C O V E R S H E E T

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0	3	7	5	6

C O M P A N Y N A M E

M PIONEER INSURANCE INC.

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

PIONEER HOUSE MAKATI, 108 PASEO DE ROXAS

SLEGASPI VILLAGE, MAKATI CITY

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

C O M P A N Y I N F O R M A T I O N

Company's Email Address	Company's Telephone Number/s	Mobile Number
mpii.corpsec@pioneer.com.ph	8-8812-7777	N/A
No. of Stockholders	**Annual Meeting (Month / Day)**	**Fiscal Year (Month / Day)**
10	Last Thursday of April	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Yangtze P. Quin	james.quin@pioneer.com.ph	8812-7777	09209501478

CONTACT PERSON'S ADDRESS

108 Paseo de Roxas Street, Legazpi Village, Makati City

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

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

BOA/PRC Accreditation No. 4782
April 14, 2024, valid until June 6, 2026
SEC Accreditation No. 4782-SEC Group A
Issued August 11, 2022
Valid for Financial Periods 2021 to 2025

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

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
M Pioneer Insurance Inc.
Pioneer House Makati
108 Paseo De Roxas
Legaspi Village, Makati City

Opinion

We have audited the accompanying financial statements of M Pioneer Insurance Inc. (the Company), which comprise the statement of financial position as at December 31, 2025, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to financial statements, including a summary of material accounting policy information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2025, and its financial performance and its cash flows for the year then ended in accordance with the Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), as applicable to audits of financial statements of public interest entities, together with the ethical requirements that are relevant to the audit of the financial statements of public interest entities in the Philippines. We have also 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, 2024, were audited by another auditor whose report dated March 26, 2025, expressed an unqualified opinion on those financial statements.

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

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

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING
RSM
Reyes Tacandong & Co is a member of the RSM network. Each member of the RSM network is an independent accounting and consulting firm, and practices in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

REYES TACANDONG & CO.



PAMELA ANN P. ESCUADRO
Partner
CPA Certificate No. 128829
Tax Identification No. 216-321-918-000
BOA Accreditation No. 4782/P-013; Valid until June 6, 2026
IC Accreditation No. IC-EA-2025-0050-R
Issued January 22, 2026
Valid for Financial Periods 2025 to 2027
SEC Accreditation No. 128829-SEC Group A
Issued March 23, 2021
Valid for Financial Periods 2020 to 2025
BIR Accreditation No. 08-005144-013-2025
Valid until October 20, 2028
PTR No. 10764016
Issued January 2, 2026, Makati City

April 6, 2026
Makati City, Metro Manila

M PIONEER INSURANCE, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2025

(With Comparative Figures for 2024)

	Note	**2025**	2024
ASSETS			
Cash and cash equivalents	4	**₱1,076,333,473**	₱682,731,374
Insurance receivables	5	**1,220,783,271**	920,710,291
Financial assets at fair value through other comprehensive income (FVOCI)	6	**467,497**	409,870
Investments in debt securities at amortized cost	6	**1,321,827,653**	1,417,845,569
Other receivables	5	**20,248,504**	26,400,795
Reinsurance assets	8	**1,390,101,607**	1,625,960,176
Deferred acquisition costs	7	**37,957,336**	41,492,051
Property and equipment	9	**1,630,003**	3,057,860
Right-of-use (ROU) asset	22	**1,749,331**	3,686,143
Net retirement plan asset	20	**9,816,652**	6,616,250
Other assets	10	**72,902,919**	106,252,440
		₱5,153,818,246	₱4,835,162,819
LIABILITIES AND EQUITY			
Liabilities			
Insurance contract liabilities	11	**₱2,157,833,761**	₱2,462,109,061
Insurance payables	12	**782,341,198**	486,104,076
Accounts and other payables	13	**141,681,117**	127,570,839
Deferred reinsurance commissions	7	**29,300,927**	29,395,534
Lease liabilities	22	**2,079,974**	4,238,607
Total Liabilities		**3,113,236,977**	3,109,418,117
Equity			
Capital stock		**900,000,000**	900,000,000
Contributed surplus	15	**914,371,606**	914,371,606
Retained earnings (deficit)		**220,701,209**	(89,532,397)
Other components of equity:			
Cumulative remeasurement gain on net retirement plan asset	20	**6,180,363**	1,635,028
Cumulative unrealized loss on fair value changes of financial assets at FVOCI	6	**(671,909)**	(729,535)
Total Equity		**2,040,581,269**	1,725,744,702
		₱5,153,818,246	₱4,835,162,819

See accompanying Notes to the Financial Statements.

M PIONEER INSURANCE, INC.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2025

(With Comparative Figures for 2024)

	Note	**2025**	2024
REVENUE			
Gross premiums earned on insurance contracts	16	**₱1,895,030,832**	₱1,637,322,513
Reinsurers' share of gross premiums earned	16	**(1,361,362,865)**	(1,099,890,241)
Net premiums earned on insurance contracts		**533,667,967**	537,432,272
Commission income	7	**68,832,700**	58,567,270
Interest income	19	**137,826,636**	135,155,749
Other income	19	**4,307,458**	13,297,774
		744,634,761	744,453,065
BENEFITS, CLAIMS AND EXPENSES			
Net insurance benefits and claims	17	**110,698,489**	251,416,669
Commission expense	7	**93,136,869**	95,635,491
Operating expenses	18	**87,713,629**	86,598,140
Interest expense		**314,135**	397,371
Other underwriting expenses		**53,225,777**	50,859,400
		345,088,899	484,907,071
INCOME BEFORE INCOME TAX		**399,545,862**	259,545,994
PROVISION FOR INCOME TAX	21		
Current		**62,180,787**	21,409,973
Final		**27,131,469**	26,665,485
		89,312,256	48,075,458
NET INCOME		**310,233,606**	211,470,536
OTHER COMPREHENSIVE INCOME			
Not to be reclassified to profit or loss when realized:			
Remeasurement gain on net retirement plan asset	20	**4,545,335**	510,057
Unrealized gain on fair value changes of financial assets at FVOCI	6	**57,626**	138,254
		4,602,961	648,311
TOTAL COMPREHENSIVE INCOME		**₱314,836,567**	₱212,118,847

See accompanying Notes to Financial Statements.

M PIONEER INSURANCE, INC.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2025

(With Comparative Figures for 2024)

	Note	**2025**	2024
CAPITAL STOCK - ₱100 par value			
Authorized, issued and outstanding – 9,000,000 shares		**₱900,000,000**	₱900,000,000
CONTRIBUTED SURPLUS	15	**914,371,606**	914,371,606
RETAINED EARNINGS (DEFICIT)			
Balance at beginning of year		**(89,532,397)**	(301,002,933)
Net income		**310,233,606**	211,470,536
Balance at end of year		**220,701,209**	(89,532,397)
CUMULATIVE REMEASUREMENT GAIN ON NET RETIREMENT PLAN ASSET			
Balance at beginning of year		**1,635,028**	1,124,971
Remeasurement gain	20	**4,545,335**	510,057
Balance at end of year		**6,180,363**	1,635,028
CUMULATIVE UNREALIZED LOSS ON FAIR VALUE CHANGES OF FINANCIAL ASSETS AT FVOCI			
Balance at beginning of year		**(729,535)**	(867,789)
Unrealized gain on fair value changes	6	**57,626**	138,254
Balance at end of year		**(671,909)**	(729,535)
TOTAL EQUITY		**₱2,040,581,269**	₱1,725,744,702

See accompanying Notes to Financial Statements.

M PIONEER INSURANCE, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2025

(With Comparative Figures for 2024)

	Note	**2025**	2024
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**₱399,545,862**	₱259,545,994
Adjustments for:			
Interest income	19	**(137,826,636)**	(135,155,749)
Provision for impairment losses on:			
Creditable withholding tax (CWT)	10	**4,572,575**	–
Insurance receivable	5	**–**	4,218,716
Depreciation and amortization	9	**3,350,474**	9,387,527
Unrealized foreign exchange gain	19	**(1,388,516)**	(9,600,471)
Retirement benefit expense	20	**1,366,101**	1,262,958
Interest expense	12	**314,135**	397,371
Gain on disposal of property and equipment	9	**(100,821)**	(219,999)
Operating income before changes in working capital		**269,833,174**	129,836,347
Decrease (Increase) in:			
Insurance receivables		**(300,072,980)**	(329,459,610)
Other receivables		**5,594,017**	(4,316,197)
Reinsurance assets		**235,858,569**	(345,605,809)
Deferred acquisition costs		**3,534,715**	174,636
Other assets		**28,776,945**	7,028,179
Increase (decrease) in:			
Insurance contract liabilities		**(304,275,300)**	252,975,504
Insurance payables		**296,126,328**	183,994,958
Accounts and other payables		**14,089,110**	3,784,976
Deferred reinsurance commissions		**(94,607)**	6,779,120
Net cash generated from (used for) operations		**249,369,971**	(94,807,896)
Income tax paid		**(89,312,256)**	(48,075,458)
Net cash provided by (used in) operating activities		**160,057,715**	(142,883,354)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**137,762,257**	135,765,556
Proceeds from maturities and sale of investments in debt securities at amortized cost	6	**96,640,569**	238,064,000
Proceeds from sale of property and equipment	9	**115,016**	219,999
Additions to:			
Investments in debt securities at amortized cost	6	**–**	(64,000,000)
Property and equipment	9	**–**	(161,143)
Net cash provided by investing activities		**234,517,842**	309,888,412

(Forward)

		Years Ended December 31	
	Note	**2025**	2024
CASH FLOW FROM A FINANCING ACTIVITY			
Payment of lease liabilities	22	**(₱2,361,975)**	(₱5,627,503)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**392,213,582**	161,377,555
NET EFFECT OF FOREIGN CURRENCY TRANSLATION	19	**1,388,516**	9,600,471
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**682,731,374**	511,753,349
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	**₱1,076,333,473**	₱682,731,374

See accompanying Notes to Financial Statements.

M PIONEER INSURANCE, INC.

NOTES TO FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2025
(With Comparative Figures for 2024)

1. Corporate Information

M Pioneer Insurance, Inc. (MPII or the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) in 1948 as Republic Surety and Insurance Company Inc. The Company's corporate life has been extended for another 50 years up to 2048.

The Company is engaged in the business of indemnifying insured parties against loss, damage or liability arising from an unknown or contingent event. It has a certificate of authority issued by the Insurance Commission (IC) of the Philippines to transact in non-life (bonds, casualty, fire, engineering, motor, marine and personal accident) insurance business until December 31, 2027.

The Company is 65% owned by Pioneer Insurance & Surety Corporation (Pioneer) and 35% owned by Manila Electric Cooperative (Meralco). Pioneer and Meralco have joint control over the Company as neither of the parties cannot make unilateral decisions over the operations of the Company.

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

Approval of the Financial Statements

The financial statements as at and for the year ended December 31, 2025 (with comparative figures and information for 2024) was approved and authorized for issue by the BOD on April 6, 2026.

2. Summary of Material Accounting Policy Information

Basis of Preparation

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

Measurement Basis

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

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

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

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

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

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

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

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

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

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

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

- Note 6 – *Investment in Debt Securities at Amortized Cost and Financial Assets at FVOCI*
- Note 25 - *Fair Value of Financial Instruments*

Adoption of Amendments to PFRS Accounting Standards

The material accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability*, effective for annual periods beginning on or after January 1, 2025.

The amendments clarify when a currency is considered exchangeable into another currency and how an entity determines the exchange rate for currencies that lack exchangeability. The amendments also introduce new disclosure requirements to help users of financial statements assess the impact when a currency is not exchangeable. An entity does not apply the amendments retrospectively. Instead, an entity recognizes any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings when the entity reports foreign currency transactions. When an entity uses a presentation currency other than its functional currency, it recognizes the cumulative amount of translation differences in equity. Earlier application is permitted.

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

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

Relevant new and amendments to PFRS Accounting Standards, which are not yet effective as at December 31, 2025, and have not been applied in preparing the financial statements, are summarized below:

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

- Amendments to PFRS 9, *Financial Instruments,* and PFRS Accounting Standards 7, *Financial Instruments: Disclosures – Classification and Measurement of Financial Assets* – The amendment provides to clarify the requirements related to the date of recognition and derecognition of financial assets and financial liabilities, with an exception for derecognition of financial liabilities settled through cash using an electronic payment system. The amendments also clarify the requirements of assessing contractual cash flow characteristics of financial assets, with additional guidance on assessment of contingent features, and the characteristics of non-recourse loans and contractually linked instruments. The amendments also introduce additional disclosure requirements for equity instruments classified as financial asset measured at fair value through other comprehensive income (FVOCI) with contingent features. Earlier application is permitted.

- Annual Improvements to PFRS Volume 11:

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

  - Amendments to PFRS 9, *Financial Instruments* – The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with PFRS 9, *Financial Instruments*, the lessee must apply the derecognition criteria for a financial liability which requires recognition of a gain or loss in profit or loss. The amendments apply to lease liabilities that are extinguished on or after the beginning of the annual reporting period in which the entity first applies the amendments. Earlier application is permitted.

  - Amendments to PAS 7, *Statement of Cash Flows* – The amendments clarify that when accounting for an investment in an associate, a joint venture or a subsidiary accounted for by use of the equity or at cost, an investor restricts its reporting in the statements of cash flows to the cash flows between itself and the investee, such as dividends and advances.

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

- PFRS 18, *Presentation and Disclosure in Financial Statements* – This standard replaces PAS 1, *Presentation of Financial Statements*, and sets out requirements for the presentation and disclosure of information in general purpose financial statements. The standard introduces new categories and sub-totals in the statements of comprehensive income, additional disclosures on management-defined performance measures, and enhanced requirements for grouping information. Full retrospective application is required. Earlier application is permitted.

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

  In response to the challenges brought by the COVID-19 pandemic, the Insurance Commission issued Circular Letter 2020-62, *Amendment of Section 1 of Circular Letter No. 2018-69, Deferral of IFRS 17 Implementation*, which provides a two-year deferral on the implementation of the standard from the 2023 effectivity date. Subsequently, on March 19, 2025, the Insurance Commission issued Circular Letter 2025-04, *Application of PFRS 17 – Insurance Contracts in the Audited Financial Statements and Preparation of IC Reportorial Requirements,* further extending the effectivity date of PFRS 17 to January 1, 2027. Earlier application is permitted.

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

Under prevailing circumstances, the adoption of the foregoing new and amendments to PFRS Accounting Standards, except for the adoption of PFRS 17, is not expected to have any material effect on the financial statements of the Company. For the adoption of PFRS 18, while it is not expected to have a material impact on the Company's financial position or financial performance, it will result in changes in the presentation, classification, and aggregation of items in the statements of comprehensive income and related disclosures as required by the standard.

For the adoption of PFRS 17, the management is currently in the process of performing detailed review and analysis to determine the financial impact.

Current and Noncurrent Classification

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

An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when it is:

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

The Company classifies all other liabilities as noncurrent.

Financial Instruments

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

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

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

"Day 1" Difference. Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" profit or loss) in the statements of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statements of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" profit or loss amount.

Financial Assets

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

Subsequent to initial recognition, the Company may reclassify its financial assets only when there is a change in its business model for managing these financial assets. For purposes of subsequent measurement, financial assets are classified in four categories:

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

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

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

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

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

For quoted common shares, these are measured at fair value based on quoted market prices in active markets.

For unquoted common shares, if fair value cannot be measured reliably using valuation techniques, the investment is carried at cost less impairment.

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

Financial Assets at Amortized Cost. The Company measures financial assets at amortized cost when:

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

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method, less any allowance for expected credit losses (ECL). Gains and losses are recognized in the profit or loss when the asset is derecognized, modified or impaired.

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

Impairment of Financial Assets at Amortized Cost

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

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

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

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

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

Financial Liabilities

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

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

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

These are issued financial instruments or their components, which are not designated as at FVPL and where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Other Financial Liabilities. Issued financial liabilities or their components, which are not designated as financial liabilities at FVPL are classified as other financial liabilities, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

This category includes accounts and other payables (excluding statutory liabilities) and lease liabilities (see Notes 13 and 22).

Derecognition of Financial Assets and Liabilities

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

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

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

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

Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

Insurance Contracts

Insurance contracts are defined as those contracts under which the Company (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate if a specified uncertain future event (the insured event) adversely affects the policyholder. As a general guideline, the Company defines significant insurance risk, by comparing benefits paid against benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or other variable.

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

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

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence shows that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the profit or loss.

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

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

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

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

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

Insurance Receivables

Insurance receivables pertain to premiums receivable, due from ceding companies, reinsurance recoverable on paid losses and funds held by ceding companies. These are measured on initial recognition at the amount of consideration receivable for the period of coverage.

Subsequent to initial recognition, insurance receivables are measured at amortized cost, which approximates the outstanding amount due, less any allowance for impairment.

The Company assesses insurance receivables for impairment at each reporting date. An allowance is recognized when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms. The amount of impairment is measured as the difference between the carrying amount and the estimated recoverable amount. Impairment losses are recognized in profit or loss.

Insurance Contract Liabilities

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

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

The Company shall include a margin for adverse deviation (MfAD) to allow for inherent uncertainty of the best estimate of the policy reserves which shall be determined by an independent actuary at least on an annual basis based on standard projection techniques or combination of such techniques such as, but not limited to, the Mack Method, Bootstrapping Method, Stochastic Chain Ladder Method to bring the actuarial estimate of the policy liabilities at 100% level of sufficiency.

Provision for Unearned Premiums. The proportion of written premiums, gross of commissions payable to intermediaries, attributable to subsequent periods or to risks that have not yet expired is deferred as provision for unearned premiums. The change in the provision for unearned premiums is recognized in profit or loss using the 24th method. Further provisions are made to cover claims under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

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

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and any accumulated impairment loss.

The initial cost of property and equipment consists of its purchase price including import duties and nonrefundable taxes and any directly attributable cost in bringing the assets to its working condition and location for its intended use.

Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance are normally charged to operations in the period in which these costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the property and equipment as follows:

	Number of Years
Furniture, fixtures and equipment	5
Transportation equipment	5
Computer hardware and software	4 - 5
Mobile phones and accessories	4
Leasehold improvements	5 or lease term whichever is higher

Depreciation and amortization commences when the property and equipment is in its location or condition capable of being operated in the manner intended by management. Depreciation ceases at the earlier of the date that the property and equipment is classified as held-for-sale and the date the property and equipment is derecognized.

The estimated useful lives and depreciation and amortization method of property and equipment are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from the items of property and equipment.

Fully depreciated assets are retained in the accounts until these are no longer in use and no further charge of depreciation and amortization is made in respect of those assets.

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. When items of property and equipment are retired or otherwise disposed of, the cost and related accumulated depreciation and amortization and any impairment loss are removed from the accounts. Any gain or loss arising from derecognition of the asset (calculated as difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the period the asset is derecognized.

Other Assets

This account primarily consists of creditable withholding taxes (CWT), prepayments and security fund among others. Other current assets are measured at initial transaction cost.

CWT. CWT represents the amount withheld by the Company's customers in relation to its income. CWT can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation.

Prepayments. Prepayments are expenses paid in advance and recorded as asset before these are utilized. Prepayments are apportioned over the period covered by the payment and charged to appropriate expense accounts in profit or loss when incurred. Prepayments that are expected to be realized no more than 12 months after the financial reporting year are classified as current assets. Otherwise, these are classified as noncurrent assets.

Impairment of Nonfinancial Assets

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

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

Equity

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

Contributed Surplus. Contributed surplus represents contribution of shareholders to the Company in compliance with the requirement of the IC.

Retained Earnings (Deficit). Retained earnings (deficit) represent the cumulative balance of net income or loss.

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

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

Revenue Recognition

Revenue is recognized to the extent that it is probable that economic benefits associated with the transaction will flow to the Company and the amount of revenue can be reliably measured.

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

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

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

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

Interest Income. Interest income is recognized in the statements of comprehensive income as it accrues, taking into account the effective yield of the asset. Interest income includes the amortization of any discount or premium using the EIR.

Other Income. Other income is recognized when the earning process is complete and the flow of economic benefit is reasonably assured. Other income includes foreign exchange gain and reversal of bank credits.

Expense Recognition

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

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

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

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

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

Operating Expenses. Operating expenses constitute costs of administrating the business. These are expensed when incurred.

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

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

Employee Benefits

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

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

Retirement Benefits. Retirement benefit is actuarially determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Company recognizes service costs, net interest on the net defined benefit obligation and remeasurements of net defined benefit obligation in the statements of comprehensive income.

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

Net interest on the retirement plan asset is the change during the period in the net retirement plan asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net retirement asset. Net interest on the net retirement plan asset is recognized as interest income in statements of comprehensive income.

The net retirement plan asset is the surplus of the fair value of plan assets on which the retirement liability is to be settled directly less the present value of defined benefit obligation. The present value of the defined benefit obligations is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related defined benefit obligation. If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting net retirement plan asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Remeasurements, comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on retirement liability or asset) are recognized immediately in other comprehensive account in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

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

Leases

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

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

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

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

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

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

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

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

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

c. Any initial direct costs; and

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

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

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

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

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

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

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

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

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

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

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

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

Foreign Currency-Denominated Transactions

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

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

Income Taxes

Income tax for the year consists of current and deferred tax. Income tax is determined in accordance with Philippine tax laws. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in other comprehensive income.

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

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

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences.

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

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority. Movements in the deferred tax assets and liabilities arising from changes in the rates are charged or credited to operations for the period.

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

Related Party Transactions and Relationships

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

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals who, owning directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associates and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

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

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

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

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

3. Significant Judgments, Accounting Estimates and Assumptions

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

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

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

Identifying Product Classification. The Company has determined that the policies it issues have significant insurance risk and therefore meets the definition of an insurance contract and are accounted for as such. Insurance contracts are those contracts when the Company has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future 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 also transfer financial risk.

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

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

The Company's financial assets include cash and cash equivalents, financial assets at FVOCI, investments in debt securities at amortized cost and other receivables. The Company's financial liabilities include accounts and other payables (excluding statutory liabilities) and lease liabilities.

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

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

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

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

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

The Company's financial assets are disclosed in Notes 4 and 6.

Accounting Estimates and Assumptions

The key accounting estimates and assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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

The carrying amount of provision for unearned premiums as at December 31, 2025 and 2024, which are disclosed in Note 11, are adequate for the latest current estimate of the Company's unexpired risk reserves.

Estimating the Insurance Contract Liabilities. Estimates have to be made at the reporting date for the expected ultimate cost of both claims reported and claims IBNR. It takes a significant period of time before the ultimate claim cost can be established with certainty and for some type of policies, IBNR claims form the majority of the claims provision.

IBNR is estimated by using a range of standard actuarial claims projection techniques which includes Paid Chain Ladder method with and without Bornhuetter-Ferguson (BF) adjustments, Reported Chain Ladder method with and without BF adjustments and Expected Loss Ratio methods. The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analyzed by accident years but can also be further analyzed by significant business lines and claim types. Large and complex claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

The Margin for Adverse Deviation (MfAD) reflects the degree of uncertainty of the best estimate assumption. For claims liabilities, the Company estimated the appropriate MfAD using the Stochastic Chain Ladder method.

The outstanding balance of provision for claims reported, IBNR claims and MfAD included under "Insurance contract liabilities" as at December 31, 2025 and 2024 are disclosed in Note 11.

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

The carrying amount of quoted equity securities classified as financial assets at FVOCI as at December 31, 2025 and 2024 are disclosed in Note 6.

Assessing the Expected Credit Losses on Financial Assets at Amortized Cost. The Company determines the allowance for ECL using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12 months unless there has been a significant increase in credit risk since initial recognition in which case ECL is provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Company considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- Actual or expected external and internal credit rating downgrade;
- Existing or forecasted adverse changes in business, financial or economic conditions; and
- Actual or expected significant adverse changes in the operating results of the borrower.

The Company also considers financial assets at day one to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

The Company has assessed that the ECL on financial assets at amortized cost such as cash and cash equivalents, short-term investments, other receivables and investment in debt securities at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Company only with reputable banks and with the Philippine government in the case of debt securities and companies with good credit standing and relatively low risk of defaults.

No provision for ECL on financial assets at amortized cost was recognized in 2025 and 2024. The carrying amount of financial assets at amortized cost as at at December 31, 2025 and 2024 are disclosed in Notes 4, 5 and 6.

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

The carrying amount of insurance receivables and allowance for impairment losses on insurance receivables as at December 31, 2025 and 2024 are disclosed in Note 5.

Estimating the Allowance for Impairment Losses on CWT. The Company recognizes CWT as a current tax asset to the extent that it is expected to be utilized against future income tax liabilities or recovered through refund from the BIR. Management exercises judgment in assessing the recoverability of CWT balances, considering historical utilization, the validity of claims, and the likelihood of successful refund applications.

The Company has allowance for impairment losses on CWT on the portion applied for refund based on historical experience on successful refund applications.

The allowance for impairment losses and carrying amount of CWT are disclosed in Note 10.

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

The net retirement plan asset as at December 31, 2025 and 2024 are disclosed in Note 20.

Recognizing Deferred Tax Assets. Deferred tax assets are recognized for all future tax deductibles to the extent that it is probable that the taxable income will be available against which these temporary differences can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies. Deferred tax assets was not recognized as management assessed that it is not probable that sufficient future taxable profits will be available against which the deductible temporary differences can be utilized.
The Company will continue to reassess the recognition of deferred tax assets in future periods as circumstances change.

The Company's unrecognized deferred tax assets as at December 31, 2025 and 2024 are disclosed in Note 21.

4. Cash and Cash Equivalents

This account consists of:

	2025	2024
Cash on hand	**₱660,000**	₱40,000
Cash in banks	**114,740,100**	41,844,243
Cash equivalents	**960,933,373**	640,847,131
	₱1,076,333,473	₱682,731,374

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

Cash equivalents are placed for varying periods of up to three months, depending on the immediate cash requirements of the Company and earn interest ranging from 4.69% to 5.25% in 2025 (4.87% to 7.00% in 2024). Interest income from cash and cash equivalents amounted to ₱50.7 million in 2025 and ₱45.3 million in 2024 (see Note 19).

5. Insurance and Other Receivables

Insurance receivables

Insurance receivables consist of:

	2025	2024
Premiums receivable	**₱484,636,613**	₱388,632,184
Due from ceding companies	**392,743,073**	329,393,523
Reinsurance recoverable on paid losses	**243,176,208**	109,938,540
Funds held by ceding companies	**111,970,659**	104,489,326
	1,232,526,553	932,453,573
Less allowance for impairment losses	**11,743,282**	11,743,282
	₱1,220,783,271	₱920,710,291

Premiums receivable represent premiums on written policies which are collectible within the Company's normal credit terms.

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

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

Funds held by ceding companies pertain to amounts retained by ceding companies computed at a certain percentage of treaty reinsurance premiums due. These amounts are interest-bearing and are generally collected within one year after the reporting date. Interest income from funds held by ceding companies are disclosed in Note 19.

Movements of allowance for impairment losses on insurance receivables are as follows:

	Note	2025	2024
Balance at beginning of year		**₱11,743,282**	₱7,524,566
Provision for impairment losses	18	**–**	4,218,716
Balance at end of year		**₱11,743,282**	₱11,743,282

Other receivables

Other receivables consist of:

	2025	2024
Interest receivable	**₱17,297,197**	₱17,855,471
Receivable from employees	**2,435,811**	4,938,227
Others	**515,496**	3,607,097
	₱20,248,504	₱26,400,795

Interest receivable represents interest earned from cash in banks and cash equivalents and investments in debt securities at amortized cost which will be credited on interest due dates.

Receivable from employees pertain to chattel mortgage loan and advances to granted employees. Interest income on chattel mortgage loan are disclosed in Note 19.

At December 31, 2024 "Others" line item consists mainly of amounts advanced to the assured as "no claim bonus" amounting to ₱3.6 million and recoverable from reinsurer which was fully collected in 2025.

Certain accounts in the 2024 financial statements have been reclassified to conform to the 2025 financial statement presentation. Specifically, financial assets at amortized cost which was previously presented as a single line item has been separated into "Investment in Debt Securities at amortized cost" (See Note 6) and "Other Receivables" accounts in the 2025 statement of financial position to provide more relevant information regarding the nature of the Company's financial instruments.

These reclassifications had no impact on the previously reported total assets, total liabilities, equity or net income of the Company.

6. Investment in Debt Securities at Amortized Cost and Financial Assets at FVOCI

Investments in Debt Securities at Amortized Cost

As at December 31, 2025 (and 2024), investments in debt securities pertains to government and corporate debt securities in local currency with maturity periods ranging from 3 to 25 years and earned interest rates ranging from 3.375% to 8.625% in 2025 (2.625% to 8.05% in 2024).

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

	2025	2024
Balance at beginning of year	**₱1,417,845,569**	₱1,591,114,434
Disposals and maturities	**(96,640,569)**	(238,064,000)
Net discount amortization	**622,653**	795,135
Additions	**–**	64,000,000
Balance at end of year	**₱1,321,827,653**	₱1,417,845,569

Interest income from investments in debt securities at amortized cost include effect of net discount amortization (see Note 19).

The maturity profile of the investment in debt securities at amortized cost are as follows:

	2025	2024
Within one year	**₱174,276,717**	₱89,597,074
Two to three years	**600,598,181**	574,520,544
Four to five years	**161,555,977**	338,626,902
Beyond five years	**385,396,778**	415,101,049
	₱1,321,827,653	₱1,417,845,569

Financial Assets at FVOCI

This account consists of:

	2025	2024
Quoted common shares	**₱417,571**	₱374,187
Unquoted common shares	**49,926**	35,683
	₱467,497	₱409,870

The fair values of quoted common shares are based on published bidding prices from active markets which are categorized under Level 1 of the fair value hierarchy. Unquoted common shares are measured at fair value which are categorized under Level 3.

Cumulative unrealized loss on fair value changes of financial assets at FVOCI are as follows:

	2025	2024
Balance at beginning of year	**₱729,535**	₱867,789
Unrealized gain on fair value changes	**(57,626)**	(138,254)
Balance at end of year	**₱671,909**	₱729,535

7. Deferred Acquisition Costs and Deferred Reinsurance Commissions

Deferred Acquisition Costs

Movements in this account are as follows:

	2025	2024
Balance at beginning of year	**₱41,492,051**	₱41,666,687
Cost deferred	**89,602,154**	95,460,855
Commission expense	**(93,136,869)**	(95,635,491)
Balance at end of year	**₱37,957,336**	₱41,492,051

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

Deferred Reinsurance Commissions

Movements in this account are as follows:

	2025	2024
Balance at beginning of year	**₱29,395,534**	₱22,616,414
Income deferred	**68,738,093**	65,346,390
Commission income	**(68,832,700)**	(58,567,270)
Balance at end of year	**₱29,300,927**	₱29,395,534

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

8. Reinsurance Assets

This account consists of:

	Note	**2025**	2024
Reinsurance recoverable on unpaid losses	11	**₱808,117,798**	₱1,192,137,370
Deferred reinsurance premiums	11	**581,983,809**	433,822,806
		₱1,390,101,607	₱1,625,960,176

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

Deferred reinsurance premiums are reinsurance premiums that pertain to the unexpired periods as of the reporting date using the 24th method.

9. Property and Equipment

Details and movements in this account are as follows:

	2025					
	Furniture, Fixtures and Equipment	**Transportation Equipment**	**Computer Hardware and Software**	**Leasehold Improvements**	**Mobile Phone and Accessories**	**Total**
Cost						
Balance at beginning of year	**₱705,649**	**₱4,125,768**	**₱13,409,468**	**₱14,290,527**	**₱167,036**	**₱32,698,448**
Disposals	**–**	**(2,016,393)**	**(52,411)**	**–**	**–**	**(2,068,804)**
Balance at the end of the year	**705,649**	**2,109,375**	**13,357,057**	**14,290,527**	**167,036**	**30,629,644**
Accumulated Depreciation						
Balance at beginning of year	**657,694**	**2,482,722**	**12,120,255**	**14,290,525**	**89,393**	**29,640,588**
Depreciation and amortization	**19,836**	**623,515**	**738,728**	**2**	**31,581**	**1,413,662**
Disposals	**–**	**(2,016,393)**	**(38,216)**	**–**	**–**	**(2,054,609)**
Balance at end of year	**677,530**	**1,089,844**	**12,820,767**	**14,290,527**	**120,974**	**28,999,641**
Carrying Amount	**₱28,119**	**₱1,019,531**	**₱536,290**	**₱–**	**₱46,062**	**₱1,630,003**

	2024					
	Furniture, fixtures and Equipment	Transportation equipment	Computer hardware and software	Leasehold Improvements	Mobile phone and accessories	Total
Cost						
Balance at beginning of the year	₱705,649	₱4,622,686	₱13,329,825	₱14,290,527	₱95,714	₱33,044,401
Additions	–	–	89,821	–	71,322	161,143
Disposals	–	(496,918)	(10,178)	–	–	(507,096)
Balance at the end of the year	705,649	4,125,768	13,409,468	14,290,527	167,036	32,698,448
Accumulated Depreciation						
Balance at beginning of year	637,858	2,154,486	11,308,982	13,807,936	60,269	27,969,531
Depreciation and amortization	19,836	825,154	821,451	482,589	29,124	2,178,154
Disposal	–	(496,918)	(10,178)	–	–	(507,096)
Balance at end of year	657,694	2,482,722	12,120,255	14,290,525	89,393	29,640,588
Carrying Amount	₱47,955	₱1,643,046	₱1,289,213	₱2	₱77,643	₱3,057,860

Proceeds from disposals amounted to ₱0.1 million in 2025 (₱0.2 million in 2024) resulting to a gain of ₱0.1 million in 2025 (₱0.2 million in 2024).

The total cost of the Company's fully depreciated property and equipment still in use amounted to ₱11.0 million in 2025 and 2024.

Depreciation and amortization arise from the following:

	Note	**2025**	2024
Property and equipment		**₱1,413,662**	₱2,178,154
Depreciation of ROU asset	22	**1,936,812**	7,209,373
	18	**₱3,350,474**	₱9,387,527

10. **Other Assets**

This account consist of:

	2025	2024
CWT	**₱74,520,492**	₱106,657,794
Prepayments	**3,324,094**	367,135
Security fund	**48,439**	48,439
Others	**508,087**	104,690
	78,401,112	107,178,058
Allowance for impairment losses on CWT	**(5,498,193)**	(925,618)
	₱72,902,919	₱106,252,440

CWT represent tax withheld by customers and tax credit certificate, which can be applied to offset against future income tax due. CWT applied against RCIT amounted to ₱62.2 million in 2025 (₱21.4 million in 2024).

Prepayments pertain to wallet balance being maintained in the e-Documentary Stamp Tax System of the BIR intended to be utilized when settling DST payable of the Company.

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

Others pertain to revolving funds held by third parties.

Movement of allowance for impairment losses on CWT are as follows:

	Note	**2025**	2024
Balance at beginning of year		**₱925,618**	₱925,618
Provision for impairment losses	18	**4,572,575**	–
Balance at end of year		**₱5,498,193**	925,618

CWT written-off in 2025 amounted to ₱2.4 million (see Note 18).

11. **Insurance Contract Liabilities**

Insurance contract liabilities consist of:

	2025		
	Insurance Contract Liabilities	**Reinsurer's Share of Liabilities (see Note 8)**	**Net**
Provision for:			
Claims reported	**₱902,926,070**	**₱461,058,274**	**₱441,867,796**
Claims IBNR and MfAD	**448,505,595**	**347,059,524**	**101,446,071**
Provision for claims reported, IBNR and MfAD	**1,351,431,665**	**808,117,798**	**543,313,867**
Provision for unearned premiums	**806,402,096**	**581,983,809**	**224,418,287**
	₱2,157,833,761	**₱1,390,101,607**	**₱767,732,154**

	2024		
	Insurance Contract Liabilities	Reinsurer's Share of Liabilities (see Note 8)	Net
Provision for:			
Claims reported	₱1,230,611,228	₱720,925,334	₱509,685,894
Claims IBNR and MfAD	594,650,554	471,212,036	123,438,518
Provision for claims reported, IBNR and MfAD	1,825,261,782	1,192,137,370	633,124,412
Provision for unearned premiums	636,847,279	433,822,806	203,024,473
	₱2,462,109,061	₱1,625,960,176	₱836,148,885

Movements of provision for claims reported, IBNR and MfAD follow:

		2025		
	Note	**Provision for Claims Reported, IBNR and MfAD**	**Reinsurer's Share of Liabilities**	**Net**
Balance at beginning of year		**₱1,825,261,782**	**₱1,192,137,370**	**₱633,124,412**
Claims incurred		**54,874,355**	**(77,816,581)**	**132,690,936**
Claims paid	17	**(382,559,513)**	**(182,050,479)**	**(200,509,034)**
Decrease in claims IBNR and MfAD	17	**(146,144,959)**	**(124,152,512)**	**(21,992,447)**
Balance at end of year		**₱1,351,431,665**	**₱808,117,798**	**₱543,313,867**

		2024		
	Note	Provision for Claims Reported, IBNR and MfAD	Reinsurer's Share of Liabilities	Net
Balance at beginning of year		₱1,684,664,788	₱999,877,370	₱684,787,418
Claims incurred		896,167,112	608,667,367	287,499,745
Claims paid	17	(723,243,088)	(420,163,413)	(303,079,675)
Decrease in claims IBNR and MfAD	17	(32,327,030)	3,756,046	(36,083,076)
Balance at end of year		₱1,825,261,782	₱1,192,137,370	₱633,124,412

Movements of provision for unearned premiums follow:

		2025		
	Note	**Provision for Unearned Premiums**	**Reinsurer's Share of Liabilities**	**Net**
Balance at beginning of year		**₱636,847,279**	**₱433,822,806**	**₱203,024,473**
New policies written	16	**2,064,585,649**	**1,509,523,868**	**555,061,781**
Premiums earned	16	**(1,895,030,832)**	**(1,361,362,865)**	**(533,667,967)**
Balance at end of year		**₱806,402,096**	**₱581,983,809**	**₱224,418,287**

		2024		
	Note	Provision for Unearned Premiums	Reinsurer's Share of Liabilities	Net
Balance at beginning of year		₱524,468,769	₱280,476,997	₱243,991,772
New policies written	16	1,749,701,023	1,253,236,050	496,464,973
Premiums earned	16	(1,637,322,513)	(1,099,890,241)	(537,432,272)
Balance at end of year		₱636,847,279	₱433,822,806	₱203,024,473

12. Insurance Payables

This account consists of:

	2025	2024
Due to reinsurers	**₱782,061,799**	₱485,705,227
Funds held for reinsurers	**279,399**	398,849
	₱782,341,198	₱486,104,076

Movements of insurance payables follow:

	2025		
	Due to Reinsurers	**Funds Held for Reinsurers**	**Total**
Balance at beginning of year	**₱485,705,227**	**₱398,849**	**₱486,104,076**
Arising during the year	**1,509,523,869**	**281,653**	**1,509,805,522**
Paid during the year	**(1,213,167,297)**	**(401,103)**	**(1,213,568,400)**
Balance at end of year	**₱782,061,799**	**₱279,399**	**₱782,341,198**

	2024		
	Due to Reinsurers	Funds Held for Reinsurers	Total
Balance at beginning of year	₱301,617,413	₱372,376	₱301,989,789
Arising during the year	1,253,236,050	4,730,172	1,257,966,222
Paid during the year	(1,069,148,236)	(4,703,699)	(1,073,851,935)
Balance at end of year	₱485,705,227	₱398,849	₱486,104,076

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

Funds held for reinsurers pertain to amounts retained by the Company computed as a certain percentage of reinsurance premiums ceded out in accordance with reinsurance agreements.

Interest expense arise from the following:

	Note	**2025**	2024
Lease liability	22	**203,342**	278,042
Funds held for reinsurers		**110,793**	119,329
		₱314,135	₱397,371

13. Accounts and Other Payables

This account consists of:

	2025	2024
Statutory liabilities	**₱72,757,363**	₱59,201,194
Accounts payable	**39,481,999**	32,746,648
Commissions payable	**29,109,120**	35,358,097
Others	**332,635**	264,900
	₱141,681,117	₱127,570,839

Statutory liabilities pertains to output VAT, withholding taxes payable, fire service tax payable, documentary stamp tax (DST) payable, and other taxes and licenses payable.

Accounts payable consists of unreleased checks.

Commissions payable represents unpaid commissions on the Company's direct business which are due to intermediaries.

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

14. Related Party Transactions

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

		Amount of transaction		Outstanding balance	
Related Party	Nature of transaction	**2025**	2024	**2025**	2024
Meralco	Premiums receivable	**₱485,964,882**	₱122,692,886	**₱127,721,835**	₱128,387,000
	Insurance contract liabilities	**183,439,697**	69,639,177	**11,203,600**	76,722,247
Pioneer	Reinsurance recoverable on paid and unpaid losses	**₱322,480,655**	₱126,895,641	**₱538,816,798**	₱425,658,479
	Accounts payable	**109,497**	(13,543)	**332,635**	223,138
	Due to reinsurer	**209,033,227**	43,293,837	**243,333,082**	130,272,249
	Insurance contract liabilities	**422,892,348**	(21,371,536)	**338,004,695**	396,030,298
	Rental	**1,702,040**	380,822	**–**	–

Related Party	Nature of transaction	Amount of transaction 2025	Amount of transaction 2024	Outstanding balance 2025	Outstanding balance 2024
Under common control of joint venturers	Reinsurance recoverable on paid and unpaid losses	**₱22,664,927**	₱6,956,793	**₱26,821,256**	₱26,623,728
	Due to reinsurers	**14,779,596**	4,356,316	**21,594,833**	12,906,214
	Insurance contract liabilities	**58,150,818**	(19,399,292)	**48,094,884**	23,420,878
	Premiums receivable	**152,100,150**	(5,759,921)	**14,261,787**	13,486,607
	Rental	**–**	4,560,089	**–**	–

Premium receivables relate to one year insurance policies issued to related parties to cover certain assets of the related parties.

In the ordinary course of business, the Company enter into transactions with related parties. Under the Company's policy, these transactions are made substantially on the same terms as with other individuals and businesses of comparable risks. Related party transactions are settled in cash.

In 2025, the Company transferred an employee its Parent Company who earned tenure of service. The Company and the Parent Company agreed that there will be no break in service due to the transfer and that the retirement benefit liability pertaining to this employee will be transferred with no corresponding asset transfers. to who earned a tenure of service. Present value of transferred retirement liability amounted to ₱21,168 (See Note 20).

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

	2025	2024
Short-term employee benefits	**₱14,237,008**	₱10,958,855
Retirement benefits	**533,498**	453,280
	₱14,770,506	₱11,412,135

15. Contributed Surplus

To comply with Insurance Commission's required minimum net worth of ₱1,300.0 million, contributed surplus as at December 31, 2025 and 2024 amounted to ₱914.4 million.

16. Net Insurance Premiums Earned

Gross premiums earned on insurance contracts follow:

	Note	**2025**	2024
Gross premiums on insurance contracts:			
Direct insurance		**₱1,685,404,894**	₱1,433,838,439
Assumed		**379,180,755**	315,862,584
Total gross premiums on insurance contracts	11	**2,064,585,649**	1,749,701,023
Gross change in provision for unearned premiums		**(169,554,817)**	(112,378,510)
Gross premiums earned on insurance contracts	11	**₱1,895,030,832**	₱1,637,322,513

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

	Note	**2025**	2024
Reinsurers' share of gross premiums on insurance contract premiums:			
Direct insurance		**₱1,381,398,496**	₱1,163,379,252
Assumed		**128,125,372**	89,856,798
Total reinsurer's share of gross premiums on insurance contracts	11	**1,509,523,868**	1,253,236,050
Reinsurers' share of change in provision for unearned premiums		**(148,161,003)**	(153,345,809)
Total reinsurer's share of gross premiums earned on insurance contracts	11	**₱1,361,362,865**	₱1,099,890,241

17. Net Insurance Benefits and Claims

This account consists of:

	2025	2024
Gross benefits and claims on insurance contracts	**(₱91,270,604)**	₱863,840,082
Reinsurers' share of benefits and claims on insurance contracts	**201,969,093**	(612,423,413)
Net insurance benefits and claims	**₱110,698,489**	₱251,416,669

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

	Note	**2025**	2024
Insurance contract benefits and claims paid	11	**₱382,559,513**	₱723,243,088
Gross change in:			
Provision for claims reported		**(327,685,158)**	172,924,024
Provision for claims IBNR and MfAD	11	**(146,144,959)**	(32,327,030)
Gross benefits and claims on insurance contracts		**(₱91,270,604)**	₱863,840,082

Reinsurers' share of benefits and claims on insurance contracts:

	Note	**2025**	2024
Reinsurers' share of paid benefits and claims on insurance contracts	11	**₱182,050,479**	₱420,163,413
Reinsurers' share of gross change in:			
Provision for claims reported		**(259,867,060)**	188,503,954
Provision for claims IBNR and MfAD	11	**(124,152,512)**	3,756,046
Reinsurer's share of benefits and claims on insurance contracts		**(₱201,969,093)**	₱612,423,413

18. Operating Expenses

This account consists of:

	Note	2025	2024
Salaries, allowances, and benefits		**₱43,963,533**	₱38,388,507
Repairs and maintenance		**6,430,789**	8,026,223
Provision for impairment losses on CWT	10	**4,572,575**	–
Entertainment, amusement and recreation		**4,302,814**	5,930,315
Transportation and travel		**4,247,521**	3,750,588
Depreciation and amortization	9	**3,350,474**	9,387,527
Advertising and promotion		**3,063,467**	1,095,277
CWT written-off	10	**2,434,700**	–
Professional fees		**1,893,096**	2,357,807
Retirement benefit expense	20	**1,366,101**	1,262,958
Association dues and regulatory fees		**1,224,730**	1,157,642
Service fees and utilities		**926,410**	1,360,636
Taxes and licenses		**887,913**	2,547,942
Communication and postage		**613,878**	950,076
Professional development		**404,796**	259,434
Supplies		**266,951**	262,557
Rent	22	**85,344**	120,906
Provision for impairment losses on insurance receivable	5	**–**	4,218,716
Net realized foreign exchange loss		**–**	4,163,499
Others		**7,678,537**	1,357,530
		₱87,713,629	₱86,598,140

Others in 2025 mainly include deficiency taxes paid amounting to ₱5.9 million. Others include meetings and conferences, insurance, bank charges, books and periodicals.

19. Interest and Other Income

Interest income arises from:

	Note	2025	2024
Investments in debt securities at amortized cost	6	**₱86,450,911**	₱89,082,602
Cash and cash equivalents	4	**50,663,215**	45,258,622
Funds held by ceding company	5	**541,812**	610,009
Chattel mortgage loan	5	**170,698**	204,516
		₱137,826,636	₱135,155,749

Other income consists of:

	2025	2024
Net realized foreign exchange gain	**₱2,783,064**	₱–
Net unrealized foreign exchange gain	**1,388,516**	9,600,471
Miscellaneous income	**135,878**	3,697,303
	₱4,307,458	₱13,297,774

Miscellaneous income in 2024 mainly pertains to the reversal of long outstanding payable.

20. Retirement Benefits

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

The fund is administered by a trustee bank under the supervision of the Board of Trustee of the plan.

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

	Note	2025	2024
Current service cost		**₱1,769,692**	₱1,714,687
Net interest income		**(403,591)**	(451,729)
	18	**₱1,366,101**	₱1,262,958

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

	2025	2024
Fair value of retirement plan assets	**₱23,167,778**	₱28,427,417
Present value of defined benefit obligations	**13,351,126**	21,811,167
	₱9,816,652	₱6,616,250

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

	2025	2024
Balance at beginning of year	**₱28,427,417**	₱27,046,130
Interest income	**1,550,462**	1,354,432
Benefits paid from retirement fund	**(6,020,000)**	–
Gain (loss) on return on plan assets	**(790,101)**	26,855
Balance at end of year	**₱23,167,778**	₱28,427,417

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

	Note	**2025**	2024
Balance at beginning of year		**₱21,811,167**	₱19,676,979
Current service cost		**1,769,692**	1,714,687
Interest cost		**1,146,871**	902,703
Transfer of retirement liability	14	**(21,168)**	–
Benefits paid from retirement fund		**(6,020,000)**	–
Actuarial loss (gain) on obligation recognized in OCI:			
Changes in financial assumptions		**(8,014,867)**	62,205
Experience adjustments		**2,679,431**	(545,407)
		₱13,351,126	₱21,811,167

The plan assets as of December 31, 2025 and 2024 consists of:

	2025	2024
Cash and cash equivalents	**₱10,154,917**	₱19,585
Interest receivable	**124,191**	16,449
Investments in:		
Unit Investment Trust Funds	**5,143,721**	28,595,140
Government securities	**8,060,483**	–
Accounts payable and accrued expenses	**(315,534)**	(203,757)
	₱23,167,778	₱28,427,417

The plan exposes the Company to the following risks:

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

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

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

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

The Company does not expect to contribute to the retirement plan in 2026.

Movement of cumulative remeasurement gain on net retirement plan asset recognized in OCI are as follows:

	2025	2024
Balance at beginning of year	**₱1,635,028**	₱1,124,971
Remeasurement gain	**4,545,335**	510,057
Balance at end of year	**₱6,180,363**	₱1,635,028

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

	2025	2024
Discount rates	**6.41%**	6.10%
Salary increase rates	**4.00%**	7.50%

Sensitivity analysis based on reasonably possible changes of the assumptions on present value of defined benefit obligation as at December 31, 2025 are as follows:

	Change in Assumption	Effect on Present Value of Defined Benefit Obligation	Present Value of Defined Benefit Obligation
Discount rates	+1.0%	(₱1,378,678)	₱11,972,448
	-1.0%	1,607,472	14,958,598
Salary increase rates	+1.0%	1,695,172	15,046,298
	-1.0%	(1,471,722)	11,879,404

Maturity analysis of the benefit payments:

Plan Year	**2025**	2024
Less than one year	**₱367,115**	₱11,041,423
One to less than five years	**2,375,327**	2,012,192
Five to less than 10 years	**12,208,767**	3,065,684
10 to less than 15 years	**6,729,736**	13,210,353
15 to less than 20 years	**19,678,402**	15,135,643
20 years and above	**34,276,938**	77,999,158

21. Income Taxes

The income tax rates used in preparing the financial statements are 25% and 2% for RCIT and MCIT, respectively, in 2025 (25% and 2% for RCIT and MCIT, respectively, in 2024).

Final tax on interest income included as part of "Provision for income tax" account amounted to ₱27.1 million in 2025 and ₱26.7 million in 2024.

The Company recognized deferred tax asset to the extent of deferred tax liabilities as follows:

	2025	2024
Deferred tax liabilities on:		
Cumulative remeasurement gain on net retirement plan asset through OCI	**₱1,545,091**	₱408,757
Unrealized foreign currency exchange gain	**347,129**	2,400,118
	1,892,220	2,808,875
Deferred tax assets on:		
Retirement benefit liability	**1,892,220**	408,757
Provision for claims of IBNR	**–**	2,400,118
	1,892,220	2,808,875
Net deferred tax liabilities	**₱–**	₱–

The components of unrecognized deferred tax assets are presented as follows:

	2025	2024
Deferred tax asset through profit or loss:		
Provision for IBNR claims	**₱25,361,518**	₱28,459,511
Allowance for impairment losses on insurance receivables	**2,935,821**	2,935,821
Retirement benefit liability	**212,036**	1,896,227
Excess lease liability over ROU asset	**82,661**	138,116
Cumulative unrealized loss on fair value changes of financial assets at FVOCI	**100,786**	182,384
	₱28,692,822	₱33,612,059

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

	2025	2024
Income tax expense at statutory income tax rate	**₱99,886,466**	₱64,886,499
Income tax effects of:		
Interest income subjected to final tax	**(6,809,958)**	(7,072,323)
Nondeductible expenses	**1,073,387**	391,694
Dividend income	**–**	(7,960)
Change in unrecognized deferred tax assets	**(4,837,639)**	(10,122,452)
Income tax at effective rate	**₱89,312,256**	₱48,075,458

22. Leases

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

The movements in ROU assets is as follows:

	Note	**2025**	2024
Cost			
Balance at beginning of year		**₱5,152,383**	₱35,868,625
Additions		**–**	4,405,173
Derecognition		**–**	(35,121,415)
Balance at end of year		**5,152,383**	5,152,383
Accumulated Depreciation			
Balance at beginning of year		**1,466,240**	29,378,282
Depreciation	9	**1,936,812**	7,209,373
Derecognition		**–**	(35,121,415)
Balance at end of year		**3,403,052**	1,466,240
Carrying amount		**₱1,749,331**	₱3,686,143

In 2024, the Company derecognized its ROU assets associated with the lease agreement for office and parking space at Rockwell, Ortigas and vehicle, following the expiration of the lease terms.

The movements in lease liabilities is as follows:

	2025	2024
Balance at beginning of year	**₱4,238,607**	₱5,182,895
Payments	**(2,361,975)**	(5,627,503)
Interest expense	**203,342**	278,042
Additions	**–**	4,405,173
Balance at end of year	**₱2,079,974**	₱4,238,607

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

	2025	2024
Within one year	**₱999,123**	₱2,443,801
After one year but not more than two years	**511,914**	999,123
After two years but not more than three years	**511,914**	511,914
After three years but not more than four years	**–**	511,914
	₱2,022,951	₱4,466,752

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

	Note	**2025**	2024
Depreciation of ROU assets	9	**₱1,936,812**	₱7,209,373
Interest expense on lease liabilities		**203,342**	278,042
Rent expense	18	**85,344**	120,906

23. Capital Management

The Company maintains a certain level of capital to ensure sufficient solvency margins and to adequately protect the policyholders. The level of capital maintained is usually higher than the minimum capital requirements set by the regulators and the amount computed under the Risk-Based Capital (RBC) Model.

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

As at December 31, 2025 and 2024, the Company fully complied with the externally-imposed capital requirements during the reported financial periods. These are the fixed capitalization requirement and RBC requirements.

Fixed Capitalization Requirements

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

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

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

The minimum net worth requirements must remain unimpaired for the continuance of the license.

Pursuant to Section 202 of the Code, the Company's estimated net worth as at December 31, 2025 and the actual net worth as at December 31, 2024 based on the examination of IC follows:

	2025 (Estimated)	2024 (Actual)
Total assets	**₱5,153,818,247**	₱4,835,162,819
Less: Total liabilities	**3,113,236,977**	3,124,685,273
Total equity	**2,040,581,270**	1,710,477,546
Less: Non-admitted assets	**111,178,703**	232,624,897
Net worth	**1,929,402,567**	1,477,852,649
Less: Net worth requirements	**1,300,000,000**	1,300,000,000
Excess over net worth requirements	**₱629,402,567**	₱177,852,649

The Company is compliant with the minimum net worth requirement. The final amount of the net worth as at December 31, 2025 can be determined only after the accounts of the Company have been examined by the IC.

Risk-Based Capital (RBC) Requirements

For purposes of the December 31, 2025 and 2024 financial reporting, the Company determined its compliance with the RBC requirements of the IC based on the provisions of CL No. 2016-68. This circular provides RBC frameworks for nonlife insurance companies in order to establish the required amounts of capital to be maintained by the companies in relation to their investment and insurance risks. Every nonlife insurance company is annually required to maintain a minimum required RBC ratio of 100% and not fail the trend test. Failure to meet the minimum RBC ratio shall subject the nonlife insurance company to the corresponding regulatory intervention which has been defined at various levels.

Pursuant to IC CL No. 2017-15, *Regulatory Requirements and Actions for the New Regulatory Framework*, effective January 1, 2017, nonlife insurance companies are required to maintain minimum RBC2 requirement as prescribed under IC CL No. 2016-68. Under the RBC2 Framework, the RBC ratio shall be calculated as total available capital divided by the RBC2 requirement.

The table below shows the estimated RBC ratio as of December 31, 2025 as determined by the Company based on the RBC2 Framework and the final RBC ratio as of December 31, 2024 based on the result of IC examination:

	2025 (Estimated)	2024 (Actual)
Total available capital	**₱2,038,951,267**	₱1,477,852,649
RBC2 requirement	**469,389,293**	406,003,475
RBC ratio	**434%**	364%

The Company is compliant with the minimum RCBC2 requirement. The final amount of the RBC ratio as at December 31, 2025 can be determined only after the accounts of the Company have been examined by the IC.

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

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

Financial Reporting Framework

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

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

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

On March 9, 2018 the IC issued Circular Letter No. 2018-19, *Amendment to Circular Letter No.2016-69 "Implementation Requirements for Financial Reporting, Valuation Standards for Insurance Policy Reserves and Amended Risk-based Capital (RBC2) Framework",* which provides that MfAD was amended such that companies shall be allowed to set the MfAD at 100% starting 2019.

Based on the actuarial valuation report, the Company complied with the aforementioned regulation and reflected MfAD of ₱66.4 million in 2025 (₱76.0 million in 2024) within "Insurance contract liabilities". The Company used 100% in 2025 and 2024 of the company-specific MfAD.

24. Management of Insurance and Financial Risks

Insurance Risk

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

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

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

Although the Company has reinsurance agreements, it is not relieved of its direct obligations to its policyholders, and thus, a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurers is unable to meet its obligations assumed under such reinsurance agreements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract.

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

The following table sets out the concentration of the claims liabilities as of December 31, 2025 and 2024 by type of contract (see Note 11).

	2025			2024		
	Gross Claims Liabilities	**Reinsurers' Share of Claims Liabilities**	**Net**	Gross Claims Liabilities	Reinsurers' Share of Claims Liabilities	Net
Fire	**₱687,457,963**	**₱413,652,697**	**₱273,805,266**	₱939,010,976	₱593,375,671	₱345,635,305
Engineering	**109,294,118**	**34,968,890**	**74,325,228**	167,665,757	98,563,536	69,102,221
Motor car	**55,394,535**	**2,352,921**	**53,041,614**	70,873,374	18,782,297	52,091,077
Casualty	**36,879,490**	**9,953,660**	**26,925,830**	38,685,300	10,073,726	28,611,574
Marine cargo	**8,719,453**	**130,104**	**8,589,349**	13,297,402	130,104	13,167,298
Personal accident	**5,179,380**	**–**	**5,179,380**	–	–	–
Aviation	**1,129**	**–**	**1,129**	858,024	–	858,024
Bonds	**–**	**–**	**–**	220,395	–	220,395
	₱902,926,068	**₱461,058,272**	**₱441,867,796**	₱1,230,611,228	₱720,925,334	₱509,685,894

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

Other key assumptions include variations in interest and delays in settlement.

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

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

	2025			
	Change in Assumption	**Impact on Gross Insurance Contract Liabilities**	**Impact on Net Insurance Contract Liabilities**	**Impact on Income Before Income Tax**
Average claim costs	**5%**	**₱59,994,296**	**₱29,997,148**	**(₱30,147,134)**
Average number of claims	**5%**	**40,135,086**	**20,067,543**	**(20,167,881)**

	2024			
	Change in Assumption	Impact on Gross Insurance Contract Liabilities	Impact on Net Insurance Contract Liabilities	Impact on Income Before Income Tax
Average claim costs	5%	₱57,246,184	₱24,043,497	(₱24,163,614)
Average number of claims	5%	53,985,346	22,673,845	(22,787,214)

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

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

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

The following tables reflect the cumulative incurred claims, including both claims notified and claim IBNR for each successive accident year for the past five years at each statement of financial position date, together with cumulative payments to date.

	Gross Insurance Contract Liabilities for 2025					
	2021	**2022**	**2023**	**2024**	**2025**	**Total**
Estimate of ultimate claim costs						
At the end of accident year	**₱4,155,778,357**	**₱600,759,205**	**₱1,209,295,405**	**₱1,077,631,178**	**₱645,912,962**	**₱7,689,377,107**
One year later	**3,639,621,845**	**181,066,167**	**1,067,708,961**	**500,121,263**	**–**	**5,388,518,236**
Two years later	**3,546,749,320**	**176,216,392**	**946,945,203**	**–**	**–**	**4,669,910,915**
Three years later	**3,421,663,626**	**176,108,840**	**–**	**–**	**–**	**3,597,772,466**
Four years later	**3,096,048,789**	**–**	**–**	**–**	**–**	**3,096,048,789**
Current estimate of cumulative claims	**3,096,048,789**	**176,108,840**	**946,945,203**	**500,121,263**	**645,912,962**	**5,365,137,057**
Cumulative payments to date	**2,914,294,745**	**126,759,836**	**526,372,502**	**371,208,001**	**75,070,308**	**4,013,705,392**
Liability recognized in the statement of financial position	**₱181,754,044**	**₱49,349,004**	**₱420,572,701**	**₱128,913,262**	**₱570,842,654**	**₱1,351,431,665**

	Gross Insurance Contract Liabilities for 2024					
	2020	2021	2022	2023	2024	Total
Estimate of ultimate claim costs						
At the end of accident year	₱3,372,024,935	₱783,752,422	₱600,759,205	₱1,209,295,405	₱1,077,631,178	7,043,463,145
One year later	3,112,047,521	527,574,324	181,066,167	1,067,708,961	–	4,888,396,973
Two years later	3,031,899,856	514,849,464	176,216,392	–	–	3,722,965,712
Three years later	2,941,450,846	480,212,780	–	–	–	3,421,663,626
Four years later	2,654,638,350	–	–	–	–	2,654,638,350
Current estimate of cumulative claims	2,654,638,350	480,212,780	176,216,392	1,067,708,961	1,077,631,178	5,456,407,661
Cumulative payments to date	2,508,467,018	378,966,753	119,296,925	520,891,360	103,523,823	3,631,145,879
Liability recognized in the statement of financial position	₱146,171,332	₱101,246,027	₱56,919,467	₱546,817,601	₱974,107,355	1,825,261,782

	Net Insurance Contract Liabilities for 2025					
	2021	**2022**	**2023**	**2024**	**2025**	**Total**
Estimate of ultimate claim costs						
At the end of accident year	**₱1,212,282,282**	**₱251,829,611**	**₱402,504,237**	**₱412,573,194**	**₱248,307,343**	**₱2,527,496,667**
One year later	**1,331,705,460**	**152,552,279**	**273,690,368**	**298,155,502**	**–**	**2,056,103,609**
Two years later	**1,254,724,715**	**149,348,967**	**272,046,572**	**–**	**–**	**1,676,120,254**
Three years later	**1,301,527,245**	**149,405,236**	**–**	**–**	**–**	**1,450,932,481**
Four years later	**1,170,214,550**	**–**	**–**	**–**	**–**	**1,170,214,550**
Current estimate of cumulative claims	**1,170,214,550**	**149,405,236**	**272,046,572**	**298,155,502**	**248,307,343**	**2,138,129,203**
Cumulative payments to date	**1,050,053,714**	**101,861,473**	**186,905,339**	**188,799,306**	**67,195,504**	**1,594,815,336**
Liability recognized in the statement of financial position	**₱120,160,836**	**₱47,543,763**	**₱85,141,233**	**₱109,356,196**	**₱181,111,839**	**₱543,313,867**

	Net Insurance Contract Liabilities for 2024					
	2020	2021	2022	2023	2024	Total
Estimate of ultimate claim costs						
At the end of accident year	₱894,955,505	₱317,326,777	₱251,829,611	₱402,504,237	₱412,573,194	₱2,279,189,324
One year later	1,090,998,856	240,706,604	152,552,279	273,690,368	–	1,757,948,107
Two years later	1,005,881,190	248,843,525	149,348,967	–	–	1,404,073,682
Three years later	1,060,734,608	240,792,637	–	–	–	1,301,527,245
Four years later	951,025,549	–	–	–	–	951,025,549
Current estimate of cumulative claims	951,025,549	240,792,637	149,348,967	273,690,368	412,573,194	2,027,430,715
Cumulative payments to date	832,981,482	196,067,725	99,817,140	184,647,738	80,792,218	1,394,306,303
Liability recognized in the statement of financial position	₱118,044,067	₱44,724,912	₱49,531,827	₱89,042,630	₱331,780,976	₱633,124,412

Governance Framework

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

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

Financial Risk Management Objectives

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

The main risks arising from the Company's financial instruments and insurance assets and liabilities are credit risk, liquidity risk, and equity price risk. The Company's BOD reviews and amends policies for managing each of these risks. The Company's risk management policies and practices are documented in the subsequent paragraphs.

Credit Risk. Credit risk is a risk that the Company will incur financial loss when its counterparties fail to discharge their contractual obligations.

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

Credit risk limit is also used to manage credit exposure which specifies credit limit for each intermediary depending on the size of its portfolio and its ability to meet its obligation based on past experience. The Company did not have any significant concentration of risk with a single counterparty or group of counterparties, geographical and industry segments as of December 31, 2025 (and 2024).

As at December 31, 2025 and 2024, the carrying values of the Company's financial instruments represent maximum exposure to credit risk as reporting date. The Company does not enter into collateral or credit enhancements.

The following table below provides information regarding the credit risk exposure of the Company by classifying financial assets and insurance assets according to credit ratings of the counterparties.

	2025				
	Investment Grade/ High Grade	Below Investment Grade	Past Due but not Impaired	Impaired	Total
Financial assets at amortized cost (12-month ECL):					
Cash and cash equivalents*	**₱1,075,673,473**	**₱–**	**₱–**	**₱–**	**₱1,075,673,473**
Investments in debt securities at amortized cost	**1,321,827,653**	–	–	–	**1,321,827,653**
Other receivables	**17,297,197**	**2,951,307**	–	–	**20,248,504**
Security fund**	**48,439**	–	–	–	**48,439**
Insurance assets –					
Insurance receivables	**564,436,126**	–	**656,347,145**	**11,743,282**	**1,232,526,553**
Reinsurance recoverable on unpaid losses	**808,117,798**	–	–	–	**808,117,798**
	₱3,787,400,686	**₱2,951,307**	**₱656,347,145**	**₱11,743,282**	**₱4,458,442,420**

**Excluding cash on hand amounting to ₱0.7 million*
***Included under "Other assets" account*

	2024				
	Investment Grade/ High Grade	Below Investment Grade	Past Due but not Impaired	Impaired	Total
Financial assets at amortized cost (12-month ECL):					
Cash and cash equivalents*	₱682,691,374	₱–	₱–	₱–	₱682,691,374
Investments in debt securities at amortized cost	1,417,845,569	–	–	–	1,417,845,569
Security fund**	48,439	–	–	–	48,439
Other receivables	26,400,795	–	–	–	26,400,795
Insurance assets –					
Insurance receivables	445,853,288	–	474,857,003	11,743,282	932,453,573
Reinsurance recoverable on unpaid losses	1,192,137,370	–	–	–	1,192,137,370
	₱2,126,986,177	₱–	₱474,857,003	₱11,743,282	₱4,251,577,120

**Excluding cash on hand amounting to ₱0.04 million*
***Included under "Other assets" account*

Investment grade financial assets and insurance assets are assets which have strong capacity to meet the Company's financial commitments and are unsusceptible to adverse effects of changes in economic conditions. Below investment grade includes receivables that are collected in their due dates even without an effort from the Company to follow them up. Past due but not impaired pertains to receivables which are collected beyond their due dates provided that the Company made a persistent effort to collect them.

Cash and Cash Equivalents. These are classified as investment grade. These are deposited, placed or invested in foreign and local banks belonging to the top banks in the Philippines in terms of resources and profitability.

The credit risk for cash and cash equivalents is considered negligible or the probability of default from these reputable banks is remote since there has been no history of default from these counterparties and because of their high quality external credit ratings.

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

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

As of December 31, 2025 and 2024, no allowance for impairment losses has been recognized for the foregoing balances.

Insurance Receivables and Reinsurance Recoverable on Unpaid Losses. For insurance receivables and reinsurance recoverable on unpaid losses, the Company uses a credit rating concept based on the borrowers and counterparties' overall creditworthiness. Investment grade is given to borrowers and counterparties who possess strong to very strong capacity to meet its obligations and that are consistently collected before the maturity date.

Other receivables. These are classified as high grade receivables as these mainly pertain to interest receivable arising from cash equivalents and investment in debt securities at amortized cost.

Liquidity Risk. Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet commitments from financial instruments. Liquidity risks may result from either the inability to sell financial assets quickly at their fair values, the counterparty failing to repay a contractual obligation, insurance liabilities falling due for payment earlier than expected than expected, or inability to generate cash inflows as anticipated.

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

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

The tables below summarize the maturity profile of the Company's financial liabilities and insurance liabilities as at December 31 based on contractual maturities or expected repayment dates:

	2025				
	Due on Demand	**1 to 3 Years**	**Over 3 Years**	**No Maturity Date**	**Total**
Financial liabilities:					
Accounts and other payables*	**₱68,923,754**	**₱–**	**₱–**	**₱–**	**₱68,923,754**
Lease liabilities**	**999,123**	**1,023,828**	**–**	**–**	**2,022,951**
Insurance liabilities:					
Provision for claims reported (included under "Insurance Contract Liabilities" account)	**902,926,070**	**–**	**–**	**–**	**902,926,070**
Insurance payables	**782,341,198**	**–**	**–**	**–**	**782,341,198**
	₱1,755,190,145	**₱1,023,828**	**₱–**	**₱–**	**₱1,756,213,973**

**Excluding statutory liabilities amounting to ₱72.8 million*
***Including future interest payments amounting to ₱0.06 million*

	2024				
	Due on Demand	1 to 3 Years	Over 3 Years	No Maturity Date	Total
Financial liabilities:					
Accounts and other payables*	₱68,369,645	₱–	₱–	₱–	₱68,369,645
Lease liabilities**	2,443,801	1,511,037	511,914	–	4,466,752
Insurance liabilities:					
Provision for claims reported (included under "Insurance Contract Liabilities" account)	1,230,611,228	–	–	–	1,230,611,228
Insurance payables	486,104,076	–	–	–	486,104,076
	₱1,787,528,750	₱1,511,037	₱511,914	₱–	₱1,789,551,701

**Excluding statutory liabilities amounting to ₱59.2 million*
***Including future interest payments amounting to ₱0.2 million*

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

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

The changes in price risk affecting financial assets at FVOCI do not have significant impact on the financial statements considering the insignificant amount of financial assets at FVOCI as at December 31, 2025 and 2024.

25. Fair Value of Financial Instruments

The table below presents a comparison by category of carrying amounts and fair values of all the Company's financial instruments that are carried in the financial statements as at December 31, 2025 and 2024:

	2025		2024	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial assets				
Financial assets at amortized cost:				
Cash and cash equivalents	**₱1,076,333,473**	**₱1,076,333,473**	₱682,731,374	₱682,731,374
Investments in debt securities	**1,321,827,653**	**1,109,826,140**	1,417,845,569	1,246,495,373
Other receivables	**20,248,504**	**20,248,504**	26,400,795	26,400,795
Security fund*	**48,439**	**48,439**	48,439	48,439
Investments at FVOCI	**467,497**	**467,497**	409,870	409,870
	₱2,418,925,566	**₱2,206,924,053**	₱2,127,436,047	₱1,956,085,851
Financial liabilities:				
Accounts payable and other payables**	**₱68,923,754**	**₱68,923,754**	₱68,369,645	₱68,369,645
Lease liabilities	**2,079,974**	**2,079,974**	4,238,607	4,238,607
	₱71,003,728	**₱71,003,728**	₱72,608,252	₱72,608,252

**Included under "Other assets" account*
***Excluding statutory liabilities amounting to ₱72.8 million and ₱59.2 million as at December 31, 2025 and 2024, respectively.*

Cash in Banks, Cash Equivalents, Other Receivables, Security Fund (included under "Other Assets" account) and Accounts and Other Payables (excluding statutory liabilities). The carrying amounts of these instruments approximate their fair values due to their short-term maturities.

Investments in Debt Securities at Amortized Cost. Due to the long-term nature of the investments in debt securities at amortized cost, its carrying value differs from its fair value. The fair value of investments in debt financial assets at amortized cost, categorized as Level 3, is based on the quoted market prices at the end of the reporting date.

Financial Assets at FVOCI. The fair values of quoted financial assets at FVOCI were determined using quoted market prices at the reporting date. Unquoted equity securities are measured at fair value.

Lease liabilities. The carrying amount of the lease liabilities approximates their fair value as at the reporting date, as the lease liabilities are near maturity and the impact of discounting on the remaining lease payments is not significant.

Fair Value Hierarchy

For the year ended December 31, 2025 and 2024, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

26. Classification of Statements of Financial Position Accounts

The following tables present the carrying amount of assets and liabilities classified as either current or noncurrent as at December 31:

		2025			2024		
	Note	**Current**	**Noncurrent**	**Total**	Current	Noncurrent	Total
Cash and cash equivalents		**₱1,076,333,473**	**₱–**	**₱1,076,333,473**	₱ 682,731,374	₱–	₱682,731,374
Insurance receivables		**1,220,783,271**	**–**	**1,220,783,271**	920,710,291	–	920,710,291
Financial assets at fair value through other comprehensive income (FVOCI)		**–**	**467,497**	**467,497**	–	409,870	409,870
Investment in debt securities at amortized cost		**174,276,717**	**1,147,550,936**	**1,321,827,653**	89,597,074	1,328,248,495	1,417,845,569
Other receivables		**20,248,504**	**–**	**20,248,504**	26,400,795	–	26,400,795
Reinsurance assets		**1,390,101,607**	**–**	**1,390,101,607**	1,625,960,176	–	1,625,960,176
Deferred acquisition costs		**37,957,336**	**–**	**37,957,336**	41,492,051	–	41,492,051
Property and equipment		**–**	**1,630,003**	**1,630,003**	–	3,057,860	3,057,860
Right-of-use asset		**–**	**1,749,331**	**1,749,331**	–	3,686,143	3,686,143
Net retirement asset		**–**	**9,816,652**	**9,816,652**	–	6,616,250	6,616,250
Other assets		**72,902,919**	**–**	**72,902,919**	106,252,440	–	106,252,440
		₱3,818,327,110	**₱1,335,491,136**	**₱5,153,818,246**	₱3,493,144,201	₱1,342,018,618	₱4,835,162,819
Insurance contract liabilities	11	**₱2,157,833,761**	**₱–**	**₱2,157,833,761**	₱2,462,109,061	₱–	₱2,462,109,061
Insurance payables	12	**782,341,198**	**–**	**782,341,198**	486,104,076	–	486,104,076
Accounts payable and other payables	13	**141,681,117**	**–**	**141,681,117**	127,570,839	–	127,570,839
Deferred reinsurance commission		**29,300,927**	**–**	**29,300,927**	29,395,534	–	29,395,534
Lease liabilities	22	**999,123**	**1,080,851**	**2,079,974**	2,443,801	1,794,806	4,238,607
		₱3,112,156,126	**₱1,080,851**	**₱3,113,236,977**	₱3,107,623,311	₱1,794,806	₱3,109,418,117

M PIONEER INSURANCE, INC.

SUPPLEMENTARY SCHEDULES OF
EXTERNAL AUDITOR FEE RELATED INFORMATION
AS OF DECEMBER 31, 2025 AND 2024

	2025	2024
Total audit fees	**₱700,000**	₱1,365,000
Non-audit services fees:		
Other assurance services	**–**	**–**
Tax services	**–**	**–**
All other services	**–**	**–**
Total non-audit fees	**–**	**–**
Total audit and non-audit fees	**₱700,000**	₱1,365,000

REYES TACANDONG & CO.
FIRM PRINCIPLES WITH SOLUTIONS

BOA/PRC Accreditation No. 4782
April 14, 2024, valid until June 6, 2026
SEC Accreditation No. 4782-SEC Group A
Issued August 11, 2022
Valid for Financial Periods 2021 to 2025

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

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

The Stockholders and the Board of Directors
M Pioneer Insurance Inc.
Pioneer House Makati
108 Paseo De Roxas
Legaspi Village, Makati City

We have audited the accompanying financial statements of M Pioneer Insurance Inc., (the Company) as at and for the year then ended December 31, 2025, on which we have rendered our report dated April 6, 2026.

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

REYES TACANDONG & CO.

Pamela Ann P. Escuadro

PAMELA ANN P. ESCUADRO
Partner
CPA Certificate No. 128829
Tax Identification No. 216-321-918-000
BOA Accreditation No. 4782/P-013; Valid until June 6, 2026
IC Accreditation No. IC-EA-2025-0050-R
Issued January 22, 2026
Valid for Financial Periods 2025 to 2027
SEC Accreditation No. 128829-SEC Group A
Issued March 23, 2021
Valid for Financial Periods 2020 to 2025
BIR Accreditation No. 08-005144-013-2025
Valid until October 20, 2028
PTR No. 10764016
Issued January 2, 2026, Makati City

April 6, 2026
Makati City, Metro Manila

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM

Reyes Tacandong & Co is a member of the RSM network. Each member of the RSM network is an independent accounting and consulting firm, and practices in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction.