



Isla Lipana & Co.

AIG Philippines Insurance, Inc.

Financial Statements

As at and for the years ended December 31, 2025 and 2024





Isla Lipana & Co.

Independent Auditor's Report

To the Board of Directors and Shareholders of
AIG Philippines Insurance, Inc.
30th Floor AIA Tower
8767 Paseo de Roxas
Makati City

Report on the Audits of the Financial Statements

Our Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of AIG Philippines Insurance, Inc. (the "Company") as at December 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards ("PFRS") Accounting Standards.

What we have audited

The financial statements of the Company comprise:

- the statements of financial position as at December 31, 2025 and 2024;
- the statements of total comprehensive income for the years ended December 31, 2025 and 2024;
- the statements of changes in equity for the years ended December 31, 2025 and 2024;
- the statements of cash flows for the years ended December 31, 2025 and 2024; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

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Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), as applicable to audits of the financial statements of public interest entities, together with the ethical requirements that are relevant to our audits of the financial statements of public interest entities in the Philippines. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Independent Auditor's Report
To the Board of Directors and Shareholders of
AIG Philippines Insurance, Inc.
Page 4

- 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 Bureau of Internal Revenue Requirement

Our audits were 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 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 and has been subjected to the auditing procedures applied in our audits 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.

Isla Lipana & Co.


Imelda Dela Vega-Mangundaya
Partner
CPA Cert No. 0090670

PTR No. 0024586, issued on January 8, 2026, Makati City
SEC A.N. (individual) as general auditors 90670-SEC, Category A;
valid to audit 2019 to 2025 financial statements
SEC A.N. (firm) as general auditors 0142-SEC, Category A;
valid to audit 2020 to 2025 financial statements

T.I.N. 152-015-124

BIR A.N. 08-000745-047-2024, issued on October 30, 2024; effective until October 29, 2027
BOA/PRC Reg. No. 0142/P-004, effective until November 14, 2028

Makati City
April 17, 2026

AIG Philippines Insurance, Inc.

Statements of Total Comprehensive Income
For the years ended December 31, 2025 and 2024
(All amounts in Philippine Peso)

	Notes	2025	2024
Gross earned premiums on insurance contracts	7	2,549,030,544	2,509,972,158
Reinsurers' share of gross earned premiums on insurance contracts	7	2,377,870,939	2,333,554,958
NET EARNED INSURANCE PREMIUMS		171,159,605	176,417,200
Commission income	15	505,118,412	562,032,599
Net investment income	8	196,131,967	181,134,706
Other income, net	9	65,744,469	56,631,259
OTHER INCOME		766,994,848	799,798,564
TOTAL INCOME		938,154,453	976,215,764
Gross insurance claims paid	10	288,994,082	216,769,653
Reinsurers' share of gross insurance claims paid	10	(250,195,740)	(181,866,786)
Gross change in claims liabilities	10	180,685	(315,150,689)
Reinsurers' share of gross change in claims liabilities	10	(41,099,046)	231,992,534
NET INSURANCE BENEFITS AND CLAIMS		(2,120,019)	(48,255,288)
Operating expenses	11	377,122,292	373,469,255
Commission expense	15	152,705,983	175,317,114
Interest expense on funds held for reinsurers	27	63,399,037	59,188,471
Foreign exchange loss, net		65,082,937	18,942,187
Provision for impairment loss on insurance receivables	18	9,646,741	6,539,868
Investment expenses		1,682,774	1,529,533
OTHER EXPENSES		669,639,764	634,986,428
TOTAL INSURANCE CLAIMS AND OTHER EXPENSES		667,519,745	586,731,140
INCOME BEFORE INCOME TAX		270,634,708	389,484,624
PROVISION FOR INCOME TAX	12	64,323,399	96,447,724
NET INCOME FOR THE YEAR		206,311,309	293,036,900

(forward)

AIG Philippines Insurance, Inc.

Statements of Total Comprehensive Income
For the years ended December 31, 2025 and 2024
(All amounts in Philippine Peso)

(forwarded)

	Notes	2025	2024
NET INCOME FOR THE YEAR		206,311,309	293,036,900
Other comprehensive income			
Item that will be reclassified subsequently to profit or loss			
Change in fair value reserve on available-for-sale financial assets	16	31,957,074	50,021,315
Deferred income tax effect	20	(3,819,546)	(5,284,861)
		28,137,528	44,736,454
Item that will not be reclassified subsequently to profit or loss			
Remeasurement loss on retirement benefit obligation	21	(5,558,427)	(4,703,384)
Deferred income tax effect	20	1,389,607	1,175,846
		(4,168,820)	(3,527,538)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		23,968,708	41,208,916
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		230,280,017	334,245,816

(The notes on pages 1 to 60 are integral part of these financial statements)

AIG Philippines Insurance, Inc.

Statements of Financial Position
As at December 31, 2025 and 2024
(All amounts in Philippine Peso)

	Notes	2025	2024
ASSETS			
Deferred income tax assets, net	12	52,683,302	63,413,298
Property and equipment, net	13	62,998,894	31,307,339
Other assets		86,332,580	58,139,616
Insurance contracts			
Reinsurance assets	14	2,079,510,137	2,078,509,845
Deferred acquisition costs	15	54,575,259	66,364,954
Accrued income	17	44,351,196	41,295,582
Available-for-sale financial assets	16	2,980,519,041	2,769,664,240
Loans and receivables	17	55,725,113	103,478,240
Insurance receivables, net	18	443,795,344	564,554,930
Cash and cash equivalents	19	1,487,397,697	1,628,159,577
TOTAL ASSETS		7,347,888,563	7,404,887,621
EQUITY			
Share capital	20	935,852,400	935,852,400
Share premium		60,204,136	60,204,136
Accumulated other comprehensive income	20	205,490,904	181,522,196
Retained earnings		1,214,924,363	1,208,613,054
TOTAL EQUITY		2,416,471,803	2,386,191,786
TOTAL LIABILITIES AND EQUITY		7,347,888,563	7,404,887,621
LIABILITIES			
Retirement benefit obligation	21	10,022,091	7,290,092
Deferred reinsurance commissions	15	134,935,747	176,064,042
Insurance contract liabilities	22	2,346,255,611	2,396,766,780
Insurance payables	24	1,868,018,305	1,967,487,054
Trade and other liabilities	25	572,185,006	471,087,867
TOTAL LIABILITIES		4,931,416,760	5,018,695,835

(The notes on pages 1 to 60 are integral part of these financial statements)

AIG Philippines Insurance, Inc.

Statements of Changes in Equity
For the years ended December 31, 2025 and 2024
(All amounts in Philippine Peso)

	Share capital (Note 20)	Share premium	Accumulated other comprehensive income (Note 20)	Retained earnings (Note 20)	Total
As at January 1, 2024	935,852,400	60,204,136	140,313,280	1,215,576,154	2,351,945,970
Other comprehensive income					
Net income for the year	-	-	-	293,036,900	293,036,900
Other comprehensive income for the year	-	-	41,208,916	-	41,208,916
Total comprehensive income for the year	-	-	41,208,916	293,036,900	334,245,816
Transaction with owner					
Dividends declared during the year	-	-	-	(300,000,000)	(300,000,000)
As at December 31, 2024	935,852,400	60,204,136	181,522,196	1,208,613,054	2,386,191,786
Other comprehensive income					
Net income for the year	-	-	-	206,311,309	206,311,309
Other comprehensive income for the year	-	-	23,968,708	-	23,968,708
Total comprehensive income for the year	-	-	23,968,708	206,311,309	230,280,017
Transaction with owner					
Dividends declared during the year	-	-	-	(200,000,000)	(200,000,000)
As at December 31, 2025	935,852,400	60,204,136	205,490,904	1,214,924,363	2,416,471,803

(The notes on pages 1 to 60 are integral part of these financial statements)

AIG Philippines Insurance, Inc.

Statements of Cashflow
For the years ended December 31, 2025 and 2024
(All amounts in Philippine Peso)

	Notes	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		270,634,708	389,484,624
Adjustments for:			
Interest expense	26, 27	63,988,244	60,189,792
Depreciation and amortization	11, 13	16,530,725	16,316,223
Amortization of bond premium (discount)	8, 16	4,711,604	(16,010,637)
Amortization of:	15		
Deferred acquisition costs		157,191,312	169,442,352
Deferred reinsurance commission		(505,118,412)	(562,032,599)
Interest income	8	(186,773,890)	(172,310,465)
(Gain) loss on sale of available-for-sale financial assets	8	10,251,376	5,500,298
Unrealized foreign exchange losses (gains), net	5	20,598,102	(12,116,343)
Provision for impairment loss on insurance receivables	18	9,646,741	6,539,868
Retirement benefit expense	21	7,052,799	6,980,524
Increase (decrease) in incurred but not reported (IBNR), net	22	6,999,869	(25,789,019)
Provision for other post-employment benefits	21	535,200	477,462
Provision for fines and penalties	11		13,055,631
Dividend income	8	(6,019,833)	(6,132,463)
Operating loss before changes in operating assets and liabilities		(129,771,455)	(126,404,752)
Changes in operating assets and liabilities			
(Increase) decrease in:			
Other assets		(40,458,648)	(52,541,695)
Reinsurance assets		(45,551,482)	147,771,287
Deferred acquisition costs		(145,401,617)	(171,492,282)
Loans and receivables		47,687,676	(155,197,904)
Insurance receivables, net		149,073,332	(18,939,048)
Increase (decrease) in:			
Deferred reinsurance commissions		463,990,117	558,071,665
Insurance contract liabilities		(12,959,848)	(207,024,648)
Insurance payables		(99,468,749)	451,389,682
Trade and other liabilities		27,378,034	94,673,683
Cash from operations		214,517,360	520,305,988
Interest income received on cash and cash equivalents		55,765,064	57,000,038
Interest paid		(63,988,244)	(60,189,792)
Employee benefit payments	21	(161,989)	(261,470)
Contributions to the plan	21	(10,000,000)	(10,000,000)
Income taxes paid		(56,023,343)	(94,357,940)
Net cash from operating activities		140,108,848	412,496,824

(forward)

AIG Philippines Insurance, Inc.

Statements of Cashflows
For the years ended December 31, 2025 and 2024
(All amounts in Philippine Peso)

<i>(continued)</i>	Notes	2025	2024
Net cash from operating activities		140,108,848	412,496,824
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from:			
Sale of investments in equity securities	16	18,172,753	64,896,123
Maturities and sale of government securities	16	341,000,000	603,000,000
Collections of mortgage and guaranteed loans		65,451	61,037
Purchases of:			
Available-for-sale financial assets	16	(534,732,231)	(762,722,694)
Interest income received		127,853,781	105,116,007
Dividends received		6,119,264	6,303,120
Net cash (used in) from investing activities		(41,520,982)	16,653,593
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	20	(200,000,000)	(300,000,000)
Payment of lease liabilities	25	(9,981,979)	(9,194,668)
Net cash flow used in financing activities		(209,981,979)	(309,194,668)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(111,394,113)	119,955,749
CASH AND CASH EQUIVALENTS			
At January 1		1,628,159,577	1,480,032,969
Effects of foreign exchange rates		(29,367,767)	28,170,859
At December 31	19	1,487,397,697	1,628,159,577

(The notes on pages 1 to 60 are integral part of these financial statements)

AIG Philippines Insurance, Inc.

Notes to financial statements

As at and for the years ended December 31, 2025 and 2024

(All amounts are shown in Philippine Peso, unless otherwise stated)

1. General information

American International Group Philippines Insurance, Inc. (the "Company") was incorporated in the Philippines and registered with the Securities and Exchange Commission ("SEC") on February 23, 1961 to engage in the business of non-life insurance, indemnifying others against loss, damage or liability arising from unknown or contingent events. Non-life insurance includes lines such as health, accident, fire and allied lines, motor vehicles, casualty, surety, marine cargo, comprehensive liability insurance and allied risks, and/or such other insurance coverage allied with and incident to aforementioned lines. The Company's corporate life was extended for another 50 years as approved by the SEC on February 23, 2011.

The Company is a wholly-owned subsidiary of AIG Asia Pacific Insurance Pte. Ltd. (the "Parent Company"), a company incorporated and domiciled in Singapore. The Company's ultimate parent is the American International Group, Inc. ("AIG" or the "Group") and is incorporated and domiciled in the United States of America.

The registered office address of the Company, which is also its principal place of business, is 30th Floor, AIA Tower, 8767 Paseo de Roxas, Makati City.

The Company's Board of Directors ("BOD"), met for 17 times during 2025 (2024 - 13 times). The directors, including certain members of senior management concurrently serving as directors, only hold qualifying shares in the Company. None of these shares have been traded during the year. The BOD also appoints certain members to constitute the Audit Committee which met four (4) times in 2025 and 2024.

The Company has no operating subsidiary, joint venture and special purpose vehicles in 2025 and 2024.

Authorization of the financial statements

The accompanying financial statements of the Company were authorized for issue by the BOD on April 14, 2026. There are no material events that occurred from April 14, 2025 to April 17, 2026.

2. Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Company effective January 1, 2025

The Company has applied the following amendments for the first time for its annual reporting period commencing January 1, 2025:

- Amendments to PAS 21, 'The Effects of Changes in Foreign Exchange Rates, Lack of Exchangeability' (effective for annual reporting periods beginning on or after January 1, 2025)

On October 10, 2023, the FSRSC approved the adoption of the amendments to IAS 21, 'The Effects of Changes in Foreign Exchange Rates, Lack of Exchangeability' issued by the International Accounting Standards Board (IASB) in August 2023 as amendments to PAS 21, 'The Effects of Changes in Foreign Exchange Rates, Lack of Exchangeability'.

The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.

The amendments to PAS 21 did not have a material impact on the financial statements of the Company.

There are no new or amended standards effective January 1, 2025 that are considered to be relevant or have a material impact on the Company's financial statements.

(b) New and amended standards issued but not yet effective as at December 31, 2025

Certain new accounting standards and amendments to accounting standards have been published that are not mandatory for December 31, 2025 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and amendments is set out below:

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

IFRS 17 was issued in May 2017 as replacement for IFRS 4, "Insurance Contracts". The Financial and Sustainability Reporting Standards Council (FSRSC) and Professional Regulatory Board of Accountancy adopted IFRS 17 - Insurance Contracts as PFRS 17 which was later adopted by the SEC as part of its financial reporting framework.

PFRS 17 represents a fundamental change in the accounting framework for insurance contracts requiring liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. It requires a current measurement model where estimates are remeasured each reporting period. Contracts are measured using the building blocks of (1) discounted probability-weighted cash flows, (2) an explicit risk adjustment, and (3) a contractual service margin ("CSM") representing the unearned profit of the contract which is recognized as revenue over the coverage period. The standard allows a choice between recognizing changes in discount rates either in the income statement or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under PFRS 9, "Financial instruments." An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

Through IC-CL 2020-62, FSRSC Pronouncement dated December 21, 2021, and BOA Resolution No. 1, s. 2022, the adoption of PFRS 17 was deferred from January 1, 2024 to January 1, 2025.

On March 10, 2025, the IC issued IC-CL 2025-04 further deferring the application of PFRS 17 effective January 1, 2027, due to gaps in the insurance industry's preparation for PFRS 17 and the need for additional time to ensure smooth transition while maintaining regulatory stability.

The local adoption of IFRS 17 will result in significant changes to the accounting for insurance contracts issued and reinsurance contracts held by the Company. The Group's IFRS 17 implementation project has made significant progress. Accounting policies have been developed which together with associated application guidance has been used to assess the insurance contracts issued and reinsurance contracts held by the Group. As at the date of the publication of the financial statements, the Group has already transitioned to IFRS 17 effective January 1, 2023 and has estimated impact to retained earnings and total equity.

Locally, the Company has an ongoing in-depth analysis of its systems, end-to-end methodologies and processes to confirm that these are capable of producing data at the appropriate level of granularity to ensure compliance with the requirements of IFRS 17. These new systems developed for other affiliates will be reviewed to address any local regulatory requirements that might not yet be covered by the existing system and methodologies and processes will be subject to rigorous review and testing in 2025 in anticipation of adopting PFRS 17. The Company anticipates that the majority of its insurance operations will be eligible to apply the premium allocation approach. The Company notes that the impact to the financial statements resulting from the adoption of this standard will significantly be influenced by interest rate sensitivity and overall macroeconomic environment that poses volatility. Management deemed it impracticable to reasonably determine and quantify the financial impact of its PFRS 17 adoption in light of remaining implementation and transition phases that are in progress as at reporting date.

- *PFRS 9 and its interaction with PFRS 4 'Insurance Contracts'*

PFRS 9 replaces the multiple classification and measurement models for financial assets in PAS 39 with a single model that has three classification categories: amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss (FVTPL). Classification under PFRS 9 is driven by the entity's business model for managing and holding the financial assets and whether the contractual characteristics of the financial assets represent solely payments of principal and interest.

Investments in equity instruments are required to be measured at FVTPL with the irrevocable option at inception to present changes in fair value in OCI. The classification and measurement of financial liabilities under PFRS 9 remains the same as in PAS 39 except where an entity has chosen to measure a financial liability at FVTPL. For such liabilities, changes in fair value arising from changes in the entity's own credit risk are presented separately in OCI.

The impairment rules of PFRS 9 introduce an 'expected credit loss' model that replaces the 'incurred credit loss' model used in PAS 39. Such new impairment model will generally result in earlier recognition of losses compared to PAS 39.

The hedging rules of PFRS 9 better align hedge accounting with an entity's risk management strategies. Also, some of the prohibitions and rules in PAS 39 are removed or changed, making hedge accounting easier or less costly to achieve for many hedges.

In September 2016, 'Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts (Amendments to PFRS 4)' was issued, which provides optional relief to insurers meeting certain criteria from any adverse impact that may arise from the different effective dates of PFRS 9 and PFRS 17. The two options for entities that issue contracts within the scope of PFRS 4 permit an entity to either:

- reclassify from profit or loss to other comprehensive income some of the income or expenses arising from designated financial assets; referred to as the 'overlay approach', or
- for entities whose predominant activity is issuing contracts within the scope of PFRS 4, defer the application of PFRS 9 entirely; referred to as the 'deferral approach'.

Deferral of adoption of PFRS 9

The Company has elected to apply the deferral option since it satisfies the following criteria:

- The Company has not previously applied any versions of PFRS 9; and,
- The Company's activities are predominantly connected with insurance at annual reporting date that immediately precedes April 1, 2016, i.e., December 31, 2015, based on the eligibility assessment that:
 - the carrying amount of liabilities arising from contracts within the scope of PFRS 4 is greater than 90% of the total carrying amount of all its liabilities; or,
 - the carrying amount of liabilities arising from contracts within the scope of PFRS 4 is less than 90% and the total carrying amount of liabilities connected with insurance is equal to or less than 90% but greater than 80% of the total carrying amount of all its liabilities.

The Company's activities were predominantly connected with insurance activities at December 31, 2015 and 2024 (which is its annual reporting date immediately preceding April 1, 2016) at which date the percentage of the total carrying amount of the Company's liabilities connected with insurance activities was more than 95%. This is greater than 90% of the total carrying amount of all its liabilities as at December 31, 2015.

The Company did not subsequently reassess its eligibility for the temporary exemption from PFRS 9 as there was no change in the Company's activities for the period ending December 31, 2025 and 2024.

The following tables set out the fair value at December 31, 2025 and 2024 and changes in fair values for the years then ended, of financial assets separately for the following groups:

- financial assets that meet the solely payments of principal and interest (SPPI) criteria in PFRS 9, excluding those financial assets that are defined as 'held-for-trading' or that are managed and evaluated on a fair value basis; and
- all other financial assets, including those assets that do not meet the SPPI criteria in PFRS 9 and those financial assets that are defined as 'held-for-trading' or that are managed and evaluated on a fair value basis.

Financial assets that meet the SPPI criteria in PFRS 9 are those whose cash flows comprise solely payments of principal and interest on principal outstanding.

The fair value of financial instruments classified between those that meet and those that fail the SPPI criterion are described as follows:

December 31, 2025	Financial assets that meet the SPPI criteria*			All other financial assets	
	Note	Fair value	Fair value change during the reporting period	Fair value	Fair value change during the reporting period
Security deposits		2,785,171	-	-	-
Accrued income	17	44,351,197	-	-	-
AFS financial assets	16	2,542,166,244	35,795,331	438,352,797	24,714,347
Loans and receivables	17				
Mortgage loans		833,345	-	-	-
Intercompany accounts receivable		51,310,661	-	-	-
Miscellaneous receivables		3,581,107	-	-	-
Cash and cash equivalents	19	1,487,397,697	-	-	-
		4,132,425,422	35,795,331	438,352,797	24,714,347

December 31, 2024	Financial assets that meet the SPPI criteria*			All other financial assets	
	Note	Fair value	Fair value change during the reporting period	Fair value	Fair value change during the reporting period
Security deposits		2,785,171	-	-	-
Accrued income	17	41,295,582	-	-	-
AFS financial assets	16	2,361,467,627	4,831,014	408,196,613	50,690,599
Loans and receivables	17				
Mortgage loans		898,795	-	-	-
Intercompany accounts receivable		44,091,253	-	-	-
Miscellaneous receivables		58,488,192	-	-	-
Cash and cash equivalents	19	1,628,159,577	-	-	-
		4,137,186,197	4,831,014	408,196,613	50,690,599

*Excluding any financial assets that meet the definition of held for trading in PFRS 9, or that is managed and whose performance is evaluated on a fair value basis.

The financial assets that meet the SPPI criteria are tagged as neither past due nor impaired and have a high credit rating.

- PFRS 18, 'Presentation and Disclosure in Financial Statements' (effective for annual reporting periods beginning on or after January 1, 2027)

In April 2024, the IASB issued IFRS 18, 'Presentation and Disclosure in Financial Statements'. IFRS 18 sets out overall requirements for the presentation and disclosure in financial statements. IFRS 18 replaces, IAS 1 'Presentation of Financial Statements'.

On May 10, 2024, the FSRSC approved the adoption of IFRS 18, 'Presentation and Disclosure in Financial Statements' issued by the IASB in April 2024 as PFRS 18, 'Presentation and Disclosure in Financial Statements'.

PFRS 18 affects the primary financial statements and notes of all entities reporting under PFRS Accounting Standards and represents the most significant development in financial performance of entities since the introduction of PFRS Accounting Standards.

PFRS 18 aims to improve financial reporting by:

- requiring an entity to present two new defined subtotals in the statement of profit or loss;
- operating profit and profit before financing and income taxes;
- requiring an entity to disclose management-defined performance measures - subtotals of income and expenses not specified by PFRS Accounting Standards that are used in public communications to communicate management's view of an aspect of a company's financial performance; and
- adding new principles for aggregation and disaggregation of items.

From a preliminary high-level assessment, the Company's management expects that although the adoption of PFRS 18 will have no impact on the Company's net income, such has an impact on presentation and disclosure, in particular those related to statement of total comprehensive income. The Company is currently assessing the detailed impact of applying the new standard on the Company's financial statements.

- *Amendments to PFRS 9 and PFRS 7, 'Amendments to the Classification and Measurement of Financial Instruments' (effective for annual reporting periods beginning on or after January 1, 2026)*

In May 2024, the IASB issued targeted amendments to IFRS 9, 'Financial Instruments', and IFRS 7, 'Financial Instruments: Disclosures', to respond to recent questions arising in practice.

These amendments:

- clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
- add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
- update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

The FSRSC approved the adoption of such amendments on July 12, 2024.

These amendments will primarily impact the level of detail at which the Company discloses information about strategic equity investments whose changes in fair value the Company has elected to present in other comprehensive income when it also adopts PFRS 9, 'Financial Instruments', and PFRS 17, 'Insurance Contracts'.

These amendments are not expected to have a material impact on the financial statements of the Company in the year of initial application.

- *Annual Improvements to PFRS Accounting Standards - Volume 11 (effective for annual periods beginning on or after January 1, 2026)*

On July 18, 2024, the IASB issued Annual Improvements to IFRS Accounting Standards - Volume 11. On August 22, 2024, the FSRSC adopted such, as Annual Improvements to PFRS Accounting Standards - Volume 11.

These amendments include clarifications, simplifications, corrections and changes aimed at improving the consistency of several PFRS Accounting Standards for certain subjects. The amended Standards are as follows:

- PFRS 1, 'First-time Adoption of PFRS Accounting Standards', to improve consistency between PFRS 1 and PFRS 9, 'Financial Instruments', in relation to the requirements for hedge accounting, and to improve the understandability of IFRS 1;
- PFRS 7, 'Financial Instruments: Disclosures', to improve consistency in the language used in PFRS 7 with the language used in PFRS 13, 'Fair Value Measurement';
- PFRS 9, 'Financial Instruments', to clarify how a lessee accounts for the derecognition of a lease liability when it is extinguished, and to address an inconsistency between PFRS 9 and PFRS 15, 'Revenue from Contracts with Customers', in relation to the term 'transaction price';
- PFRS 10, 'Consolidated Financial Statements', to clarify the requirements in relation to determining de facto agents of an entity; and
- PAS 7, 'Statement of Cash Flows', to replace the term 'cost method' with 'at cost', since the term is no longer defined in PFRS Accounting Standards.

The annual improvements to PFRS Accounting Standards - Volume 11 are not expected to have a material impact on the financial statements of the Company in the year of initial application.

The new and amended standards are effective for annual reporting periods beginning on or after January 1, 2026, and must be applied retrospectively. The Company does not expect the new and amended standards to have a significant impact to the Company's financial statements, except for PFRS 9, 'Financial Instruments', PFRS 17, 'Insurance Contracts', and PFRS 18, 'Presentation and Disclosure in Financial Statements'.

3. Summary of material accounting policies

The material accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

3.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Philippines Financial Reporting Standards (PFRS) Accounting Standards. PFRS Accounting Standards comprise the following authoritative literature:

- PFRS Accounting Standards,
- Philippine Accounting Standards, and
- Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretations Committee (PIC), and Standing Interpretations Committee (SIC) as approved by the Financial and Sustainability Reporting Standards Council (FSRSC) and the Board of Accountancy, and adopted by the Securities and Exchange Commission (SEC).

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale ("AFS") financial assets and retirement plan assets. The preparation of financial statements in conformity with PFRS Accounting Standards require the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

The presentation of items in the statements of financial position has been shown in increasing order of liquidity. The presentation of items in the statements of comprehensive income has been shown to reflect all income and all expenses which is a relevant consideration to the user's understanding of the Company's financial statements.

3.2 Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Philippine Peso, which is the Company's functional and presentation currency.

3.3 Insurance contracts

3.3.1 Product classification

Insurance contracts are defined as those contracts under which the Company (the "insurer") accepts significant insurance risk from another party (the "policyholder") by agreeing to compensate the policyholder if a specified uncertain future event (the "insured event") adversely affects the policyholder. As a general guideline, the Company defines insurance risk as significant if the insured event could cause an insurer to pay significant additional benefits even if the insured event is extremely unlikely to happen.

Insurance contract can also transfer financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or other variable.

Investment contracts mainly transfer financial risk but can also transfer insignificant insurance risk. 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 the insurance risk becomes significant.

3.3.2 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 following specific recognition criteria must also be met before revenue is recognized:

Premium revenue

Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 365th method. The portion of the premiums pertaining to the premiums written that relate to the unexpired periods of the policies at reporting date is accounted for as Provision for unearned premiums and presented as part of Insurance contract liabilities in the liabilities section of the statement of financial position. The related reinsurance premiums that pertain to the unexpired periods at reporting date are accounted for as Deferred reinsurance premiums as part of "Reinsurance assets" presented in the assets section of the statement of financial position. The net changes in these accounts between reporting dates are included in the determination of net insurance revenue.

Commission income

Reinsurance commissions are recognized as revenue over the period of the contracts using the 365th method. The portion of the commissions that relates to the unexpired periods of the policies at the reporting date is accounted for as "Deferred reinsurance commissions" in the liabilities section of the statement of financial position.

Other income

Fee income and other income is generated from services from a single performance obligation provided at a fixed price over time, such as administrative services to a related entity, or when a specific transaction is delivered at a point in time such as engineering and surveying services as separate service from any insurance. The revenue is based on the depiction of transfer of the service in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services. Revenue is determined at the gross amount of consideration receivable for the services provided.

Fee income is generally earned from short-term contracts with payment terms that do not include a significant financing component.

Interest income represents earnings from the Company's cash and cash equivalents, time deposits, and other interest-bearing financial assets. Interest income is recognized using the effective interest method, which allocates interest income over the relevant period based on the outstanding principal balance and the applicable effective interest rate.

Dividend income represents earnings from the Company's investments in equity instruments. It is recognized when the Company's right to receive payment is established, which is generally upon approval or declaration of the dividend by the investee entity and is measured at the amount received or receivable. Dividend income is presented under other income in profit or loss.

There are no warranties and other similar obligation and refunds agreed with counterparties.

3.3.3 Insurance claims

Insurance claims consist of claims paid to policyholders, which include changes in the valuation of insurance contract liabilities, except for changes in the provision for unearned premium which are recorded in Gross earned premiums on insurance contracts. Insurance claims are recorded on the basis of notifications received.

3.3.4 Deferred acquisition costs ("DAC")

Commission and other acquisition costs incurred during the financial period that vary with and are related to securing new insurance contracts and/or renewing existing insurance contracts, but which relates to subsequent financial periods, are deferred to the extent that these recoverable out of future revenue margins. All other acquisition costs are recognized as an expense when incurred.

Subsequent to initial recognition, these costs are amortized on a straight-line basis over the life of the contract. Amortization is reported as part of Commission expense in the statement of comprehensive income. The unamortized acquisition costs are shown as "Deferred acquisition costs" in the assets section of the statement of financial position.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. The carrying value is written down to the recoverable amount and the impairment loss is charged to profit or loss. The deferred acquisition cost is also considered in the liability adequacy test for each reporting period.

3.3.5 Insurance contract liabilities

Insurance contract liabilities are recognized when the contracts are entered into and the premiums are charged. Insurance contract liabilities are divided into expired and unexpired portions.

The liability is derecognized when the contract has expired, is discharged/settled or is cancelled.

Claims liabilities (Expired portion)

The expired portion, which is presented as provision for claims, is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs, margin for adverse deviation and reduction for the expected value of salvage and other recoveries. The Company does not discount liabilities for unpaid claims.

Provision is made at the reporting date for the estimated cost of claims incurred but not settled at the reporting date, including the cost of claims incurred but not yet reported ("IBNR") to the Company. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of which cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques based on empirical data and current assumptions that may include a margin for adverse deviation. No provision for catastrophic reserves is recognized unless the catastrophe is sustained at reporting period.

Although the Company takes all reasonable steps to ensure that it has appropriate information regarding its claim exposures, given the uncertainty in establishing claims provisions, it is likely that the final outcome will be different from the original liability established.

The IBNR reserve is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is generally available.

It includes an allowance for any consistent under or over-estimation in the case reserves. The IBNR review is conducted on a class of business basis. The in-house actuarial team conducts the assessment which is subject to an internal peer review process. Standard actuarial methodologies are used to evaluate and determine the IBNR reserves for all areas of the business including loss development methods and the analysis of individual cases in more volatile lines as appropriate. The Company's actuaries determine and select the most appropriate actuarial method to adopt for each business class. They also determine the appropriate segmentation of data from which the adequacy of the reserve can be established.

A point estimate is determined from these detailed reviews and the sum of these point estimates' for each class of business provides the overall actuarial point estimate for the IBNR reserve for the Company.

The ultimate process by which the actual carried reserves are determined takes into account both the actuarial point estimate and numerous other internal and external factors such as claims initiatives and economic conditions in the Philippines. To ensure local regulatory compliance, the Company engaged an external actuary to review the analysis and to certify the reasonableness of the reserves.

The majority of the IBNR reserve relates to longer-tail classes of business and the actuaries conduct sensitivity analysis so that senior management understand the key areas of uncertainties which could potentially lead to the final actual outcome being materially different. The Company's actuaries determine their best estimate of the undiscounted IBNR reserve and report to the Reserves Committee.

The general insurance loss reserves can generally be categorized into two distinct groups. One group is short-tail classes of business consisting mainly of property, consumer lines, marine and energy. The other group is long-tail commercial lines of business which includes excess and primary liability, Directors and Officers (D&O), professional liability, employers' liability, general liability and related classes.

Short-tail classes do not have a significant delay from the date of accident to date of report to the Company and then settled by the Company. The estimates for these classes are more reliant on the case estimate on individual claims and utilizes loss development methodologies in the projection of the future development of these case estimates.

Long-tail classes generally relate to claims where liability has to be established or where there is an element of bodily injury. For these classes it may take some time from the date of accident for the claim to emerge and for claims to be settled from notification date due to the time taken to establish liability. Estimation of ultimate net indemnity losses and loss expenses for long-tail lines of business is a complex process and depends on a number of factors, including the class and volume of business involved as well as premium rate changes, changes in exposure and claim inflation. The actuarial methods used by the Company for most long-tail commercial lines include loss development methods and expected loss ratio methods, including the Bornhuetter-Ferguson (BF) method. Exceptional large claims or events, to the extent that these distort the historical development, are removed from the analysis and considered separately.

Premium liabilities (Unexpired portion)

The Company's premium liabilities are valued equal to the provision for unearned premiums plus the difference between the unexpired risk reserve and the provision for unearned premiums, net of DAC. The Company's outstanding premium liabilities is reported under Insurance contract liabilities.

Provision for unearned premiums

The proportion of written premiums, gross of commissions to intermediaries, attributable to subsequent periods or to unexpired risks, is deferred as provision for unearned premiums using the 365th method. The change in the provision for unearned premiums is taken to profit or loss in the order that revenue is recognized over the period of risk.

Further provisions are made to cover any deficiency to the extent that the unexpired risk reserve exceeds the provision for unearned premiums (net of DAC) which is consistent with the requirements of the IC. The unexpired risk reserve represents the premiums to match future claims and expenses in the unexpired coverage period of in-force contracts. The future claims and expenses are adjusted for potential changes or uncertainties.

Liability adequacy test

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

3.3.6 Reinsurance assets

The Company cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and 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 year. 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 reinsurance can be measured reliably. The impairment loss is charged to profit or loss.

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

The Company also assumes reinsurance risk in the normal course of business for insurance contracts. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

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

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

3.4 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and amortization, and any impairment in value. Property and equipment includes right-of-use asset recognized under PFRS 16 which is included in office premises.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

	Years
EDP equipment	5
Furniture and fixtures	5
Transportation equipment	5

Leasehold improvements and office premises are amortized over the estimated useful life of the assets or the term of the lease, whichever is shorter.

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

3.5 Impairment of non-financial assets

At each reporting date, the Company assesses whether there is any indication that its non-financial assets, pertaining to property and equipment, may be impaired. When an indicator of impairment exists or when an annual impairment assessment for an asset is required, the Company makes a formal estimate of the recoverable amount. Recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash generating unit to which it belongs.

Where the carrying amount of an asset (or cash generating unit) exceeds its recoverable amount, the asset (or cash generating unit) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value and the risks specific to the asset (or cash generating unit).

For non-financial assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.

If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount less any residual value, on a systematic basis over its remaining life.

3.6 Financial instruments

3.6.1 Classification

The classification of the financial assets is as follows: financial assets at fair value through profit or loss ("FVTPL"), available-for-sale ("AFS") financial assets, held-to-maturity ("HTM") investments, and loans and receivables. Financial liabilities are either designated at FVTPL or classified as other financial liabilities. The classification depends on the purpose for which the assets and liabilities were acquired or incurred and whether they are quoted in an active market. Management determines the classification at initial recognition.

Financial assets or financial liabilities at FVTPL

In 2025 and 2024, the Company has not classified any of its financial assets or liabilities at FVTPL.

AFS financial assets

The Company's AFS financial assets are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions.

In 2025 and 2024, the Company's AFS financial assets consist of government debt securities, listed equity securities and proprietary shares.

HTM investments

HTM investment 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.

In 2025 and 2024, the Company has not classified any of its financial assets as HTM investments.

Loans and receivables

The Company's loans and receivables are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held for trading, designated as AFS or FVTPL. This accounting policy relates to the statement of financial position captions: (a) "Cash and cash equivalents" (b) "Insurance receivables, net", (c) "Loans and receivables", (d) "Accrued income" and (e) Security deposits within Other assets.

Other financial liabilities

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

This accounting policy applies primarily to the Company's insurance payables, trade payables, and other financial liabilities that meet the above definition, excluding liabilities that are accounted for under other accounting standards, such as insurance contract liabilities, excluding provisions for IBNR and unearned premiums.

3.6.2 Recognition and measurement

Initial recognition

Financial assets and liabilities not carried at FVTPL are initially recognized at fair value plus transaction costs.

Subsequent measurement

AFS financial instruments

After initial measurement, AFS investments 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, are reported in profit or loss. Interest earned on holding AFS investments is reported as interest income under investment income using the effective interest rate. Dividends earned on holding AFS investments are recognized in the statement of comprehensive income as investment income when the right of payment has been established.

The unrealized gains or losses arising from the fair valuation of AFS financial assets are reported as part of "Accumulated other comprehensive income" in the equity section of the statement of financial position. The losses arising from impairment of such investments are recognized as "Provision for impairment loss" in the statement of comprehensive income.

When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized as gain or loss on sale of AFS financial assets in the statement of comprehensive income.

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 are carried at cost.

Loans and receivables

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

Other financial liabilities

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

Day 1 profit

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

3.6.3 Insurance receivables

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

Insurance receivables are derecognized following the derecognition criteria for financial assets.

3.6.4 Cash and cash equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from the date of acquisition and that are subject to an insignificant risk of changes in value.

3.7 Impairment of financial assets

The Company assesses at each reporting date whether a financial asset or a 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 (or events) has an impact in 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 a borrower or a group of borrowers is 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 measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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 individually assessed financial assets, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which 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 has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. Time value is generally not considered when the effect of discounting is not material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from the foreclosures less costs for obtaining and selling the collateral, whether or not foreclosure is probable. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is recognized in profit or loss. Interest income continues to be accrued in the reduced carrying amount based on the original effective interest rate of the asset. 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 period, 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. Any subsequent reversal of an impairment loss is recognized in the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as type of borrower, collateral type, past due status and term.

AFS financial assets

In the case of equity investments classified as AFS, impairment indicators would include a significant or prolonged decline in the fair value of the investments below its cost. Generally, the Company treats 'significant' as 20% or more and 'prolonged' as greater than 12 months. 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 of that financial asset previously recognized in the statement of comprehensive income – is removed from equity and recognized in profit or loss. Impairment losses on equity investment are not reversed through profit or loss. Movements in fair value are recognized directly in equity.

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of interest income in the statement of comprehensive income.

If, in 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, the impairment loss is reversed through profit or loss.

3.8 Leases

Assets and liabilities arising from a lease are initially measured on a present value basis. Interest expense is recognized in profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

a) Measurement of lease liabilities

Lease liabilities include the net present value of lease payments. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Company's leases, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held for entities which do not have recent third-party financing; and
- makes adjustments specific to the lease (i.e. term, currency and security).

Lease payments are allocated between principal and interest expense. Interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

b) Measurement of right-of-use assets

Right-of-use assets are measured at cost. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

c) Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is revised only if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

d) Short-term leases and leases of low-value assets

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment in 2025 and 2024. These are presented under Operating expenses in the statement of total comprehensive income.

3.9 Income tax

Current and deferred income tax

The tax expense for the period comprises current and deferred income tax.

Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, carry-forward of unused tax losses (net operating loss carryover or “NOLCO”) and unused tax credits (excess minimum corporate income tax or “MCIT”). Deferred income tax is determined using the tax rate (and laws) that have been enacted or substantively enacted as at the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable income will be available against which the temporary differences, NOLCO and MCIT can be utilized. Deferred income tax liabilities are recognized in full for all taxable temporary differences.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority where there is an intention to settle the balances on a net basis.

The Company reassesses at each reporting date the need to recognize previously unrecognized deferred income tax assets.

Deferred income tax expense or credit included in “Provision for income tax” is recognized for the changes during the year in the deferred income tax assets and liabilities.

3.10 Share capital; Share premium

Common shares are classified as share capital.

Share premium includes any premiums on consideration received in excess of par value on the issuance of share capital.

3.11 Dividend distribution

Dividend distribution to the Company’s shareholders is recognized as a liability in the Company’s financial statements in the period in which the dividends are approved by the Company’s BOD.

The amended Insurance Code provides that no domestic insurance corporation shall declare or distribute any dividend on its outstanding shares unless it has met the minimum paid-up capital and net worth requirements.

3.12 Related part transactions and relationships

Related party relationships exist when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party, or exercises significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and its key management personnel, directors or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form.

4. Critical accounting estimates, assumptions and judgments

The preparation of financial statements in compliance with PFRS Accounting Standards requires the Company to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosures of contingent assets and contingent liabilities. Future effects of any change in estimates and judgments are reflected in the financial statements as they become reasonably determinable.

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

4.1 Critical accounting estimates and assumptions

(a) Claims liability arising from insurance contracts (Notes 22 and 23)

The process of establishing liability estimates is subject to considerable variability as it requires the use of informed estimates and judgments. These estimates and judgments are based on numerous factors, and may be revised as additional experience becomes available or as regulations change. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is available. Classes of business which have a longer reporting tail and where the IBNR proportion of the total reserve is therefore high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty in estimating these liabilities. For the short-tailed classes, claims are typically reported soon after the claim event, and tend to display less variation. In calculating the required levels of provisions, the Company uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience.

In arriving at booked claims provisions, management also makes allowance for changes or uncertainties which may create distortions in the underlying statistics, or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in patterns of claim incidence, reporting, processing, finalization and payment;
- changes in the legal environment;
- the impact of inflation (both economic/wage and superimposed);
- changes in the mix of business;
- the impact of large losses;
- movements in industry benchmarks;
- medical and technological developments; and
- changes in policyholder behavior.

The methods used to analyze past claim experience and to project future claim experience are largely determined by the available data and the nature of the portfolio. The projections given by the different methodologies assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

Large claims impacting each relevant business class are generally assessed separately, being measured on a case-by-case basis or projected separately in order to allow for the possible distortive effect of the development and incidence of these large claims.

Outstanding claims are calculated gross of reinsurance. A separate estimate is made of the amounts recoverable from reinsurers and third parties under insurance contracts based on the gross outstanding claims provision. Future cash flows are not discounted for time value of money.

The carrying value of claims liabilities, gross of reinsurance, as at December 31, 2025 amounts to P1,718.3 million (2024 - P1,716.72 million) (Note 22).

The sensitivity analysis for claims liability is detailed in Note 23.

(b) Reinsurance assets (Note 22)

The Company's estimate of reinsurance recoveries is based on the relevant reinsurance program in place for the calendar year in which the related losses have been incurred. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim reserves associated with the reinsured policy. An estimate for potential reinsurance failure and possible disputes is provided to reduce the carrying amount of reinsurance assets to their net recoverable amount.

The carrying amount of reinsurance assets as at December 31, 2025 amounts to P1,530.2 million (2024 - P1,488.06 million).

The sensitivity analysis for reinsurance assets is detailed in Note 23.

(c) Unexpired risk reserves (Note 22)

The Company calculates for the URR at 75th level percentile of sufficiency using the best estimate of future claims and expenses for all classes of business, including margin for adverse deviation to address uncertainty in the estimate of unexpired risks. In order to arrive at the URR, the provision for unearned premium for each class of business is multiplied by the expected loss ratio, adjusted for future expenses and margin for adverse deviation.

The expected future claims include all claims which might occur during the unexpired period including: claims which are reported after the end of the unexpired exposure period, but have occurred within the unexpired exposure period; and claims which are reopened at any date, but have occurred within the unexpired exposure period. The expected future expenses include estimates of claims expenses and general policy maintenance expenses based on actual historical experience. The claims expense ratio is being applied to the gross unexpired risk reserves while the policy maintenance expense ratio is applied on the provision for unearned premiums.

The process of establishing liability estimates is subject to considerable variability as it requires the use of informed estimates and judgments. These estimates and judgments are based on numerous factors, and may be revised as additional experience becomes available or as regulations change. The Company takes all reasonable steps to ensure that it has appropriate information regarding its unexpired risk exposures.

As at December 31, 2025 and 2024, the Company's URR did not exceed its provision for unearned premium, net of DAC.

(d) Retirement and other employee benefits (Note 21)

The present value of the retirement obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate and salary increase rate and any changes to assumptions will impact the carrying amount of retirement obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligations. In determining the appropriate discount rate, the Company considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related retirement obligation.

Other key assumptions for retirement obligations are based in part on current market conditions.

Additional information, including the related sensitivity analysis, is disclosed in Note 21.

(e) Impairment of financial assets (Notes 16, 17 and 18)

The Company treats AFS equity investments as impaired where there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Company treats 'significant' generally as 20% or more and 'prolonged' as greater than 12 months. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. Impairment may be appropriate also when there is evidence of deterioration in the financial health of the investee, the industry and sector performance, changes in technology and operational and financing cash flows.

The Company reviews its insurance receivables and loans and receivables at each reporting date to assess whether an allowance for impairment should be recorded in the statement of comprehensive income. In particular, judgment by management is required in determining the amount and timing of future cash flows when determining the level of allowance required. The amount and timing of recorded expenses for any period would differ if the Company made a different judgment. An increase in allowance for impairment losses would increase recorded expenses and decrease net income.

The Company did not recognize any impairment losses on AFS financial assets for the years ended 2025 and 2024. Insurance receivables, net of allowance for impairment, as at December 31, 2025 amount to P443.80 million (2024 - P564.55 million). No impairment losses were recognized on loans and receivables in 2025 and 2024.

4.2 Critical judgments

(f) Deferred income tax assets (Note 12)

The Company reviews the carrying amounts of deferred income tax assets at each reporting date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized.

The Company's recognized deferred income tax assets as at December 31, 2025 amount to P253.01 million (2024 - P255.87 million) which were assessed as fully recoverable.

5. Insurance and financial risks and capital management

Governance framework

The primary objective of the Company's risk and financial management framework is to protect the Company from events that hinder the sustainable achievement of the Company's performance objectives, including failing to exploit opportunities. The Company recognizes the importance of having efficient and effective risk management systems in place.

The Company's local management team is assisted and supervised on a day-to-day basis by the management team of the ultimate parent company at the regional and corporate levels.

There are established divisional and functional reporting lines to the ultimate parent company across the profit centers and service departments. The risk management function of the Company is aligned with that of its ultimate parent company. A risk oversight committee, consisting of certain members of the Company's BOD, provides oversight on the risk management function of the Company. Most of the Company's policies on market (consisting of foreign currency risk, interest rate risk, and price risk), credit, liquidity, insurance, investment and operational risks are developed at the regional and corporate levels which are implemented by the ultimate parent company across its global operations, including the Philippine operations. The policies primarily encompass underwriting, reinsurance, claims, credit control, finance, system infrastructure and business continuity and recovery and serve as minimum guidance for the Company.

(a) Insurance risk

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

- Occurrence risk – the possibility that the number of insured events will differ from those expected.
- Severity risk – the possibility that the cost of the events will differ from those expected.
- Development risk – the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The variability of risks is also improved by careful selection and implementation of underwriting strategies and guidelines. The policies and procedures are developed internally and mandated by the regional and corporate offices of its ultimate parent company.

The business of the Company comprises primarily of short-term non-life insurance contracts. For non-life insurance contracts, claims are often affected by accidents, natural disasters, calamities and the like.

These risks currently do not vary significantly in relation to the location of the risk insured by the Company while undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

The Company has an objective to control and minimize insurance risk to reduce volatility of operating profits. The Company manages insurance risk through the following mechanisms:

- The use and maintenance of sophisticated management information systems that provide up-to-date, accurate and reliable data on risk exposure at any point in time.
- Guidelines are issued for concluding insurance contracts and assuming insurance risks.
- Proactive claims handling procedures are followed to investigate and adjust claims thereby preventing settlement of dubious or fraudulent claims.
- Reinsurance is used to limit the Company's exposure to large claims by placing risk with reinsurers providing high security.
- Diversification is accomplished by achieving sufficiently large population of risks to reduce the variability of the expected outcome. The diversification strategy seeks to ensure that underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

The Company principally underwrites the following types of general insurance contracts: commercial, liability, marine insurance, accident and health, and personal lines.

December 31, 2025	Note	Gross claims liabilities	Reinsurers' share of claims liabilities	Net claims liabilities
Commercial property		663,023,925	620,937,328	42,086,597
Liability		747,472,689	639,605,814	107,866,875
Marine		283,627,674	254,116,649	29,511,025
Accident and health		24,133,248	15,556,872	8,576,376
	22	1,718,257,536	1,530,216,663	188,040,873

December 31, 2024	Note	Gross claims liabilities	Reinsurers' share of claims liabilities	Net claims liabilities
Commercial property		690,510,641	618,642,362	71,868,279
Liability		653,815,373	563,717,425	90,097,948
Marine		370,778,695	304,689,542	66,089,153
Accident and health		1,617,345	1,006,826	610,519
	22	1,716,722,054	1,488,056,155	228,665,899

The Company maintains sufficient assets and adequate capital to support settlement of its claims liabilities.

(b) Financial risk

The Company is exposed to financial risk through its financial assets, financial liabilities and insurance contracts. 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.

(b.1) 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 Company manages the level of risk it accepts by putting in place policies on credit terms extended to its producers and cancellation of insurance contracts with unpaid premiums beyond the agreed credit terms; limiting the list of reinsurance providers to those that are highly rated by established rating agencies and recommended by the ultimate parent company; limiting banking exposures to levels determined by the Company, taking into account overall group exposure; and limiting investment transactions with Company accredited equity brokers ensuring all contracts are subjected to legal and financial review and reviewing regularly the status of reinsurance and financial service providers. When applicable, the Company enters into netting arrangements with counterparties to reduce credit exposures. Significant credit risk management expertise and resources are available at the regional and corporate offices of the ultimate parent company. The Company adopts policies and procedures developed internally and those mandated by the regional and corporate offices of its ultimate parent company.

The Company has put in place various monitoring and control measures depending on the types of financial assets for which the credit risk arises.

For cash and cash equivalents, the Company monitors credit risk through the use of monthly liquidity report. Also, a quarterly recertification of all bank accounts is being prepared.

For receivables from foreign reinsurers, the Company reports its recoverable position to the corporate office on a monthly basis. For receivables, the Company prepares aging reports for each creditor type (producer, reinsurer, ceding companies and employees) which management reviews on a monthly basis. A management level receivable committee discusses monthly collection issues and major receivable balances and develops action plans to address identified issues.

Specific action steps are taken as necessary to address receivables beyond the normal credit terms. For receivables from producers, amounts falling beyond the credit terms are referred to the underwriters for discussion with the brokers and agents for eventual cancellation of the policy. For premiums receivable from reinsurers, any breach in the premium payment warranty date is referred to the underwriters for discussion with the ceding company for eventual cancellation of the reinsurance cover. Any extension of premium payment warranty date requires the approval of the Company's President. For reinsurance recoveries, the corporate office provides support to recover amounts due from foreign reinsurers.

The following table provides information regarding the maximum credit risk exposure of the Company as at December 31:

	Notes	2025	2024
Security deposits		2,785,171	2,785,171
Reinsurance recoverable on unpaid losses	14	1,530,216,663	1,488,056,155
Accrued income	17	44,351,197	41,295,582
AFS financial assets			
Government debt securities	16	2,542,166,244	2,361,467,627
Loans and receivables			
Mortgage loans	17	833,345	898,795
Intercompany accounts receivable	17	51,310,661	44,091,253
Miscellaneous receivables	17	3,581,107	58,488,192
Insurance receivables			
Due from brokers	18	219,897,572	319,303,034
Due from ceding companies	18	209,056,506	166,096,888
Premiums receivable	18	31,845,509	84,517,276
Due from agents	18	-	2,005,599
Reinsurance recoverable on paid losses	18	2,708,419	2,698,055
Cash and cash equivalents	19	1,487,397,697	1,628,159,577
		6,126,150,091	6,199,863,204

Allowance for impairment on insurance receivables as at December 31, 2025 amounts to P19.71 million (2024 - P10.07 million) (Note 18).

The table below provides information regarding the credit risk exposure of the Company as at December 31 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.

2025	Neither past due nor impaired			Past due	Impaired	Total
	High	Medium	Low			
Security deposits	2,785,171	-	-	-	-	2,785,171
Reinsurance recoverable on unpaid losses	1,530,216,663	-	-	-	-	1,530,216,663
Accrued income	44,351,197	-	-	-	-	44,351,197
AFS financial assets						
Government debt securities	2,542,166,244	-	-	-	-	2,542,166,244
Loans and receivables						
Mortgage loans	833,345	-	-	-	-	833,345
Intercompany accounts receivable	51,310,661	-	-	-	-	51,310,661
Miscellaneous receivables	3,581,107	-	-	-	-	3,581,107
Insurance receivables	-					
Due from brokers	-	40,106,660	-	165,766,373	14,024,539	219,897,572
Due from ceding companies	-	32,744,690	-	173,776,100	2,535,716	209,056,506
Premiums receivable	-	-	-	28,693,101	3,152,408	31,845,509
Reinsurance recoverable on paid losses	-	-	-	2,708,419	-	2,708,419
Cash and cash equivalents	1,487,397,697	-	-	-	-	1,487,397,697
	5,662,642,085	72,851,350	-	370,943,993	19,712,663	6,126,150,091
Allowance for impairment	-	-	-	-	-	(19,712,663)
						6,106,437,428

2024	Neither past due nor impaired			Past due	Impaired	Total
	High	Medium	Low			
Security deposits	2,785,171	-	-	-	-	2,785,171
Reinsurance recoverable on unpaid losses	1,488,056,155	-	-	-	-	1,488,056,155
Accrued income	41,295,582	-	-	-	-	41,295,582
AFS financial assets						
Government debt securities	2,361,467,627	-	-	-	-	2,361,467,627
Loans and receivables						
Mortgage loans	898,795	-	-	-	-	898,795
Intercompany accounts receivable	44,091,253	-	-	-	-	44,091,253
Miscellaneous receivables	58,488,192	-	-	-	-	58,488,192
Insurance receivables						
Due from brokers	-	44,490,699	-	269,756,474	5,055,863	319,303,036
Due from ceding companies	-	29,620,929	-	134,722,651	1,753,308	166,096,888
Premiums receivable	-	-	-	81,327,335	3,189,941	84,517,276
Due from agents	-	-	-	1,938,791	66,808	2,005,599
Reinsurance recoverable on paid losses	-	-	-	2,698,053	-	2,698,053
Cash and cash equivalents	1,628,159,577	-	-	-	-	1,628,159,577
	5,625,242,352	74,111,628	-	490,443,304	10,065,920	6,199,863,204
Allowance for impairment	-	-	-	-	-	(10,065,922)
						6,189,797,282

A rating of "high" denotes that the Company's assessment of the probability of failure on the part of the counterparties to fulfill its obligation is about 5% or less, while a "medium" rating denotes a probability of more than 5% but less than 20% and a "low" rating denotes a probability of more than 20%.

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

2025	< 90 days	91 to 180 days	181 to 365 days	Total
Insurance receivables				
Due from brokers	84,920,965	56,666,087	24,179,311	165,766,363
Due from ceding companies	53,859,825	37,900,248	82,016,027	173,776,100
Premiums receivable	9,671,448	4,052,223	14,969,430	28,693,101
Reinsurance recoverable on paid losses	-	-	2,708,419	2,708,419
	148,452,238	98,618,558	123,873,187	370,943,983

2024	< 90 days	91 to 180 days	181 to 365 days	Total
Insurance receivables				
Due from brokers	106,732,718	70,216,944	92,806,812	269,756,474
Due from ceding companies	59,031,506	22,398,982	53,292,163	134,722,651
Premiums receivable	10,690,477	9,986,437	60,650,420	81,327,334
Due from agents	90,259	592,412	1,256,120	1,938,791
Reinsurance recoverable on paid losses	-	-	2,698,053	2,698,053
	176,544,960	103,194,775	210,703,568	490,443,303

The Company did not have any credit risk concentrations other than to the Philippine National Government due to its government bond investments. Reinsurance contracts of the Company and the related amounts recoverable from reinsurers on unpaid losses are substantially with related parties with no history of default.

(b.2) 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. The major liquidity risk confronting the Company is the day-to-day cash requirements for claims arising from insurance contracts. This risk is addressed by an effective cash management function and ensuring that liquidity is a major consideration for selecting long-term investment securities.

A daily cash position report is prepared and reviewed by management based on daily bank balances. The report takes into account projections for settlement of major claims and other liabilities based on the input provided by the different departments executing the transactions. The Company also ensures cash calls are sent promptly to reinsurers. A 12-month rolling cash flow forecast is prepared monthly to project major cash requirements and its impact to the Company's cash position on an ongoing basis.

The table below summarizes the maturity profile of the financial liabilities of the Company as at December 31, based on the remaining period at the reporting date to their contractual maturities and are also presented based on contractual undiscounted repayment obligations.

2025	Note	Within a year	1-3 years	4-5 years	Total
Insurance contract liabilities	22				
Provision for claims reported		734,988,161	-	-	734,988,161
Insurance payables					
Premiums due to reinsurer		643,045,124	-	-	643,045,124
Funds held for reinsurers		1,224,973,181	-	-	1,224,973,181
Trade and other liabilities	25				
Accrued expenses (except taxes and provisions)*		135,743,093	-	-	135,743,093
Lease liability		12,268,939	44,353,231	-	56,622,170
Intercompany payables		163,919,658	-	-	163,919,658
Other liabilities		74,321,524	-	-	74,321,524
Total financial liabilities		2,989,259,680	44,353,231	-	3,033,612,911

2024	Note	Within a year	1-3 years	4-5 years	Total
Insurance contract liabilities	22				
Provision for claims reported		695,901,358	-	-	695,901,358
Insurance payables					
Premiums due to reinsurer		704,987,747	-	-	704,987,747
Funds held for reinsurers		1,262,499,307	-	-	1,262,499,307
Trade and other liabilities	25				
Accrued expenses (except taxes and provisions)*		152,724,063	-	-	152,724,063
Lease liability		10,259,920	-	-	10,259,920
Intercompany payables		75,795,452	-	-	75,795,452
Other liabilities		25,420,472	-	-	25,420,472
Total financial liabilities		2,927,588,319	-	-	2,927,588,319

*Excludes taxes and provisions amounting to P142,360,268 in 2025 (2024 - P199,800,157)

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 using information that develops during the course of the loss adjustment process. Insurance contract liabilities are expected to be settled within one year.

The Company's financial assets which are primarily held to manage insurance contract liabilities are sufficient to finance operations, pay financial liabilities and to mitigate the effects of fluctuations in cash flows.

(b.3) Market risk

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

The market risk the Company accepts is limited by regulatory restrictions imposed by the Insurance Code by allowing only certain types of investments. Liquidity and solvency are primary decision criteria for investing while at the same time limiting its investments in Philippine Peso and US Dollar to minimize and efficiently manage currency risk. An effective asset-liability matching process is in place.

(b.3.1) Currency risk

The Company's principal transactions are carried out in Philippine Peso and its exposure to foreign exchange risk arise primarily with respect to the US Dollar, as the Company deals with foreign reinsurers in the settlement of its obligations and receipt of any claim reimbursements. The Company's financial assets are denominated in the same currencies as its insurance liabilities, which mitigate the foreign currency exchange rate risk. Thus, the main foreign exchange risk arises from recognized assets and liabilities denominated in currencies other than those in which insurance liabilities are expected to be settled.

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

	2025		2024	
	US\$	PHP	US\$	PHP
Cash and cash equivalents	10,483,402	616,718,289	18,147,514	1,049,458,331
Insurance receivables	5,842,248	343,661,648	6,027,246	348,597,198
	16,325,650	960,379,937	24,174,760	1,398,055,529
Accrued expenses	(340,812)	(20,047,783)	(209,383)	(12,110,078)
Intercompany payables	(1,028,879)	(63,698,774)	(897,217)	(51,892,248)
Insurance payables and other liabilities	(9,288,215)	(546,365,595)	(17,673,634)	(1,022,188,197)
	(10,657,906)	(630,112,152)	(18,780,234)	(1,086,190,523)
	5,667,744	330,267,785	5,394,526	311,865,006

The intercompany payables shown above are presented net of the corresponding intercompany receivables for each counterparty (Notes 18 and 25).

Foreign exchange loss, net, recognized in the statement of comprehensive income for the year ended December 31, 2025 is as follows:

	2025	2024
Unrealized foreign exchange (gain) loss	(20,598,102)	12,116,343
Realized foreign exchange loss, net	85,681,039	6,825,844
Net foreign exchange loss	65,082,937	18,942,187

The analysis below is performed for reasonable possible movements in key variables with all other variables held constant, showing the impact on profit after tax and equity. The fluctuation rate in 2025 and 2024 of +/-P1 is based on what management considers as material when assessing its exposure to US Dollar.

The correlation of variables will have a significant effect in determining the ultimate impact of market risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

December 31, 2025	Impact on equity and on profit after tax		
	Change in assumption	Increase in Peso per US\$ depreciation	Decrease in Peso per US\$ appreciation
Cash and cash equivalents	+/-P1	7,862,552	(7,862,552)
Insurance receivables	+/-P1	4,381,686	(4,381,686)
Accrued expenses	+/-P1	(255,609)	255,609
Intercompany payable	+/-P1	(812,159)	812,159
Insurance payable and other liabilities	+/-P1	(6,966,161)	6,966,161

December 31, 2024	Impact on equity and on profit after tax		
	Change in assumption	Increase in Peso per US\$ depreciation	Decrease in Peso per US\$ appreciation
Cash and cash equivalents	+/-P1	13,610,636	(13,610,636)
Insurance receivables	+/-P1	4,520,434	(4,520,434)
Accrued expenses	+/-P1	(157,037)	157,037
Intercompany payable	+/-P1	(672,913)	672,913
Insurance payable and other liabilities	+/-P1	(13,255,225)	13,255,225

(b.3.2) Interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in interest rates. The Company's AFS debt securities bear fixed interest rates and therefore the Company is exposed to fair value interest rate risk but not to cash flow interest rate risk.

The following table shows information relating to the Company's exposure to fair value interest rate risk as at December 31:

2025	Maturity				Total
	Interest rates	Within a year	2-3 years	4-5 years	
AFS debt securities	3.38% - 8.63%	1,001,504,260	863,891,640	676,770,344	2,542,166,244

2024	Maturity				Total
	Interest rates	Within a year	2-3 years	4-5 years	
AFS debt securities	2.38% - 8.63%	335,468,882	1,146,384,933	879,613,812	2,361,467,627

The analysis below is performed for reasonable possible movements in key variables with all other variables held constant, showing the impact on revaluing fixed rate AFS financial assets on equity. The correlation of variables will have a significant effect in determining the ultimate impact on interest rate risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

The fluctuation rate of +/-100 basis points is based on management's assessment of the most reasonable shift in interest rates as at December 31.

2025	Change in Variables	Impact on Equity
Peso	+100 basis points	(72,737,570)
Peso	-100 basis points	61,000,210

2024	Change in Variables	Impact on Equity
Peso	+100 basis points	(19,516,222)
Peso	-100 basis points	98,334,101

The fluctuations in interest rates have no impact on profit or loss.

(b.3.3) Equity price risk

The Company's equity price risk exposure at year-end relates to financial assets and liabilities whose values will fluctuate as a result of changes in market prices, principally AFS equity securities.

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

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

The analysis below as at December 31 is performed for reasonable possible movements in AFS equity investment in key variables with all other variables held constant, showing the impact on equity. The fluctuation rates used are based on the historical movements of the Philippine Stock Exchange index (PSEi) year on year. The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

PSEi	Change in variables	Impact on Equity
2025	+/-16.63%	+/-35,812,223
2024	+/-15.38%	+/-29,359,023

The fluctuations in PSEi has no impact to profit or loss.

(c) Capital management

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

The operations of the Company are subject to the regulatory requirements of the Insurance Code as supervised by the Insurance Commission (IC). Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions (e.g., minimum net worth requirements and minimum risk-based capital adequacy ratio).

Management benchmarks its target capital level to the regulatory minimum, providing allowance for potential catastrophe losses, modest expansion and fluctuations in values of assets. The risk management function identifies the areas at its operations where capital can be substantially exposed. These are effectively addressed by the Company’s underwriting, reinsurance, credit and investment policies. It is the policy of the Company to distribute capital in excess of its target level to its shareholders by way of cash dividend out of its retained earnings.

Management monitors its target capital level on a quarterly basis. Management is required by internal governance standards to report any situation that may lead to a breach of minimum required capital levels to the Audit Committee and to the BOD to agree on any corrective action required to preserve the capital level.

No changes were made on the Company’s objectives, policies and processes from the previous years.

Statutory net worth

Republic Act No. 10607, the Amended Insurance Code (the “Code”), was enacted into law effective September 20, 2013. Among the more significant provisions of the Code include the requirement for domestic insurance companies to maintain the following minimum statutory net worth:

Net worth	Compliance date
250,000,000	June 30, 2013
550,000,000	December 31, 2016
900,000,000	December 31, 2019
1,300,000,000	December 31, 2022

As at December 31, 2025, the Company’s statutory net worth amounted to P2.34 billion (2024 - P2.11 billion). The Company is compliant with the minimum statutory net worth as at December 31, 2025 and 2024.

Risk-based capital

On December 28, 2016, the IC issued CL No. 2016-68 which provides for the Amended RBC 2 Framework with effect beginning January 1, 2017. The CL provides that the RBC ratio of a non-life insurance company is calculated by dividing the total available capital by the RBC requirement. Total available capital is the aggregate of Tier 1 and Tier 2 capital minus deductions, subject to applicable limits and deductions prescribed by the IC.

The non-life RBC requirement considered the following components set by the IC:

- (i) credit risk capital charge;
- (ii) insurance risk capital charge;
- (iii) market risk capital charge for equities;
- (iv) market risk capital charge for other than equities;
- (v) operational risk capital charge; and
- (vi) catastrophe risk capital charge.

On the same date, the IC issued CL No. 2016-69 which provides that on the following year of implementation of the Amended RBC 2 Framework, the RBC requirement will be relaxed to consider the level of sufficiency to be 95th percentile for year 2017, 97.5th percentile for year 2018 and 99.5th percentile for year 2019 and onwards.

The Company is compliant with the requirements of the RBC 2 framework as at December 31, 2025 and 2024.

The following table shows how the RBC ratio was determined by the Company as at December 31, 2025 (based on Amended RBC 2 Framework) subject to IC approval:

Net worth	2,326,860,755
RBC requirement	507,695,113
RBC ratio	458%

On July 16, 2025, the Insurance Commission has issued an approval and Synopsis of the 2024 annual statements with an RBC ratio of 252%.

6. Fair value estimation

The fair value of financial instruments under AFS that are actively traded in organized financial markets is determined by reference to quoted market prices, at the close of business on the reporting date. For unquoted equity instruments, reference is made to the cost which is assumed to be a reasonable approximation of fair value given the limited transactions and circumstances of the instruments. Unquoted equity instruments pertain to a portion of the Company's proprietary shares.

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Fair value measurements that are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as at the reporting date. Market price data is generally obtained from exchange or dealer markets. The Company does not adjust the quoted price for such instruments. Assets measured at fair value on a recurring basis and classified as Level 1 are actively traded listed equities.

The Company considers that government debt securities issued by G7 countries (United States, Canada, France, Germany, Italy, Japan, and the United Kingdom) and traded in a dealer market to be Level 1, until they no longer trade with sufficient frequency and volume to be considered actively traded.

- Level 2: Fair value measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs other than quoted prices that are observable for the asset and liability, such as interest rates and yield curves that are observable at commonly quoted intervals. Assets and liabilities measured at fair value on a recurring basis and classified as Level 2 generally include government securities issued by non-G7 countries, most investment grade corporate bonds, derivative contracts, and proprietary shares. Mortgage and guaranteed loans, with fair values disclosed, are also classified as Level 2.
- Level 3: Fair value measurements based on valuation techniques that use significant inputs that are unobservable. Unobservable inputs are only used to measure fair value to the extent that relevant observable inputs are not available, allowing for circumstances in which there is little, if any, market activity for the asset or liability. Assets and liabilities measured at fair value on a recurring basis and classified as Level 3 include private equity investments, and direct private equity investments.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment. In making the assessment, the Company considers factors specific to the asset or liability.

The following table presents the fair value hierarchy of the Company's financial assets measured at fair value at December 31 following the fair value hierarchy definition as described above.

2025	Level 1	Level 2	Total
Recurring measurements			
AFS financial assets			
Government debt securities	-	2,542,166,244	2,542,166,244
Listed equity securities	215,347,100	-	215,347,100
Proprietary shares	-	223,005,697	223,005,697
	215,347,100	2,765,171,941	2,980,519,041
2024	Level 1	Level 2	Total
Recurring measurements			
AFS financial assets			
Government debt securities	-	2,361,467,627	2,361,467,627
Listed equity securities	190,890,916	-	190,890,916
Proprietary shares	-	217,305,697	217,305,697
	190,890,916	2,578,773,324	2,769,664,240

There are no financial instruments classified as Level 3. There were no transfers between Level 1 and Level 2 during the year.

The carrying values of the other financial assets and liabilities reasonably approximate their fair values due to their short-term nature or the impact of discounting is not significant.

7. Net earned insurance premiums

Gross earned premiums and reinsurers' share of gross earned premiums on insurance contracts for the years ended December 31 consist of the following:

	2025	2024
Gross premiums on insurance contracts		
Direct insurance	1,957,466,844	2,016,988,513
Assumed reinsurance	534,706,358	505,003,689
Change in provision for unearned premiums	56,857,342	(12,020,044)
Total gross earned premiums on insurance contracts	2,549,030,544	2,509,972,158
Reinsurers' share of gross earned premiums on insurance contracts		
Direct insurance	1,819,472,153	1,867,694,660
Assumed reinsurance	513,021,452	480,084,923
Reinsurers' share of change in deferred reinsurance premiums	45,377,334	(14,224,625)
Total reinsurers' share of gross earned premiums on insurance contracts	2,377,870,939	2,333,554,958
Net earned insurance premiums	171,159,605	176,417,200

8. Net investment income

The account for the years ended December 31 consists of the following:

	Notes	2025	2024
Interest income on:			
AFS financial assets			
Government securities		130,614,057	116,279,514
Amortization of (premium) discount	16	(4,711,604)	16,010,637
Cash and cash equivalents	19	56,105,268	55,998,383
Loans and receivables			
Mortgage loans		27,585	31,998
Collateral loans		26,980	570
Dividend income		6,019,833	6,132,463
Gain (loss) on sale of AFS financial assets	16	(10,251,376)	(5,500,298)
Others		18,301,224	(7,818,561)
		196,131,967	181,134,706

9. Other income, net

Other income for the years ended December 31, 2025 and 2024 pertains mainly to fees for claims handling services, engineering services and other management services rendered to various third parties and entities under common control (Note 27) and income earned from related parties due to shared resources (Note 27).

10. Net insurance claims

Gross insurance claims paid for the years ended December 31 consist of the following:

	Note	2025	2024
Insurance contract claims paid			
Direct insurance		245,700,664	79,602,704
Assumed reinsurance		43,293,418	137,166,949
Total insurance contract claims paid	22	288,994,082	216,769,653

Reinsurers' share of gross insurance contract claims paid for the years ended December 31 consist of the following:

	Note	2025	2024
Reinsurers' share of insurance contract claims paid			
Direct insurance		216,015,172	64,816,169
Assumed reinsurance		34,180,568	117,050,617
Total reinsurers' share of insurance contract claims paid	22	250,195,740	181,866,786

Gross change in claims liabilities for the years ended December 31 consists of the following:

	Note	2025	2024
Change in provision for claims reported			
Direct insurance		102,966,776	168,447,391
Assumed reinsurance		(65,234,770)	(405,237,364)
Change in provision for IBNR	22	(37,551,321)	(78,360,716)
Total gross change in claims liabilities		180,685	(315,150,689)

Reinsurers' share of gross change in claims liabilities for the years ended December 31 consists of the following:

	Note	2025	2024
Reinsurers' share of gross change in claims liabilities			
Direct insurance		(127,642,436)	(134,392,715)
Assumed reinsurance		41,992,200	313,813,552
Reinsurers' share of change in provision for IBNR	22	44,551,190	52,571,697
Total reinsurers' share of gross change in claims liabilities		(41,099,046)	231,992,534

In 2025, movements in reinsurance recoverable exceeded the corresponding gross claim movements primarily due to reserve releases on claims with high reinsurance participation. The higher reinsurance movements reflect the underlying reinsurance percentages applied to these claims and do not indicate that ceded amounts exceeded gross claim balances on an individual-claim basis.

11. Operating expenses

The account for the years ended December 31 consist of:

	Notes	2025	2024
Allocated Parent Company expenses	27	137,982,695	102,120,033
Salaries and employee benefits	21	122,992,946	120,233,141
Electronic data processing expenses		36,437,516	36,332,656
Professional and other service fees		33,951,980	66,618,037
Depreciation and amortization	13	16,530,725	16,316,223
Repairs and maintenance		7,016,326	6,749,910
Communications, light and water		4,445,613	4,331,287
Sales and marketing		1,811,721	1,038,326
Transportation and travel		1,629,960	1,361,297
Entertainment, amusement and representation		1,581,442	3,283,583
Rent	26	1,198,739	3,520,823
Office supplies and printing cost		847,700	1,318,761
Fines and penalties		7,000	718,901
Others		31,965,376	33,579,142
Gross operating expenses		398,399,739	397,522,120
Less: Cost recoveries	27	21,277,447	24,052,865
Operating expenses, net		377,122,292	373,469,255

Professional and other service fees include audit and legal fees.

Others consist of bank charges, shipping fees, insurance expense, interest on lease liabilities and provisions for fines and penalties.

Cost recoveries pertain to expenses paid by the Company on behalf of other AIG entities. The balance for the years ended December 31 includes:

	Note	2025	2024
Salaries and employee benefits		18,339,180	22,148,999
Allocated parent company expenses		1,042,640	-
Electronic data processing expenses		575,395	-
Depreciation and amortization		405,569	511,248
Transportation and travel		301,159	542,160
Repairs and maintenance		262,235	369,440
Office supplies and printing costs		127,270	27,164
Communications, light and water		108,302	100,760
Entertainment, amusement and representation		64,833	50,032
Rent		50,864	303,062
	27	21,277,447	24,052,865

12. Income tax

The details of provision for income tax for the years ended December 31 follow:

	2025	2024
Current	56,023,343	91,179,567
Deferred	8,300,056	5,268,157
	64,323,399	96,447,724

Current income tax expense includes final tax amounting to P35.95 million in 2025 (2024 - P24.77 million).

The reconciliation of statutory income tax rates to effective income tax rates as at December 31 is as follows:

	2025	2024
Statutory income tax rates	25.00	25.00
Tax effects of:		
Non-deductible expense	2.85	3.69
Income already subjected to final tax	(3.53)	(5.73)
Non-taxable income	(0.56)	(0.39)
Income tax deficiency	-	2.19
Effective income tax rates	23.76	24.76

The Company's net deferred income tax assets as at December 31 consist of:

	2025	2024
Deferred income tax assets on:		
Excess of deferred reinsurance premiums per books over tax basis	156,193,901	159,522,494
IBNR	35,563,053	33,813,086
Deferred reinsurance commissions	33,733,937	44,016,011
Accrued expenses	4,367,287	4,463,699
Allowance for impairment - premiums receivable	4,928,166	2,516,480
Reserve for discretionary bonus	2,354,986	2,428,621
Reserve for contingent profit commission	1,595,004	1,658,161
Others	14,277,139	7,453,449
Total deferred income tax assets	253,013,473	255,872,001
Deferred income tax liabilities on:		
Excess of provision for unearned premiums per tax over books	153,481,336	156,397,593
Revaluation reserve on AFS financial assets	21,551,302	17,731,756
Deferred acquisition costs	13,643,815	16,591,238
Right-of-use asset	11,653,718	1,738,116
Total deferred income liabilities	200,330,171	192,458,703
Net deferred income tax assets	52,683,302	63,413,298

Other deferred income tax assets pertain to temporary differences arising from foreign exchange gain or loss, provision for service fees and legal contingencies, retirement benefit obligation and lease contracts accounted under PFRS 16.

Movements in net deferred income tax assets follow:

	2025	2024
At January 1	63,413,298	72,790,469
Amounts credited to profit or loss	(8,300,056)	(5,268,156)
Amounts credited to (charged against) other comprehensive income	(2,429,940)	(4,109,015)
At December 31	52,683,302	63,413,298

In 2025, an overpayment of P77.6 million (2024 - P47.9 million) is presented as part of Other assets in the statement of financial position.

13. Property and equipment, net

Details of and movements in the account as at and for the years ended December 31 follows:

2025	EDP equipment	Furniture and Fixtures	Leasehold improvement	Transport equipment	Office premise	Total
Cost						
January 1, 2025	65,932,512	7,101,276	24,781,274	6,143,751	62,007,675	165,966,488
Additions	-	-	-	-	48,222,280	48,222,280
	65,932,512	7,101,276	24,781,274	6,143,751	110,229,955	214,188,768
Accumulated depreciation and amortization						
January 1, 2025	43,050,968	6,489,777	24,781,274	5,281,919	55,055,211	134,659,149
Depreciation and amortization	7,421,042	166,773	-	383,037	8,559,873	16,530,725
	50,472,010	6,656,550	24,781,274	5,664,956	63,615,084	151,189,874
Net book value	15,460,502	444,726	-	478,795	46,614,871	62,998,894

2024	EDP equipment	Furniture and Fixtures	Leasehold Improvement	Transport equipment	Office premise	Total
Cost						
January 1, 2024	68,131,350	7,101,276	24,781,274	6,143,751	62,007,675	168,165,326
Additions	-	-	-	-	-	-
Adjustment	(2,198,838)	-	-	-	-	(2,198,838)
	65,932,512	7,101,276	24,781,274	6,143,751	62,007,675	165,966,488
Accumulated depreciation and amortization						
January 1, 2024	36,033,046	6,323,005	24,781,274	4,493,346	46,712,255	118,342,926
Depreciation and amortization	7,017,922	166,772	-	788,573	8,342,956	16,316,223
	43,050,968	6,489,777	24,781,274	5,281,919	55,055,211	134,659,149
Net book value	22,881,544	611,499	-	861,832	6,952,464	31,307,339

Depreciation and amortization for the years ended December 31, 2025 and 2024 are included under operating expenses in the statement of comprehensive income.

As at December 31, 2025 and 2024, the Company has property and equipment that are fully depreciated but still in active use. The cost of these fully-depreciated asset items amounted to P31,756,625 in 2025 and 2024.

14. Reinsurance assets

Details of the account as at December 31 follow:

	Note	2025	2024
Reinsurance recoverable on unpaid losses	22	1,530,216,663	1,488,056,155
Deferred reinsurance premiums	22	549,293,474	590,453,690
		2,079,510,137	2,078,509,845

All reinsurance assets are expected to be collected and realized within one year.

15. Deferred acquisition costs; Deferred reinsurance commission

The roll-forward analysis of deferred acquisition costs for the years ended December 31 follows:

	2025	2024
At January 1	66,364,954	64,315,024
Cost deferred during the year	145,401,617	171,492,282
Amortization charge for the year	(157,191,312)	(169,442,352)
At December 31	54,575,259	66,364,954

Deferred acquisition costs are to be amortized within one (1) year from reporting date.

The roll-forward analysis of deferred reinsurance commission for the years ended December 31 follows:

	2025	2024
At January 1	176,064,042	180,024,976
Income deferred during the year	463,990,117	558,071,665
Commissions earned during the year	(505,118,412)	(562,032,599)
At December 31	134,935,747	176,064,042

Deferred reinsurance commission are to be amortized within one (1) year from reporting date.

16. Available-for-sale (AFS) financial assets

Details of the account as at December 31 follow:

	2025	2024
Government debt securities	2,542,166,244	2,361,467,627
Equity securities		
Listed shares	215,347,100	190,890,916
Proprietary shares	223,005,697	217,305,697
	2,980,519,041	2,769,664,240

The movements in the carrying values of AFS financial assets as at and for the years ended December 31 follow:

	Note	2025	2024
At January 1		2,769,664,240	2,614,306,015
Additions		534,732,231	762,722,694
Disposals/maturities		(369,424,128)	(673,396,421)
Amortization of premium (discount)	8	(4,711,604)	16,010,637
Fair value change recycled to profit or loss	8	(10,251,376)	(5,500,298)
Fair value change in other comprehensive income		60,509,678	55,521,613
At December 31		2,980,519,041	2,769,664,240

The unrealized gain in respect to change in fair value of AFS financial assets charged against equity as at December 31, 2025 amounts to P28.14 million (2024 - P44.74 million), net of tax effect of P3.82 million (2024 - P5.28 million).

Proceeds from sale and maturities of AFS financial assets for the year ended December 31, 2025 amount to P359.17 million (2024 - P667.90 million).

Government debt securities have annual interest rates ranging from 3.38% to 8.63% in 2025 (2024 - 2.63% to 8.63%).

Interest income earned, net of amortization of discount, from AFS financial assets for the year ended December 31, 2025 amounts to P125.9 million (2024 - P132.29 million of premium) (Note 8). Dividend income from quoted equity securities for the year ended December 31, 2025 amounted to P6.0 million (2024 - P6.13 million).

The maturity profile of the Company's government debt securities as at December 31.

	2025	2024
Due within one year	1,001,504,260	335,468,882
2-3 years	863,891,640	1,146,384,933
4-5 years	676,770,344	879,613,812
	2,542,166,244	2,361,467,627

17. Loans and receivables; Accrued income

The account at December 31 consists of:

	Note	2025	2024
Intercompany accounts receivable	27	51,310,661	44,091,253
Mortgage loans		833,345	898,795
Miscellaneous receivables		3,581,107	58,488,192
		55,725,113	103,478,240

The maturity profile of loans and receivables at December 31 is as follows:

	2025	2024
Due within one year	54,891,769	102,301,001
2-3 years	358,245	489,332
4-5 years	168,200	167,225
Over 5 years	306,899	520,682
	55,725,113	103,478,240

Mortgage loans earn interest in 2025 and 2024 ranging from 3% to 12% per annum and with maturities ranging from 1 to 12 years.

Miscellaneous receivables include emergency loan program and salary advances.

Details of accrued income as at December 31 follows:

	2025	2024
Government securities	41,535,934	38,721,093
Short-term investments	2,797,692	2,457,488
	44,333,626	41,178,581
Dividend income	17,570	117,001
	44,351,196	41,295,582

Accrued income from government securities is collected through scheduled coupon payments, while accrued income from short-term investments and dividends is collectible in accordance with contractual terms, generally within one year.

18. Insurance receivables, net

The account at December 31 consists of:

	2025	2024
Due from brokers	219,897,572	319,303,036
Due from ceding companies	209,056,506	166,096,888
Premiums receivable	31,845,509	84,517,276
Due from agents	-	2,005,599
Reinsurance recoverable on paid losses	2,708,419	2,698,053
	463,508,006	574,620,852
Allowance for impairment	(19,712,662)	(10,065,922)
	443,795,344	564,554,930

All insurance receivables are due within one year.

Allowance for impairment pertains to due from brokers, ceding companies and agents and premium receivables that are tagged as impaired. Movements in allowance for impairment as at December 31 follow:

	2025	2024
At January 1	10,065,922	3,526,054
Provision for impairment loss	9,646,741	6,539,868
At December 31	19,712,663	10,065,922

The provision for impairment loss on insurance receivables is presented in the statement of comprehensive income.

19. Cash and cash equivalents

The account at December 31 consists of:

	2025	2024
Cash in banks	346,622,710	408,627,100
Short-term investments	1,140,774,987	1,219,532,477
	1,487,397,697	1,628,159,577

The cash in banks and short-term investments have annual interest rates in 2025 ranging from 0.01% to 5.95% (2024 - 0.01% to 6.00%). Short-term deposits are made for varying periods of less than one year depending on the immediate cash requirements of the Company.

Interest income earned from cash in banks and short-term deposits for the year ended December 31, 2025 and 2024 amounts to P56 million (Note 8).

20. Equity

(a) Share capital

The Company's share capital as at December 31, 2025 and 2024 consists of:

	2025		2024	
	Shares	Amount	Shares	Amount
Common shares - P100 par value				
Authorized	13,000,000	1,300,000,000	13,000,000	1,300,000,000
Issued and outstanding				
At beginning of year	9,358,524	935,852,400	9,358,524	935,852,400
Issuances during the year	-	-	-	-
At end of year	9,358,524	935,852,400	9,358,524	935,852,400

(b) Accumulated other comprehensive income

Details of and movements in Accumulated other comprehensive income for the years ended December 31 follow:

	Notes	2025	2024
Fair value reserve on AFS financial assets	16		
At January 1		214,591,556	169,855,102
Fair value change recycled to profit or loss		(10,251,376)	(5,500,298)
Fair value changes during the year		60,509,678	55,521,613
Impairment loss		(18,301,228)	-
Deferred income tax effect		(3,819,546)	(5,284,861)
At December 31		242,729,084	214,591,556
Remeasurement on retirement benefit obligation	21		
At January 1		(33,069,360)	(29,541,822)
Remeasurement loss for the year		(5,558,427)	(4,703,384)
Deferred income tax effect		1,389,607	1,175,846
At December 31		(37,238,180)	(33,069,360)
		205,490,904	181,522,196

(c) Retained earnings

As at December 31, 2025 and 2024, the Company has excess retained earnings over its paid-up capital.

In 2008, the SEC issued Memorandum Circular No. 11 providing the guidelines in determining the appropriate amount of retained earnings available for dividend distribution taking into consideration the effective guidelines of the SEC. On January 24, 2013, SEC issued Financial Reporting Bulletin No. 14, *Reconciliation of Retained Earnings Available for Dividend Declaration*, which prescribed adjustments as indicated in Annex 68-C of SRC Rule 68.

Consistent with the provision of the Corporation Code of the Philippines, stock corporations are prohibited from retaining surplus profits in excess of 100% of their paid-in capital. BIR Revenue Regulations No. 2-2001 provides that insurance companies are exempted from the 10% improperly accumulated earnings tax imposed on improperly accumulated taxable income.

The amended Insurance Code provides that no domestic insurance corporation shall declare or distribute any dividend on its outstanding stocks unless it has met the minimum paid-up capital and net worth requirements of the amended Insurance Code.

The Company plans to retain the excess retained earnings over its paid up capital as at December 31, 2025 of P218.87 million (2024 - P212.56 million) to comply with the regulatory capital requirements of the IC on fixed capitalization and risk-based capital (RBC) requirements.

Management will continue to evaluate the plans to retain the excess retained earnings over its paid up capital after considering the amended regulatory capital requirements of the IC on fixed capitalization and RBC framework.

On August 22, 2024, the Company's BOD approved the declaration of cash dividends amounting to P32.06 per share out of the Company's unrestricted retained earnings as at December 31, 2023. In total, P300.00 million cash dividends were paid on September 13, 2024.

On October 23, 2025, the Company's BOD approved the declaration of cash dividends amounting to P21.37 per share out of the Company's unrestricted retained earnings as at December 31, 2024. In total, P200.00 million cash dividends were paid on October 29, 2025.

21. Employee benefits

The amounts recognized in the financial statements as at and for the years ended December 31 related to post-employment benefits are as follows:

	Note	2025	2024
Retirement benefit obligation		10,022,091	7,290,092
Provisions for other post-employment benefits	25	9,026,202	8,773,763
		19,048,293	16,063,855
Charged to profit or loss within salaries and employee benefits under Operating expenses:			
Provision for other post-employment benefits		535,200	477,462
Retirement benefit obligation		7,052,799	6,980,524
		7,587,999	7,457,986
Remeasurement losses for:			
Retirement benefit obligation		5,679,200	569,965
Provisions for other post-employment benefits		(120,773)	4,133,421
		5,558,427	4,703,386

(a) Defined benefit retirement plans

The Company operates a defined benefit retirement plan, covering substantially all of its employees, which requires contributions to be made to an administered fund. The plan is administered by a local bank as trustee. The level of benefits provided depends on the members' length of service and their salary in the final years leading up to retirement. Plan assets held in trusts are governed by local regulations. The net defined benefit liability or asset is calculated annually by an independent actuary using the projected unit credit method.

This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The amounts recognized in the statement of financial position as at December 31 are determined as follows:

	2025	2024
Present value of funded obligations	112,029,489	94,834,025
Fair value of plan assets	(102,007,398)	(87,543,933)
Balance in the statement of financial position	10,022,091	7,290,092

The movement in the retirement benefit obligation and plan assets for the years ended December 31 are as follows:

	Present value of obligation	Fair value of plan assets	Total
At January 1, 2025	94,834,025	(87,543,933)	7,290,092
Current service cost	6,608,103	-	6,608,103
Interest expense (income)	5,784,876	(5,340,180)	444,696
	12,392,979	(5,340,180)	7,052,799
Remeasurements			
Return on plan assets, excluding amounts included in interest expense	-	595,937	595,937
Gain from change in financial assumptions	(757,108)	-	(757,108)
Experience adjustments	5,840,371	-	5,840,371
	5,083,263	595,937	5,679,200
Contributions of the Company	-	(10,000,000)	(10,000,000)
Benefit payments from plan	(280,778)	280,778	-
At December 31, 2025	112,029,489	(102,007,398)	10,022,091

	Present value of obligation	Fair value of plan assets	Total
At January 1, 2024	84,746,083	(75,006,477)	9,739,606
Current service cost	6,386,406	-	6,386,406
Interest expense (income)	5,169,511	(4,575,395)	594,116
	11,555,917	(4,575,395)	6,980,522
Remeasurements			
Return on plan assets, excluding amounts included in interest expense	-	1,369,017	1,369,017
Gain from change in financial assumptions	(3,320,991)	-	(3,320,991)
Experience adjustments	2,521,938	-	2,521,938
	(799,053)	1,369,017	569,964
Contributions of the Company	-	(10,000,000)	(10,000,000)
Benefit payments from plan	(668,922)	668,922	-
At December 31, 2024	94,834,025	(87,543,933)	7,290,092

The significant actuarial assumptions for the years ended December 31 are as follows:

	2025	2024
Discount rate	6.20%	6.10%
Rate of salary increase	5.50%	5.50%

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions at December 31 follows:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
2025			
Discount rate	1%	Decrease by 7%	Increase by 8%
Rate of salary increase	1%	Increase by 7%	Decrease by 7%

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
2024			
Discount rate	1%	Decrease by 7%	Increase by 8%
Rate of salary increase	1%	Increase by 7%	Decrease by 7%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement liability recognized within the statement of financial position.

There are no changes from the prior year in the methods and assumptions used in preparing the sensitivity analyses.

Plan assets comprised the following:

	2025		2024	
	Amount	%	Amount	%
Quoted				
Equity securities	499,045	0%	50,336	0%
Debt instruments	100,927,734	99%	86,912,979	99%
Unquoted				
Cash and cash equivalents	580,619	1%	580,618	1%
	102,007,398	100%	87,543,933	100%

The plan is being administered by a trustee-bank who is authorized to invest and manage the fund based on investment guidelines agreed under the trust agreement.

The fair value of the plan assets approximates their carrying value as at December 31, 2025 and 2024. The defined benefit plan typically exposes the Company to a number of risks such as investment risk, interest rate risk and salary risk. The most significant of which relate to investment and interest rate risk. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related retirement obligation. A decrease in government bond yields will increase the defined benefit obligation although this will also be partially offset by an increase in the value of the plan's fixed income holdings. Hence, the present value of defined benefit obligation is directly affected by the discount rate to be applied by the Company. However, the Company believes that due to the long-term nature of the retirement obligation and the strength of the Company itself, the mix of debt and equity securities holdings of the plan is an appropriate element of the Company's long-term strategy to manage the plan efficiently.

The Company ensures that the investment positions are managed within an asset-liability matching framework that has been developed to achieve long-term investments that are in line with the obligations under the plan. The Company's main objective is to match assets to the defined benefit obligation by investing primarily in long-term debt securities with maturities that match the benefit payments as they fall due. The asset-liability matching is being monitored on a regular basis and potential change in investment mix is being discussed with the Company, as necessary to better ensure the appropriate asset-liability matching.

The Company contributes to the plan depending on the suggested funding contribution as calculated by an independent actuary. There is no expected additional contribution to be made yet in 2026.

The expected maturity analysis of undiscounted retirement benefit payments as at December 31 is as follows:

	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years
2025	18,829,115	9,376,007	32,394,154	217,557,574
2024	5,183,972	17,032,985	15,371,045	217,045,318

(b) Other post-employment benefits (retirement life and medical)

The Company provides post-retirement life and medical benefits to qualified retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment and calculated by an independent actuary using the projected unit credit method. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

The movements in the post-employment benefit obligation for the years ended December 31 are as follows:

	2025	2024
At January 1	8,773,763	4,624,351
Interest expense	535,200	277,462
Remeasurements		
Loss from change in financial assumptions	515,948	520,720
Provisions for other post-employment benefits	(636,720)	3,612,701
	(120,772)	4,133,421
Benefit payments by the Company	(161,989)	(261,471)
At December 31	9,026,202	8,773,763

The provision for other post-employment benefits is presented in trade and other liabilities (Note 25).

The discount rate used for the years ended December 31 is as follows:

2025	6.10%
2024	6.10%

The sensitivity of the post-employment benefit obligation to a change in the weighted principal assumption at December 31 follows:

Discount rate	Impact on other post-employment benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
2025	1%	Decrease by 5%	Increase by 5%
2024	1%	Decrease by 5%	Increase by 5%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the other post-employment benefits recognized within the statement of financial position.

There are no changes from the prior year in the methods and assumptions used in preparing the sensitivity analyses. The weighted average duration of the defined benefit obligation is 7 years as at December 31, 2025 (2024 - 6 years).

The expected maturity analysis of undiscounted other post-employment benefit payments as at December 31 is as follows:

	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years
2025	985,094	1,058,400	3,354,526	8,838,049
2024	860,255	924,985	3,101,285	9,542,567

(c) Staff costs and other employee related costs

Staff costs and other employee-related costs for the years ended December 31 consist of:

	Note	2025	2024
Wages and salaries		91,085,725	92,005,068
Net benefit expense		7,052,799	6,980,524
Social security costs		2,592,284	2,412,373
Others		22,262,138	18,835,176
	11	122,992,946	120,233,141

Others pertain mainly to severance pay as a result of vacation leave credits and other post-retirement benefits.

22. Insurance contract liabilities and reinsurance assets

On December 28, 2016, the IC, through its Circular Letter (CL) No. 2016-67, issued the New Valuation Standard for Insurance Policy Reserve with effect beginning January 1, 2017 and onwards. Among others, the New Valuation Standard for Insurance Policy Reserve provides for (i) the determination of premium liabilities based on the higher of Unearned Premium Reserve (UPR) and Unearned Risk Reserve (URR); (ii) consideration of the Claims Handling Expense (CHE); (iii) consideration of Margin for Adverse Deviation (MfAD) to allow for inherent uncertainty of the best estimate of policy reserve; (iv) certification of an actuary on the calculation of the insurance policy reserve in accordance with the New Valuation Standard for Insurance Policy Reserve prescribed by the IC.

Beginning January 1, 2018, premium liabilities will be determined based on the higher of the UPR (net of DAC) and URR and application of Company specific MfAD. The Company elected to apply the change in valuation methodology for the Company's premium liabilities retrospectively. The Company's UPR, (net of DAC) is higher than URR as at December 31, 2025 and 2024.

The Company has adopted the New Valuation Standard for Insurance Policy Reserve issued by the IC CL 2016-67 as its accounting policy for reserving, particularly the consideration of MfAD and CHE in determining its claims liabilities. The Company has engaged its regional actuary in determining its claims liabilities, who has considered actual historical claims data for the last 10 years, CHE of 3.5% and 100% of the Company specific MfAD in determining its claims obligation. The 100% of the Company specific MfAD has been applied by the Company in accordance with IC CL 2018-19.

Short-term non-life insurance liabilities as at December 31 are analyzed as follows:

	2025			2024		
	Insurance contract liabilities	Reinsurers' share of liabilities	Net	Insurance contract liabilities	Reinsurers' share of liabilities	Net
Provision for claims reported and loss adjustment expenses	734,988,161	689,199,500	45,788,661	695,901,358	602,487,801	93,413,557
Provision for IBNR	983,269,375	841,017,164	142,252,211	1,020,820,696	885,568,354	135,252,342
Total claims reported and IBNR	1,718,257,536	1,530,216,664	188,040,872	1,716,722,054	1,488,056,155	228,665,899
Provision for unearned premiums	627,998,075	549,293,473	78,704,602	680,044,726	590,453,690	89,591,036
Total insurance contract liabilities	2,346,255,611	2,079,510,137	266,745,474	2,396,766,780	2,078,509,845	318,256,935

Provision for IBNR consists of:

	2025			2024		
	Insurance contract liabilities	Reinsurers' share of liabilities	Net	Insurance contract liabilities	Reinsurers' share of liabilities	Net
IBNR best estimate	643,102,573	568,345,931	74,756,642	675,808,589	617,713,227	58,095,362
MfAD	304,795,919	272,671,233	32,124,686	309,180,533	267,855,127	41,325,406
CHE	35,370,883	-	35,370,883	35,831,572	-	35,831,572
At December 31	983,269,375	841,017,164	142,252,211	1,020,820,694	885,568,354	135,252,340

Provisions for claims reported by policyholders and IBNR are analyzed as follows:

	2025			2024		
	Insurance contract liabilities	Reinsurers' share of liabilities	Net	Insurance contract liabilities	Reinsurers' share of liabilities	Net
At January 1	1,716,722,054	1,488,056,155	228,665,899	2,028,185,415	1,717,136,623	311,048,792
Claims incurred and paid (net of salvage and subrogation) during the year	37,732,006	85,650,236	(47,918,230)	(236,789,973)	(179,420,837)	(57,369,136)
Increase (decrease) in IBNR	(37,551,321)	(44,551,190)	6,999,869	(78,360,716)	(52,571,697)	(25,789,019)
Foreign currency remeasurement	1,354,797	1,061,463	293,334	3,687,328	2,912,066	775,262
At December 31	1,718,257,536	1,530,216,664	188,040,872	1,716,722,054	1,488,056,155	228,665,899

Provision for unearned premiums is analyzed as follows:

	2025			2024		
	Insurance contract liabilities	Reinsurers' share of liabilities	Net	Insurance contract liabilities	Reinsurers' share of liabilities	Net
At January 1	680,044,726	590,453,690	89,591,036	662,977,297	572,059,453	90,917,844
New policies written during the year	2,492,173,203	2,332,493,604	159,679,599	2,521,992,203	2,347,779,583	174,212,620
Premiums earned during the year	(2,549,030,544)	(2,377,870,939)	(171,159,605)	(2,509,972,158)	(2,333,554,958)	(176,417,200)
Foreign currency remeasurement	4,810,690	4,217,118	593,572	5,047,384	4,169,612	877,772
At December 31	627,998,075	549,293,473	78,704,602	680,044,726	590,453,690	89,591,036

All insurance liabilities are expected to be settled within one year.

23. Insurance contract liabilities and reinsurance assets - terms, assumptions and sensitivities

23.1 Terms and conditions

The major classes of general insurance written by the Company include accident and health, marine, commercial property and liability insurance. Risks under these policies usually cover 12-month duration.

For general insurance contracts, claims provisions (comprising provisions for claims reported by policyholders and IBNR) are established to cover the ultimate cost of settling the liabilities in respect of claims that have occurred and are estimated based on known facts at the reporting date.

The provisions are refined quarterly as part of a regular ongoing process as claims experience develops, certain claims are settled and further claims are reported.

The measurement process primarily includes projection of future claims costs through a combination of actuarial and statistical projection techniques. In certain cases, where there is a lack of reliable historical data on which to estimate claims development, relevant benchmarks of similar business are used in developing claims estimates. Claims provisions are separately analyzed by class of business. In addition, larger claims are usually either separately assessed by loss adjusters or separately projected by the actuaries. The claims projection assumptions are generally intended to provide a best estimate of the most likely or expected outcome.

23.2 Assumptions

The principal assumption underlying the estimates is the Company's past claims development experience. Loss development factors are established by analyzing at least 10 years of claims data and deriving the claims development trend by class of business.

23.3 Sensitivities

The general insurance claims provision is sensitive to the Company's past claims development experiences. The sensitivity of certain variables like legislative change, uncertainty in the estimation process, etc., is not possible to quantify. Consequently, the ultimate liabilities will vary as a result of subsequent developments. Differences resulting from reassessments of the ultimate liabilities are recognized in subsequent financial statements.

The Company's estimation of ultimate claim liabilities may be affected largely by the shift in the development trends of losses. However, the Company believes that using statistical data over 10 years minimizes the margin of error in its estimates.

The analysis below is performed for a reasonable possible movement in key assumptions with all other assumptions held constant, on income and 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. It should also be stressed that these assumptions are non-linear and larger or smaller impacts cannot easily be gleaned from these results.

The ultimate loss ratio represents management's estimate of total claims costs ultimately expected to arise from insurance contracts, expressed as a percentage of earned premiums for a given accident year or underwriting period. Ultimate claims costs include both reported claims and incurred but not reported (IBNR) claims, net of expected recoveries, where applicable. The ultimate loss ratio reflects the combined effect of assumptions relating to claim frequency, claim severity, claims settlement patterns, policy terms and conditions, reinsurance arrangements, and other relevant factors. These assumptions are based on historical experience and adjusted where observable trends or current conditions indicate that past experience may not be representative of future outcomes.

Unallocated loss adjustment expense (ULAE) represents claims-related expenses that cannot be directly attributed to individual claims but are incurred in the process of investigating, settling, and administering insurance claims. These expenses include, among others, internal claims handling costs such as claims department salaries, overheads, and other indirect claims management expenses. ULAE is estimated as part of the total claims liabilities, including incurred but not reported (IBNR) provisions, and is determined using historical relationships between claims handling expenses and incurred claims costs. Management reviews these relationships at each reporting date and adjusts the assumptions where historical experience is not considered representative of future outcomes.

The sensitivity in the significant key assumptions being monitored by the Company affecting insurance contract liabilities (i.e. provision for IBNR) is presented as follows:

2025	Change in assumption	% Insurance contract liabilities	
		Gross	Net
Unallocated loss adjustment expenses (ULAE)	+/- 1.00%	+/- 0.71%	+/-6.58%
Loss ratio	+/- 10.00%	+/- 3.21%	+/-8.27%

2024	Change in assumption	% Insurance contract liabilities	
		Gross	Net
Unallocated loss adjustment expenses (ULAE)	+/- 1.00%	+/- 0.21%	+/- 1.59%
Loss ratio	+/- 10.00%	+/- 1.16%	+/- 0.99%

The Company's Unearned Premium Reserve (UPR) continue to remain higher than URR requiring no additional reserve for insurance contract liabilities as at December 31, 2025 and 2024.

23.4 Loss development triangle

Reproduced below are the tables showing the development of claims over a period of time on a gross and net reinsurance basis:

Gross reinsurance basis

Accident year	All years prior	2025					
		2020	2021	2022	2023	2024	2025
Estimate of ultimate claims costs							
At the end of							
accident year	13,814,759,428	658,097,993	373,164,872	114,054,187	546,627,464	80,884,599	230,016,415
One year later	16,007,582,675	870,494,778	364,676,491	449,359,905	99,061,275	99,244,534	-
Two years later	16,325,741,282	822,949,736	460,346,046	410,549,607	81,579,856	-	-
Three years later	16,339,565,939	841,920,182	454,034,504	350,302,716	-	-	-
Four years later	16,201,453,098	1,048,313,678	366,790,669	-	-	-	-
Five years later	16,156,799,592	845,388,301	-	-	-	-	-
Six years later	16,179,173,855	-	-	-	-	-	-
Seven years later	16,046,284,078	-	-	-	-	-	-
Eight years later	16,043,368,072	-	-	-	-	-	-
Nine years later	16,214,575,561	-	-	-	-	-	-
Current estimate of cumulative claims	16,214,575,561	845,388,301	366,790,669	350,302,716	81,579,856	99,244,534	230,016,415
Cumulative payments to date	15,844,577,879	646,069,967	362,125,548	317,196,662	75,820,832	63,701,904	143,417,100
Total gross insurance liabilities included in the statement of financial position							
	369,997,682	199,318,334	4,665,121	33,106,054	5,759,024	35,542,630	86,599,315
Provision for claims reported and loss adjustment expenses, gross							734,988,161

Accident year	All years prior	2024					
		2019	2020	2021	2022	2023	2024
Estimate of ultimate claims costs							
At the end of							
accident year	13,814,759,428	658,097,993	373,164,872	114,054,187	546,627,464	80,884,599	306,064,792
One year later	16,007,582,675	870,494,778	364,676,491	449,359,905	99,061,275	110,605,467	-
Two years later	16,325,741,282	822,949,736	460,346,046	410,549,607	167,449,199	-	-
Three years later	16,339,565,939	841,920,182	454,034,504	411,927,613	-	-	-
Four years later	16,201,453,098	1,048,313,678	634,654,103	-	-	-	-
Five years later	16,156,799,592	1,293,933,994	-	-	-	-	-
Six years later	16,179,173,855	-	-	-	-	-	-
Seven years later	16,046,284,078	-	-	-	-	-	-
Eight years later	16,043,368,072	-	-	-	-	-	-
Nine years later	14,753,751,623	-	-	-	-	-	-
Current estimate of cumulative claims	14,753,751,623	1,293,933,994	634,654,103	411,927,613	167,449,199	110,605,467	306,064,792
Cumulative payments to date	14,575,861,444	1,257,323,806	555,767,701	373,605,566	159,315,802	38,215,320	22,395,794
Total gross insurance liabilities included in the statement of financial position							
	177,890,179	36,610,188	78,886,402	38,322,047	8,133,397	72,390,147	283,668,998
Provision for claims reported and loss adjustment expenses, gross							695,901,358

Net reinsurance basis

Accident year	All years prior	2025					
		2020	2021	2022	2023	2024	2025
Estimate of ultimate claims costs							
At the end of							
accident year	3,442,559,073	93,197,544	18,636,300	10,769,655	9,922,619	46,690,040	36,138,747
One year later	3,870,092,010	69,443,056	91,043,970	18,972,675	12,415,865	10,568,291	-
Two years later	3,897,200,013	65,022,638	93,252,987	40,512,275	8,473,310	-	-
Three years later	3,917,565,223	64,881,767	56,281,596	48,063,947	-	-	-
Four years later	3,967,283,749	142,523,828	48,758,820	-	-	-	-
Five years later	3,965,471,191	131,712,378	-	-	-	-	-
Six years later	3,968,615,450	-	-	-	-	-	-
Seven years later	3,968,075,925	-	-	-	-	-	-
Eight years later	3,964,999,576	-	-	-	-	-	-
Nine years later	3,735,457,443	-	-	-	-	-	-
Current estimate of cumulative claims	3,735,457,443	131,712,378	48,758,820	48,063,947	8,473,310	10,568,291	36,138,747
Cumulative payments to date	3,730,149,823	115,386,901	47,592,540	39,787,433	7,138,205	7,904,551	25,424,823
Total gross insurance liabilities included in the statement of financial position							
	5,307,620	16,325,477	1,166,280	8,276,514	1,335,105	2,663,740	10,713,924
Provision for claims reported and loss adjustment expenses, net							45,788,661

Accident year	All years prior	2024					
		2019	2020	2021	2022	2023	2024
Estimate of ultimate claims costs							
At the end of							
accident year	3,293,038,066	149,521,007	93,197,544	18,636,300	10,769,655	9,922,619	46,690,040
One year later	3,665,961,736	204,130,273	69,443,056	91,043,970	18,972,675	12,415,865	-
Two years later	3,704,881,682	192,318,331	65,022,638	93,252,987	40,512,275	-	-
Three years later	3,720,723,882	196,841,342	64,881,767	56,281,596	-	-	-
Four years later	3,733,808,004	233,475,745	142,523,828	-	-	-	-
Five years later	3,737,227,177	228,244,014	-	-	-	-	-
Six years later	3,740,371,436	-	-	-	-	-	-
Seven years later	3,739,831,911	-	-	-	-	-	-
Eight years later	3,736,755,562	-	-	-	-	-	-
Nine years later	3,519,001,547	-	-	-	-	-	-
Current estimate of cumulative claims	3,519,001,547	228,244,014	142,523,828	56,281,596	40,512,275	12,415,865	46,690,040
Cumulative payments to date	3,512,848,106	218,977,643	122,768,314	46,722,706	38,595,759	6,754,932	5,588,147
Total gross insurance liabilities included in the statement of financial position							
	6,153,441	9,266,371	19,755,514	9,558,890	1,916,516	5,660,933	41,101,893
Provision for claims reported and loss adjustment expenses, net							93,413,557

24. Insurance payables

The account as at December 31 consists of:

	Note	2025	2024
Premiums due to reinsurers		643,045,124	704,987,747
Funds held for reinsurers	27	1,224,973,181	1,262,499,307
		1,868,018,305	1,967,487,054

Premiums due to reinsurers for related party accounts amount to P634.40 million in 2025 (2024 - P699.75 million) (Note 27).

The roll-forward analysis of insurance payables for the years ended December 31 follows:

	2025			2024		
	Premium due to reinsurers	Funds held for reinsurers	Total	Premium due to reinsurers	Funds held for reinsurers	Total
At January 1	704,987,746	1,262,499,307	1,967,487,053	442,181,663	1,099,825,158	1,542,006,821
Arising during the year	1,675,376,887	1,224,973,181	2,900,350,068	1,590,821,993	1,262,499,307	2,853,321,300
Settlements	(1,737,319,510)	(1,262,499,306)	(2,999,818,816)	(1,328,015,909)	(1,099,825,158)	(2,427,841,067)
At December 31	643,045,123	1,224,973,182	1,868,018,305	704,987,747	1,262,499,307	1,967,487,054

All insurance payables are expected to be settled within one year.

25. Trade and other liabilities

The account at December 31 consists of:

	Notes	2025	2024
Accrued expenses		278,103,361	352,524,220
Intercompany payables	27	163,919,658	75,795,452
Lease liability		46,814,261	8,573,960
Provision for other post-employment benefits	21	9,026,202	8,773,763
Other liabilities		74,321,524	25,420,472
		572,185,006	471,087,867

Accrued expenses contain various accruals including accrued commissions, provisions for employee benefits and indirect tax payables.

Other liabilities mainly include employee contributions payable and unpaid invoices.

Movements in lease liability as at and for the years ended December 31 follow:

	2025	2024
As at January 1	8,573,960	17,768,627
Principal payments	(9,981,979)	(9,194,667)
Interest payments	(589,207)	(1,001,321)
Non-cash charges		
Addition during the year	48,222,280	-
Interest expense	589,207	1,001,321
As at December 31	46,814,261	8,573,960

Other liabilities pertain to approved claims pending for settlement and unallocated collections from policyholders yet to be cleared pending receipt of policy information.

Trade and other liabilities are expected to be settled within one year except for lease liability.

Maturity profile of lease liability follows:

	2025	2024
Within 1 year	8,662,607	8,573,960
Over 1 year	38,151,654	-
	46,814,261	8,573,960

26. Leases

The Company leases office space for its back office and operations.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Payments for leases of office space are discounted using the lessee's incremental borrowing rate of 7.8% in 2025 and 2024, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The statement of total comprehensive income shows the following amounts relating to leases for the years ended December 31:

	Note	2025	2024
Depreciation expense on office premises		8,559,873	8,342,956
Interest expense	25	589,207	1,001,321
Rent on short-term leases		1,198,739	3,520,823
		10,347,819	12,865,100

27. Related party transactions and balances

The table below summarizes the Company's significant transactions and balances with its related parties.

As at and for the year ended December 31, 2025:

	Transactions	Outstanding balances [Intercompany receivables (payables)]	Terms and conditions
Reinsurance transactions, excluding funds held Parent Company	(65,351,249)	(634,398,520)	The outstanding balances are due 75 days after the end of each quarter. The payable is unsecured, bears no interest and payable in cash at gross amount (Note 24).
Funds held for reinsurers Parent Company	37,526,126	(1,224,973,181)	Funds held for reinsurers are retained within one year after inception of related reinsurance policies. The outstanding balances are unsecured and bear interest based on BSP published rate on treasury bills for over 90 days, payable in cash at gross amount (Note 24).
Interest expense from funds held for reinsurers Parent Company	63,399,037	-	
Operating expenses Parent Company Entities under common control	138,168,418 64,607,749	(48,429,644) (115,490,014)	The Company has an existing service agreement with Parent for the provision of services and allocation of shared costs and are payable in cash at gross amount. The outstanding balances are unsecured, bear no interest and are payable in cash on demand (Note 25).
Other income Entities under common control	61,091,871	35,866,587	These arise from claims handling and management services rendered by the Company to related parties under common control. The outstanding balances are unsecured, bear no interest and collectible in cash at gross amount on demand (Note 17).
Intercompany accounts receivable under loans and receivables Entities under common control	3,406,238	15,444,074	Intercompany accounts receivables pertain to service claim advanced and general services such as management fees and other related expenses paid by the Company on behalf of its counterparties. The outstanding balances are unsecured, bear no interest and collectible in cash at gross amount on demand (Note 17).
Salaries, allowances and other short-term benefits Key management personnel	72,744,450	-	Bonuses are payable within the first quarter of the following calendar year.
Retirement expense Key management personnel	5,688,972	-	Refer to Note 21 - Employee Benefits
Post-retirement benefit Key management personnel	38,912	-	Refer to Note 21 - Employee Benefits

As at and for the year ended December 31, 2024:

	Transactions	Outstanding balances [Intercompany receivables (payables)]	Terms and conditions
Reinsurance transactions, excluding funds held Parent Company	(241,316,192)	(699,749,770)	The outstanding balances are due 75 days after the end of each quarter. The payable is unsecured, bears no interest and payable in cash at gross amount (Note 24).
Funds held for reinsurers Parent Company	(162,674,149)	(1,262,499,307)	Funds held for reinsurers are retained within one year after inception of related reinsurance policies. The outstanding balances are unsecured and bear interest based on BSP published rate on treasury bills for over 90 days, payable in cash at gross amount (Note 24).
Interest expense from funds held for reinsurers Parent Company	59,188,471	-	
Operating expenses Parent Company	102,120,033	(33,439,513)	The Company has an existing service agreement with Parent for the provision of services and allocation of shared costs and are payable in cash at gross amount. The outstanding balances are unsecured, bear no interest and are payable in cash on demand (Note 25).
Entities under common control	34,157,121	(42,355,939)	
Other income Entities under common control	58,994,380	32,053,417	These arise from claims handling and management services rendered by the Company to related parties under common control. The outstanding balances are unsecured, bear no interest and collectible in cash at gross amount on demand (Note 17).
Intercompany accounts receivable under loans and receivables Entities under common control	41,485,161	12,037,836	Intercompany accounts receivables pertain to service claim advanced and general services such as management fees and other related expenses paid by the Company on behalf of its counterparties. The outstanding balances are unsecured, bear no interest and collectible in cash at gross amount on demand (Note 17).
Salaries, allowances and other short-term benefits Key management personnel	71,393,603	-	Bonuses are payable within the first quarter of the following calendar year.
Retirement expense Key management personnel	5,735,348	-	Refer to Note 21 - Employee Benefits
Post-retirement benefit Key management personnel	38,912	-	Refer to Note 21 - Employee Benefits

No provisions were recognized against related party receivables as at December 31, 2025 and 2024.

28. Supplementary information required by the Bureau of Internal Revenue (“BIR”)

Below is the additional information required by Revenue Regulations No. 15-2010. This information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

(i) Output value-added tax (VAT)

Output VAT declared for the year ended December 31, 2025 and the revenues upon which the same was based consist of:

	Gross amount of revenues	Output VAT
Subject to 12% VAT Premiums (Non-life)	1,833,222,844	219,986,741
Zero-rated Premiums (Non-life)	208,943,425	
VAT exempt	1,131,995,192	
	3,174,161,461	219,986,741

The gross revenues shown above are based on gross receipts of the Company for VAT purposes while gross revenues in the statement of comprehensive income are measured in accordance with the accounting policy.

Zero-rated sales pertain to premiums on insurance policies issued to PEZA-registered entities and other regulatory agencies providing zero-rating and special exemptions.

VAT exempt sales pertain to premiums for accident and health policies.

(ii) Input VAT

Movements in input VAT for the year ended December 31, 2025 follow:

	Amount
Beginning balance	5,611,379
Add: Current year’s domestic purchases/payments for:	
Goods other than for resale or manufacture	304,743
Capital goods subject to amortization	
Services lodged under cost of goods sold	7,327,366
Commissions for brokers	9,542,509
Services lodged under other accounts	
Claims for tax credit/refund and other adjustments	(18,284,601)
Ending balance	4,501,396

The above input VAT are presented as part of other assets in the statement of financial position.

(iii) Documentary stamp tax

Documentary stamp taxes paid and accrued for the year ended December 31, 2025 consist of:

	Amount
Insurance policies	243,241,086
Loans	5,181
Others	578,490
	<u>243,824,757</u>

Accrued documentary stamp taxes of P15,43 million as at December 31, 2025 are included within Accrued expenses under Trade and other liabilities in the statement of financial position. The documentary stamp taxes are passed on to policyholders.

(iv) All other local and national taxes

All other local and national taxes for the year ended December 31, 2025 consist of:

	Amount
Fire service taxes	15,619,559
Municipal taxes	5,423,675
Premium tax	783,129
Sanitary, garbage, health fee and fire safety	24,800
Mayor's permit	5,000
	<u>21,856,163</u>

The above local and national taxes are lodged as part of Others under Operating expenses except for premium tax, fire service taxes and municipal taxes which are passed on to policyholders.

(v) Withholding taxes

Withholding taxes paid and accrued and/or withheld for the year ended December 31 consist of:

	2025		
	Paid	Accrued	Total
Final withholding tax	46,995,498	1,374,539	48,370,037
Withholding tax on compensation	21,533,339	1,308,225	22,841,564
Expanded withholding tax	15,319,264	708,916	16,028,180
Withholding VAT	424,170	40,858	465,028
Fringe benefit tax	722,912	37,756	760,668
	<u>84,995,183</u>	<u>3,470,294</u>	<u>88,465,477</u>

Accrued withholding taxes are presented as part of Accrued expenses under Trade and other liabilities in the statement of financial position.

(vi) Tax assessments

The Company has received a Letter of Authority from the Bureau of Internal Revenue (BIR) for the Year 2022 received on May 29, 2024 covering all internal revenue taxes. The company has submitted all the preliminary requirements and awaiting update from the bureau's examiners.

Second and Final Notice For Presentation of Records was received by the Company on January 30, 2025 requesting for various requirements pertaining to 2022. All Internal Revenue Taxes Investigation under Letter of Authority - AUDM29-125-2024-077760/eLA202300043810 which was provided by the Company and received by the BIR dated February 10, 2025.

In addition, the company received another Letter of Authority for the taxable year 2024 which was received by the company on April 07, 2026. Partial submission of initial requirement were also sent to BIR on April 16, 2026.

The Company's open taxable years are 2025, 2024, 2023, 2022.

(vii) Tax cases

The Company has filed a case before the Court of Tax Appeal docketed as CTA No. 11534 on June 20, 2024 versus BIR for the deficiency tax assessment for the year 2017 issued by BIR and currently under mediation process. The parties to the case have signed a Joint Motion to Defer proceeding dated January 10, 2025 to suspend proceedings in the Case for a period of 90 days from January 10, 2025 to April 10, 2025.

Currently, the Company is awaiting the hearing dates to be set by the CTA and the commission of ICPA. Company is will also file a supplemental affidavit prior to the later.