THE MERCANTILE INSURANCE COMPANY, INC.
MINUTES OF THE MEETING
AUDIT and RISK OVERSIGHT COMMITTEES of the BOARD
Via Hybrid Meeting on December 16, 2025 (Tuesday) at 1:00 PM

PRESENT:

Audit Committee:	**Board Risk Oversight Committee:**	**Resource Persons:**
Dir. Evelyn N. Singun Chairperson **Dir. Elrey T. Ramos** Member **Dir. Ermie I. Delos Reyes** Member	**Dir. Claro F. Certeza** Chairperson **Dir. Evelyn N. Singun** Member **Dir. Elrey T. Ramos** Member	**Ms. Jxyl Jill D. Pahilga** Internal Auditor **Mr. Michael L. Fadriquela** Deputy Chief Financial Officer

Atty. Rozaire G. Ombao-Bagares Minute taker (Corporate Secretary)

CALL TO ORDER

The Meeting was called to order by the Chairperson via a hybrid meeting – the Chairpersons and Members attended virtually through the provided online platform, while the Deputy CFO and Corporate Secretary attended in person at the MICI Conference Room, located at the MICI Head Office.

SERVICE OF NOTICE AND DETERMINATION OF QUORUM

The Corporate Secretary reported that, in accordance with the provisions of the Corporation Code and the Amended By-Laws of the Company, written notice of the meeting was served to all members of the Audit and BROC Committee. The majority of the committee members are present to conduct valid business at today's meeting.

Director Evelyn Singun (Audit Committee Chair) presided with the express permission of Director Claro Certeza (Risk Oversight Chair).

DISCUSSION

a. Presentation of the 2024 Annual Statement Verification Report issued by the Insurance Commission (IC)

Mr. Fadriquela presented the findings and requirements for our 2024 Annual Statement Verification, and summarized the 2024 Annual Statement Verification Report.

Company Books: Assets ₱5.89B, Liabilities ₱3.91B, Net Worth ₱1.98B.
IC Adjusted Figures: Assets ₱5.05B, Liabilities ₱4.0B, Net Worth ₱1.05B.
Requirement: ₱1.3B minimum net worth.
Issue: IC noted a deficiency of ₱247M. The company submitted reconsideration requests.

Key Reconsideration Requests made by the Company:

- **Cash in Bank:** ₱1.5M disallowed; the company updated its passbooks and requested admission.
- **Premiums Receivable:** ₱15.2M disallowed (aged >90 days); the company argued alignment with 90-day rule. These receivables have an inception date of October 1, 2024.
- **Jumbo Accounts:** Disallowed due to installment/payment defaults; recommendation to use post-dated checks for compliance by Director Singun, with the first installment to include all the taxes and other charges. Usually, the post-dated checks are held by the intermediaries, not by the insurance companies (a challenge for the insurance companies). She also suggested securing copies of the checks even if not yet deposited.
- **Recoverable from Reinsurers:** ₱45.1M disallowed; certification provided showing timing difference. These are the excess of the company book balance over the liability per the Philippine Machinery Management Services Corporation Schedule (Mach Pool).
- **Surety Losses Recoverable:** ₱147.3M disallowed; court documents submitted showing recovery prospects. Director Singun suggested to submit claim documents to show that the company was able to pay the claim.
- **Loans & Receivables:** ₱1.1M disallowed; company cited prior IC approval and circulars.
- **Claims Fund:** ₱6.1M disallowed; certifications submitted.

Projected Net Worth (with adjustments): ₱1.36B → compliant with ₱1.3B requirement. The after-date collection is around P300M.

Other Findings

- **Reinsurance Accounts:** Certification submitted from Aeon Reinsurance that they are duly represented by a resident agent.

b. Presentation of the 2025 Financial Reporting Framework (FRF) covering 1st to 3rd Quarters

Financial Reporting Framework (Q1–Q3 2025)

- **Assets:** ₱5.78B (adjusted ₱5.32B). An increase of P169.9M compared to Q2.
- **Liabilities:** ₱3.69B, a decrease of P74.7Million compared to Q2.
- **Net Worth:** ₱1.64B (up ₱244M from Q2).
- **Income:** GPW ₱2.2B; net income ₱109M.
- **Ratios:**
  - Non-admitted asset ratio improved (13.42% → 8.63%).
  - Net worth to VTA ratio improved (37.61% → 44.39%).
  - Net retention ratio (67.35% → 70.83%). Motorcar business at 94%.
  - Claims ratio (43.24% → 39.21%).

Director Singun asked how XOL Premium is presented. Mr. Fadriquela replied that it is now under "Other Underwriting Expense".

Director Ramos suggested informing the previous external auditor, since a new auditor has been appointed. He also inquired about the increasing RI receivables and the Company's policies regarding this. Mr. Fadriquela replied that around 30% of the P826M receivables are beyond 30 days. Director Ramos asked the internal auditor if the 30% expense ratio is acceptable in the industry. Ms. Pahilga replied in the affirmative.

Closing Note

The committees emphasized the importance of maintaining compliance with IC requirements, ensuring accurate documentation, and sustaining net worth above the ₱1.3B threshold to safeguard competitiveness and retention capacity.

ADJOURNMENT
There being no other matters to be taken up, the meeting was adjourned at 2:40 p.m.

Certified Correct:

(sgd)
ATTY. ROZAIRE G. OMBAO-BAGARES
Corporate Secretary