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Financial Statements and
Independent Auditors' Report

Pioneer Life Inc.

December 31, 2024
(With Comparative Figures for the Year Ended December 31, 2023)

Punongbayan & Araullo
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Report of Independent Auditors

The Board of Directors and Stockholders
Pioneer Life Inc.
(A Wholly Owned Subsidiary of Pioneer Life Holdings, Inc.)
Pioneer House, 108 Paseo de Roxas
Legaspi Village, Makati City

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with 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 our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Company as at and for the year ended December 31, 2023 were audited by other auditors whose report, dated April 30, 2024, expressed an unqualified opinion on those financial statements prepared under the same basis of accounting. We were not engaged to audit, review or apply any procedures to the 2023 financial statements of the Company. Accordingly, we do not express an opinion or any other form of assurance on the 2023 financial statements of the Company as a whole.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.

Report on Other Legal and Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2024 required by the Bureau of Internal Revenue as disclosed in Note 31 to the financial statements is presented for purposes of additional analysis and is not required part of the basic financial statements prepared in accordance with PFRS Accounting Standards. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Jerald M. Sanchez
Partner

CPA Reg. No. 0121830
TIN 307-367-174
PTR No. 10465917, January 2, 2025, Makati City
BIR AN 08-002551-041-2023 (until January 24, 2026)
BOA/PRC Cert. of Reg. No. 0002/P-013 (until August 12, 2027)

April 8, 2025

PIONEER LIFE INC.
(A Wholly-Owned Subsidiary of Pioneer Life Holdings, Inc.)

STATEMENT OF FINANCIAL POSITION
December 31, 2024
(With Comparative Figures as of December 31, 2023)

	December 31	
	2024	2023
ASSETS		
Cash and cash equivalents (Note 4)	**₱2,181,871,356**	₱2,068,501,205
Insurance receivables (Note 5)	**2,704,875,197**	1,522,345,363
Financial assets (Note 6)		
Financial assets at fair value through profit or loss	**2,879,266,444**	3,002,337,822
Financial assets at fair value though other comprehensive income (FVOCI)	**5,476,852,628**	4,907,940,878
Financial assets at amortized cost	**1,776,322,570**	1,757,809,600
Accrued income (Note 8)	**100,938,282**	94,517,425
Reinsurance assets (Notes 13 and 14)	**34,888,243**	28,666,153
Pension asset - net (Note 24)	–	10,623,011
Investment properties (Note 9)	**18,060,000**	16,891,600
Property and equipment - net (Note 10)	**37,362,540**	31,085,468
Software costs - net (Note 11)	**22,637,562**	19,863,827
Right-of-use assets (Note 27)	**15,532,054**	25,882,353
Investments in associates (Note 12)	**1,961,581,180**	2,012,426,776
Other assets	**207,195,722**	164,586,675
TOTAL ASSETS	**₱17,417,383,778**	₱15,663,478,156
LIABILITIES AND EQUITY		
Liabilities		
Insurance contract liabilities (Notes 13 and 14)		
Legal policy reserves	**₱8,062,576,490**	₱8,046,539,485
Policy and contract claims	**1,415,245,993**	1,631,012,467
Policyholders' dividends	**470,937,613**	468,662,426
Policyholders' deposits	**451,248,804**	435,172,589
Insurance payables (Note 15)	**3,007,410,628**	1,423,002,727
Accounts payable and accrued expenses (Notes 7 and 16)	**154,259,259**	142,924,334
Lease liabilities (Note 27)	**15,801,334**	26,362,392
Pension liability – net (Note 24)	**43,379,473**	–
Deferred tax liabilities - net (Note 25)	**321,252,106**	345,903,356
Total Liabilities	**13,942,111,700**	12,519,579,776
Equity		
Capital stock (Note 17)	**260,000,000**	260,000,000
Additional paid-in capital	**261,297,581**	261,297,581
Contributed surplus	**430,000,000**	430,000,000
Contingency surplus	**111,000,000**	111,000,000
Reserve for fluctuation in value of financial assets at FVOCI (Note 6)	**(62,364,046)**	(84,603,007)
Remeasurement gains on legal policy reserves (Notes 13 and 14)	**1,039,326,732**	1,069,130,408
Remeasurement gains (losses) on retirement benefit plan (Note 24)	**(31,479,846)**	1,291,483
Retained earnings	**1,467,491,657**	1,095,781,915
Total Equity	**3,475,272,078**	3,143,898,380
TOTAL LIABILITIES AND EQUITY	**₱17,417,383,778**	₱15,663,478,156

See accompanying Notes to Financial Statements.

PIONEER LIFE INC.
(A Wholly-Owned Subsidiary of Pioneer Life Holdings, Inc.)

STATEMENT OF INCOME

For the Year Ended December 31, 2024
(With Comparative Figures for the Year Ended December 31, 2023)

	Years Ended December 31	
	2024	2023
REVENUES		
Gross earned premiums on insurance contracts	**₱6,788,471,656**	₱6,246,657,570
Reinsurers' share of gross earned premiums on insurance contracts	**(2,319,994,404)**	(1,844,958,808)
Net earned premiums (Note 18)	**4,468,477,252**	4,401,698,762
Investment income - net (Note 19)	**646,944,315**	613,001,202
Foreign currency exchange gain – net	**33,675,285**	1,051,256
Other income	**2,673,083**	1,840,718
Other revenues	**683,292,683**	615,893,176
	5,151,769,935	5,017,591,938
BENEFITS, CLAIMS, EXPENSES AND LOSSES		
Gross change in legal policy reserves	**(76,434,100)**	50,512,778
Reinsurers' share of gross change in legal policy reserves	**52,732,871**	(24,394,891)
Gross benefits and claims incurred on insurance contracts	**4,861,866,151**	4,619,299,185
Reinsurers' share of gross benefits and claims incurred on insurance contracts	**(1,927,517,859)**	(1,516,893,470)
Net insurance benefits and claims (Notes 13 and 20)	**2,910,647,063**	3,128,523,602
General and administrative expenses (Note 21)	**940,768,724**	876,926,674
Commissions and other direct expenses (Note 22)	**832,396,608**	624,876,261
Interest expense	**24,509,079**	17,254,733
Expenses and losses	**1,797,674,411**	1,519,057,668
	4,708,321,474	4,647,581,270
INCOME BEFORE INCOME TAX	**443,448,461**	370,010,668
PROVISION FOR INCOME TAX (Note 25)	**71,738,719**	62,686,442
NET INCOME	**₱371,709,742**	₱307,324,226

See accompanying Notes to Financial Statements.

PIONEER LIFE INC.
(A Wholly-Owned Subsidiary of Pioneer Life Holdings, Inc.)

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended December 31, 2024
(With Comparative Figures for the Year Ended December 31, 2023)

	Years Ended December 31	
	2024	2023
NET INCOME	**₱371,709,742**	₱307,324,226
OTHER COMPREHENSIVE INCOME (LOSS)		
Items to be recycled to profit or loss in subsequent periods:		
Fair value gain on debt securities at FVOCI (Note 6)	**22,689,498**	360,547,356
Items not to be recycled to profit or loss in subsequent periods:		
Fair value gain (loss) on equity securities designated at FVOCI (Note 6)	**(530,044)**	20,643,795
Income tax effect (Note 25)	**79,507**	(3,096,569)
	(450,537)	17,547,226
Remeasurement loss on legal policy reserves (Note 13)	**(39,738,234)**	(95,050,592)
Income tax effect (Note 25)	**9,934,558**	23,762,649
	(29,803,676)	(71,287,943)
Remeasurement loss on retirement benefit plan (Note 24)	**(43,695,106)**	(34,904,737)
Income tax effect (Note 25)	**10,923,777**	8,726,185
	(32,771,329)	(26,178,552)
	(40,336,044)	280,628,087
TOTAL COMPREHENSIVE INCOME	**₱331,373,698**	₱587,952,313

See accompanying Notes to Financial Statements.

PIONEER LIFE INC.
(A Wholly-Owned Subsidiary of Pioneer Life Holdings, Inc.)

STATEMENT OF CHANGES IN EQUITY
For the Year Ended December 31, 2024
(With Comparative Figures for the Year Ended December 31, 2023)

	Capital Stock (Note 17)	**Additional Paid-in Capital**	**Contributed Surplus**	**Contingency Surplus**	**Reserve for fluctuation in value of Financial Assets at FVOCI** (Note 6)	**Remeasurement Gains (Losses) on Legal Policy Reserves** (Note 13 and 25)	**Remeasurement Gains (Losses) on Retirement Benefit Plan** (Note 24)	**Retained Earnings**	**Total**
At January 1, 2024	**₱260,000,000**	**₱261,297,581**	**₱430,000,000**	**₱111,000,000**	**(₱84,603,007)**	**₱1,069,130,408**	**₱1,291,483**	**₱1,095,781,915**	**₱3,143,898,380**
Net income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**371,709,742**	**371,709,742**
Other comprehensive income (loss)	**–**	**–**	**–**	**–**	**22,238,961**	**(29,803,676)**	**(32,771,329)**	**–**	**(40,336,044)**
Total comprehensive income (loss)	**–**	**–**	**–**	**–**	**22,238,961**	**(29,803,676)**	**(32,771,329)**	**371,709,742**	**331,373,698**
At December 31, 2024	**₱260,000,000**	**₱261,297,581**	**₱430,000,000**	**₱111,000,000**	**(₱62,364,046)**	**₱1,039,326,732**	**(₱31,479,846)**	**₱1,467,491,657**	**₱3,475,272,078**
At January 1, 2023	₱260,000,000	₱261,297,581	₱430,000,000	₱111,000,000	(₱462,697,589)	₱1,140,418,351	₱27,470,035	₱788,457,689	₱2,555,946,067
Net income	–	–	–	–	–	–	–	307,324,226	307,324,226
Other comprehensive income (loss)	–	–	–	–	378,094,582	(71,287,943)	(26,178,552)	–	280,628,087
Total comprehensive income (loss)	–	–	–	–	378,094,582	(71,287,943)	(26,178,552)	307,324,226	587,952,313
At December 31, 2023	₱260,000,000	₱261,297,581	₱430,000,000	₱111,000,000	(₱84,603,007)	₱1,069,130,408	₱1,291,483	₱1,095,781,915	₱3,143,898,380

See accompanying Notes to Financial Statements.

PIONEER LIFE INC.
(A Wholly-Owned Subsidiary of Pioneer Life Holdings, Inc.)

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2024
(With Comparative Figures for the Year Ended December 31, 2023)

	Years Ended December 31	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱443,448,461**	₱370,010,668
Adjustments for:		
Interest income (Note 19)	**(554,659,082)**	(527,042,555)
Dividend income (Notes 6 and 19)	**(76,422,573)**	(93,208,240)
Fair value loss (gain) on financial assets at FVTPL (Notes 6 and 19)	**(63,991,998)**	10,681,936
Impairment of investment in associate (Notes 12 and 19)	**50,845,596**	–
Depreciation and amortization (Note 21)	**34,218,503**	35,092,421
Net change in legal policy reserves (Notes 13 and 20)	**(23,701,229)**	26,117,887
Retirement expense (Note 24)	**12,859,688**	8,215,536
Interest expense on lease liabilities (Note 27)	**1,360,647**	1,138,724
Unrealized foreign currency exchange loss – net	**1,286,047**	8,734,146
Fair value gain on investment properties (Notes 9 and 19)	**(1,168,400)**	(520,920)
Reversal of provision for ECL (Notes 5, 6, and 21)	**–**	(17,799,796)
Loss on lease termination (Note 27)	**–**	301,715
Operating loss before changes in working capital	**(175,924,340)**	(178,278,478)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Insurance receivables	**(1,182,529,834)**	150,505,822
Loans and receivables	**(19,646,191)**	(638,630,467)
Reinsurance asset	**(6,222,090)**	(27,666,153)
Other assets	**(42,609,047)**	(36,610,353)
Increase (decrease) in:		
Policy and contract claims	**(215,766,474)**	132,114,980
Accounts payable and accrued expenses	**12,130,430**	(21,515,806)
Insurance payables	**1,584,407,901**	18,357,341
Policyholders' deposits	**14,620,827**	71,453,985
Policyholders' dividends	**2,134,232**	(8,887,247)
Net cash used in operations	**(29,404,586)**	(539,156,376)
Contributions to the retirement fund (Note 24)	**(3,347,816)**	(29,722,088)
Income tax paid	**(75,452,126)**	(72,916,811)
Net cash used in operating activities	**(108,204,528)**	(641,795,275)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Financial assets at FVTPL (Note 6)	**(2,382,621,515)**	(1,463,899,949)
Financial assets at FVOCI (Note 6)	**(548,531,731)**	(664,312,442)
Property and equipment (Note 10)	**(19,183,680)**	(13,495,638)
Software (Note 11)	**(10,286,701)**	(10,420,440)

(Forward)

	Years Ended December 31	
	2024	2023
Proceeds from sale/maturities of financial assets at FVTPL (Note 6)	**₱2,558,200,230**	₱1,573,399,817
Interest received	**560,097,640**	579,552,525
Dividends received	**76,858,831**	92,732,094
Net cash provided by investing activities	**234,533,074**	93,555,967
CASH FLOWS FROM FINANCING ACTIVITY		
Payments of lease liabilities (Note 27)	**(15,370,335)**	(20,441,961)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**2,411,940**	(8,839,690)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**113,370,151**	(577,520,959)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,068,501,205**	2,646,022,164
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱2,181,871,356**	₱2,068,501,205

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2024
(With Comparative Figures as of December 31, 2023)

1. Corporate Information

Pioneer Life Inc. (the "Company") was incorporated on December 15, 1997 as a joint venture between Allianz AG (Allianz) and Pioneer Life Holdings, Inc. (PLHI), the Parent Company. The Company was organized to engage, operate, manage and carry on the business of life insurance in all its branches and in particular to underwrite insurance upon the lives of individuals, either single or in groups, and every other kind of insurance appertaining thereto or connected therewith, including reinsurance. The line up of products offered runs the range from investment and protection to accident and health, as well as education and retirement. The Parent Company's ultimate parent is Pioneer, Inc.

On January 13, 2003, PLHI acquired all equity interest of Allianz in the Company, making the Company a wholly-owned subsidiary of PLHI.

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

The accompanying financial statements of the Company were approved and authorized for issue by the Board of Directors (BOD) on April 8, 2025.

2. Material Accounting Policy Information

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

<u>Statement of Compliance</u>
The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS Accounting Standards).

<u>Changes in Accounting Policies and Disclosures</u>
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new and amended standards effective in 2024. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

- Amendments to PAS 1, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

  These amendments provide guidance on whether a liability should be classified as either current or non-current. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and that the classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability.

- Amendments to PAS 1, *Presentation of Financial Statements – Non-current Liabilities with Covenants*

  The amendments specify that if the right to defer settlement for at least 12 months is subject to an entity complying with conditions after the reporting period, then those conditions would not affect whether the right to defer settlement exists at the end of the reporting period for the purposes of classifying a liability as current or non-current. For non-current liabilities subject to conditions, an entity is required to disclose information about the conditions, whether the entity would comply with the conditions based on its circumstances at the reporting date and whether and how the entity expects to comply with the conditions by the date on which they are contractually required to be tested.

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

  The amendments add a disclosure objective to PAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, PFRS 7 is amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

  The amendments specify how a seller-lessee measures the liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

Standards Issued but Not Yet Effective

Pronouncements issued but not yet effective are listed below. The Company intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Company's financial statements, unless otherwise indicated.

- PAS 21 (Amendments), *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability* (effective from January 1, 2025)

- PFRS 9 and PFRS 7 (Amendments), *Financial Instruments, and Financial Instruments: Disclosures – Amendments to the Classification and Measurement of Financial Instruments* (effective from January 1, 2026)

- Amendments to PFRS 9, *Financial Instruments,* and PFRS 7, *Financial Instruments: Disclosures – Contracts Referencing Nature-dependent Electricity*

- PFRS 17, *Insurance Contracts* (effective from January 1, 2027)

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

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

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

  On December 15, 2021, the Financial and Sustainability Reporting Standards Council (FSRSC) amended the mandatory effective date of PFRS 17 in the Philippines from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62, *Amendment of Section 1 of CL No. 2018-69, Deferral of IFRS 17 implementation* issued by the Insurance Commission (IC) which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the International Accounting Standards Board (IASB).

  On March 10, 2025, the IC issued CL No. 2025-04, *Application of Philippine Financial Reporting Standard 17-Insurance Contracts (PFRS 17) in the Audited Financial Statements (AFS) and Preparation of IC Reportorial Requirements*, which further deferred the effectivity date of PFRS 17 to January 1, 2027, as approved by the FSRSC and Philippine Board of Accountancy.

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2027, with full retrospective application from the transition date is required. The transition date is the beginning of the annual reporting period immediately preceding the date of initial application. If it is impracticable to apply PFRS 17 retrospectively for a group of insurance contracts, the Company must apply either the modified retrospective approach or the fair value approach. Early application is permitted.

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

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

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

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

- PFRS 18, *Presentation and Disclosure in Financial Statements* (effective from January 1, 2027)

  The new standard impacts the classification of profit or loss items (i.e., into operating, investing and financing categories) and the presentation of subtotals in the statement of profit or loss (i.e., operating profit and profit before financing and income taxes). The new standard also changes the aggregation and disaggregation of information presented in the primary financial statements and in the notes. It also introduces required disclosures about management-defined performance measures. The amendments, however, do not affect how an entity recognizes and measures its financial condition, financial performance and cash flows.

- PFRS 10 and PAS 28 (Amendments), *Consolidated Financial Statements and Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective date deferred indefinitely)

The Company continues to assess the impact of the above new and amended accounting standards and interpretations effective subsequent to 2024 on the Company's financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the financial statements when these amendments are adopted.

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

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

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

Insurance contracts are further classified as being either with or without discretionary participation feature (DPF). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are (a) likely to be a significant portion of the total contractual benefits, (b) whose amount or timing is contractually at the discretion of the issuer, and (c) that are contractually based on the (i) performance of a specified pool of contracts or a specified type of contract, (ii) realized and/or unrealized investment returns on a specified pool of assets held by the issuer, or (iii) the profit or loss of the Company, fund or other entity that issues the contract. The supplementary discretionary returns are subject to the discretion of the Company and are within the constraints of the terms and conditions of the contract. The obligations for all supplementary returns are recognized in “Reserve for policyholders’ dividends” in the statement of financial position.

Investment contracts are those contracts that transfer significant 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 currency exchange rate, index of price or rates, a credit rating or credit index or other variable.

The additional benefits include policy dividends that are declared annually, the amounts of which are computed using actuarial methods and assumptions, and are included under Commissions and Other Direct Expenses account in statement of income with the corresponding liability recognized under the Policyholders’ Dividends account in the statement of financial position.

Cash and Cash Equivalents

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

Insurance Receivables

Insurance receivables are recognized when due and measured on initial recognition at the fair value of the consideration. Subsequent to initial recognition, insurance receivables are measured at amortized cost, using effective interest method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of income. Insurance receivables are derecognized following the derecognition criteria of financial assets.

Financial Instruments

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

Financial assets

Initial recognition and measurement

At initial recognition, financial assets are classified as, and measured at amortized cost, FVOCI, and FVTPL.

As of December 31, 2024, the Company’s financial assets comprise of financial assets at FVTPL, FVOCI and amortized cost (see Note 6).

Subsequent measurement
Subsequent to initial recognition, the Company classifies its financial assets in the following categories:

- Financial assets at amortized cost (debt instruments);
- Financial assets at FVOCI with recycling of cumulative gains or losses to profit or loss (debt instruments);
- Financial assets designated at FVOCI with no recycling of cumulative gains or losses to profit or loss upon derecognition (equity investments); and
- Financial assets at FVTPL.

Financial assets at amortized cost (debt instruments). The Company measures financial assets at amortized cost if both of the following conditions are met:

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

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

The Company's financial assets at amortized cost include cash and cash equivalents, insurance receivables, collateral loans, policy loans, accounts receivable, accrued income, and other receivables.

Financial assets at FVTPL. Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL and financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if these were acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

This category includes investments in quoted equity securities, corporate and government debt securities, structured notes and investments under variable unit-linked funds.

Financial assets at FVOCI (debt instrument). The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; 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.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statements of income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycles to profit or loss.

The Company's financial assets at FVOCI includes investments in government debt securities.

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

The Company elected to classify irrevocably investments in unquoted equity securities and investments in golf and club shares under this category.

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

Definition of "default"
The Company defines a financial instrument as in default in all cases when the counterparty becomes over 90 days past due on its contractual payments. As a part of the qualitative assessment of whether a counterparty is in default, the Company also considers a variety of instances that may indicate objective evidence of impairment, such as significant problems in the operations of the customers and bankruptcy of the counterparties.

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

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

Staging assessment
For non-credit-impaired financial instruments:

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

For credit-impaired financial instruments:

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

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

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

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

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

<u>Financial liabilities</u>
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, 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.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Other financial liabilities at amortized cost
These are issued financial instruments or their components, which are not designated as at FVTPL 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.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in statement of income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the EIR. The EIR amortization is recognized in the statement of income.

This category generally applies to the statement of financial position captions "Policyholders' deposits," "Insurance payables" and "Accounts payable and accrued expenses" that meet the above definition (other than liabilities covered by other accounting standards, such as pension liability and income tax payable). Insurance liabilities include "Insurance contract liabilities," "Policyholders' dividends" and "Reserve for policyholders' dividends." Policies for insurance liabilities are provided in subsequent sections.

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

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

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

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

Reinsurance
The Company cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies which are included under "Insurance receivables" in the statement of financial position. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the 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 all outstanding amounts due under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurers can be measured reliably. The impairment loss is recorded in the statement of income. Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

The Company also assumes reinsurance risk in the normal course of business. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

Reinsurance liabilities represent balances due to reinsurance companies, which are included under "Insurance payables" in the statement of financial position. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

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

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

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

<u>Investment Properties</u>
The Company's investment properties consist of land and lot areas held for capital appreciation.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the statement of financial position date. Gains or losses arising from changes in fair values of the investment properties are included under "Investment income" in the statement of income in the year in which they arise.

<u>Property and Equipment</u>
Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value.

Depreciation and amortization commences once the property and equipment are available for use and are calculated on a straight-line basis over the estimated useful lives (EUL) of the assets as follows:

	Years
Office furniture and equipment	5
Transportation equipment	5
Electronic Data Processing (EDP) equipment	4

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

Software Costs
Software costs consist of system software used by the Company in its operations. The costs are capitalized only if the asset can be reliably measured, will generate future economic benefits, and there is an ability to use or sell the asset. Software costs will be amortized upon completion over the expected useful life of the asset, but not to exceed twenty (20) years. An impairment review is performed when an indication of impairment occurs.

Right-of-use assets
Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets - buildings and parking spaces are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term of one (1) to five (5) years.

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

Investments in Associates
Investments in associates are carried in the statement of financial position at cost, less any impairment in value (see Note 12).

The reporting dates of the associates are identical with the Company and the accounting policies conforms to those used by the Company for like transactions and events in similar circumstances.

As of December 31, 2021, the Company, together with Pioneer Insurance & Surety Corporation (PISC) and Pioneer Intercontinental Insurance Corporation (PIIC) (collectively referred as "Pioneer Group"), has 9.86% ownership interest in Philippine Trust Company (PTC). In addition, the Company, together with Pioneer Insurance & Surety Corporation (PISC), also has 50% ownership over Pioneer Hollard Inc. (PHI).

Other Assets
Other assets consist primarily of creditable withholding tax, contingency reserve from pool business and prepayments which are measured at cost.

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

Insurance Contract Liabilities

Recognition and Measurement
Legal policy reserves
The provision for life insurance contracts is calculated on the basis of a prudent prospective actuarial valuation method where the assumptions used depend on the circumstances prevailing at the inception of the contract. Assumptions and actuarial valuation methods are also subject to provisions of the Insurance Code (Code) and guidelines set by the IC.

The legal policy reserves beginning January 1, 2017 are calculated based on new regulations. For traditional policies with coverage beyond one year, the reserves are calculated based on gross premium valuation (GPV) method wherein reserves represent the sum of present value of future benefit and expenses less the present value of future gross premiums arising from the policy discounted using the appropriate risk-free discount rates. These expected future cash flows are determined using best estimate with due consideration of significant recent experience and margin for adverse deviation from the expected experience.

For policies with coverages one year or less and for the risk portion of variable unit-linked policies, unearned premium reserves method is used.

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 taken to the statement of income in the order that revenue is recognised over the period of risk.

Life insurance contracts with fixed and guaranteed terms
A liability for contractual benefits that is expected to be incurred in the future is recorded when the premiums are recognized. The liability is determined as the sum of the expected discounted value of the benefit payments and the future administration expenses that are directly related to the contract, less the expected discounted value of the theoretical premiums that would be required to meet the benefits and administration expenses based on the valuation assumptions used. The liability is based on assumptions on mortality, maintenance expenses and investment income that are established at the time the contract is issued. The Company has different assumptions for different products. However, the reserves are computed to comply with the statutory requirements, which require discount rates based on the risk-free rates as provided by the regulator and mortality rates to be in accordance with the standard table of mortality.

Reserves are computed per thousand of sum insured and depend on the issue age and policy duration. A margin for adverse deviations is included in the assumptions. Adjustment to the liabilities at each reporting date is recorded in the statement of income.

Variable unit-linked insurance contracts
The Company issues unit-linked insurance contracts. In addition to providing insurance coverage, a unit-linked contract links payments to units of an internal investment fund set up by the Company with the consideration received from the policyholders. Premiums received from the issuance of unit-linked insurance contracts are recognized as premium revenue. As allowed by PFRS 4, the Company chose not to unbundle the investment portion of its unit-linked products.

The reserve for unit-linked liabilities are increased by additional deposits and changes in unit prices and are decreased by policy administration fees, mortality and surrender charges and any withdrawals. At each reporting date, this reserve is computed on the basis of the number of units allocated to the policyholders multiplied by the unit price of the underlying investment funds. The assets and liabilities underlying the internal investment funds have been consolidated with the general accounts of the Company.

Policy and contract claims
These claims reflect the cost of all claims arising during the year. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuities are recorded when due.

Incurred But Not Reported (IBNR) Claims
IBNR claims are based on the estimated ultimate cost of unreported claims incurred but not settled at the reporting date, together with related claims handling costs. These costs pertain to estimates of the Company's obligations to the policyholders on which the Company has not yet received notification. Delays can be experienced in the notification and settlement of obligations; therefore, the ultimate cost of which cannot be known with certainty at the reporting date. The Company develops estimates for IBNR taking into consideration the Company's prior experience.

Liability Adequacy Test
Liability adequacy tests are performed annually to ensure the adequacy of the insurance contract liabilities. In performing these tests, current best estimates of future contractual cash flows, claims handling and policy administration expenses are used. Any deficiency is immediately charged against the Company's profit or loss initially by establishing a provision for losses arising from the liability adequacy tests.

Premium deposit funds (PDF)
A PDF represents advance payments from policyholders provided that the maximum amount may be held at any time in the fund should not exceed the total future premiums due under insurance policy. In the case of renewable policy, the maximum amount that may be held in the fund should not exceed the total premiums payable until its last renewal date. In no case shall a policyholder make any additional deposit if the existing balance thereof is already equal or greater than the sum of all future premiums payable on his policy. Subject to the provisions of the contract, any excess premium shall be refunded to the policyholders only after their policies have been paid-up. These advance payments will be credited to premiums once due.

The fund earns interest for policies which is recognized as interest expense account in the statement of income and is credited directly to the fund.

Lease liabilities
Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below ₱260,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

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

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

The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Company concluded that it is acting as a principal in all of its revenue arrangements.

Revenue outside the scope of PFRS 15
Premiums
Premiums written are recognized as earned when due. Estimates for premiums due but not yet collected are accrued. When premiums are recognized, actuarial liabilities are computed, with the result that benefits and expenses are matched with such revenue.

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

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

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
Life insurance claims reflect the cost of all claims arising during the year, including claims handling costs. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due. Benefits recorded are then accrued as liabilities.

Claims handling costs include internal and external costs incurred in connection with the negotiation and settlement of claims. Internal costs include all direct expenses of the claims department and any part of the general and administrative expenses directly attributable to the claims function.

General and administrative expenses
Expenses consist of costs of administering the business. These are recognized as expenses as incurred.

Commissions and other direct expenses
These accounts are charged against operations when incurred.

Interest expense
Interest expense on policyholders' deposits and policyholders' dividends is recognized in the statement of income as it accrues and is calculated using the effective interest method. Accrued interest is credited to the liability account at every policy anniversary date.

Equity
Capital stock and additional paid-in capital (APIC)
Capital stock is measured at par value for all shares issued. When the Company issues shares in excess of par, the excess is recognized as APIC. Incremental costs incurred directly attributable to the issuance of new shares are treated as deductions from APIC.

Contributed surplus
Contributed surplus represents the contribution of the stockholders of the Company, in addition to the paid-up capital stock, in order to comply in advance the required margin of solvency set by the IC.

Contingency surplus
Contingency surplus represents additional contribution to cover the Company's deficiency in margin of solvency and capital requirements, in accordance with the guidelines of the IC. The amount can only be withdrawn upon approval of the IC.

Retained earnings
Retained earnings represents accumulated earnings of the Company including restatements made, if any, net of consequential income tax effect.

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in compliance with PFRS Accounting Standards requires the Company to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and the disclosures of contingent assets and contingent liabilities. Future events may occur which can cause the assumptions used in arriving at the estimates to change. The effects of changes in 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 reasonable under the circumstances.

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

Product classification
The Company has determined that the traditional and unit-linked insurance policies (that link the payments on the contract to units of internal investment funds) it issues have significant insurance risk and, therefore, meet the definition of an insurance contract and should be accounted for as such.

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.

Classification of financial instruments
The Company classifies a financial instrument, or its components, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the contractual cash flow characteristics and the Company's business model for managing them under PFRS 9. The substance of a financial instrument, rather than its legal form, governs its classification in the Company's statement of assets, liabilities and fund balances. The Company determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at each reporting date. The classification of the Company's financial instruments is shown in Note 6.

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

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

The Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. Impairments recognized by the Company's financial instruments is shown in Note 6.

As of December 31, 2024 and 2023, the carrying value of property and equipment amounted to ₱37,362,540 and ₱31,085,468, respectively (see Note 10). As of December 31, 2024, and 2023, the carrying value of software costs amounted to ₱22,637,562 and ₱19,863,827, respectively (see Note 11). As of December 31, 2024 and 2023, the carrying amount of right-of-use assets amounted to ₱15,532,054 and ₱25,882,353, respectively (see Note 27). As of December 31, 2024 and 2023, the carrying value of investments in associates amounted to ₱1,961,581,180 and ₱2,012,426,776, respectively (see Note 12).

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

There are instances that an investor exercises significant influence even if its ownership is less than 20.00%. The Company applies significant judgment 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.

The Company, together with other entities within the Pioneer Group with aggregate ownership of 9.86%, has two (2) representatives in PTC's board of directors' equivalent to 16.67% of the voting power. Based on a memorandum of agreement signed on September 18, 2019, 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, effective October 4, 2019, the investment in PTC was classified as investment in associate.

The Company together with PISC entered into an intercorporate agreement on February 17, 2021 with Hollard International Proprietary Limited ("HINT") to form PHI. The Company subscribed to 250,000 shares or ₱25,000,000 for 25% of the total outstanding capital stock of PHI. The Company assessed that it holds significant influence over PHI. Accordingly, the investment in PHI was classified as an 'Investment in associate' in the Company's financial statements. PHI was established primarily to develop and provide a customer relationship management services through various media including, but not limited to, telephone, facsimile, e-mail, web chat and voice-over internet and all allied or related business (see Note 12).

Estimates

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

Recognition of legal policy reserves

The estimation of the ultimate liability arising from claims made under life insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liability that the Company will ultimately pay for those claims. Estimates are made as to the expected number of deaths for each of the years in which the Company is exposed to risk. As required by IC, the method to be used in the valuation of traditional life products is the GPV method on which the reserves are calculated as the present value of benefits, plus present value of expenses, less the present value of gross premiums discounted at the appropriate risk-free discount rate as provided by IC. The Company uses the best estimate assumptions for mortality, morbidity, persistency and expenses with due regards to significant recent experience in determining the expected future cash flows.

Estimates for future deaths, voluntary terminations, investment returns and administration expenses are determined at the inception of the contract and are used to calculate the liability over the term of the contract. At each reporting date, these estimates are reassessed for adequacy and changes will be reflected as adjustments to the liability.

As of December 31, 2024 and 2023, the carrying value of the Company's legal policy reserves amounted to ₱8,062,576,490 and ₱8,046,539,485, respectively (see Note 13).

Liabilities arising from claims made under insurance contracts

There are several sources of uncertainty that need to be considered in the estimation of the liability that the Company will ultimately pay for such claims. The ultimate liability arising from insurance contracts is largely determined by the face amount of the policy.

Claims estimation by the Company considers many factors such as industry average mortality and morbidity experience, with adjustments to reflect Company's historical experience. These liabilities form part of the Company's incurred but not reported (IBNR) claims which is included in Policy and contract claims account under Insurance Contract Liabilities in the statements of financial position.

As of December 31, 2024 and 2023, the IBNR recognized by the Company amounted to ₱734,741,555 and ₱974,552,833, respectively (see Note 13).

Determination of fair values of financial assets not quoted in an active market

The Company classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's-length basis. In addition, the Company considers the significance of the variability in the range of recoverable fair value estimates.

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 which incorporate market observable and unobservable data (Level 3). The unobservable inputs 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 29.

The carrying value of financial assets at FVOCI not quoted in an active market amounted to ₱ 101,231,295 and ₱ 101,761,338 as of December 31, 2024 and 2023, respectively (see Note 6 and 29).

Provision for expected credit losses
The Company uses a provision matrix to calculate ECLs for receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (e.g., gross domestic product and inflation rates) are expected to deteriorate over the next year which can lead to an increased number of defaults in the retail and consumer product sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in forward-looking estimates are analyzed.

The assessment of the correlation between observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future.

As of December 31, 2024 and 2023, the carrying value of financial assets at amortized cost amounted to ₱ 1,776,322,570 and ₱ 1,757,809,600, respectively, and allowance for ECL amounted to ₱40,622,946 and ₱40,622,946, respectively (see Note 6).

Insurance receivables amounted to ₱2,704,875,197 and ₱1,522,345,363 as of December 31, 2024 and 2023, respectively. Allowance for ECL on insurance receivables amounted to ₱11,331,684 and ₱11,331,684 as of December 31, 2024, and 2023, respectively (see Note 5).

Accrued income amounted to ₱100,938,282 and ₱94,517,425 as of December 31, 2024 and 2023, respectively. No provision for ECL was recognized on accrued income as of December 31, 2024 and 2023 (see Note 8).

Determination of fair values of investment property
Investment properties are carried at fair value, which has been determined based on arm's length transactions as at or near the reporting period, as certified by an independent firm of appraisers, Cuervo Appraisers, Inc. In determining the fair values of investment properties, the Company's external appraiser uses the sales comparison approach for land by gathering recently transacted sales or listings of current market offerings for comparable properties and applying valuation adjustments based on differences in property characteristics and other relevant factors. Comparative net price is being considered as external factor affecting the fair value of the investment property, while location and size are also considered as internal factors affecting the fair value of the investment property. There have been no significant changes on the valuation methodologies used by the external appraiser.

As of December 31, 2024 and 2023, the fair value of investment properties amounted to ₱18,060,000 and ₱16,891,600, respectively (see Note 9).

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

The Company's lease liabilities amounted to ₱15,801,334 and ₱26,362,392 as of December 31, 2024 and 2023, respectively (see Note 27).

Recognition of pension and other employee benefits
The pension cost and the present value of the retirement benefit obligation are determined using actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions.

While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension obligation. All assumptions are reviewed at each reporting date. The valuation used a single weighted average discount rate in arriving at the present value of defined obligation. The average discount rate was based on bootstrapped PHP BVAL zero-coupon rates at various tenors as at reporting date. Rates for intermediate durations were interpolated. The rates were then weighted by the expected benefits payments at those durations to arrive at the single weighted average discount rate.

The mortality rate is based on publicly available mortality tables in the Philippines. Future salary increases are based on expected future inflation rates. See Note 24 for the details of assumptions used in the calculation.

As of December 31, 2024 and 2023, the carrying value of the net pension asset (liability) amounted to (₱43,379,473) and ₱10,623,011, respectively (see Note 24).

Recognition of deferred tax assets
Deferred tax assets are recognized for all future tax deductibles to the extent that it is probable that taxable income will be available against which the deductible 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.

As of December 31, 2024 and 2023, the Company's recognized deferred tax assets amounted to ₱32,091,168 and ₱32,573,084 (see Note 25).

Contingencies
The Company is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with the legal counsels and based upon an analysis of potential results. The Company does not believe these proceedings will have a material adverse effect on its financial position (see Note 23).

4. Cash and Cash Equivalents

This account consists of:

	2024	2023
Cash on hand		
Petty cash funds	**₱1,438,076**	₱1,453,345
Special funds	**325,384,711**	167,069,123
Cash in banks		
Commercial banks	**45,133,003**	83,712,515
Thrift and rural banks	**11,742,942**	11,578,959
Cash equivalents	**1,798,172,624**	1,804,687,263
	₱2,181,871,356	₱2,068,501,205

Cash in banks earns interest at the corresponding bank deposit rates. Cash equivalents are time deposits made for varying periods not exceeding three months, depending on the immediate cash requirements of the Company, and earn interest at the prevailing short-term deposit rates that ranged from 0.25% to 6.5% and 0.05% to 6.5% in 2024 and 2023, respectively.

Special funds consist of commission and claims funds provided to the Company's branches and partner institutions. These funds are unrestricted and replenished regularly depending on the commission and claims pay-out made by the respective branches and partner institutions.

Cash and cash equivalents also include ₱142,136,452 and ₱288,134,755 in 2024 and 2023 respectively in VUL funds (see Note 7).

Interest income earned from cash and cash equivalents amounted to ₱ 119,153,299 and ₱139,714,143 in 2024 and 2023, respectively (see Note 19).

5. Insurance Receivables

This account consists of:

	2024	2023
Reinsurance recoverable on paid losses	**₱2,440,808,780**	₱1,131,926,770
Premiums due and uncollected	**273,998,999**	400,351,175
Due from reinsurers	**1,399,102**	1,399,102
	2,716,206,881	1,533,677,047
Less: Allowance for ECL	**(11,331,684)**	(11,331,684)
	₱2,704,875,197	₱1,522,345,363

Reinsurance recoverable on paid losses pertains to amounts recoverable from the reinsurers in respect of claims already paid by the Company. Such may be collected on a quarterly basis and may be offset against the outstanding reinsurance payable upon written confirmation from the reinsurer.

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

The following table shows aging information of insurance receivables:

	2024						
	Stage 2			**Stage 3**			
	< 30 days	**30 - 60 days**	**61 - 90 days**	**91 - 180 days**	**181 - 360 days**	**> 360 days**	**Total**
Reinsurance recoverable on paid losses	**₱1,050,788**	**₱–**	**₱66,533,680**	**₱770,066,331**	**₱738,319,215**	**₱864,838,766**	**₱2,440,808,780**
Premiums due and uncollected	**184,668,720**	**26,049,596**	**25,719,241**	**15,285,937**	**19,635,353**	**2,640,152**	**273,998,999**
Due from reinsurers	**–**	**–**	**–**	**–**	**–**	**1,399,102**	**1,399,102**
	₱185,719,508	**₱26,049,596**	**₱92,252,921**	**₱785,352,268**	**₱757,954,568**	**₱868,878,020**	**₱2,716,206,881**

	2023						
	Stage 2			Stage 3			
	< 30 days	30 - 60 days	61 - 90 days	91 - 180 days	181 - 360 days	> 360 days	Total
Reinsurance recoverable on paid losses	₱322,104,964	₱123,246,523	₱107,909,761	₱222,060,502	₱271,401,128	₱85,203,892	₱1,131,926,770
Premiums due and uncollected	156,368,303	46,091,363	42,790,975	57,579,212	94,274,500	3,246,822	400,351,175
Due from reinsurers	–	–	–	–	–	1,399,102	1,399,102
	₱478,473,267	₱169,337,886	₱150,700,736	₱279,639,714	₱365,675,628	₱89,849,816	₱1,533,677,047

The reconciliation of changes in allowance for ECL follows:

	2024	2023
Beginning balance	**₱11,331,684**	₱33,575,304
Reversal of provision for ECL (Note 21)	**–**	(22,243,620)
Ending balance	**₱11,331,684**	₱11,331,684

6. Financial Assets

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

	2024	2023
Financial assets at FVTPL	**₱2,879,266,444**	₱3,002,337,822
Financial assets at FVOCI	**5,319,721,333**	4,753,279,540
Financial assets at amortized cost	**1,776,322,570**	1,757,809,600
Financial assets designated at FVOCI	**157,131,295**	154,661,338
	₱10,132,441,642	₱9,668,088,300

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

Financial assets at FVTPL

This account consists of:

	2024	2023
Listed equity securities	**₱2,469,482,936**	₱2,619,412,264
Government securities	**409,783,508**	382,925,558
	₱2,879,266,444	₱3,002,337,822

Financial assets at FVTPL contain investments under variable unit-linked funds amounting to ₱ 2,829,194,486 and ₱ 2,957,657,382 as of December 31, 2024 and 2023, respectively (see Note 7).

Interest income from financial assets at FVTPL under variable unit-linked funds amounted to ₱23,792,706 and ₱16,689,190 in 2024 and 2023, respectively (see Note 19).

Dividend income from financial assets at FVPL amounted to ₱76,422,573 and ₱93,208,240 in 2024 and 2023, respectively (see Note 19).

Government debt securities included in financial assets at FVTPL are composed of fixed-rate treasury notes and foreign currency-denominated bonds that earn interest at rates as indicated below:

	2024		2023	
	From	**To**	From	To
Peso	**4.75%**	**8.63%**	3.38%	8.63%
US Dollar	**1.95%**	**9.50%**	1.95%	9.50%

Financial assets designated at FVOCI

This account consists of:

	2024	2023
Financial assets at FVOCI		
Government debt securities	**₱5,319,721,333**	₱4,753,279,540
Financial assets designated at FVOCI		
Unquoted equity securities - at fair value	**101,231,295**	101,761,338
Golf and club shares	**55,900,000**	52,900,000
	157,131,295	154,661,338
	₱5,476,852,628	₱4,907,940,878

Interest income from financial assets at FVOCI net of premium amortization amounted to ₱308,045,508 and ₱286,917,135 in 2024 and 2023, respectively (see Note 19).

Government and corporate debt securities included in financial assets at FVOCI are composed of fixed-rate treasury notes and foreign currency-denominated bonds that earn interests at rates indicated below for December 31, 2024 and 2023.

	2024		2023	
	From	**To**	From	To
Peso	**3.50%**	**18.25%**	3.50%	18.25%
US Dollar	**2.95%**	**8.60%**	3.70%	8.60%

The rollforward analysis of reserve for fluctuation in value of financial assets at FVOCI is presented below:

	2024	2023
At January 1	**(₱84,603,007)**	(₱462,697,589)
Net fair value change (net of tax effect)	**22,238,961**	378,094,582
At December 31	**(₱62,364,046)**	(₱84,603,007)

Reserve for fluctuation in value of financial assets at FVOCI records the difference between the amortized costs and fair values of FVOCI.

The roll forward analysis of financial assets (excluding loans and receivables) follows:

	2024		
	Financial Assets at FVTPL	**Financial Assets at FVOCI**	**Total**
At January 1	**₱3,002,337,822**	**₱4,907,940,878**	**₱7,910,278,700**
Additions	**2,382,621,515**	**548,531,731**	**2,931,153,246**
Disposals/maturities	**(2,558,200,230)**	−	**(2,558,200,230)**
Net premium amortization	−	**(12,295,673)**	**(12,295,673)**
Fair value gain	**63,991,998**	**22,159,454**	**86,151,452**
Foreign exchange gain (loss)	**(11,484,661)**	**10,516,238**	**(968,423)**
At December 31	**₱2,879,266,444**	**₱5,476,852,628**	**₱8,356,119,072**

	2023		
	Financial Assets at FVTPL	Financial Assets at FVOCI	Total
At January 1	₱3,119,697,757	₱3,878,419,190	₱6,998,116,947
Additions	1,463,899,949	664,312,442	2,128,212,391
Disposals/maturities	(1,573,399,817)	−	(1,573,399,817)
Net premium amortization	−	(9,001,352)	(9,001,352)
Fair value gain (loss)	(10,681,936)	381,191,151	370,509,215
Impairment	−	(4,010,210)	(4,010,210)
Foreign exchange gain (loss)	2,821,869	(2,970,343)	(148,474)
At December 31	₱3,002,337,822	₱4,907,940,878	₱7,910,278,700

Financial assets at amortized cost

Loans and receivables

This account consists of:

	2024	2023
Collateral loans	**₱1,286,344,508**	₱1,333,761,642
Accounts receivable	**301,197,267**	215,004,474
Policy loans	**182,973,329**	193,578,201
Other receivables	**46,430,412**	56,088,229
	1,816,945,516	1,798,432,546
Less: Allowance for ECL	**(40,622,946)**	(40,622,946)
	₱1,776,322,570	₱1,757,809,600

Movements of financial assets at amortized cost are as follows:

	2024			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance as of January 1, 2024	**₱66,010,061**	**₱23,197,946**	**₱1,709,224,539**	**₱1,798,432,546**
New assets originated	**62,819,424**	**22,009,658**	**127,707,378**	**212,536,460**
Assets derecognized or repaid	**(9,657,816)**	−	**(184,365,674)**	**(194,023,490)**
Transfers to Stage 2	**(8,847,898)**	**8,847,898**	−	−
Transfers to Stage 3	−	**(29,073,828)**	**29,073,828**	−
Balance at December 31, 2024	**₱110,323,771**	**₱24,981,674**	**₱1,681,640,071**	**1,816,945,516**

	2023			
	Stage 1	Stage 2	Stage 3	Total
Balance as of January 1, 2023	₱70,553,292	₱17,187,043	₱1,072,117,060	₱1,159,857,395
New assets originated	672,698,177	−	202,413,422	875,111,599
Assets derecognized or repaid	−	(109,097)	(236,427,351)	(236,536,448)
Transfers to Stage 2	(6,120,000)	6,120,000	−	−
Transfers to Stage 3	(671,121,408)	−	671,121,408	−
Balance at December 31, 2023	₱66,010,061	₱23,197,946	₱1,709,224,539	₱1,798,432,546

The reconciliation of changes in allowance for ECL follows:

	2024	2023
Beginning balance	**₱40,622,946**	₱40,189,332
Additional provision for ECL (Note 21)	**–**	433,614
Ending balance	**₱40,622,946**	₱40,622,946

	Stage 1	Stage 2	Stage 3	Total
Balance as of January 1, 2023	₱–	₱–	₱40,189,332	₱40,189,332
New assets originated	–	–	–	–
Assets derecognized or repaid	–	–	–	–
Transfers to Stage 3	₱–	₱–	433,614	433,614
Balance at December 31, 2023	₱–	₱–	₱40,622,946	₱40,622,946
New assets originated	**–**	**–**	**–**	**–**
Assets derecognized or repaid	**–**	**–**	**–**	**–**
Transfers to Stage 3	**–**	**–**	**–**	**–**
Balance at December 31, 2024	**₱–**	**₱–**	**₱40,622,946**	**₱40,622,946**

Collateral loans consist of real estate and chattel mortgage loans extended to employees, agents and policyholders. Real estate mortgage loans are secured by real estate properties. The following presents the breakdown of collateral loans by contractual maturity dates:

	2024	2023
Due within one year	**₱92,164,374**	₱69,573,658
Due beyond one year	**1,194,180,134**	1,264,187,984
	₱1,286,344,508	₱1,333,761,642

Collateral loans earn interest ranging from 6.00% to 8.25% and 6.00% to 8.75% per annum and with maturities of three (3) to 20 years in 2024 and 2023, respectively.

Accounts receivable represents advances to agents and employees and intercompany trade receivables (see Note 26). This contains receivables under variable unit-linked funds amounting to ₱81,401,019 and ₱22,301,788 as of December 31, 2024 and 2023, respectively (see Note 7). Collection of advances to agents and employees are normally done through deduction from commissions and salaries, respectively. Intercompany trade receivables are reconciled and collected on a quarterly basis.

Policy loans pertain to interest-bearing loans granted to policyholders. The policyholders' cash surrender values on their life insurance policies serve as collateral on the loans. Interests earned from these loans are at 10% and 8% per annum on Peso and US Dollar loans, respectively, with ceiling rates mandated by the IC.

Other receivables consist primarily of proceeds from sale of investments in shares of stock, advanced claims for bundled products and other miscellaneous receivables.

Interest income from loans and receivables amounted to ₱103,667,569 and ₱83,722,087 in 2024 and 2023, respectively (see Note 19).

7. Variable Unit-Linked Funds

Variable Unit-Linked

Variable unit-linked (VUL) life insurance contracts are life insurance policies wherein a portion of the premiums received are invested in VUL funds which are composed mainly of investments in equity and debt securities. The withdrawal or surrender amount of a VUL policy can be computed by multiplying the total units held by the policyholder by the fund's Net Asset Value (NAV) per unit, which changes daily depending on the fund's performance. The Company's VUL funds are managed by an independent asset management company duly accredited by the Bangko Sentral ng Pilipinas. Management fees are charged at 1.20% of the fund value (see Note 21).

The distribution of net assets attributable to unitholders follows:

			Percentage	
	2024	2023	**2024**	2023
Unitholders' share in net assets	**₱2,519,977,887**	₱2,678,668,116	**82.65%**	81.93%
Seed capital	**528,898,859**	590,887,930	**17.35%**	18.07%
Net assets attributable to unitholders	**₱3,048,876,746**	₱3,269,556,046	**100.00%**	100.00%

The details of the Company's four (4) different VUL funds, namely, Peso Managed Fund, Peso Equity Fund, US Dollar Bond Fund, and Money Market Fund are presented below. These balances are included in each of the categories in the statements of financial position.

Peso managed fund

The Pioneer VL Peso Managed Fund is a Philippine-peso denominated balanced fund. The investment objective of the fund is to achieve growth by investing in bonds and equities of Philippine companies.

Peso equity fund

The Pioneer VL Peso Equity Fund is a Philippine-peso denominated equities fund. The investment objective of the fund is to achieve long-term growth by investing in listed stocks of Philippine companies.

US Dollar bond fund

The Pioneer VL Dollar Bond Fund is a US dollar denominated fund. The investment objective of the fund is to achieve growth by investing in fixed income securities issued by the Philippine government as well as top corporates.

Money market fund

The fund can invest in debt obligations issued and/or guaranteed by the Government of the Republic of the Philippines or Bangko Sentral ng Pilipinas, maturing in one year or less and peso time deposits, special saving accounts, money market placements and other short term debt instruments issued by accredited banks operating in the Philippines.

			2024		
	Peso Managed Fund	**Peso Equity Fund**	**US Dollar Bond Fund**	**Money Market Fund**	**Total**
Assets					
Cash and cash equivalents (Note 4)					
Cash in bank	**₱1,140,473**	**₱3,378,935**	**₱ -**	**₱ 200**	**₱4,519,608**
Cash equivalents	**11,000,000**	**61,000,000**	**2,907,068**	**62,709,776**	**137,616,844**
Financial assets at FVTPL (Note 6)	**584,130,067**	**2,128,235,885**	**116,828,534**	**–**	**2,829,194,486**
Interest receivable (Note 8)	**5,129,243**	**147**	**2,141,361**	**172,637**	**7,443,388**
Accounts receivable (Note 6)	**–**	**81,401,019**	**–**	**–**	**81,401,019**
Dividends receivable	**187,372**	**923,380**	**–**	**–**	**1,110,752**
	₱601,587,155	**₱2,274,939,366**	**₱121,876,963**	**₱62,882,613**	**₱3,061,286,097**

			2024		
	Peso Managed Fund	**Peso Equity Fund**	**US Dollar Bond Fund**	**Money Market Fund**	**Total**
Liabilities					
Accounts payable and accrued expenses					
Withholding taxes payable	**₱1,025,849**	**₱30**	**₱1,804**	**₱34,527**	**₱1,062,210**
Accrued expenses (Note 16)	**1,045,672**	**10,102,874**	**168,090**	**30,505**	**11,347,141**
	2,071,521	**10,102,904**	**169,894**	**65,032**	**12,409,351**
Net assets	**₱599,515,634**	**₱2,264,836,462**	**₱121,707,069**	**₱62,817,581**	**₱3,048,876,746**

			2023		
	Peso Managed Fund	Peso Equity Fund	US Dollar Bond Fund	Money Market Fund	Total
Assets					
Cash and cash equivalents (Note 4)					
Cash in bank	₱1,193,030	₱3,292,468	₱–	₱100	₱4,485,598
Cash equivalents	28,000,000	170,000,000	25,779,649	59,869,508	283,649,157
Financial assets at FVTPL (Note 6)	571,496,071	2,252,524,016	133,637,295	–	2,957,657,382
Interest receivable (Note 8)	3,470,460	283,872	2,427,013	182,170	6,363,515
Accounts receivable (Note 6)	–	22,301,788	–	–	22,301,788
Dividends receivable	301,084	1,245,926	–	–	1,547,010
	₱604,460,645	₱2,449,648,070	₱161,843,957	₱60,051,778	₱3,276,004,450
Liabilities					
Accounts payable and accrued expenses					
Withholding taxes payable	₱694,092	₱56,774	₱8,431	₱36,434	₱795,731
Accrued expenses (Note 16)	1,066,182	4,338,739	216,897	30,855	5,652,673
	1,760,274	4,395,513	225,328	67,289	6,448,404
Net assets	₱602,700,371	₱2,445,252,557	₱161,618,629	₱59,984,489	₱3,269,556,046

Cash and cash equivalents
Cash in banks earns interest at the prevailing bank deposit rates. Cash equivalents are time deposits made for varying periods not exceeding three months depending on the immediate cash requirements of the funds and earn interest at the prevailing short-term deposit rates.

Financial assets at FVTPL
Financial assets at FVTPL consist of listed equity securities, government debt securities. Equity securities consist mainly of shares which are listed and actively traded. Government debt securities are composed of fixed-rate treasury notes and foreign currency-denominated bonds that earn interests (see Note 6).

Interest receivable
These are due accrued interest income from financial assets at FVTPL but have not yet been collected.

Accounts receivable
Accounts receivable pertain to amounts collectible from brokers for the sale of investments in equity securities.

Dividends receivable
These are accrued dividend income from listed equity securities that are due to the Company but not yet collected.

The unit-linked financial assets at fair value are classified as follows:

	2024			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL				
Listed equity securities	**₱2,419,410,978**	**₱–**	**₱–**	**₱2,419,410,978**
Government debt securities	**409,783,508**	**–**	**–**	**409,783,508**
	₱2,829,194,486	**₱–**	**₱-**	**₱2,829,194,486**

	2023			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Listed equity securities	₱2,574,731,824	₱–	₱–	₱ 2,574,731,824
Government debt securities	382,925,558	–	–	382,925,558
	₱2,957,657,382	₱–	₱-	₱2,957,657,382

8. Accrued Income

This account consists of:

	2024	2023
Interest receivable on:		
Financial asset at FVOCI	**₱85,225,205**	₱79,426,007
Cash and cash equivalents	**7,332,212**	7,718,764
Financial assets at FVTPL	**7,270,113**	5,825,644
Dividends receivable	**1,110,752**	1,547,010
	₱100,938,282	₱94,517,425

Interest receivable contains receivables under variable unit-linked funds amounting to ₱7,443,388 and ₱6,363,515 in December 31, 2024 and 2023, respectively (see Note 7).

9. Investment Properties

The Company's investment properties consist of parcels of land acquired in extinguishment of loans receivable from third parties. The rollforward analysis of this account follows:

	2024	2023
At January 1	**₱16,891,600**	₱16,370,680
Fair value gains (Note 19)	**1,168,400**	520,920
At December 31	**₱18,060,000**	₱16,891,600

As of December 31, 2024 and 2023, the fair values of the properties are based on the valuations made on October 03, 2024 and October 27, 2023, respectively, by Cuervo Appraisers, Inc., an independent firm of appraisers and a specialist in valuing these types of investment properties.

The valuation for parcels of land was derived through market data approach based upon prices paid in actual market transactions. This approach relies on the comparison of recent sale transactions or offerings of similar properties which have occurred and/or offered with close proximity to the subject property adjusted based on certain elements of comparison (e.g., market conditions, location, physical condition and amenities). Estimated price per square meter based on this approach and unobservable inputs ranges from ₱12,800 to ₱16,250 and ₱12,000 to ₱15,200 per square meter as of December 31, 2024 and 2023, respectively. Significant increases (decreases) in estimated price per square meter would result in a significantly higher (lower) fair value of the properties.

The Company has determined that the highest and best use of the parcels of land at the measurement date would be to convert the properties for residential purposes and as such are valued in this manner which is categorized under Level 3 of the fair value hierarchy.
For strategic reasons, the properties are not being used in this manner.

As at December 31, 2024 and 2023, no land has been pledged as collateral or security for any of the Company's liabilities and the Company has no restrictions on the realizability of its land and no contractual obligation to purchase, construct or develop land or for repairs, maintenance and enhancements.

10. Property and Equipment - net

The rollforward analysis of property and equipment follows:

	2024				
	Leasehold Improvements	**Office Furniture and Equipment**	**Transportation Equipment**	**EDP Equipment**	**Total**
Cost					
At January 1	**₱34,618,200**	**₱17,081,001**	**₱61,609,920**	**₱24,125,626**	**₱137,434,747**
Additions	**195,000**	**1,579,000**	**9,301,500**	**8,108,180**	**19,183,680**
At December 31	**34,813,200**	**18,660,001**	**70,911,420**	**32,233,806**	**156,618,427**
Accumulated Depreciation and Amortization					
At January 1	**34,618,200**	**14,235,639**	**42,455,221**	**15,040,219**	**106,349,279**
Depreciation and amortization (Note 21)	**16,250**	**811,776**	**7,606,837**	**4,471,745**	**12,906,608**
At December 31	**34,634,450**	**15,047,415**	**50,062,058**	**19,511,964**	**119,255,887**
Net Book Value	**₱178,750**	**₱3,612,586**	**₱20,849,362**	**₱12,721,842**	**₱37,362,540**

	2023				
	Leasehold Improvements	Office Furniture and Equipment	Transportation Equipment	EDP Equipment	Total
Cost					
At January 1	₱34,618,200	₱16,908,490	₱56,837,922	₱15,574,497	₱123,939,109
Additions	-	172,511	4,771,998	8,551,129	13,495,638
At December 31	34,618,200	17,081,001	61,609,920	24,125,626	137,434,747
Accumulated Depreciation and Amortization					
At January 1	34,616,974	13,002,135	35,720,302	12,052,636	95,392,047
Depreciation and amortization (Note 21)	1,226	1,233,504	6,734,919	2,987,583	10,957,232
At December 31	34,618,200	14,235,639	42,455,221	15,040,219	106,349,279
Net Book Value	₱–	₱ 2,845,362	₱ 19,154,699	₱9,085,407	₱31,085,468

The Company has fully depreciated property and equipment still used in operations with total cost of ₱20,522,038 and ₱25,548,593 as of December 31, 2024 and 2023, respectively.

11. Software Costs

This account consists of system software. The rollforward analysis of this account follows:

	2024	2023
Cost		
At January 1	**₱84,868,359**	₱74,447,919
Additions	**10,286,701**	10,420,440
At December 31	**95,155,060**	84,868,359
Accumulated amortization		
At January 1	**65,004,532**	59,104,532
Amortization (Note 21)	**7,512,966**	5,900,000
At December 31	**72,517,498**	65,004,532
Net book value	**₱22,637,562**	₱19,863,827

The Company has fully amortized software costs still used in operations with total cost of ₱2,137,395 and ₱6,224,169 as of December 31, 2024 and 2023, respectively.

12. Investments in Associates

Investments in associates consist of investments in the following entities, which are all incorporated and operating in the Philippines, as of December 31, 2024 and 2023:

	Date of Incorporation	Principal Activity
Associate		
PTC	October 21, 1916	Universal banking
PHI	March 17, 2022	Business process outsourcing

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

	Effective Percentage of Ownership		Carrying Amount of Investment	
	2024	2023	**2024**	2023
PTC	**9.86%**	9.86%	**₱1,949,081,180**	₱1,999,926,776
PHI	**25.00%**	25.00%	**12,500,000**	12,500,000
Total			**₱1,961,581,180**	₱2,012,426,776

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

Prior to October 4, 2019, the Company classified its investments in PTC as financial assets at FVOCI. The Company used the fair value as of reclassification date as the deemed cost of the investment in associate. Accordingly, the Company reclassified the investments in PTC from financial assets at FVOCI amounting to ₱2,372,794,480 to investment in associate. Impairment allowance recognized for this investment amounted to ₱423,713,300 and ₱372,867,704 as of December 31, 2024 and 2023, respectively. The Pioneer Group's total investment in PTC amounted to ₱13,412,604,509 and ₱13,762,498,540 as of December 31, 2024 and 2023, respectively. The Company recognized an impairment loss in 2024 and 2023 amounting to ₱50,845,596 and nil, respectively.

PHI

On February 17, 2021, HINT, the Company and PISC entered into an Intercorporate Agreement to form and constitute PHI. The primary purpose of PHI is to develop and operate a call centre business focused on outbound telemarketing, selling Pioneer insurance products to target customer segments in the Philippines. The capital contribution infused to PHI is 50% from HINT, 25% from the Company and 25% from PISC.

As of December 31, 2024, the Company's investment in PHI amounted to ₱12,500,000. Pioneer Group's total investments in PHI amounted to ₱25,000,000.

The financial information of the associates as of December 31, 2024 and 2023 are as follows:

	2024*	2023*
PTC		
Total assets	**₱175,471.2**	₱176,436.6
Total liabilities	**152,795.0**	153,263.4
Total equity	**22,676.2**	23,173.2
Revenue	**9,668.2**	8,450.5
Net income	**614.0**	1,029.1
PHI		
Total assets	**₱32.7**	₱20.8
Total liabilities	**134.6**	77.7
Total equity	**(101.9)**	(56.9)
Revenue	**14.3**	14.3
Net loss	**(45.1)**	(36.3)

**Amounts in millions*

There are no significant restrictions on the ability of the associates to transfer funds to the Company in the form of cash dividends or to repay loans or advances made by the Company.

13. Insurance Contract Liabilities and Reinsurance Assets

Insurance contract liabilities consist of:

	2024	2023
Legal policy reserves	**₱8,062,576,490**	₱8,046,539,485
Policy and contract claims	**1,415,245,993**	1,631,012,467
	₱9,477,822,483	₱9,677,551,952

Details of the legal policy reserves are as follows:

	2024	2023
Gross		
With fixed and guaranteed terms	**₱4,583,339,396**	₱4,452,582,275
VUL contracts	**2,544,036,856**	2,680,041,024
Group life insurance	**934,649,948**	1,046,108,110
Accident and health	**151,662,143**	71,652,800
	8,213,688,343	8,250,384,209
Reinsurers' share		
With fixed and guaranteed terms	**5,969,130**	5,513,667
VUL contracts	**1,309,367**	1,372,909
Group life insurance	**11,377,004**	145,305,133
Accident and health	**132,456,352**	51,653,015
	151,111,853	203,844,724
Net		
With fixed and guaranteed terms	**₱4,577,370,266**	₱4,447,068,608
VUL contracts	**2,542,727,489**	2,678,668,115
Group life insurance	**923,272,944**	900,802,977
Accident and health	**19,205,791**	19,999,785
	₱8,062,576,490	₱8,046,539,485

The movements in legal policy reserves during the year follow:

	2024		
	Gross Legal Policy Reserves	**Reinsurer's Share on Legal Policy Reserves**	**Net**
Reserves as of January 1	**₱8,250,384,209**	**₱203,844,724**	**₱8,046,539,485**
Decrease in reserves due to change in in-force policies	**(204,101,379)**	**(52,732,871)**	**(151,368,508)**
Increase in reserves due to change in assumptions other than discount rate and dividends	**127,667,279**	**–**	**127,667,279**
Increase in reserves due to change in discount rate	**39,738,234**	**–**	**39,738,234**
Net change	**(36,695,866)**	**(52,732,871)**	**16,037,005**
Reserves as of December 31	**₱8,213,688,343**	**₱151,111,853**	**₱8,062,576,490**

	2023		
	Gross Legal Policy Reserves	Reinsurer's Share on Legal Policy Reserves	Net
Reserves as of January 1	₱8,321,605,538	₱179,449,833	₱8,142,155,705
Increase (decrease) in reserves due to change in in-force policies	(33,117,065)	24,394,891	(57,511,956)
Increase in reserves due to change in assumptions other than discount rate and dividends	83,629,843	–	83,629,843
Decrease in reserves due to transfer to dividends	(216,784,699)	–	(216,784,699)
Increase in reserves due to change in discount rate	95,050,592	–	95,050,592
Net change	(71,221,329)	24,394,891	(95,616,220)
Reserves as of December 31	₱8,250,384,209	₱203,844,724	₱8,046,539,485

The movements in policy and contract claims payable and reinsurers' share of liabilities during the year follow:

	2024			2023		
	Policy and Contract Claims Payable	**Reinsurers' Share of Liabilities**	**Net**	Policy and Contract Claims Payable	Reinsurers' Share of Liabilities	Net
At January 1	**₱1,631,012,467**	**₱28,666,153**	**₱1,602,346,314**	₱1,498,897,487	₱1,000,000	₱1,497,897,487
Arising during the year (Note 20)	**4,861,866,151**	**1,927,517,859**	**2,934,348,292**	4,619,299,185	1,516,893,470	3,102,405,715
Paid during the year	**(5,077,632,625)**	**(1,921,295,769)**	**(3,156,336,856)**	(4,487,184,205)	(1,489,227,317)	(2,997,956,888)
At December 31	**₱1,415,245,993**	**₱34,888,243**	**₱1,380,357,750**	₱1,631,012,467	₱28,666,153	₱1,602,346,314

The reinsurance assets pertain to reinsurance recoverable on unpaid losses which are the amounts of reinsurers' share of liabilities in the policy and contract claims payable. As of December 31, 2024 and 2023, reinsurance assets amounted to ₱34,888,243 and ₱28,666,153, respectively.

14. Insurance Contract Liabilities and Reinsurance Assets - Terms, Assumptions and Sensitivities

<u>Life Insurance Contracts</u>
For life insurance contracts with fixed and guaranteed terms, estimates are made in two stages, at the inception of the contracts and subsequently at each reporting date.

At the inception of the contracts, the Company determines assumptions in relation to future deaths, voluntary terminations, investment returns and administration expenses. These assumptions are used for calculating the liabilities during the life of the contract. A margin for risk and uncertainty is added to these assumptions. These assumptions are "locked in" for the duration of the contract.

Subsequently, new estimates are calculated at each reporting date to reflect changes in cashflow and assumptions. Valuation assumptions are periodically updated as deemed necessary by the Actuary. A margin for adverse deviation is added to these updated assumptions as provided for in IC CL No. 2016-66, *Valuation Standards for Life Insurance Policy Reserves*.

Terms of life insurance contracts
Life insurance contracts offered by the Company mainly include whole life, endowment, term insurance, group term life, personal accident and unit-linked products.

Whole life insurance provides benefit upon death or benefit upon maturity to the policy holder. Term insurance provides a lump sum benefit payable on death occurring within the terms of the policy.

Endowment products are products where lump sum benefits are payable after a fixed period or upon death if it occurs before the period is completed.

Unit-linked products differ from conventional policies in that premiums, net of applicable charges, are allocated to units in a pooled investment fund and the policyholder benefits directly from the total investment growth and income of the fund.

Assumptions
Material judgment is required in determining the liabilities and in the choice of assumptions relating to insurance and investment contracts. Such assumptions are determined as appropriate and prudent estimates at the date of valuation, and no credit is taken for possible beneficial effects of voluntary withdrawals.

The key assumptions to which the Company's estimation of liabilities is particularly sensitive are as follows:

- *Mortality and Morbidity Rates*
  The Company updated their actual-to-expected (A/E) mortality study to reflect recent year experience. The favourable results were reflected to the mortality rates used for valuation purposes. It should be noted that the mortality rates are based on their actual-over-expected ratios. The company intends to perform a mortality study on a quinquennial basis. On the other hand, the morbidity rate used by the Company was based on the pricing assumption due to the unavailability of experience-based assumptions. For life insurance policies, increased mortality and morbidity would usually lead to a larger number of claims, increasing the expenditure and reducing income for the shareholders. However, in as much as majority of the Company's portfolio of in-force policies are endowment products, the effect of higher mortality is somewhat mitigated, because endowment contracts pay out benefits only if the insured is alive at the maturity date. In the Company's sensitivity tests, the impact of increased mortality is an increase in reserves of only 2.23%.

- *Interest Rates*
  Forward rates specified in IC CL No. 2024-02, *Discount Rates for Life and Non-Life Insurance Policy Reserves and Reserves for Long-Term Contracts of Health Maintenance Organizations (HMO) as of 31 December 2024* were used to discount all cash flows.

  A decrease in the interest rate will result in an increase in the required reserves. Sensitivity tests done by the Company showed that decreasing the interest rate by one percentage point would increase the amount to approximately 14.06% of the base reserves.

Expenses
The expense assumptions were based on the latest expense study performed in 2024.

Sensitivities
Sensitivity analysis follows:

	2024			
(In Thousands)	**Change in Assumption**	**Impact on Gross Liabilities**	**Impact on Income before Tax**	**Impact on Equity**
Mortality	**+10%**	**₱101,986**	**₱101,986**	**₱–**
Valuation interest rate	**-1%**	**643,830**	**–**	**643,830**

	2023			
(In Thousands)	Change in Assumption	Impact on Gross Liabilities	Impact on Income before Tax	Impact on Equity
Mortality	+10%	₱104,309	₱104,309	₱–
Valuation interest rate	-1%	587,491	–	587,491

Interest rates used in discounting the cash flows are based on forward rates specified in IC CL No. 2025-03, *Discount Rates for Life and Non-Life Insurance Policy Reserves for Long-Term Contracts of Health Maintenance Organizations (HMO) as of 31 December 2024*. The mortality table was based on the recent mortality study performed by the Company.

The method used for deriving sensitivity information and significant assumptions are consistent in 2024 and 2023.

Reinsurance - Assumptions and Methods

The Company limits its exposure to loss within insurance operations through participation in reinsurance arrangements. The majority of the business ceded is placed on surplus-share basis with retention limits varying by product. Amounts receivable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the statement of financial position as reinsurance assets.

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

15. Insurance Payables

This account consists of:

	2024	2023
Due to reinsurers	**₱2,953,958,360**	₱1,401,887,548
Life insurance deposits	**53,452,268**	21,115,179
	₱3,007,410,628	₱1,423,002,727

Due to reinsurers represents reinsurance premiums due and payable by the Company to all its treaty and facultative reinsurers. Settlement to the reinsurers is done on a quarterly basis.

Life insurance deposits represent amounts received from policyholders on periods before their premiums become due. The said advance payments will be recognized as revenue on the premium due date.

16. Accounts Payable and Accrued Expenses

This account consists of:

	2024	2023
Taxes and licenses payable	**₱58,566,257**	₱59,308,184
Accrued expenses	**48,836,791**	56,494,102
Commissions payable	**9,851,942**	4,511,173
Payable to broker	**6,105,649**	–
Agents’ provident fund	**5,608,243**	4,962,275
Service award liability	**3,820,786**	3,396,470
Service fee payable	**187,009**	1,742,567
Other liabilities - HDMF Program	–	1,505,642
Other payables	**21,282,582**	11,003,921
	₱154,259,259	₱142,924,334

Taxes and licenses payable pertain to withholding tax, premium tax, documentary stamp tax and business taxes payable. Remittance is done subsequently within one month after the reporting date.

Accrued expenses consist mainly of accruals of recurring expenses and payables related to its employees. These are normally settled within one year after the reporting date. It also includes liability under variable-unit linked fund amounting to ₱ 11,347,141 and ₱ 5,652,673 for December 31, 2024 and 2023, respectively (see Note 7).

Agents' provident fund pertains to the agents' contributions for their retirement savings.

Commissions payable pertain to unpaid commissions to brokers, agents and employees. This is subsequently paid out within one month after the reporting date.

Service award liability pertains to accrual of loyalty awards to employees for the number of years rendered. This is paid annually to qualified employees who have rendered five (5) to 35 years of service.

Other liabilities - HDMF Program pertains to payables related to the HDMF group policies.

Other payables pertain payables normally settled within one year including payables to government agencies. This also includes the unpaid portion of various operating expenses.

17. Capital Stock

As of December 31, 2024, and 2023, the Company's capital stock consists of the following:

Common shares - ₱10 par value	
Authorized - 60,000,000 shares	₱600,000,000
Issued and outstanding - 26,000,000 shares	260,000,000

As of December 31, 2024 and 2023, the Company has one stockholder owning 100 or more common shares of each of the Company's capital stock.

18. Net Earned Premiums

The net earned premiums consist of the following:

	2024	2023
Gross earned premiums on insurance contracts		
With fixed and guaranteed terms	**₱149,515,972**	₱121,052,496
VUL insurance contracts	**394,657,815**	463,825,645
Group life insurance	**4,828,318,553**	4,780,206,841
Accident and health	**1,415,979,316**	881,572,588
	₱6,788,471,656	₱6,246,657,570
Reinsurers' share on gross earned premiums on insurance contracts		
With fixed and guaranteed terms	**12,492,773**	11,900,157
VUL insurance contracts	**31,203,381**	32,995,675
Group life insurance	**1,063,448,217**	1,087,309,897
Accident and health	**1,212,850,033**	712,753,079
	2,319,994,404	1,844,958,808
Net earned premiums	**₱4,468,477,252**	₱4,401,698,762

19. **Investment Income - net**

The investment income account consists of:

	2024	2023
Interest income from:		
Financial assets at FVOCI (Note 6)	**₱308,045,508**	₱286,917,135
Cash and cash equivalents (Note 4)	**119,153,299**	139,714,143
Loans and receivables (Note 6)	**103,667,569**	83,722,087
Financial assets at FVTPL (Note 6)	**23,792,706**	16,689,190
	554,659,082	527,042,555
Fair value gains (losses) on financial assets at FVTPL (Note 6)	**63,991,998**	(10,681,936)
Dividend income (Note 6)	**76,422,573**	93,208,240
Gain on disposal – FVTPL	**1,547,858**	2,911,423
Fair value gains on investment properties (Note 9)	**1,168,400**	520,920
Impairment on investment in associate (Note 12)	**(50,845,596)**	–
	₱646,944,315	₱613,001,202

20. **Benefits and Claims**

Gross change in legal policy reserves consists of:

	2024	2023
With fixed and guaranteed terms	**₱91,018,887**	(₱14,364,341)
VUL insurance contracts	**(136,004,168)**	(148,236,743)
Group life insurance	**(111,458,162)**	204,744,339
Accident and health	**80,009,343**	8,369,523
	(₱76,434,100)	₱50,512,778

Reinsurers’ share of gross change in legal policy reserves consists of:

	2024	2023
With fixed and guaranteed terms	**₱455,463**	(₱205,885)
VUL insurance contracts	**(63,542)**	(77,828)
Group life insurance	**(133,928,129)**	17,585,531
Accident and health	**80,803,337**	7,093,073
	(₱52,732,871)	₱24,394,891

Gross insurance benefits and claims incurred consist of:

	2024	2023
Death and hospitalization benefits	**₱4,864,039,641**	₱4,565,385,844
Surrenders	**54,145,121**	65,532,552
IBNR claims	**(100,750,761)**	(49,094,849)
Maturities	**44,432,150**	37,475,638
	₱4,861,866,151	₱4,619,299,185

Gross insurance contracts benefits and claims incurred are further analyzed into types of insurance contracts as follows:

	2024	2023
Group life insurance	**₱3,101,058,903**	₱3,363,887,822
VUL insurance contracts	**434,334,413**	411,562,889
With fixed and guaranteed terms	**280,446,628**	279,918,660
Accident and health	**1,046,026,207**	563,929,814
	₱4,861,866,151	₱4,619,299,185

Reinsurers' share of gross insurance contract benefits and claims incurred consists of:

	2024	2023
Group life insurance	**₱891,602,164**	₱994,241,235
VUL insurance contracts	**16,083,299**	29,754,668
Accident and health	**1,019,832,396**	492,897,567
	₱1,927,517,859	₱1,516,893,470

21. General and Administrative Expenses

This account consists of:

	2024	2023
Salaries and benefits (Note 24)	**₱312,967,075**	₱274,339,681
Service fees (Note 7)	**254,220,945**	254,420,852
Agency expenses	**76,826,523**	64,931,157
Trustee fee	**50,204,497**	38,746,280
Transportation and travel	**38,998,184**	31,581,474
Advertising	**38,069,263**	57,746,824
Depreciation and amortization (Notes 10, 11 and 27)	**34,218,503**	35,092,421
Seminar fees and meetings	**22,044,123**	19,447,017
Entertainment, amusement, and recreation	**18,075,251**	1,086,334
Social security and other contributions	**17,149,705**	14,567,421
Communications, light, and water	**16,533,198**	24,075,029
Stationery and supplies	**14,446,103**	3,660,742
Repairs and maintenance	**13,743,813**	13,973,354
Rent (Note 27)	**7,844,145**	13,821,284
Professional fees	**4,372,350**	24,276,768
Interest expense from lease liabilities	**1,360,647**	1,138,724
Taxes, licenses, and fees	**1,078,321**	11,114,263
Net reversal of provision for ECL (Notes 5 and 6)	–	(17,799,796)
Others	**18,616,078**	10,706,845
	₱940,768,724	₱876,926,674

Salaries, allowances and benefits consist of:

	2024	2023
Salaries and wages	**₱234,599,617**	₱211,316,780
Benefits and allowances	**65,507,770**	54,807,365
Net pension expense (Note 24)	**12,859,688**	8,215,536
	₱312,967,075	₱274,339,681

22. Commissions and Other Direct Expenses

This account consists of:

	2024	2023
Commissions	**₱585,415,130**	₱490,853,752
Insurance taxes	**142,147,983**	133,994,971
Experience refunds	**76,220,941**	78,000
Bonuses and other provisions	**18,174,541**	(1,264,196)
Policyholders' dividends	**11,026,320**	9,297,407
Others	**3,157,088**	3,438,412
Underwriting expenses	**138,682**	252,803
Decrease in loadings	**(3,884,077)**	(11,774,888)
	₱832,396,608	₱624,876,261

Loadings refer to the portion of gross premium due and uncollected which is incurred and expected to be paid out in the form of commission, service fees, overrides and taxes.

23. Contingencies

The Company is subject to litigations including claims for punitive damages, in the normal course of its business. The Company does not believe that such litigations, which are common to the insurance industry in general, will have a material effect on its operating results and financial condition.

24. Retirement Benefits

The Company has a non-contributory 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 tables in the next page summarize the components of plan expense recognized in profit or loss and the funded status and amounts recognized in the statements of financial position for the plan.

Changes in net pension liability (asset) are as follows:

		Net benefit expense in statement of income				**Remeasurements in other comprehensive income**						
	At January 1	**Current service cost**	**Net interest**	**Subtotal**	**Benefits paid**	**Return on plan assets (excluding amount included in net interest)**	**Actuarial changes rising from changes in financial assumptions**	**Actuarial changes rising from experience adjustments**	**Subtotal**	**Net (transferred) /received obligation**	**Contributions by employer**	**At December 31**
Present value of defined benefit obligation	**₱219,431,566**	**₱13,611,029**	**₱9,811,913**	**₱23,422,942**	**(₱374,869)**	**₱–**	**₱131,061**	**₱10,067,377**	**₱10,198,438**	**₱795,506**	**₱–**	**₱253,473,583**
Fair value of plan assets	**(230,054,577)**	**–**	**(10,563,254)**	**(10,563,254)**	**374,869**	**33,496,668**	**–**	**–**	**33,496,668**	**–**	**(3,347,816)**	**(210,094,110)**
	(₱10,623,011)	**₱13,611,029**	**(₱751,341)**	**₱12,859,688**	**₱–**	**₱33,496,668**	**₱131,061**	**₱10,067,377**	**₱43,695,106**	**₱795,506**	**(₱3,347,816)**	**₱43,379,473**

		Net benefit expense in statement of income				Remeasurements in other comprehensive income						
	At January 1	Current service cost	Net interest	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes rising from changes in financial assumptions	Actuarial changes rising from experience adjustments	Subtotal	Net (transferred) /received obligation	Contributions by employer	At December 31
Present value of defined benefit obligation	₱178,147,307	₱10,751,320	₱9,260,692	₱20,012,012	(₱6,483,255)	₱–	₱13,762,465	₱15,073,134	₱28,835,599	(₱1,080,097)	₱–	₱219,431,566
Fair value of plan assets	(201,088,406)	–	(11,796,476)	(11,796,476)	6,483,255	6,069,138	–	–	6,069,138	–	(29,722,088)	(230,054,577)
	(₱22,941,099)	₱10,751,320	(₱2,535,784)	₱8,215,536	₱–	₱6,069,138	₱13,762,465	₱15,073,134	₱34,904,737	(₱1,080,097)	(₱29,722,088)	(₱10,623,011)

The Company's retirement fund is included in a multi–employer retirement fund of Pioneer Group of Insurance Companies. As of December 31, 2024 and 2023, the distribution of the plan assets within Pioneer Group attributed to the Company is 28.18% and 31.02% respectively.

	2024	2023
Cash and cash equivalents	**₱64,200,252**	₱32,888,302
Financial assets	**89,286,303**	106,243,547
Investment properties	**438,735**	27,852,870
Receivables	**1,321,203**	1,164,165
Investment in associates	**54,979,119**	62,100,958
Liabilities	**(131,502)**	(195,265)
Total plan assets	**₱210,094,110**	₱230,054,577

The principal actuarial assumptions used in determining net pension cost for the Company's retirement plan are shown below:

	2024	**2023**
Salary increase rate	**7.50%**	7.50%
Discount rate	**6.10%**	6.11%
Average remaining working lives	**10 years**	10 years
Mortality rate	**2017 Philippine Intercompany Mortality Table**	2017 Philippine Intercompany Mortality Table
Disability rate	**1952 Disability Study, Period 2, Benefit 5**	1952 Disability Study, Period 2, Benefit 5
Turnover rate	**A scale ranging from 17% at age 18 to 0% at age 60**	A scale ranging from 17% at age 18 to 0% at age 60

The expected rate of return on plan assets represents the expected long–term rate of return on the retirement fund investments, net of operating expenses (i.e., trustee's fees, actuarial valuation fees, service charges, etc.).

The discount rate represents the Company's estimate (as of the valuation date) of the interest rate at which retirement benefits could be effectively settled. The assumed discount rate is the "Single Discount Rate" derived based on the Philippine Government Zero Coupon Rates and the Expected Retirement Benefit of current employees.

In 2024, the Company transferred one (1) employee each to PISC and MI Healthcare Inc. and acquired one (1) employee from PISC. Similarly, in 2023, the Company transferred three (3) employees to PISC and acquired two (2) employees from the latter. The companies, which are all part of Pioneer Group, agreed that there will be no break in service due to the transfer and that the liabilities pertaining to these employees will be transferred with no corresponding asset transfers.

The net acquired/(released) obligation, as a result of this transfer, is reflected in the movement of defined benefit obligation and movement in the net liability/(asset) recognized in balance sheet amounting to ₱795,506 and (₱1,080,097) in 2024 and 2023, respectively.

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

		Change in present value of defined benefit obligation	
	Increase (decrease)	**2024**	2023
Discount rate	1%	**(₱32,641,733)**	(₱32,770,909)
	-1%	**35,644,289**	14,502,872
Salary increase rate	1%	**35,715,733**	14,977,255
	-1%	**(32,546,304)**	(13,126,626)

The Plan is underfunded by ₱59,192,889 as of December 31, 2024 based on the latest funding valuation. The latest valuation report is as of and for the period ended December 31, 2024. The Company expects to contribute ₱22,568,828 to the retirement fund in 2025.

The maturity analysis of the undiscounted benefit payments follows:

	2024	2023
Within 1 year	**₱135,103,808**	₱117,687,594
More than 1 year to 5 years	**37,286,953**	26,808,193
More than 5 years to 10 years	**87,248,188**	72,094,329
More than 10 years to 15 years	**97,224,500**	102,791,427
More than 15 years to 20 years	**116,243,453**	106,382,826
More than 20 years	**492,325,402**	439,921,791

25. Income Tax

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

	2024	2023
Final	**₱66,376,495**	₱66,323,848
MCIT	**9,075,631**	6,592,963
Deferred	**(3,713,407)**	(10,230,369)
	₱71,738,719	₱62,686,442

On June 20, 2023, the Bureau of Internal Revenue issued Revenue Memorandum Circular (RMC) No. 69-2023 reverting the Minimum Corporate Income Tax (MCIT) rate to 2% of gross income effective July 1, 2023 pursuant to RA No. 11534 or the CREATE Act. MCIT rate was previously reduced from 2% to 1% effective July 1, 2020 to June 30, 2023 upon the effectivity of CREATE Act in 2021.

Consequently, the Company computed MCIT using the effective rate of 2% and 1.5% in 2024 and 2023, respectively in accordance with RMC 69-2023. Any excess of the MCIT over the RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years.

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

	2024	2023
Income tax at statutory tax rate	**₱110,862,114**	₱92,502,667
Add (deduct) the tax effects of:		
Income exempt from tax	**(57,446,802)**	(36,368,085)
Net change in unrecognized deferred tax assets	**27,238,532**	19,936,246
Nondeductible expenses	**5,254,583**	4,713,731
Income subject to final tax	**(14,169,708)**	(18,098,117)
Provision for income tax	**₱71,738,719**	₱62,686,442

The Company's recognized net deferred tax liabilities consist of the following:

	2024	2023
Presented in profit or loss		
Deferred tax assets:		
Excess MCIT	**₱21,780,564**	₱15,087,236
Unamortized excess contributions over current service cost	**6,019,232**	9,405,213
Lease liabilities	**3,336,175**	7,231,518
Accrued expenses	**955,197**	849,117
	32,091,168	32,573,084
Deferred tax liabilities:		
ROU asset – office and parking space	**(3,193,569)**	(7,067,381)
Unrealized foreign currency exchange gain	**(2,282,294)**	(2,603,805)
	(5,475,863)	(9,671,186)
	26,615,305	22,901,898
Presented in OCI		
Deferred tax liabilities:		
Remeasurement gains on legal policy reserves	**(346,442,244)**	(356,376,802)
Reserve for fluctuation in value of financial assets at FVOCI	**(11,918,450)**	(11,997,957)
Remeasurement gains on retirement benefit plans	**10,493,283**	(430,495)
	(347,867,411)	(368,805,254)
Deferred tax liabilities – net	**(₱321,252,106)**	(₱345,903,356)

The Company did not recognize deferred tax assets on the following future deductible items:

	2024	2023
NOLCO	**₱179,898,811**	₱98,814,229
Cumulative pension benefit cost	**137,855,496**	124,200,303
Allowance for doubtful accounts	**55,964,839**	₱55,964,839
Allowance for impairment of other assets	**12,618,927**	12,618,927
	₱386,338,073	₱291,598,298

The related tax benefits will be recognized only if management's reassessment demonstrates that these are realizable. Realization is entirely dependent upon future taxable income.

The Company has an outstanding NOLCO as of December 31, 2024 of ₱179,898,811.

Year Incurred	Expiry Year	Amount	Applied	Expired	Balance
2024	2027	₱81,084,582	₱–	₱–	₱81,084,582
2023	2026	90,409,336	₱–	–	90,409,336
2021	2026	141,425,533	133,020,640	–	8,404,893
		₱312,919,451	₱133,020,640	₱–	₱179,898,811

The Company has an outstanding MCIT balance as of December 31, 2024 of ₱21,780,564.

Year Incurred	Expiry Year	Amount	Applied	Expired	Balance
2024	2027	₱9,075,631	₱–	₱–	₱9,075,631
2023	2026	6,592,963	–	–	6,592,963
2022	2025	6,111,970	–	–	6,111,970
2021	2024	2,382,303	–	2,382,303	–
		₱24,162,867	₱–	₱2,382,303	₱21,780,564

26. Related Party Transactions

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

Transactions with related parties are based on terms agreed to by the parties. Outstanding balances as of reporting date are unsecured, interest–free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. As of December 31, 2024 and 2023, allowance for ECL/impairment losses for the receivables from Blue Cow Co., Inc. (BCCI), a related party under common control, amounted to ₱29,489,080 (see Note 6). Assessment for impairment of related party receivables is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

The Company has entered into various transactions with related parties, settled in cash. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence (referred to as affiliates). Related parties may be individuals or corporate entities. Related party transactions are based on terms agreed to by the parties.

The breakdown of the related party transactions follows:

Category	2024 Amount/Volume	Outstanding Balance	Terms	Conditions
Entities under common control:				
PISC				
Accounts receivable	**₱18,811,022**	**₱49,340,132**	**Non-interest-bearing, due and demandable**	**Unsecured, no impairment**
Lease (Note 27)	**12,570,363**	**–**	**- do -**	**- do -**
PIIC				
Accounts receivable	**(4,065,586)**	**357,444**	**- do -**	**- do -**
Card Pioneer Microinsurance Inc (CPMI)				
Accounts receivable	**(19,654,521)**	**98,741**	**- do -**	**- do -**
M Pioneer Insurance Inc. (MPII)				
Accounts receivable	**108,966**	**512,288**	**- do -**	**- do -**
PLHI				
Accounts receivable	**1,515**	**1,501,515**	**- do -**	**- do -**
BCCI				
Accounts receivable	**88,864**	**29,727,961**	**- do -**	**Unsecured, with allowance**
Investments in Associates:				
PTC				
Cash equivalents	**(255,140,539)**	**733,794,754**	**Interest-bearing, due and demandable**	**Unsecured**
PHI				
Accounts receivable	**22,182,097**	**34,618,161**	**- do -**	**- do -**

Category	2023 Amount/Volume	Outstanding Balance	Terms	Conditions
Entities under common control:				
PISC				
Accounts receivable	₱30,529,110	₱30,529,110	Non-interest-bearing, due and demandable	Unsecured, no impairment
Lease (Note 27)	15,033,856	–	- do -	- do -
PIIC				
Accounts receivable	2,049,449	4,423,130	- do -	- do -
CPMI				
Accounts receivable	10,509,873	19,753,262	- do -	- do -
MPII				
Accounts receivable	343,495	403,322	- do -	- do -
PLHI				
Accounts receivable	–	1,500,000	- do -	- do -
BCCI				
Accounts receivable	–	29,639,097	- do -	Unsecured, with allowance
Investments in Associates:				
PTC				
Cash equivalents	214,076,204	988,935,293	Interest-bearing, due and demandable	Unsecured
PHI				
Accounts receivable	12,436,064	12,436,064	- do -	- do -

The Company's key management personnel include all officers in the position of Assistant Vice President and higher. The summary of compensation of key management personnel follows:

	2024	2023
Salaries and other short–term employee benefits	**₱115,590,487**	₱94,304,500
Post–employment and other long–term benefits	**6,868,352**	4,144,137
	₱122,458,839	₱98,448,637

27. **Leases**

Company as a lessee

The Company entered into a lease contract covering its head office premises for a period of two (2) years which will expire on March 31, 2025. As of the date of authorization of these financial statements, the Company is evaluating its options regarding the renewal of the lease or securing alternative office space.

The Company also has several lease agreements covering its branch offices and parking spaces used in operations for periods ranging from one (1) to four (4) years with remaining terms of less than a year to four years which have expiration dates ranging from June 30, 2024 to April 1, 2028. The branch office leases include a clause on upward revision of the rental charge with escalation rates ranging from 3% to 10%. These lease contracts are noncancellable and renewable upon mutual agreement of the Company and the lessors.

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

The rollforward analysis of the right–of–use assets follows:

	2024	2023
Cost		
At January 1	**₱84,041,972**	₱65,500,384
Additions	**3,448,630**	28,657,317
Closed branches	**(29,736,199)**	(10,115,729)
At December 31	**57,754,403**	84,041,972
Accumulated Amortization		
At January 1	**58,159,619**	47,260,439
Amortization (Note 21)	**13,798,929**	18,235,189
Closed branches	**(29,736,199)**	(7,336,009)
At December 31	**42,222,349**	58,159,619
Net Book Value	**₱15,532,054**	₱25,882,353

The rollforward analysis of lease liabilities follows:

	2024	2023
At January 1	**₱26,362,392**	₱19,486,317
Additions	**3,448,630**	28,657,317
Interest expense	**1,360,647**	1,138,724
Closed branches	–	(2,478,005)
Payments	**(15,370,335)**	(20,441,961)
As at December 31	**₱15,801,334**	₱26,362,392

The amounts recognized in statement of income are presented below:

	2024	2023
Depreciation expense of right–of–use assets	**₱13,798,929**	₱18,235,189
Interest expense on lease liabilities	**1,360,647**	1,138,724
Rent expense relating to short–term leases	**7,844,145**	13,821,284
Loss relating to lease termination	–	301,715
Total amount recognized in statement of income	**₱23,003,721**	₱33,496,912

Shown below is the maturity analysis of the undiscounted lease payments as of December 31, 2024:

	2024	2023
1 year	**₱7,884,173**	₱14,159,899
more than 1 years to 2 years	**5,015,190**	5,773,997
more than 2 years to 3 years	**3,784,704**	3,864,838
more than 3 years to 4 years	**1,261,568**	2,901,772
more than 5 years	-	1,261,568

28. **Capital Management**

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

The operations of the Company are also subject to the regulatory requirements of the IC. Such regulations do not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g., fixed capitalization requirements and risk–based capital (RBC) requirements) to minimize the risk of default and insolvency, on the part of the insurance companies to meet the unforeseen liabilities as these arise.

Capital Management Framework
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 RBC Requirement Model.

Fixed Capitalization Requirements
On August 5, 2013, the President of the Philippines approved the New Insurance 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, 2023. The amount of required net worth and the schedule of compliance per New Insurance Code is presented below.

Networth	Compliance Date
₱250,000,000	June 30, 2013
550,000,000	December 31, 2016
900,000,000	December 31, 2019
1,300,000,000	December 31, 2022

The Company has complied with the minimum statutory net worth requirements as at the end of each reporting period. Based on the 2023 final synopsis from IC, the Company's net worth is ₱2,164,415,050. Estimated net worth of the Company as of December 31, 2024 is at ₱3,295,613,877.

RBC requirements
In 2006, the IC issued Memorandum Circular (IMC) No. 6–2006, *Adoption of Risk-Based Capital Framework for the Philippine Life Insurance Industry* adopting RBC framework to establish the required amounts of capital to be maintained by the life insurance companies in relation to their investment and insurance risks. The investments and insurance risks of the company are classified under four major categories as asset default risk, insurance pricing risk, interest rate risk and general business risk.

The RBC ratio shall be calculated as net worth divided by the RBC requirement. Net worth shall include the company's paid–up capital, capital in excess of par value, contributed and contingency surplus and unassigned surplus. Revaluation and fluctuation reserve accounts shall form part of net worth only to the extent authorized by the IC.

Every life insurance company is annually required to maintain a minimum RBC ratio of 100% and not fail the trend test. The trend test has failed, in the event that:

a. The RBC ratio is less than 125% but is not below 100%;
b. The RBC ratio has decreased over the past year;
c. The difference between RBC ratio and the decrease in the RBC ratio over the past year is less than 100%.

Under Section A of Insurance Commission Insurance Memorandum Circular No. 7–2006, Company Action Event shall occur if the RBC ratio of the company is less than 100% but not below 75%. Should this event occur, the company shall file to the Commissioner within forty–five (45) days of the event an RBC plan that shall:

a) Identify the conditions that contributed to the event;
b) Contain proposals of corrective action that the company intends to take and that would be expected to result in the elimination of the event;
c) Provide projections of the company's Annual Statements for at least two years with and without the proposed corrective actions; including but not limited to projections on the balance sheets, analysis of operations (total), surplus accounts, RBC Exhibits and lines of business information relevant to the RBC plan;
d) Identify the key assumptions impacting the company's projections and the sensitivity of the projections to the assumptions; and
e) Identify the quality of, and problems associated with, the company's business, including but not limited to its assets, anticipated business growth, surplus strain, extraordinary exposure to risk, mix of business and use of reinsurance, if any, in each case.

The Commissioner shall notify the company within sixty (60) days upon submission of the RBC plan whether it shall be implemented or is unsatisfactory. In the latter case the Commission shall include reasons for the determination and proposed revisions to the RBC plan, and the company shall resubmit the RBC plan within thirty (30) days of notice.

On December 28, 2016, IC CL No. 2016–68, *Amended Risk–Based Capital (RBC2) Framework* was issued to supersede IC CL No. 2015–30, *Risk–Based Capital (RBC2) Quantitative Impact Study (QIS)*. This circular provides solvency requirements based on accepted solvency frameworks, requires insurance companies that at all times shall hold the RBC requirement determined in accordance with the rules and guidelines set forth by the circular plus any additional supervisory adjustments that may be required by the IC, and requires the satisfaction of the minimum statutory ratio. The new CL took effect on January 1, 2017.

IC has adopted a three pillar risk–based approach to solvency. This is a quantitative requirement in relation to the calculation of capital requirements and recognition of eligible capital, governance and risk management requirement, and disclosure requirements. The risk based capital ratio is calculated as the total available capital divided by the RBC requirement. The RBC requirement takes into account various risks such as credit, insurance liability, market, operational, catastrophic and surrender risks. The minimum statutory required RBC ratio required is set at 100%. In addition, all insurance companies are required to maintain the minimum RBC ratio and to not fail the trend test. The trend test is the same as the previous circular.

The RBC2 ratio as of December 31, 2024 based on the Company’s calculation follows:

	2024 (Estimated)	2023 (Actual)
Net worth	**₱3,295,613,877**	₱2,164,415,050
RBC requirement	**1,180,219,110**	1,591,481,654
RBC Ratio	**279%**	136%

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

If an insurance company failed to meet the fixed capitalization requirements, RBC requirements, and unimpaired capital requirements, the IC is authorized to suspend or revoke all certificates of authority granted to such companies, its officers and agents, and no new business shall be done by and for such company until its authority is restored by the IC.

Financial Reporting Framework (FRF)

On December 28, 2016, IC CL No. 2016–65, *Financial Reporting Framework Under Section 189 of the Amended Insurance Code* was issued to supersede IC CL No. 2015–29, *Financial Reporting Framework Under Section 189 of the Amended Insurance Code (RA No. 10607)*. It includes the economic valuation of asset and liabilities based on internationally accepted accounting, actuarial, and insurance core principles which requires quarterly and annual reporting of the calculated net worth to the IC. The new CL took effect on January 1, 2017. The Company has complied with the reporting requirements as at the end of each reporting period.

Valuation Standards for Life Insurance Policy Reserves

IC has released CL No. 2014–42–A, *Valuation Standards for Life Insurance Policy Reserves* which provides a change in the basis of valuation of the life insurance policy reserves from Net Premium Valuation (NPV) to GPV which now considers other assumptions such as morbidity, lapse and/or persistency, expenses, non–guaranteed benefits and margin for adverse deviation.

IC CL No. 2016–26, *Valuation Standards For Life Insurance Policy Reserves* was issued to supersede IC CL No. 2014–42–A, *Guidelines on the Implementation of the Risk-Based Capital Framework for Insurance Companies*. The circular removed the cash value floor in the valuation of traditional life policy reserves. It also states that the Company's actuary shall provide an analysis of the valuation results.

On December 28, 2016, IC CL No. 2016–66, *Valuation Standards For Life Insurance Policy Reserves* was issued to supersede IC CL No. 2014–42A and IC CL No. 2016–26, *Valuation Standards for Life Insurance Policy Reserves*. The new circular states that valuation of the in–force file as of end of prior period using the current period discount rate shall be performed by the company and the resulting reserves shall be compared to the reserves as of end of prior period to determine the change in reserves due to the volatility in discount rate. It also added that the actuary shall provide the breakdown of the change in reserves due to the following: a) change in the discount rate; b) change in assumptions other than discount rate; and c) change in the in–force file. The CL took effect on January 1, 2017. The Company has complied with the valuation standards for life insurance policy reserves as of December 31, 2024 and 2023.

29. Management of Insurance and Financial Risks

Governance Framework

The Company has established a risk management function with clear terms of reference and with the responsibility for developing groupwide policies on insurance, credit, liquidity and market. 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 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.

Insurance Risk

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

Occurrence risk – the possibility that the number of insured events will differ from those expected.

Severity risk – the possibility that the cost of the events will differ from those expected.

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

The variability of risks is improved by the diversification of the risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by changes in any subset of the portfolio, as well as unexpected outcomes. The variability of risks will also be improved by careful selection and implementation of underwriting strategies and guidelines, as well as the use of reinsurance arrangements.

The majority of the reinsurance business ceded is placed on a surplus share basis, with retention limits varying by product line. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits.

The Company principally writes life insurance contracts, where the life of the policyholder is insured against death or permanent disability, usually for a predetermined amount.

The Company's concentration of insurance risk, before and after reinsurance, in relation to the type of insurance contract is as follows:

	2024	2023
Whole life insurance		
Gross	**₱4,783,821,014**	₱4,771,833,867
Net	**3,196,033,341**	3,194,366,502
Endowment policies		
Gross	**5,486,443,412**	5,434,740,653
Net	**4,820,769,818**	4,760,693,687
Term policies		
Gross	**5,017,082,725**	4,248,146,348
Net	**3,950,430,327**	3,120,285,450
Unit–linked policies		
Gross	**21,371,790,181**	22,943,887,819
Net	**9,870,443,615**	10,601,403,322
Group insurance		
Gross	**1,002,618,908,971**	1,676,207,239,006
Net	**920,551,059,516**	1,116,937,429,436
Total Gross	**1,039,278,046,303**	1,713,605,847,693
Total Net	**₱942,388,736,617**	₱1,138,614,178,397

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria.

The Company's retention limit on any single life is: (a) ₱2,000,000 in the order of basic individual life, accidental death & disability and accidental death benefit; (b) ₱1,000,000 of critical illness benefit; (c) ₱1,000,000 of basic group life; (d) ₱500,000 of personal accident benefit. The retention limit on any accumulation of catastrophe events is ₱6,000,000.

There are no mitigating terms and conditions that reduce the insured risk accepted for contracts with fixed and guaranteed terms.

The insurance risk disclosed above is also affected by the policyholders' right to pay reduced or no future premiums, or to terminate the contract completely. As a result, the amount of insurance risk is also subject to the policyholder's behavior. On the assumption that the policyholder can make decisions rationally, overall insurance risk can be assumed to be aggravated by such behavior.

Investment Risk
The Company likewise adopts a very cautious investment strategy to invest primarily in high quality securities while maintaining diversification to avoid significant exposure to issuer and/or industry concentrations. The Company also uses the statistics on claims and general expenses for the past three (3) years to derive a mean level of cash for its operation's strategy to produce cash flows required to meet maturing insurance liabilities. The Company invests in equities for various reasons, including diversifying its overall exposure to interest rate risk. Financial assets at and designated at FVOCI debt and equity securities are subject to declines in fair value. Generally, insurance regulations restrict the type of assets in which an insurance company may invest. When permitted by regulatory authorities and when deemed necessary to protect insurance assets including invested assets, from adverse movements of foreign currency exchange rates, interest rates and equity prices, the Company may also enter into derivative transactions as end users.

Fair Value of Financial Instruments
Due to short–term nature of cash and cash equivalents, insurance receivables, loans and receivables, accrued income, policy and contract claims, policyholders' dividends, reserve for policyholders' dividends, insurance payables and accounts payable and accrued expense, the carrying values reasonably approximate fair values as of the end of the reporting date. The fair values of financial assets at FVTPL and listed financial assets designated at FVOCI were determined using quoted market prices at the reporting date.

The Company has investments in a microinsurance company's shares of stock which are not quoted in the market amounting to ₱101,056,161 and ₱101,586,204 as of December 31, 2024 and 2023, respectively. The following assumptions were used to determine the fair value of unquoted equity securities using the DCF method:

- Weighted average cost of capital (WACC) of the microinsurance company was used in determining the present value of the free cash flows (FCF);
- In 2024 and 2023, the terminal value was calculated using FCF from the last year of the 5–year projection period capitalized into perpetuity using the long–term growth rate of the Philippine financial industry per Oxford economics of 4% and 4% for microinsurance 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 discount factor of 20% was used considering that the investments with microinsurance company.

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

	2024	2023
Financial assets at FVOCI – at cost	**₱21,599,825**	₱21,599,825
Add fair value gains recognized in OCI, gross of deferred tax impact:		
Reserve for fluctuation in value of financial assets at FVOCI	**67,713,020**	68,163,556
Deferred tax liability on the reserve for fluctuation in value of financial assets at FVOCI (Note 25)	**11,918,450**	11,997,957
	79,631,470	80,161,513
Financial assets at FVOCI – at fair value	**₱101,231,295**	₱101,761,338

Fair value gains (losses) on the above unquoted equity securities classified as financial assets at FVOCI in 2024 and 2023 amounted to (₱530,044) and ₱20,643,795, respectively. Consequential deferred income tax liability (asset) impact in 2024 and 2023 amounted to (₱79,507) and ₱3,096,569, respectively.

The analysis of the fair market value of the investments with microinsurance company and car dealer 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 as of December 31:

	2024		2023	
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%**	**0.25% increase (decrease) in the WACC of the microinsurance company would result in the (decrease) increase in fair value by (₱2,537,614) and ₱2,698,158, respectively.**	13.70%	0.25% increase (decrease) in the WACC of the microinsurance company would result in the (decrease) increase in fair value by (₱1,755,150) and ₱1,847,592, respectively.
FCF perpetuity growth	**6%**	**0.25% increase (decrease) in the perpetuity growth rate of the microinsurance company's FCF would result in the increase (decrease) in fair value by ₱2,487,548 and (₱2,338,931), respectively.**	4%	0.25% increase (decrease) in the perpetuity growth rate of the microinsurance company's FCF would result in the increase (decrease) in fair value by ₱1,604,522 and (₱1,523,891), respectively.
Marketability discount factor	**20%**	**0.25% increase (decrease) in the marketability discount factor of the microinsurance company would result in the (decrease) increase in fair value by (₱315,801) and ₱315,801 respectively.**	20%	0.25% increase (decrease) in the marketability discount factor of the microinsurance company would result in the (decrease) increase in fair value by (₱302,687) and ₱302,697, respectively.
Control discount factor	**0%**		0%	

The tables presented below shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy as of December 31.

	2024			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Financial assets at FVTPL				
Listed equity shares	**₱2,469,482,936**	**₱–**	**₱–**	**₱2,469,482,936**
Government debt securities	**409,783,508**	**–**	**–**	**409,783,508**
Financial assets at FVOCI				
Government debt securities	**5,319,721,333**	**–**	**–**	**5,319,721,333**
Financial assets designated at FVOCI				
Unquoted equity securities	**–**	**–**	**101,231,295**	**101,231,295**
Golf and club shares	**–**	**55,900,000**	**–**	**55,900,000**
Financial assets at amortized cost				
Loans and receivables			**1,776,322,570**	**1,776,322,570**
	₱8,198,987,777	**₱55,900,000**	**₱1,877,553,865**	**₱10,132,441,642**

	2023			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at FVTPL				
Listed equity shares	₱2,619,412,264	₱–	₱–	₱2,619,412,264
Government debt securities	382,925,558	–	–	382,925,558
Financial assets at FVOCI				
Government debt securities	4,014,198,816	739,080,724	–	4,753,279,540
Financial assets designated at FVOCI				
Unquoted equity securities	–	–	101,761,338	101,761,338
Golf and club shares	–	52,900,000	–	52,900,000
Financial assets at amortized cost				
Loans and receivables	–	–	1,757,809,600	1,757,809,600
	₱7,016,536,638	₱791,980,724	₱1,859,570,938	₱9,668,088,300

Financial Risk

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

Credit risk

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

The Company manages the level of credit risk it accepts through a comprehensive group credit risk policy, setting out the assessment and determination of what constitutes credit risk for the Company, setting up of exposure limits by each counterparty or group of counterparties, geographical and industry segments, right of offset where counterparties are both debtors and creditors, and guidelines on obtaining collateral and guarantees.

As of December 31, 2024 and 2023, the carrying values of the Company's financial instruments represent maximum exposure to credit risk as of reporting date.

	2024			
	Gross maximum exposure	**Fair value of collateral or credit enhancement**	**Net exposure**	**Financial effect of collateral or credit enhancement**
Financial assets at amortized cost				
Policy loans	**₱182,973,329**	**₱355,684,853**	**₱-**	**₱182,973,329**
Accounts receivables	**301,197,267**	**301,197,267**	**-**	**301,197,267**
Collateral loans	**1,286,344,508**	**2,187,603,679**	**-**	**1,286,344,508**
	₱1,770,515,104	**₱2,844,485,799**	**₱-**	**₱1,770,515,104**

	2023			
	Gross maximum exposure	Fair value of collateral or credit enhancement	Net exposure	Financial effect of collateral or credit enhancement
Financial assets at amortized cost				
Policy loans	₱193,578,201	₱410,300,245	₱–	₱193,578,201
Accounts receivables	215,004,474	215,004,474	–	215,004,474
Collateral loans	1,333,761,642	2,285,871,715	–	1,333,761,642
	₱1,742,344,317	₱2,911,176,434	₱–	₱1,742,344,317

The table presented below provides information regarding the credit risk exposure of the Company by classifying financial assets according to the Company's credit ratings of counterparties:

	2024				
	Neither Past–Due nor Impaired				
	Investment Grade	Non–investment Grade	Past Due but Not Impaired	Impaired	Total
Financial assets at FVTPL					
Government debt securities	**₱409,783,508**	**₱–**	**₱–**	**₱–**	**₱409,783,508**
Financial assets at FVOCI					
Government debt securities	**5,319,721,333**	**–**	**–**	**–**	**5,319,721,333**
Cash and cash equivalents					
Cash on hand – special funds	**325,384,711**	**–**	**–**	**–**	**325,384,711**
Cash in banks	**56,875,945**	**–**	**–**	**–**	**56,875,945**
Cash equivalents	**1,798,172,624**	**–**	**–**	**–**	**1,798,172,624**
Insurance receivables					
Premiums due and uncollected	**–**	**–**	**264,066,418**	**9,932,581**	**273,998,999**
Reinsurance recoverable on paid losses	**–**	**2,440,808,780**	**-**	**-**	**2,440,808,780**
Due from reinsurers	**–**	**-**	**-**	**1,399,102**	**1,399,102**
Accrued income					
Interest receivable from:					
Cash and cash equivalents	**7,332,212**	**–**	**–**	**–**	**7,332,212**
Financial assets at FVTPL	**7,270,113**	**–**	**–**	**–**	**7,270,113**
Financial assets at FVOCI	**85,225,205**	**–**	**–**	**–**	**85,225,205**
Dividends receivable	**1,110,752**	**–**	**–**	**–**	**1,110,752**
Financial assets at amortized cost					
Policy loans	**182,973,329**	**–**	**–**	**-**	**182,973,329**
Accounts receivable	**261,007,935**	**–**	**–**	**40,189,332**	**301,197,267**
Collateral loans	**1,285,910,894**	**–**	**–**	**433,614**	**1,286,344,508**
Other receivables	**–**	**46,430,412**	**-**	**-**	**46,430,412**
	₱9,740,768,561	**₱2,487,239,192**	**₱264,066,418**	**₱51,954,629**	**₱12,544,028,800**

	2023				
	Neither Past–Due nor Impaired				
	Investment Grade)	Non–investment Grade	Past Due but Not Impaired	Impaired	Total
Financial assets at FVTPL					
Government debt securities	₱382,925,558	₱–	₱–	₱–	₱382,925,558
Financial assets at FVOCI					
Government debt securities	4,753,279,540	–	–	–	4,753,279,540
Cash and cash equivalents					
Cash on hand – special funds	167,069,123	–	–	–	167,069,123
Cash in banks	95,291,474	–	–	–	95,291,474
Cash equivalents	1,804,687,263	–	–	–	1,804,687,263
Insurance receivables					
Premiums due and uncollected	–	240,418,517	150,000,077	9,932,581	400,351,175
Reinsurance recoverable on paid losses	–	1,131,926,770	–	–	1,131,926,770
Due from reinsurers	–	–	–	1,399,102	1,399,102
Accrued income					
Interest receivable from:					
Cash and cash equivalents	7,718,764	–	–	–	7,718,764
Financial assets at FVTPL	5,825,644	–	–	–	5,825,644
Financial assets at FVOCI	79,426,007	–	–	–	79,426,007
Dividends receivable	1,547,010	–	–	–	1,547,010
Financial assets at amortized cost					
Policy loans	193,578,201	–	–	–	193,578,201
Accounts receivable	174,815,142	–	–	40,189,332	215,004,474
Collateral loans	1,333,328,028	–	–	433,614	1,333,761,642
Other receivables	–	56,088,229	–	–	56,088,229
	₱8,999,491,754	₱1,428,433,516	₱150,000,077	₱51,954,629	₱10,629,879,976

Assessment for expected credit losses

Cash and cash equivalents and short–term investments and debt investments at FVOCI
The credit risk for cash and cash equivalents and short–term investments 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 ₱0.50 million per depositor per banking institution, as provided for under Republic Act (RA) No. 9576, Amendment to Charter of PDIC as of December 31, 2024, and up to ₱1.0 million per depositor per banking institution effective March 15, 2025.

For investments in government securities classified as investments at FVOCI, 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.

As of December 31, 2024 and 2023, impairment allowance on those financial assets is not material. Hence, the Company did not provide an ECL on such forgoing balances.

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

The expected loss rates on these receivables are determined based on the history of credit–impaired agent, broker and direct accounts. The Company analyzes insurance receivables based on the number of days the receivables have been outstanding. Insurance receivables that are outstanding for at least one year or 180 days are assessed for credit impairment.

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

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

		2024		
	(12–month ECL) Stage 1	**Lifetime ECL Not Credit impaired Stage 2**	**Lifetime ECL – Credit–impaired Stage 3**	**Total**
Expected credit loss rates		**1%**	**2%**	
ECL	**₱–**	**₱9,932,582**	**₱1,399,102**	**₱11,331,684**
Gross carrying amount		**2,415,040,475**	**301,166,406**	**2,716,206,881**

		2023		
	(12–month ECL) Stage 1	Lifetime ECL Not Credit impaired Stage 2	Lifetime ECL – Credit–impaired Stage 3	Total
Expected credit loss rates		1%	2%	
ECL	₱–	₱9,932,582	₱1,399,102	₱11,331,684
Gross carrying amount	–	1,443,827,231	89,849,816	1,533,677,047

The aging analyses of financial assets that are past due but not impaired follow:

	2024						
	Past Due but Not Impaired*						
	< 30 days	**30 to 60 days**	**61 to 180 days**	**More than 180 days**	**Total Past Due but Not Impaired**	**Impaired**	**Total**
Premiums due and uncollected	**₱184,668,720**	**₱26,049,596**	**41,005,178**	**12,342,924**	**264,066,418**	**₱9,932,581**	**₱273,998,999**
	₱184,668,720	**₱26,049,596**	**41,005,178**	**12,342,924**	**264,066,418**	**₱9,932,581**	**₱273,998,999**

	2023						
	Past Due but Not Impaired*						
	< 30 days	30 to 60 days	61 to 180 days	More than 180 days	Total Past Due but Not Impaired	Impaired	Total
Premiums due and uncollected	₱156,368,303	₱46,091,363	₱98,809,149	₱89,149,779	₱390,418,594	₱9,932,581	₱400,351,175
	₱156,368,303	₱46,091,363	₱98,809,149	₱89,149,779	₱390,418,594	₱9,932,581	₱400,351,175

Liquidity risk

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

The major liquidity risk confronting the Company is the daily calls on its available cash resources in respect of claims arising from insurance contracts and the maturity of its payables.

The Company manages liquidity through its liquidity risk policy, which determines what constitutes liquidity risk for the Company, specifies minimum proportion of funds to meet emergency calls, sets up contingency funding plans, specifies the sources of funding and the events that would trigger the plan, and concentrates on funding sources.

The table presented below summarizes the maturity profile of the Company's financial assets and financial liabilities, including legal policy reserves, based on remaining undiscounted contractual obligations. For legal policy reserves, maturity profiles are determined based on estimated timing of net cash outflows from the reporting date. Unit–linked liabilities are repayable or transferable on demand and are included in the "up to a year" column.

	2024						
	Up to a year/ on demand	**> 1–5 years**	**> 5–10 years**	**> 10–20 years**	**Over 20 years**	**No maturity date**	**Total**
Financial assets							
Financial assets at FVTPL	**₱9,980,895**	**₱270,581,374**	**₱119,221,240**	**₱–**	**₱–**	**₱2,479,482,935**	**₱2,879,266,444**
Financial assets at FVOCI	**33,196,448**	**192,457,517**	**714,311,046**	**4,321,670,224**	**58,086,098**	**157,131,295**	**5,476,852,628**
Financial assets at amortized cost							
Cash and cash equivalents	**2,181,871,356**	**–**	**–**	**–**	**–**	**–**	**2,181,871,356**
Insurance receivables							
Premiums due and uncollected	**273,998,999**	**–**	**–**	**–**	**–**	**–**	**273,998,999**
Reinsurance recoverable on paid losses	**2,440,808,780**	**–**	**–**	**–**	**–**	**–**	**2,440,808,780**
Accrued income	**1,110,752**	**–**	**–**	**–**	**–**	**–**	**1,110,752**
Other loans and receivables	**667,785,512**	**648,406,616**	**625,613,759**	**633,185,184**	**3,210,619**	**–**	**2,578,201,690**
Total financial assets	**₱5,608,752,742**	**₱1,111,445,507**	**₱1,459,146,045**	**₱4,954,855,408**	**₱61,296,717**	**₱2,636,614,230**	**₱15,832,110,649**
Financial and insurance liabilities							
Legal policy reserves	**₱935,868,498**	**₱1,266,238,693**	**₱620,831,747**	**₱1,189,681,232**	**₱4,049,956,320**	**₱–**	**₱8,062,576,490**
Policy and contract claims	**1,415,245,993**	**–**	**–**	**–**	**–**	**–**	**1,415,245,993**
Policyholders' dividends	**470,937,613**	**–**	**–**	**–**	**–**	**–**	**470,937,613**
Policyholders' deposits	**451,248,804**	**–**	**–**	**–**	**–**	**–**	**451,248,804**
Insurance payables	**3,007,410,628**	**–**	**–**	**–**	**–**	**–**	**3,007,410,628**
Accounts payable and accrued expenses*	**95,693,002**	**–**	**–**	**–**	**–**	**–**	**95,693,002**
Lease liability	**7,884,173**	**10,061,462**	**–**	**–**	**–**	**–**	**17,945,635**
Total financial liabilities	**₱6,384,288,711**	**₱1,276,300,155**	**₱620,831,747**	**₱1,189,681,232**	**₱4,049,956,320**	**₱–**	**₱13,521,058,165**

**Accounts payable and accrued expenses exclude taxes and licenses payable.*

	2023						
	Up to a year/ on demand	> 1–5 years	> 5–10 years	> 10–20 years	Over 20 years	No maturity date	Total
Financial assets							
Financial assets at FVTPL	₱–	₱208,546,738	₱247,982,333	₱42,389,196	₱–	₱2,503,419,555	₱3,002,337,822
Financial assets at FVOCI	–	257,440,137	693,081,760	3,802,757,643	–	154,661,338	4,907,940,878
Financial assets at amortized cost							
Cash and cash equivalents	2,068,501,205	–	–	–	–	–	2,068,501,205
Insurance receivables							
Premiums due and uncollected	400,351,175	–	–	–	–	–	400,351,175
Reinsurance recoverable on paid losses	1,131,926,770	–	–	–	–	–	1,131,926,770
Accrued income	1,547,010	–	–	–	–	–	1,547,010
Other loans and receivables	505,780,561	71,466,888	421,913,148	729,290,776	1,470,213,438	–	3,198,664,811
Total financial assets	₱4,108,106,721	₱537,453,763	₱1,362,977,241	₱4,574,437,615	₱1,470,213,438	₱2,658,080,893	₱14,711,269,671
Financial and insurance liabilities							
Legal policy reserves	₱901,831,513	₱1,314,235,089	₱596,594,003	₱1,200,116,160	₱4,033,762,720	₱–	₱8,046,539,485
Policy and contract claims	1,631,012,467	–	–	–	–	–	1,631,012,467
Policyholders’ dividends	468,662,426	–	–	–	–	–	468,662,426
Policyholders’ deposits	435,172,589	–	–	–	–	–	435,172,589
Insurance payables	1,423,002,727	–	–	–	–	–	1,423,002,727
Accounts payable and accrued expenses*	83,616,150	–	–	–	–	–	83,616,150
Lease liability	14,159,889	13,802,176	–	–	–	–	27,962,065
Total financial liabilities	₱4,957,457,761	₱1,328,037,265	₱596,594,003	₱1,200,116,160	₱4,033,762,720	₱–	₱12,115,967,909

**Accounts payable and accrued expenses exclude taxes and licenses payable.*

It is unusual for a Company primarily transacting 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 estimate, based on statistical techniques and past experience.

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

The Company structures the levels of market risk it accepts through a group market risk policy that determines what constitutes market risk for the Company, the basis used to fair value financial assets and liabilities, asset allocation and portfolio limit structure, diversification benchmarks by type of instrument and geographical area, and sets out the net exposure limits by each counterparty or group of counterparties, geographical and industry segments.

Currency risk
Currency risk is the risk that the value of the financial instrument will fluctuate because of changes in foreign exchange rates. The Company’s principal transactions are carried out in Philippine Peso and its exposure to foreign exchange risk arises primarily with respect to the US Dollar. The Company’s policy is to ensure that exposure to foreign currency exchange risk is minimized by holding sufficient foreign denominated assets that will cover its foreign denominated liabilities.

The table below shows the Company’s exposure to currency risk:

	2024	
	In US$	**In Peso**
Financial assets		
Financial assets at FVTPL	**$2,019,683**	₱116,828,534
Financial assets at FVOCI	**5,240,899**	303,159,224
Financial assets at amortized cost		
Cash and cash equivalents	**6,788,664**	392,690,265
Insurance receivables	**362,593**	20,974,177
Accrued income	**133,749**	7,736,701
Other loans and receivables	**99,813**	5,773,698
Total US$–denominated financial assets	**$14,645,401**	₱847,162,599
Financial liabilities		
Legal policy reserves	**$4,965,024**	₱287,201,797
Policyholders’ deposits	**592,729**	34,286,423
Due to reinsurers	**5,192**	300,318
Policyholders’ dividends	**77,026**	4,455,578
Accounts payable and accrued expenses	**71,869**	4,157,277
Total US$–denominated financial liabilities	**5,711,840**	330,401,393
Net currency exposure	**$8,933,561**	₱516,761,206

The exchange rate used is ₱57.845 to US$1.

	2023	
	In US$	In Peso
Financial assets		
Financial assets at FVTPL	$2,918,884	₱161,618,607
Financial assets at FVOCI	11,790,886	652,861,358
Financial assets at amortized cost		
Cash and cash equivalents	7,410,393	410,313,460
Insurance receivables	303,135	16,784,585
Other loans and receivables	140,971	7,805,564
Total US$–denominated financial assets	$22,564,269	₱1,249,383,574
Financial liabilities		
Legal policy reserves	$2,738,060	₱151,606,382
Policyholders’ deposits	571,155	31,624,852
Due to reinsurers	5,138	284,491
Policyholders’ dividends	76,262	4,222,627
Accounts payable and accrued expenses	565,878	31,332,665
Total US$–denominated financial liabilities	3,956,493	219,071,017
Net currency exposure	$18,607,776	₱1,030,312,557

The exchange rate used is ₱55.37 to US$1

The analysis presented as follows is performed for reasonably possible movements in Philippine Peso to US Dollar with all other variables held constant, showing the impact on income before tax and on equity (due to changes in fair value of currency sensitive financial assets and liabilities). There is no other impact on the Company’s equity other than those already affecting the statements of income.

	Change in Foreign Exchange Rates	Impact on Income Before Tax
2024	**+1.89**	**₱9,335,571**
	-1.89	**(9,335,571)**

	Change in Foreign Exchange Rates	Impact on Income Before Tax
2023	+2.42	₱22,414,735
	–2.42	(22,414,735)

Reasonably possible movements in foreign exchange rates are computed based on average percentage changes in the BAP closing rate for the past three years.

Interest rate risk
Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company's fixed interest rate instruments expose the Company to fair value interest rate risk.

The following table shows the information relating to the Company's financial instrument subject to fixed interest rates:

	2024						
	Effective Interest Rate	**Up to a year**	**> 1–5 years**	**> 5– 10 years**	**> 10–20 years**	**Over 20 years**	**Total**
Financial assets at FVTPL							
Local currency	3.50% to 18.25%	**₱19,980,895**	**₱236,045,305**	**₱36,928,774**	**₱-**	**₱-**	**₱292,954,974**
Foreign currency	1.95% to 9.50%	**-**	**-**	**116,828,534**	**-**	**-**	**116,828,534**
Financial assets at FVOCI							
Local currency	3.50% to 18.25%	**33,196,448**	**168,642,268**	**650,614,157**	**4,168,119,446**	**-**	**5,020,572,319**
Foreign currency	3.70% to 7.75%	**-**	**23,815,249**	**63,696,889**	**157,560,988**	**58,086,098**	**303,159,224**
		₱53,177,343	**₱428,502,822**	**₱868,068,354**	**₱4,325,680,434**	**₱58,086,098**	**₱5,733,515,051**

	2023						
	Effective Interest Rate	Up to a year	> 1–5 years	> 5– 10 years	> 10–20 years	Over 20 years	Total
Financial assets at FVTPL							
Local currency	3.50% to 18.25%	₱9,962,777	₱149,384,453	₱85,087,870	₱4,853,163	₱-	₱249,288,263
Foreign currency	1.95% to 9.50%	-	11,105,894	94,373,514	28,157,887	-	133,637,295
Financial assets at FVOCI							
Local currency	3.50% to 18.25%	-	206,393,060	415,296,583	3,919,916,404	-	4,541,606,047
Foreign currency	3.70% to 7.75%	-	6,033,504	32,811,155	41,314,768	135,524,276	215,683,703
		₱9,962,777	₱372,916,911	₱627,569,122	₱3,994,242,222	₱135,524,276	₱5,140,215,308

The analysis presented below is performed for reasonably possible movements in interest rates with all other variables held constant, showing the impact on profit before tax (due to changes in fair value of fixed–rate financial assets at FVTPL) and other comprehensive income (due to changes in fair value of fixed–rate financial assets at FVOCI).

	2024		
Currency	**Change in Interest Rate**	**Impact on Profit Before Tax**	**Impact on Other Comprehensive Income**
Peso	**0.41%**	**(₱4,681,863)**	**(₱173,473,169)**
US$	**0.85%**	**(5,766,181)**	**(25,201,901)**
Peso	**-0.41%**	**₱3,307,212**	**₱182,340,388**
US$	**0.85%**	**6,110,053**	**28,657,613**

Currency	Change in Interest Rate (2023)	Impact on Profit Before tax (2023)	Impact on Other Comprehensive Income (2023)
Peso	+0.45%	₱8,304,476	(₱178,576,543)
US$	+0.61%	(8,356,274)	(12,584,553)
Peso	-0.45%	(₱703,318)	₱189,022,414
US$	-0.61%	4,794,398	13,710,314

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

Equity price risk

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

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

The Company's market risk policy requires it to manage such risks by diversifying its investments to different asset classes and setting limits on investment in each sector and market.

The analysis below is performed for reasonably possible movements in the Philippine Stock Exchange index (PSEi) with all other variables held constant, showing the impact on income before tax (due to changes in fair value of equity securities classified as financial assets at FVTPL) and other comprehensive income (due to changes in the fair value of equity securities classified as financial assets at FVOCI).

Market index	**Change in Market Price (2024)**	**Impact on Income Before Tax (2024)**
PSEi	**–0.21%**	**(₱71,482)**
	0.21%	**71,482**

Market index	Change in Market Price (2023)	Impact on Income Before Tax (2023)
PSEi	–4.08%	(₱1,302,532)
	4.08%	1,302,532

The Company determined the reasonably possible change in equity pricing using percentage changes in the PSE composite index for the past three years. The sensitivity analysis includes the Company's stock portfolio with amounts adjusted by the specific beta for these investments as at reporting date.

30. Maturity Analysis of Assets and Liabilities

The following table shows an analysis of assets and liabilities analyzed according to when they are expected to be recorded or settled:

	2024			2023		
	Less than 12 months	**Over 12 Months**	**Total**	Less than 12 months	Over 12 Months	Total
ASSETS						
Cash and cash equivalents	**₱2,181,871,356**	**–**	**₱2,181,871,356**	₱2,068,501,205	₱–	₱2,068,501,205
Insurance receivables	**2,704,875,197**	**–**	**2,704,875,197**	1,522,345,363	–	1,522,345,363
Financial assets						
Financial assets at FVTPL	**2,879,266,444**	**–**	**2,879,266,444**	3,002,337,822	–	3,002,337,822
Financial assets at FVOCI	**–**	**5,476,852,628**	**5,476,852,628**	–	4,907,940,878	4,907,940,878
Financial assets at amortized cost	**552,757,532**	**1,223,565,038**	**1,776,322,570**	534,244,562	1,223,565,038	1,757,809,600
Accrued income	**100,938,282**	**–**	**100,938,282**	94,517,425	–	94,517,425
Reinsurance assets	**34,888,243**	**–**	**34,888,243**	28,666,153	–	28,666,153
Pension asset	**–**	**–**	**-**	–	10,623,011	10,623,011
Investment properties	**–**	**18,060,000**	**18,060,000**	–	16,891,600	16,891,600
Property and equipment – net	**–**	**37,362,540**	**37,362,540**	–	31,085,468	31,085,468
Software costs – net	**–**	**22,637,562**	**22,637,562**	–	19,863,827	19,863,827
Right–of–use asset	**–**	**15,532,054**	**15,532,054**	–	25,882,353	25,882,353
Investment in associate	**–**	**1,961,581,180**	**1,961,581,180**	–	2,012,426,776	2,012,426,776
Other assets	**207,195,722**	**-**	**207,195,722**	164,586,675	–	164,586,675
Total Assets	**8,661,792,776**	**8,755,591,002**	**17,417,383,778**	7,415,199,205	8,248,278,951	15,663,478,156
LIABILITIES						
Insurance contract liabilities						
Legal policy reserves	**935,868,498**	**7,126,707,992**	**8,062,576,490**	901,831,513	7,144,707,972	8,046,539,485
Policy and contract claims	**1,415,245,993**	**–**	**1,415,245,993**	1,631,012,467	–	1,631,012,467
Policyholder’s dividends	**470,937,613**	**–**	**470,937,613**	468,662,426	–	468,662,426
Policyholder’s deposits	**451,248,804**	**–**	**451,248,804**	435,172,589	–	435,172,589
Insurance payables	**3,007,410,628**	**–**	**3,007,410,628**	1,423,002,727	–	1,423,002,727
Accounts payable and accrued expenses	**154,259,259**	**–**	**154,259,259**	142,924,334	–	142,924,334
Lease liability	**6,638,327**	**9,163,007**	**15,801,334**	13,008,096	13,354,296	26,362,392
Pension liability	**43,379,473**	**–**	**43,379,473**	–	–	–
Deferred tax liability – net	**–**	**321,252,106**	**321,252,106**	–	345,903,356	345,903,356
Total Liabilities	**₱6,484,988,595**	**₱7,457,123,105**	**₱13,942,111,700**	₱5,015,614,152	₱7,503,965,624	₱12,519,579,776

31. Supplementary Tax Information Under Revenue Regulations (RR) No. 15–2010

In compliance with Revenue Regulations No. 15–2010 issued by the Bureau of Internal Revenue (BIR) on November 25, 2010, mandating all taxpayers to include information on taxes, duties and license fees paid or accrued during the taxable year, presented below and in the next page are the taxes paid and accrued by the Company:

<u>Value Added Tax (VAT)</u>
The Company is exempt from VAT being engaged in the business of life insurance under Section 4.109–1 (B)(e)(6) of Revenue Regulation No. 16–05 or otherwise known as the Consolidated VAT Regulations of 2005. However, it is subject to percentage tax under Section 123 of the Tax Code, as amended. Hence, it paid the amount of ₱132,771,946 in 2024 as percentage tax based on the amount reflected in the premiums on insurance contracts.

Revenue Memorandum Circular (RMC) No. 30–08, as amended by RMC 59–08, provides that income earned by the life insurance company from services which can be pursued independently of the insurance business activity are not subject to 5% (now 2%) premium tax but the same are treated as income for services that are subject to the imposition of VAT pursuant to Section 108 of the Tax Code, as amended.

There were no VAT payments in 2024.

Documentary Stamp Tax (DST)
The transactions for which DST is paid/accrued are detailed below:

Life insurance policies	₱1,952,680
Others	134,174
	₱2,086,854

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

Local	
Mayor’s permit	₱9,488,251
Licenses fees	901,735
Real property tax	5,025
Professional tax receipts	4,200
	10,399,211
National	
Premium tax	132,771,946
BIR annual registration	9,000
	132,780,946
	₱143,180,157

Withholding Taxes
Details of withholding taxes remitted for 2024 are as follows:

Expanded withholding taxes	₱82,287,385
Taxes on compensation and benefits	34,630,050
Final withholding VAT	190,979
Final withholding taxes	119,362
Fringe benefit taxes	89,169
	₱117,316,945

The total unpaid withholding tax liabilities as at December 31, 2024 amounted to ₱7,393,541 which comprised of unpaid expanded withholding taxes, withholding taxes on compensation and fringe benefit tax amounting to ₱6,499,328, ₱871,921, and ₱22,292, respectively.

In addition, the Company recognized withholding tax liabilities related to accruals amounting to ₱100,513 as at December 31, 2024.

Excise Tax
The Company did not incur any excise tax in 2024.

Taxes on importation
The Company did not incur any taxes on importation in 2024.

Deficiency tax assessments and tax cases
As of December 31, 2024, the Company does not have any final deficiency tax assessments from the BIR nor does it have tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open taxable years.