



SECURITIES AND EXCHANGE COMMISSION

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Insurance Company of North America
A Chubb Company
24th Floor Zuellig Building
Makati Avenue corner
Paseo de Roxas, Makati City 1226
Philippines

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CHUBB

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of Insurance Company of North America – Philippine Branch (Management) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein for the years ended December 31, 2024 and 2023, in accordance with the prescribed financial reporting indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the 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 going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Management is responsible for overseeing the Company's financial reporting process.

The Management reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders or members. Isla Lipana & Co., the independent auditor appointed by the Management, has audited the financial statements of the Company in accordance with the Philippines Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Sincerely,



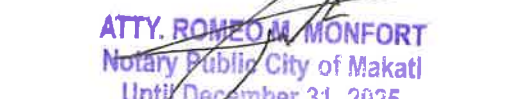
Mari Rachelle Canta
Country President



Sherwin Sampang
Chief Financial Officer

SUBSCRIBED AND SWORN TO before me
APR 24 2025 in MAKATI CITY

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PAGE NO. 74
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SERIES OF 2025



ATTY. ROMEO M. MONFORT
Notary Public City of Makati
Until December 31, 2025
Appointment No. M-032 (2024-2025)
PTR No. 10466008 Jan. 2, 2025/Makati City
IBP No. 480534 Dec. 27, 2024
MCLE NO. VII-0027570 Roll No. 27932
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio Del Pilar, Makati City

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC REGISTRATION NUMBER

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COMPANY NAME

I	N	S	U	R	A	N	C	E		C	O	M	P	A	N	Y		O	F		N	O	R	T	H			
A	M	E	R	I	C	A		-		P	H	I	L	I	P	P	I	N	E		B	R	A	N	C	H		

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

2	4	T	H		F	L	O	O	R		Z	U	E	L	L	I	G		B	U	I	L	D	I	N	G	,	
M	A	K	A	T	I		A	V	E	N	U	E		C	O	R	N	E	R		P	A	S	E	O		D	E
R	O	X	A	S	,		M	A	K	A	T	I		C	I	T	Y		1	2	2	6						

Form Type

A	A	F	S
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Department requiring the report

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Secondary License Type, if Applicable

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COMPANY INFORMATION

Company's Email Address

chubb.philippines@chubb.com

Company's Telephone Number/s

(+63) 2 8849 6000

Mobile Number

N/A

No. of Stockholders

-

Annual Meeting (Month/Day)

-

Fiscal Year (Month/Day)

December 31

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

Atty. Ma. Patricia E. Foria

Email Address

ma.patricia.foria@chubb.com

Telephone Number/s

(+63) 2 8849 6028

Mobile Number

(+63) 918 904 7214

CONTACT PERSON'S ADDRESS

24th Floor, Zuellig Building, Makati Avenue corner Paseo de Roxas, Makati City 1226

- Note 1:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.
- 2:** All boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



Independent Auditor's Report

Insurance Company of North America

(Incorporated in the State of Pennsylvania, U.S.A.)

Philippine Branch

24th Floor, Zuellig Building

Makati Avenue corner Paseo de Roxas

1226 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 the Philippine Branch of Insurance Company of North America (the "Branch") as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended, in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards, as shown in the books maintained in the Philippines.

What we have audited

The financial statements of the Branch comprise:

- the statements of financial position as at December 31, 2024 and 2023;
- the statements of total comprehensive income for the years ended December 31, 2024 and 2023;
- the statements of changes in Head Office account for the years ended December 31, 2024 and 2023;
- the statements of cash flows for the years ended December 31, 2024 and 2023; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

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 Branch in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

Isla Lipana & Co., 29th Floor, AIA Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines
T: +63 (2) 8845 2728, www.pwc.com/ph

Isla Lipana & Co. is the Philippine member firm of the PwC network. PwC refers to the Philippine member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.



Independent Auditor's Report
Insurance Company of North America
(Incorporated in the State of Pennsylvania, U.S.A.)
Philippine Branch
Page 2

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 Branch'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 Branch or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Branch'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 PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



Independent Auditor's Report
Insurance Company of North America
(Incorporated in the State of Pennsylvania, U.S.A.)
Philippine Branch
Page 3

- 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 Branch'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 Branch to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on the 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 21 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.

A handwritten signature in black ink, reading 'Dexter DJ V Toledana'.

Dexter DJ V Toledana
Partner

CPA Cert. No. 0121827

P.T.R. No. 0032961; issued on January 3, 2025 at Makati City

T.I.N. 255-979-765

BIR A.N. 08-000745-241-2023, issued on January 30, 2023; effective until January 29, 2026

BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
April 3, 2025

Insurance Company of North America
(Incorporated in the State of Pennsylvania, U.S.A.)
Philippine Branch

Statements of Financial Position
December 31, 2024 and 2023
(As shown in the books maintained in the Philippines)
(All amounts in Philippine Peso)

	Notes	2024	2023
Assets			
Cash and cash equivalents	2	446,546,062	254,957,283
Receivables, net	3	706,499,201	841,095,478
Available-for-sale securities	4	3,295,915,292	3,221,615,008
Deferred acquisition costs	9	39,807,281	31,081,271
Reinsurance assets	5,9		
Reinsurance recoverable on unpaid losses		832,890,078	695,546,617
Deferred reinsurance premiums		423,723,486	344,235,174
Property and equipment, net	6	43,213,270	55,268,536
Deferred income tax assets, net	15	143,963,679	132,173,082
Other assets	8	286,333,890	206,965,237
Total Assets		6,218,892,239	5,782,937,686
Liabilities and Head Office account			
Insurance contract liabilities	5,9		
Losses and claims payable		1,177,934,852	991,062,566
Reserve for unearned premiums		1,054,188,172	829,318,264
Due to ceding companies and reinsurers	5	489,930,230	641,162,353
Funds held for reinsurers	5,16	644,234,566	519,232,482
Accounts payable and accrued expenses	10	531,130,235	542,496,566
Deferred commission income	9	133,780,616	126,486,395
Retirement benefit obligation	11	2,736,264	10,309,098
Total liabilities		4,033,934,935	3,660,067,724
Head Office account			
Statutory deposit	4,19	663,000,000	663,000,000
Accumulated other comprehensive income	4,11	(79,059,264)	(88,184,295)
Current account		1,601,016,568	1,548,054,257
Total Head Office account		2,184,957,304	2,122,869,962
Total Liabilities and Head Office account		6,218,892,239	5,782,937,686

The notes on pages 1 to 51 are integral part of these financial statements

Insurance Company of North America
(Incorporated in the State of Pennsylvania, U.S.A.)
Philippine Branch

Statements of Total Comprehensive Income
For the years ended December 31, 2024 and 2023
(As shown in the books maintained in the Philippines)
(All amounts in Philippine Peso)

	Notes	2024	2023
Underwriting income			
Direct premiums	17	3,796,640,035	2,905,316,728
Assumed premiums	17	459,794,047	485,734,470
Gross premiums	17	4,256,434,082	3,391,051,198
Reinsurance premiums ceded		(2,317,080,218)	(2,054,598,072)
Premiums retained		1,939,353,864	1,336,453,126
(Increase) Decrease in reserve for unearned premiums, net		(145,381,595)	5,095,462
Net premiums earned	17	1,793,972,269	1,341,548,588
Commission income	9	1,349,749,505	1,072,365,265
		3,143,721,774	2,413,913,853
Underwriting expenses			
Losses and claims, net	17	210,524,644	108,233,405
Commission expenses	9	408,340,157	322,249,056
		618,864,801	430,482,461
Net underwriting income		2,524,856,973	1,983,431,392
General and administrative expenses	12	1,996,896,620	1,622,208,231
Operating income		527,960,353	361,223,161
Finance income, net	2,4,7,8	172,508,730	138,304,542
Other income (loss), net	14	7,482,904	(5,107,203)
Income before income tax		707,951,987	494,420,500
Income tax expense	15	(166,128,259)	(125,645,015)
Net income for the year		541,823,728	368,775,485
Other comprehensive income (loss), net of tax			
Item that will be reclassified subsequently to profit or loss			
Fair value changes on available-for-sale financial assets	4	5,740,691	45,096,746
Item that will not be reclassified subsequently to profit or loss			
Remeasurement of retirement benefit obligation	11	3,384,340	(3,220,889)
		9,125,031	41,875,857
Total comprehensive income		550,948,759	410,651,342

The notes on pages 1 to 51 are integral part of these financial statements

Insurance Company of North America
(Incorporated in the State of Pennsylvania, U.S.A.)
Philippine Branch

Statements of Changes in Head Office Account
For the years ended December 31, 2024 and 2023
(As shown in the books maintained in the Philippines)
(All amounts in Philippine Peso)

	Statutory deposit (Notes 4 and 19)	Accumulated other comprehensive income (Notes 4 and 11)	Current account	Total Head Office account
Balances as at January 1, 2023	652,000,000	(130,060,152)	1,407,464,227	1,929,404,075
Comprehensive income				
Net income for the year	-	-	368,775,485	368,775,485
Other comprehensive income	-	41,875,857	-	41,875,857
Total comprehensive income for the year	-	41,875,857	368,775,485	410,651,342
Transactions with Head Office in their capacity as owner				
Share-based compensation and remeasurement (Note 13)	-	-	7,169,773	7,169,773
Transfer to accounts payable and accrued expenses (Note 13)	-	-	(2,555,228)	(2,555,228)
Transfer to statutory deposit (Note 19.4)	11,000,000	-	(11,000,000)	-
Capital repatriation (Note 19.4)	-	-	(221,800,000)	(221,800,000)
Total transactions with Head Office in their capacity as owner	11,000,000	-	(228,185,455)	(217,185,455)
Balances as at December 31, 2023	663,000,000	(88,184,295)	1,548,054,257	2,122,869,962
Comprehensive income				
Net income for the year	-	-	541,823,728	541,823,728
Other comprehensive income	-	9,125,031	-	9,125,031
Total comprehensive income for the year	-	9,125,031	541,823,728	550,948,759
Transactions with Head Office in their capacity as owner				
Share-based compensation and remeasurement (Note 13)	-	-	4,050,045	4,050,045
Transfer to accounts payable and accrued expenses (Note 13)	-	-	(5,615,954)	(5,615,954)
Capital repatriation (Note 19.4)	-	-	(487,295,508)	(487,295,508)
Total transactions with Head Office in their capacity as owner	-	-	(488,861,417)	(488,861,417)
Balances as at December 31, 2024	663,000,000	(79,059,264)	1,601,016,568	2,184,957,304

The notes on pages 1 to 51 are integral part of these financial statements

Insurance Company of North America
(Incorporated in the State of Pennsylvania, U.S.A.)
Philippine Branch

Statements of Cash Flows
For the years ended December 31, 2024 and 2023
(As shown in the books maintained in the Philippines)
(All amounts in Philippine Peso)

	Notes	2024	2023
Cash flows from operating activities			
Income before income tax		707,951,987	494,420,500
Adjustments for:			
Depreciation and amortization	6,8,12	26,078,092	28,078,643
Retirement benefit expense	11	7,248,720	6,046,739
Net unrealized foreign exchange gain	14	3,423,367	(1,879,954)
Share-based compensation	12,13	3,080,916	7,108,223
Interest expense	7	2,361,620	(3,152,092)
Amortization of premium		2,266,204	7,360,694
Gain on disposal of government bonds	4	(3,593,192)	-
Interest income	2,4	(174,870,350)	(141,450,481)
Operating income before changes in operating assets and liabilities		573,947,364	396,532,272
Change in operating assets and liabilities			
(Increase) decrease in:			
Receivables		138,053,252	(335,616,239)
Deferred acquisition costs		(8,726,010)	-
Reinsurance recoverable on unpaid losses		(137,343,461)	(187,724,361)
Deferred reinsurance premiums		(79,488,312)	1,657,640
Other assets		(97,204,196)	87,350,914
Increase (decrease) in:			
Losses and claims payable		186,872,286	174,845,641
Reserve for unearned premiums		224,869,908	(6,753,101)
Due to ceding companies and reinsurers		(151,232,123)	205,613,275
Funds held for reinsurers		125,002,084	182,493,351
Accounts payable and accrued expenses		(187,165,222)	(236,151,405)
Deferred commission income		7,294,221	47,734,936
Net cash generated from operations		594,879,791	329,982,923
Contributions to the retirement fund	11	(10,309,100)	(3,100,000)
Interest received	2	6,265,809	8,701,954
Net cash from operating activities		590,836,500	335,584,877
Cash flows from investing activities			
Acquisition of:			
Available-for-sale securities	4	(838,871,069)	(1,051,929,945)
Property and equipment	6	(8,515,856)	(8,277,237)
Proceeds from maturities of available-for-sale securities	4	525,528,622	391,000,000
Proceeds from sale of available-for-sale securities	4	264,550,777	-
Interest received		165,147,566	130,369,771
Net cash from (used in) investing activities		107,840,040	(538,837,411)
Cash flows from financing activities			
Capital repatriation	19.4	(487,295,508)	(221,800,000)
Cash payments for the principal portion of lease liabilities	7	(10,777,597)	(9,361,449)
Interest payment for lease liabilities	7	(2,361,620)	(3,152,092)
Net cash used in financing activities		(500,434,725)	(234,313,541)
Net increase (decrease) in cash and cash equivalents		198,241,815	(437,566,075)
Cash and cash equivalents			
As at January 1		254,957,283	699,003,774
Impact of foreign exchange rate changes		(6,653,036)	(6,480,416)
As at December 31	2	446,546,062	254,957,283

The notes on pages 1 to 50 are integral part of these financial statements

Insurance Company of North America

(Incorporated in the State of Pennsylvania, U.S.A.)

Philippine Branch

Notes to Financial Statements

As at and for the years ended December 31, 2024 and 2023

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

1 Corporate information

The Insurance Company of North America (the “Head Office”), a corporation organized under the laws of the Commonwealth of Pennsylvania, United States of America, obtained a license from the Philippine Securities and Exchange Commission (“SEC”) on May 20, 1947 to establish a branch in the Philippines (the “Branch”) primarily to carry on and engage in the insurance and reinsurance business, other than life, as authorized by the Insurance Commission (“IC”).

The ultimate parent of the Head Office is Chubb Limited, a foreign holding company organized and existing under the laws of Zurich, Switzerland and is a listed entity in the New York Stock Exchange (trading under ticker symbol CB). Chubb Limited and its direct and indirect subsidiaries (collectively, the “Chubb Group”), which operates in 54 countries and territories worldwide, are a global insurance and reinsurance organization which provides commercial and personal property and casualty (“P&C”) insurance, personal accident and supplemental health insurance (“A&H”), reinsurance, and life insurance to a diverse group of clients.

On July 1, 2015, ACE Limited announced that the Boards of Directors of ACE Limited and Chubb Corporation (“Chubb”) had unanimously approved a definitive agreement under which ACE Limited would acquire Chubb. Following approval from the shareholders of both companies and receipt of all required regulatory approvals, ACE Limited completed the acquisition of Chubb on January 14, 2016, and subsequently changed its name to Chubb Limited.

The registered office address and principal place of business of the Branch is at the 24th Floor, Zuellig Building, Makati Avenue corner Paseo de Roxas, Makati City.

As at December 31, 2024 the Branch has 31 employees (2023 - 30).

The accompanying financial statements of the Branch were authorized for issue by the Branch’s Executive Audit and Risk Committee on April 2, 2025.

2 Cash and cash equivalents

The account at December 31 amounts to P446,546,062 (2023 - P254,957,283).

Cash in banks earn interest at prevailing bank deposit rates. Interest earned on cash and cash equivalents for the year ended December 31, 2024 amounts to P6,265,809 (2023 - P8,701,954).

3 Receivables, net

The account at December 31 consists of:

	Notes	2024	2023
Insurance receivables, net			
Premiums receivable from:			
Agents and brokers		571,903,715	635,539,281
Related companies	16	68,338,200	163,697,687
	5	640,241,915	799,236,968
Allowance for impairment		(70,917,867)	(71,507,839)
		569,324,048	727,729,129
Due from ceding companies and reinsurers			
Related companies	16	85,485,082	68,723,435
Non-related companies		9,125,502	7,986,290
	5	94,610,584	76,709,725
Allowance for impairment		-	-
		94,610,584	76,709,725
Total insurance receivables, net		663,934,632	804,438,854
Accrued interest receivable		38,819,009	35,362,034
Receivables from related parties	16	3,745,560	1,294,590
		706,499,201	841,095,478

Movements in allowance for impairment of insurance receivable for the years ended December 31 follow:

	Premiums receivable	Due from ceding companies and reinsurers	Total
Balance at January 1, 2023	76,867,563	-	76,867,563
Write-off	(5,359,724)	-	(5,359,724)
Balance at December 31, 2023	71,507,839	-	71,507,839
Write-off	(589,972)	-	(589,972)
Balance at December 31, 2024	70,917,867	-	70,917,867

In 2024, the Branch wrote-off long outstanding receivables amounting to P589,972 (2023 - P5,359,724).

Receivables, net, as at December 31, 2024 and 2023 are all due within one year.

4 Available-for-sale ("AFS") securities

The account at December 31 consists of:

	2024	2023
Government securities		
US dollar-denominated	384,485,207	377,354,919
Peso-denominated	2,910,943,220	2,843,988,433
	3,295,428,427	3,221,343,352
Equity securities	486,865	271,656
	3,295,915,292	3,221,615,008

No allowance for impairment of AFS securities has been set up for 2024 and 2023.

On September 20, 2013, President Benigno S. Aquino III signed Republic Act No. 10607, otherwise known as the “Amended Insurance Code” (the “Amended Code”) into law. Under Section 209 of the amended Code, to the extent of 25% of the insurance company’s minimum net worth, the insurance company should invest in bonds and other debt securities approved by the IC as security for the benefit of the Branch’s policyholders and creditors.

As at December 31, 2024, government securities amounting to P663,000,000 (2023 - P663,000,000) are deposited with the Bureau of Treasury in compliance with this provision of the Amended Code.

Investments in government securities carry interest rates for the years ended December 31 as follows:

	2024	2023
Peso-denominated	2.63% - 8.63%	2.38% - 8.63%
US dollar-denominated	1.65% - 9.63%	1.65% - 9.63%

For the year ended December 31, 2024, interest income earned on government securities amounts to P168,604,541 (2023 - P132,748,527).

In 2024, the Branch sold government bonds amounting to P260,957,585 and recognized a realized gain of P3,593,192 (Note 14).

Movements in the account for the years ended December 31 are as follows:

	2024	2023
As at January 1	3,221,615,008	2,498,214,798
Acquisitions	838,871,069	1,051,929,945
Maturities	(525,528,622)	(391,000,000)
Disposed	(260,957,585)	-
Amortization of premium, net	(2,266,204)	(7,360,694)
Fair value changes	7,654,255	60,128,995
Foreign exchange adjustments	16,527,371	9,701,964
As at December 31	3,295,915,292	3,221,615,008

The amortization of premium is included within Finance income, net, in the statements of total comprehensive income.

Movements in the change in fair value reserve for AFS securities for the years ended December 31 are as follows:

	Gross amounts	Deferred tax effect (Note 15)	Net amounts
At January 1, 2023	(181,906,827)	45,476,707	(136,430,120)
Fair value changes during the year	60,128,995	(15,032,249)	45,096,746
At December 31, 2023	(121,777,832)	30,444,458	(91,333,374)
Fair value changes during the year	7,654,255	(1,913,564)	5,740,691
At December 31, 2024	(114,123,577)	28,530,894	(85,592,683)

The following presents the breakdown of AFS securities based on maturity profile at December 31:

	2024	2023
Current	810,921,640	524,110,815
Non-current	2,484,993,652	2,697,504,193
	3,295,915,292	3,221,615,008

5 Reinsurance balances

The Branch utilizes reinsurance agreements to minimize its exposure to large losses in all aspects of its insurance business. Reinsurance agreements do not discharge the primary liability of the Branch as direct insurer of the risks reinsured.

The details of reinsurance balances at December 31 are as follows:

	Notes	2024	2023
Insurance balance receivable			
Gross amount	3	734,852,499	875,946,693
Due to ceding companies and reinsurers			
Related companies	16	(439,021,234)	(575,262,193)
Third parties		(50,908,996)	(65,900,160)
		(489,930,230)	(641,162,353)
Funds held for reinsurers	16	(644,234,566)	(519,232,482)
Balance, net of reinsurance		(399,312,297)	(284,448,142)
Losses and claims payable			
Gross amount	9	1,177,934,852	991,062,566
Reinsurance recoverable on unpaid losses			
Related companies	16	(29,011,757)	(55,509,697)
Third parties		(803,878,321)	(640,036,920)
	9	(832,890,078)	(695,546,617)
Balance, net of reinsurance	9	345,044,774	295,515,949
Reserve for unearned premiums	9		
Gross amount		1,054,188,172	829,318,264
Deferred reinsurance premiums		(423,723,486)	(344,235,174)
Balance, net of reinsurance		630,464,686	485,083,090

Reinsurance balances are all due within one year from reporting date.

6 Property and equipment, net

Movement of the account, as at December 31, are as follows:

	Office space (Note 7)	Computer equipment	Furniture, fixtures and equipment	Leasehold improvements	Total
Cost					
As at January 1, 2023	50,515,770	28,874,898	13,242,451	35,819,300	128,452,419
Additions	-	7,245,095	1,032,142	-	8,277,237
As at December 31, 2023	50,515,770	36,119,993	14,274,593	35,819,300	136,729,656
Additions	-	3,409,606	5,106,250	-	8,515,856
As at December 31, 2024	50,515,770	39,529,599	19,380,843	35,819,300	145,245,512
Accumulated depreciation and amortization					
As at January 1, 2023	12,628,943	17,476,969	13,233,065	19,484,020	62,822,997
Depreciation and amortization	10,103,154	4,017,764	161,131	4,356,074	18,638,123
As at December 31, 2023	22,732,097	21,494,733	13,394,196	23,840,094	81,461,120
Depreciation and amortization	10,103,154	5,391,764	720,129	4,356,075	20,571,122
As at December 31, 2024	32,835,251	26,886,497	14,114,325	28,196,169	102,032,242
Net book values					
As at December 31, 2023	27,783,673	14,625,260	880,397	11,979,206	55,268,536
As at December 31, 2024	17,680,519	12,643,102	5,266,518	7,623,131	43,213,270

As at December 31, 2024, the cost of fully depreciated leasehold improvements amounts to P15,490,951 in 2024 and 2023.

7 Leases

The Branch leases its office space. The rental contracts are typically made for fixed periods of three (3) to five (5) years. Accounting policy for leases, including short-term leases and leases of low-value assets, are disclosed in Note 20.13.

Lease terms are negotiated either 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 [presented as refundable lease deposits within Other assets (Note 8)]. Leased assets cannot be used as security for borrowing purposes.

The rollforward analysis of the amounts recognized from Philippine Financial Reporting Standards (PFRS) 16 is shown below:

	Notes	ROU assets	Lease liabilities
At January 1, 2023		37,886,827	42,796,786
Depreciation expense	6, 12	(10,103,154)	-
Interest expense on lease liabilities		-	3,152,092
Cashflow for lease payments			
Principal portion of the lease		-	(9,361,449)
Interest portion of the lease		-	(3,152,092)
At December 31, 2023		27,783,673	33,435,337
Depreciation expense	6, 12	(10,103,154)	-
Interest expense on lease liabilities		-	2,361,620
Cashflow for lease payments			
Principal portion of the lease		-	(10,777,597)
Interest portion of the lease		-	(2,361,620)
At December 31, 2024		17,680,519	22,657,740

Right-of-use ("ROU") assets are presented as part of office space under Property and equipment, net (Note 6). Lease liabilities are presented as part of Accounts payable and accrued expenses (Note 10).

The maturity profile of the lease liabilities is shown below:

	2024	2023
Current	12,342,705	10,777,596
Non-current	10,315,036	22,657,741
	22,657,741	33,435,337

Interest income and interest expense on leases are presented as Finance income, net, in the statements of total comprehensive income.

The Branch availed of the exemptions allowed under PFRS 16 for low-value leases and short-term leases (Note 20.13). Amounts recognized in profit or loss under rent and utilities presented as part of general and administrative expense (Note 12) relating to these types of leases are shown below:

	2024	2023
Expense relating to short-term leases	276,927	307,961
Expense relating to leases of low-value assets	107,532	114,806
	384,459	422,767

8 Other assets

The account at December 31 consists of:

	Note	2024	2023
Current			
Input value-added tax ("VAT")		10,657,160	19,966,123
Prepaid expenses		1,124,032	924,830
Others		-	2,818,278
		11,781,192	23,709,231
Non-current			
Deferred service fees		255,347,587	158,780,691
Refundable lease deposits	7	9,593,464	9,593,464
Refundable service deposits		8,906,826	8,982,530
Security fund		75,704	75,704
Access fee, net		-	5,506,970
Others		629,117	316,647
		274,552,698	183,256,006
		286,333,890	206,965,237

Deferred service fee pertains to amounts paid to partner channels for selling the Branch's personal lines and travel insurance products. These are recognized in profit or loss as part of service fees in general and administrative expenses (Note 12).

Refundable service deposits pertain to the amounts paid by the Branch in relation to its service agreements which will be refunded in full at the end of the agreements.

Movements in access fee, net, for the years ended December 31 follow:

	Note	2024	2023
At January 1		5,506,970	14,947,490
Amortization during the year	12	(5,506,970)	(9,440,520)
At December 31		-	5,506,970

The security fund is maintained in compliance with Section 365 and 367 of the amended Code. The amount of such fund is determined and deposited with the Insurance Commission to pay valid claims against insolvent insurance companies. Interest earned on security fund for the year ended December 31, 2024 amounted to nil (2023 - P6,153).

9 Insurance contracts liabilities; Deferred acquisition costs ("DAC"); Deferred commission income

The major classes of general insurance written by the Branch include A&H, fire, engineering, marine and others (casualty insurance and personal lines for mobile device and appliance insurance coverage) (Note 17). Risks under these policies usually cover a 12-month and a 24-month duration.

(a) New valuation standard for insurance liabilities beginning January 1, 2017

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:

- the determination of premium liabilities based on the higher of unearned premium reserve ("UPR") and the unexpired risk reserve ("URR");
- consideration of claims handling expenses ("CHE");
- consideration of margin for adverse deviation ("MfAD") to allow for inherent uncertainty of the best estimate of policy reserve; and,

- (iv) certification of an actuary on the calculation of the insurance policy reserve in accordance with the said new valuation standards.

Beginning January 1, 2017, the initial year of implementation of the New Valuation Standard for Insurance Policy Reserve, the IC through its CL 2016-69 issued on December 28, 2016, has relaxed the valuation requirements in determining the Insurance Policy Reserve to consider:

- (i) set up of premium liabilities using UPR alone, instead of the higher of UPR (net of DAC) and URR; and,
(ii) set up MfAD to zero, instead of company-specific MfAD.

On March 9, 2018, the IC, through its CL No. 2018-18, issued the New Valuation Standards for Non-life Insurance Policy Reserves and replaced CL No. 2016-67. Beginning January 1, 2018, among others, the new valuation standard provides for the determination of premium liabilities on an aggregate basis. A computation should be performed to determine whether an additional reserve is required to be booked on top of the UPR. Therefore, premium liabilities should be valued equal to the UPR plus the sum of the higher amount between the (1) URR and UPR, net of related DAC component, and (2) zero. UPR shall be calculated for all classes of business, on a gross of reinsurance basis while URR shall be calculated as the best estimate of future claims and expenses for all classes of business and with MfAD.

On the same date, IC issued its CL No. 2018-19 which amends certain provisions of CL No. 2016-69 as it relates to the calculation of MfAD. IC mandates that MfAD should be company-specific and allows insurance entities to set MfAD at 0% for 2017, 50% for 2018 and 100% for 2019 onwards.

(b) Losses and claims payable

Claims provisions (comprising provisions for outstanding claims reported by policyholders and incurred but not reported ("IBNR") claims) 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. Outstanding claims provisions are not discounted for the time value of money.

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 analysed 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. The Branch applied the Expected Loss Ratio, Incurred Claims Development and Bornhuetter Ferguson Method in calculating the IBNR claims reserves as at December 31, 2024 and 2023, which are methodologies allowed by the IC for projecting IBNR claims reserves.

The components of the Branch's losses and claims liabilities as at December 31 are presented below:

	Note	Gross	Reinsurer's share	Net
As at December 31, 2024				
Provision for outstanding claims		91,853,322	(30,709,094)	61,144,228
Provision for IBNR losses				
IBNR best estimate		834,067,041	(683,568,275)	150,498,766
CHE		97,242,816	-	97,242,816
MfAD		154,771,673	(118,612,709)	36,158,964
		1,086,081,530	(802,180,984)	283,900,546
	5	1,177,934,852	(832,890,078)	345,044,774

	Note	Gross	Reinsurer's share	Net
As at December 31, 2023				
Provision for outstanding claims		116,181,346	(59,289,120)	56,892,226
Provision for IBNR losses				
IBNR best estimate		653,297,866	(536,244,032)	117,053,834
CHE		90,845,826	-	90,845,826
MfAD		130,737,528	(100,013,465)	30,724,063
		874,881,220	(636,257,497)	238,623,723
	5	991,062,566	(695,546,617)	295,515,949

The Branch adopted certain provisions of the New Valuation Standard for Insurance Policy Reserve as its accounting policy for reserving, particularly the incorporation of MfAD and CHE in determining its IBNR claims obligation. The Branch has engaged its Regional Actuary in determining its insurance policy reserve, which considered actual historical claims data for the last 10 years, CHE of 1% to 38% (2023 - 1% to 38%) and MfAD of 100% (2023 - 100%) in determining its claims obligation as at December 31, 2024 and 2023.

(c) *Claims development table*

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

The tables below show the cumulative incurred claims, including IBNR claims, before and after reinsurance, for each successive accident year at each year-end date, together with cumulative claims at the current year-end date. All amounts are in thousands of Philippine Peso.

As at December 31, 2024					
Accident year	2020	2021	2022	2023	2024
2020	1,505,604	312,474	20,569	(5,496)	8,827
2021	-	660,596	142,155	65,090	8,168
2022	-	-	1,004,619	243,390	31,490
2023	-	-	-	1,050,532	60,759
2024	-	-	-	-	1,356,827
Current estimate of claims	1,505,604	973,070	1,167,343	1,353,516	1,466,071
Payments during the year	(621,978)	(232,802)	(407,470)	(369,674)	(292,511)
	883,626	740,268	759,873	983,842	1,173,560
Liability in respect of 2019 and prior year claims	94,754	15,936	56,492	7,220	4,374
Total liability included in the statement of financial position	978,380	756,204	816,365	991,062	1,177,934

As at December 31, 2024					
Accident year	2020	2021	2022	2023	2024
2020	396,082	32,709	(85,644)	38,552	6,437
2021	-	214,119	8,218	2,627	2,192
2022	-	-	464,572	46,121	19,309
2023	-	-	-	354,819	16,376
2024	-	-	-	-	465,371
Current estimate of claims	396,082	246,828	387,146	442,119	509,685
Payments during the year	(174,408)	(57,750)	(92,336)	(151,225)	(165,248)
	221,674	189,078	294,810	290,894	344,437
Liability in respect of 2019 and prior year claims	25,017	13,188	13,814	4,623	607
Total liability included in the statement of financial position, net of reinsurance	246,691	202,266	308,624	295,517	345,044

As at December 31, 2023					
Accident year	2019	2020	2021	2022	2023
2019	529,270	175,192	5,829	4,269	4,971
2020	-	1,505,604	312,474	20,569	(5,496)
2021	-	-	660,596	142,155	65,090
2022	-	-	-	1,004,619	243,390
2023	-	-	-	-	1,013,440
Current estimate of claims	529,270	1,680,796	978,899	1,171,612	1,321,395
Payments during the year	(233,389)	(719,327)	(230,663)	(408,053)	(328,338)
	295,881	961,469	748,236	763,559	993,057
Liability in respect of 2018 and prior year claims	95,989	16,991	7,968	52,806	(1,995)
Total liability included in the statement of financial position	391,870	978,460	756,204	816,365	991,062

As at December 31, 2023					
Accident year	2019	2020	2021	2022	2023
2019	315,135	10,692	3,622	2,190	4,398
2020	-	396,082	32,709	(85,644)	38,552
2021	-	-	214,119	8,218	2,627
2022	-	-	-	464,572	46,121
2023	-	-	-	-	316,555
Current estimate of claims	315,135	406,774	250,450	389,336	408,253
Payments during the year	(148,289)	(173,869)	(53,652)	(91,028)	(108,233)
	166,846	232,905	196,798	298,308	300,020
Liability in respect of 2018 and prior year claims	12,366	13,786	5,468	10,316	(4,504)
Total liability included in the statement of financial position, net of reinsurance	179,212	246,691	202,266	308,624	295,516

(d) *Reserve for unearned premiums (Note 5)*

The determination of the Branch's reserve for unearned premium balance as at December 31 following the requirement of CL No. 2018-18 is shown below:

	2024			2023		
	Gross (Note 5)	Reinsurer's share	Net	Gross (Note 5)	Reinsurer's share	Net
UPR	1,054,188,172	423,723,486	630,464,686	829,318,264	344,235,174	485,083,090
Add: The higher of (a) or (b),						
(a)						
URR (with mfAD), less	510,740,816	137,519,962	373,220,854	428,802,645	132,706,530	296,096,115
UPR, net of DAC	(1,014,380,891)	(289,942,870)	(724,438,021)	(798,236,992)	(217,748,778)	(580,488,214)
	(503,640,075)	(152,422,908)	(351,217,167)	(369,434,347)	(85,042,248)	(284,392,099)
(b) Zero	-	-	-	-	-	-
	1,054,188,172	423,723,486	630,464,686	829,318,264	344,235,174	485,083,090

(e) *Maturity profile of insurance contract liabilities*

The following presents the breakdown of insurance contract liabilities, net of reinsurance, as at December 31:

	2024	2023
Current		
Losses and claims payable	345,044,774	295,515,949
Reserve for unearned premiums	319,622,920	236,308,233
	664,667,694	531,824,182
Non-current		
Reserve for unearned premiums	310,841,766	248,774,857
	975,509,460	780,599,039

(f) *Acquisition costs relating to written policies*

The movement analysis of DAC as it relates to direct and assumed policies written for the years ended December 31 follows:

	2024	2023
At January 1	31,081,271	30,541,408
Acquisition costs deferred during the year	417,066,167	322,788,919
Amortization charge during the year (Commission expenses)	(408,340,157)	(322,249,056)
At December 31	39,807,281	31,081,271

(g) *Deferred commission income*

The movement analysis of deferred commission income as it relates to ceded policies for the years ended December 31 follows:

	2024	2023
At January 1	126,486,395	78,211,595
Deferred during the year	1,357,043,726	1,120,640,065
Earned during the year (Commission income)	(1,349,749,505)	(1,072,365,265)
At December 31	133,780,616	126,486,395

10 Accounts payable and accrued expenses

The account at December 31 consists of:

	Notes	2024	2023
Accounts payable			
Third parties		96,854,794	83,754,834
Related parties	16	18,449,501	7,566,614
Lease liabilities	7	22,657,740	33,435,337
Accrued expenses			
Third parties		185,175,918	142,960,849
Related parties	16	56,171,512	30,717,438
Payables to government agencies			
Output VAT		75,568,314	214,941,713
Income tax payable		34,666,555	3,298,791
Premium tax		10,588,520	7,761,642
Other taxes		30,997,381	18,059,348
		531,130,235	542,496,566

Accounts payable to third parties pertain to amounts due for, service fees, salaries, commissions and utilities.

Accounts payable to related parties under common control mostly pertain to billings received from Chubb Asia Pacific Private Ltd., Chubb Insurance Singapore, Ace American Insurance and Chubb INA International Holdings for certain costs allocated to the Branch (Note 16).

Accrued expenses pertaining to third parties include accruals for marketing fee to be incurred amounting to P75,521,347 (2023 - P77,712,471) and accruals for the Branch's Annual Incentive Plan ("AIP/CIP") bonus payable to employees amounting to P10,337,668 (2023 - P10,697,751). The remaining portion represent accruals for unbilled professional fees, utilities, janitorial and security services and employee engagement activities.

Accrued expenses pertaining to related parties include accruals relating to the IT-related charges not yet billed amounting to P7,486,080 (2023 - P6,608,802) and cover direct charges amounting to P44,009,328 (2023 - P16,379,515).

Accounts payable and accrued expenses as at December 31, 2024 and 2023 are all due within one year, except for the non-current portion of lease liabilities (Note 7).

Other taxes include withholding taxes, permit fees, other national and local taxes and other statutory payables.

11 Retirement benefit plan

The Branch has a defined benefit plan covering all regular full-time employees. Under the plan, the normal retirement age is 60; however, an employee may elect to avail of the early retirement at age 50 or at least 20 years of credited service. Normal retirement benefit consists of a lump sum benefit equivalent to 155% of the basic salary of the employee at the time of his retirement for each year of service. For early retirement, the benefit is equivalent to 105% of the employee's monthly basic salary for a minimum of 20 years of service with the rate factor progressing to a maximum of 155% of monthly basic salary for service years of 30 or more. Death or disability benefit, on the other hand, is equivalent to 100% of an employee's monthly salary for every year of credited service.

The most recent actuarial valuation of the Branch's retirement plan was performed by an independent actuary as at December 31, 2024 using the projected unit credit method. This method reflects services rendered by the employees up to the date of valuation and incorporates assumptions concerning the employees' projected salaries.

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 pension liability. The fair value of plan assets is based on the valuation of the retirement fund assets at the reporting dates.

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

	2024	2023
Present value of defined benefit obligation	58,897,522	57,393,990
Less: Fair value of plan assets	(56,161,258)	(47,084,892)
Retirement benefit obligation	2,736,264	10,309,098

(a) *Reconciliation of the movements of the retirement liability to the amounts recognized in the statement of financial position*

	Present value of defined benefit obligation	Fair value of plan assets	Net amounts
At January 1, 2023	46,321,358	(43,253,518)	3,067,840
Expense recognized in profit or loss			
Current service cost	5,825,854	-	5,825,854
Interest cost (income)	3,335,138	(3,114,253)	220,885
	9,160,992	(3,114,253)	6,046,739
Remeasurement loss (gain) recognized in OCI			
Return on plan assets	-	933,381	933,381
Changes in actuarial assumptions	4,303,197	-	4,303,197
Experience adjustments	(942,059)	-	(942,059)
	3,361,138	933,381	4,294,519
Other movements			
Contributions to the plan assets	-	(3,100,000)	(3,100,000)
Benefit payments	(1,449,498)	1,449,498	-
	(1,449,498)	(1,650,502)	(3,100,000)
At December 31, 2023	57,393,990	(47,084,892)	10,309,098

	Present value of defined benefit obligation	Fair value of plan assets	Net amounts
At January 1, 2024	57,393,990	(47,084,892)	10,309,098
Expense recognized in profit or loss			
Current service cost	6,619,865	-	6,619,865
Interest cost (income)	3,501,033	(2,872,178)	628,855
	10,120,898	(2,872,178)	7,248,720
Remeasurement loss (gain) recognized in OCI			
Return on plan assets	-	875,941	875,941
Experience adjustments	(5,388,395)	-	(5,388,395)
	(5,388,395)	875,941	(4,512,454)
Other movements			
Contributions to the plan assets	-	(10,309,100)	(10,309,100)
Benefit payments	(3,228,971)	3,228,971	-
	(3,228,971)	(7,080,129)	(10,309,100)
At December 31, 2024	58,897,522	(56,161,258)	2,736,264

Retirement benefit expense is presented as part of staff costs under general and administrative expenses (Note 12) for the years ended December 31, 2024 and 2023.

Expected contribution to the retirement benefit plan in 2025 is P2,737,000 (2024 actual - P10,309,098).

The expected maturity analysis of undiscounted retirement benefits at December 31 follows:

	Between 1 to 5 years	Between 6 to 10 years	Between 11 to 15 years	More than 15 years	Total
2024	51,867,935	29,753,421	76,359,285	110,480,551	268,461,192
2023	53,445,296	9,074,401	60,487,170	162,413,355	285,420,222

The weighted average duration of the retirement plan as at December 31, 2024 is 6 years (2023 - 7 years).

(b) Information about the plan assets

The plan assets are being administered by a trustee bank which is authorized to invest the fund as it deems proper and covered by local regulations and practices in the Philippines. The composition of plan assets at fair value at December 31 are as follows:

	2024		2023	
	Amount	%	Amount	%
Investment in unit investment trust funds	56,161,077	100%	47,084,660	100%
Cash	181	0%	232	0%
	56,161,258	100%	47,084,892	100%

The fair value of the plan assets approximates their carrying value as at December 31, 2024 and 2023. There are no plan assets invested in debt or equity securities of the Branch, its Head Office, or its related entities.

The Branch has no other transactions with the plan other than contributions and benefit payments. The retirement plan has no specific matching strategy between the plan assets and the plan liabilities.

(c) Remeasurements recognized in OCI

The movements in the Branch's accumulated OCI account for the years ended December 31 follow:

	Deferred tax effect		Net
	Gross	(Note 15)	
At January 1, 2023	8,788,604	(2,418,636)	6,369,968
Remeasurements for the year	(4,294,519)	1,073,630	(3,220,889)
At December 31, 2023	4,494,085	(1,345,006)	3,149,079
Remeasurements for the year	4,512,454	(1,128,114)	3,384,340
At December 31, 2024	9,006,539	(2,473,120)	6,533,419

(d) Actuarial assumptions

The principal actuarial assumptions used as at December 31 are as follows:

	2024	2023
Discount rate	6.1%	6.1%
Salary growth rate	6.0%	6.0%

(i) Discount rate

As there is no deep market in high-quality corporate bonds in the Philippines, the discount rate is determined by reference to market yields at the reporting date based on government bonds with currency and term similar to the estimated term of the retirement benefit obligations. This is based on single-weighted present value approach using bootstrapped-derived zero rates from Bloomberg Evaluated (BVAL) index.

(ii) Future salary increases

This is the expected long-term average rate of salary increase taking into account inflation, seniority, promotion and other market factors. Salary increases comprise of the general inflationary increases plus a further increase for individual productivity, merit and promotion. The future salary increase rates are set by reference over the period over which benefits are expected to be paid.

(iii) Demographic assumptions

Assumptions regarding mortality experience are set based on published statistics and experience in the Philippines.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions as at December 31 is shown below:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
At December 31, 2024			
Discount rate	+/- 1%	(575,825)	6,450,780
Salary growth rate	+/- 1%	6,110,508	(334,970)
At December 31, 2023			
Discount rate	+/- 1%	(6,370,874)	14,842,697
Salary growth rate	+/- 1%	14,479,321	6,610,939

The 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.

The methods and types of assumptions used in preparing the sensitivity analysis did not change significantly compared to the previous period.

12 General and administrative expenses

This account consists of:

	Notes	2024	2023
Service fees		1,202,985,747	982,298,808
Staff costs			
Salaries and wages		74,103,273	69,423,315
Bonuses		26,168,672	29,075,408
Employees welfare		15,947,426	12,528,679
Retirement benefit expense	11	7,248,720	6,046,739
Share-based compensation	13	3,080,916	7,108,223
		126,549,007	124,182,364
Regional office allocated expenses	16	257,860,632	202,004,506
Professional and other fees		241,313,496	150,589,738
Information technology		43,325,238	36,207,902
Marketing and solicitation		27,191,201	19,700,401
Depreciation and amortization	6, 7, 8	26,078,092	28,078,643
Entertainment, amusement and recreation		22,654,623	11,546,449
Taxes and licenses		10,814,931	11,706,740
Rent and utilities	7	7,088,563	5,546,071
Repairs and maintenance		3,568,737	1,055,558
Travel		3,453,173	4,451,662
Telephone, communications expense		3,224,663	2,788,907
Stationery and office supplies		1,229,605	931,561
Postage and courier		146,794	137,362
Others		19,412,118	40,981,559
		1,996,896,620	1,622,208,231

Service fees pertain to the payment of services rendered in line with the collection of the premiums receivables.

Others pertain includes insurance expenses, survey fees, investment expenses and other miscellaneous items.

13 Share-based remuneration

Chubb has a restricted share grant plan and a restricted share option plan provided to its employees.

(a) Restricted share grant plan

Under Chubb's long-term incentive plan, 197 (2023 - 198) restricted ordinary shares were awarded for the year ended December 31, 2024 to eligible employees of the Branch. These shares vest at various dates over a four-year period from the grant dates and any unvested shares are cancelled on termination of the employment of the eligible employees. This plan is a group scheme with expenses incurred under the scheme charged out by Chubb to the Branch on an annual basis.

The annual expense is based on an amortized calculation that is reflective of the current year's expense portion of all restricted share grants issued in the current and prior years, and is consistent with the treatment required by PFRS 2, *Share-based payment*. The amortized calculation incorporates the fair market value of Chubb's common shares in determining the expense amount. Expected future dividend payments in relation to the restrictive stock grants issued are made directly by Chubb to the eligible employees.

(b) Restricted share option plan

Under Chubb's long-term incentive plan, restrictive share options were granted to eligible employees of the Branch. The exercisable price of these options is the fair market value at issue date. These options vest at various dates over a three-year period from the grant date and any unvested options are cancelled on termination of employment. This plan is a group scheme with expenses incurred under the scheme charged out by Chubb to the Branch on an annual basis. Any option not exercised or cancelled pursuant to the terms of plan will be forfeited by the tenth anniversary from the date of grant.

Movements in the number of share options outstanding and their related weighted average exercise prices for the years ended December 31 are as follows:

	2024		2023	
	Average exercise price per share	Number of options	Average exercise price per share	Number of options
At January 1	US\$193.69	643	US\$183.31	379
Granted	254.84	262	208.6	264
At December 31	US\$211.39	905	US\$193.69	643
Exercisable	US\$185.98	392	US\$174.58	188

The share option fair value was estimated on the grant date using the Black-Scholes option-pricing model that uses the weighted-average assumptions noted below:

	2024	2023
Volatility	22%	23.0%
Dividend yield	1.44%	1.65%
Expected option life	6.1 years	6.4 years
Annual risk-free interest rate	4.42%	3.25%

The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant. The expected life (estimated period of time from grant to exercise date) was estimated using the historical exercise behavior of employees. Expected volatility was calculated as a blend of (a) historical volatility based on daily closing prices over a period equal to the expected life assumption, (b) long-term historical volatility based on daily closing prices over the period from Chubb's initial public trading date through the most recent quarter, and (c) implied volatility derived from Chubb's publicly traded options.

(c) *Share-based reserves; Share-based expense*

The movement in the share-based reserves (included within Current account) for the years ended December 31 are shown below:

	Note	2024	2023
At January 1		24,408,444	19,793,899
Share-based expense charged to profit or loss			
Restricted share grant plan	12	2,188,759	6,001,827
Restricted share option plan	12	892,157	1,106,396
Foreign exchange loss		969,129	61,550
		4,050,045	7,169,773
Transfer to accounts payable and accrued expenses		(5,615,954)	(2,555,228)
At December 31		22,842,535	24,408,444

Transfer to accounts payable and accrued expenses pertain to share-based compensation vested and prior year true-up during the year, which was subsequently recharged by the Head Office to the Branch.

The expected life of the options is based on the expected exercise behavior of the stock option holders and is not necessarily indicative of the exercise patterns that may occur. The volatility is based on the average historical price volatility which may be different from the expected volatility of the shares of stock of the Ultimate Parent.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the instruments granted, excluding the impact of any non-market vesting conditions. The fair value of each instrument is expensed evenly over the period between grant and vesting dates. Non-market vesting conditions are included in assumptions about the number of instruments that are expected to become exercisable. At each reporting date, the entity revises its estimates of the number of options that are expected to become exercisable.

While the Branch believes that the assumptions used are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the share-based payments. The Branch considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding these assumptions at the reporting date.

14 Other income (loss), net

The account at December 31 consists of:

	Note	2024	2023
Gain on sale of available-for-sale securities	4	3,593,192	-
Net unrealized foreign exchange gain		3,423,367	1,879,954
Net realized foreign exchange loss		(1,231,368)	(8,684,019)
Others		1,697,713	1,696,862
		7,482,904	(5,107,203)

The movement in Others mainly pertains to the clean-up of various expense accruals related to expense recovery and reimbursement from related parties and marketing fees that did not materialize from prior year.

15 Taxation

Income tax expense (benefit) for the years ended December 31 consists of:

	2024	2023
Current	149,227,160	95,678,398
Final	31,733,373	24,585,838
Deferred	(14,832,274)	5,380,779
	166,128,259	125,645,015

In compliance with the Tax Reform Act of 1997, the Branch shall pay the minimum corporate income tax ("MCIT") or the regular corporate income tax ("RCIT"), whichever is greater. Any excess of the MCIT over the RCIT shall be carried forward annually and credited against the normal income tax for the next three succeeding taxable years. For the years ended December 31, 2024 and 2023, the Branch's current income tax expense is based on the RCIT.

The Branch's deferred income tax ("DIT") assets (liabilities) consist of the following:

	2024	2023
Provision for IBNR	70,975,137	59,655,931
Fair value reserve on AFS securities	28,530,894	30,444,458
Accrued expenses	17,729,467	11,773,836
Allowance for impairment	17,328,205	17,876,960
Share-based compensation	5,710,633	6,102,111
Provision for employee benefit	2,491,667	2,674,438
Retirement benefit obligation	1,369,452	2,577,275
Lease liability	684,066	1,538,061
Unrealized foreign currency exchange gain	(855,842)	(469,988)
DIT assets, net	143,963,679	132,173,082

The movements in the net DIT assets, net balance for the years ended December 31 follow:

	Notes	2024	2023
At January 1		132,173,082	151,512,480
Credited (charged) to profit or loss		14,832,274	(5,380,779)
Charged to other comprehensive income	4,11	(3,041,677)	(13,958,619)
At December 31		143,963,679	132,173,082

Management reviews at each reporting date the carrying amounts of DIT assets. The Branch reviews the carrying amounts of DIT assets at each reporting date and reduces DIT assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the DIT assets to be utilized. Realization of future tax benefits related to the DIT assets is dependent on many factors, including the Branch's ability to generate taxable income in the future. Management believes that the Branch will continue to generate future taxable income against which the above temporary differences can be applied.

The reconciliation between the income tax at the statutory income tax rate and the actual income tax expense for the years ended December 31 follows:

	2024		2023	
	Amount	%	Amount	%
Statutory tax calculated at 25% tax rate	176,987,997	25.00	123,605,125	25.00
Effect of items not subject to statutory income tax rate:				
Income subject to final tax	(11,984,215)	(1.69)	(10,776,783)	(2.18)
Non-deductible expenses	2,022,775	0.29	11,476,740	2.32
Non-taxable gain on sale of government securities	(898,298)	0.13	-	-
DTA write-off	-	-	1,339,933	0.27
Income tax expense	166,128,259	23.73	125,645,015	25.41

16 Related party transactions

The table below summarizes the Branch's significant transactions and balances with its Head Office and its related entities as at and for the years ended December 31:

	2024		2023	
	Transactions in profit or loss	Outstanding balances	Transactions in profit or loss	Outstanding balances
Assets				
Entities under common control				
Premiums receivables (a)	113,015,088	68,338,200	186,388,739	163,697,687
Other related party receivables				
Costs reimbursement (c)	-	3,745,560	1,588,841	1,294,590
Head Office				
Due from ceding companies and reinsurers (a)		85,485,082		68,723,435
Commission income	1,348,051,076		1,110,927,040	
Commission expense	(19,728,292)		(10,735,467)	
Losses and claims, net	(140,912,765)		(153,718,153)	
Reinsurance recoverable on unpaid losses (a)				
Losses and claims, net	26,536,724	29,011,757	30,428,718	55,509,697
	2024		2023	
	Transactions in profit or loss	Outstanding balances	Transactions in profit or loss	Outstanding balances
Liabilities				
Entities under common control				
Accounts payable and accrued expenses (d)				
Costs reimbursement	-	251,716	-	612,169
Accounts payable and accrued expenses (b)		74,369,297		37,671,883
Regional office allocated expenses	(257,860,632)		(202,004,506)	
Professional and other service fees	(167,879,860)		(137,910,222)	
Information technology	(41,701,142)		(34,718,001)	
Repairs and maintenance	(888,917)		-	
Marketing and solicitation	(1,284,288)		(511,503)	
Depreciation and amortization	(2,087,473)		(735,304)	
Other expenses	(2,572,927)		(2,530,169)	
Due to ceding companies and reinsurers (a)		439,021,234		575,262,193
Reinsurance premium ceded	(2,277,454,536)		(2,004,715,921)	
Losses and claims payable (e)				
Losses and claims, net	(140,912,765)	1,257,530	(153,718,153)	1,215,436
Funds held for reinsurer (a)		644,234,566		519,232,482
Transactions with key management personnel				
Salaries, wages and other benefits, including share-based compensation	(55,545,552)	4,813,161	(50,727,283)	4,593,600
Retirement benefits	(4,261,870)	1,273,989	(3,788,278)	4,426,713

Key management personnel of the Branch include all officers with the rank of Vice President and up.

The balances presented are unguaranteed and unsecured, non-interest bearing and are collectible/payable on demand or within 120 days from report date. The amounts will be settled gross in cash. There are no guarantees provided or collaterals held arising from transactions with related parties. No provision for impairment has been made for amounts owed by related parties since collection is deemed to be reasonably certain.

In the normal course of operations, the Branch has transactions with related parties as follows:

(a) Underwriting

The Branch assumes risks ceded out by its related parties. Premiums received from these transactions are included as part of Premium revenue in the statement of total comprehensive income. Commissions incurred for these assumed transactions are included as part of commissions expense under underwriting expenses. Outstanding receivables from these transactions are included as part of Premium receivables.

The Branch also cedes out a portion of the risk it takes to related parties. Premiums paid to reinsurer related parties are booked as reinsurance premiums ceded in the statement of total comprehensive income and the related payables are included as part of due to ceding companies and reinsurers. A portion of the reinsurance premiums ceded is being retained within one year after inception of related reinsurance policies and the related payable is reported under funds held for reinsurers in the statement of financial position. Commissions earned out of these reinsurance transactions are included as part of commission income.

Reimbursements of paid and unpaid losses by the Branch from related party reinsurers are included as part of due from ceding companies and reinsurers and reinsurance recoverable on unpaid losses, respectively. Losses recognized out of its assumed policies are included as part of losses and claims, net, under other underwriting expenses.

(b) Allocated expenses

These pertain to allocations of common costs such as outsourcing services, management fees and IT charges. These expenses are booked as part of Regional Office allocated expenses and other related expense accounts in profit or loss.

(c) Costs reimbursement (Receivables, net)

These pertain costs recharged to head office which are recognized and included as part of other related party receivables under the Receivables, net, line item.

(d) Costs reimbursement (Accounts payable and accrued expenses)

These pertain to costs reimbursement related to IT charges, outsourced costs and investment fees that are not yet settled to the related parties as at year-end. Expenses for reimbursement to related parties are included as part of Accounts payable and accrued expenses line item.

(e) Losses and claims payable

These pertain to claims incurred and reported by related parties to the Branch that remain to be unpaid as at year-end.

17 Additional information on the results of operation by line of business

(a) Summary of premiums earned

	2024			2023		
	A&H	P&C and Others	Total	A&H	P&C and Others	Total
Direct premiums	2,063,908,829	1,732,731,206	3,796,640,035	1,664,128,773	1,241,187,955	2,905,316,728
Assumed premiums	316,030,967	143,763,080	459,794,047	308,777,738	176,956,732	485,734,470
Gross premiums	2,379,939,796	1,876,494,286	4,256,434,082	1,972,906,511	1,418,144,687	3,391,051,198
Reinsurance premiums ceded	(1,692,578,306)	(624,501,912)	(2,317,080,218)	(1,416,338,748)	(638,259,324)	(2,054,598,072)
Premiums retained, net	687,361,490	1,251,992,374	1,939,353,864	556,567,763	779,885,363	1,336,453,126
Decrease (increase) in reserve for unearned premiums, net	(22,572,356)	(122,809,239)	(145,381,595)	(17,967,946)	23,063,408	5,095,462
Net premiums earned	664,789,134	1,129,183,135	1,793,972,269	538,599,817	802,948,771	1,341,548,588

P&C includes fire, marine and engineering lines. Others include casualty and personal lines, specifically mobile device, appliance and cyber insurance coverage.

The Philippine Branch has A&H quota share reinsurance arrangement with ACE-INA Overseas Insurance Company Ltd which cedes out 70% of the business during the year and earns a ceding commission of 79.77% (2023 - 80.54%) of the reinsurance premiums ceded.

(b) *Summary of losses and claims*

	2024			2023		
	A&H	P&C and Others	Total	A&H	P&C and Others	Total
Gross	99,533,342	193,138,574	292,671,916	63,745,975	301,682,939	365,428,914
Reinsurance	(76,340,859)	(51,083,236)	(127,424,095)	(47,411,100)	(171,519,310)	(218,930,410)
Net	23,192,483	142,055,338	165,247,821	16,334,875	130,163,629	146,498,504
IBNR	2,714,261	30,730,671	33,444,932	6,389,647	(72,909,231)	(66,519,584)
CHE	(5,255,448)	11,652,437	6,396,989	24,700,656	(1,033,050)	23,667,606
MfAD	(567,916)	6,002,818	5,434,902	2,739,654	1,847,225	4,586,879
Losses and claims, net	20,083,379	190,441,265	210,524,644	50,164,832	58,068,573	108,233,405

18 Critical accounting estimates, assumptions and judgments in applying accounting policies

The Branch makes estimates, assumptions and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates, assumptions and judgments 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. The estimates, assumptions and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

18.1 Critical accounting estimates and assumptions

(a) *Liability arising from claims and losses under insurance contracts (Note 9)*

The estimation of the ultimate liability arising from claims made under insurance contracts is the Branch's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Branch will ultimately pay for such claims. Provision is made at the reporting date for the estimated cost of claims incurred but not settled at the reporting date. The liability for outstanding claims includes the cost of claims reported but yet to be paid, IBNR and CHE, as well as MfAD to address uncertainty in the estimate of claims.

The Branch bases its estimates on reports provided by accredited loss adjusters. As part of the process to ensure the adequacy of such estimates, the Branch scrutinizes the details of each and every loss.

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 Branch 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 Branch, 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 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 Branch 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, but not limited to:

- 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.

Sensitivities

The general insurance claims provision is sensitive to the Branch's past claims development experiences. The sensitivity of certain variables like legislative change, uncertainty in the estimation process, etc., is not possible to quantify.

Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claims provisions are not known with certainty at the reporting date.

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 Branch's estimation of ultimate claim liabilities may be affected largely by the shift in the development trends of losses. However, the Branch 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 assumption 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 key assumption considered in the sensitivity analysis is the A Priori Loss Ratio ("APLR"). The APLR is an estimate of the expected loss ratio with respect to the accident year. A change in the APLR affects the claim liabilities and the reported profit or loss.

To show the sensitivity of this assumption, the impact of changing APLR by 10% multiplicatively as at December 31 is shown in the table below. Amounts disclosed below are in thousands of Philippine Peso.

	2024		2023	
	+10%	-10%	+10%	-10%
Gross liabilities	41,557	(41,557)	37,446	(37,446)
Net liabilities	7,338	(7,338)	5,693	(5,693)
Income before tax	(7,338)	7,338	(5,693)	5,693
Equity	(1,834)	1,834	(3,985)	3,985

The carrying value of reserve for outstanding losses, gross and net of reinsurance, as at December 31, 2024 and 2023 are presented in Note 9.

(b) Unexpired risk reserves (Note 9)

The Branch 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 MfAD to address uncertainty in the estimate of unexpired risks. In order to arrive at the URR, the UPR for each class of business is multiplied by the expected loss ratio, adjusted for future expenses and MfAD.

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 Branch takes all reasonable steps to ensure that it has appropriate information regarding its unexpired risk exposures.

Following the requirements of CL 2018-18, the Branch's reserve for unearned premiums was based on the UPR values as at December 31, 2024 and 2023, as the UPR is significantly higher based on the assessment made by management (Note 9). As such, the Branch no longer presented the necessary sensitivities related to URR.

(c) Determination of the incremental borrowing rate (Note 7)

The lease payments for the Branch's lease agreement are discounted using the interest rate implicit in the lease, or if not available, the Branch's incremental borrowing rate, being the rate that the Branch would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU asset in a similar economic environment with similar terms, security and conditions. The weighted average rate applied to measure the lease liabilities is 7.66%.

As at December 31, 2024, if the Branch's incremental borrowing rate increased/decreased by 1% while holding all other assumptions constant, the Branch's lease liabilities would be lower/higher by P218,465 and P2,962,628 (2023 - P479,870 and P490,094), respectively, and profit after tax and Head Office account would be lower by P16,476 and P584,994 (2023 - P93,108 and P97,278), respectively.

(d) Retirement benefit obligation (Note 11)

The determination of the year-end balance of the Branch's retirement benefit obligation is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rate and salary increase rate. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

In determining the appropriate discount rate, the Branch considers the market yield of government bonds with terms to maturity approximating the terms of the retirement liability as well as the expected rate of return on plan assets based on the average historical earnings of the fund assets. The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as at reporting date. Other key assumptions for retirement liability are based in part on current market conditions.

While the Branch believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect pension and other retirement obligations and employee benefits.

Sensitivity analysis for the significant actuarial assumptions is presented in Note 11.

The retirement benefit expense charged to profit or loss for the year ended December 31, 2024 amounts to P7,248,720 (2023 - P6,046,739) (Notes 11 and 12).

18.2 Critical accounting judgments

(a) Impairment of receivables and reinsurance recoverable on unpaid losses (Notes 3 and 5)

The Branch reviews its receivable balances, including those receivables arising from reinsurance arrangements, at each reporting date to assess whether an allowance for impairment should be recorded in profit or loss. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such assessment is based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

The level of this allowance, or whether write-off is already warranted, is evaluated by management on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to the age of balances, financial status of counterparties, payment behavior and known market factors. The amount and timing of recorded expenses for any period would differ if the Branch made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease net income.

Management believes that there are no impairment indicators as at December 31, 2024 and 2023 that have not been provided for with an allowance. As at December 31, 2024, allowance for impairment on receivables amounts to P70,917,867 (2023 - P71,507,839) (Note 3).

(b) Impairment of AFS securities (Note 4)

The Branch treats AFS securities classified as equity securities as impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged decline or objective evidence of impairment requires judgment. For AFS securities classified as debt securities, the Branch first assesses at each reporting date whether an objective evidence of impairment exists. A financial asset or group of financial asset is impaired and impairment losses are incurred only if there is an objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Management believes, based on its assessment, that the AFS securities are fully recoverable and not considered impaired as at reporting date.

(c) Impairment of non-financial assets (Notes 6 and 8)

The Branch assesses whether there are any indicators of impairment for property and equipment and other non-financial assets (i.e., Deferred service fees, Access fee, net) at each reporting date. These assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized whenever evidence exists that the carrying value is not recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

The Branch has assessed that its property and equipment and other non-financial assets are not considered impaired as at December 31, 2024 and 2023.

(d) Determination of the lease term (Note 7)

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 Branch 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.

The Branch considers the factors below as the most relevant in assessing the options:

- If there are significant penalties to terminate (or not extend), the Branch is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Branch is typically reasonably certain to extend (or not terminate).
- Otherwise, the Branch considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The non-cancellable period of the Branch's lease agreement is 5 years and the Branch has no unilateral option to extend the lease. The lease payments are adjusted every year based on escalation clauses provided in the lease agreements. If the Branch exercises the renewal option, the lease payment in the renewal period will reflect the market rate. The Branch considers this in the determination of lease term only if it is reasonably certain to exercise the renewal option.

(e) Determination of functional currency

In determining functional currency, the Branch considers the primary economic and regulatory environment in which it operates that influences price for policies written and assumed as well as claims pay-outs. The Branch considers the currency that mainly influences costs of taking calculated risks which drives the pricing charged to its policyholders. Majority of the Branch's premium revenues from policies written and assumed are generated and recorded in Philippine Peso. Moreover, a significant portion of its claim pay-outs are calculated and disbursed using Philippine Peso.

Management uses its judgment to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. As part of this approach, management gives priority to the primary indicators before considering the additional indicators, which are designed to provide only additional supporting evidence to determine an entity's functional currency.

Based on its assessment, the Branch management has ascertained that Philippine Peso is the appropriate functional and presentation currency.

19 Financial risk, insurance risk and capital management

The activities of the Branch expose it to a variety of risks such as insurance and financial risks. The overall objective of risk management is to focus on insurance contingencies and the unpredictability of financial markets and to minimize potential adverse effects on the financial position and results of operations of the Branch.

The Branch, through its corporate governance initiatives, established the Enterprise Risk Management (“ERM”) Committee composed of the Country President and department heads to identify, assess and quantify risks posed on the Branch as a whole. Remedial and corrective actions to minimize or manage the risks are implemented and monitored. The ERM Committee reports to the Regional ERM Committee.

19.1 Financial risk

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

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: market prices (price risk), foreign exchange rates (foreign exchange risk) and market interest rates (cash flow and fair value interest rate risks).

(i) Price risk

The Branch’s 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 on 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 Branch’s market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plan, limits on investment in each sector and market, and careful and planned use of derivative instruments.

The amount of exposure is deemed immaterial with the Branch having insignificant amount of investment in equity securities at December 31, 2024 and 2023 (Note 4).

The Branch is not exposed to commodity price risk.

(ii) Foreign exchange risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Branch is exposed to both transactional and translational fluctuations in the value of its monetary assets and liabilities due to exchange rate movements of foreign currencies.

Transactional exposure arises from income earned and expenses paid in currencies other than the Branch’s functional currency (Philippine Peso or “PHP”). Translational exposure arises on the conversion of the foreign currency denominated assets and liabilities into Philippine Peso.

The Branch has US dollar-denominated insurance business. Currency exposures arise from the holding of monetary assets and liabilities denominated in US dollar (“USD”). The Branch minimizes its exposure to any significant foreign exchange rate risk by adopting benchmark duration and currency mix as recommended by the Branch’s investment manager.

The details of the Branch's USD-denominated monetary assets and liabilities as at December 31 are as follows:

	2024	2023
Monetary assets		
Cash and cash equivalents	3,429,400	1,732,058
Receivables, net	2,082,111	3,342,244
AFS securities	6,627,756	6,730,125
Reinsurance recoverable on unpaid losses	260,614	98,004
Other assets	-	7,172
	12,399,881	11,909,603
Monetary liabilities		
Losses and claims payable	686,007	481,853
Due to ceding companies and reinsurers	1,039,910	2,201,715
Accounts payable and accrued expenses	858,101	2,251,928
	2,584,018	4,935,496
Net USD-denominated monetary asset position	9,815,863	6,974,107
Exchange rate to PHP	58.01	56.07
PHP equivalent	569,418,213	391,038,180

The analysis below is performed for reasonable possible movements of USD-PHP exchange rates as projected by the Branch based on average fluctuations during the year, with all other variables held constant, showing the impact on net income and equity (due to changes in fair value of currency-sensitive monetary assets and liabilities). The rates used are based on average fluctuations during the year.

	Shift in USD-PHP exchange rates	Impact on net income and equity
December 31, 2024	+/- 2.90%	+/- 16,513,313
December 31, 2023	+/- 1.42%	+/- 4,166,573

(iii) Interest rate risk

The main risk that the Branch faces due to the nature of its investments and liabilities is interest rate risk. Interest rate risk is the risk that the value/future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating-rate instruments expose the Branch to cash flow interest risk, whereas fixed interest rate instruments expose the Branch to fair value interest rate risk. The Branch is not exposed to cash flow interest rate risk as none of its financial assets or liabilities (including lease liabilities) have floating interest rates.

Lease liabilities incur interest at a predetermined rate, unless circumstances arise which would trigger a remeasurement of lease liabilities using an updated interest rate. There have been no such instances in 2024 and 2023.

The Branch's exposure is only on fair value interest rate risk in respect of debt securities classified as AFS securities which bear fixed interest rates.

The sensitivity analysis below is performed by the Branch for reasonable possible shift of 100 basis points in interest rates of AFS debt securities, with all other variables held constant, showing the impact on fair value changes on AFS securities in the statements of total comprehensive income and on accumulated OCI gain (loss) in the statement of financial position:

	2024		2023	
	Before tax	After tax	Before tax	After tax
+ 100 basis points	(91,843,697)	(68,882,773)	(88,758,070)	(66,568,553)
- 100 basis points	39,153,278	29,364,958	93,353,568	70,015,176

Interest rate risk is managed by targeting a desired return which is reviewed periodically based on the long-term view of the Branch on interest rates. Strict investment guidelines, as approved by the Executive Audit Committee of the Head Office and the IC, are in place and reviewed regularly to provide the general direction for the investment funds and to monitor the risk undertaken.

(b) 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. Credit risk represents the loss that would be recognized if counterparties to insurance, reinsurance and investment transactions are unable or unwilling to fulfill their payment obligations.

The table below provides information regarding the Branch's financial assets subject to credit risk as at December 31:

	2024	2023
Cash and cash equivalents	446,546,062	254,957,283
Receivables		
Insurance balances receivable, net		
Premiums receivable	569,324,048	727,729,129
Due from ceding companies and reinsurers	94,610,584	76,709,725
Accrued interest receivable	38,819,009	35,362,034
Receivable from related parties	3,745,560	1,294,590
AFS debt securities	3,295,428,427	3,221,343,352
Reinsurance assets		
Reinsurance recoverable on unpaid losses	832,890,078	695,546,617
Other assets		
Refundable lease deposits	9,593,464	9,593,464
Refundable service deposits	8,906,826	8,906,826
Security fund	75,704	75,704
Others	629,118	3,134,925
	5,300,568,880	5,034,653,649

The carrying values of financial assets shown above represent the maximum exposure to credit risk at the reporting dates. There are no collaterals held by the Branch in relation to its financial assets as at December 31, 2024 and 2023.

Credit quality of the Branch's financial assets

(i) Cash in bank and cash equivalents

As a credit risk mitigation step, the Branch maintains banking relationships only with reputable financial institutions which are either locally classified as universal, commercial or thrift banks. Exposures with banking institutions at December 31 are summarized as follows:

	2024	2023
Commercial banks	408,308,768	196,743,473
Universal banks	38,237,294	58,213,810
	446,546,062	254,957,283

(ii) *Receivables; Reinsurance recoverable on unpaid losses*

Receivables as at December 31 are summarized as follows:

2024	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		1-90 days	91-180 days	More than 180 days		
Receivables						
Premiums receivable						
Agents and brokers	348,382,223	100,154,850	52,448,775	-	70,917,867	571,903,715
Related companies	8,313,708	16,807,946	6,691,360	36,525,187	-	68,338,201
Due from ceding companies and reinsurers					-	
Related companies	27,225,008	23,309,102	14,970,675	19,980,296	-	85,485,081
Non-related companies	7,114	306,803	8,976	8,802,608	-	9,125,501
Accrued interest receivable	38,819,009	-	-	-	-	38,819,009
Receivable from related parties	3,745,560	-	-	-	-	3,745,560
Reinsurance recoverable on unpaid losses	832,890,078	-	-	-	-	832,890,078
	1,259,382,700	140,578,701	74,119,786	65,308,091	70,917,867	1,610,307,145

2023	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		1-90 days	91-180 days	More than 180 days		
Receivables						
Premiums receivable						
Agents and brokers	279,982,155	248,719,110	35,330,177	-	71,507,839	635,539,281
Related companies	7,527,939	30,590,339	33,195,729	92,383,680	-	163,697,687
Due from ceding companies and reinsurers						
Related companies	6,704,493	17,873,921	9,697,636	34,447,385	-	68,723,435
Non-related companies	14,068	82,963	137,530	7,751,729	-	7,986,290
Accrued interest receivable	35,362,034	-	-	-	-	35,362,034
Receivable from related parties	1,294,590	-	-	-	-	1,294,590
Reinsurance recoverable on unpaid losses	695,546,617	-	-	-	-	695,546,617
	1,026,431,896	297,266,333	78,361,072	134,582,794	71,507,839	1,608,149,934

The Branch's receivables consist primarily of receivable from agents and brokers, due from ceding companies and reinsurers and receivable from related parties.

The Credit Committee monitors credit risk on a monthly basis. Impaired accounts are fully provided as at reporting periods.

(iii) *Reinsurance receivable balances*

Reinsurance is used to manage insurance risks. This does not, however, discharge the Branch's liability as primary insurer.

If a reinsurer fails to pay a claim for any reason, the Branch remains liable for the payment to the policyholder. The Branch conducts business based on an approved list of reinsurers as determined by the Head Office.

The Branch restricts its exposure to credit losses from its reinsurance business by staying within the underwriting limit authority provided by Head Office.

The credit risk arising from insurance is closely monitored by the Receivable Management Team on an ongoing basis. Monthly statements of accounts are sent to intermediaries and clients and are reconciled with their records.

Exposure to credit risk is not assessed to be significant because reinsurance balances are made with counterparties with strong financial condition. There has been no history of significant credit losses with respect to these balances.

(iv) *AFS debt securities*

One of the Branch's primary objectives is the preservation of its portfolio by mitigating credit risk which is the risk of loss due to failure of the issuer to make good on its obligation when due. This is mitigated by investing largely in US dollar and Peso denominated treasury bonds. Indicative prices of Republic of the Philippines ("ROP") treasury bonds are continuously monitored to ensure that investment returns are maximized. Within the guidelines provided by the IC, the investment consultant appointed by Head Office ensures that the Branch invests in ROP bonds with the highest return of investment.

AFS debt securities are debt instruments issued by the Philippine Government which is rated as BBB by Standard & Poor's as at December 31, 2024 and 2023.

There is no anticipated material exposure to credit risk on AFS securities.

(v) *Other assets*

The Branch's other assets at December 31, 2024 and 2023 consist mainly of refundable lease deposit, security fund, refundable service deposits from various unrated counterparties and accrued investment income. There is no anticipated material exposure to credit risk on other assets.

(c) *Liquidity risk*

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

The Branch manages liquidity through an assessment of the minimum amount of funds needed to meet operating and investment requirements; setting up of normal and contingency funding plans; specifying the sources of funding; maintaining counterparty exposures within approved limit; and periodic reporting and review of the credit facilities made available to the Branch.

It is unusual for an entity primarily transacting in insurance business to predict the requirements of funding with absolute certainty as theory of probability is applied on insurance contracts to ascertain the likely provision and the time period when such liabilities will require settlement. The amounts and maturities in respect of insurance liabilities are thus based on management's best estimate based on statistical techniques and past experience.

The amounts disclosed in the table below are the expected contractual undiscounted cash flows of financial assets and liabilities as at December 31, which the Branch uses to manage the inherent liquidity risk:

2024	Up to 1 year	1 to 3 years	Over 3 years	Total
Financial assets				
Cash and cash equivalents	446,546,062	-	-	446,546,062
Receivables	706,499,201	-	-	706,499,201
AFS debt securities	821,500,000	2,122,117,055	431,369,358	3,374,986,413
Reinsurance recoverable on unpaid losses	832,890,078	-	-	832,890,078
Other assets	629,118	9,517,761	9,058,233	19,205,112
Total financial assets	2,808,064,459	2,131,634,816	440,427,591	5,380,126,866
Financial liabilities				
Losses and claims payable	1,177,934,852	-	-	1,177,934,852
Due to ceding companies and reinsurers	489,930,230	-	-	489,930,230
Funds held for reinsurers	644,234,566	-	-	644,234,566
Accounts payable and accrued expenses (including future interest on lease)	369,089,355	10,730,361	-	379,819,716
	2,681,189,003	10,730,361	-	2,691,919,364
Total net financial asset position	126,875,456	2,120,904,455	440,427,591	2,688,207,502

2023	Up to 1 year	1 to 3 years	Over 3 years	Total
Financial assets				
Cash and cash equivalents	254,957,283	-	-	254,957,283
Receivables	841,095,478	-	-	841,095,478
AFS debt securities	529,901,224	1,029,935,745	2,256,904,026	3,816,740,995
Reinsurance recoverable on unpaid losses	695,546,617	-	-	695,546,617
Other assets	3,134,925	9,593,464	9,058,234	21,786,623
Total financial assets	2,324,635,527	1,039,529,209	2,265,962,260	5,630,126,996
Financial liabilities				
Losses and claims payable	991,062,566	-	-	991,062,566
Due to ceding companies and reinsurers	641,162,353	-	-	641,162,353
Funds held for reinsurers	519,232,482	-	-	519,232,482
Accounts payable and accrued expenses (including future interest on lease)	278,138,952	24,526,539	-	302,665,491
	2,429,596,353	24,526,539	-	2,454,122,892
Total net financial asset position	(104,960,826)	1,015,002,670	2,265,962,260	3,176,004,104

Accounts payable and accrued expenses exclude payables to government agencies.

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.

Management expects to settle the above financial liabilities in accordance with their maturity dates.

The 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.

19.2 Fair value measurement

The aggregate fair value of the Branch's AFS debt securities at December 31, 2024 amounting to P3,295,915,292 (2023 - P3,221,343,352) (Note 4) is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics. Such valuation technique falls under Level 2 of the fair value hierarchy.

The aggregate fair value of the Branch's AFS equity securities at December 31, 2024 amounting to P486,864 (2023 - P271,656) (Note 4) is determined based on market prices of securities traded in an active market. Such valuation technique falls under Level 1 of the fair value hierarchy.

There are no other financial instruments measured at fair value at December 31, 2024 and 2023.

The carrying amounts of the Branch's other financial assets and liabilities approximate their fair values as at December 31, 2024 and 2023.

There are no financial instruments classified as Level 3.

The Branch applies the policy to recognize the transfers into and transfer out of the levels of fair value hierarchy as of the end of the year during which the event or change in circumstances has caused the transfer. There were no transfers in and out of the fair value levels 1, 2 and 3 for the years ended December 31, 2024 and 2023.

The Branch does not have assets or liabilities measured at fair value on a non-recurring basis as at and for the years ended December 31, 2024 and 2023. Likewise, there are no assets not carried at fair value but for which the fair value is disclosed as at and for the years ended December 31, 2024 and 2023.

19.3 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 Branch 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 the Head Office.

The business of the Branch 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 Branch while undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

The Branch has an objective to control and minimize insurance risk, to reduce volatility of operating profits. The Branch 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 Branch'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 table below sets out the Branch's concentration of insurance risk by line of business as at December 31 based on sum assured:

Line of business	Before reinsurance		After reinsurance	
	Sum assured (In thousands)	Concentration (%)	Sum assured (In thousands)	Concentration (%)
As at December 31, 2024				
A&H	44,296,223,190	98.58	12,921,837,661	97.81
Fire	232,482,879	0.52	235,037	0.00
Marine	16,381,687	0.04	103,596	0.00
Engineering	9,528,830	0.02	17,851	0.00
Others	378,766,670	0.84	288,399,545	2.19
	44,933,383,256	100.00	13,210,593,690	100.00
As at December 31, 2023				
A&H	37,692,951,544	98.09	10,939,328,031	99.66
Fire	200,954,147	0.52	92,567	0.00
Marine	24,321,432	0.06	120,360	0.00
Engineering	418,837,302	1.09	48,868	0.00
Others	91,481,024	0.24	37,010,490	0.34
	38,428,545,449	100.00	10,976,600,316	100.00

19.4 Capital management

The Branch's capital pertains to statutory deposits from its Head Office. The Branch's objective when managing capital is to meet the minimum statutory capitalization requirement.

The Branch 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 capital requirements set by the regulators and the amount computed under the Risk-Based Capital ("RBC") Model.

The operations of the Branch are subject to the regulatory requirements of the IC. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions (e.g., fixed capitalization requirements, RBC requirements).

IC is interested in protecting the rights of the policyholders and maintaining close vigil to ensure that the Branch is satisfactorily managing its affairs for the benefit of the policyholders. At the same time, IC is also interested in ensuring that the Branch maintains an appropriate solvency position to meet liabilities arising from claims and that the risk levels are at acceptable levels.

No changes were made to the Branch's objectives, policies and processes from the previous year.

(a) Minimum paid-up capital and net worth requirement

Section 200 of the amended Code provides that an insurance company doing business in the Philippines shall at all times maintain the minimum paid-up capital, and net worth requirements as prescribed by the Insurance Commissioner. Net worth shall consist of paid-up capital, retained earnings, unimpaired surplus, and revaluation of assets as may be approved by the Insurance Commissioner.

Under Section 194 of the amended Code, domestic insurance companies' required minimum paid up capital and net worth is P1.3 billion.

Currently, 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 Branch's underwriting, reinsurance and credit policies.

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 Executive Audit and Risk Committee to address any corrective action required to preserve the capital level.

On December 20, 2023, the Branch repatriated \$4,000,000 or P221,800,000 back to the Head Office.

On December 26, 2024, the Branch repatriated \$8,400,000 or P487,295,508.

As at December 31, 2024 and 2023, the Branch is fully compliant with the minimum statutory net worth requirement of the Insurance Commission.

An additional statutory deposit amounting to P11,000,000 was made on May 29, 2023 to comply with the IC's statutory deposit requirement (Note 4).

As a branch office of a foreign company, the Branch is subject to minimum capital of US\$200,000.

As at December 31, 2024 and 2023, the Branch has a statutory deposit amounting to P663,000,000. As such, the Branch is compliant with the minimum capital requirement for branch offices.

(b) RBC requirements

On December 28, 2016, the IC issued CL No. 2016-68 which provides for the Amended RBC2 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 and subject to applicable limits and deductions prescribed by the IC.

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

- credit risk capital charge;
- insurance risk capital charge;
- market risk capital charge for equities;
- market risk capital charge for other than equities;
- operational risk capital charge; and,
- catastrophe risk capital charge.

The minimum RBC ratio is to be established at 100%. All non-life insurance companies are required to maintain the minimum RBC ratio and not fail the trend test. Failure to meet the minimum RBC ratio will trigger regulatory intervention by the IC.

On the same date, the IC issued CL No. 2016-69 which provides that on the following year of implementation of the Amended RBC2 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.

The following table shows how the RBC ratio was determined by the Branch in 2024 and 2023 based on the amended RBC2 framework:

	2024	2023
Total available capital	2,013,707,726	1,956,034,407
RBC requirement	315,926,549	273,171,940
Capital adequacy ratio (CAR)/RBC ratio	637%	716%

On February 5, 2025, the IC approved the Branch's 2023 annual statement with an RBC ratio of 716%.

The Branch is compliant with the requirements of the RBC2 Framework as at December 31, 2024 and 2023.

(c) Own Risk and Solvency Assessment

On August 25, 2022, the IC issued C.L. No. 2022-41 dated 25 August 2022 entitled "Adoption of the Own Risk and Solvency Assessment Framework, directing covered entities to adopt and implement the Own Risk and Solvency Assessment (ORSA) Framework and, for covered entities who meet the criteria for mandatory ORSA for fiscal year 2023, to conduct ORSA and submit their ORSA Report no later than the fourth quarter following the subject fiscal year. Accordingly, the Branch submitted 2023 ORSA report on December 2024.

The Branch has assessed whether its risk profile is materially different from the assumptions applied in the calculation of RBC. It has been concluded that the Branch's risk profile is consistent with the risks and assumptions included in the RBC calculation and it is therefore reasonable to adopt the RBC amount as the Branch's Economic Capital Target.

The Branch's management has concluded that it is strongly capitalized and solvent as at December 31, 2024 and 2023, and that capitalization is sufficient to support pursuit of business plans over the forward- looking period, as defined in its ORSA report. This conclusion was reached after considering the material risks faced by the Branch, the risk management processes and controls in place to mitigate those risks, stress and scenario testing.

20 Summary of material accounting policy information

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.

20.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with PFRS Accounting Standards which comprise the following authoritative literature:

- PFRS Accounting Standards
- Philippine Accounting Standards (PAS) Standards
- 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 SEC.

The financial statements have been prepared under the historical cost basis, except for AFS securities and plan assets which have been measured at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Branch's accounting policies. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 18.

Changes in accounting policy and disclosures

(a) *New accounting pronouncements adopted by the Branch*

There are no standards, amendments to existing standards, or interpretations adopted that have a material impact on the Branch's financial statements.

(b) *New standards, amendments to existing standards and interpretations not yet effective and not early adopted by the Branch*

A number of new standards, amendments to existing standards and interpretations are effective for annual periods beginning after January 1, 2024 and have not been applied in preparing these financial statements. Except as otherwise indicated, none of these is expected to have a significant effect on the financial statements. Those which may be relevant to the Branch are set out below:

- PFRS 9, *Financial instruments*. PFRS 9 deals with the classification, measurement and impairment of financial instruments, as well as hedge accounting (effective January 1, 2027).

PFRS 9 replaces the multiple classification and measurement models for financial assets in PAS 39, *Financial Instruments: Recognition and Measurement*, with a single model that has three classification categories: amortized cost, fair value through OCI ("FVOCI"), 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 these financial assets represent solely payments of principal and interest on the outstanding amount. 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.

Deferral of adoption of PFRS 9

The Branch has elected to apply the temporary option since it satisfies the following criteria:

- The Branch has not previously applied any versions of PFRS 9; and,
- The Branch'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 Branch made the assessment based on the financial position as at December 31, 2015, concluding that the carrying amount of the Branch's liabilities arising from contracts within the scope of PFRS 4 was significant compared to the total carrying amount of all its liabilities. The percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities as at December 31, 2015 is assessed to be 86%. After the date of eligibility assessment, there has been no change in the Branch's activities that requires a reassessment of the eligibility assessment.

All of the Branch's financial assets, excluding those financial assets that are defined as 'held-for-trading' or that are managed and evaluated on a fair value basis (AFS equity securities), are with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. As at reporting date, the financial assets that are carried at fair value, are shown in Note 19.2. Changes in the fair value of the financial assets for the years ended December 31, 2024 and 2023 are disclosed in Note 4. Information about the credit risk exposure of these assets is disclosed in Note 19.1(b).

Expected impact upon adoption

On the adoption date of PFRS 9, the Branch will be required to consider the business model objective for holding financial instruments and the nature of the cash flow characteristics of the financial instruments held. These may be impacted by the basis of measurement of the Branch's insurance liabilities at the time when PFRS 9 is adopted.

The Branch has embarked on PFRS 9 Implementation Project (the "PFRS 9 Project") to enable the Branch to transition to PFRS 9 through its Head Office. The PFRS 9 Project is a collaborative undertaking primarily driven by the Head Office and participated in by various committees and working groups across Chubb Group.

The initial results of the impact assessment done by the PFRS 9 Project team on the classification and measurement of financial assets follow:

- Majority of the investments in debt instruments that are currently classified as AFS will satisfy the conditions for classification as at FVOCI; hence, there will be no change on the accounting for these investments.
- Most of the AFS equity securities will likely be measured at FVTPL. On adoption date, the change in fair value reserve for AFS securities under Accumulated OCI for these equity securities will be reclassified to profit or loss and the underlying equity securities will be carried at fair value with changes to fair value recognized in profit or loss.
- Financial assets classified as loans and receivables under PAS 39 will remain at amortized cost under PFRS 9.

PFRS 9 will have no impact on the Branch's accounting for financial liabilities.

The new hedge accounting rules will not have a significant impact on the Branch as there are no formal hedge accounting relationships as of December 31, 2024 and 2023.

Based on the initial assessments performed to date, the Branch expects that the ECL model will not have a significant impact on the impairment provisioning for its receivables. The Branch has yet to quantify the full PFRS 9 financial impact as at January 1, 2025.

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

PFRS 17 was issued in May 2018 as replacement for PFRS 4, *Insurance Contracts*. 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 re-measured 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 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.

On March 17, 2020, the IASB has decided to further defer the effective date of the standard to annual reporting periods beginning on or after January 1, 2024. Targeted amendments made in July 2020 aimed to ease the implementation of the standard by reducing implementation costs and making it easier for entities to explain the results from applying PFRS 17 to investors and others. Taking into consideration the implications of the pandemic, the IC recognizes that the insurance industry has to realign its priority programs and focus on modifying its business operations under a new normal. The IC, through its CL No. 2018-69, has deferred the implementation of PFRS 17 for life insurance and non-life insurance industry to January 1, 2024. On May 18, 2020, the IC, through its CL No. 2020-62, has further deferred the implementation of PFRS 17 for life insurance and non-life insurance industry to January 1, 2025 or two (2) years after its effective date as decided by the IASB (i.e., January 1, 2023).

On March 10, 2025, the IC issued CL No 2025-04 further deferring the implementation of PFRS 17 to January 1, 2027. As at reporting date, the Branch has already finalized its local accounting policies in relation to PFRS 17, completed its UAT on PFRS 17 systems and submitted its quantitative impact assessment covering December 31, 2023 and June 30, 2024 balances to the IC. The adoption of PFRS 17 will increase December 31, 2023 net assets by 6.6%. Quantitative impact assessment of December 31, 2024 balances is ongoing.

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

This is the new standard on presentation and disclosure in financial statements, which replaces IAS 1, with a focus on updates to the statement of profit or loss.

The key new concepts introduced in IFRS 18 relate to:

- the structure of the statement of profit or loss with defined subtotals;
- requirement to determine the most useful structure summary for presenting expenses in the statement of profit or loss;
- required disclosures in a single note within the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

There are no other standards, amendments to existing standards and interpretations that are not yet effective and that would be expected to have a material impact on the Branch's financial statements in the current or future reporting periods and on foreseeable future transactions.

20.2 Financial instruments

20.2.1 Classification

The Branch classifies its financial assets and liabilities according to the categories described below. The classification depends on the purpose for which the financial assets and liabilities were acquired or incurred. Management determines the classification of its financial assets and liabilities at initial recognition.

(a) Financial assets

The Branch classifies its financial assets in the following categories: (i) loans and receivables and (ii) AFS financial assets.

(i) Loans and receivables

The Branch's loans and receivables consist of cash and cash equivalents (Note 2), receivables, net (Note 3), reinsurance recoverable on unpaid losses (Note 5), and refundable service deposits, refundable lease deposit, receivables from employees and security fund included within other assets (Note 8). Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less from the date of acquisition and that are subject to insignificant risk of changes in value.

(ii) AFS financial assets

The Branch's AFS securities are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. These include government debt securities and equity investments.

(b) Financial liabilities

The Branch classifies its financial liabilities at amortized cost. This includes losses and claims payable (Note 9), due to ceding companies and reinsurers (Note 5), funds held for reinsurers (Note 5), and accounts payable and other financial liabilities (Note 10) (other than liabilities covered by other accounting standards, such as retirement benefit liability and income tax and other payables to government agencies).

20.2.2 Recognition and measurement

(a) Initial recognition and measurement

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

Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in the case of liability). Financial assets and liabilities not carried at FVTPL are initially recognized at fair value plus transaction costs. Financial assets and liabilities carried at FVTPL are initially recognized at fair value, and transaction costs are recognized as expense in profit or loss.

(b) Subsequent measurement

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

The effective yield component of AFS debt securities, as well as the foreign exchange gains and losses on foreign currency denominated AFS debt securities, is recognized in profit or loss. Interest earned on holding AFS debt financial assets are reported as interest income within Finance income, net, using the effective interest rate. Dividends earned on holding AFS equity financial assets are recognized in profit or loss as dividend income when the right of payment has been established. The unrealized gains and losses arising from the fair valuation of AFS financial assets are reported as part of accumulated other comprehensive income in the statement of financial position.

The losses arising from impairment of such investments are recognized as Provision for impairment losses in profit or loss. When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized as Gain on sale of assets in profit or loss.

Dividends on AFS equity securities are recognized on dividend declaration date, the date when the Branch's right to receive payment is established.

Loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment, if any. 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 Finance income, net, in profit or loss. The losses arising from impairment of such loans and receivables are recognized in Provision for impairment losses in profit or loss.

For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as AFS financial assets, interest income is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument (e.g., prepayment options), including any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The change in carrying amount is recorded as part of Finance income, net, in profit or loss.

Once the recorded value of a financial asset or group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original effective interest rate applied to the new carrying amount.

Interest income from deposits and investments in government securities subject to final withholding tax are presented at gross amounts while the related taxes withheld are included in income tax expense.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

20.2.3 Impairment of financial assets

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

(a) Loans and receivables

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

If there is objective evidence that an impairment loss 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 carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to profit or loss. Interest income continues to be recognized based on the original effective interest rate of the asset.

Loans, together with the associated allowance account, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

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 foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

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. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based, and to remove the effects of conditions in the historical period that do not exist currently.

(b) AFS financial assets carried at fair value

In the case of equity investments classified as AFS financial assets, impairment indicators would include a significant or prolonged decline in the fair value of the investments below the corresponding cost. Generally, the Branch treats a decline of 20% or more as 'significant' and a decline duration of greater than twelve months as 'prolonged'. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss is removed from equity and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in equity as part of OCI.

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 using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss and is recorded in profit or loss. If, in the subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

20.2.4 Derecognition

(a) Financial asset

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

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

Where the Branch has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Branch's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Branch could be required to repay.

(b) Financial liability

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

20.3 Classification of insurance contracts

Insurance contracts are contracts that transfer significant insurance risk. Such risks include the possibility of having to pay benefits on the occurrence of an insured event. The Branch may also transfer insurance risk in insurance contracts through its reinsurance arrangements, to hedge against a greater possibility of claims occurring than expected. As a general guideline, the Branch defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

20.4 Insurance contracts

20.4.1 Product classification

Insurance contracts of the Branch include A&H, fire and allied perils, engineering, directors and officers, general liability, personal lines, and marine insurance contracts. Long-term insurance contracts consist of policies with terms of 12 months or more, while short term insurance contracts consist of policies with terms of less than 12 months.

20.4.2 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Branch and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

(a) Premium revenue

(i) Direct business

Gross premiums written are recognized at the inception date of the risks underwritten and are earned over the period of the contracts in proportion to the amount of insurance protection provided. Premiums are earned using the 24th method. The portion of gross premiums written that relates to the unexpired periods of the policies at year-end is accounted for as reserve for unearned premiums in the liability section of the statements of financial position (Note 9).

(ii) Inward reinsurance business

Gross premiums written are recognized based on the date of notification of inception of the underlying risks underwritten and are earned over the period of cover in accordance with the incidence of risk using the 24th method. The portion of the gross premiums written that relates to the unexpired periods of the policies at year-end is referred to as unearned premiums and reported as part of reserve for unearned premiums in the liability section of the statements of financial position (Note 9).

(iii) Outward reinsurance business

The related ceded reinsurance premiums that pertain to the unexpired periods at year-end are reported as deferred reinsurance premiums in the asset section of the statements of financial position.

The net change in the reserve for unearned premiums and deferred reinsurance premiums during the reporting period is recognized in profit or loss.

(b) Commission income

Reinsurance commissions are recognized as revenue over the period of the contracts using the 24th method. The portion of the commissions that relates to the unexpired periods of the policies at the reporting date is accounted for as Deferred commission income in the liabilities section of the statement of financial position (Note 9).

Commission income is recognized upon acceptance of the premium cession by reinsurers and earned in proportion to premium revenue recognized. The amount deferred to future periods is reported in the liability section of the statements of financial position as part of deferred commission income.

20.4.3 Deferred acquisition costs

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 they are 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 in proportion to premium revenue recognized. Amortization is reported as part of commission expense in the statements of total comprehensive income. The unamortized acquisition costs are shown as deferred acquisition costs in the assets section of the statements 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.

20.4.4 Insurance contract liabilities

Insurance contract liabilities are recognized when the contracts are entered into and the premiums are charged, or when claims have been incurred. The Branch's insurance contract liabilities consist of premium liabilities and claims liabilities.

Premium liabilities and claims liabilities are valued based on the provisions of CL 2018-18 (Note 9).

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

(a) Premium liabilities

The proportion of written premiums, gross of commissions payable to intermediaries, attributable to subsequent periods or to risk that have not yet expired, is deferred as provision for unearned premiums using the 24th method.

The change in provision for unearned premiums is taken to profit or loss in the order that revenue is recognized over the period of risk. Further provision is made to cover any deficiency to the extent that the URR exceeds the UPR, net of DAC. The URR 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.

(b) Claims liabilities (losses and claims payable)

These liabilities are known as the outstanding claims provisions, which are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries.

Although the Branch 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. 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. To ensure local regulatory compliance, the Branch engaged an external actuary to review the analysis and certify the reasonableness of the reserves. The Branch does not discount liabilities for unpaid claims.

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 MfAD. No provision for catastrophic reserves is recognized unless the catastrophe is sustained at reporting period.

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 Branch, 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 Branch'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 Branch.

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.

20.4.5 Salvage and subrogation reimbursements

Some insurance contracts permit the Branch to sell property acquired (usually damaged) in settling a claim (i.e., salvage). The Branch may also have the right to pursue third parties for payment of some or all costs (i.e., subrogation).

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognized in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

20.4.6 Claims and loss adjustment expenses

Claims and loss adjustment expenses are charged against profit or loss as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the year-end date even if they have not yet been reported to the Branch. The Branch does not discount its liabilities for unpaid claims.

Liabilities for unpaid claims costs including those for IBNR are estimated and accrued and considers actual claims reported for a specified period that applies to policies and claims at reporting date. The liabilities for unpaid claims are based on the estimated ultimate cost of settling the claims using the input of assessment for individual cases reported to the Branch. The method of determining such estimates and establishing reserves is continually reviewed and updated. Changes in estimates of claims costs resulting from the continuous review process and differences between estimates and payments for claims are recognized in profit or loss in the year in which the estimates are changed or payments are made.

Estimated recoveries on settled and unsettled claims are evaluated in terms of estimated realizable values of the salvage recoverable and deducted from the liability for unpaid claims. Outstanding claims and IBNR are presented in the liability section of the statement of financial position, as part of Losses and claims payable.

20.4.7 Losses and claims, net

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

20.4.8 Liability adequacy test

At each reporting date, liability adequacy tests are performed, to ensure the adequacy of insurance contract liabilities, net of related DAC. 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 Branch for its premium liabilities.

20.5 Reinsurance contracts held

Contracts entered by the Branch with reinsurers which compensate the Branch for losses and meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Insurance contracts entered into by the Branch under which the contract holder is another insurer (inward reinsurance) are classified as insurance contracts.

Contracts that do not meet these classification requirements are classified as financial assets.

The benefits to which the Branch is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consist of deferred reinsurance premiums and reinsurance recoverable on unpaid losses. Amounts recoverable from reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognized as an expense upon recognition of related premiums.

The Branch assesses its reinsurance assets for impairment annually. If there is objective evidence that the reinsurance asset is impaired, the Branch reduces the carrying amount of the reinsurance assets to their recoverable amount and recognizes the impairment in profit or loss. The Branch gathers objective evidence that reinsurance assets are impaired using the same process adopted for loans and receivables (Note 20.2.3). Impairment is also calculated following the same method used for loans and receivables.

(a) Funds held for reinsurers

These represent funds retained by the Branch out of reinsurance premiums payable to counterparty reinsurance companies.

(b) Receivables and payables related to insurance contracts

Receivables and payables are recognized when rights and obligations arise. These include amounts due to and from agents, brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the Branch reduces the carrying amount of the insurance receivable accordingly and recognizes that impairment in profit or loss. The Branch gathers objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables (Note 20.2.3). Impairment is also calculated following the same method used for loans and receivables.

20.6 Access fees and deferred service fees

The access rights paid by the Branch is recognized as an intangible asset as the Branch expects the agreement with Cebu Pacific to bring future economic benefits to the Branch throughout the term of the agreement.

Access rights are carried at cost less accumulated amortization and impairment loss, if any. The access rights are amortized over a useful life of five (5) years.

Deferred service fees are recognized at fair value at the acquisition date and recognized in profit or loss as part of Service fees in a pattern similar to how deferred acquisition costs are recognized as commission expenses.

20.7 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the assets which includes its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs such as costs of major renovations are included in the carrying amount of the asset or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Branch and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation and amortization is calculated on the straight-line method over the estimated useful lives of the related assets as follows:

Computer equipment	4-15 years
Furniture, fixtures and equipment	5 years
Office space	Over the lease term
Leasehold improvements	5 years or lease term, whichever is shorter

The office space of the Branch pertains to ROU assets from leased office space and seven parking slots for the Branch's main office.

The asset's residual values and useful lives are reviewed and adjusted as appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

20.8 Impairment of non-financial assets

At each reporting date, the Branch assesses whether there is any indication that its non-financial assets (i.e., property and equipment and other assets) may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Branch makes an estimate of the asset's recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use. It 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 CGU to which it belongs.

Where the carrying amount of an asset (or CGU) exceeds its recoverable amount, the asset (or CGU) 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 of money and the risks specific to the asset (or CGU).

An impairment loss is charged to profit or loss in the year in which it arises.

20.9 Payable to government agencies

Payable to government agencies are short-term statutory obligations to remit cash to the relevant government agencies and are recognized at the amounts withheld by the Branch in the ordinary course of doing its business. They are usually remitted by the Branch within the first three months following the reporting date.

20.10 Employee benefits

(a) Short-term benefits

The Branch recognizes a liability, net of amount already paid, and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Branch to its employees include salaries and wages, social security contributions, short-term compensated absences and bonuses, and non-monetary benefits.

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

(b) Bonus plans

The Branch recognizes a liability and an expense for 13th month and other bonuses based on a formula that takes into consideration the employee's current monthly salary. The Branch recognizes a provision when contractually obliged or where there is a past practice that has created a constructive obligation.

(c) Share-based compensation

Staff costs include share-based compensation expenses arising from the grant of share-based awards to the high-performing employees of the Branch which are equity-settled. The details of the share-based awards available are described in Note 13.

The fair value of the employee services received in exchange for the grant of stock-based awards is recognized as an expense in the statements of total comprehensive income with a corresponding increase in the share-based reserve over the vesting period. The total amount to be recognized over the vesting period is determined by reference to the fair value of the share-based awards on the date of grant. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date.

At each reporting date, the Branch revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date as well as the number of shares that will vest on the vesting date and recognizes the impact of the revision of the estimates in the statements of total comprehensive income, with a corresponding adjustment to the share-based reserve over the remaining vesting period.

The Branch has recognized all equity compensation benefits as equity-settled, whereby all these employee benefit expenses are credited to "Share-based reserve" within current account under Head Office account.

The Branch was recharged by the Head Office for share-based compensation which vested in 2024 and 2023. As such, the share-based reserve on equity has been transferred to liability.

20.11 Head Office account

(a) Statutory deposit

Statutory deposit includes the initial and additional inward remittances of the Head Office to the Branch which are transferred from the current account.

(b) Current account

The current account represents accumulated income of the Branch and any inward remittances from the Head Office. As the need arises, the Branch transfers a portion of the account to the statutory deposit account.

20.12 Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in OCI or directly in equity. In this case, the tax is also recognized in OCI 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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

DIT is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, DIT is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. DIT is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related DIT asset is realized or the DIT liability is settled.

DIT assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (NOLCO) and unused tax credits (excess MCIT) to the extent that it is probable that future taxable profit will be available against which the temporary differences, unused tax losses and unused tax credits can be utilized. The Branch re-assesses at each reporting date the need to recognize a previously unrecognized DIT asset.

DIT liabilities are recognized in full for all taxable temporary differences, except to the extent that the DIT liability arises from the initial recognition of goodwill.

DIT assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the DIT assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

20.13 Leases (the Branch is the lessee)

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 ROU 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 the 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 Branch'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 ROU asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Branch:

- 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 ROU assets

ROU assets are measured at cost, which is depreciated over the estimated useful life of the assets or the term of the lease, whichever is shorter. (Note 20.7).

(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 Branch 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) Lease modification

Lease modifications are accounted either as a separate lease or not a separate lease. The Branch accounts for the lease modification as a separate lease if both:

- the modification increases the scope of the lease by adding the right of use to one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For lease modification that is not accounted for a separate lease, at the effective date of lease modification, the Branch:

- allocates the consideration in the modified contract on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components;
- determine the lease term of the modified lease;
- remeasure the lease liability by discounting the revised lease payments using a revised discount rate.

The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, or the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

For a lease modification that is not accounted for as a separate lease, the Branch accounts for the remeasurement of the lease liability by:

- decreasing the carrying amount of the ROU asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease.
- making a corresponding adjustment to the ROU asset for all other lease modifications.

The Branch recognizes in profit or loss any gain or loss relating to the partial or full termination of the lease.

(e) 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 profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

21 Supplementary information required by the Bureau of Internal Revenue (BIR)

Below is the additional information required by RR 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.

(a) Output VAT

Output VAT declared for the year ended December 31, 2024 and the revenues upon which the same was based consist of:

	Gross amount of revenues	Output VAT
Subject to 12% VAT (based on actual collection, net of returns)		
Premiums, commission income and others	4,143,660,529	497,239,263
Zero-rated sale of non-life policies	118,196,511	-
Exempt sale of non-life policies	2,042,480,512	-
	6,304,337,552	497,239,263

The gross revenues shown above are based on invoices/billing of the Branch for VAT purposes while gross revenues in the statement of total comprehensive income are measured in accordance with the policy in Note 20.4.2.

The zero-rated premiums are related to sales of non-life policies to Philippine Economic Zone Authority, Subic Bay Metropolitan Authority, Board of Investments and other registered entities pursuant to BIR RR No. 16-2005, as amended. The exempt premiums, on the other hand, arose from sales of insurance policies that are subject to premium tax under Title V of the Tax Code.

As of December 31, 2024, the output VAT payable (listed under accounts VAT Premium Direct and VAT Commission Ceded) total P76 million. This includes accrued output VAT related to the issued policies before effectivity date of the EOPT that has not yet been collected, amounting to P2 million.

(b) Input VAT

Movements in input VAT for the year ended December 31, 2024 follow:

	Amount
Beginning balance	-
Add: Current year's domestic purchases/payments for:	
Services lodged under other accounts	122,349,685
Goods other than for resale or manufacture	984,872
Less: Input VAT allocable to exempt sale	(57,939,630)
Total allowable input VAT	65,394,927

(c) All other local and national taxes

All other local and national taxes paid and accrued for the year ended December 31, 2024 consist of:

	Paid	Accrued	Total
Documentary stamp tax	223,270,125	-	223,270,125
Premium tax	36,243,766	10,588,520	46,832,286
Local government taxes	9,567,094	7,593,280	17,160,374
Fire service tax	3,667,389	370,404	4,037,793
Mayor's permit	5,000	5,000	10,000
Others	1,495,539	1,487,758	2,983,297
	274,248,913	20,044,962	294,293,875

The above local and national taxes are lodged under taxes and licenses in general and administrative expenses except for premium taxes and a certain portion of documentary stamp taxes which are charged to the account of the policyholders.

A portion of the local government taxes disclosed above is also charged to the account of the policyholders.

Accrued other local and national taxes, other than premium tax and mayor's permit, are included as part of other taxes under accounts payable and accrued expenses in the statement of financial position as at December 31, 2024.

Accrued premium tax is recorded under accounts payable and accrued expenses in the statement of financial position as at December 31, 2024.

(d) Withholding taxes

Withholding taxes paid and accrued and/or withheld for the year ended December 31, 2024 consist of:

	Paid	Accrued	Total
Withholding tax on compensation	24,439,992	3,373,800	27,813,792
Expanded withholding tax	49,082,692	7,453,282	56,535,974
Fringe benefit tax	704,322	1,217,321	1,921,643
	74,227,006	12,044,403	86,271,409

Accrued withholding taxes are included as part of other taxes under accounts payable and accrued expenses in the statement of financial position as at December 31, 2024.

As of December 31, 2024, total outstanding creditable withholding taxes (presented under other assets) amount to P10,721,134. This includes creditable withholding tax certificates that are not yet collected from the clients amounting to P2,824,199, as of December 31, 2024.

(e) Tax assessments and cases

The taxable years that are still open for tax examination relate to years 2021 and 2023.

The Branch received a Letter of Authority (LOA) for the taxable years 2018 and 2021 on February 3, 2021, and August 14, 2023, respectively.

As of the reporting date, the 2018 taxable year audit is currently with the Court of Tax Appeals regarding findings on Final Withholding Tax and Withholding VAT. Preliminary mediation conference was held on March 12, 2025. Both parties agreed not to refer the case to formal mediation. The Pre-trial conference is scheduled on June 10, 2025.

The audit of the 2021 taxable year will begin in the second quarter of 2025.

The Branch has no outstanding tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR as at December 31, 2024.

(f) Others

The Branch is not subject to any other taxes other than those described above.

From: eafs@bir.gov.ph <eafs@bir.gov.ph>
Sent: Saturday, April 26, 2025 3:36 PM
To: TAX PH <Tax.PH@chubb.com>
Cc: CEDRIC.APURILLO@CHUBB.COM
Subject: [EXTERNAL] Your BIR AFS eSubmission uploads were received

Hi INSURANCE COMPANY OF NORTH AMERICA,

Valid files

- EAFS000589211ITRTY122024.pdf
- EAFS000589211AFSTY122024.pdf
- EAFS000589211TCRTY122024-01.pdf
- EAFS000589211RPTTY122024.pdf
- EAFS000589211OTHTY122024.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-6KDCABDK0MXSZVPVZPQNRV1TR02MTWZ4RQ**
Submission Date/Time: **Apr 26, 2025 03:36 PM**
Company TIN: **000-589-211**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

INSURANCE COMPANY OF NORTH AMERICA

Supplementary Schedule of External Auditor Fee-Related Information
For the years ended December 31, 2024 and 2023
(All amounts in Philippine Peso)

Audit and non-audit fees of INSURANCE COMPANY OF NORTH AMERICA

	2024	2023
Audit fees	1,244,673	1,019,736
Total audit fees	1,244,673	1,019,736
Non-audit fees:		
IFRS 17 Proactive assurance	870,171	580,114
Tax Audit	-	1,500,000
Total non-audit fees	870,171	2,080,114
Total audit and non-audit fees	2,114,844	3,099,850