GENERALI LIFE ASSURANCE PHILIPPINES, INC.

(A Wholly Owned Subsidiary of Generali Asia N.V.)

FINANCIAL STATEMENTS
December 31, 2024 and 2023

With Independent Auditors' Report

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Generali Life Assurance Philippines, Inc.
10th Floor, Petron Mega Plaza Building
Sen. Gil J. Puyat Ave., Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Generali Life Assurance Philippines, Inc. (A Wholly Owned Subsidiary of Generali Asia N.V.) (the Company), which comprise the statements of financial position as at December 31, 2024 and 2023, and the statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes, comprising material accounting policies and other explanatory information.

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

Basis for Opinion

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 28 to the basic financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

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CPA License No. 0092183
IC Accreditation No. IC-EA-2024-0012-R, Group A, valid for three (3) years
covering the audit of 2024 to 2026 financial statements
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April 29, 2025
Makati City, Metro Manila

GENERALI LIFE ASSURANCE PHILIPPINES, INC.
(A Wholly Owned Subsidiary of Generali Asia N.V.)
STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2024**	2023
ASSETS			
Cash and cash equivalents	*4*	**P202,676,721**	P165,955,065
Insurance receivables - net	*5, 26*	**771,367,244**	488,894,265
Financial assets:	*6, 26*		
Available-for-sale financial assets		**567,186,138**	456,713,191
Held-to-maturity financial assets		**2,054,463,465**	2,412,053,453
Loans and receivables - net		**74,599,956**	26,388,695
Accrued income	*7, 26*	**32,226,050**	33,506,795
Reinsurance assets	*8, 12*	**199,887,890**	322,909,952
Property and equipment - net	*9*	**41,988,784**	27,052,551
Intangible assets - net	*10*	**128,914,534**	142,236,230
Deferred tax assets - net	*23, 26*	**34,068,492**	33,796,631
Other assets - net	*11*	**194,917,665**	166,356,100
		P4,302,296,939	P4,275,862,928
LIABILITIES AND EQUITY			
Liabilities			
Insurance contract liabilities	*12, 26*	**P1,699,951,236**	P1,592,037,390
Insurance payables	*13, 26*	**474,338,523**	583,907,653
Accounts payable and accrued expenses	*14*	**340,506,348**	201,578,564
Net pension liabilities	*15*	**869,242**	763,894
Lease liabilities	*25*	**26,052,384**	4,855,424
		2,541,717,733	2,383,142,925
Equity			
Capital stock	*16*	**3,421,260,600**	3,421,260,600
Additional paid-in capital	*16*	**41,624,800**	31,318,932
Contributed surplus		**50,000,000**	50,000,000
Contingency surplus	*16*	**250,000,000**	250,000,000
Deficit		**(1,983,876,764)**	(1,835,132,764)
Unrealized loss on available-for-sale financial assets	*6*	**(16,981,849)**	(23,464,860)
Remeasurement gain on pension obligation		**7,522,421**	7,866,688
Remeasurement loss on life insurance reserves	*12*	**(8,970,002)**	(9,128,593)
		1,760,579,206	1,892,720,003
		P4,302,296,939	P4,275,862,928

See Notes to the Financial Statements.

GENERALI LIFE ASSURANCE PHILIPPINES, INC.
(A Wholly Owned Subsidiary of Generali Asia N.V.)
STATEMENTS OF COMPREHENSIVE LOSS

		Years Ended December 31	
	Note	**2024**	2023
REVENUES			
Gross insurance premiums		**P3,031,741,206**	P2,414,084,037
Reinsurers' share of gross insurance premiums		**(449,368,585)**	(503,191,375)
Net insurance premiums	*17*	**2,582,372,621**	1,910,892,662
Investment income	*18*	**155,003,320**	160,628,215
Medical service fee and other income	*19*	**34,801,123**	11,357,837
Total revenues		**2,772,177,064**	2,082,878,714
NET INSURANCE BENEFITS AND CLAIMS			
Gross insurance contract benefits and claims paid	*12*	**2,269,927,575**	1,651,606,046
Reinsurers' share of gross insurance contract benefits and claims paid	*12*	**(246,539,319)**	(472,831,057)
Gross change in insurance contract liabilities	*20*	**(22,206,925)**	(29,012,389)
Reinsurer's share of gross change in outstanding claims provisions	*20*	**19,856,196**	160,732,352
Net insurance benefits and claims		**2,021,037,527**	1,310,494,952
OPERATING EXPENSES			
General and administrative expenses	*22*	**609,005,260**	630,770,383
Commission expenses - net	*21*	**250,800,984**	263,480,655
Interest expense on lease liabilities	*25*	**1,646,706**	975,260
Foreign exchange loss - net		**281,933**	452,826
Total operating expenses		**861,734,883**	895,679,124
LOSS BEFORE INCOME TAX EXPENSE		**(110,595,346)**	(123,295,362)
INCOME TAX EXPENSE	*23*	**38,148,654**	38,752,161
NET LOSS		**(148,744,000)**	(162,047,523)
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit or loss			
Changes in fair value of available-for-sale financial assets	*6*	**6,483,011**	21,053,815
Items that will not be reclassified to profit or loss			
Remeasurement loss on pension obligation - net of tax		**(344,267)**	(2,419,091)
Remeasurement gain (loss) on life insurance reserves - net of tax	*12*	**158,591**	(38,455)
		6,297,335	18,596,269
TOTAL COMPREHENSIVE LOSS		**(P142,446,665)**	(P143,451,254)

See Notes to the Financial Statements.

GENERALI LIFE ASSURANCE PHILIPPINES, INC.
(A Wholly Owned Subsidiary of Generali Asia N.V.)
STATEMENTS OF CHANGES IN EQUITY

Years Ended December 31

	Note	**Capital Stock** (Note 16)	**Additional Paid-in Capital** (Note 16)	**Contributed Surplus**	**Deposits for Future Stock Subscriptions** (Note 16)	**Contingency Surplus**	**Deficit**	**Unrealized Loss on Available-for-Sale Financial Assets** (Note 6)	**Remeasurement Gain on Pension Obligation**	**Remeasurement Loss on Life Insurance Reserves (Note 12)**	**Total**
Balance at January 1, 2024		**P3,421,260,600**	**P31,318,932**	**P50,000,000**	**P -**	**P250,000,000**	**(P1,835,132,764)**	**(P23,464,860)**	**P7,866,688**	**(P9,128,593)**	**P1,892,720,003**
Additions of capital		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Share-based Payment	*16*	**-**	**10,305,868**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**10,305,868**
Stock Issuance Cost	*16*		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Comprehensive Loss		**-**					**-**				
Net loss			**-**	**-**	**-**	**-**	**(148,744,000)**	**-**	**-**	**-**	**(148,744,000)**
Other comprehensive income (loss):											
Items that may be reclassified to profit or loss		**-**	**-**	**-**	**-**	**-**	**-**	**6,483,011**	**-**	**-**	**6,483,011**
Items that will not be reclassified to profit or loss		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(344,267)**	**158,591**	**(185,676)**
		-	**-**	**-**	**-**	**-**	**(148,744,000)**	**6,483,011**	**(344,267)**	**158,591**	**(142,446,665)**
Balance at December 31, 2024		**P3,421,260,600**	**P41,624,800**	**P50,000,000**	**P -**	**P250,000,000**	**(P1,983,876,764)**	**(P16,981,849)**	**P7,522,421**	**(P8,970,002)**	**P1,760,579,206**
Balance at January 1, 2023		P2,321,260,600	P26,308,672	P50,000,000	P600,000,000	P250,000,000	(P1,660,023,771)	(P44,518,675)	P10,285,779	(P9,090,138)	P1,544,222,467
Additions of capital		1,100,000,000	-	-	(600,000,000)	-	-	-	-	-	500,000,000
Share-based Payment	*16*	-	5,010,260	-	-	-	-	-	-	-	5,010,260
Stock Issuance Cost	*16*	-	-	-	-	-	(13,061,470)	-	-	-	(13,061,470)
Total Comprehensive Loss											
Net loss		-	-	-	-	-	(162,047,523)	-	-	-	(162,047,523)
Other comprehensive income (loss):											
Items that may be reclassified to profit or loss		-	-	-	-	-	-	21,053,815	-	-	21,053,815
Items that will not be reclassified to profit or loss		-	-	-	-	-	-	-	(2,419,091)	(38,455)	(2,457,546)
		-	-	-	-	-	(162,047,523)	21,053,815	(2,419,091)	(38,455)	(143,451,254)
Balance at December 31, 2023		P3,421,260,600	P31,318,932	P50,000,000	P -	P250,000,000	(P1,835,132,764)	(P23,464,860)	P7,866,688	(P9,128,593)	P1,892,720,003

See Notes to the Financial Statements.

GENERALI LIFE ASSURANCE PHILIPPINES, INC.
(A Wholly Owned Subsidiary of Generali Asia N.V.)

STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Note	**2024**	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax expense		**(P110,595,346)**	(P123,295,362)
Adjustments for:			
Depreciation and amortization	*9, 10, 22*	**59,686,213**	53,727,872
Pension expense	*15, 22*	**12,084,216**	13,859,692
Expense from equity-settled share-based employee benefits	*22*	**10,305,868**	5,010,260
Amortization of bond premium	*6*	**3,967,026**	9,857,782
Interest expense on lease liabilities	*25*	**1,646,706**	975,260
Gain on sale of available-for-sale financial asset	*6, 18*	**-**	(461,892)
Gain on sale of property and equipment		**(2,835)**	(29,272)
Reversal of doubtful accounts	*5, 6, 22*	**(14,626,655)**	(17,739,720)
Investment income	*4, 6, 18*	**(155,003,320)**	(160,166,323)
		(192,538,127)	(218,261,703)
Changes in:			
Insurance receivables - net		**(264,199,863)**	170,573,730
Reinsurance assets		**123,022,062**	111,378,880
Loans and receivables		**(51,857,722)**	7,017,639
Other assets - net		**(8,092,161)**	(304,268)
Insurance contract liabilities		**108,125,305**	(277,981,687)
Insurance payables		**(109,569,130)**	(157,768,873)
Accounts payable and accrued expenses		**138,927,784**	(18,691,543)
		(256,181,852)	(384,037,825)
Investment income received		**156,284,065**	157,523,998
Contributions to the pension assets	*15*	**(12,437,894)**	(14,089,125)
Income tax paid		**(59,285,402)**	(55,704,079)
Net cash used in operating activities		**(171,621,083)**	(296,307,031)

Forward

		Years Ended December 31	
	Note	**2024**	2023
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale/maturities of:			
Held-to-maturity financial assets	*6*	**P361,051,350**	P110,417,506
Property and equipment excluding right-of-use assets		**350,882**	1,093,540
Available-for-sale financial assets	*6*	**-**	P352,405,456
Acquisitions of:			
Held-to-maturity financial assets	*6*	**-**	(484,182,918)
Property and equipment excluding right-of-use assets	*9*	**(7,054,921)**	(9,803,749)
Intangible assets	*10*	**(25,709,615)**	(28,712,790)
Available-for-sale financial assets	*6*	**(110,960,950)**	(217,595,857)
Net cash provided by (used in) investing activities		**217,676,746**	(276,378,812)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of principal and interest expense of lease liabilities	*25*	**(9,334,007)**	(11,216,961)
Proceeds from issuance of capital stock	*16*	**-**	500,000,000
Payment of stock issuance cost	*16*	**-**	(13,061,470)
Net cash (used in) provided by financing activities		**(9,334,007)**	475,721,569
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**36,721,656**	(96,964,274)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**165,955,065**	262,919,339
CASH AND CASH EQUIVALENTS AT END OF YEAR	*4*	**P202,676,721**	P165,955,065

See Notes to the Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. Reporting Entity

Generali Life Assurance Philippines, Inc. (the Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on July 9, 1999, primarily to engage in the business of life insurance. The Company started commercial operations on July 1, 2016.

The Company is a wholly-owned subsidiary of Generali Asia N.V. (the Parent Company) and is part of Generali Group under the Ultimate Parent Company, Assicurazioni Generali S.p.A. (AG).

The Company has a Certificate of Authority No. 2025/06-R issued by the Insurance Commission (IC) to transact in life insurance business until December 31, 2027.

On December 4, 2024, the Parent Company announced an agreement to sell their 100% ownership with The Insular Life Assurance Company, Ltd. The sale, which is subject to regulatory approvals and other closing conditions, became effective starting January 1, 2025.

The Company's registered address is at the 10th Floor, Petron Mega Plaza Building, Sen. Gil J. Puyat Ave., Makati City, Philippines.

2. Basis of Preparation

Basis of Accounting
These financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards. They were authorized for issue by the Company's board of directors (BOD) on April 28, 2025.

Details of the Company's material accounting policies are included in Note 27.

Basis of Measurement
These financial statements have been prepared under the historical cost basis, except for the following items which are measured on an alternative basis on each reporting date.

Items	Measurement bases
Available-for-sale (AFS) financial assets except for unquoted equity securities	Fair value
Legal policy reserves	Gross premium valuation (GPV)
Net pension liability	Present value of defined benefit obligation (DBO) less the fair value of plan assets (FVPA)
Lease liabilities	Present value of lease payments not yet paid discounted using the Company's incremental borrowing rate
Equity-settled share-based payment transactions	Fair value

Functional and Presentation Currency
The financial statements are presented in Philippine peso (P), the Company's functional and presentation currency. All amounts are rounded to the nearest peso, unless otherwise indicated.

Presentation of Financial Statements
The Company presents its statement of financial position in order of liquidity. An analysis regarding the recovery of financial assets or settlement of financial liabilities within 12 months after reporting date (current) and more than 12 months after reporting date (noncurrent) is presented in Note 26.

3. Use of Judgments and Estimates

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Judgments
Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is as follows:

Classifying Financial Instruments
The Company classifies a financial instrument depending on the purpose for which the financial instrument was acquired or originated. Management determines the classification of its financial instrument at initial recognition and, where allowed and appropriate, re-evaluates this classification at the end of each reporting date.

In addition, the Company classifies financial instruments by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial instrument is quoted in an active market is the determination on whether prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

The classification of the Company's financial instruments by categories are presented under Note 6.

Product Classification
The Company has determined that the group insurance policies have significant insurance risk and, therefore meet the definition of an insurance contract and should be accounted for as such.

Liability Adequacy Test
The Company evaluates the adequacy of its insurance contract liabilities at least quarterly. Significant judgment is exercised in determining the level of aggregation at which liability adequacy testing is performed and in selecting best estimate assumptions. Liability adequacy is assessed on a portfolio of contracts in accordance with the Company's manner of acquiring, servicing and measuring the profitability of its insurance contracts.

The judgments exercised in liability adequacy testing affect amounts recognized in the financial statements such as commission and other acquisition related expenses, insurance contract benefits and liabilities.

Leases - Determination of Lease Term of Contracts with Renewal and Termination Options - Company as a Lessee
The Company has lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination.

After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The renewal options for the existing leases are not included as part of the lease term because the renewal is subject to mutual agreement of both the lessor and the Company. Furthermore, the periods covered by termination options are included as part of the lease term since they are reasonably certain not to be exercised.

Provisions
The estimate of probable costs for the resolution of possible claims has been developed in consultation with legal counsels handling the Company's defense in these matters and is based upon an analysis of potential results. The Company recognized provision for probable losses arising from tax contingencies in 2018. Disclosure on additional details beyond the present disclosures may seriously prejudice the Company's position and strategy. Thus, as allowed by Philippine Accounting Standard (PAS) 37, *Provisions, Contingent Liabilities and Contingent Assets*, only general descriptions were provided.

Assumptions and Estimation Uncertainties
Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the carrying amounts of assets and liabilities in the next financial year is as follows:

Claims Liability arising from Insurance Contracts
The estimation of the ultimate liability arising from claims made under life insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liability that the Company will ultimately pay for those claims. The liability for life insurance contracts are based on assumptions established at the inception of the contract. At each reporting date, the estimates are determined by calculating the unearned portion of the gross premiums written for the year and the gross premium reserves of all in-force long-term policies as at the reporting date.

Incurred but not reported (IBNR) medical claims is computed based on chain ladder method, an actuarial reserving loss technique while IBNR for life claims is computed based on percentage of earned premium. Reserving technique for single premium credit life is based on GPV. Total IBNR net of reinsurers' share amounted to P100.72 million and P111.29 million as at December 31, 2024 and 2023, respectively (see Note 12).

Estimating the Incremental Borrowing Rate - Company as Lessee
Discount rate used to measure lease liabilities at the present value of the contractual payments due to the lessor over the lease term is determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease is used. In estimating the incremental borrowing, the Company considers different factors such as risk-free interest rate, credit risk, credit spread, term and security (if any). Subsequent to initial measurement, lease liabilities increase as a result of interest charged using the same discount rate on the balance outstanding and are reduced for lease payments made.

The Company's lease liabilities amounted to P26.05 million and P4.86 million as at December 31, 2024 and 2023, respectively (see Note 25).

Reinsurance Assumptions and Methods
The Company limits its exposure to loss within insurance operation through participation in reinsurance arrangements. Amounts receivable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented under Insurance Receivables. Even though the Company may have reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and, thus, a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

The gross carrying values of the legal policy reserves, shown as part of "Insurance contract liabilities", amounted to P633.41 million and P642.96 million as at December 31, 2024 and 2023 respectively (see Note 12).

Impairment of Financial Assets
The Company reviews its insurance receivables, loans and receivables and held-to-maturity (HTM) financial assets at each end of the reporting period to assess whether an allowance for impairment losses should be recorded in profit or loss. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

The level of this allowance is evaluated by management on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to age of balances, financial status of counterparties, payment behavior and known market factors. The Company reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a regular basis.

The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease net income.

The allowance for impairment losses recognized as at December 31, 2024 and 2023 amounted to P87.71 million and P102.34 million, respectively (see Notes 5 and 6).

Investments at Fair Value
The Company considers that investments are impaired when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is significant or prolonged decline requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share/market price.

In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

Estimated Useful Lives of Property and Equipment and Intangible Assets
The Company reviews annually the estimated useful lives of property and equipment based on the period over which the assets are expected to be available for use. It is possible that future results of operations could be materially affected by changes in these estimates. A reduction in the estimated useful lives of property and equipment would increase recorded depreciation and amortization expense and decrease the related asset accounts.

The depreciable amount of value of business acquired (VOBA) intangible asset shall be allocated on a systematic basis over its useful life of five (5) years. On the other hand, software (not an integral part of its related hardware) which is included as part of intangible assets, is capitalized at cost and amortized over its estimated useful life of five (5) years.

As at December 31, 2024 and 2023, the carrying value of property and equipment (including right-of-use (ROU) assets) amounted to P41.99 million and P27.05 million, respectively (see Note 9) and the carrying value of intangible assets (excluding goodwill) amounted to P105.56 million and P118.88 million, respectively (see Note 10).

Impairment Testing of Non-financial Assets
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing the asset. The value in use calculation is based on a discounted cash flows (DCF) model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the cash generating unit (CGU) being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognized by the Company. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 10.

The Company determines whether goodwill is impaired on an annual basis. This requires an estimation of the recoverable amount of the CGU to which goodwill is allocated. Details of the key assumptions used in the estimation of the recoverable amounts are disclosed in Note 10.

In 2024 and 2023, no impairment was recognized for these intangible assets (see Note 10).

Valuation of Pension Obligation
The determination of pension obligation 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, salary increase rate, mortality rate, disability rate and turnover rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

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

While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension obligation. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the DBO. The mortality rate is based on publicly available mortality tables and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

As at December 31, 2024 and 2023, the Company's net pension liability amounted to P0.87 million and P0.76 million, respectively. Further details about the assumptions used are provided in Note 15.

Realizability of Deferred Tax Assets
Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which these can be utilized. Significant management judgment is required to determine the amount of deferred income tax assets that can be recognized. These assets are periodically reviewed for realization. Periodic reviews cover the nature and amount of deferred income and expense items, expected timing when assets will be used or liabilities will be required to be reported, reliability of historical profitability of businesses expected to provide future earnings and tax planning strategies which can be utilized to increase the likelihood that tax assets will be realized.

Deferred tax assets amounted to P42.74 million and P33.98 million as at December 31, 2024 and 2023, respectively (see Note 23).

As at December 31, 2024 and 2023, the Company has unrecognized deferred tax assets amounting to P223.89 million and P162.46 million, respectively, as it does not expect to generate sufficient taxable income from which said tax assets may be utilized (see Note 23).

Contingencies
The Company is currently involved in various legal proceedings carried over from its non-life insurance business. The estimate of the probable costs for the resolution of these claims are minimal. The Company currently does not believe these proceedings will have a material adverse effect on the Company's financial position. It is possible, however, that the results of operations could be affected by changes in these estimates.

4. Cash and Cash Equivalents

This account consists of:

	Note	**2024**	2023
Cash equivalents	*26*	**P139,124,000**	P50,000,000
Cash in banks	*26*	**63,522,721**	115,915,065
Cash on hand		**30,000**	40,000
		P202,676,721	P165,955,065

Cash equivalents are made for varying periods of up to three (3) months or less depending on the immediate cash requirements of the Company, and earn interest ranging from 3.5% to 5.0% and 3.25% to 3.88% in 2024 and 2023, respectively (see Note 26).

Cash in banks earn interest at the respective banks' deposit rates.

Interest income on cash and cash equivalents amounted to P13.18 million and P3.19 million in 2024 and 2023, respectively (see Note 18).

Accrued interest income on cash and cash equivalents amounted to P0.21 million and P0.06 million in 2024 and 2023, respectively (see Note 7).

5. Insurance Receivables

This account consists of:

	Note	**2024**	2023
Premiums due and uncollected	*26*	**P 691,059,589**	P418,735,835
Reinsurance recoverable on paid losses	*26*	**128,652,302**	136,776,193
		819,711,891	555,512,028
Less allowance for impairment losses		**48,344,647**	66,617,763
		P771,367,244	P488,894,265

Premiums due and uncollected pertain to premiums receivable net of loadings from policyholders. (Increase) decrease in loadings for receivables amounted to (P34.83 million) and P6.51 million in 2024 and 2023, respectively.

Reinsurance recoverable on paid losses pertains to amounts recoverable from the reinsurers in respect of claims paid by the Company.

The following table shows aging information of insurance receivables:

	December 31, 2024				
	Less than 30 Days	**31 to 120 Days**	**121 to 180 Days**	**More than 180 Days**	**Total**
Premium due and uncollected	**P178,913,640**	**P235,322,209**	**P55,940,894**	**P220,882,846**	**P691,059,589**
Reinsurance recoverable on paid losses	**2,193,332**	**105,494,873**	**9,052,194**	**11,911,903**	**128,652,302**
	P181,106,972	**P340,817,082**	**P64,993,088**	**P232,794,749**	**P819,711,891**

	December 31, 2023				
	Less than 30 Days	31 to 120 Days	121 to 180 Days	More than 180 Days	Total
Premium due and uncollected	P120,946,041	P158,702,467	P16,380,806	P122,706,521	P418,735,835
Reinsurance recoverable on paid losses	1,676,830	87,845,029	40,641,128	6,613,206	136,776,193
	P122,622,871	P246,547,496	P57,021,934	P129,319,727	P555,512,028

The movements in allowance for impairment losses on insurance receivables are as follows:

	Note	2024	2023
Balance at beginning of year		**P66,617,763**	P83,413,114
Reversal during the year	*22*	**(18,273,116)**	(16,795,351)
Balance at end of year		**P48,344,647**	P66,617,763
Individually impaired		**P -**	P19,531,201
Collectively impaired		**48,344,647**	47,086,562
Total		**P48,344,647**	P66,617,763

The Company determines its allowance for impairment losses on insurance receivables based on collective assessment and specific assessment. Following an agreement with AG that reinsurance premium remittances shall be based on reinsurers share on collected premiums net of paid losses, reinsurance recoverable on paid losses were not provided with allowance for impairment loss.

6. Financial Assets

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

	Note	2024	2023
HTM financial assets		**P2,054,463,465**	P2,412,053,453
AFS financial assets		**567,186,138**	456,713,191
Loans and receivables		**74,599,956**	26,388,695
	26	**P2,696,249,559**	P2,895,155,339

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

HTM Financial Assets
This category consists of fixed interest rate government securities with original maturities of more than five (5) years deposited with the Philippine Bureau of Treasury in accordance with the provisions of R.A. No. 10607, *Insurance Code, As Amended* (the Revised Code) as security for the benefit of its policyholders and creditors.

The HTM financial assets earned interest at weighted average rate of 5.68% and 5.16% in 2024 and 2023, respectively. Interest income earned on HTM financial assets amounted to P16.56 million and P16.41 million in 2024 and 2023, respectively (see Note 18).

Accrued interest income on HTM financial assets is P27.02 million and P6.01 million as at December 31, 2024 and 2023 respectively (see Note 7).

The carrying values of AFS financial assets and HTM financial assets have been determined as follows:

		December 31, 2024		
	Note	**AFS**	**HTM**	**Total**
Balance at beginning of year		**P456,713,191**	**P2,412,053,453**	**P2,868,766,644**
Acquisitions during the year		**110,960,950**	**-**	**110,960,950**
Maturities during the year		**-**	**(361,051,350)**	**(361,051,350)**
Reversal of URA from classification from AFS to HTM		**(6,294,775)**	**5,110,884**	**(1,183,891)**
Disposal of AFS financial asset securities		**-**	**-**	**-**
Fair value gain		**8,124,276**	**-**	**8,124,276**
Gain on sale of AFS financial assets		**-**	**-**	**-**
Amortization of bond premium		**(2,317,504)**	**(1,649,522)**	**(3,967,026)**
Balance at end of year	*26*	**P567,186,138**	**P2,054,463,465**	**P2,621,649,603**

		December 31, 2023		
	Note	AFS	HTM	Total
Balance at beginning of year		P582,380,865	P2,041,575,243	P2,623,956,108
Acquisitions during the year		217,595,857	484,182,918	701,778,775
Maturities during the year		(171,147,016)	(110,417,506)	(281,564,522)
Reversal of URA from classification from AFS to HTM		(11,405,659)	5,509,120	(5,896,539)
Disposal of AFS financial asset securities		(181,258,440)	-	(181,258,440)
Fair value gain		21,147,152	-	21,147,152
Gain on sale of AFS financial assets		461,892	-	461,892
Amortization of bond premium		(1,061,460)	(8,796,322)	(9,857,782)
Balance at end of year	*26*	P456,713,191	P2,412,053,453	P2,868,766,644

AFS Financial Assets

The Company's AFS financial assets consist of the following categories carried at fair value except for the unquoted equity securities which are carried at cost:

	Note	**2024**	2023
Government securities		**P445,322,070**	P344,617,480
Corporate bonds		**120,993,068**	111,224,711
Club shares		**800,000**	800,000
Unquoted equity securities		**71,000**	71,000
	26	**P567,186,138**	P456,713,191

The AFS financial assets earn interest at weighted average rate of 5.82% and 4.61% in 2024 and 2023, respectively. Interest income earned on AFS financial assets amounted to P125.27 million and P140.57 million in 2024 and 2023, respectively (see Note 18).

Accrued interest income on AFS financial assets amounted to P5.00 million and P27.44 million as at December 31, 2024 and 2023, respectively (see Note 7).

The Company's accrued dividend income on unquoted equity securities amounted to P0.02 million as at December 31, 2024 and 2023 for PLDT preferred shares.

The realized gains (losses) arising from disposals of AFS financial assets amounted to NIL and P0.46 million in 2024 and 2023, respectively (see Note 18).

The rollforward of unrealized loss on AFS financial assets follows:

	2024	2023
Balance at beginning of year	**(P23,464,860)**	(P44,518,675)
Changes in fair value of AFS financial assets during the year	**6,483,011**	21,053,815
Balance at end of year	**(P16,981,849)**	(P23,464,860)

Loans and Receivables

	Note	2024	2023
Due from policyholders		**P107,369,688**	P58,689,437
Due from employees		**5,889,789**	2,712,318
Due from Generali Vietnam Life Insurance Limited Liability Company	*24*	**600,000**	600,000
Due from Generali Asia International - Asia Regional Office - Hong Kong	*24*	**105,068**	105,068
		113,964,545	62,106,823
Less: Allowance for impairment losses		**39,364,589**	35,718,128
	26	**P74,599,956**	P26,388,695

Due from policyholders pertains to fees billed to policyholders for the use of medical cards, collectible amounts paid by the Company in excess of the policyholder's maximum medical benefits, and retainer's fee for services provided by medical practitioners.

Due from employees pertains to advances given to employees for business expenses that are anticipated to be incurred by the employee or officer on behalf of the Company and the remaining are receivables from employees for their group health benefits and multi-purpose loans.

Due from Generali Vietnam Life Insurance Limited Liability Company pertains to the salary and agreed secondment benefits of one (1) employee deployed in Generali Vietnam in 2022.

Due from Generali Asia International - Asia Regional Office - Hong Kong pertains to travel reimbursements.

The rollforward of allowance for doubtful accounts on loans and receivables follows:

	Note	2024	2023
Balance at beginning of year		**P35,718,128**	P36,662,497
Provision (Reversal) during the year	*22*	**3,646,461**	(944,369)
Balance at end of year		**P39,364,589**	P35,718,128
Individually impaired		**P -**	P -
Collectively impaired		**39,364,589**	35,718,128
		P39,364,589	P35,718,128

7. Accrued Income

This account consists of interest and dividend income accrued on the following:

	Note	**2024**	2023
HTM financial assets	*6*	**P27,017,398**	P6,011,936
AFS financial assets	*6*	**4,997,470**	27,435,086
Cash and cash equivalents	*4*	**211,182**	59,773
	26	**P32,226,050**	P33,506,795

8. Reinsurance Assets

This account consists of:

	Note	**2024**	2023
Reinsurance recoverable on unpaid losses	*12*	**P111,428,874**	P201,070,708
Deferred reinsurance premiums	*12*	**88,459,016**	121,839,244
		P199,887,890	P322,909,952

Reinsurance recoverable on unpaid losses pertains to amounts recoverable from the reinsurers with respect to claims that remain unsettled as at reporting date.

Deferred reinsurance premiums pertain to the share of the reinsurers with respect to the legal policy reserves set up by the Company for group life policies.

9. Property and Equipment

The movements in this account are as follows:

	Note	For the Year Ended 2024							
	Note	**Electronic Data Processing Equipment**	**Office Equipment**	**Furniture and Fixtures**	**Leasehold Improvements**	**Right-of-Use Assets**	**Construction-in-Progress**	**Transportation Equipment**	**Total**
Cost									
Balance at beginning of year		**P88,991,127**	**P1,656,886**	**P3,992,597**	**P34,102,636**	**P34,056,894**	**P157,500**	**P1,438,000**	**P164,395,640**
Additions		**6,627,117**	**120,289**	**307,515**	**-**	**28,884,261**	**-**	**-**	**35,939,182**
Disposals		**(245,476)**	**-**	**-**	**-**	**-**	**(157,500)**	**-**	**(402,975)**
Balance at end of year		**95,372,768**	**1,777,175**	**4,300,112**	**34,102,636**	**62,941,155**	**-**	**1,438,000**	**199,931,846**
Accumulated Depreciation									
Balance at beginning of year		**72,422,458**	**1,636,544**	**3,785,833**	**31,662,906**	**27,741,052**	**-**	**94,296**	**137,343,089**
Depreciation	*22*	**8,532,971**	**31,515**	**191,008**	**1,088,954**	**10,527,569**	**-**	**282,886**	**20,654,903**
Disposals		**(54,930)**	**-**	**-**	**-**	**-**	**-**	**-**	**(54,930)**
Balance at end of year		**80,900,499**	**1,668,059**	**3,976,841**	**32,751,860**	**38,268,621**	**-**	**377,182**	**157,943,062**
Carrying Amount		**P14,472,269**	**P109,116**	**P323,271**	**P1,350,776**	**P24,672,534**	**P -**	**P1,060,818**	**P41,988,784**

		For the Year Ended 2023							
	Note	Electronic Data Processing Equipment	Office Equipment	Furniture and Fixtures	Leasehold Improvements	Right-of-Use Assets	Construction-in-Progress	Transportation Equipment	Total
Cost									
Balance at beginning of year		P82,663,468	P1,635,988	P3,992,597	P34,102,636	P34,056,894	P157,500	P -	P156,609,083
Additions		8,344,851	20,898	-	-	-	-	1,438,000	9,803,749
Disposals		(2,017,192)	-	-	-	-	-	-	(2,017,192)
Balance at end of year		88,991,127	1,656,886	3,992,597	34,102,636	34,056,894	157,500	1,438,000	164,395,640
Accumulated Depreciation									
Balance at beginning of year		63,907,103	1,622,656	3,658,366	30,526,417	18,109,867	-	-	117,824,409
Depreciation	*22*	9,468,279	13,888	127,467	1,136,489	9,631,185	-	94,296	20,471,604
Disposals		(952,924)	-	-	-	-	-	-	(952,924)
Balance at end of year		72,422,458	1,636,544	3,785,833	31,662,906	27,741,052	-	94,296	137,343,089
Carrying Amount		P16,568,669	P20,342	P206,764	P2,439,730	P6,315,842	P157,500	P1,343,704	P27,052,551

There were no property, plant and equipment pledged as collateral as at December 31, 2024 and 2023. Fully depreciated PPE amounting to P282.26 million are still in use.

10. Intangible Assets

The movements in this account are as follows:

		For the Year Ended December 31, 2024				
	Note	Goodwill	VOBA	Computer Software	Systems Development in Progress	Total
Cost						
Balance at beginning of year		P23,353,142	P25,400,000	P206,000,132	P -	P254,753,274
Additions		-	-	23,942,255	1,767,360	25,709,615
Balance at end of year		23,353,142	25,400,000	229,942,387	1,767,360	280,462,889
Accumulated Amortization						
Balance at beginning of year		-	25,400,000	87,117,044	-	112,517,044
Amortization	*22*	-	-	39,031,311	-	39,031,311
Balance at end of year		-	25,400,000	126,148,355	-	151,548,355
Carrying Amount		P23,353,142	P -	P103,794,032	P1,767,360	P128,914,534

		For the Year Ended December 31, 2023				
	Note	Goodwill	VOBA	Computer Software	Systems Development in Progress	Total
Cost						
Balance at beginning of year		P23,353,142	P25,400,000	P175,837,462	P1,449,880	P226,040,484
Additions		-	-	5,620,680	23,092,110	28,712,790
Reclassification		-	-	24,541,990	(24,541,990)	-
Balance at end of year		23,353,142	25,400,000	206,000,132	-	254,753,274
Accumulated Amortization						
Balance at beginning of year		-	25,400,000	53,860,776	-	79,260,776
Amortization	*22*	-	-	33,256,268	-	33,256,268
Balance at end of year		-	25,400,000	87,117,044	-	112,517,044
Carrying Amount		P23,353,142	P -	P118,883,088	P -	P142,236,230

Goodwill
Goodwill arising from business combination executed by the Company on June 30, 2016 has been allocated to the group life insurance CGU. As part of the agreement, the Company absorbed certain employees from BDO Life who were involved in sales and operations. For these employees, benefits amounting to P40.84 million were assumed by the Company which include retirement liabilities of P38.90 million and of this amount, P17.48 million was reinvested to the retirement fund in cash. The residual goodwill of P23.35 million represents future synergies expected to arise in the value of new business from new distribution channels and customers going forward, and the value of the workforce and management and other future business not included in the value of business acquired. The recoverable amount of the group life insurance business has been determined based on a value in use (VIU) calculation using cash flow projections using financial budgets approved by management covering a five-year period. A pre-tax Company-specific risk-adjusted discount rate of 13.30% is used. The projected cash flows were determined by budgeted margins based on management expectations for market developments.

The key assumptions used for the VIU impairment calculation are:

a) Discount rate - A pre-tax Company-specific risk-adjusted discount rate based on past experience of 13.30% is used in 2024 and 2023.
b) Investment market conditions - Investment market conditions are based on market research and published statistics. Management plans assume investment growth of 7.56% and 6.6% in 2024 and 2023, respectively.
c) Premium renewals - Management assumes a renewal rate of 85% of group premium income in 2024 and 2023 based from recent experiences.
d) Claims - Management plans assume the most recent experiences on mortality rates and loss ratios in projecting the claims.
e) Expenses - Estimates are obtained from published indices of inflation and market research. The financial budget plans assume that expenses will broadly increase in line with inflation.

In 2024 and 2023, no impairment loss has been recognized as a result of the impairment review made by management.

Value of Business Acquired
VOBA was acquired as a result of the business combination. The Company assumed the identifiable assets and liabilities of the group insurance portfolio transferred by BDO Life with fair values as at the acquisition date amounting to P685.32 million and P880.52 million for total cash consideration of P169.80 million. VOBA intangible asset of P25.40 million represent the difference in the fair values of net assets assumed and the cash consideration received.

VOBA is amortized on a straight-line basis over 5 years which management estimated as the economic useful life of the asset. As at December 31, 2024, VOBA has been fully amortized and management has determined that there are no impairment indicators in respect of this intangible asset.

Systems Development in Progress
Systems development in progress refers to costs pertaining to software development where no amortization is recognized until the development is completed and the asset is placed into service.

11. Other Assets

This account consists of:

	Note	2024	2023
Creditable withholding taxes (CWT)		**P142,531,428**	P122,062,026
Prepayments		**32,220,432**	21,765,861
Hospital deposits	*26*	**14,769,795**	14,816,043
Rental deposits	*26*	**2,925,815**	2,913,703
Claims fund	*26*	**1,758,816**	3,691,523
Bank advances	*26*	**399,471**	44,002
Security fund	*26*	**311,907**	311,907
Input value-added tax (VAT)		**-**	751,035
		P194,917,664	P166,356,100

CWTs are the taxes withheld on certain income payments and are available for offset against income tax due in subsequent years.

Prepayments include advance payments for rent and software subscription license.

Hospital deposits consist of amounts paid by the Company to hospital network providers in compliance with certain group insurance policy contracts. These deposits will be recovered upon termination of the policy contracts and after all claims and benefits accruing to the contracts have been settled.

Rental deposits pertain to security deposits for the Company's lease agreements for its head office and branch offices.

Claims fund pertains to an agreed security deposit held by our client to guaranty complete settlement of claims during the duration of the policy contract. The claims fund is due and refundable to the Company at the end of the policy contract and all pending claims have been settled.

Security fund is maintained in compliance with Sections 365 and 367 of the Code. The amount of the security fund is determined by and deposited with the IC to pay benefit claims, which might remain unpaid, against insolvent insurance companies.

12. Insurance Contract Liabilities

Insurance contract liabilities and reinsurer's share of liabilities are analyzed as follows:

	2024			2023		
	Insurance Contract Liabilities	**Reinsurers' Share of Liabilities** (Note 8)	**Net**	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 8)	Net
Provision for claims reported	**P947,866,465**	**P93,469,691**	**P854,396,774**	P816,999,574	P180,289,100	P636,710,474
Provision for IBNR	**118,678,427**	**17,959,183**	**100,719,244**	132,073,999	20,781,608	111,292,391
Total claims reported and IBNR	**1,066,544,892**	**111,428,874**	**955,116,018**	949,073,573	201,070,708	748,002,865
Legal policy reserves	**633,406,344**	**88,459,016**	**544,947,328**	642,963,817	121,839,244	521,124,573
Total Insurance Contract Liabilities	**P1,699,951,236**	**P199,887,890**	**P1,500,063,346**	P1,592,037,390	P322,909,952	P1,269,127,438

Provisions for claims reported and IBNR may be analyzed as follows:

	2024			2023		
	Insurance Contract Liabilities	**Reinsurers' Share of Liabilities** (Note 8)	**Net**	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 8)	Net
Balance at beginning of year	**P949,073,573**	**P201,070,708**	**P748,002,865**	P1,198,917,392	P271,476,352	P927,441,040
Claims incurred/adjusted during the year	**2,400,794,466**	**159,719,911**	**2,241,074,555**	1,403,216,171	401,335,779	1,001,880,392
Increase in IBNR	**(13,395,572)**	**(2,822,426)**	**(10,573,146)**	(1,453,944)	1,089,634	(2,543,578)
Total claims reported and IBNR	**3,336,472,467**	**357,968,193**	**2,978,504,274**	2,600,679,619	673,901,765	1,926,777,854
Claims paid during the year	**(2,269,927,575)**	**(246,539,319)**	**(2,023,388,256)**	(1,651,606,046)	(472,831,057)	(1,178,774,989)
Balance at end of year	**P1,066,544,892**	**P111,428,874**	**P955,116,018**	P949,073,573	P201,070,708	P748,002,865

The reinsurers' share for commissions to agents and brokers paid by the Company, premium taxes and other attributable expenses to premiums amounted to P75.83 million and P80.98 million in 2024 and 2023, respectively. These were recognized as reduction from premiums due to reinsurer under insurance payables forming part of the changes in reinsurer's share of liabilities.

The movements in legal policy reserves are as follows:

	2024			2023		
	Insurance Contract Liabilities	**Reinsurers' Share of Liabilities** (Note 8)	**Net**	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (Note 8)	Net
Balance at beginning of year	**P642,963,817**	**P121,839,244**	**P521,124,573**	P671,050,410	P162,812,480	P508,237,930
Due to change in discount rates	**(211,456)**	**-**	**(211,456)**	51,273	-	51,273
Due to change in policies and assumptions	**(9,346,017)**	**(33,380,228)**	**24,034,211**	(28,137,866)	(40,973,236)	12,835,370
Balance at end of year	**P633,406,344**	**P88,459,016**	**P544,947,328**	P642,963,817	P121,839,244	P521,124,573

Movement of cumulative remeasurement effect recognized in other comprehensive income (OCI):

	Note	**2024**	2023
Balance at beginning of year		**(P12,171,457)**	(P12,120,184)
Remeasurement gain (loss) on life insurance reserves		**211,455**	(51,273)
Balance at end of year		**(11,960,002)**	(12,171,457)
Tax effect	*23*	**2,990,000**	3,042,864
		(P8,970,002)	(P9,128,593)

The key assumptions for the legal policy reserves calculation are as follow:

a) Mortality Table: Based on the latest mortality experience
b) Lapse Rates: Based on the refinance study using data through March 31, 2021

First Year	Second Year	Third Year
5%	10%	5%

c) Discount Rate: Based on duration-match peso denominated spot rates prescribed by the IC.

Sensitivities
The analysis below is performed for a reasonable possible movement in key assumptions, related to mortality and discount rate, with all other assumptions held constant, on the statements of comprehensive income and changes in equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumption changes had to be done on an individual basis.

The assumption that has the greatest effect on the statements of financial position, statements of comprehensive income and statements of changes in equity is the change in discount rates.

2024	**Change in Assumptions**	**Increase/ (Decrease) in Liabilities**
Mortality	**10.00%**	**P4,004,467**
	-10.00%	**(4,007,715)**
Lapse rate	**10.00%**	**45,488**
	-10.00%	**(45,545)**
Discount rate	**1.00%**	**(421,902)**
	-1.00%	**421,902**

2023	Change in Assumptions	Increase/ (Decrease) in Liabilities
Mortality	10.00%	P13,553,842
	-10.00%	(13,574,233)
Lapse rate	10.00%	192,059
	-10.00%	(189,531)
Discount rate	1.00%	(1,495,682)
	-1.00%	1,495,682

13. Insurance Payables

This account represents unpaid reinsurance premiums by the Company to reinsurers amounting to P474.34 million and P583.91 million as at December 31, 2024 and 2023, respectively (see Note 26).

14. Accounts Payable and Accrued Expenses

This account consists of:

	Note	**2024**	2023
Accrued expenses	*26*	**P134,291,111**	P145,139,277
Accounts payable	*26*	**116,852,908**	12,543,442
Unallocated collections from policyholders		**40,597,935**	15,243,508
Taxes payable		**28,542,761**	24,107,682
Trust fees payable	*26*	**1,307,492**	1,511,054
Other payables		**18,914,141**	3,033,601
		P340,506,348	P201,578,564

Accrued expenses include accruals for audit, legal fees, rent, utilities and other expenses necessary to carry out the operations of the Company. These are normally settled within one year. Accrued expenses also include a provision for probable claims. Disclosure on additional details beyond the present disclosures may seriously prejudice the Company's position and strategy. Thus, as allowed by PAS 37, only general descriptions were provided.

Accounts payable pertain to unpaid purchases of goods and services from supplier.

Unallocated collections pertain to payments from policyholders which have not been allocated to specific invoices.

Taxes payable include taxes withheld from staff and agents, fringe benefits taxes, expanded withholding taxes, and premium taxes which are remitted subsequent to the reporting date.

Trust fees payable pertain to fees payable to the Company's trustee bank.

Other payables include payments due to Philippine Health Insurance Corporation, Social Security System and Home Development Mutual Fund which are to be remitted the following month.

15. Net Pension Liability

The Company has a trusteed defined benefit plan and a non-contributory defined contribution plan, covering substantially all of its employees, which requires contribution to be made to administered funds.

The most recent actuarial valuation was carried out for the retirement plan of the Company as at December 31, 2024.

The following table shows reconciliation from the opening balances to the closing balances for net pension liability and its components.

	DBO		FVPA		Net Pension Liability	
	2024	2023	**2024**	2023	**2024**	2023
Balance at January 1	**P52,990,340**	P88,516,362	**(P52,226,446)**	(P90,748,489)	**P763,894**	(P2,232,127)
Included in Profit or Loss						
Current service cost	**12,315,702**	12,478,334	**-**	-	**12,315,702**	12,478,334
Interest cost (income)	**3,243,009**	6,390,881	**(3,474,495)**	(5,009,523)	**(231,486)**	1,381,358
	15,558,711	18,869,215	**(3,474,495)**	(5,009,523)	**12,084,216**	13,859,692
Included in OCI						
Remeasurements (gains) losses:						
Actuarial (gain) loss arising from:						
Return on plan assets, excluding interest income	**-**	-	**922,271**	802,529	**922,271**	802,529
Experience adjustment	**(509,737)**	842,973	**-**	-	**(509,737)**	842,973
Financial assumption	**46,492**	1,579,952	**-**	-	**46,492**	1,579,952
	(463,245)	2,422,925	**922,271**	802,529	**459,026**	3,225,454
Others						
Benefits payments	**(3,345,192)**	(56,818,162)	**3,345,192**	56,818,162	**-**	-
Contributions to plan assets	**-**	-	**(12,437,894)**	(14,089,125)	**(12,437,894)**	(14,089,125)
	(3,345,192)	(56,818,162)	**(9,092,702)**	42,729,037	**(12,437,894)**	(14,089,125)
Balance at December 31	**P64,740,614**	P52,990,340	**(P63,871,372)**	(P52,226,446)	**P869,242**	P763,894

The Company's pension expense are summarized as follows:

	Note	2024	2023
Pension expense (benefit):			
Defined benefit plan		**P12,315,702**	P12,478,334
Defined contribution plan		**(231,486)**	1,381,358
	22	**P12,084,216**	P13,859,692

The Company's plan assets consist of the following:

	2024	2023
Government securities	**P35,372,716**	P26,350,324
Equity investments	**26,847,401**	17,460,714
Forfeitures	**3,357,154**	2,427,853
Other securities and debt instruments	**2,749,468**	5,452,302
Cash and cash equivalents	**694,194**	2,810,718
Other receivables	**501,112**	400,268
Benefits payable	**(2,253,299)**	(216,055)
Accounts payable	**(3,397,374)**	(2,459,678)
	P63,871,372	P52,226,446

The Company expects to contribute P10.00 million to the plan assets in 2025.

The expected return on plan assets is determined by considering the expected return available on the assets underlying the current investment policy. Expected yields on fixed income investments are based on gross redemption yields as at reporting dates.

The principal assumptions used in determining the Defined Benefit Obligation (DBO) for 2024 and 2023 is the Accrued Benefit Actuarial Cost Method (Projected Unit Credit) as follows:

	2024	2023
Discount rate	**6.09%**	6.12%
Salary increase rate	**5.00%**	5.00%
Expected average remaining working lifetime	**23 years**	24 years

Other principal assumptions used in determining the DBO for the Company which remain unchanged in 2024 and 2023 are as follows:

Mortality rate	2017 Philippine Intercompany Mortality Table
Disability rate	The Disability Study, Period 2 Benefit 5

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the DBO, assuming all other assumptions were held constant:

	Increase (Decrease) in Rates	Increase (Decrease) in Present Value of DBO	
		2024	2023
Discount rate	1.00%	**(P1,373,732)**	(P789,708)
	(1.00%)	**1,923,949**	964,478
Salary increase rate	1.00%	**1,918,860**	971,017
	(1.00%)	**(1,392,324)**	(801,528)

The maturity analysis of the undiscounted benefit payments as at December 31, 2024 and 2023 follows:

	2024	2023
2025	**P15,087,309**	P10,767,628
2026	**4,036,911**	839,137
2027	**1,833,122**	2,521,465
2028	**14,721,933**	1,198,383
2029	**18,873,313**	13,283,830
2030 - 2034	**41,772,282**	26,292,565
	P96,324,870	P54,903,008

The overall investment policy and strategy of the retirement plan is based on the client suitability assessment, as provided by its trust bank.

The defined benefit plans expose the Company to actuarial risks, such as longevity risk, interest risk and market (investment) risk.

16. Equity

<u>Capital stock</u>
The details of the Company's capital stock are as follows:

	Number of Shares		Amount	
	2024	2023	**2024**	2023
Authorized Capital Stock				
Common capital stock - P100 par value	**24,000,000**	24,000,000	**P2,400,000,000**	P2,400,000,000
Preferred capital stock - P100 par value	**12,000,000**	12,000,000	**1,200,000,000**	1,200,000,000
	36,000,000	36,000,000	**P3,600,000,000**	P3,600,000,000
Common Stock				
Issued and outstanding:				
Balance at beginning of year	**22,570,007**	11,570,007	**P2,257,000,700**	P1,157,000,700
Reclassification from deposit for future stock subscriptions	**-**	6,000,000	**-**	600,000,000
Stock issuance for the year	**-**	5,000,000	**-**	500,000,000
Balance at end of year	**22,570,007**	22,570,007	**2,257,000,700**	2,257,000,700
Preferred Stock				
Issued and outstanding:				
Balance at beginning and end of year	**11,642,599**	11,642,599	**1,164,259,900**	1,164,259,900
	34,212,606	34,212,606	**P3,421,260,600**	P3,421,260,600

Common Stock
The Company has only one class of common stock which carry no right to fixed income.

In January and July 2023, the stockholders of the Company infused capital amounting to P400 million and P100 million, respectively, equivalent to five (5) million shares in addition.

Preferred Stock
The Company's preferred stock are redeemable at the option of the Company at any time from their issuance and upon payment of aggregate issue value, and provided that the Company has sufficient retained earnings. The redemption price will be at par value and calculated to give the holders an estimated return of 30% per annum.

Preferred stockholders have preference over common stockholders with respect to payment of dividends and distribution of assets upon dissolution. Moreover, no voting right is vested on the preferred stockholders, except for the cases provided for under Section 6, paragraph 6 of the Revised Corporation Code of the Philippines.

Additional Paid-in Capital
Additional paid-in capital amounting to P41.62 million and P31.32 million as at December 31, 2024 and 2023, respectively, represents additional investments of the Parent Company in the Company without corresponding stock subscriptions.

Contingency Surplus
Contingency surplus amounted to P250.00 million as at December 31, 2024 and 2023. This represents additional capital infusion to the Company by its Parent Company, Generali Asia NV to strengthen its solvency ratio. No issuance of shares was made for the corresponding capital injection.

Deposits for Future Stock Subscriptions
In 2023, the SEC approved the increase in the Company's authorized capital stock. The Company released 1.10 million shares to the Parent Company for the P600.00 million deposit in 2022 and P500 million additional capital infusion in 2023.

Consequently, stock issuance costs are applied to retained earnings amounting to P13.06 million.

17. Net Insurance Premiums

Gross insurance premiums and reinsurers' share of gross insurance premiums consist of the following:

	2024	2023
Gross insurance premiums	**P3,031,741,206**	P2,414,084,037
Reinsurers' share of gross insurance premiums on insurance contracts	**(449,368,585)**	(503,191,375)
Net insurance premiums	**P2,582,372,621**	P1,910,892,662

18. Investment Income

This account consists of:

	Note	2024	2023
Interest income on:			
AFS financial assets	6	**P125,268,420**	P140,568,495
HTM financial assets	6	**16,558,678**	16,406,643
Cash and cash equivalents	4	**13,176,222**	3,191,185
Gain on sale of AFS financial assets	6	**-**	461,892
		P155,003,320	P160,628,215

19. Medical Service Fee and Other Income

This account consists of:

	2024	2023
Network access fee	**P213,676**	P1,433,527
Retainer fee	**-**	8,286,716
Annual physical examination	**-**	1,304,801
Dental access fee	**-**	6,136
Other income	**34,587,447**	326,657
	P34,801,123	P11,357,837

Network access fee relates to membership fee paid by the policyholders for the use of accredited hospitals, clinics and doctor's network for a no cash-out arrangement in case of in-patient and out-patient availments. This also includes fees paid by third parties to the Company for handling medical and health expenses of the said third parties.

Retainer fee is for the amounts paid by the policyholders to secure the services of a medical professional.

Annual physical examination are fees charged for the routine annual medical examination, facilitated by a physician through physical examination and a set of diagnostic tests done on enrolled members as part of their health insurance coverage or as part of preventive and wellness program.

Dental access fee pertains to fee paid by the policyholders for accessing the Company's network of accredited dental clinics and dentists.

Other income represents hospital discounts and reversal of liabilities that are no longer valid obligation of the Company.

20. Net Insurance Benefits and Claims

Net insurance contract benefits and claims consist of:

	Note	**2024**	2023
Net insurance contract benefits and claims paid:			
Insurance contract benefits and claims paid		**P2,269,927,575**	P1,651,606,046
Reinsurers' share of insurance contract benefits and claims paid		**(246,539,319)**	(472,831,057)
	12	**2,023,388,256**	1,178,774,989
Net change in insurance contract liabilities:			
Gross change in insurance contract liabilities		**(22,206,925)**	(29,012,389)
Reinsurers' share of gross change in outstanding claims provisions		**19,856,196**	160,732,352
		(2,350,729)	131,719,963
Net insurance benefits and claims		**P2,021,037,527**	P1,310,494,952

The Company has claims expense transactions for annual physical examination, dental fee, network access fee, and retainer's fee for premium-based policies amounting to P87 million and P74 million in 2024 and 2023, respectively.

21. Commission Expense

This account consists of:

	2024	2023
Gross commission expense	**P272,348,564**	P282,676,739
Reinsurers' share of commission expense	**(21,547,580)**	(19,196,084)
	P250,800,984	P263,480,655

22. General and Administrative Expenses

This account consists of:

	Note	**2024**	2023
Salaries, wages and other employee benefits		**P238,866,388**	P216,850,377
Taxes and licenses		**68,337,263**	55,610,855
IT-related expenses		**64,076,790**	44,183,384
Depreciation and amortization	*9, 10*	**59,686,214**	53,727,872
Contracted services		**56,927,002**	84,855,271
Communication and utilities		**33,461,305**	27,263,527
Non-compensation expense		**-**	-
Travel and transportation		**14,078,500**	5,823,807
Rental and association dues	*25*	**12,357,316**	6,415,851
Pension expense	*15*	**12,084,216**	13,859,692
Other employee benefits		**10,393,520**	4,586,220
Professional and management fees		**7,803,306**	15,908,247
Office supplies and postage		**5,289,306**	5,194,854
Investment management fees		**5,193,694**	6,719,471
Training and meetings		**2,754,266**	2,725,181
Entertainment, amusement and representation		**2,744,777**	1,598,410
Repairs and maintenance		**385,789**	667,647
Medical fees		**308,634**	6,359,612
Branding fee		**-**	7,099,820
Provision for (reversal of) impairment losses	*5, 6*	**(14,626,655)**	(17,739,720)
Other expenses		**28,883,629**	89,060,005
		P609,005,260	P630,770,383

Other employee benefits consist mainly of equity-settled employee benefits as part of the long-term incentives program of the Company.

Other expenses consist mainly of membership dues, bank charges, premises management expenses, advertisements and promotions. It also includes provision for a probable claim from the Company. Disclosure of additional details beyond the present disclosures may seriously prejudice the Company's position and strategy. Thus, as allowed by PAS 37 only general descriptions were provided.

23. Income Tax

The provision for income tax expense consists of:

	2024	2023
Recognized in profit or loss:		
Final tax	**P33,164,058**	P33,965,901
Current tax	**5,651,940**	4,321,712
Deferred tax	**(667,344)**	464,548
	P38,148,654	P38,752,161

	2024	2023
Recognized in other comprehensive income:		
Deferred tax	**(P395,483)**	P6,622,386

Reconciliation of the income tax expense computed at the statutory income tax rate to the income tax expense as shown in profit or loss for the years ended December 31 is as follows:

	2024	2023
Loss before income tax expense	**(P110,595,346)**	(P123,295,362)
Income tax expense at statutory tax rate of 25%	**(P27,648,837)**	(P30,823,841)
Tax effects of:		
Changes in unrecognized deferred tax assets	**61,424,139**	56,652,696
Final tax expense	**33,164,058**	33,965,901
MCIT	**5,651,940**	4,321,712
Nondeductible expenses	**3,027,305**	13,008,096
Income subjected to final tax	**(37,469,951)**	(38,372,403)
	P38,148,654	P38,752,161

The components and movements of the Company's deferred tax assets (liabilities) - net follow:

2024	At January 1	Recognized in Profit or Loss	Recognized in OCI	At December 31
Deferred Tax Assets				
NOLCO	P20,686,846	P -	P -	P20,686,846
Allowance for impairment losses	8,921,314	-	-	8,921,314
Unrealized loss on AFS	4,019,734	-	(457,375)	3,562,359
Remeasurement loss on life insurance reserves	3,042,864	-	(52,864)	2,990,000
Lease liability	1,213,856	5,299,240	-	6,513,096
Unrealized foreign exchange loss	113,207	(42,723)	-	70,484
	37,997,821	5,256,517	(510,239)	42,744,099
Deferred Tax Liabilities				
Right-of-use of assets	(1,578,961)	(4,589,173)	-	(6,168,134)
Remeasurement loss on pension obligation	(2,622,229)	-	114,756	(2,507,473)
	(4,201,190)	(4,589,173)	114,756	(8,675,607)
	P33,796,631	P667,344	(P395,483)	P34,068,492

2023	At January 1	Recognized in Profit or Loss	Recognized in OCI	At December 31
Deferred Tax Assets				
NOLCO	P20,686,846	P -	P -	P20,686,846
Allowance for impairment losses	8,921,314	-	-	8,921,314
Unrealized loss on AFS	(1,783,470)	-	5,803,204	4,019,734
Remeasurement loss on life insurance reserves	3,030,046	-	12,818	3,042,864
Lease liability	3,774,281	(2,560,425)	-	1,213,856
Unrealized foreign exchange loss	425,127	(311,920)	-	113,207
	35,054,144	(2,872,345)	5,816,022	37,997,821
Deferred Tax Liabilities				
Right-of-use of assets	(3,986,757)	2,407,796	-	(1,578,961)
Remeasurement loss on pension obligation	(3,428,593)	-	806,364	(2,622,229)
	(7,415,350)	2,407,796	806,364	(4,201,190)
	P27,638,794	(P464,549)	P6,622,386	P33,796,631

The table below shows the temporary differences for which no deferred tax assets have been set up because the Company believes that there will be no future taxable profit against which the benefit from these assets could be utilized.

	2024	2023
Presented in Profit or Loss		
Deferred tax assets on:		
Allowance for impairment losses	**P13,005,994**	P16,662,658
NOLCO	**210,879,892**	145,799,089
	P223,885,886	P162,461,747

NOLCO

Details of the Company's NOLCO not covered by RR No. 25-2020 which could be carried over as a deduction from the Company's future taxable income for the next 3 succeeding taxable years as follow:

Year Incurred	Expiry Year	Amount	Utilized	Expired	Balance
2024	2027	P260,323,213	P -	P -	P260,323,213
2023	2026	244,350,506	-	-	244,350,506
2022	2025	421,593,233	-	-	421,593,233
2019	2022	385,330,341	-	385,330,341	-
2018	2021	185,822,475	42,242,633	143,579,842	-
		P1,497,419,768	P42,242,633	P528,910,183	P926,266,952

MCIT

An MCIT of 2% and 1.5% of the gross income as at the end of the taxable year 2024 and 2023 respectively, is imposed upon any domestic corporation beginning the fourth taxable year immediately following the taxable year in which such corporation commenced its business operations.

Details of the Company's MCIT are as follows:

Year Incurred	Expiry Year	Amount	Utilized	Expired	Balance
2024	2027	P5,651,940	P -	P -	P5,651,940
2023	2026	4,321,712	-	-	4,321,712
2022	2025	594,412	-	-	594,412
2021	2024	4,117,143	-	-	4,117,143
2020	2023	7,682,261	-	7,682,261	-
		P22,367,468	P -	P7,682,261	P14,685,207

24. Related Party Transactions

Transactions between related parties are based on terms similar to those offered to nonrelated parties. Parties are 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 and the parties are subject to common control. Related parties may be individuals or corporate entities.

Related Party	Relationship
Assicurazioni Generali S.p.V.	Ultimate parent company
Generali Asia N.V.	Parent Company
Generali Vietnam Life Insurance Limited Liability Company	Entity under common control
Generali Asia International - Asia Regional Office - Hong Kong	Entity under common control

The following are the Company's outstanding related party transactions:

a. Details of key management compensation follow:

	2024	2023
Salaries and other short-term benefits	**P80,169,459**	P74,738,777
Fringe benefits	**29,103,402**	23,935,854
Post-employment benefits	**14,202,920**	14,224,181
Equity-settled share-based payment	**10,305,868**	5,010,260
Social security cost	**1,572,572**	1,011,880
Total	**P135,354,221**	**P118,920,952**

Key management personnel include officers with positions of Vice President and up.

b. Head office
c. Affiliates of the Company

- Generali Vietnam Life Insurance Limited Liability Company
- Generali Asia International - Asia Regional Office - Hong Kong

d. Outstanding balances with related parties as at December 31 are as follows:

		2024			
Category	***Note***	**Amount of Transaction**	**Outstanding Balance**	**Terms**	**Conditions**
Assicurazioni Generali S.p.A.					
Reinsurance recoverable on paid losses	*5*	**P264,365,347**	**P128,652,302**	**Non-interest bearing; due and demandable**	**Unsecured, no impairment**
Reinsurance recoverable on unpaid losses		**112,017,458**	**112,017,458**	**Non-interest bearing; due and demandable**	**Unsecured, no impairment**
Insurance payable		**452,095,827**	**163,440,561**	**Non-interest bearing; due and demandable**	**Unsecured**
Generali Vietnam Life Insurance Limited Liability Company					
Due from Generali Vietnam	*6*	**-**	**600,000**	**Non-interest bearing; due and demandable**	**Unsecured, no impairment**
Generali Asia N.V.					
Issuance of capital stock	*16*	**-**	**-**	**-**	**-**
Generali Asia International - Asia Regional Office - Hong Kong					
Due from Generali Asia International - Asia Regional Office - Hong Kong	*6*	**-**	**105,068**	**Non-interest bearing; due and demandable**	**Unsecured, no impairment**

		2023			
Category	*Note*	Amount of Transaction	Outstanding Balance	Terms	Conditions
Assicurazioni Generali S.p.A.					
Reinsurance recoverable on paid losses		P3,695,948,586	P114,895,978	Non-interest bearing; due and demandable	Unsecured, no impairment
Reinsurance recoverable on unpaid losses		193,144,589	17,373,187	Non-interest bearing; due and demandable	Unsecured, no impairment
Insurance payable		5,687,865,171	(174,284,789)	Non-interest bearing; due and demandable	Unsecured
Generali Vietnam Life Insurance Limited Liability Company					
Due from Generali Vietnam	*6*	600,000	600,000	Non-interest bearing; due and demandable	Unsecured, no impairment
Generali Asia N.V.					
Issuance of capital stock	*16*	1,100,000,000	-		
Generali Asia International - Asia Regional Office - Hong Kong					
Due from Generali Asia International - Asia Regional Office - Hong Kong	*6*	105,068	105,068	Non-interest bearing; due and demandable	Unsecured, no impairment

All outstanding balances with related parties are to be settled in cash.

25. Leases

The Company entered into various lease contracts for its office spaces and equipment used in its operations. These leases generally have lease terms between three (3) and five (5) years. As at December 31, 2024, remaining lease contracts will expire by the end of 2026. The Company's obligations under its leases are secured by the lessor's title to the leased assets.

The Company also entered into a short-term lease contract from August 5, 2023 to August 4, 2024 of a residential condominium intended for use of office executives.

Right-of-Use Assets
The carrying amount of ROU assets recognized and movements during the year were presented as part of "Property and equipment" in the statement of financial position (see Note 9).

Lease Liabilities
The carrying amount of lease liabilities recognized and the movements during the year are as follows:

	2024	2023
Balance at beginning of year	**P4,855,424**	P15,097,125
Additions	**28,884,261**	-
Interest	**1,646,706**	975,260
Payments	**(9,334,007)**	(11,216,961)
Balance at end of year	**P26,052,384**	P4,855,424

For the years ended December 31, 2024 and 2023, amounts recognized in the statements of comprehensive loss for leases as under PFRS 16, *Leases*, are as follows:

	Note	**2024**	2023
Depreciation expense of ROU assets	*9*	**P10,527,569**	P9,631,185
Expenses relating to short-term leases	*22*	**12,357,316**	6,415,851
Interest expense on lease liabilities		**1,646,706**	975,260
		P24,531,591	P17,022,296

Rent expense for the office spaces, parking slots and residential condominium in 2024 and 2023 presented as “Rental and association dues” under “General and administrative expenses” amounted to P12.36 million and P6.42 million, respectively (see Note 22).

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

	2024	2023
One (1) year	**P12,595,094**	P12,813,575
More than 1 year to 2 years	**27,781,321**	55,426,898

Amounts recognized in the statement of cash flows are as follows:

	Note	**2024**	2023
Payment of principal portion of lease liabilities		**P9,334,007**	P11,216,961
Expenses relating to short-term leases and variable lease payment	*22*	**12,357,316**	6,415,851
Interest expense on lease liabilities		**1,646,706**	975,260
		P23,338,029	P18,608,072

26. Capital, Insurance and Financial Risk Management Objectives and Policies

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

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

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

RBC Requirement Model
The Company fully complied with the externally imposed capital requirements during the reported financial periods and no changes were made to its capital base, objectives, policies and processes from the previous year.

The Company's risk management function has developed and implemented certain minimum stress and scenario tests for identifying the risks to which each of its business units and the Company as a whole is exposed, quantifying their impact on the volatility of economic capital. The results of these tests, particularly the anticipated impact on the realistic financial position and revenue account of each business unit, are reported to the Company's risk management function. The risk management function then considers the aggregate impact of the overall capital requirement revealed by the stress testing to assess how much capital is needed to mitigate the risk of insolvency to a selected remote level.

Regulatory Framework
A substantial portion of the Company's long-term insurance business comprises policies where the investment risk is borne by policyholders. Risk attributable to policyholders is actively managed keeping in view their investment objectives and constraints.

Regulators are interested in protecting the rights of the policyholders and maintaining close vigil to ensure that the Company is satisfactorily managing its affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Company maintains appropriate solvency position to meet liabilities arising from claims and that the risks are at acceptable levels. The operations of the Company are subject to the regulatory requirements of the Insurance Commission (IC). Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions (e.g. fixed capitalization requirements, margin of solvency and RBC requirements to minimize the risk of default and insolvency on the part of the insurance companies to meet the unforeseen liabilities as these arise.

Fixed Capitalization Requirements
On August 5, 2014, the President of the Philippines approved the Revised Code which provides the new capitalization requirements for all existing insurance companies based on net worth on a staggered basis starting June 30, 2015 up to December 31, 2022.

On January 13, 2015, the IC issued Circular Letter (CL) No. 2015-02-A clarifying the minimum capitalization and net worth requirements of all insurance companies in the Philippines. All domestic life and non-life insurance companies duly licensed by the IC must have a net worth of at least P250 million by December 31, 2013 (Section 194). The minimum net worth of the said companies shall remain unimpaired at all times and shall increase to the amounts as follows:

Minimum Net Worth	**Compliance Date**
P550,000,000	December 31, 2016
900,000,000	December 31, 2019
1,300,000,000	December 31, 2022

Solvency Requirement

Under the Revised Code, a life insurance company doing business in the Philippines shall at all times maintain the minimum paid-up capital, and net worth requirements as prescribed by the Insurance Commissioner. Such solvency requirements shall be based on internationally accepted solvency frameworks and accepted only after due consultation with the insurance industry association.

As at December 31, 2024 the final amount of the net worth can be determined only after the accounts of the Company have been examined by the IC, specifically as to admitted and non-admitted assets as defined under the Code.

The amounts of assets below for 2024 are subject to final determination by the IC while the 2023 balances are based on the final amount reviewed by IC:

	2024	2023
Past due premiums receivable	**P280,029,194**	P100,128,276
Creditable withholding tax	**122,062,026**	104,645,560
Unsecured receivables	**74,624,805**	26,413,546
Prepayments	**52,074,329**	43,231,133
Deferred tax asset	**34,068,492**	33,796,631
Intangible assets	**25,120,502**	23,510,642
Property and equipment	**1,493,207**	3,031,227
Leasehold improvements	**1,350,775**	2,439,730
Others	**871,000**	1,622,035
	P591,694,330	P338,818,780

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

Amended RBC (RBC2) Framework

In December 2016, IC issued CL No. 2016-68 which supersedes all previously issued IC CL on RBC and shall be implemented effective January 1, 2017. The RBC2 Framework prescribes the minimum RBC Ratio and RBC Requirement that must be satisfied by all insurance companies. Under the RBC2 Framework, the RBC Ratio of an insurance company shall be equal to the Total Available Capital (TAC) divided by the RBC requirement. All insurance companies are required to maintain a minimum RBC Ratio of 100% and not fail the trend test. The RBC Requirement is defined under RBC2 Framework as the capital required to be held appropriately to the risks an insurance company is exposed to.

IC CL No. 2016-69, *Implementation Requirements for Financial Reporting, Valuation Standards for Insurance Policy Reserves and RBC2 Framework* further states that the level of sufficiency for the RBC2 Framework shall be at 95.00% level in 2017, 97.50% in 2018 and 99.50% in 2019.

As at December 31, 2024 and 2023, the Company has passed the Trend Test based on the requirements of the IC CL No. 2016-69. The below table shows how the RBC ratio as at the reporting date was determined by the Company:

	2024	2023
TAC	**P1,548,107,408**	P1,674,184,570
RBC requirement	**318,179,090**	321,284,791
RBC Ratio	**487%**	521%

The figures above for 2024 are internally computed by the Company and the final amount of the RBC ratio can be determined only after the accounts of the Company have been reviewed by IC specifically as to determination of admitted and non-admitted assets as defined under the Code.

As at December 31, 2024 and 2023, the Company has complied with the minimum RBC ratio of 100%.

Insurance Risk

Nature of Risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

Insurance risk includes premium/benefits risk, actuarial reserve risk and reinsurance risk. Premium/benefits risk is the risk of having to pay, from a premium that may be fixed for a specific term, benefits that can be affected by uncontrollable event when they become due. Adequacy of the actuarial reserves is monitored on a regular basis in accordance with local regulations. Actuarial reserve risks are brought about by a combination of the following:

- *Mortality Risk* - risk of loss arising from the policyholder's death experience being different than expected.

- *Morbidity Risk* - risk of loss arising from the policyholder's health experience being different than expected.

- *Expense Risk* - risk of loss arising from expense experience being different than expected.

- *Policyholder Decision Risk* - risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected.

Reinsurance risk arises from underwriting direct business or reinsurance business in relation to reinsurers and brokers.

Monitoring and Controlling

The Company regularly assesses the reserving methodology in accordance with local regulations. Underwriting guidelines and limits for insurance and reinsurance contracts have been well established to clearly regulate responsibility and accountability. The main underwriting strategy of the Company in managing insurance risk is the use of reinsurance. The Company maintains quota-share and surplus-type reinsurance treaties for group life business. The retention limit is P3 million per life. In addition, the Company may arrange facultative reinsurance for risks beyond the scope of its automatic treaties.

Frequency and Severity of Claims

The frequency and severity of claims is dependent on the type of contracts as follows:

a) For contracts where death is the insured risk, the most significant factor would be epidemics that result in earlier or more claims than expected; and

b) For medical insurance contracts where illness incurred by the insured is the considered risk, the most significant factor would be epidemics and communicable diseases, that may result in earlier or more claims than expected.

Fair Value of Financial Instruments
The following table sets forth the carrying values and estimated fair values of financial assets and liabilities recognized as at December 31:

	2024		2023	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Cash and cash equivalents*	**P202,646,721**	**P202,646,721**	P165,915,065	P165,915,065
Insurance receivables:				
Premiums due and uncollected	**642,714,942**	**642,714,942**	352,118,072	352,118,072
Reinsurance recoverable on paid losses	**128,652,302**	**128,652,302**	136,776,193	136,776,193
Accrued income	**32,226,050**	**32,226,050**	33,506,795	33,506,795
AFS financial assets	**567,186,138**	**567,186,138**	456,713,191	456,713,191
HTM financial assets	**2,054,463,465**	**2,054,463,465**	2,412,053,453	2,412,053,453
Loans and receivables	**74,599,956**	**74,599,956**	26,388,695	26,388,695
Other assets**	**20,165,804**	**20,165,804**	21,777,178	21,777,178
Total Financial Assets	**3,722,655,378**	**3,722,655,378**	3,605,248,642	3,605,248,642
Insurance payables	**474,338,523**	**474,338,523**	583,907,653	583,907,653
Accrued expenses	**134,291,111**	**134,291,111**	145,139,277	145,139,277
Accounts payable	**116,852,908**	**116,852,908**	12,543,442	12,543,442
Trust fees payable	**1,307,492**	**1,307,492**	1,511,054	1,511,054
Total Financial Liabilities	**P726,790,034**	**P726,790,034**	P743,101,426	P743,101,426

**excludes cash on hand*
***excludes CWT, prepayments and input VAT*

Due to the short-term nature of cash and cash equivalents, insurance receivables, loans and other receivables, insurance payables and accounts payable and accrued expenses, their carrying values reasonably approximate fair values at the end of the reporting period.

When the fair value of AFS financial assets cannot be measured reliably because of lack of available estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost.

The fair value of HTM financial assets that are actively traded in organized financial markets is determined by reference to quoted market bid prices, at the close of business at the end of the reporting period. The HTM financial assets earned interest at weighted average rate of 5.68% and 5.16% in 2024 and 2023, respectively (see Note 6).

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

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

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing 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. At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies.

For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents with relevant external sources to determine whether the change is reasonable.

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.

The table below presents the Company's financial instruments carried at fair value by valuation method as at December 31, 2024 and 2023:

	December 31, 2024			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial Asset Measured at Fair Value				
AFS financial instruments	**P566,315,138**	**P800,000**	**P71,000**	**P567,186,138**

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Financial Asset Measured at Fair Value				
AFS financial instruments	P455,842,191	P800,000	P71,000	P456,713,191

During the reporting year ended December 31, 2024, there were no transfers between Level 1 and level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Financial Risk

The Company is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are credit risk, liquidity risk and market risk. These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risk that the Company primarily faces due to the nature of its investments and liabilities is interest rate risk.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- Net exposure limits are set for each counterparty or group of counterparties and industry segment (i.e., limits are set for investments and cash deposits, foreign exchange trade exposures and minimum credit ratings for investments that may be held).

- Guidelines are provided to determine when to obtain collateral and guarantees.

- The maximum amounts and limits that may be advanced to corporate counterparties by reference to their long term credit ratings are also set.

The Company also enters into reinsurance agreements. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer may be unable to meet its obligations assumed under such reinsurance agreements. The Company selects only domestic and foreign companies with strong financial standing and excellent track records which are allowed to participate in the Company's reinsurance programs.

The table below shows the maximum exposure to credit risk for the components of the statement of financial position as at December 31:

	2024	2023
Cash and cash equivalents*	**P202,646,721**	P165,915,065
Insurance receivables:		
Premiums due and uncollected	**642,714,942**	352,118,072
Reinsurance recoverable on paid losses	**128,652,302**	136,776,193
Financial assets:		
AFS financial assets	**567,186,138**	456,713,191
HTM financial assets	**2,054,463,465**	2,412,053,453
Loans and receivables	**74,599,956**	26,388,695
Accrued income	**32,226,050**	33,506,795
Other assets**	**20,165,804**	21,777,178
	P3,722,655,378	P3,605,248,642

**excludes cash on hand*
***excludes CWT, prepayments and input VAT*

The Company did not have any significant concentration of credit risk with a single counterparty or group of counterparties, geographical and industry segments as at December 31, 2024 and 2023.

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's assessment of credit standing of the counterparties, historical dealings and experience with the counterparties, underlying collaterals, if any and other factors.

	December 31, 2024			
	Neither Past Due nor Impaired			
	Investment Grade	Non-investment Grade	Past due or Impaired	Total
Cash and cash equivalents*	P202,646,721	P -	P -	P202,646,721
Insurance receivables:				
Premiums due and uncollected	-	642,714,942	48,344,647	691,059,589
Reinsurance recoverable on paid losses	-	128,652,302	-	128,652,302
Financial assets:				
AFS financial assets	566,315,138	-	-	566,315,138
Listed equity securities	-	871,000	-	871,000
HTM financial assets	2,054,463,465	-	-	2,054,463,465
Loans and receivables:				
Due from policyholders	-	107,369,688	39,364,589	146,734,277
Due from employees	-	5,889,789	-	5,889,789
Accrued income	32,226,050	-	-	32,226,050
Other assets**	-	20,165,803	-	20,165,803
Total	P2,855,651,374	P905,663,524	P87,709,236	P3,849,024,134

**excludes cash on hand*
***excludes CWT, prepayments and input VAT*

	December 31, 2023			
	Neither Past Due nor Impaired			
	Investment Grade	Non-investment Grade	Past due or Impaired	Total
Cash and cash equivalents*	P165,915,065	P -	P -	P165,915,065
Insurance receivables:				
Premiums due and uncollected	-	352,118,072	66,617,763	418,735,835
Reinsurance recoverable on paid losses	-	136,776,193	-	136,776,193
Financial assets:				
AFS financial assets	455,842,191	-	-	455,842,191
Listed equity securities	-	871,000	-	871,000
HTM financial assets	2,412,053,453	-	-	2,412,053,453
Loans and receivables:				
Due from policyholders	-	58,689,437	35,718,128	94,407,565
Due from employees	-	2,712,318	-	2,712,318
Accrued income	33,506,795	-	-	33,506,795
Other assets**	-	21,777,178	-	21,777,178
Total	P3,067,317,504	P572,944,198	P102,335,891	P3,742,597,593

**excludes cash on hand*
***excludes CWT, prepayments and input VAT*

The Company determines the credit ratings of its counterparties based on the following criteria:

- Investment grade - Ratings given to counterparties with strong to very strong capacity to meet their obligations.

- Non-investment grade - Ratings given to counterparties with average capacity to meet their obligations.

The table below shows the analysis of age of financial assets that are past-due but not impaired.

	December 31, 2024					
	Age Analysis of Financial Assets Past-Due but Not Impaired					
	Less than 30 Days	**31 to 90 Days**	**90 Days**	**Total Past Due but not Impaired**	**Past Due and Impaired**	**Total**
Insurance receivables - net						
Premiums due and uncollected	**P178,913,640**	**P183,772,110**	**P280,029,192**	**P642,714,942**	**P48,344,647**	**P691,059,589**
Reinsurance recoverable on paid losses	**2,193,332**	**92,959,043**	**33,499,927**	**128,652,302**	**-**	**128,652,302**
Loans and receivables:						
Due from employees	**-**	**-**	**5,231,831**	**5,231,831**	**-**	**5,231,831**
Due from policyholders	**-**	**-**	**108,027,645**	**108,027,645**	**39,364,589**	**147,392,234**
Total	**P181,106,972**	**P276,731,153**	**P426,788,595**	**P884,626,720**	**P87,709,236**	**P972,335,956**

	December 31, 2023					
	Age Analysis of Financial Assets Past-Due but Not Impaired					
	Less than 30 Days	31 to 90 Days	90 Days	Total Past Due but not Impaired	Past Due and Impaired	Total
Insurance receivables - net						
Premiums due and uncollected	P120,927,900	P131,061,896	P100,128,276	P352,118,072	P66,617,763	P418,735,835
Reinsurance recoverable on paid losses	1,676,830	48,561,089	86,538,274	136,776,193	-	136,776,193
Loans and receivables:						
Due from employees	-	-	1,487,360	1,487,360	-	1,487,360
Due from policyholders	-	-	58,689,437	58,689,437	35,718,128	94,407,565
Total	P122,604,730	P179,622,985	P246,843,347	P549,071,062	P102,335,891	P651,406,953

The Company conducts a periodic review of allowance for impairment losses based on the corresponding age of past due accounts, payment behavior, credit capacity and length of relationship with the counterparty.

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

The Company manages liquidity through an assessment of the minimum amount of funds needed to meet operating and investment requirements; forecasting cash flows on both a short- and long-term basis; setting up of normal and contingency funding plans; specifying the sources of funding; maintaining counterparty exposures within approved limits; and periodic reporting and review of the credit facilities made available to the Company.

It is unusual for a company primarily transacting insurance business to predict the requirements of funding with absolute certainty as theory of probability is applied on insurance contracts to ascertain the likely provision and the time period when such liabilities will require settlement.

The amounts and maturities in respect of insurance liabilities are thus based on management's best estimate based on statistical techniques and past experience.

The table below summarizes the maturity profile of the financial assets and liabilities of the Company using undiscounted contractual maturities based on remaining contractual obligations, or on the estimated timing of net cash outflows.

	December 31, 2024					
	Up to a Year*	**1 to 3 Years**	**3 to 5 Years**	**Over 5 Years**	**No Term**	**Total**
Cash and cash equivalents	**P -**	**P -**	**P -**	**P -**	**P202,646,721**	**P202,646,721**
Insurance receivables	**819,711,891**					**819,711,891**
AFS financial assets	**30,195,122**	**109,210,215**	**393,019,830**	**33,889,971**	**871,000**	**567,186,138**
HTM financial assets	**211,775,026**	**563,890,865**	**1,115,551,848**	**163,245,726**	**-**	**2,054,463,465**
Loans and receivables	**152,624,065**	**-**	**-**	**-**	**-**	**152,624,065**
Accrued income	**32,226,050**	**-**	**-**	**-**	**-**	**32,226,050**
Other assets	**-**	**-**	**-**	**-**	**20,165,803**	**20,165,803**
Total Financial Assets	**P1,246,532,154**	**P673,101,080**	**P1,508,571,678**	**P197,135,697**	**P223,683,524**	**P3,849,024,133**
Insurance contract liabilities	**P1,699,951,236**	**P -**	**P -**	**P -**	**P -**	**P1,699,951,236**
Insurance payables	**474,338,523**	**-**	**-**	**-**	**-**	**474,338,523**
Accounts payable and accrued expenses**	**252,501,510**	**-**	**-**	**-**	**-**	**252,501,510**
Total Financial Liabilities	**P2,426,791,269**	**P -**	**P -**	**P -**	**P -**	**P2,426,791,269**

**Up to a year are all commitments which are either due within the time frame.*
***Excludes unallocated collections from policyholders, taxes payable, and other payables*

	December 31, 2023					
	Up to a Year*	1 to 3 Years	3 to 5 Years	Over 5 Years	No Term	Total
Cash and cash equivalents	P -	P -	P -	P -	P165,915,065	P165,915,065
Insurance receivables	555,512,028	-	-	-	-	555,512,028
AFS financial assets	-	68,185,827	342,591,724	45,064,640	871,000	456,713,191
HTM financial assets	355,410,836	735,974,050	1,139,294,545	181,374,022	-	2,412,053,453
Loans and receivables	95,894,924	-	-	-	-	95,894,924
Accrued income	33,506,795	-	-	-	-	33,506,795
Other assets	-	-	-	-	21,777,178	21,777,178
Total Financial Assets	P1,040,324,583	P804,159,877	P1,481,886,269	P226,438,662	P188,563,243	P3,741,372,634
Insurance contract liabilities	P1,592,037,390	P -	P -	P -	P -	1,592,037,390
Insurance payables	583,907,653	-	-	-	-	583,907,653
Accounts payable and accrued expenses**	159,193,773	-	-	-	-	159,193,773
Total Financial Liabilities	P2,335,138,816	P -	P -	P -	P -	P2,335,138,816

**Up to a year are all commitments which are either due within the time frame.*
***Excludes unallocated collections from policyholders, taxes payable, and other payables*

Market Risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of three types of risks: foreign exchange rate (currency risk), market interest rate (fair value interest rate risk) and market price (equity price risk). The Company manages market risks through a market risk policy that sets out the following:

- determines what is the acceptable level of market risk for the Company;

- defines the basis used to determine the fair value of financial assets and liabilities;

- asset allocation and portfolio limit structure by type of instrument and geographical area, counterparty or group of counterparties, and industry segments;

- reporting of market risk exposures and conditions that might trigger market risk deviations; and

- review of market risk policy for pertinence in relation to market changes and in the environment.

Foreign Currency Exchange Risk
The Company's principal transactions are carried out in Philippine Peso and its foreign exchange risk arises primarily with respect to US Dollar (US$) and Euro (€) where some of its products are denominated. The Company's financial assets are primarily denominated in the same currencies as its insurance contracts, which mitigate the foreign exchange rate risk.

Thus, the main foreign exchange risk arises from recognized assets and liabilities denominated in currencies other than those in which the insurance contracts are expected to be settled.

The table below summarizes the Company's exposure to foreign currency exchange risks as at December 31:

	2024	2023
	US$	US$
Assets		
Cash and cash equivalents	**$30,880**	$6,391
Peso equivalent	**P1,786,408.58**	P353,942

	2024	2023
	Euro€	Euro€
Assets		
Cash and cash equivalents	**79 €**	€618
Peso equivalent	**P4,740.49**	P37,821

The exchange rates for 2024 and 2023 are P57.85 and P55.38 per US$1.00 and P59.9 and P61.17per €1.00, respectively. Net unrealized foreign exchange gain recognized in the profit and loss amounted to P0.30 million and P0.50 million in 2024 and 2023, respectively.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on income before tax (due to changes in fair value of currency sensitive monetary assets).

	Increase (Decrease) in Peso per US$ Depreciation (Appreciation)	Impact on Profit before Tax Increase (Decrease)
2024	**11%**	**(275,727)**
	-11%	**343,884**
2023	11%	38,934
	-11%	(38,934)

The Company determined the reasonably possible change in foreign exchange rates using percentage changes in weighted average foreign exchange rate for the past three years. The sensitivity analysis includes only outstanding foreign currency denominated monetary assets and liabilities as at reporting date.

There is no other impact on the Company's equity other than those already affecting the profit and loss.

Fair Value Interest Rate Risk
Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The following table shows the information relating to the Company’s financial instruments that are exposed to interest rate risk presented by maturity profile.

	December 31, 2024					
	Interest Rates	**Within One Year**	**2 to 3 Years**	**4 to 5 Years**	**Over 5 Years**	**Total**
Cash and cash equivalents	**3.500% - 5.0%**	**P202,646,721**	**P -**	**P -**	**P -**	**P202,646,721**
AFS financial assets	**4.95%**	**30,195,122**	**109,210,215**	**393,019,830**	**33,889,971**	**566,315,138**
HTM financial assets	**5.29%**	**211,775,024**	**563,890,866**	**1,115,551,849**	**163,245,726**	**2,054,463,465**

	December 31, 2023					
	Interest Rates	Within One Year	2 to 3 Years	4 to 5 Years	Over 5 Years	Total
Cash and cash equivalents	3.25% - 3.88%	P165,915,065	P -	P -	P -	P165,915,065
AFS financial assets	4.61%	-	68,185,827	342,591,725	45,064,639	455,842,191
HTM financial assets	5.16%	355,410,835	735,974,050	1,139,294,545	181,374,023	2,412,053,453

27. Material Accounting Policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements, except for the amendments to standards as discussed below.

Adoption of Amendments to Standards

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

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

  - removed the requirement for a right to defer settlement of a liability for at least 12 months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period; classified that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or noncurrent and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;

  - provided additional disclosure requirements for noncurrent liabilities subject to conditions within 12 months after the reporting period to enable the assessment of the risk that the liability could become repayable within 12 months; and

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

Product Classification

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

Insurance contracts can also transfer financial risk. Investment contracts are those contracts that transfer significant financial risk, but not significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

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

Based on the Company guidelines, all products in its portfolio meet the definition of insurance contracts. There are no investment contracts as at the reporting date.

<u>Financial Instruments</u>

Date of Recognition

Financial instruments are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Initial Recognition

Financial instruments are recognized initially at fair value. Except for financial instruments at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. Financial assets of the Company are classified as in four categories: financial asset at FVPL, loans and receivables, HTM and AFS financial assets. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market.

Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

AFS Financial Assets

AFS financial assets are those which are designated as such or do not qualify to be classified as financial assets at FVPL, HTM financial assets or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in profit or loss. Interest earned on holding AFS financial assets is reported as interest income using the effective interest method. Dividends earned on holding AFS financial assets are recognized in profit or loss under “Investment income” account when the right to receive payment has been established. The unrealized gains and losses arising from the fair valuation of AFS financial assets are reported as “Unrealized losses on AFS financial assets” in OCI. The losses arising from impairment of such investments are recognized as “Provision for impairment losses” account in profit or loss. When a security is disposed of, the cumulative gain or loss previously recognized in OCI is reported as “Gain on sale of AFS financial assets” in profit or loss.

When the fair value of AFS financial assets cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost, less any allowance for impairment loss.

HTM Financial Assets

HTM financial assets are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which management has the positive intention and ability to hold to maturity.

These investments are initially recognized at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of HTM financial assets. After initial measurement, these financial assets are subsequently measured at amortized cost using the effective interest rate, less impairment in value.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included under “Investment income” in the profit or loss. Gains and losses are recognized in profit or loss when the HTM financial assets are derecognized or impaired, as well as through the amortization process. The losses arising from impairment of such investments, if any, are recognized in profit or loss as “Provision for impairment losses” under “General and administrative expenses” in the profit or loss.

The effects of translation of foreign currency-denominated HTM financial assets are recognized in profit or loss.

Where the Company sells other than an insignificant amount of HTM financial assets, the entire category would be tainted and reclassified as AFS financial assets and will be carried at fair value.

The Company’s HTM financial assets consist of government securities as at December 31, 2024 and 2023 (see Note 6).

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held-for-trading, nor designated as AFS or at FVPL.

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

Loans and receivables together with the associated allowance are written-off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Company. If a write-off is later recovered, the recovery is recognized in profit or loss.

This accounting policy relates to the statement of financial position captions: (a) Cash and cash equivalents, (b) Insurance receivables, (c) Loans and receivables, (d) Accrued income and (e) Refundable lease and other deposits included under “Other assets”.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. 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.

Impairment of Financial Assets

The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

AFS Financial Assets Carried at Fair Value

For AFS financial assets, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity instruments classified as AFS financial assets, objective evidence would include a 'significant or prolonged' decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss - is removed from OCI and recognized in profit or loss. Impairment losses on equity investments are not reversed through the profit or loss; increases in their fair value after impairment are recognized directly in OCI.

In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of interest and other income.

If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed, with the amount of reversal recognized in profit or loss.

Loans and Receivables
For loans and receivables carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount based on the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Company. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account.

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

- the right to receive cash flows from the asset have expired;

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

- the Company has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset or has entered into a 'pass-through' arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of the consideration that the Company could be required to repay.

Financial Liabilities
Financial liabilities are derecognized when the obligation under the liability is discharged, cancelled, or has expired. 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 profit or loss.

Fair Values
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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or

- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Financial Assets
The fair value for financial instruments traded in active markets at the end of the reporting period is based on their quoted market price or dealer price quotations (price between the bid and ask spread), without any deduction for transaction costs. When current market prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models.

Non-financial Assets
A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Reinsurance
The Company cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance company for unpaid losses. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when objective evidence exists 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 charged to profit or loss.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Premiums are presented on gross basis for ceded reinsurance.

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.

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

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and any impairment in value. The initial cost of property and equipment comprises its purchase price, including any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to profit and loss in the financial period they 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 additional costs of property and equipment. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal, at which time the cost of the asset and the related accumulated depreciation or amortization are removed from the accounts. Any gains or losses on disposals are determined by comparing the proceeds with the asset’s carrying amount and are recognized in profit or loss.

Property and equipment are depreciated and charged as expenses when the asset is available for its intended use. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the related assets as follow:

	Years
Electronic data processing (EDP) equipment (laptops, desktops)	3
EDP equipment (servers, other hardware)	5
Office equipment	5
Furniture and fixtures	5
Transportation Equipment	5

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

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

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

Right-of-Use Assets
The Company recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term of 3 - 5 years for office spaces.

Right-of-use assets are subject to impairment. Refer to discussion in section of impairment of non-financial assets.

Intangible Assets
Intangible assets relating to computer software licenses (not an integral part of its related hardware), are capitalized at cost. These costs are amortized over their useful life of three to five years. Costs associated with maintaining computer software programs are recognized as expense when incurred.

Systems development in progress pertains to costs pertaining to software development where no amortization is recognized until the development is completed and the asset is placed into service.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Goodwill
Goodwill is an asset representing the future economic benefits from other assets acquired that is not individually identified and separately recognized. The future economic benefits may result from the synergy between the identified assets acquired from assets that individually do not qualify for recognition in the financial assets.

Subsequently, goodwill is measured at cost less any impairment in value.

Goodwill impairment reviews are undertaken annually or more frequently of events or changes in circumstances indicate a potential impairment. The carrying value in goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less cost to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

Insurance Contract Liabilities

Life Insurance Contract Liabilities

Life insurance contract liabilities are recognized when the contracts are entered into and the premiums are recognized. The provision for life insurance contracts is calculated on the basis of a prudent prospective actuarial valuation method where the assumptions used depend on the circumstances prevailing at the inception of the contract. Assumptions and actuarial valuation methods are also subject to the provisions of the Code and guidelines set by the IC.

Subsequently, new estimates are developed at each reporting date to determine whether the liabilities reflect the current experience. Improvements and significant deteriorations in estimates have an impact on the value of the liabilities.

Legal Policy Reserves

Legal policy reserves are determined by the Company's actuary in accordance with the requirements of the Revised Code and represent the amounts which are required to discharge the obligations of the insurance contracts and to pay expenses related to the administration of those contracts. These reserves are determined using generally accepted actuarial practices and have been approved by the IC at the product approval stage.

The movement in "legal policy reserves" at each reporting period due to changes in discount rate and other assumptions are recognized in profit or loss under "Gross change in insurance contract liabilities" and in other comprehensive income (loss) under "Remeasurement (loss) gain on life insurance reserves".

Insurance Contracts with Fixed and Guaranteed Terms

The liability is determined by calculating unearned portion of the written premiums for the year.

Liability Adequacy Test

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

Claims Incurred But Not Yet Reported

This represents the amount at the end of a particular period which is an estimate of the sum of the individual claims that already occurred but on which the notice has not yet been received by the Company. This estimate takes into account any policy reserve liability set-up by the Company and any amount recoverable from reinsurers.

This account shall be measured using generally accepted actuarial principles and internationally accepted actuarial standards.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Company concluded that it is acting as principal in all of its arrangements.

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

Premium Income
Gross written premiums from group life insurance contracts comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the reporting period. They are recognized on the date on which the policy commences.

Premiums include any adjustments arising in the reporting period for premiums receivable in respect of business written in prior accounting periods. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated using the 365th method.

Long-term coverage contract liabilities are calculated pursuant to IC CL No. 2016-66, *Valuation Standards on Life Insurance Policy Reserves*, where life insurance companies are required to change the valuation basis to GPV.

The provision for legal policy reserves is composed of unearned premiums and GPV reserves.

Interest Income
Interest income is recognized in profit or loss as it accrues, taking into account the effective yield of the asset. Interest income includes the amortization of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated using the effective interest method.

<u>Benefits, Claims and Expenses Recognition</u>
Benefits and Claims
Life insurance benefits and claims include the cost of all claims arising during the year. Death claims are recorded on the basis of notifications received. Ceded reinsurance recoveries are accounted for in the same period as the underlying claim.

Commission Expense and Other Underwriting Expenses
Commissions are recognized when the insurance contracts are entered and the corresponding premiums are recognized.

<u>Provisions</u>
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.

<u>Contingencies</u>
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.

<u>Events After the Reporting Date</u>
Post year-end events that provide additional information about the Company's financial position at end of the reporting period (adjusting event) 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.

New Standards and Amendments to Standards Issued but Not Yet Adopted

New standards and amendments to standards are effective for annual periods beginning after January 1, 2024. However, the Company has not applied the following new standards and amendments to standards in preparing these financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's financial statements.

The Company will adopt the new standards and amendments to standards in the respective effective dates:

Effective January 1, 2026

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

  Date of recognition and derecognition. The amendments clarified that:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Effective January 1, 2027

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

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

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

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

Under PFRS 17, groups of insurance contracts are measured based on fulfilment cash flows, which represent the risk-adjusted present value of the entity's rights and obligations to the policy holders, and a contractual service margin, which represents the unearned profit the entity will recognize as it provides services over the coverage period.

Subsequent to initial recognition, the liability of a group of insurance contracts represents the liability for remaining coverage and the liability for incurred claims, with the fulfilment cash flows remeasured at each reporting date to reflect current estimates.

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

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

PFRS 17 is effective for annual periods beginning on or after January 1, 2027. Full retrospective application is required, unless it is impracticable, in which case the entity chooses to apply the modified retrospective approach or the fair value approach. However, if the entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it applies the fair value approach. There is also a transition option allowing presentation of comparative information about financial assets using a classification overlay approach on a basis that is more consistent with how PFRS 9 will be applied in future reporting periods. Early application is permitted for entities that apply PFRS 9 *Financial Instruments* on or before the date of initial application of PFRS 17.

The Company did not early adopt PFRS 17 for its local statutory reporting.

The Company applies the temporary exemption from PFRS 9 as permitted by the amendments to PFRS 4 Applying PFRS 9 Financial Instruments with PFRS. The temporary exemption permits the Company to continue applying PAS 39, *Financial Instruments: Recognition and Measurement* rather than PFRS 9 for annual periods beginning before January 1, 2025, the same period the Company will adopt PFRS 17.

PFRS 9 (adoption deferred to January 1, 2027). This new standard on financial instruments will replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:

- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;

- an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and

- a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9, a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding.

Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

The Company's AFS investments will be classified and subsequently measured at fair value through other comprehensive income while the HTM investments, and loans and receivables will then be measured at amortized cost starting January 1, 2027.

At this stage, the Company's preparation in adopting PFRS 17 and PFRS 9 was halted due to the sale of the Company's shareholdings to Insular Life subject to the regulatory approvals. The local systems are subject to re-evaluation. Further, the previously drafted accounting policies and assumptions of the Company are subject to re-alignment with Insular Life. As such, the impact of the adoption of PFRS 17 and PFRS 9 is not yet estimable.

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

- A more structured income statement. PFRS 18 promotes a more structured income statement. It introduces a newly defined ‘operating profit or loss’ and ‘profit or loss before financing and income tax’ subtotals, and a requirement for all income and expenses to be classified into three new distinct categories - operating, investing, and financing - based on a company’s main business activities.

  PFRS 18 also requires companies to analyze their operating expenses directly on the face of the income statement - either by nature, by function or on a mixed basis.

  Companies need to choose the presentation method that provides the ‘most useful structured summary’ of those expenses. New disclosures apply if any operating expenses are presented by function.

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

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

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

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

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

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

The impact of the adoption of PFRS 18 is not yet estimable at this point in time.

28. Supplementary Information Required Under Revenue Regulations No. 15-2010 by the Bureau of Internal Revenue

In addition to the disclosures mandated under PFRS Accounting Standards, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide, in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRS Accounting Standards.

The following are the tax information required for the taxable period ended December 31, 2024:

A. VAT

	Amount
1. Output VAT	**P321,256**
Basis of the Output VAT:	
VATable sales	**P2,677,136**
2. Input VAT	
Beginning of the year	**-**
Current year's domestic purchases of capital goods not subject to amortization	**-**
Capital goods subject to amortization deferred for the succeeding period	**-**
Others:	
a. Domestic purchases of goods	**-**
b. Domestic purchases of services	**2,143**
Application of Output VAT	**(321,256)**
Balance at the end of year	**(P319,113)**

B. Taxes on Importation

The Company does not have any customs duties or tariff fees in 2024 since it does not have any importation.

C. Excise Tax

The Company does not have any excise tax in 2024 since it does not have any transactions which are subject to excise tax.

D. Documentary Stamp Tax

	Amount
Documentary stamp tax on stock issuance cost	**P -**
Documentary stamp tax on others	**282,520**
	P282,520

E. All Other Taxes (Local and National)

Local	
Mayor's Permit	**P6,564,762**
Others	**204,860**
National	
Premium tax	**57,784,709**
SEC Fees on stock issuance cost	**-**
BIR annual registration	**1,500**
Total	**P64,555,831**

Other taxes, local and national, paid during the year are lodged under the "Taxes and licenses" accounts under "General and administrative expenses".

F. Withholding Taxes

The amount of withholding taxes paid/accrued for the year are as follow:

	Amount
Expanded withholding tax	**P74,974,979**
Tax on compensation and benefits	**26,819,318**
Fringe benefits	**10,186,191**
Final withholding tax	**9,671,533**
	P121,652,021

G. Tax Cases and Assessments

The Company has no deficiency tax assessment or any tax case, litigation, and/or prosecution in courts or bodies outside the BIR as at December 31, 2024.