corporate income tax of domestic corporations is 25% or 20% depending on the amount of total assets or total amount of taxable income while MCIT is computed at 1% of gross income for a period of three years up to June 30, 2023 and reverted to 2% effective July 1, 2023.

The income tax rates used in preparing the financial statements are 25% and 2% for RCIT and MCIT, respectively, in 2024 (25% and 1.5% for RCIT and MCIT, respectively, in 2023). The Company's provision for current tax pertains to RCIT in 2024 (and 2023).

The Company's net deferred tax liabilities relate to the tax effect on the following temporary differences:

	2024	2023
Deferred tax liabilities on:		
Fair value gains of financial assets at FVOCI	**₱67,295,111**	₱54,908,773
Net retirement asset	**3,561,274**	4,251,391
	70,856,385	59,160,164
Deferred tax assets on:		
Provision for claims of IBNR	**14,787,438**	16,071,886
Allowance for impairment losses on insurance receivables and CWT	**1,074,981**	1,074,981
Provision for employee benefits, service award liability and other expenses	**252,055**	242,318
Lease liabilities, net of ROU asset	**2,561**	64,515
Unrealized foreign currency exchange losses and others	**–**	582,179
	16,117,035	18,035,879
Net deferred tax liabilities	**₱54,739,350**	₱41,124,285

The components of deferred tax expense are presented as follows:

	2024	2023
In profit or loss	**₱2,162,831**	₱613,852
In OCI	**11,452,234**	7,201,275
	₱13,615,065	₱7,815,127

The reconciliation of income tax computed at statutory income tax rate to the provision for income tax reported in the statements of comprehensive income follows:

	2024	2023
Income tax expense at statutory income tax rate	**₱33,693,606**	₱17,792,296
Income tax effects of:		
Nondeductible impairment loss on investment in an associate	**4,002,428**	–
Difference of final tax rate against statutory tax rate	**(3,024,287)**	(2,249,623)
Other nondeductible expense	**2,469,673**	6,051,058
Income exempted from income tax	**(513,321)**	(845,786)
Transfer of retirement liability	**64,719**	–
	₱36,692,818	₱20,747,945

22. **Lease Commitment**

The Company, as a lessee, has a lease contract for its office space with PISC for a term of two years. The Company's obligation under its lease is secured by the lessor's title to the leased asset. The Company is restricted from assigning and subleasing the leased asset.

The movements in ROU assets is as follows:

	2024	2023
Cost		
Balance at beginning of year	**₱432,065**	₱864,132
Additions	**–**	432,065
Disposals	**–**	(864,132)
Balance at end of year	**432,065**	432,065
Accumulated Depreciation		
Balance at beginning of year	**90,431**	738,654
Depreciation	**216,328**	215,909
Disposals	**–**	(864,132)
Balance at end of year	**306,759**	90,431
Carrying amount	**₱125,306**	₱341,634

The movements in lease liabilities is as follows:

	2024	2023
Balance at beginning of year	**₱345,094**	₱129,922
Payments	**(229,877)**	(225,186)
Interest expense	**20,334**	8,293
Additions	**–**	432,065
Balance at end of year	**₱135,551**	₱345,094

The following are the amounts recognized in statements of comprehensive income:

	Note	2024	2023
Depreciation of ROU assets	18	**₱216,328**	₱215,909
Interest expense on lease liabilities		**20,334**	8,293
		₱236,662	₱224,202

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

	2024	2023
Within one year	**₱131,359**	₱225,186
After one year but not more than two years	**–**	131,359
	₱131,359	₱356,545

23. 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 paid-up capital, net worth, and RBC requirements on a quarterly basis as part of the Company's internal financial reporting process.

As at December 31, 2024 (and 2023), the Company fully complied with the externally-imposed capital requirements during the reported financial periods. These are the fixed capitalization requirement and RBC requirements.

Fixed Capitalization Requirements
On August 5, 2013, the President of the Philippines approved the Republic Act No. 10607 to be known as "The Insurance Code" (the Code) which provides the new capitalization requirements of all existing insurance companies based on net worth on a staggered basis starting June 30, 2013 up to December 31, 2022.

The minimum required net worth for the Company starting December 31, 2022 amounted to ₱1,300.0 million.

On January 13, 2015, the IC issued CL No. 2015-02-A which provides for the clarification of minimum capital requirements under Sections 194, 197, 200 and 289 of The New Insurance Code. The said circular supersedes the Department Order Nos. 27-06 and 15-2012 and CL Nos. 22-2008 and 26-2008. The minimum net worth requirements must remain unimpaired for the continuance of the license.

Pursuant to Section 202 of the Code, the Company's estimated net worth as at December 31, 2024 and the actual net worth as at December 31, 2023 based on the examination of IC follows:

	2024 (Estimated)	2023 (Actual)
Total assets	**₱3,188,322,991**	₱2,636,409,602
Less: Total liabilities	**1,477,118,003**	1,249,480,891
Total equity	**1,711,204,988**	1,545,303,104
Less: Non-admitted assets	**19,406,486**	158,374,393
Net worth	**1,691,798,502**	1,386,928,711
Less: Net worth requirements	**1,300,000,000**	1,300,000,000
Excess over net worth requirements	**₱391,798,502**	₱86,928,711

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

Risk-Based Capital (RBC) Requirements

For purposes of the December 31, 2024 (and 2023) financial reporting, the Company determined its compliance with the RBC requirements of the IC based on the provisions of CL No. 2016-68. This circular provides RBC frameworks for nonlife insurance companies in order 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. Under the RBC2 Framework, the RBC ratio shall be calculated as total available capital divided by the RBC2 requirement.

The table below shows the estimated RBC ratio as of December 31, 2024 as determined by the Company based on the RBC2 Framework and the final RBC ratio as of December 31, 2024 based on the 2023 result of IC examination:

	2024 (Estimated)	2023 (Actual)
Total available capital	**₱1,706,685,381**	₱1,542,239,359
RBC2 requirement	**399,563,773**	337,017,853
RBC ratio	**432%**	458%

The Company is compliant with the minimum RCBC2 requirement. The final amount of the RBC ratio as at December 31, 2024 can be determined only 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

CL No. 2016-65, *Financial Reporting Framework under Section 189 of the Amended Insurance Code (Republic Act No. 10607),* prescribes the new financial reporting framework (FRF) that will be used for the statutory quarterly and annual reporting. This also includes rules and regulations concerning Titles III and IV of Chapter III of the Code and all other accounts not discussed in the Code but are used in accounting of insurance and reinsurance companies.

CL No. 2016-67, *Valuation Standards for Non-Life Insurance Policy Reserves,* prescribes valuation methodology for the non-life insurance companies. In addition to the unearned premiums reserves, the concept of unexpired risk reserves is also included in the calculation of the premiums liability. The IBNR claims reserves are 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 computed at least on an annual basis based on standard projections techniques, such as but not limited to the Mack method, Bootstrapping method, Stochastic Chain Ladder method to bring the actuarial estimate of Policy Liabilities at the 75th percentile level of sufficiency and shall be incorporated on both premiums and claims liability valuation. Discount rates to be used shall be based on the latest BVAL and the Bloomberg IYC Curve for Php and USD-denominated policies, respectively.

Unexpired Risk Reserves (URR) refers to the amount of reserve required to cover future claims, commission and expenses at a designated level of confidence, that are expected to emerge from an unexpired period of cover. Starting 2018, the premiums liabilities shall be determined in accordance with the valuation standards prescribed under IC CL No. 2018-18, which is the higher between the UPR and URR.

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 such that companies shall be allowed to set the MfAD as follows:

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

Based on the actuarial valuation report, the Company complied with the aforementioned regulation and reflected MfAD of ₱76.0 million in 2024 (₱60.7 million in 2023), within "Insurance contract liabilities". The Company used 100% in 2024 (and 2023) of the company-specific MfAD.

24. **Insurance and Financial Risk Management Objectives and Capital Management**

Insurance Risk

The risk under an insurance contract is the risk that an insured event will occur, including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This is influenced by the frequency of claims, severity of claims, and actual benefits paid are 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 by across the board change in any subset of the portfolio. The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines.

The majority of reinsurance business ceded is placed on a quota share and excess of loss 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 reinsurers 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.

For the year ended December 31, 2024 (and 2023), the Company issued general accident insurance contracts.

The table below set out the concentration of the general accident claims liabilities as at December 31.

	2024	2023
Insurance contract liabilities	**₱689,102,079**	₱586,200,936
Reinsurers' share of liabilities	**314,633,356**	201,014,953
Net	**₱374,468,723**	₱385,185,983

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 and claim numbers 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 and delays in settlement.

Sensitivity Analysis. The insurance claims provision is sensitive to the above key assumptions. Because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claims provision is not known with certainty at the reporting dates.

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.

	2024			
	Change in Assumption	**Impact on Gross Insurance Contract Liabilities**	**Impact on Net Insurance Contract Liabilities**	**Impact on Income Before Income Tax**
Average claim costs	**5%**	**₱36,876,589**	**₱20,688,300**	**(₱20,791,741)**
Average number of claims	**5%**	**37,818,673**	**21,216,823**	**(21,322,907)**

	2023			
	Change in Assumption	Impact on Gross Insurance Contract Liabilities	Impact on Net Insurance Contract Liabilities	Impact on Income Before Income Tax
Average claim costs	5%	₱27,116,302	₱15,975,971	(₱16,055,851)
Average number of claims	5%	47,043,763	27,716,530	(27,855,112)

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 becomes 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 statement of financial position date, together with cumulative payments to date.

	Gross Insurance Contract Liabilities for 2024				
	2020	2021	2022	2023	2024
Estimate of ultimate claim costs					
At the end of accident year	₱87,792,873	₱89,199,329	₱150,713,333	₱129,444,031	₱417,305,353
One year later	170,549,228	250,764,597	167,316,635	140,021,789	–
Two years later	164,851,718	238,866,833	161,434,945	–	–
Three years later	171,840,952	177,676,037	–	–	–
Four years later	142,487,453	–	–	–	–
Current estimate of cumulative claims	142,487,453	177,676,037	161,434,945	140,021,789	417,305,353
Cumulative payments to date	85,298,955	94,393,533	100,045,223	50,436,443	19,649,344
Liability recognized in the statement of financial position	₱57,188,498	₱83,282,504	₱61,389,722	₱89,585,346	₱397,656,009

	Net Insurance Contract Liabilities for 2024				
	2020	2021	2022	2023	2024
Estimate of ultimate claim costs					
At the end of accident year	₱66,275,560	₱60,245,890	₱90,669,185	₱120,791,790	₱196,975,918
One year later	113,222,364	166,368,563	140,286,835	108,971,841	–
Two years later	97,902,194	180,088,362	145,271,144	–	–
Three years later	97,196,255	140,770,873	–	–	–
Four years later	83,854,930	–	–	–	–
Current estimate of cumulative claims	83,854,930	140,770,873	145,271,144	108,971,841	196,975,918
Cumulative payments to date	48,659,551	81,637,577	92,263,589	50,436,443	17,661,563
Liability recognized in the statement of financial position	₱35,195,379	₱59,133,296	₱53,007,555	₱58,535,398	₱179,314,355

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.

Financial Risk Management Objectives

The Company's principal financial instruments consist of cash in banks and cash equivalents, short-term investments, investments in debt securities, financial assets at FVPL and financial assets at FVOCI. The Company also has various other financial assets and liabilities such as loans and receivables, accounts payable and accrued expenses (excluding statutory liabilities), commissions payable and lease liabilities which arise directly from its operations. Financial assets investments arise from the Company's investing activities. The Company also have insurance assets and liabilities such as insurance receivables, provisions for claims reported (included under "Insurance contract liabilities" account) and insurance payables which are subject to financial risk.

The main risks arising from the Company's financial instruments and insurance assets and liabilities are credit risk, liquidity risk, and equity price risk. The Company's 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 a risk that the Company will incur financial loss when its counterparties 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 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 limit is also used to manage credit exposure which specifies credit limit for each intermediary depending on the size of its portfolio and its ability to meet its obligation based on past experience. The Company did not have any significant concentration of risk with a single counterparty or group of counterparties, geographical and industry segments as of December 31, 2024 (and 2023).

As at December 31, 2024 (and 2023), 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 following table below provides information regarding the credit risk exposure of the Company by classifying financial assets and insurance receivables according to credit ratings of the counterparties.

	2024				
	Neither Past Due nor Impaired				
	Investment/ High Grade	**Below Investment Grade**	**Past Due but Not Impaired**	**Impaired**	**Total**
Financial assets:					
Cash and cash equivalents*	**₱472,549,400**	**₱–**	**₱–**	**₱–**	**₱472,549,400**
Short-term investments	**28,989,120**	**–**	**–**	**–**	**28,989,120**
Loans and receivables	**9,842,055**	**1,018,829**	**–**	**–**	**10,860,884**
Investments in debt securities at amortized cost	**620,064,153**	**–**	**–**	**–**	**620,064,153**
Insurance assets:					
Insurance receivables	**80,549,868**	**–**	**381,480,550**	**183,467**	**462,213,885**
	₱1,211,994,596	**₱1,018,829**	**₱381,480,550**	**₱183,467**	**₱1,594,677,442**

**Excluding cash on hand amounting to ₱0.3 million as at December 31, 2024*

	2023				
	Neither Past Due nor Impaired				
	Investment/ High Grade	Below Investment Grade	Past Due but Not Impaired	Impaired	Total
Financial assets:					
Cash and cash equivalents*	₱382,255,409	₱–	₱–	₱–	₱382,255,409
Loans and receivables	8,251,624	10,012	–	–	8,261,636
Investments in debt securities at amortized cost	669,714,001	–	–	–	669,714,001
Insurance assets:					
Insurance receivables	17,195,579	70,617,813	261,270,450	183,467	349,267,309
	₱1,077,416,613	₱70,627,825	₱261,270,450	₱183,467	₱1,409,498,355

**Excluding cash on hand amounting to ₱0.3 million as at December 31, 2023*

Investment grade financial assets and insurance assets are assets which have strong capacity to meet the Company's financial commitments and are unsusceptible to adverse effects of changes in economic conditions.

Below investment grade financial assets and insurance receivables are assets which are vulnerable to impairment due to the assets' significant speculative characteristics. Adverse economic conditions will likely impair below investment grade financial assets and insurance assets.

Cash and Cash Equivalents, Short-term Investments and Investments in Debt Securities at Amortized Cost. The credit risk for cash and cash equivalents is considered negligible or the probability of default from these reputable banks is remote since there has been no history of default from these counterparties and because of their high quality external credit ratings.

Cash in banks are insured by the Philippine Deposit Insurance Corporation (PDIC) up to a maximum coverage of ₱1.0 million per depositor per banking institution, as provided for under Republic Act (RA) No. 9576, Amendment to Charter of PDIC.

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

High grade receivables pertain to those receivables from counterparties that consistently pay before the maturity date. Standard grade includes receivables that are collected on their due dates even without an effort from the Company to follow them up while receivables which are collected on their due dates provided that the Company made a persistent effort to collect them are included under substandard grade receivables.

The Company has no significant concentration of credit risk in relation to its financial assets and insurance assets.

Liquidity Risk. Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet commitments from financial instruments. 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 than expected, or inability to generate cash inflows as anticipated.

An institution may suffer from a liquidity problem when its credit rating falls. The Company is also exposed to liquidity risk if markets on which it depends on are 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 wells 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 summarize the maturity profile of the Company's financial liabilities and insurance liabilities as at December 31 based on contractual maturities or expected repayment dates:

	2024				
	Within 1 Year	**1 to 3 Years**	**Over 3 Years**	**No Maturity Date**	**Total**
Financial liabilities:					
Accounts payable and accrued expenses*	**₱2,220,821**	**₱–**	**₱–**	**₱–**	**₱2,220,821**
Commissions payable	**79,206,835**	**–**	**–**	**–**	**79,206,835**
Lease liabilities	**135,551**	**–**	**–**	**–**	**135,551**
Insurance liabilities:					
Provision for claims reported (included under "Insurance Contract Liabilities" account)	**573,299,883**	**–**	**–**	**–**	**573,299,883**
Insurance payables	**375,006,434**	**–**	**–**	**–**	**375,006,434**
	₱1,029,869,524	**₱–**	**₱–**	**₱–**	**₱1,029,869,524**

**Excluding statutory liabilities amounting to ₱38.1 million as at December 31, 2024*

	2023				
	Within 1 Year	1 to 3 Years	Over 3 Years	No Maturity Date	Total
Financial liabilities:					
Accounts payable and accrued expenses*	₱4,516,935	₱–	₱–	₱–	₱4,516,935
Commissions payable	63,346,180	–	–	–	63,346,180
Lease liabilities	345,094	–	–	–	345,094
Insurance liabilities:					
Provision for claims reported (included under "Insurance Contract Liabilities" account)	451,309,081	–	–	–	451,309,081
Insurance payables	331,207,866	–	–	–	331,207,866
	₱850,725,156	₱–	₱–	₱–	₱850,725,156

**Excluding statutory liabilities amounting to ₱29.5 million as at December 31, 2023*

It is unusual for a company, primarily transacting in insurance business, 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.

Equity Price Risk. The Company's price risk exposure at year-end relates to financial instruments whose values will fluctuate as a result of changes in market prices. Such investments in equity securities are subject to price risk due to changes in market values of instruments arising either from factor 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 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 (due to changes in the fair value of financial assets at FVPL) and the impact on other comprehensive income (due to changes in the fair value of financial assets at FVOCI) on quoted equity securities.

	2024		
	Increase (decrease) in market value	**Effect on income before tax**	**Effect on Other Comprehensive Income**
PSEi	**0.21%**	**₱428**	**₱–**
PSEi	**(0.21%)**	**(428)**	**–**

	2023		
	Increase (decrease) in market value	Effect on income before tax	Effect on Other Comprehensive Income
PSEi	4%	₱213,060	₱–
PSEi	(4%)	(213,060)	–

The impact on 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 annual historical movement. Adjusted beta is the forecasted measure of the volatility of a security or a portfolio in comparison to the market as a whole.

25. **Fair Value of Financial Instruments**

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

	2024		2023	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Financial assets at amortized cost:				
Cash in banks	**₱16,106,674**	**₱16,106,674**	₱43,907,040	₱43,907,040
Cash equivalents	**456,442,726**	**456,442,726**	338,348,369	338,348,369
Short-term investment	**28,989,120**	**28,989,120**	–	–
Loans and receivables	**10,860,884**	**10,860,884**	8,261,636	8,261,636
Investments in debt securities at amortized cost	**620,064,153**	**620,064,153**	669,714,001	669,714,001
Financial assets at FVOCI	**459,414,935**	**459,414,935**	377,040,259	377,040,259
Financial assets at FVPL	**587,950**	**587,950**	7,667,914	7,667,914
	₱1,592,466,442	**₱1,592,466,442**	₱1,444,939,219	₱1,444,939,219
Financial Liabilities				
Accounts payable and accrued expenses*	**₱2,220,821**	**₱2,220,821**	₱4,516,935	₱4,516,935
Commissions payable	**79,206,835**	**79,206,835**	63,346,180	63,346,180
Lease liabilities	**135,551**	**135,551**	345,094	345,094
	₱81,563,207	**₱81,563,207**	₱68,208,209	₱68,208,209

**Excluding statutory liabilities amounting to ₱38.1 million and ₱29.5 million as at December 31, 2024 and 2023, respectively.*

Cash in Banks, Cash Equivalents, Short-term Investments, Loans and Receivables, Accounts Payable and Accrued Expenses (Excluding Statutory Liabilities) and Commissions Payable. The carrying amounts of these instruments approximate their fair values due at the end of the reporting date due to their short-term maturity.

Investments in Debt Securities at Amortized Cost. Due to the long-term nature of the investments in debt securities at amortized cost, its carrying value differs from its fair value. The fair value of investments in debt financial assets at amortized cost, categorized as Level 1, is based on the quoted market prices at the end of the reporting date.

Financial Assets at FVPL and Financial Assets at FVOCI. The fair values of financial assets at FVPL and quoted financial assets at FVOCI were determined using quoted market prices at the reporting date. For unquoted equity securities with no reliably estimable fair values, the said financial assets at FVOCI were carried at cost less allowance for impairment losses.

The Company has investment in common shares of a holding company, a microinsurance company, and other company which are not quoted in the market as of December 31, 2024 (and 2023). The estimated fair market values, categorized as Level 3, are presented in the table below.

	2024	2023
Investment in a holding company	**₱122,656,311**	₱120,562,890
Investment in a microinsurance company	**126,237,036**	100,955,780
Other company	**1,521,589**	1,521,589
Total	**₱250,414,936**	₱223,040,259

In 2024 (and 2023), the following assumptions were performed to determine the fair value of investment in a holding company using the adjusted net asset method:

- Weighted average cost of capital (WACC) of the holding company was used in determining the present value of free cash flows (FCF);
- The assets and liabilities of the holding company were stated in fair values. The assets of the holding company mainly pertain to its investment in a subsidiary, which is a life insurance company. The fair value of investment in life insurance company was determined using DCF method;
- The fair value of liabilities was deducted against the fair value of the assets to determine the net asset of the holding company; and
- The net asset was multiplied to the Company's percentage ownership in the holding company to arrive at the fair value of the investment.

In 2024 (and 2023), the following assumptions were used to determine the fair value of investment in a microinsurance company and the fair value of life insurance company wholly owned by the holding company above using the DCF method:

- WACC of the microinsurance company was used in determining the present value of FCF;
- The terminal value was calculated using the FCF from the last year of the five-year projection period capitalized into perpetuity using the Gordon growth model based on a growth rate of 6.0% for both microinsurance company and life insurance company;
- Normalization adjustments were made in the FCF of the last year of the projection period for purposes of computing the terminal value; and
- A marketability factor of 20% was used considering that the investment in microinsurance company is not liquid.

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

	2024	2023
Balance at beginning of year	**₱223,040,259**	₱200,629,869
Fair value gain	**27,374,677**	22,410,390
Balance at end of year	**₱250,414,936**	₱223,040,259

The analysis of the fair market value of the investment in a microinsurance company and investment in a holding company owning a life insurance company below is performed for the reasonably possible movements in unobservable inputs, with all other variables held constant, showing the impact on other comprehensive income:

	2024			
	Investment in a microinsurance company		Investment in a holding company	
Significant unobservable input	Level at year end	Sensitivity of the input to fair value	Level at year end	Sensitivity of the input to fair value
WACC	14.43%	.25% increase (decrease) in the WACC would result in the increase (decrease) in fair value by ₱2,644,837 and (₱2,812,165), respectively.	12.88%	.25% increase (decrease) in the WACC would result in the increase/(decrease) in fair value by ₱4,122,895 and (₱4,449,056), respectively.
PCF perpetuity growth model	6%	.25% increase/(decrease) in the perpetuity growth rate would result in the increase (decrease) in fair value by ₱2,592,655 and (₱2,812,165), respectively.	6%	.25% increase/(decrease) in the perpetuity growth rate would result in the increase (decrease) in fair value by ₱4,186,878 and (₱3,879,986), respectively.
Marketability discount factor	20%	.25% increase/(decrease) in the market discount rate factor would result in the increase (decrease) in fair value by ₱329,144 and (₱329,144), respectively.	10%	.25% increase/(decrease) in the market discount rate factor would result in the increase (decrease) in fair value by ₱383,301 and (₱383,301), respectively.

	2023			
	Investment in a microinsurance company		Investment in a holding company	
Significant unobservable input	Level at year end	Sensitivity of the input to fair value	Level at year end	Sensitivity of the input to fair value
WACC	13.70%	0.25% increase (decrease) in the WACC would result in the increase (decrease) in fair value by ₱1,925,659 and (₱1,829,311), respectively.	13.58%	0.25% increase (decrease) in the WACC would result in the increase/(decrease) in fair value by ₱3,325,786 and (₱3,156,521), respectively.
PCF perpetuity growth model	4.00%	0.25% increase/(decrease) in the perpetuity growth rate would result in the increase (decrease) in fair value by ₱1,672,350 and (₱1,588,280), respectively.	4.00%	0.25% increase/(decrease) in the perpetuity growth rate would result in the increase (decrease) in fair value by ₱2,741,908 and (₱2,602,494), respectively.
Marketability discount factor	20.00%	0.25% increase/(decrease) in the market discount rate factor would result in the increase (decrease) in fair value by ₱315,487 and (₱315,487), respectively.	10.00%	0.25% increase/(decrease) in the market discount rate factor would result in the increase (decrease) in fair value by ₱375,756 and (₱375,756), respectively.

Fair Value Hierarchy

For the year ended December 31, 2024 (and 2023), there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

26. Maturity Profile of Assets and Liabilities

The following tables show the assets and liabilities as of December 31, 2024 (and 2023) analyzed according to when they are expected to be recovered or settled within one year and beyond one year from the reporting date:

	2024			2023		
	Due within One Year	**Due Beyond One Year**	**Total**	Due within One Year	Due Beyond One Year	Total
Financial Assets						
Financial assets at amortized cost:						
Cash and cash equivalents	**₱472,852,400**	**₱–**	**₱472,852,400**	₱382,558,409	₱–	₱382,558,409
Short-term investments	**28,989,120**	**–**	**28,989,120**	–	–	–
Loans and receivables	**9,842,055**	**1,018,829**	**10,860,884**	7,669,179	590,459	₱8,259,638
Financial assets at FVOCI	**459,414,935**	**–**	**459,414,935**	377,040,259	–	377,040,259
Financial assets at FVPL	**587,950**	**–**	**587,950**	7,667,914	–	7,667,914
Investments in debt securities at amortized cost	**–**	**620,064,153**	**620,064,153**	67,951,677	601,762,324	669,714,001
	971,686,460	**621,082,982**	**1,592,769,442**	842,887,438	602,352,783	1,445,240,221
Nonfinancial Assets						
Insurance receivables	**462,030,418**	**–**	**462,030,418**	349,083,842	–	349,083,842
Investment in an associate	**–**	**613,705,550**	**613,705,550**	–	629,715,260	629,715,260
Reinsurance assets	**454,011,739**	**–**	**454,011,739**	307,821,266	–	307,821,266
Deferred acquisition costs	**27,425,098**	**–**	**27,425,098**	24,451,993	–	24,451,993
Net retirement asset	**–**	**14,245,093**	**14,245,093**	–	17,005,564	17,005,564
ROU assets	**125,306**	**–**	**125,306**	341,634	–	341,634
Other assets	**17,733,244**	**–**	**17,733,244**	14,125,390	–	14,125,390
	961,325,805	**627,950,643**	**1,589,276,448**	695,824,125	646,720,824	1,342,544,949
	₱1,933,012,265	**₱1,249,033,625**	**₱3,182,045,890**	₱1,538,711,563	1,249,073,607	₱2,787,785,170

	2024			2023		
	Due within One Year	**Due Beyond One Year**	**Total**	Due within One Year	Due Beyond One Year	Total
Financial Liabilities						
Accounts payable and accrued expenses	**₱2,220,821**	**₱–**	**₱2,220,821**	₱4,516,935	₱–	₱4,516,935
Commissions payable	**79,206,835**	**–**	**79,206,835**	63,346,180	–	63,346,180
Lease liabilities	**135,551**	**–**	**135,551**	345,094	–	345,094
	81,563,207	**–**	**81,563,207**	68,208,209	–	68,208,209
Nonfinancial Liabilities						
Insurance contract liabilities	**869,841,477**	**–**	**869,841,477**	742,115,811	–	742,115,811
Insurance payables	**375,006,434**	**–**	**375,006,434**	331,207,866	–	331,207,866
Deferred reinsurance commissions	**35,349,355**	**–**	**35,349,355**	26,143,107	–	26,143,107
Statutory liabilities	**38,098,526**	**–**	**38,098,526**	29,486,770	–	29,486,770
Income tax payable	**16,756,257**	**–**	**16,756,257**	4,196,018	–	4,196,018
Net deferred tax liabilities	**–**	**54,739,350**	**54,739,350**	–	41,124,285	41,124,285
	1,335,052,049	**54,739,350**	**1,389,791,399**	1,133,149,572	41,124,285	1,174,273,857
	₱1,416,615,256	**₱54,739,350**	**₱1,471,354,606**	₱1,201,357,781	₱41,124,285	₱1,242,482,066

27. Reclassification Adjustments

The December 31, 2023 financial statements has been restated to reflect the following reclassification adjustments for:

- CWT amounting to ₱5.8 million previously presented as a separate line item under "Other assets" account was offset against "Income tax payable" account.
- Input VAT amounting to ₱2.0 million previously presented as a part of "Other assets" account was offset against "Output VAT payable" included under "Accounts payable and accrued expenses" account.

BOA/PRC Accreditation No. 4782
April 14, 2024, valid until June 6, 2026
SEC Registration No. PP201007009

BDO Towers Valero
8741 Paseo de Roxas
Makati City 1209 Philippines
Phone : +632 8 982 9100
Fax : +632 8 982 9111
Website : www.reyestacandong.com

REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE
SECURITIES AND EXCHANGE COMMISSION

The Stockholders and the Board of Directors
Pioneer Intercontinental Insurance Corporation
Pioneer House
108 Paseo De Roxas Street
Legaspi Village, Makati City

We have audited the accompanying financial statements of Pioneer Intercontinental Insurance Corporation (the Company) as at and for the year then ended December 31, 2024, on which we have rendered our report dated April 8, 2025.

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

REYES TACANDONG & CO.

Pamela Ann P. Escuadro

PAMELA ANN P. ESCUADRO
Partner
CPA Certificate No. 128829
Tax Identification No. 216-321-918-000
BOA Accreditation No. 4782/P-013; Valid until June 6, 2026
IC Accreditation No. 128829-IC
Issued February 22, 2021
Valid for Financial Periods 2020 to 2024
BIR Accreditation No. 08-005144-013-2023
Valid until January 24, 2026
PTR No. 10467125
Issued January 2, 2025, Makati City

April 8, 2025
Makati City, Metro Manila

REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES OF
RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

The Stockholders and the Board of Directors
Pioneer Intercontinental Insurance Corporation
Pioneer House
108 Paseo De Roxas Street
Legaspi Village, Makati City

We have audited, in accordance with Philippine Standards on Auditing, the basic financial statements of Pioneer Intercontinental Insurance Corporation as at and for the year ended December 31, 2024, and have issued our report thereon dated April 8, 2025. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Supplementary Schedule of Retained Earnings Available for Dividend Declaration as at December 31, 2024 is the responsibility of the Company's management.

This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

REYES TACANDONG & CO.

Pamela Ann P. Escuadro

PAMELA ANN P. ESCUADRO
Partner
CPA Certificate No. 128829
Tax Identification No. 216-321-918-000
BOA Accreditation No. 4782/P-013; Valid until June 6, 2026
IC Accreditation No. 128829-IC
Issued February 22, 2021
Valid for Financial Periods 2020 to 2024
BIR Accreditation No. 08-005144-013-2023
Valid until January 24, 2026
PTR No. 10467125
Issued January 2, 2025, Makati City

April 8, 2025
Makati City, Metro Manila

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
FOR THE REPORTING PERIOD ENDED DECEMBER 31, 2024

PIONEER INTERCONTINENTAL INSURANCE CORPORATION
Pioneer House 108 Paseo De Roxas Street, Legaspi Village, Makati City

		Amount
Unappropriated retained earnings, beginning of reporting period		₱206,079,680
Add: Category A: Items that are directly credited to unappropriated retained earnings		
Reversal of retained earnings appropriation/s	–	
Effect of restatements or prior-period adjustments	–	
Others (describe nature)	–	–
Less: Category B: Items that are directly debited to unappropriated retained earnings		
Dividend declaration during the reporting period	–	
Retained earnings appropriated during the reporting period	–	
Effect of restatements or prior-period adjustments	–	
Others (describe nature)	–	–
Unappropriated retained earnings, as adjusted		206,079,680
Add/less: Net income (loss) for the current year		98,081,607
Less: Category C.1: Unrealized income recognized in the profit or loss during the reporting period (net of tax)		
Equity in net income of associate/joint venture, net of dividends declared	–	
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	–	
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVPL)	499,509	
Unrealized fair value gain of investment property	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the Philippine Financial Reporting Standards (PFRS Accounting Standards) (describe nature)	–	
Sub-total		499,509

		Amount
Add: <u>Category C.2</u>: Unrealized income recognized in profit or loss in prior periods but realized in the current reporting period (net of tax)		
Realized foreign exchange gain, except those attributable to cash and cash equivalents	–	
Realized fair value adjustment (mark-to-market gains) of financial instruments at FVPL	–	
Realized fair value of investment property	–	
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS Accounting Standards (describe nature)	–	
Realized foreign exchange gain, except those attributable to cash and cash equivalents	–	
Sub-total		–
Add: <u>Category C.3</u>: Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)		
Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	–	
Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instruments at FVPL	–	
Reversal of previously recorded fair value of investment property	–	
Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS Accounting Standards, previously recorded (Reversal of unrealized fair value gain transferred to retained earnings – *Impairment loss in investment in an associate*)	16,009,710	
Sub-total		16,009,710
Adjusted net income (loss)		**113,591,808**
Add: <u>Category D</u>: Non-actual losses recognized in profit or loss during the reporting period (net of tax)		
Depreciation on revaluation increment (after tax)	–	–
Sub-total		–
Add/less: <u>Category E</u>: Adjustments related to relief granted by the SEC		
Amortization of the effect of reporting relief	–	
Total amount of reporting relief granted during the year	–	
Others (describe nature)	–	–
Sub-total		–

		Amount
Add/less: <u>Category F</u>: **Other items that should be excluded from the determination of the amount of available for dividends distribution**		
Net movement of treasury shares (except for reacquisition of redeemable shares	–	
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	2,162,831	
Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set up of right-of-use of asset and lease liability, set up of asset and asset retirement obligation, and set up of service concession asset and concession payable	–	
Adjustment due to deviation from PFRS Accounting Standards /GAAP - gain (loss)	–	
Others (describe nature)	–	
Sub-total		2,162,831
Total retained earnings, end of the reporting period available for dividend		**₱305,824,609**

PIONEER INTERCONTINENTAL INSURANCE CORPORATION

(A Subsidiary of Pioneer Insurance & Surety Corporation)

SUPPLEMENTARY SCHEDULES OF
EXTERNAL AUDITOR FEE RELATED INFORMATION

AS OF DECEMBER 31, 2024 AND 2023

	2024	2023
Total audit fees	**₱588,500**	₱690,250
Non-audit services fees:		
Other assurance services	**–**	–
Tax services	**–**	–
All other services	**–**	–
Total non-audit fees	**–**	–
Total audit and non-audit fees	**₱588,500**	₱690,250