



2016 ANNUAL REPORT

*PEOPLE,
PURPOSE,
PASSION:*



**“Key to Continuous Growth
and Success”**

**43rd ANNUAL GENERAL ASSEMBLY
April 8, 2017**

**SARABIA MANOR HOTEL & CONVENTION CENTER
NO. 101 GENERAL LUNA ST., ILOILO CITY.**



To build a society where cooperatives, labor unions, and coop-oriented groups and members are fully protected economically and socially through a sustainable and viable cooperative insurance system.

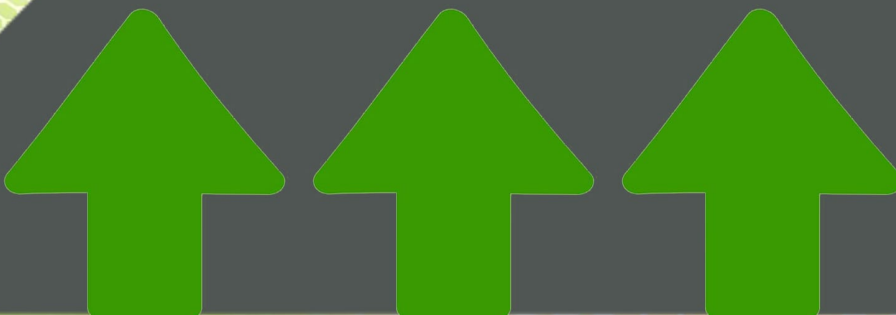
A globally known Cooperative Insurance with a Social Conscience.

Commitment to our organization and the Cooperative Movement

Integrity in the conduct of its business at all times

Sustainability of the organization and the communities we serve is of paramount importance

Professionalism is our way of dealing with our stakeholders





Republic of the Philippines
Department of Finance
INSURANCE COMMISSION
1071 United Nations Avenue
Manila



INSPIRATIONAL MESSAGE
(CISP 43RD ANNUAL GENERAL ASSEMBLY)

28 February 2017

It is my honor to congratulate the Cooperative Insurance System of the Philippines (CISP) for forty-three years of service to its members. Since its inception in 1974, CISP's dream, which is to build a society where cooperatives, labor unions, cooperative-oriented groups, and their members, are fully protected economically and socially, is slowly becoming a reality.

But aside from CISP's contribution to its members, it serves a vital role in promoting true and genuine financial inclusivity. Through the various products it offers, not only has the CISP taken steps to ensure the availability and accessibility of insurance services to their members, but it has also raised awareness and shown the necessity of having insurance coverage in building resiliency against disasters and natural calamities.

In a report by the Gesellschaft für Internationale Zusammenarbeit (GIZ), it was stated that microinsurance in the Philippines has seen substantial advances in recent years. These advances are a result of the joint effort of the public and private sector in fostering the growth of the microinsurance industry. The United Nations Environment Program stated, "As the insurance industry helps protect society, foster innovation and underpin economic development, the insurance industry has a vital interest and plays an important role in fostering sustainable and economic social development." Indeed, the risk management process in the microinsurance mirrors the activities in disaster risk management. As such, microinsurance serves as the mechanism by which protection is given to low-income communities by insuring their crops, livestock and assets.

While microinsurance has seen substantial developments, we understand that it is still very young and may further be enhanced. As the Regulator, we shall constantly pave the way in providing an environment where the microinsurance industry can grow. Unfortunately, this is not enough. The private sector must keep on finding ways to enhance its process of offering and rendering financial services. It is only by working together, can we achieve true and genuine financial inclusivity.


ATTY. DENNIS B. FUNA
Insurance Commissioner



Central Office

827 Aurora Blvd., Service Road, Brgy. Immaculate Conception, 1111 Cubao, Quezon City, Philippines

Message



Felicitations to Cooperative Insurance System of the Philippines (CISP) on the occasion of your 43rd Annual General Assembly.

Empowerment is the call of the times because when people are empowered, it will give way to social restructuring. That looming structure called cooperativism is now considered the people's preferred development model as the cooperatives are now seen globally as the acknowledged leaders in the economic, social and ecological sustainability.

In essence, what cooperatives now are advancing is a kind of development that is holistic, pro-people, community-based and with a popular participation. It is an approach that puts man at the center and in the mainstream of the processes. These are well-pronounced in the principles we live by.

It has been said that the past or the present does not shape the future; your vision does coupled with the single-minded determination to work for it and put it to reality. Mere intention alone creates its own energy, how much more if it is pursued with a strong will.

CISP has shown the way on what a cooperative should be. Its accomplishments are the concrete and tangible manifestations of the driving forces that are in the realm of the intangibles. The good governance exemplified by its Board of Directors, the industry and innovativeness poured-in by its management and the values of cooperation and participation of its thousands of members are the pillars of its strength in the long and arduous journey towards making life better for the people. Innovativeness coupled with industry, good governance and cooperation from members are the values that have catapulted the cooperative to achieve an indelible mark of success.

More power and kudos to CISP!


ORLANDO R. RAVANERA
Chairman

Office of the Chairman : (02) 721-5325
(02) 721-5324
Office of the Executive Director : (02) 725-6450
Officer of the Day : (02) 725-3764



Management System
ISO 9001:2008



www.tuv.com
ID 9105070733

Message from the Chairman

As we celebrate our 43rd General Assembly, the CISP family has many reasons to be proud of. For the past 43 years, our Insurance Cooperative survived and withstood the test of times redefining its status as an insurance provider, reshaping its present and redirecting its future to make CISP what it is today. Because of these challenges, life at CISP became more exciting pushing its officers and staff to their fullest potentials. CISP has become a stronger, dependable and financially viable insurance cooperative responsive to the needs of the Cooperative sector.

The year 2016 showed CISP's best performance: it breached the P1 billion mark in terms of total assets which now stands at P1.036 Billion versus last year's P559 Million or 85% increase. It exceeded last year's net surplus by P27 Million with a net income of P116M compared to 2015's P89M or 31% increase. CISP's share capital amounts to P600M compared to last year's P245M or a 145% improvement. These are indicators of the high trust and confidence bestowed upon CISP by its shareholders and new members. Truly, these are all time highs for CISP.

With these indicators of financial strength, CISP is ready to embrace the tremendous opportunities that the economic environment offers which are captured in our five-year strategic plan for 2017-2021. For the year 2017, we will see a more aggressive human resources development to promptly attend to the needs of our member-patrons, forge partnerships with our members through Koop Insurance Networks (KIN) that will serve as marketing arms of CISP. We will establish our first branch in Mindanao. Year 2018 will see a bigger and stronger CISP with the establishment of three more branches in Luzon, Visayas and Mindanao. For 2019, we will get stronger with the unification or merger of like-minded organizations. For all we know, CISP could even acquire another insurance company. In years 2020 and 2021 we will witness CISP establishing a stronghold in the ASEAN market.

We, the Board and management, are confident that CISP is well on its way to rapid growth. The strong and unwavering support of our dear member-shareholders will be indispensable to the realization of these goals.

Together, we are very well on the road to success. May the Lord Almighty be our guiding light.




BGEN. TEODORO P. EVANGELISTA AFP (RET)
Chairman

PROGRAMME

PART I – REGISTRATION

7:00 a.m. to 9 a.m.

PART II – OPENING PROGRAM

- | | |
|--|--|
| A. Opening Prayer | Edwin Buena |
| B. National Anthem | Music Guided |
| C. Cooperative Pledge | Marciana Foryasen |
| D. CISP Hymn | Music Guided |
| E. Acknowledgement of CISP Member-Owners | Alfredo Samantila Jr. & Jackelyn Ballena |
| F. Welcome Remarks | Roy S. Micalat, President |
| G. Special Awards (Top 30 Member Cooperatives) | Alfredo Samantila Jr. & Jackelyn Ballena |

Master of Ceremonies:
Alfredo Samantila Jr. & Jackelyn Ballena

PART III – BUSINESS PROPER

1. Call to Order
2. Proof of Due Notice
3. Determination of Quorum
4. Approval of the Agenda
5. A. Consideration/ Approval of the Minutes of the Meeting of the 42nd General Assembly
B. Consideration/ Approval of the Minutes of the Special Assembly held on July 23, 2016.
6. Confirmation of the Board Resolutions for the Year 2016
7. Consideration/Approval of Annual Reports:
 - Joint Report of the Board of Directors and Management for the Year 2016
 - Approval of the 2016 Audited Financial Statements
 - Audit Committee Report; and
 - Proposed Budget for the Year 2017
8. Approval of Distribution of Net Surplus for the Year 2016
9. Appointment of Independent Auditors
10. Approval of Five-Year Strategic Plan
11. Amendment to CISP's Corporate name:
From: Cooperative Insurance System of the Philippines Life and General Insurance (CISP)
To: 1 Cooperative Insurance System of the Philippines Life and General Insurance (1 CISP)
12. Resolutions:
 - A. Approval of Articles of Merger of CISP and R&B Insurance Corporation;
 - B. Approval of Plan of Merger for CISP and R&B Insurance Corporation;
 - C. Approval of Business Plan for CISP and R&B Insurance Corporation; and
 - D. Approval of Resolution on Surplus Distribution.
13. Approval of Election Guidelines
14. Election of Board of Directors and Committee Members
 - Three (3) Regular Directors
 - Three (3) Members of Audit Committee
 - Three (3) Members of Election Committee
15. New Business
16. Adjournment



1 **MINUTES OF THE MEETING OF THE FORTY SECOND (42nd) GENERAL ASSEMBLY/SHAREHOLDERS**
 2 **MEETING OF THE COOPERATIVE INSURANCE SYSTEM OF THE PHILIPPINES (CISP), HELD ON APRIL 16,**
 3 **2016, ROOM A. V. RAMA AVE., GUADALUPE, CEBU CITY.**
 4

5 **Attendees**

- 6 1. Board of Directors
- 7 2. Members of the Audit Committee
- 8 3. Members of the Election Committee
- 9 4. Member-Cooperatives
- 10 5. CISP officers and staff
- 11 6. External Auditors
- 12 7. Guests

13
 14 **PART I**

- 15 A. Registration of delegates/representatives and guests started at 6:00 a.m. followed by the opening
 16 program at 9:25 a.m.
- 17 B. Opening prayer led by Mr. Edwin Buena and Ms. Anna Marin Crisolo.
- 18 C. National Anthem (Music guided).
- 19 D. Cooperative Pledge led by Mr. Jaypee Jayjay Taguba.
- 20 E. Acknowledgement of CISP member-shareholders by emcees Ms. Cherry Dejuocos and Ms. Marcosa dela Cruz.
- 21 F. Welcome Remarks
 22 On behalf of the Board and management, President Roy Mclat gave thanks to the member-
 23 shareholders for their continuous support to CISP especially during those trying times when our
 24 cooperative was having financial difficulties up to the time that it has fully recovered. He also
 25 acknowledged the presence of the new members for entrusting their faith and confidence in CISP.
- 26 G. Presentation of CISP mascot
 27 Vice-Chair Magabilen led the unveiling of the CISP mascot tagged as "Ton-ton the Mighty Lion". The
 28 CISP also awarded a plaque of appreciation and a cash gift to Ms. Donna Jade Justine Ulangca, the staff
 29 who designed the mascot.
- 30 H. Awarding of Winner and Runner-up of the CISP Songwriting Hymn Contest
 31 Mr. Randy Albores of United Sugarcane Planters of Davao (USPD) MPC won the grand prize while Ms.
 32 Lea Quelos of San Francisco Government Employees MPC bagged the runner-up award of said contest.
 33 Only Mr. Albores was able to attend the program to receive his prize.
- 34 I. Awarding of Top 25 Members for 2015
 35 Chairman BGen. Teodoro Evangelista (Ret) and President Mclat led the awarding of Top 25 CISP
 36 member-cooperatives for 2015, as follows:

NAME OF COOPERATIVE	NET PREMIUM INCOME
1 First Community Cooperative	69,861,864.15
2 San Francisco Government Employees MPC	6,420,251.26
3 ACDI Multipurpose Cooperative	4,383,156.80
4 United Sugarcane Planters of Davao (USPD) Credit Cooperative	3,909,519.74
5 CB Palawan	3,305,944.97
6 Simbayanan ni Maria MPC	2,782,355.32
7 PERA Multi-Purpose Cooperative	2,310,499.31
8 Avon Independent Managers MPC	2,138,585.58
9 BCS Credit Cooperative	1,621,033.89
10 Abra Diocesan Teachers and Employees MPC	1,425,049.69
11 Diffun Saranay and Development Cooperative	1,228,552.74
12 Bohol Public School Teachers and Employees MPC	1,219,153.27
13 Bohol Provincial Employees MPC	1,123,594.24
14 St. Joseph Parish-Kayapa MPC	1,033,340.97
15 Ilocos Sur Cooperative Bank	1,026,414.11
16 Bataan Cooperative Bank (CB)	921,580.08
17 Consolidated Cooperative Bank (formerly CB Davao Del Sur)	889,621.92
18 Network Consolidated Cooperative Bank - Sorsogon (formerly SPCB)	830,506.10
19 Sangguniang Panlungsod MPC	826,881.28
20 Agdao Multi-Purpose Cooperative	811,076.60

21	Suyo Multi-Purpose Cooperative	758,056.50
22	Samal Island MPC	741,463.11
23	Occidental Mindoro CB	720,465.19
24	Cadiz City Government Employees Dynamic MPC	689,802.94
25	Allen Municipal Officials and Employees MPC	674,009.33

37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60
61
62
63
64
65
66
67
68
69
70
71
72
73
74
75
76
77
78
79
80
81
82
83
84
85
86
87
88
89
90

PART II: BUSINESS PROPER

I. CALL TO ORDER

Chairman Evangelista called the meeting to order at 11:15 a.m.

II. PROOF OF DUE NOTICE/DETERMINATION OF QUORUM

As proof of notice, the Corporate Secretary Atty. Orlando Calilung, informed the assembly that the member-shareholders were duly notified on the holding of today’s general assembly through courier, electronic mails & telefax in the second week of March 2016, while a general notice was published in the Manila Bulletin issue of March 16, 2016 on the holding of said event.

Atty. Calilung further certified that of the 2,395,813 total number of shares entitled to vote, there were 2,027,007 shares duly represented, which is equivalent to 84.61% of the total capital shares. Accordingly, there is a presence of a quorum for the holding of 42nd general assembly. With that, the Chairman formally opened the assembly meeting at 11:20 a.m.

III. APPROVAL OF THE AGENDA

The Chairman presented the order of the agenda which was also sent to the member-shareholders in the second week of March 2016 and printed *in toto* in the annual report for the guidance of the Assembly, to wit:

1. Call to Order
2. Proof of Due Notice
3. Determination of Quorum
4. Approval of the Agenda
5. Consideration/Approval of the Minutes of the Previous General Assembly
6. Confirmation of Board Resolutions for the Year 2015
7. Presentation/Approval of Reports
 - Joint Report of the Board of Directors and Management
 - Approval of the 2015 Audited Financial Statements
 - Audit Committee Report
 - Proposed Budget for the Year 2016
 - Five-Year Strategic Plan.
8. Appointment of Independent Auditors
9. Approval of the Election Guidelines
10. Election of Board of Directors and Committee Members
 - 7 Regular Directors; two (2) Independent Directors
 - Three (3) Members of Audit Committee
 - Three (3) Members of Election Committee
11. Proclamation of winners
12. New Business
13. CISP Hymn
14. Adjournment

There being no additional items, Ms. Virginia Yañez of First Community Cooperative moved for the approval of the agenda as presented, duly seconded by Mr. Rene Bahian of Allied Services Multi-Purpose Cooperative, thus, the following Resolution was adopted, to wit:

91 **RESOLUTION NO. 01 (GA-2016)**

92
93 **BE, IT RESOLVED AS THEY ARE HEREBY, RESOLVED** that the agenda matters of today's 42nd Annual
94 General Assembly/Shareholders Meeting of the Cooperative Insurance System of the Philippines
95 (CISP), as presented,

96
97 **BE, AS THEY ARE HEREBY, APPROVED.**

98
99 **IV. CONSIDERATION/APPROVAL OF THE MINUTES OF THE 41st GENERAL ASSEMBLY/
100 SHAREHOLDERS MEETING HELD ON APRIL 18, 2015**

101
102 Mr. Ulysses Valdehuesa, DMPI Employees and Community Credit Cooperative, moved to dispense with the
103 reading of said minutes which was severally seconded by Mr. Rene Bahian, Mr. Anthony Ryan Manus, Xavier
104 University Community Credit Cooperative and Ms. Leonila Medina, Sacred Heart Parish and Development
105 Cooperative. Further, Mr. Johnny Abangan, Allied Services MPC, moved for the approval of the same duly
106 seconded by Mr. Mario Jaraula of Amoros Farmers MPC, thus the following Resolution was approved, to wit:

107
108 **RESOLUTION NO. 02 (GA-2016)**

109
110 **BE, IT RESOLVED AS IT IS HEREBY, RESOLVED** that the reading of the minutes of the 41st General
111 Assembly/Shareholders Meeting of the Cooperative Insurance of the Philippines (CISP), be dispensed
112 with;

113
114 **RESOLVED FINALLY**, that the Assembly approve the minutes of the aforesaid meeting, and

115
116 **BE, AS THEY ARE HEREBY, APPROVED.**

117
118 **V. MATTERS ARISING FROM THE MINUTES**

119
120 On the merger of CISP and FICCO MBA, Mr. Miclat informed the shareholders that the same is already 95%
121 consummated considering that all documents have been submitted to the Insurance Commission and the two
122 parties are just waiting for the approval of IC of the liquidation of the association so that all the assets and
123 liabilities of the latter will be taken over by CISP. By his estimate, Mr. Miclat said, IC will release its approval on
124 said application for merger this coming June 2016. Once the merger is approved, FICCO MBA will cease to exist
125 and all its assets and liabilities will be absorbed by CISP in which an estimated amount of P300 million capital
126 of the association will be transferred to CISP. FICCO MBA's liabilities only amounted to 23,000. Hence, it is
127 projected that CISP's assets will increase to P900 million by midyear and P1.2 billion by year end once the
128 merger is approved.

129
130 **VI. CONFIRMATION OF BOARD RESOLUTIONS FOR YEAR 2015**

131
132 Mr. Rogelio Decal, Countryside Builders MPC, asked for clarification on Resolution No. 50 dated July 24, 2015
133 on the redemption of preferred shares. Chairman BGen. Evangelista replied that the Board of Directors, in its
134 meeting held yesterday, unanimously approved the redemption of all outstanding preferred shares by CISP
135 and the restoration of those written down preferred shares to their original amount. The restoration expense
136 will be charged from the general reserve fund. But if CDA will disapprove the same, then the expense will be
137 charged from the experience refund. With that, Mr. Decal moved for the confirmation of all Board Resolutions
138 passed and approved by the Board for calendar year 2015.

139
140 Ms. Fe M. Vidar, Metro Manila Savings Cooperative, made a follow-up question. She asked management to
141 elucidate on what comprise the capital that will be infused by FICCO MBA to CISP once the merger is approved.
142 The President replied that it will be P160 million in common shares and P140 million in preferred shares of
143 FICCO MBA members that will earn an interest of 4% per annum. Mr. Miclat also explained that prior to the
144 restoration and redemption of the outstanding preferred shares, CISP had paid different interest rates ranging
145 from 6% to 9%, and for the CISP to be able to implement a uniform interest rate the Board approved to lower
146 the rate of interest for preferred share to 4% and then redeemed all outstanding preferred shares. With no
147 further questions, Mr. Rene Bahian of Allied MPC moved for the confirmation of said Board Resolutions duly
148 seconded by Mr. Mario Jaraula, Amoros Farmers MPC, thus the following Resolution was adopted, to wit:

150 **RESOLUTION NO. 03 (GA-2016)**

151
152 **BE, IT RESOLVED AS THEY HEREBY, RESOLVED** that all Resolutions adopted and/or approved by
153 the Board of Directors for Calendar Year 2015, be confirmed and ratified,

154
155 **BE, AS THEY ARE HEREBY, APPROVED.**

156
157 **VII. PRESENTATION AND APPROVAL OF REPORTS**

158
159 The reports were presented in video presentations and were also printed in the annual report, highlights and
160 discussions of which are as follows:

161
162 **A.) Joint Report of the Board of Directors and Management**

163
164 **2015 Financial highlights**

- 165
166 **1. Profitability. Net surplus** for 2015, at P 88.81 million, is 43.2% higher than the previous year's P 62.02
167 million. Profitability rate improved to 27.3% from 20.7%.
168
169 • **Net premium** posted a minimal growth of 8.6% from P299.12 million to P324.91 million; **gross**
170 **revenue** registered a 10.8% increase, thanks to the 302% uptick in interest income (from P1.36 mil
171 to P 5.45 mil) and the 1,400% jump in other income (from P175,623 to P 2.63 mil). The latter is mostly
172 due to the reversal of the over provision in retirement benefit in 2014.
173
174 • **Gross revenue** increased 10.8%; **total expenses** posted a minimal 2.3% uptick. Top four expense
175 accounts: **claims paid, commission, increase in policy reserve** and **salaries and benefits**
176 registered increases of 9.7%, 2.9%, 8.2% and 21.8%, respectively. But the impact of its combined total
177 increase of P18.5 million is cushioned by the aggregate reduction in general and admin expenses
178 (P12.74 mil), depreciation (P173,487) and interest (P15,370). The P112.29 million in **Claims paid**
179 actually ate up 34.6% of **net premium**, a shade below the ideal proportion of 35%.
180
181 • The 21.8% increase in **salaries and benefits** is the combined result of the upgrade in personnel
182 compensation and the hiring of 8 new employees and 14 project-based staff.
183
184 **2. Asset Quality and Liquidity. Cash & investments** constitute 87.6% of total assets, up from 85.8% at the
185 end 2014. These accounts are more than twice the **total liabilities**. This is testament to the capability of
186 CISP to settle claims and other obligations fast.
187
188 • All receivables doubtful of collection and all assets whose values have declined are fully provided.
189
190 **3. Stability.** While **Equity's** contribution to total funds dropped to 56.9% from the 2014's 62.5%, more than
191 half of the liabilities is actually the mandated and fully-funded reserve (or **insurance contract liabilities**).
192
193 • **Capital**, at P244.81 million, up 20.7% from 2014's P 202.78 million, which is compliant to the capital
194 requirement imposed by IC.
195
196 • **Statutory reserves** continue to grow to P 70.13 million vs. 2014's P 39.51million.
197
198 • The **cumulative loss on retirement fund** is actuarially computed and induced by the fact that the
199 investments to which these funds are placed incurred "marked-to-market" loss. This is considered
200 temporary. It is expected to recover once the capital market no longer experience headwinds (decline
201 in the world economy and uncertainties brought about by the incoming election).
202

203 **Marketing Reach**

204
205 From a total of 19 financial advisors and 5 marketing coordinators in 2014, the number increased to 21 and
206 10, respectively. This means more areas are now within reach for CISP to deliver its products and services
207 quickly and efficiently.
208

209 A total of 51 new coops were recruited, while 11 coops resumed their patronage of CISP services, bringing to
210 669 the number of active member coops. The number of coops with common share investment with CISP now
211 stood at 2,648, up 7.5% from the previous year's 2,464.

212 **Linkages and Network Building**

213 CISP is actively participating in the continued enhancement and growth of the industry through various
214 "Technical Working Groups" initiated by the Insurance Commission, GIZ (German Aid Agency), ADB (Asian
215 Development Bank) and other government entities. Its personnel attended the TWGs on Enhanced Regulatory
216 Framework for Micro-insurance; on Risk Based Capital Ratio on Micro-insurance; and the on-going Micro-
217 insurance Distribution Channel and Consumer Protection.

218 CISP also took part in the various activities sponsored by the Philippine Life Insurance Association (PLIA). It
219 also continued its active participation in the ICMIF (International Cooperative and Mutual Insurers Federation)
220 of ICA, through the Asia Oceania Association (AOA). IT also sent its personnel to various trainings conducted
221 by its partners: FALIA (Foundation for the Advancement of Life Insurance Around the World) and OLIS
222 (Oriental Life Insurance Cultural Development Center) in Yokohama and Tokyo, Japan, respectively, as part of
223 CISP's Human Resource Development Program to develop and grow the organization.

224 **Theme for 2016 : "CISP: Securing Lives . . . Securing Future"**

225 **DISCUSSION:**

226 Mr. Valdehuesa asked on what will happen to the written down portion of more than 2000 CISP members who
227 did not patronize CISP, and also on the I-Card receivables. Mr. Miclat replied that as unanimously approved by
228 the CISP shareholders in two successive assemblies in 2014 and 2015, respectively, only those members who
229 have patronized CISP products will be entitled to experience refund which will be applied in the restoration of
230 the written down portion of their capital. In fact, those coops which landed in top 25 are those who have
231 managed to fully recover their capital, but for those members who had ceased to patronize CISP, they will not
232 be able to restore their capital because of non-patronage, what they can get is dividend only.

233 Mr. Miclat reiterated that as mentioned by the Chairman earlier, all preferred shares of coops and individual
234 members will be restored to their pre-written down portion and if they want to infuse it back to CISP, it will
235 only get 4% interest return per annum. As stated in the joint report of the Board and management, those 675
236 coops are those who have continuously patronized CISP products.

237 Mr. Garibaldi Leonardo, San Dionisio Credit Cooperative, inquired on what caused the substantial reduction in
238 the general and administrative expenses (GAE) and the provision for the impairment on insurance receivables.
239 The President replied that said reduction in the GAE is related to I-Cards of former directors and employees in
240 which CISP had already provided 100% in 2014, thus in 2015 CISP had just provided small amount for
241 probable losses. He added that CISP can still recover other receivables of other I-Cards. In fact, in 2015 the
242 System recovered at least P300,000 of premium from said receivables which management booked as
243 additional income. It is now up to the Board to approve the write off of these irrecoverable premiums from I-
244 Cards. But management will still try to collect said premium receivables.

245 Mr. Francisco Jose, BCS Credit Society, asked on what is CISP doing to reach out to these non-patronizing
246 shareholders. The Chairman replied that one of the strategic plans of CISP is to reach out to its members by
247 conducting owners' forums. The President added that CISP has already started doing the reach out program,
248 as evidenced by the 51 new coop-members and 11 recovered business or those members who have stopped
249 patronizing CISP but return back into to the fold of CISP. The President expressed optimism that the way CISP
250 is performing, the management and marketing people will not have a hard time convincing non-active
251 members to patronize again CISP.

252 Mr. Valdehuesa appealed to the Board and management to design an incentive program for those members
253 who have stopped patronizing CISP to entice them to patronize again CISP. Chairman Evangelista said that the
254 Board and management will look into that matter.

255

266 Mr. Anthony Ryan Manus, Xavier University Credit Community Cooperative, recommended to the Board and
267 management that CISP regularly release its newsletter to update its members on what is happening to their
268 cooperative. The Chairman assured him that the newsletter will be released quarterly.
269

270 With no further questions asked, Ms. Amelita Lachica, Zamboanga Social Welfare and Development MPC,
271 moved for the adoption of the joint report of the Board and management, duly seconded by Ms. Susan Ybañez
272 of First Community Cooperative, thus the following Resolution:
273

274 **RESOLUTION NO. 04 (GA-2016)**

275
276 **BE, IT RESOLVED AS IT IS HEREBY, RESOLVED** that the joint report of the Board of Directors and
277 Management on the result of business operation of CISP for the Year 2015, as presented and discussed,
278

279 **BE, AS IT IS HEREBY, ADOPTED AND APPROVED.**
280

281 **B.) Approval of the 2015 Audited Financial Statements**
282

283 The Chairman acknowledged the presence of Mr. Protacio F. Tacandong, Chief Operating Officer and Ms.
284 Carolina P. Angeles, Partner Audit Services of Reyes Tacandong & Co., CISP's 2015 external auditors.
285 Afterwards, he gave the table to the President for the presentation of the 2015 Audited Financial Statements,
286 which was also printed in full text in the Annual report.
287

288 Mr. Miclat read the unqualified opinion of the external auditor and then presented the highlights of the financial
289 performance of CISP for year 2015 business operation, to wit:
290

	2015	2014
Cash & cash equivalents	346,418,593	295,202,676
Short Term Investments	4,633,009	1,808,498
Insurance Receivables	42,436,219	31,952,470
Available-for-sale (AFS) Financial Assets	138,711,133	46,654,255
Total Assets	559,051,528	400,758,465
Insurance Contract liabilities	155,059,696	98,403,079
Dividend and patronage refund payable	69,705,049	43,415,976
Total liabilities	240,769,230	150,295,652
Capital stock	244,809,800	202,777,100
Total Equity	318,283,298	250,462,813
Gross premium on insurance contracts	341,086,158	306,519,837
Net Insurance premiums	324,913,011	299,118,776
Interest income	5,453,966	1,355,699
Other income	2,634,848	175,623
Total Revenue	333,001,825	300,650,098
Benefits and Claims paid on insurance contracts	112,289,467	102,321,500
Increase in legal policy reserves	46,500,000	42,962,757
Salaries and benefits	20,241,413	16,614,731
Gen and admin expenses	14,277,755	27,020,859
Total Benefits and Expenses	244,190,773	238,627,287
Net Surplus for the Year	88,811,052	62,022,811
Total Comprehensive Income for the Year	83,969,936	62,197,719

- 291
- 292
- 293
- 294
- 295
- 296
- 297
- 298
- 299
- The AFS are those investments in Ross accounts with the Bureau of Treasury.
 - The decision to increase the general reserve is to ensure that CISP is financially stable in case disasters like Yolanda or Sendong will hit the Philippines again or a strong earthquake just like what happened in Japan years ago will also hit the country. If the same catastrophe will hit the Philippines which may affect CISP policyholders, at least our cooperative is financially ready to pay them.
 - The substantial increase in investment income is because of the good investment management that CISP is now implementing.

- For the salaries and benefits of employees, the President said that CISP values its employees more that's why management will be implementing a new benefit package for its employees to attract competent and highly skilled individuals to join CISP, thus, management will raise the entry level of rank and file employees to at least 20,000 per month upon regulation.

With no objections and questions raised, Mr. Francisco Jose moved for the approval of the 2015 Audited Financial Statements. However, Ms. Marlene Sindayen of Novaliches Development Cooperative asked for clarifications on two matters: first, whether this year external auditor is accredited by the CDA; second, though it was explained why there was an increase in the general reserve fund she wants to know the optional fund especially on the allocation on the cooperative education and training fund.

Mr. Miclat assured Ms. Sindayen that Reyes Tacandong & Co. is a CDA-accredited. In fact, it is also the external auditor of other CISP coop-members. As to the second question, the statutory reserve has been re-allocated but said approval was only made this year after the finalization of the audited financial statements prior to general assembly, hence, the general reserve fund will get 17% which is compliant with the statutory requirement which provides that the allocation should not be lower than 10%. For the CETF, the CISP allocated 2% while the requirement is that it should not be more that 10%. But the optional fund was returned to 8%. This will be reflected in the Resolution for 2016.

Thereupon, with no more questions raised, Mr. Johnny Abangan, Allied Services MPC, seconded the pending motion of Mr. Francisco, thus the assembly unanimously approved the 2015 Audited Financial Statements, to wit:

RESOLUTION NO. 05 (GA-2016)

BE, IT RESOLVED AS IT IS HEREBY, RESOLVED that the Audited Financial Statements of the Cooperative Insurance System of the Philippines for Calendar Year ended December 31, 2015, as presented to, and discussed by, the General Assembly,

BE, AS IT IS HEREBY APPROVED.

The assembly took a recess at 12:30 and resumed at 1:30 p.m.

C.) Audit Committee Report

The report of the Audit Committee was also printed in the annual report. And no questions were raised thereon, thus, Mr. Rene Bahian, Allied Services MPC, Jose moved for the approval of the same, duly seconded by Mr. Jaraula. Consequently, the Assembly approved the same unanimously and the following Resolution was adopted, to wit:

RESOLUTION NO. 6 (GA-2016)

BE, IT RESOLVED AS IT IS HEREBY, RESOLVED that the report of the Audit Committee on the financial and operations performances of the CISP for Calendar Year 2015, as presented and discussed,

BE, AS IT IS HEREBY ACCEPTED AND APPROVED.

D.) Proposed Budget for Year 2016

The President presented the Proposed Budget for 2016, highlights of which are as follows:

Budget (2015)	Budget (2015)	Actual (2015)	Proposed Budget (2016)
Gross premiums on ins. contracts	360,000,000	341,086,158	410,000,000
Net insurance premiums	350,000,000	324,913,011	390,000,000
Investment Income	3,000,000	5,453,966	6,000,000
Net Revenue	353,150,000	333,001,826	396,300,000
Increase (decrease) in legal policy reserve	41,000,000	46,500,000	48,000,000

Gross benefits and claims paid on insurance contracts	104,400,000	112,289,467	118,000,000
Net insurance benefits and claims	145,400,000	158,789,467	166,000,000
Total benefits and expenses	264,200,000	244,190,774	289,200,000
Excess (deficiency) or revenue over expenses	88,950,000	88,811,052	107,100,000
Total comprehensive income (loss) for the year	88,950,000	83,969,936	107,100,000

Profitability rate **27.5%**

Upon due deliberation and on the motion of Mr. Jaraula, Amoros Farmers MPC, duly seconded by Mr. Bahian, Allied Services MPC, the assembly unanimously approved the proposed budget, thus the following Resolution was adopted, to wit:

RESOLUTION NO. 07 (GA-2016)

BE, IT RESOLVED AS IT IS HEREBY, RESOLVED that the proposed Budget for Calendar Year 2016 as presented to, and deliberated by, the General Assembly of the Cooperative Insurance System of the Philippines (CISP),

BE, AS IT IS HEREBY, APPROVED.

E) Five- Year Strategic Plan

The Five-Year milestone (2016 to 2020) were presented in video presentations. The full texts were also printed in the annual report.

1. **Year 2016: DEVELOP** and strengthen the manpower of the cooperative to be able to meet the challenges of an expanded market.

- Premium Income = **P 410 M**
- Net Income = **P 107.1 M**

2. **Year 2017: ENHANCE** and speed up the delivery of services through Koop Insurance Networks (KIN) that will serve as the marketing arm of CISP and launching of an online inquiry system that will quickly respond to the concerns and queries of clients.

- Premium Income = **P 492 M**
- Net Income = **P 122.4 M**

3. **Year 2018: MAXIMIZE** the use of the new systems and technology installed in 2016 and 2017 that will facilitate member servicing and upgrading of skills of human resources.

- Premium Income = **P 600.2 M**
- Net Income = **P 163 M**

4. **Year 2019: INTENSIFY** the marketing and delivery of new products and services through branching and the development of manpower.

- Premium Income = **P 750.3 M**
- Net Income = **P 222.5 M**

5. **Year 2020: ACCELERATE** the growth of CISP with all the systems, products and services in place. By this time, it is targeted that CISP will have obtained an ISO certification that will validate all the effort of the previous five years.

- Premium Income = **P 960.3 M**
- Net Income = **P 309.5 M**

No question or clarification was raised on the aforesaid strategic plans, thus, Mr. Valdehuesa moved for the approval of the same severally seconded by Messrs. Bahian, Jaraula, and Jose, thus the following Resolution was unanimously approved, to wit:

400
401 **RESOLUTION NO. 08 (GA-2016)**
402

403 **BE, IT RESOLVED AS THEY ARE HEREBY, RESOLVED** that the Five-Year Strategic Plan for the Years
404 2016-2020, as presented to and deliberated on by, the General Assembly,
405

406 **BE, AS THEY ARE HEREBY, APPROVED.**
407

408 **VIII. APPOINTMENT OF INDEPENDENT AUDITORS**
409

410 The President informed the Assembly that management requested for quotations from three of the country's
411 top auditing firms, namely SGV & Co., Isla Lipana & Co. and the current CISP external auditors Reyes Tacandong
412 & Co. Considering the good performance of Reyes Tacandong & Co., management recommended to the
413 Assembly for the re-engagement of the audit services of said external auditors for the 2016 CISP business
414 operation. There being no objection or comment on said recommendation, Mr. Jaraula moved for the approval
415 of said recommendation which was unanimously seconded, thus, the following Resolution was approved.
416

417 **RESOLUTION NO. 09 (GA-2016)**
418

419 **BE, IT RESOLVED AS IT IS HEREBY, RESOLVED** that the Cooperative Insurance System of the
420 Philippines, re-engage the audit services of Reyes Tacandong & Co. for its operation for Calendar Year
421 2016,
422

423 **BE, AS IT IS HEREBY, APPROVED.**
424

425 **IX. APPROVAL OF THE ELECTION GUIDELINES**
426

427 The Chairman turned over the floor to Mr. Danilo Capili, Chairman of the Election Committee for the conduct
428 of the 2015 CISP election.
429

430 Mr. Capili said that before the shareholders proceed to the election of Board of Directors and Committee
431 members, the body should approve first the Election Guidelines as mandated by the CDA rules. He said that the
432 full texts of said guidelines as well as the addendum were sent to all CISP members of record together with
433 the notice, Amended Articles of Cooperation and By-laws, thus it is presumed that all shareholders have
434 already read the same. So he asked the assembly if they still have some questions or clarifications. No one from
435 the members raised any question or objection, thus Mr. Mario Jaraula moved for the adoption and/or approval
436 of said election guidelines, which was unanimously seconded. Thus the following Resolution was adopted, to
437 wit:
438

439 **RESOLUTION NO. 10 (GA-2016)**
440

441 **BE, IT RESOLVED AS IT IS HEREBY, RESOLVED** that the Election Guidelines, which shall govern the
442 conduct of election of officers of the Cooperative Insurance System of the Philippines for the 42nd
443 Annual General Assembly, as presented to and discussed by, the General Assembly,
444

445 **BE, AS IT IS HEREBY, APPROVED.**
446

447 **X. ELECTION OF OFFICERS**
448

449 The ELECOM Chairman declared vacancies for the following elective posts:

- 450 • Seven (7) regular members of the Board
- 451 • Two (2) Independent Directors
- 452 • Three (3) Members of the Audit Committee
- 453 • Three (3) Members of Election Committee
454

455 Thereafter, Mr. Capili announced the candidates who have filed and qualified for the regular directors and
456 independent director. For the Audit Committee, only one candidate had filed a certificate of candidacy but did
457 not qualify. Whereas, for the Election Committee none had filed a certificate of candidacy:
458

459
460
461
462
463
464
465
466
467
468
469
470
471
472
473
474
475
476
477
478
479
480
481
482
483
484
485
486
487
488
489
490
491
492
493
494
495
496
497
498
499
500
501
502
503
504
505
506
507
508
509
510
511
512
513
514
515

Qualified candidates for Board of Directors

1. Senen C. Bacani
2. Prudencio F. Consolacion
3. Teodoro P. Evangelista
4. Francisco C. Jose
5. Imelda S. Magabilen
6. Benjamin T. Que
7. Raymond Joseph L. Salvador

Independent Directors

1. Jesus G. Cornito

Mr. Capili added that per IC requirement, CISP has to elect two independent directors. In the case of Mr. Cornito, by virtue of his filing of certificate of candidacy in which he has qualified, he is already declared a winner. He said that what CISP did last year for the failure of elections for independent directors and Committees, the Assembly unanimously decided to hold floor nominations, thus for this year the Assembly has to do the same in order to elect the other independent director. He then read to the Assembly the qualifications for the said position as provided in the CISP by-laws and election rules. Accordingly, the Assembly will nominate in order of priority, thus, the first nominee will be the first priority and if qualified will be elected as such. Thereafter, The ELECOM Chairman opened the floor for nominations.

A. Nominees for Independent Director (1)

Mr. Jaraula nominated Mr. Armen Cuenca of City Hall Employees Credit Cooperative, as independent director. Then he motioned to close the nomination which was seconded by Mr. Jaime Balansag, Cooperative Rural Bank of Misamis Oriental. Mr. Valdehuesa objected saying that the assembly still has to open for other nominations so that in the event that the nominee will not qualify, it will not cause a dilemma to the Board on who to appoint for the said position. Mr. Capili agreed with Mr. Valdehuesa, hence he asked the body to nominate for more candidates so that in the event that Mr. Cuenca will not qualify then it will not cause a vacuum in the said position. Mr. Balansag then queried Mr. Capili if in case Mr. Cuenca qualifies what will happen then to other nominees. Mr. Capili replied that Mr. Cuenca will be the first order of priority. Then, Mr. Jaraula withdrew his motion.

Ms. Leonila Medina nominated Mr. Restituto Milagroso. However, Mr. Capili said that Mr. Milagroso is not qualified considering that he is a former incumbent director of CISP. For that, Ms. Medina withdrew her nomination. Mr. Raymond Joseph Salvador nominated Ms. Fe Vidar, Metro Manila Savings Cooperative. Mr. Rene Bahian nominated Mr. Danilo Abellana, Bohol Provincial Employees MPC. On motion duly seconded the body closed the nominations. Mr. Capili reiterated that the nominees will still be subject to screening of the ELECOM, thus:

- Mr. Armen Cuenca
- Ms. Fe Vidar
- Mr. Danilo Abellana

B. Nominees for Members of Audit Committee

Mr. Francisco Jose nominated Mr. Rey Gabilagon of Tibud Sa Katibawasan. However, Mr. Capili said that Mr. Gabilagon is not qualified since he had also filed his certificate of candidacy for said position but was disqualified by the ELECOM. Thereafter, Ms. Medina nominated Ms. Wilma Gidaya, Immaculate Conception Parish Development Cooperative; Mr. Lazaro Nicdao nominated Mr. Rodolfo Dalangin, Novaliches Development Cooperative, and Mr. Bahian nominated Mr. Rolan Literatus, Xavier University Community Credit Cooperative. Thereafter, Mr. Jaraula moved to close the nominations duly seconded by Mr. Jose. The qualifications of the nominees will also be reviewed by the Election Committee. The latter will recommend to the Board for confirmation the names of the qualified nominees.

C. Election of Members of Election Committee

516 Mr. Consolacion moved for the re-election of the incumbent members of the said Committee. No one objected
517 to the motion, and then Mr. Batilo seconded said motion, which the Assembly unanimously upheld, hence, the
518 following Resolution was approved, to wit:

519
520 **RESOLUTION NO. 11 (GA-2016)**
521

522 **BE, IT RESOLVED AS IT IS HEREBY, RESOLVED** that the General Assembly of the Cooperative
523 Insurance System of the Philippines (CISP), re-elect the incumbent members of the Election
524 Committee, namely:

- 525
526 **1. Mr. Frederico A. Blanco** – San Francisco Government Employees MPC
527 **2. Mr. Danilo M. Capili** – Parole and Probation Administration MPC
528 **3. Ms. Karen Ann R. Balbuena** – Allied Services MPC
529

530 **RESOLVED FINALLY**, that the term of office of the said members of the CISP Election Committee shall
531 be for a period of one (1) year or until the next General Assembly,
532

533 **BE, AS IT IS HEREBY, APPROVED.**
534

535 **XI. ELECTION OF BOARD OF DIRECTORS/INDEPENDENT DIRECTORS**
536

537 Mr. Capili informed the body that despite the reminder in the notices sent to the members, there are still
538 representatives of member-coops who did not bring with them Secretary's Certificate or Board Resolution
539 vesting them the authority to represent and participate in the election for and on behalf of the their respective
540 cooperatives. Upon consultation with the CISP legal counsel, the ELECOM decided that it will allow said
541 delegates from 23 cooperatives to vote in the election provided that they will execute a sworn affidavit.
542 However, Mr. Capili warned that this will be the first and last time that the representatives who will fail to
543 present a board resolution or secretary's certificate to that effect will be permitted to vote in the election. Then
544 Mr. Capili sought the approval of the General Assembly if they will allow said delegates to vote, to which the
545 members unanimously approved upon execution of an affidavit. The said delegates represent the following
546 cooperatives:
547

1	Agdao Multi-Purpose Cooperative	13	Libertad Multi-Purpose Cooperative
2	Avon Independent Managers MPC	14	Masbate Multi-Purpose Cooperative
3	Barbaza Multi-Purpose Cooperative	15	Metro Manila Savings Cooperative
4	Borbon Multi-Purpose Cooperative	16	Mariveles Public Market Development Cooperative
5	Baguio Vegetable Retailers MPC	17	Sanguniang Panlungsod MPC
6	Bureau of Fire Protection MPC	18	St. Joseph Kayapa Parish MPC
7	Cooperative Bank of Misamis Oriental	19	St. Vincent Ferrer Parish MPC
8	Coop for Christ MPC	20	People Integrated MPC
9	Dingle Gov't Workers & Employees Dev't Cooperative	21	Trinidad Multi-Purpose Cooperative
10	Cooperative Bank of Ilocos Norte	22	Matala Womens MPC
11	Diffun Saranay Development Cooperative	23	Lamac Multi-Purpose Cooperative
12	Ilocos Sur Cooperative Bank	24	Zamboanga Social Welfare Dev't MPC

548
549 **A. Manner of Voting**
550

551 The candidates were also given a time to introduce themselves to the members. Likewise, Mr. Capili read to
552 the body the guidelines for the electronic voting. He explained that the IDs of official delegates contain the
553 number of shares of the respective cooperatives which correspond to the number of votes that they could
554 assign to their chosen candidates. Notwithstanding that all the candidates are already deemed winners, the
555 members will still have to cast their votes to determine the first four candidates who will serve for a term of
556 two years and the last three for one year. A voter could give his/her vote to a single candidate or distribute
557 his/her votes to all candidates evenly or unevenly. Thus, if a voter has 1000 shares he can assign all his/her
558 votes to a single candidate or distribute them unequally, say 400 votes to candidate A and 100 votes each to
559 Candidates B, C, D, E and so on.
560

561 With regard to the lone candidate for independent director, Mr. Jesus Cornito, the members are still required
562 to cast their votes for him and the votes will have to be counted. Accordingly, if the voter has 1000 assigned
563 votes to the regular directors he/she also has 1000 assigned votes to the lone candidate for independent
564 director if he/she wishes to vote for Mr. Cornito.
565
566

567 **B. Appointment of Independent Body to conduct audit on the Electronic Voting System and the result**
568 **of the election**
569

570 In the spirit of transparency and good governance, Mr. Capili requested the Assembly to appoint an
571 independent body, aside from the ELECOM, who will check and/or audit the electronic voting system prior to
572 the casting of votes and the result of the said election. Thereafter, the body appointed Messrs. Ulysses
573 Valdehuesa, Mario Jaraula and Engr. Rene Bahian as members of said independent body. Consequently, the
574 said members conducted an auditing or checking on the electronic voting system to verify its accuracy and
575 ensure that the same is free from error and human intervention. Thus, after the verification and checking of
576 the system, the independent body certified that the system is accurate and secured. Thereafter, the assembly
577 proceeded to the voting. A special lane for senior citizens and persons with disability was also provided for
578 said member-voters.
579

580 **C. Results of the Election**
581

582 The independent body verified first the results of the votes prior to the announcement of winners. Mr. Capili
583 announced the following candidates as winners. The first four winners will server for two years or until 2018
584 and the last three for one year or until the next general assembly. For the newly elected independent director,
585 he will serve for five years from 2016 to 2021, thus.
586

Name of Winning Candidates

	Board of Directors	Votes Garnered	Coop Represented
1	SENEN C. BACANI	400,239	Peace and Equity Foundation
2	TEODORO P. EVANGELISTA	398,240	ACDI Multi-Purpose Cooperative
3	IMELDA S. MAGABILEN	379,888	USPD Savings & Credit Cooperative
4	BENJAMIN T. QUE	361,403	First Community Cooperative
5	RAYMOND JOSEPH L. SALVADOR	211,430	San Dionsio Credit Cooperative
6	PRUDENCIO F. CONSOLACION	161,264	Cooperative Banks Federation of the Philippines (BANGKOOP)
7	FRANCISCO C. JOSE	136,207	BCS Credit Cooperative
	Independent Director		
1	JESUS G. CORNITO	2,048,677	Memorial Services Coop Federation

587
588 **RESOLUTION NO. 12 (GA-2016)**
589

590 **WHEREAS**, there are seven vacant positions in the Board of Directors and two for Independent
591 Directors of the Cooperative Insurance of the Philippines (CISP) in the 2016 CISP Election of Officers;
592

593 **WHEREAS**, based on the certification made by the CISP Election Committee seven candidates have
594 submitted their certificates of candidacy for the regular Board of Director and have qualified, and that
595 only one candidate filed for candidacy for Independent Director;
596

597 **WHEREFORE, PREMISES CONSIDERED**, and by the authority vested in the Election Committee by
598 the General Assembly to accept candidates for the Board of Directors and that of Independent
599 Directors and/or evaluate their qualifications and thereafter declare the winning candidates during
600 the election, the following candidates are hereby declared as winners for the position of the Board of
601 Director and Independent Director, respectively, to wit:
602

Board of Directors

- 1 SENEN C. BACANI

- 2 TEODORO P. EVANGELISTA
- 3 IMELDA S. MAGABILEN
- 4 BENJAMIN T. QUE
- 5 RAYMOND JOSEPH L. SALVADOR
- 6 PRUDENCIO F. CONSOLACION
- 7 FRANCISCO C. JOSE

Independent Director

- 1 JESUS G. CORNITO

603
604
605

RESOLVED FURTHER, that the following directors shall serve for two (2) years or until year 2018, to wit:

- 1 SENEN C. BACANI
- 2 TEODORO P. EVANGELISTA
- 3 IMELDA S. MAGABILEN
- 4 BENJAMIN T. QUE

606
607
608

and the following directors shall serve for one (1) year or until the next General Assembly:

- 5 RAYMOND JOSEPH L. SALVADOR
- 6 PRUDENCIO F. CONSOLACION
- 7 FRANCISCO C. JOSE

609
610
611

RESOLVED FINALLY that Mr. Cornito shall serve for five (5) years or until year 2021.

612
613

BE, AS IT IS HEREBY, APPROVED.

614
615
616

After the proclamation of winners Mr. Capili turned over the floor to Chairman BGen. Evangelista for the other items in the agenda.

617
618
619

XII. NEW BUSINESS

None was taken up

620
621

XIII. SINGING OF CISP HYMN

622
623

The Chairman requested all the delegates, officers and staff of the System to sing the CISP hymn.

624
625

XIV. ADJOURNMENT

626
627
628

The Chairman gave thanks to all the delegates, officers and staff for participating in the said event. There being no more matters to be discussed, the assembly meeting was adjourned at 3:00 p.m.

629
630
631

Certified True and Correct:


ATTY. ORLANDO C. CALILUNG
Corporate Secretary

632
633
634
635
636
637
638

Attested:

640
641
642


BGEN. TEODORO P. EVANGELISTA AFP (RET)
Chairman

643

1 **MINUTES OF THE SPECIAL ASSEMBLY OF THE COOPERATIVE INSURANCE SYSTEM OF THE PHILIPPINES**
2 **(CISP), HELD ON JULY 23, 2016, TORRE VENEZIA SUITES, TIMOG AVE., QUEZON CITY.**
3

4 **Attendees**

- 5 1. Board of Directors
- 6 2. Members of the Audit Committee
- 7 3. Members of the Election Committee
- 8 4. Members of Ethics Committee
- 9 5. Member/s of Mediation & Conciliation Committee
- 10 6. Member-Shareholders
- 11 7. CISP officers and staff
- 12 8. Marketing Personnel

13
14 **PART I OPENING PROGRAM**

- 15
- 16 A. Registration of delegates/representatives started at 7:00 a.m. followed by the program at 9:00 a.m.
- 17 B. Opening prayer led by the CISP Treasurer, Ms. Leonila Medina.
- 18 C. Singing of National Anthem
- 19 D. Cooperative Pledge led by Ms. Erlin Pasaylo.
- 20 E. Singing of CISP Hymn
- 21 F. Acknowledgement of CISP member-shareholders
- 22 G. Welcome Remarks

23
24 In his welcome remarks, President Roy Miclat gave thanks to the representatives of CISP members who came
25 all the way from their respective provinces to participate in the special assembly. He recalled that three years
26 ago CISP was experiencing financial difficulties. However, with the collective effort of the Board, management
27 and staff and the loyal support of its members and the trust and confidence given by new members who have
28 joined CISP, the latter has regained its strength and has stabilized its operations, and can even compete now
29 with commercial insurance companies.

30
31 The president also presented the management report to the shareholders on CISP's mid-year performance
32 with total assets breaching P705.49 million and a net income of P53.25 million. If said performance will be
33 maintained, the management is optimistic that CISP will reach P1 billion in total assets at end of 2016.

34
35 **PART II BUSINESS PROPER**

36
37 **I. CALL TO ORDER**

38
39 Chairman BGen. Teodoro Evangelista (Ret) called the meeting to order at 10:05 a.m.

40
41 **II. PROOF OF DUE NOTICE & DETERMINATION OF QUORUM**

42
43 As proof of notice, CISP corporate secretary Atty. Orlando Calilung, certified that the member-coops were duly
44 notified on the holding of today's special assembly. The notices were sent through courier and electronic mails
45 on June 9, 2016, while the publication of the notice was made on July 1, 2016 issue of the Manila Bulletin.
46 According to Atty. Calilung, the sending of notices was well-within the 20-day reglementary period as provided
47 in the CISP by-laws.

48
49 He further certified that of 3,603,804 total number of shares entitled to vote, there were 2,912,388 shares duly
50 represented in today's special assembly, equivalent to 80.81% of the total capital shares. Accordingly, there
51 was a legal and valid quorum to hold the special assembly. Thereupon, the Chairman formally opened the
52 assembly meeting at 10:07 a.m.

53
54 **III. APPROVAL OF THE AGENDA**

55
56 The Chairman presented the two main agenda which were also included in the notices that were sent to the
57 member-shareholders, to wit: First, the proposed amendments to certain provisions of CISP Articles of
58 Cooperation (AC) and By-Laws (BL); Second, the proposed acquisition of, and/or merger with a non-life
59 insurance company. He said that the first order of business will be the presentation of the proposed
60 amendments. As a rule, he said, the proposed amendments will be presented by the president through

61 powerpoint presentation in sequence for better appreciation of the members without interruption from the
62 body since there might be some questions in a particular item that may be answered in the succeeding
63 provisions. After the presentation, the President will go back again to each item for the comments, suggestions
64 or clarifications of the body. There being no question or objection asked on the agenda and the order of their
65 presentation. Dir. Prudencio Consolacion moved for the approval of the same which was unanimously
66 seconded, thus the following Resolution was approved, to wit:

67
68 **RESOLUTION NO. 01 (SA-2016)**
69

70 **BE, IT RESOLVED AS THEY ARE HEREBY, RESOLVED** that the agenda matters of today's 23 July 2016
71 Special Assembly of the Cooperative Insurance System of the Philippines (CISP), as presented,
72

73 **BE, AS THEY ARE HEREBY, APPROVED.**
74

75 **IV. PROPOSED AMENDMENTS TO THE CISP ARTICLES OF COOPERATION (AC) AND BY-LAWS (BL)**
76

77 The chairman turned-over the table to the President for the presentation of the proposed amendments to the
78 AC and BL.
79

80 **A. RATIONALE FOR THE AMENDMENTS**
81

82 Mr. Miclat explained that the Special Assembly was specifically called for the purpose of effecting amendments
83 to certain provisions of CISP Articles of Cooperation and By-Laws and seeking the approval of the member-
84 shareholders for the acquisition of, and/or merger with, a non-life insurance company, to wit:
85

- 86 1. The growing demand of the member-patrons and the strong competition in the insurance industry dictate
87 that CISP expands its business in order to widen its market, capture more member-clients and respond to
88 the needs of the member-patrons and their individual members for both life and non-life insurance
89 products that will suit their needs. Only by expanding its business operation that CISP will be able to
90 compete against the commercial insurance companies.
91
- 92 2. The amendments of the articles of cooperation and by-laws specifically the conversion of CISP into a
93 composite insurance cooperative is necessary before CISP could acquire or merge with a non-life
94 insurance company. After the amendments, the approval on the acquisition of or merger with a non-life
95 insurance company by the member-shareholders will be the next and final item in the agenda.
96

97 **B. PROPOSED AMENDMENTS TO AC AND BL**
98

99 The following are the provisions in the AC and BL for amendments:
100

101 **1. ARTICLES OF COOPERATION**
102

- 103 a. 1st Article – Change the name of Cooperative Insurance System of the Philippines to “Cooperative
104 Insurance System of the Philippines LIFE and GENERAL INSURANCE.”
105
- 106 • The President informed the assembly that in the document sent to the members, there was a number “1”
107 before the name of CISP X X X. But during the Board deliberation yesterday, the body contemplated that if
108 they will change the name of CISP to “1” *Cooperative Insurance System of the Philippines Life and General*
109 *Insurance*”, there might be a possibility that the regulators disapprove said name and might even strike
110 the word “Philippines” from the name of CISP because of the new regulation prohibiting private
111 companies, organizations or corporations to put in their corporate names the word “Philippines”.
112 Therefore, the Board decided to retain the current name of CISP and add the phrase “LIFE and GENERAL
113 INSURANCE” to convert it into a composite insurance cooperative. Though we may still use “1 CISP” as a
114 marketing strategy.
115
- 116 b. Second Article (a) - specifying the business undertakings of CISP as a general insurer and putting the
117 phrase “XXX TO ACT AS HOLDING ENTITY IN A HOLDING COMPANY UNDER THE INSURANCE CODE X X
118 X”
119

- 120 c. Second Article (g) - on granting of loans to policy holders or member-cooperatives.
121
122 • The President said that the interest rate will not be lower than the interest rates of coop banks in the area
123 where the coop-member operates. The primary objective of this financial program is to assist the micro
124 and small member-coops strengthen their operation and financial viability.
125
126 d. Second Article (i) (m) (q)
127
128 e. Sixth Article – Increasing the CISP capital stock from One Billion Pesos to ONE BILLION FIVE HUNDRED
129 MILLION PESOS, divided into
130
131 A. ONE BILLION TWO HUNDRED FIFTY MILLION PESOS (Php 1,250,000,000.00) worth of common
132 shares X X X
133
134 B. TWO HUNDRED FIFTY MILLION PESOS (Php 250,000,000.00) worth of preferred shares or
135 equivalent X X X. PREFERRED SHARES MAY BE ISSUED TO REGULAR AND ASSOCIATE MEMBERS.
136
137 • At present, the CISP capital is P313 million. If the Insurance Commission will approve within the year the
138 merger of CISP and FICCO MBA (the only lacking document is the tax clearance of FICCO MBA from BIR),
139 the latter will put in P300 million investment in common share plus P250 million preferred share, which
140 will make CISP capital to P863 million by year end. Second, the capital requirement of a life and non-life
141 an insurance cooperative, respectively, is P500 million each. If CISP becomes a composite insurance
142 cooperative, it will be required to put up P1 billion in aggregate. Third, by year 2018 all insurance
143 companies are required to have a capital of P1 billion but since CISP is a coop insurance, it is only required
144 to raise half of that amount. Fourth, If CISP will not increase its authorized capital this year, in 2018 it will
145 again amend its articles of cooperation for said purpose and every time CISP increases its capital it pays
146 1/10 of the amount increased, and in this case, CISP will pay an amendment fee of P5,000,000.
147
148 f. Seventh Article – actual subscription
149
150 g. Arbitral Clause
151
152 h. Ninth Article – adding the word INDEPENDENT DIRECTORS to the number of directors.
153
154 2. **BY-LAWS**
155
156 a. First sentence introductory part – putting the phrase “LIFE AND GENERAL INSURANCE”
157
158 Second sentence – “ATLEAST TWO-THIRDS (2/3) VOTE OF ALL THE MEMBERS X X X
159
160 b. Art. I Sec 1.; Art. II Secs. 2, 3 (b), 3rd par; Art. III Secs 2, 3 (indicating the rights of CISP members); Sec. 5,
161 7,8
162
163 c. Art. IV Sec. 2-A; Sec. 2-B; definition of independent director
164
165 d. Art. IV Sec 3; Sec 3-A 3rd par & 4th par
166
167 e. Art. IV Sec. 5 (d) (f) (g)
168
169 f. Art. IV Sec. 5 4th par (1) (2) (3).
170
171 g. Art. IV Sec. 6 inclusion of one independent director as member of the Executive Committee
172
173 h. Art. IV Sec.7 Fixing the compensation and per diem of board of directors and members of CISP committees.
174
175 i. Art. IV Sec 8 No. of board meetings (the requirement for good governance is at least six meetings in a year)
176
177 j. Art. IV Sec 9; Art IV Sec. 11 (Powers and duties of the Chairperson; Sec. 12 (Powers and duties of the vice-
178 chairperson)

179
180
181
182
183
184
185
186
187
188
189
190
191
192
193
194
195
196
197
198
199
200
201
202
203
204
205
206
207
208
209
210
211
212
213
214
215
216
217
218
219
220
221
222
223
224
225
226
227
228
229
230
231
232
233
234
235
236

- k. Art. VI-A Sec 1 Setting term limit to members of Election Committee; Sec 1-A Enumerating the powers and duties of the Committee
- l. Art. VI Sec 2 Audit Committee, Term Limit and Qualifications of Members
 - At present, the term of members of elected committees is fixed at one-year. Thus, to ensure continuity of their programs it is imperative to fix their term limit at two (2) years for three consecutive terms.
- m. Art VI Sec. 4 – Mediation and Conciliation Committee

Thereafter, Mr. Danilo Tagalog, Davao City Water District Employees MPC (DCWD) moved for the acceptance of the proposed amendments on the CISP AC and BL which was unanimously seconded, thus the following resolution was adopted, to wit:

RESOLUTION NO. 02 (SA-2016)

BE, IT RESOLVED AS THEY ARE HEREBY RESOLVED, that the proposed amendments to certain provisions of the Articles of Cooperation and By-Laws of the Cooperative Insurance System of the Philippines (CISP) as presented,

BE, AS IT THEY ARE HEREBY, ACCEPTED.

V. COMMENTS/CORRECTIONS AND APPROVAL ON THE PROPOSED AMENDMENTS TO THE AC AND BL

A. ARTICLES OF COOPERATION

i. Change of CISP name

Mr. Rodolfo Dalangin, Novaliches Development Cooperative (NOVADECI), asked the body to turn to Sec. 7, Art. IV of the by-laws. The chairman said that Mr. Dalangin’s comment will be addressed later. Per rules agreed earlier, the body will discuss the proposed amendments by sequence.

On the corporate name of CISP, Mr. Romeo Batilo, BCS Credit Cooperative, suggested that the Assembly change the name of CISP to “1 Cooperative Insurance System of the Philippines LIFE AND GENERAL INSURER” since the CISP is advocating for “1 coop bank” & “1 coop health”, which was duly seconded by Mr. Jose Restituto Milagroso, Bontoc Multipurpose Cooperative. Chairman Evangelista replied that the reason was already explained earlier by the President. If we will use the name “1 C-I-S-P” we might not be allowed to retain the word “Philippines” anymore, hence it is deemed best to retain the current name of CISP with the word “Philippines” than risk of losing its current name which is already a known business name. Thus, the chairman requested the movant to withdraw his motion. After the body deliberated on CISP’s corporate name, the movant for the inclusion of the number “1” in the CISP name, withdrew his motion and the assembly retained CISP’s original name.

ii. Fixing an interest rate on loan

Mr. Alexander Raquepo, Sta. Cruz Savings and Credit Cooperative, asked for clarification on 2nd article of the Articles of Cooperation on the granting of loans to policy holders and coop members. He said that CISP should prescribe an interest rate since there are many coop banks operating all over the country with different interest rates, thus the interest rate in NCR may be higher than the interest rate in Ilocos Norte. So it may vague to state that CISP will give to the member-borrowers an interest rate which is not lower than the interest rate of the coop bank operating in the area. The President acknowledged Mr. Raquepo’s suggestion, hence, the management and the Board will consider it in amending the policy on the granting of loan to members by fixing the interest rate. He also assured the coop banks members of CISP that the latter will not be competing against them but the purpose of said loan program is to help micro and small coop members in strengthening and expanding their operations.

iii. Limitation on capital share of members

237 Mr. Danilo Tagalog, said that the President did not mention the limit on the paid up capital of CISP members,
238 hence, is suggested that the System set a limit on that. The President replied that there is nothing in the law or
239 regulation that sets a limit on the share capital of members of an insurance cooperative.
240

241 The Chairman added that the suggestion of Mr. Tagalog has been duly noted and the Board will discuss and
242 review said matter.
243

244 B. BY-LAWS

245
246 i. Ms. Marissa Larua, Calamba Parish Development Cooperative inquired if the CISP Board of Directors have
247 also a term limit. The chairman replied in the affirmative saying that the Board has the same term limit with
248 that of the elected committees.
249

250 ii. Mr. Gil Gilot, PERA MPC, asked how much should be the share capital of an independent director. The
251 President replied that it should not be more than 10% of the total paid up capital. Mr. Gilot said that the board
252 should consider lowering said amount which is quite big. Mr. Miclat added that based on the guidelines of the
253 Election Committee, the share capital of an independent director must not exceed P300,000.00
254

255 iii. Compensation and benefits of board of directors and officers

256
257 Mr. Dalangin reiterated his comment saying that Sec., Art. IV should state that "*all compensations and benefits*
258 *of the Board and committee members must be ratified or approved by the General Assembly*" in conformity with
259 RA 9520. Chairman Evangelista replied that there is a safeguard in said provision since the Board submits for
260 approval of the General Assembly the annual budget which includes all the corresponding expenses for
261 operation as well as the allowances of the directors and officers. Mr. Dalangin opined, while it is true that the
262 yearly budget is being submitted to the GA for approval, still it is not being scrutinized specially its
263 compositions.
264

265 Mr. Ranul Cagang, Bayugan West District Teachers Employees and Community Cooperative, said that he
266 believes there is no need to fix the amount since it is being subjected to the scrutiny of the General Assembly
267 every year. Otherwise, the Board will lose its flexibility in the operation. He added that CISP is a dynamic
268 organization where the budget depends on the result of the operation in a given year. According to Mr.
269 Dalangin, the reason why he is recommending for the inclusion of said phrase is because of CISP's experience
270 three years ago wherein the latter almost closed down its business. Thus, to prevent the same situation from
271 happening again we have to implement transparency. Also, it was stated on the President's report that the
272 expenses of the Board increased to 741%. The president explained that the reason for that increase is because
273 board meetings in 2015 were being conducted quarterly but in 2016 the board already conducted its meeting
274 monthly. Thus, the expenses therein do not only include allowances but also air fare, hotel accommodation
275 and other incidental expenses of the officers. The requirement for the holding of board meetings of at least six
276 times a year is in compliance with the policy on good governance and best practices.
277

278 Consequently, upon due deliberation the body adopted Mr. Dalangin's recommendation to include in Sec. 7,
279 Article IV the phrase "*all compensations and benefits of the Board of Directors and officers shall be subject to the*
280 *approval of the General Assembly.*"
281

282 iv. Art IV Sec. 2-B – Independent Director

283
284 Mr. Raquepo asked the meaning of the phrase "*An independent director is a person whose*
285 *cooperative/organization X X X is not affiliated with any other cooperative X X X or other organizations the*
286 *activities of which and/or his/her affiliations therein might significantly interfere or influence his/her*
287 *independent judgment.*" If that is to be construed, does it mean that all CISP members are disqualified since
288 they are all members of different cooperatives. Mr. Miclat explained the phrase refers to the affiliation of an
289 independent director with another insurance company. If the CISP independent director is also a director or
290 agent of a competitor, therefore he is disqualified since there arises a conflict of interest.
291

292 In that case, Atty. Cabangis, St. Martin of Tours Credit and Development Cooperative, suggested to include in
293 the same section after the word judgment, "*X X X might significantly interfere or influence his/her independent*
294 *judgment, **OR GIVE RISE TO A CONFLICT OF INTEREST, in carrying out his/HER duties and responsibilities as***
295 ***AN INDEPENDENT** director for the exclusive benefit of the System X X X."*
296

297 Ms. Marlene Sindayen of NOVADECI asked for clarification, what if a director of NOVADECI is also a director
298 of CLIMBS and another director of her coop will also run as independent director for CISP, then what does the
299 disqualification pertain to, it is the officer or the cooperative. Mr. Mclat replied that it is the person who is
300 disqualified or prohibited from being a director of CISP and at the same time a director of a competitor. The
301 election of independent directors is a requirement by the Insurance Commission. Coop banks also have
302 independent directors. Its objective is to ensure check and balances in the board so that the rights of the
303 minority shareholders will also be protected through the independent directors who must act independently
304 in the board. Said section is part of good governance and best practices principles in which CISP adheres to.
305 The chairman added that said provision of Sec. 2-B Art IV pertains to independent directors and not to regular
306 directors. He cited himself as director of CISP, Likewise, the ACDI chairman is also a director of CLIMBS. But
307 there is no conflict there since they are both regular directors. On a positive note, it is even an advantage to
308 both CISP and CLIMBS since his primary supports both insurance coops and even campaign for the merger of
309 the two coop insurance.

310
311 Mr. Roger Ocaya, DMPi Employees Community Credit Cooperative, suggested that since the conflict arises in
312 the word person then we should change it to "cooperative." Mr. Danilo Capili, Parole and Probation
313 Administration MPC, said that to better appreciate the provision we have to read the same in its entirety which
314 is very clear that "*an independent director is a person whose cooperative or organization he/she is*
315 *representing must not own a substantial share in the capital stock of the system and who is not affiliated with*
316 *any other cooperative, union, federation, or other organizations XXX*". Ergo, the phrase refers to the person. The
317 Corporate Secretary added that the cooperative is a juridical person who cannot talk therefore it must be
318 represented by a person authorized by the organization.

319 320 **v. Art IV Sec 11 Powers and duties of the Chairperson**

321
322 Atty. Cabangis suggested to include in Section 11, Art. IV on the powers and duties of the Chairperson the
323 phrase: "to exercise such powers and duties given/granted to him/her by the board of directors, **SUBJECT TO**
324 **THE LIMITATIONS IMPOSED, AND CONSISTENT WITH THOSE GRANTED BY THE GENERAL ASSEMBLY, R.A.**
325 **9520 and other relevant laws and issuances**. The same phrase should also be included in the powers and
326 duties of the vice-chairperson.

327
328 She explained that said limitation on the powers of the chairperson and vice-chairperson is for the ample
329 protection of the System and to promote transparency and check and balance so as to avoid a situation
330 wherein the said officers are friends with the members of the board, he/she may wield powers beyond those
331 given to him/her by the by-laws.

332
333 vi. Atty. Cabangis also suggested "to change the word cooperative to CISP" in Sec. 1, Art. VI On the Election and
334 Audit Committees

335
336 With no further comment or clarification, Mr. Capili moved for the approval of the amendments to the CISP
337 Articles of Cooperation and By-laws including the corrections and insertions, which was unanimously
338 seconded, thus the following Resolution was adopted, to wit:

339 340 **RESOLUTION NO. 03 (SA-2016)**

341
342 **WHEREAS**, there is an increasing demand from the members of the Cooperative Insurance System of the
343 Philippines (CISP) for the latter to provide them more insurance products that suit their needs as well as
344 their individual members;

345
346 **WHEREAS**, aside from the increasing market demand, the competition among the players in the insurance
347 industry is becoming more strong;

348
349 **WHEREAS**, these influencing factors necessitate that CISP expands its operations by converting its
350 business into a composite insurance cooperative in order to cater a much bigger market, meet both life
351 and non-life insurance needs of its members, and to be able to compete with the big players in the industry;

352
353 **WHEREAS**, it is also necessary to amend certain provisions of the CISP Articles of Cooperation (AC) and
354 By-laws (BL) especially on the increase of its authorized capital stock and prescribe the corporate powers
355 of the System, for the conversion of CISP to a composite insurance cooperative, and

357 **NOW, THEREFORE FOR AND IN CONSIDERATION OF THE FOREGOING PREMISES, BE IT RESOLVED**
358 **AS IT IS HEREBY RESOLVED**, that the Special Assembly of the Cooperative Insurance System of the
359 Philippines, represented by 2,912,388 number of shares entitled to vote, equivalent to 80.81% or more
360 than two-thirds (2/3) of the total capital shares, approve the following amendments to the CISP Articles
361 of Cooperation and By-laws, to wit:

362
363 **A. ARTICLES OF COOPERATION**

364
365 **AMENDED ARTICLES OF COOPERATION OF THE COOPERATIVE INSURANCE SYSTEM OF THE PHILIPPINES**
366 **LIFE AND GENERAL INSURANCE**

367
368 WE, the undersigned, X X X duly authorized to represent our respective cooperatives, X X X **IN** Quezon City,
369 voluntarily associated ourselves together to form **AN INSURANCE COOPERATIVE** under the laws of the
370 **REPUBLIC OF THE** Philippines.

371
372 **First** – The name of this cooperative shall be the “Cooperative Insurance System of the Philippines **LIFE AND**
373 **GENERAL INSURANCE**” herein referred to as the “**CISP.**”

374
375 **Second** – The purposes for which the System is formed are:

376
377 a. To promote and engage in the service of life **AND GENERAL** insurance as a cooperative undertaking,
378 including all its various types, kinds, branches, divisions, X X X contingent on life, **CASUALTY, PROPERTY,**
379 **MARINE, SURETY, CALAMITY, AND OTHER ALLIED UNDERTAKINGS, TO OPERATE ITS LIFE AND**
380 **GENERAL INSURANCE BUSINESSES AS SEPARATE GOING CONCERNS OR UNDER COMPOSITE**
381 **AUTHORITY, AS DETERMINED TO BE MOST BENEFICIAL TO THE SYSTEM, AND TO ACT AS HOLDING**
382 **ENTITY IN A HOLDING COMPANY SYSTEM UNDER THE INSURANCE CODE AND FULFILL ITS**
383 **REQUIREMENTS AS SUCH WHEN INSTITUTIONAL OBJECTIVES AND OTHER EXIGENCIES SO REQUIRE;**

384
385 X X X

386 g. To grant loans to policyholders on security of their policies or to **MEMBER-COOPERATIVES** on such terms
387 and conditions **SET BY THE SYSTEM,** subject to the requirements of **LAW AND REGULATIONS;**

388
389 i. X X X

390
391 j. To borrow, raise, or obtain funds to support or carry out its objects and purposes and/or to arrange
392 financing, equipment credit, or any kind of financial or material assistance X X X, upon its revenues and/or
393 assets on such terms and conditions most beneficial to the System **AND TO THE EXTENT ALLOWED BY**
394 **LAW AND REGULATIONS;**

395
396 i. X X X

397
398 m. To purchase or otherwise acquire and hold shares or undertake all or any part of the business, property,
399 and liability of any person, cooperative, including their federations, or company on any business **THAT**
400 this System is authorized to engage in, those **THAT** have objects altogether or in part similar to those of
401 this System or **THOSE** engaged in any business capable of being conducted to benefit the System directly
402 or indirectly;

403
404 X X X

405 q. To have this System registered or recognized to do cooperative service in any foreign country, state,
406 **REGION, UNION, OR BLOC;**

407
408 **Sixth** – The capital stock of this System is **ONE BILLION FIVE HUNDRED MILLION PESOS (Php**
409 **1,500,000,000.00)** divided into:

410
411 A. **ONE BILLION TWO HUNDRED FIFTY MILLION PESOS (Php 1,250,000,000.00)** worth of common shares
412 or equivalent to **12,500,000** shares with par value of Php 100 per share. **COMMON SHARES SHALL BE**
413 **ISSUED ONLY TO REGULAR MEMBERS;** and

414

415 B. **TWO HUNDRED FIFTY MILLION PESOS (Php 250,000,000.00)** worth of preferred shares or equivalent
416 to **2,500,000** shares with par value of One Hundred Pesos (Php 100.00) per share. **PREFERRED SHARES MAY**
417 **BE ISSUED TO REGULAR AND ASSOCIATE MEMBERS.**

418
419 Seventh – The amount of capital stock which has been actually subscribed is **THREE HUNDRED EIGHTY**
420 **SEVEN MILLION ONE HUNDRED SIX THOUSAND PESOS (P387,106,000.00)** and hereto attached as Annex
421 “G” the list of member-cooperatives which have subscribed for the number of shares and the amount of their
422 capital stock.

423
424 X X X

425 **NINTH – ANY DISPUTE, CONTROVERSY OR CLAIM ARISING OUT OF OR RELATING TO THIS ARTICLES OF**
426 **COOPERATION, THE INSURANCE CODE, THE COOPERATIVE CODE, AND RELATED RULES OR**
427 **ADMINISTRATIVE GUIDELINES OF THE INSURANCE COMMISSION OR THE COOPERATIVE**
428 **DEVELOPMENT AUTHORITY INCLUDING INTER-INSURANCE COOPERATIVE DISPUTES AND RELATED**
429 **CONCERNS, AND ANY QUESTION REGARDING THE EXISTENCE, INTERPRETATION, VALIDITY, BREACH**
430 **OR TERMINATION OF THE BUSINESS RELATIONSHIP SHALL BE EXCLUSIVELY REFERRED TO AND**
431 **FINALLY RESOLVED BY VOLUNTARY ARBITRATION UNDER THE RULES AND REGULATIONS**
432 **PROMULGATED BY THE IC OR CDA AFTER COMPLIANCE WITH THE CONCILIATION OR MEDIATION**
433 **MECHANISMS EMBODIED IN THE APPLICABLE BY-LAWS AND SUCH OTHER PERTINENT LAWS.**

434
435 **TENTH** – The number of Directors of this System shall be nine (9), **TWO (2) OF WHOM SHALL BE**
436 **INDEPENDENT DIRECTORS,** who are to be elected in accordance with the By-Laws as amended.

437 B. BY-LAWS

438
439 AMENDED BY-LAWS OF THE COOPERATIVE INSURANCE SYSTEM OF THE PHILIPPINES **LIFE AND GENERAL**
440 **INSURANCE**

441
442 We, the undersigned, all of legal age, citizens and residents of the Philippines, representing **AT LEAST TWO-**
443 **THIRDS (2/3) VOTE OF ALL THE MEMBERS WITH VOTING RIGHTS** of the Cooperative Insurance System
444 of the Philippines **LIFE AND GENERAL INSURANCE,** a secondary cooperative, hereinafter referred to as the
445 “**CISP,**” this 25th of January, 1974, **IN** Quezon City, by these presents **DO HEREBY AMEND AND** adopt the
446 following by-laws:
447

448 **ARTICLE I POWERS AND PURPOSES**

449
450 Section 1. Powers and purposes. – The powers and purposes of this System are generally those granted to
451 domestic life **AND GENERAL INSURANCE** by the Insurance Code, Cooperative Code, and such other **LAWS,** X
452 X X **AND** the Cooperative Development Authority **IN THE REPUBLIC OF THE PHILIPPINES.**

453 **ARTICLE II SHARES OF STOCK**

454
455 Section 1. Issuance of Certificate of Stock. – A certificate of stock shall be issued for a fully paid share even
456 though a member’s entire subscription has not been fully paid. X X X. The certificate shall state the type and
457 par value of the stock, the number of shares represented, the name of the member to whom **IT IS** issued, **AND**
458 **THE** conditions and transfers of ownership and shall bear the signatures of the Chairperson of the Board of
459 Directors and Secretary and **THE OFFICIAL** seal of the System. X X X

460
461 Section 2. Transfer of Stock. – X X X

462 X X X No transfer shall take place within thirty (30) days **BEFORE** the day designated for distribution of
463 dividends or within fifteen (15) days **BEFORE A** members’ meeting.

464
465 Section 3. Loss or Destruction of Certificate. – In case of loss or destruction of a certificate of stock, another
466 may be issued in lieu thereof upon the owner’s filing with the System of a sworn statement in triplicate setting
467 forth the following:

- 468
469
470
471 (a) X X X
472 (b) The number of shares represented **BY THE CERTIFICATE;**
473 (c) X X X
474 (d) X X X

475
476
477
478
479
480
481
482
483
484
485
486
487
488
489
490
491
492
493
494
495
496
497
498
499
500
501
502
503
504
505
506
507
508
509
510
511
512
513
514
515
516
517
518
519
520
521
522
523
524
525
526
527
528
529
530
531
532
533
534

X X X

Any false statement or representation made in the aforesaid sworn statement shall cause the forfeiture of the share or any interest therein in favor of the System, **WITHOUT PREJUDICE TO THE** owner **BEING** prosecuted for whatever offense/**S** committed under the law.

ARTICLE III MEMBERSHIP

Section 1. Membership. – X X X

Section 2. All members not falling under the **IMMEDIATELY PRECEDING SECTION** shall be considered associate members, X X X

Section 3. Rights, Privileges, and Limitations of Members. Every regular member in good standing shall have the following rights:

1. X X X
2. **THE RIGHT** to vote in all matters brought before **MEMBERS' ASSEMBLIES** and to be voted upon for any elective position;
3. **THE RIGHT** to receive interest on share capital X X X;
4. **THE RIGHT** to exercise all rights and privileges appurtenant to membership X X X

Associate members shall exercise such rights, privileges, and limitations as may be granted **AND PROSCRIBED OR PRESCRIBED, AS THE CASE MAY BE,** BY THE **GENERAL ASSEMBLY,** Board of Directors, **AND ALL APPLICABLE LAWS, RULES, AND REGULATIONS.**

Section 5. Withdrawal. – X X X However, no member shall be allowed to withdraw or terminate his membership during any period in which he has any pending obligation with the System. For purposes of this section, **PENDING OBLIGATIONS SHALL INCLUDE, BUT SHALL NOT BE LIMITED TO,** payment **AND/OR REMITTANCE** of premiums **DUE ON INSURANCE** policies.

Section 7. Death, Dissolution, Liquidation, Insolvency, or Inactivity. – The death, dissolution, liquidation, insolvency, or inactivity of a member for at least three (3) consecutive years shall be considered a withdrawal from membership.

The same rule shall apply to a member-cooperative **THAT** failed to qualify for re-registration under the law **AND REGULATIONS.**

The equity of **AN** associate member who is a natural person whose membership is considered withdrawn, as above provided, shall be held by his/**HER** heir or legal representative X X X. For member-cooperatives, their equity/**IES** shall be held and turned over to **THE** concerned liquidators/**TRUSTEES** of the said cooperatives **IN ACCORDANCE WITH LAW AND REGULATIONS**

Section 8. Appraisal and Payment of Member's Interest Upon Termination of Membership. – Upon termination of membership, the Board of Directors shall determine the book value of the member's share of stock, in no case to exceed par, as established **IN** the year-end audited financial statement nearest to the date of termination X X X. Within one **(1)** year after such termination or at the option of the expelled or withdrawing member X X X, been dissolved or liquidated, **OR** became insolvent or inactive, a revolving fund certificate or other evidence of indebtedness **MAY BE ISSUED IN LIEU OF CASH;** Provided, however, that payment of said equity in cash shall not be made if X X X exclusive of the capital stock subscribed or the reserves required under existing laws **WILL BE DIMINISHED.**

ARTICLE IV BOARD OF DIRECTORS

Section 2-A. Qualifications of Directors. – No person shall be eligible **FOR** the position of director unless he has the following qualifications:

- a) He is a member in good standing or an officer of a cooperative or its federations or unions, trade union, labor federation, or other organizations with cooperative orientation **THAT** is a shareholder and an active member of CISP with **THE** minimum shareholding prescribed and approved by the General Assembly;

- 535 b) X X X
- 536 c) He must possess all the qualifications and none of the disqualifications provided for under the law,
- 537 **REGULATIONS, AND THESE BY-LAWS; AND**
- 538 d) X X X
- 539

540 Section 2-B. Independent Director. – An independent director is a person whose cooperative or organization
541 he/she is representing must not own a substantial share in the capital stock of the System and who is not
542 affiliated with any other cooperative, union, federation, or other organizations **THE ACTIVITIES OF WHICH**
543 **AND/OR HIS/HER AFFILIATIONS THEREIN** might significantly interfere or influence his/her independent
544 judgment, **OR GIVE RISE TO A CONFLICT OF INTEREST,** in carrying out his/**HER** duties and responsibilities
545 as **AN INDEPENDENT** director for the exclusive benefit of the System and one who also:

546 X X X
547
548 Section 3-A. Term Limit of Independent Directors. – X X X
549 X X X

550
551 An independent director re-elected after the cooling-off period can serve for another five (5) consecutive
552 years. After serving for **A TOTAL OF 10 years ON AGGREGATE,** the independent director shall be perpetually
553 barred from being elected as such by the CISP.

554
555 In case of death, resignation, and/or incapacity resulting in a vacancy in the Board of Directors, the remaining
556 members of the Board, **IF STILL** constituting a quorum, may appoint a successor from the member-
557 cooperative or trade union **OF THE DIRECTOR WHOSE DEATH, RESIGNATION, AND/OR INCAPACITY**
558 **RESULTED IN THE VACANCY.**

559
560 Section 5. Vacancies. – A vacancy in the position of director may occur by:
561 X X X

- 562
- 563 d. removal **FROM OFFICE FOR LAWFUL OR AUTHORIZED CAUSES;**
- 564 X X X;
- 565 f. withdrawal of his/her representative capacity by **THE CONCERNED** member-organization; **AND/or**
- 566 g. the inactivity, dissolution, expulsion, or suspension of voting rights of the organization he/**SHE**
- 567 represents.
- 568

569 In such instances, except as mentioned in paragraph (a) **ABOVE, THE REMAINING MEMBERS OF THE**
570 **BOARD, AT ITS DISCRETION AND BY MAJORITY VOTE, MAY:**

- 571
- 572 **1. NOT ELECT OR APPOINT A SUCCESSOR, PROVIDED THAT THE REMAINING MEMBERS OF THE**
- 573 **BOARD STILL CONSTITUTE A QUORUM TO DO THE BUSINESS;**
- 574
- 575 **2. IN CASE OF LETTER (E) ABOVE, APPOINT THE SUCCESSOR FROM THE MEMBER-ORGANIZATION OF**
- 576 **THE DIRECTOR WHOSE INCAPACITY RESULTED IN THE VACANCY TO ASSUME OFFICE FOR THE**
- 577 **UNEXPIRED TERM OF THE INCAPACITATED DIRECTOR; OR**
- 578
- 579 **3. APPOINT TO THE VACANT POSITION A REPRESENTATIVE FROM ANY ACTIVE MEMBER-**
- 580 **ORGANIZATIONS TO SERVE THE UNEXPIRED TERM OF THE VACATING DIRECTOR.**
- 581

582 Section 6. Organization of the Board. – Within ten (10) days immediately following the election, the
583 directors shall meet and elect from among themselves a Chairperson and Vice-Chairperson who **SHALL BE**
584 both members of the Executive Committee, with the Chairperson of the Board serving as Chairperson of the
585 said Committee, **TOGETHER WITH THREE** (3) other members, **ONE OF WHOM MUST BE AN INDEPENDENT**
586 **DIRECTOR.**

587
588 Section 7. Compensation and Per Diems. – **THE BOARD OF DIRECTORS MAY FIX THE COMPENSATION**
589 **AND/OR PER DIEMS OF COMMITTEES. SUCH COMPENSATION AND PER DIEMS MUST BE REASONABLE.**
590 **DIRECTORS AND OFFICERS SHALL NOT BE GIVEN REGULAR COMPENSATION AND SHALL ONLY RECEIVE**
591 **PER DIEMS FOR ACTUAL ATTENDANCE TO BOARD AND COMMITTEE MEETINGS AND REIMBURSEMENT**
592 **OF ACTUAL AND NECESSARY EXPENSES WHILE PERFORMING FUNCTIONS ON BEHALF OF THE SYSTEM;**
593 **PROVIDED, THAT DIRECTORS AND OFFICERS SHALL NOT BE ENTITLED TO ANY PER DIEM IF IN THE**
594 **PRECEDING CALENDAR YEAR THE SYSTEM REPORTED A NET LOSS OR HAD A DIVIDEND RATE LESS**

595 **THAN THE OFFICIAL INFLATION RATE FOR THE SAME YEAR. ALL COMPENSATIONS AND BENEFITS OF**
596 **THE BOARD OF DIRECTORS AND OFFICERS SHALL BE SUBJECT TO THE APPROVAL OF THE GENERAL**
597 **ASSEMBLY.**

599 Section 8. Board Meetings. – Regular meetings of the Board of Directors shall be held **EVERY OTHER MONTH,**
600 **ON THE FIRST FRIDAY THEREOF,** unless a different date is designated by the Board. Special meetings may
601 be called by the Chairperson of the Board, by the Executive Committee, or **BY** a majority of **ALL** members of
602 the Board of Directors. X X X

604 Section 9. Quorum. – A majority of the members of the Board of Directors shall constitute a quorum at any
605 meeting of the Board and a majority vote of the members present **AND CONSTITUTING A QUORUM** at any
606 meeting shall constitute a **LEGAL AND VALID** corporate act of the System.

608 Section 11. Powers and Duties of the Chairperson. – The Chairperson of the Board shall have the following
609 powers and duties:

- 610 a. To approve the agenda for the meeting of the Board and to submit for its consideration the policies and
611 measures **THAT** he/**SHE** believes **ARE** necessary to carry out the purposes and objectives of the System;
- 612 b. X X X
- 613 c. X X X
- 614 d. To exercise such powers and duties given/**GRANTED TO** him/**HER** by the Board of Directors, **SUBJECT**
615 **TO THE LIMITATIONS IMPOSED, AND CONSISTENT WITH THOSE GRANTED BY THE GENERAL**
616 **ASSEMBLY, R.A. 9520 AND OTHER RELEVANT LAWS AND ISSUANCES;** and
- 617 e. To exercise such powers vested in him/**HER** by other provisions of **THESE** by-laws.

619 Section 12. Powers and Duties of the Vice-Chairperson. – The Vice-Chairperson of the Board shall exercise
620 the powers and duties of the Chairperson in the event of death, resignation, and/or disqualification of the
621 Chairperson X X X from time to time, **SUBJECT TO THE LIMITATIONS IMPOSED, AND CONSISTENT WITH**
622 **THOSE GRANTED BY THE GENERAL ASSEMBLY, R.A. 9520 AND OTHER RELEVANT LAWS AND**
623 **ISSUANCES**

625 **ARTICLE VI – A COMMITTEES**

627 Section 1. Election Committee. – The Election Committee shall be composed of three (3) members elected
628 during the Annual General Assembly **AND SHALL HOLD OFFICE FOR A PERIOD OF TWO (2) YEARS. FOR**
629 **THE NEWLY ELECTED THREE (3) MEMBERS OF THE COMMITTEE, THE FIRST TWO (2) WHO GARNERED**
630 **THE HIGHEST NUMBER OF VOTES SHALL SERVE FOR TWO (2) YEARS AND THE REMAINING MEMBER**
631 **FOR A PERIOD OF ONE (1) YEAR. NO COMMITTEE MEMBER SHALL SERVE FOR MORE THAN THREE (3)**
632 **SUCCESSIVE TERMS.**

634 **A MEMBER WHO HAS SERVED FOR THREE (3) CONSECUTIVE TERMS SHALL BE INELIGIBLE FOR RE-**
635 **ELECTION UNLESS HE/SHE HAS UNDERGONE A COOLING-OFF PERIOD OF TWO (2) YEARS; PROVIDED,**
636 **THAT SAID COMMITTEE MEMBER HAD NOT ENGAGED IN ANY ACTIVITY THAT UNDER CISP RULES**
637 **DISQUALIFIES A PERSON FROM BEING ELECTED AS SUCH.**

639 **A COMMITTEE MEMBER WHO IS RE-ELECTED AFTER THE COOLING-OFF PERIOD CAN SERVE FOR**
640 **ANOTHER THREE (3) CONSECUTIVE TERMS.**

642 **THE COMMITTEE SHALL ELECT** from among themselves a Chairperson and Secretary. **NO MEMBER OF THE**
643 **COMMITTEE SHALL HOLD ANY OTHER POSITION WITHIN THE CISP DURING HIS/HER TERM OF OFFICE.**
644 X X X

646 **SECTION 1-A. THE COMMITTEE, AS AN INDEPENDENT BODY, SHALL HAVE THE FOLLOWING POWERS,**
647 **FUNCTIONS, AND DUTIES:**

- 649 1. **PROPOSE RULES AND REGULATIONS FOR THE CONDUCT OF ELECTIONS AND RECOMMEND THE**
650 **SAME TO THE BOARD OF DIRECTORS FOR THE APPROVAL OF THE GENERAL ASSEMBLY;**
- 651 2. **PASS UPON THE QUALIFICATIONS OF CANDIDATES, SUPERVISE THE CONDUCT OF ELECTIONS, AND**
652 **CANVASS AND CERTIFY IN WRITING THE RETURNS;**
- 653 3. **PROCLAIM THE WINNING CANDIDATES;**

4. HEAR AND DECIDE ALL ELECTION PROTESTS EXCEPT THOSE INVOLVING THE ELECTION COMMITTEE OR ITS MEMBERS IN ACCORDANCE WITH RA 9520 OR THE PHILIPPINE COOPERATIVE CODE OF 2008, CDA IMPLEMENTING RULES AND GUIDELINES, AND OTHER APPLICABLE LAWS AND RULES ON ALTERNATIVE DISPUTE RESOLUTION;
5. RECOMMEND NECESSARY AMENDMENTS TO ELECTION RULES AND GUIDELINES, IN COORDINATION WITH THE BOARD OF DIRECTORS, FOR APPROVAL OF THE GENERAL ASSEMBLY;
6. IMPLEMENT ELECTION RULES AND GUIDELINES DULY APPROVED BY THE GENERAL ASSEMBLY; AND
7. PERFORM SUCH OTHER FUNCTIONS AS MAY BE DELEGATED BY THE BOARD OF DIRECTORS OR AUTHORIZED BY THE GENERAL ASSEMBLY.

Section 2. Audit Committee. – The Audit Committee shall be composed of three (3) members, PREFERABLY WITH ACCOUNTING AND/OR FINANCE EXPERIENCE, TO BE ELECTED BY THE GENERAL ASSEMBLY AND TO HOLD OFFICE FOR TWO (2) YEARS. FOR THE NEWLY ELECTED THREE (3) MEMBERS OF THE COMMITTEE, THE FIRST TWO (2) WHO GARNERED THE HIGHEST NUMBER OF VOTES SHALL SERVE FOR TWO (2) YEARS AND THE REMAINING MEMBER FOR A PERIOD OF ONE (1) YEAR. NO COMMITTEE MEMBER SHALL SERVE FOR MORE THAN THREE (3) SUCCESSIVE TERMS.

A MEMBER WHO HAS SERVED FOR THREE (3) CONSECUTIVE TERMS SHALL BE INELIGIBLE FOR RE-ELECTION UNLESS HE/SHE HAS UNDERGONE A COOLING-OFF PERIOD OF TWO (2) YEARS; PROVIDED, THAT SAID COMMITTEE MEMBER HAD NOT ENGAGED IN ANY ACTIVITY THAT UNDER CISP RULES DISQUALIFIES A PERSON FROM BEING ELECTED AS SUCH.

A COMMITTEE MEMBER WHO HAS BEEN RE-ELECTED AFTER THE COOLING-OFF PERIOD CAN SERVE FOR ANOTHER THREE (3) CONSECUTIVE TERMS.

X X X

Section 4. Mediation and Conciliation Committee. A Mediation and Conciliation Committee is hereby created and shall be composed of three (3) members to be appointed by the Board of Directors, WITHIN ten (10) days after their APPOINTMENT, they shall elect from among themselves a Chairperson, Vice-Chairperson, and a Secretary AND serve for a term of one (1) year or until THEIR successors shall have been APPOINTED and qualified. No member of the committee shall hold any other position in the cooperative during his/HER term of office.

The Mediation and Conciliation Committee shall have the following powers and functions:

X X X

ALL REQUIREMENTS OF LAW and pertinent rules and regulations prescribed by the COOPERATIVE DEVELOPMENT AUTHORITY shall be observed in the composition, appointment, AND procedures of THE CONCILIATION AND MEDIATION COMMITTEE AND ITS proceedings.

BE, AS THEY ARE HEREBY APPROVED.

VI. ACQUISITION OF R & B INSURANCE CORPORATION

The chairman said the approval of the Special Assembly on said amendments will, in effect, convert the System into a composite insurance cooperative, thus for the second item in the agenda, the management will present its proposal for the acquisition of a non-life insurance company and the primary objective thereof.

The president said that the capital requirement in putting up an insurance company either life or non-life for commercial insurers is P1 billion, but insurance cooperatives are only required to raise half of said amount or P500 million. And by year-end all insurance companies are required to raise 550 in capital. As of date, CISP's capital stock amounts to P313 million making it compliant with the capital requirement.

Mr. Miclat added that in putting up a life-or non-life insurance company, one needs to raise P1 billion, in the case of CISP which is a cooperative insurance, it needs another P500 million to become composite. But CISP has a best option, that is, to acquire a non-life insurance company which is being offered for sale, and in this case the R & B Insurance Corp., which has been put by the IC under conservatorship. Based on its audited financial

714 statements in 2014 prior to its conservatorship, its total assets amounted to P329,158,733; capital stock at
715 P250,000; and investment property at P184,782,000. However, when IC conducted an audit in 2015, it found
716 out that the title of a real property was not transferred to the name of the corporation, thus, IC did not recognize
717 the same and the following were devaluated: investment property to P21,480,483, capital stock to
718 P133,625,000 and total assets to P161,397,804. The total liabilities of said company is P2,824,325. If CISP will
719 acquire said insurance company, it will just infuse the deficiency to complete the capital requirement.
720

721 According to Mr. Miclat, right now it is the First Community Cooperative which is leading the negotiation for
722 acquisition. Thus, FICCO will acquire first R & B Corp. and after the acquisition process and the latter is issued
723 a certificate of authority by IC, FICCO will dilute its investment and offer its shares to interested cooperatives.
724 FICCO has already conducted due diligence audit on R & B. Prior to the acquisition by CISP from FICCO of R &
725 B, an independent valuation will be conducted to assess the true and current value of the capital of FICCO and
726 other coop-shareholders. And based on the assessment made, the President assured the CISP members that it
727 would be a good investment.
728

729 Thereafter, the Chairman asked from the body for any question or clarification. Then Mr. Batilo moved for the
730 approval of CISP acquisition of R & B Insurance Corp., which was severally seconded. However, Mr. Faustino
731 Arrienda II, UPLB Credit & Development Cooperative, objected on the following grounds: first, the board and
732 management should offer other options other than R & B; Second, CISP will be buying P133 million plus the
733 liabilities, thus in his opinion that will be very risky. He said, it is much better to put up a new non-life insurance
734 business than accepting said offer.
735

736 The President replied that he understands Mr. Arrienda's predicament but if one will analyze the situation, if
737 CISP will put up a new non-life insurance business it has to raise P500 million as compared to the acquisition
738 cost for R & B wherein we only have to put up P250 million. Second, based on the audited FS of said corporation
739 it only has a total liability of P2.8 million. Third, the owner of R & B will invest P10 million in preferred shares
740 that will also serve as security for any future liability that may arise incidental to its current operation, and
741 lastly, the corporation has real estate properties located in Buendia and Ayala Avenue which will also be
742 included in the acquisition. Hence, the President said, he can't see any risk on that.
743

744 The Chairman assured the CISP members that it is a good investment since CISP will only put up P250 million
745 as against P500 million. Besides any business has a corresponding risk. Hence, he appealed to the members to
746 trust the judgment of the Board and management.
747

748 Mr. Arrienda opined that the proposal is very pro-active and aggressive. He cited the financial crisis that CISP
749 experienced three years ago wherein the investments of its members were written down and have not yet been
750 fully recovered. Mr. Miclat said that this is best time for CISP to grab the opportunity. Relative to Mr. Arrienda's
751 concern on the recovery of capital of CISP members, he informed the body that many members who have been
752 continuously patronizing CISP's products have already recovered their capital fully. Also, for the 2016
753 operation, management is expecting that many shareholders who have patronized CISP products will already
754 recover their capital. Further, CISP is just waiting for IC approval for the distribution of cash dividends to its
755 members on its 2015 business operation. He also projected that next year CISP will be able to distribute at least
756 14% dividend basing his judgment on the result of the operation for the past six months.
757

758 Mr. Gil Gilot, PERA MPC, said that he supported the objection of Mr. Arrienda and he suggested that
759 management should have at least showed them the documents of R & B. The President said that the documents
760 can be checked by the members at the CISP office since he cannot bring it at the Assembly since it is still the
761 property of R & B.
762

763 Mr. Isagani Daba explained to the members that he was part of FICCO audit team who conducted due diligence
764 audit on R & B. And he can assure the members that they have fairly evaluated and assessed it as a good
765 investment. On the issue of acquisition, it is FICCO who will buy first R & B and after the former has acquired
766 the latter that will be the time that FICCO will offer its shares to interested cooperatives and then to CISP. If
767 ever, no one will be interested to accept FICCO's offer, then the latter will not force said acquisition on them but
768 instead will continue the operation of R & B on its own.
769

770 Consequently, the body deliberated on the issue of said acquisition and despite the appeal for the withdrawal
771 of the objection, its proponent did not withdraw his objection thus, the Assembly decided to divide the house
772 for the resolution of the issue. The Chairman then turned over the table to the Election Committee to conduct
773 the vote for yeas and nays on the issue of "Whether or not to acquire R & B Corporation." The body prepared

774 three boxes for the yes, no, and abstain votes. The number of votes was counted based on the number of shares
775 of each CISP member-shareholder. Only the votes of the official representatives of coop-members were
776 counted.
777

778 After the members finished casting their votes, the three members of the Election Committee counted the votes
779 based of the number of shares. The following was the result of the voting:
780

781 **RESULTS OF THE VOTES FOR THE ACQUISITION OF R & B CORP**

782

783	TOTAL NO.	YES	NO	ABSTAIN
784	OF SHARES			
785	2,912,388	2,799,143	50,796	62,449
786	80.81%	78%	1%	2%

787

788 Thereafter, the following Resolution for CISP acquisition of R & B Corp was approved, to wit:
789

790 **RESOLUTION NO. 04 (SA-2016)**

791 **WHEREAS**, the Special Assembly of the Cooperative Insurance System of the Philippines passed SA
792 Resolution No. 03 series of 2016 approving the amendments of CISP Articles of Cooperation and By-
793 Laws that will effect the conversion of CISP into a general insurance cooperative;
794

795 **WHEREAS**, there are two options available for CISP's conversion into a composite insurer: (1) apply
796 for a new business of a non-life insurance cooperative and (2) acquire a non-life insurance company
797 which is being offered for sale;
798

799 **WHEREAS**, upon deliberation on said option, the Special Assembly deemed it best to choose the second
800 option which is to acquire a non-life insurance company and in this, case R & B Insurance Corp.;

801 **WHEREAS**, in a vote cast by the members conducted for the purpose of approving the acquisition of
802 said non-life insurance company, majority of the CISP member-shareholders consisting 2,799,143
803 shares, equivalent to 78% of the total votes cast represented ruled over the no votes consisting of
804 50,796 shares or 1% of votes cast;
805

806 **NOW, THEREFORE, FOREGOING PREMISES CONSIDERED, BE IT RESOLVED AS IT IS HEREBY**
807 **RESOLVED**, that the CISP member-shareholders approved the CISP acquisition of R & B Corporation;
808

809 **RESOLVED FURTHERMORE**, that the Board of Directors and management be granted with full power
810 and authority for and on behalf of the CISP to negotiate said purchase of said R & B Corp, and;
811

812 **RESOLVED FINALLY**, that the Chairman and President of CISP be authorized to sign all pertinent
813 documents relative to said purchase.
814

815 **BE, AS IT IS HEREBY, APPROVED.**
816

817 **VII. ADJOURNMENT**
818

819 There being no other matters to be discussed, the special assembly adjourned at 1:40 p.m.
820

821 **Certified True and Correct:**

822 
823 **ATTY. ORLANDO C. CALILUNG**
824 Corporate Secretary
825

826 **Attested:**

827 
828 **BGEN. TEODORO P. EVANGELISTA AFP (RET)**
829 Chairman
830

831
832

**SUMMARY OF APPROVED/RATIFIED/CONFIRMED BOARD RESOLUTIONS
LIFTED FROM THE MINUTES OF THE MEETINGS OF THE BOARD OF DIRECTORS OF THE
COOPERATIVE INSURANCE SYSTEM OF THE PHILIPPINES (CISP) FOR CALENDAR YEAR 2016**

Date	Resolution No. (S-2016)	Particulars
January 15, 2016	1	Approval of the agenda.
	2	Approval of the minutes of the meeting of the Board of Directors held on December 11, 2015.
	3	Adoption of the President's report.
	4	Approval for the audit engagement of Reyes Tacandong & Co. as CISP External Auditor for the Year 2016.
	5	Approval of the holding of the 42 nd CISP General Assembly in Cebu City.
	6	Approval of the House Rules to be implemented in the 42 nd CISP General Assembly.
	7	Approval of the proposed CISP Organizational Structure.
	8	Authorization granted to management to negotiate the price and the terms and conditions of the purchase of land and building being offered for sale to CISP.
February 12, 2016	9	Approval of the Agenda.
	10	Approval of the Minutes of the Meeting held on January 15, 2016.
	11	Approval of the amendments of the tripartite MOA between and among CISP, FICCO MBA and FICCO to include the recommendations of the Insurance Commission for the dissolution and winding up of FICCO MBA and absorption of the latter by CISP.
	12	Acceptance of the dissolution of FICCO MBA and the absorption and/or transfer of all its assets, liabilities, and equity accounts to CISP.
	13	Approval of the CISP mascot design and the 2015 Annual Report logo.
	14	Adoption of the Election Guidelines for the 42 nd CISP General Assembly.
	15	Approval of the holding of CISP Team Building on April 17 to 19, 2016 in Bohol.
	16	Approval of the withdrawal of capital of three CISP member-shareholders.
	17	Approval of the allocation of P32 million for the purchase of a land and building.
March 18, 2016	18	Approval of the Agenda.
	19	Approval of the Minutes of the Meeting of the Board held on February 12, 2016.
	20	Approval of the Audited Financial Statement of CISP for the year ended December 31, 2016.
	21	Approval of the allocation of the Distributable Surplus for the Year 2015 business operation.
	22	Acceptance of the Joint Report of the Board and Management.
	23	Adoption of the Supplemental Election Guidelines to be observed in the Annual General Assembly on April 16, 2016.
	24	Approval for the engagement of Metropolitan Bank & Trust Company – Trust Banking Group (MBTC-TBG) as Investment Manager of CISP designation of the official signatories to said account.
	25	Approval of the granting of cash prizes to the winner and runner up of CISP Hymn Songwriting Contest and the designer of CISP mascot.
	26	Approval of the merit increase and inflationary increase of CISP employees.
	27	Approval of the participations of CISP employees in the international seminars and/or trainings on insurance.
	28	Authorization to withdraw CISP savings deposit with Banco Cooperativa De Zamboanga in the amount in excess of P200,000.00.

	29	Approval of the withdrawal of capital of KS Bank.
	30	Authorization to open a Savings Account with St. Martin of Tours Credit and Development Cooperative and designation of signatories to said account.
April 15, 2016	31	Approval of the agenda.
	32	Approval of the Minutes of the Meeting of the Board of Directors held on March 18, 2016.
	33	Approval of the President's report.
	34	Approval for the restoration of the written down portion of all outstanding preferred shares of stocks as of December 31, 2015 to be charged against the General Reserve Fund.
	35	Approval for the restoration of the written down portion of all outstanding preferred shares of stocks as of December 31, 2015, to be charged against the appropriation for Experience Refund.
	36	Approval of the proposed Compensation and Benefits program of the marketing agents.
	37	Approval of the withdrawal of capital of Sto. Domingo Multi-purpose Cooperative.
	38	Approval of the proposed amendments to the CISP Investment Policy.
	39	Approval of the distribution of cash dividends for interest on capital and patronage refund of CISP member-shareholders for Calendar Year 2015.
April 16, 2016	40	Appointment of Dir. BGen. Teodoro P. Evangelista (Ret) and Ms. Imelda S. Magabilen Chairperson and Vice Chairperson of the Board, respectively.
	41	Appointment of the Atty. Orlando C. Calilung and Ms. Leonila R. Medina as Corporate Secretary and Treasurer, respectively.
	42	Re-Appointment of Mr. Roy S. Micalat as CISP President.
	43	Appointment of Chairman BGen. Teodoro P. Evangelista AFP as the CISP official representative to the 2 nd Annual G.A. of CHMF.
May 4, 2016	44	Approval of the Agenda.
	45	Approval of the Minutes of the regular and organizational meetings of the Board of Directors held on April 15 and April 16 2016, respectively.
	46	Confirmation of the nomination of Engr. Armen A. Cuenca as CISP Independent Director.
	47	Confirmation of the nominations of Ms. Wilma Gidaya and Mr. Rolan Literatus as members of the Audit Committee.
	48	Appointment of the members of the Executive Committee: 1. Dir. BGen. Teodoro P. Evangelista (Ret) - Chairperson 2. Dir. Imelda S. Magabilen - Vice Chairperson 3. Dir. Senen C. Bacani - Member 4. Dir. Benjamin T. Que - Member 5. Dir. Jesus G. Cornito - Member 6. Ms. Leonila R. Medina - Ex-Officio 7. Mr. Roy S. Micalat - Ex-Officio 8. Atty. Orlando C. Calilung - Corp. Secretary
	49	Appointment of the members of the Education and Training Committee: 1. Dir. Imelda S. Magabilen - Chairperson 2. Dir. Engr. Raymond Joseph L. Salvador - Member 3. Ms. Leonila R. Medina - Member 4. Mr. Roy S. Micalat - Member 5. Mr. Apolinar P. Mariano Jr. - Member 6. Ms. Jackelyn P. Ballena - Secretary
	50	Appointment of the members of the Personnel Committee: 1. Dir. Prudencio F. Consolacion - Chairman 2. Dir. Francisco C. Jose - Member 3. Ms. Leonila R. Medina - Member 4. Mr. Roy S. Micalat - Ex-Officio 5. Ms. Jackelyn P. Ballena - Ex-Officio

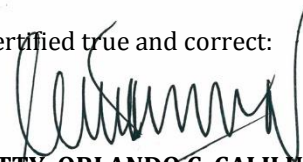
	51	Appointment of the members of the Ethics Committee: 1. Jollibee Employees MPC 2. Simbayanan ni Maria MPC 3. Koop King MPC
	52	Appointment of the members of the Mediation and Conciliation Committee: 1. Mr. Antonio Ll. Sayo 2. Avon Independent Managers MPC 3. Ms. Jackelyn P. Ballena
	53	Appointment of the members of the Gender and Development Committee: 1. Dir. Imelda S. Magabilen 2. Dir Prudencio F. Consolation 3. Ms. Leonila R. Medina 4. Ms. Jackelyn P. Ballena 5. Mr. Rene G. Mantilla
	54	Approval of the President's report on CISP's operation as of March 31, 2016.
	55	Approval of the transfer of all money, deposits and/or Investments of FICCO MBA to the name of CISP from the association's depository-investee banks.
	56	Approval to open a Claims Fund with Ilocos Sur Cooperative Bank (ISCB), in the amount.
	57	Approval of the CISP Program of Activities for the year 2016.
	58	Authorization to purchase a parcel of land near and/or located within the vicinity of the CISP Head Office and allocation of P15 million for said purchase.
	59	Appointment of Dir. Engr. Raymond Joseph L. Salvador as the official representative of CISP to the 20 th Annual G.A. of Metro South Cooperative Bank (MSCB).
	60	Appointment of Chairman Evangelista as the official representative of CISP to the 23 rd Annual GA of Cooperative Bank of Negros Oriental (CBNO).
	61	Authorization to withdraw CISP investment in Philac Service Cooperative.
June 2, 2016	62	Approval of the Agenda.
	63	Approval of the Minutes of the Meeting of the Board held on May 4, 2016.
	64	Approval of the holding of Special Assembly on July 23, 2016 in any place within Metro Manila.
	65	Appointment of San Felipe Neri MPC and Kapit Bisig sa Pag-Unlad MPC as members of Audit Committee and Mediation & Conciliation Committee, respectively.
	66	Approval of the Report of Management on CISP's operation as of April 30, 2016.
	67	Approval of the report of the Education and Membership Committee.
	68	Approval of the proposed Implementing Guidelines in the Granting of Credit Assistance to CISP Members.
	69	Approval to open CISP Savings Account with St. Martin of Tours Credit and Development Cooperative and designation of signatories to said account.
	70	Appointment of CISP officers to represent the System in the 13 th National Cooperative Summit.
	71	Approval of the CISP subscription in the souvenir program of Simbayanan ni Maria Foundation.
	72	Appointment of CISP representative in the application for Registration in its area office in Tuguegarao City.
July 22, 2016	73	Approval of the Agenda.
	74	Approval of the amendments to the CISP Articles of Cooperation and By-Laws.
July 23, 2016	75	Approval of the Agenda.

	76	Approval of the Minutes of Meeting of the Board of Directors held on June 2, 2016.
	77	Approval of additional investment in time deposit in Consolidated Cooperative Bank.
	78	Approval of the amendments to the Investment Policy.
	79	Approval of the write off of uncollectible/doubtful accounts.
	80	Approval of the partnership of CISP with Model Cooperative Network, Western Visayas Alliance of Cooperatives, and Antique Federation of Cooperatives.
	81	Approval to enter into a business venture with Ateneo de Davao Employees Credit Cooperative.
	82	Approval of CISP subscription in the sponsorship package of the 13 th National Summit to be held on October 24-26, 2016.
	83	Approval to sponsor two students' scholars of Caritas Manila-Youth Servant Leadership and Education Program (YSLEP) as part of CISP's corporate social responsibility project.
	84	Approval to open CISP Savings and Claims Fund Accounts with Novaliches Development Cooperative (NOVADECI).
	85	Approval to open CISP Savings and Claims Fund Accounts with San Jose Del Monte Savings and Credit Cooperative.
	86	Approval to open CISP Savings and Claims Fund Accounts with Barangka Credit Cooperative.
	87	Approval to open CISP Savings and Claims Fund Accounts with Tao Management Service Multi-Purpose Cooperative.
	88	Approval to open CISP Savings and Claims Fund Accounts with Sta. Cruz Savings and Development Cooperative.
	89	Approval to open CISP Savings and Claims Fund Accounts with Claveria Farmers Multi-Purpose Cooperative.
	90	Approval to open CISP Savings and Claims Fund Accounts with Claveria Agri-based Multi-Purpose Cooperative.
	91	Approval to open CISP Savings and Claims Fund Accounts with Tabuk Multi-Purpose Cooperative.
	92	Approval to open CISP Savings and Claims Fund Accounts with Claveria Grassroots Multi-Purpose Cooperative.
	93	Approval to open CISP Savings and Claims Fund Accounts with N.V. Alay Kapwa Multi-Purpose Cooperative.
	94	Approval to open CISP Savings Account with Cooperative Bank of Nueva Vizcaya-Ramon Branch.
	95	Approval for CISP's subscription in common shares of Coop T.V. Network.
August 11, 2016	96	Approval of the Agenda.
	97	Approval of CISP's partnership with Model Cooperative Network (MCN).
	98	Authorization to apply for the registration of the all CISP area offices with the Insurance Commission.
	99 A	Approval of the salary adjustment of all employees of CISP.
	99 B	Approval of the group insurance coverage of CISP Officers and employees.
October 26, 2016	100	Approval of the Agenda.
	101	Approval of the Minutes of the Meeting of the Board of Directors held on July 22, July 23 & August 11, 2016.
	102	Approval of the Minutes of the meeting of the Executive Committee held on September 2, 2016.
	103	Approval for the acquisition of a 1,603 sqm. lot in Kalayaan Avenue and authorization for the management to negotiate the price.
	104	Appointment of soliciting agent for non-life insurance, surety and/or bonding agreements.
	105	Acceptance of the Presidents report.
	106	Approval of the withdrawal of capital of the Mindanao Columbian Knights Multi-Purpose Cooperative.

	107	Designation of Mr. Roy S. Miclat and Ms. Hilda A. Tinampay, as CISP principal and alternate representatives in all activities of CCSF.
	108	Approval to open CISP Savings Account with Kabisig Savings and Agri-Development Cooperative.
December 27, 2016	109	Approval of the agenda.
	110	Approval of the Minutes of the Meeting of the Board of Directors held on October 26, 2016.
	111	Approval of the Minutes of the Meeting of the Executive Committee held on November 25, 2016
	112	Approval of the proposed budget for the year 2017.
	113	Approval of the incorporation of the Credit Committee to the Investment Committee with the following members: 1. Dir Raymond Joseph L. Salvador = Chairman 2. Dir Prudencio F. Consolacion = Vice-Chairman 3. Dir Francisco C. Jose = Member 4. Dir Jesus G. Cornito = Member 5. Ms. Leonila R. Medina = Member 6. Mr. Roy S. Miclat = Ex-Officio
	114	Approval of the creation of Risk Management Committee to be composed of the following members: 1. Dir Benjamin T. Que = Chairman 2. Dir Imelda S. Magabilen = Member 3. Dir Prudencio F. Consolacion = Member 4. Dir Armen A. Cuenca = Member 5. Ms. Leonila R. Medina = Member 6. Mr. Roy S. Miclat = Ex-Office
	115	Approval of the proposed business diversifications of CISP.
	116	Approval of the Plan of Merger, Business Plan and Articles of Merger of CISP and R&B Insurance Corp.
	117	Approval of the acceptance and/or take over by the CISP of the Savings Account of FICCO MBAI in Banco de Oro Unibank, Inc. (BDO)-Cogon, Cagayan de Oro City branch and designation of CISP official signatories.
	118	Approval of the acceptance and/or take over by the CISP of the Time Deposit Account of FICCO MBAI in Banco de Oro Unibank, Inc. (BDO)-Cogon, Cagayan de Oro City branch and designation of CISP official signatories.
	119	Approval of the acceptance and/or take over by the CISP of the Investment Management Account (IMA/TA) of FICCO MBAI in Banco de Oro Unibank, Inc. (BDO)-Trust and Investments Group and designation of CISP official signatories.
	120	Approval of the acceptance and/or take over by the CISP of the Tier 2 Account of FICCO MBAI in Banco de Oro Unibank, Inc. (BDO) and designation of CISP official signatories.
	121	Approval of the acceptance and/or take over by the CISP of the Fixed Rate Treasury in Registry of Scriples Securities (FXTN-RoSS) of FICCO MBAI with Banco de Oro Unibank, Inc. – Trust and Investments Group and designation of CISP official signatories.
	122	Approval of the acceptance and/or take over by the CISP of the mutual fund of FICCO MBAI in NCM Mutual Fund of the Philippines, Inc. (NCM MF) and designation of CISP official signatories.
	123	Approval of the acceptance and/or take over by the CISP of the Savings Account of FICCO MBAI in China Banking Corporation (CBC)-Divisoria, Cagayan de Oro City branch and designation of CISP official signatories.
	124	Approval of the acceptance and/or take over by the CISP of the Time Deposit of FICCO MBAI in China Banking Corporation (CBC)-Divisoria, Cagayan de Oro City branch and designation of CISP official signatories.
	125	Approval of the acceptance and/or take over by the CISP of the Unit Investment Trust Fund (UITF) of FICCO MBAI in China Banking

		Corporation (CBC)-Divisoria, Cagayan de Oro City branch and designation of CISP official signatories.
	126	Approval of the acceptance and/or take over by the CISP of the Savings Account (SA) of FICCO MBAI in Bank of Commerce (BOC)-Velez, Cagayan de Oro City branch and designation of CISP official signatories.
	127	Approval of the acceptance and/or take over by the CISP of the Unit Investment Trust Fund (UITF) of FICCO MBAI in Bank of Commerce (BOC)-Velez, Cagayan de Oro City branch and designation of CISP official signatories.
	128	Approval of the acceptance and/or take over by the CISP of the Time Deposit (high yield savings account) of FICCO MBAI in Land Bank of the Philippines (LBP)-Capistrano branch and designation of CISP official signatories.
	129	Approval of the acceptance and/or take over by the CISP of the Time Deposit (high yield savings account) of FICCO MBAI in LandBank of the Philippines-Velez branch and designation of CISP official signatories.
	130	Approval of the acceptance and/or take over by the CISP of the Time Deposit of FICCO MBAI in BPI Family Savings Bank-San Agustin, Cagayan de Oro City branch and designation of CISP official signatories.
	131	Authorization to apply for a Letter of Authority for the registration of the CISP satellite or area offices with the Cooperative Development Authority (CDA).
	132	Approval of CISP investment placements of Government Securities With BDO Unibank Inc.
	133	Approval to open Savings Account with ACDI Multi-Purpose Cooperative.
	134	Approval to open Savings Account with City Hall Employees Multi-Purpose Cooperative.
	135	Approval to open CISP Savings Account with CAMSUR Multi-Purpose Cooperative.
	136	Approval to open Time Deposit Account with Abra Diocesan Teachers and Employees MPC.
	137	Approval to open CISP Time Deposit Account with Diffun Saranay Development Cooperative.
	138	Approval to open CISP Time Deposit with Maddela Auto Savings MPC.
	139	Approval to open CISP Time Deposit with St. Catherine's Parish MPC.
	140	Approval to open CISP Time Deposit with St. Joseph Parish MPC.
	141	Approval to open CISP Time Deposit with St. William MPC.
	142	Approval of the granting of cash gifts to all CISP employees, officers and non-regular staff.

Certified true and correct:



ATTY. ORLANDO C. CALILUNG
Corporate Secretary

JOINT REPORT OF THE BOARD OF DIRECTORS AND MANAGEMENT

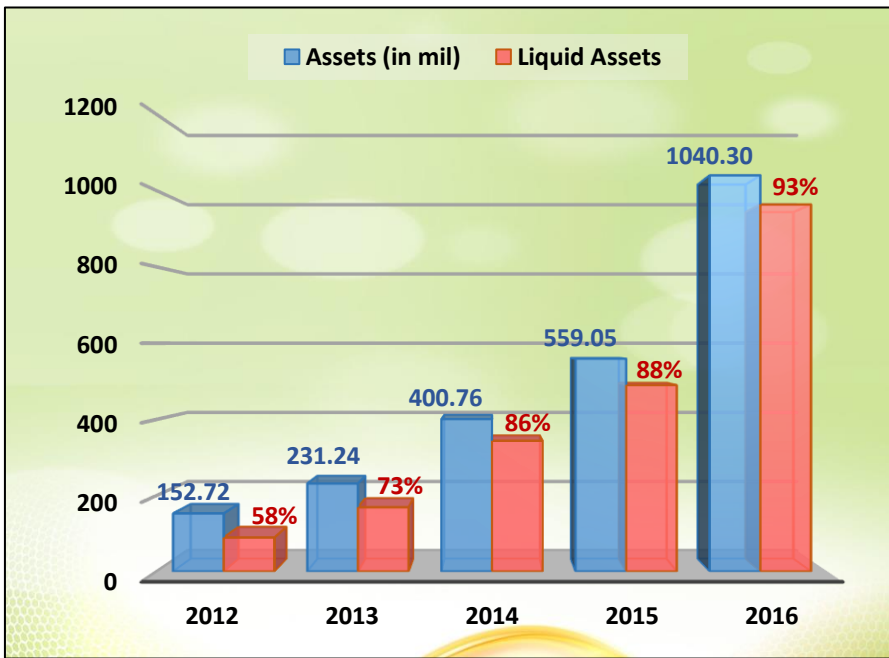
Dear CISP Shareholders,

In 2015, CISP soared high and recorded a growth way above the industry average. Even now, we continue to relish this remarkable 2015 growth. But the best news is this: in 2016, we are proud to report that we have surpassed ourselves. True to our theme of “*Securing Lives...Securing Future*,” CISP breached the P1 Billion mark in terms of assets. This milestone is a testament to the unwavering support of our member-cooperatives, our partners, and our stakeholders in the cooperative movement.

Financial Highlights 2012-2014

CISP’s performance is better appreciated when viewed on a five-year frame. The following graphs show not only the **growth** of our insurance cooperative, but also highlight its much improved **liquidity, asset quality, profitability** and **stability**.

Assets Growth, Liquidity and Asset Quality



The first graph reflects the remarkable **growth** of CISP resources in the last five years. From 2012 to 2014, the highest annual growth was registered in 2014, at 73%, which eclipsed the 2013 increase of 51%. With a bigger base, our 2015 asset increase was at a lower clip of almost 40%. But 2016 again defied expectation with assets growing by 86%.

The two questions we should be concerned about are: (a) how liquid is our insurance provider and (b) can we, the members, be assured of the quality of its assets? Positive answers to both questions

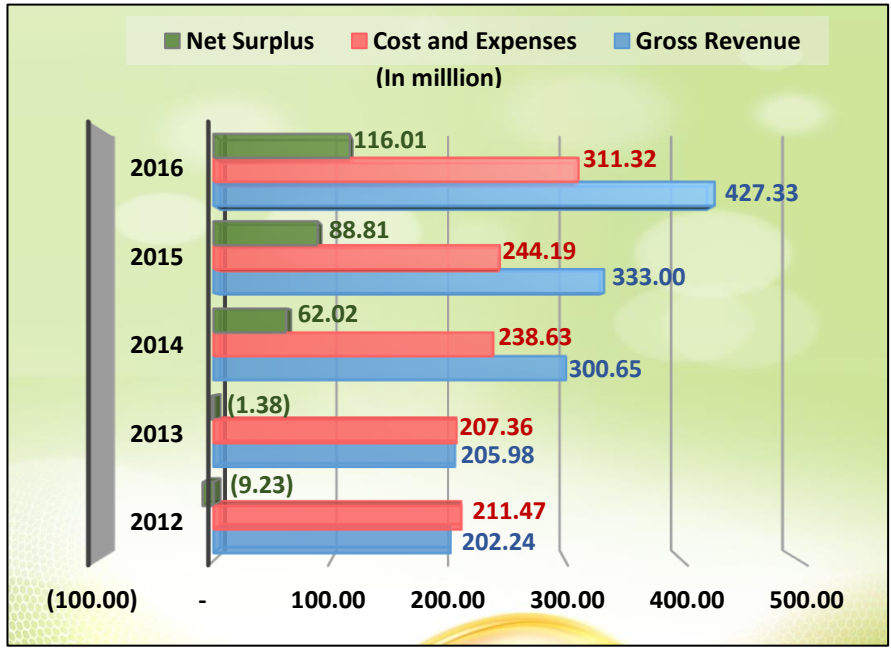
assure us that CISP can service our claims if any of our members or their insured dependents pass away or are disabled. It will also give our member cooperatives the confidence that if they withdraw their investments, CISP can easily pay them.

The above graph also tells us the proportion of the liquid assets of CISP to total assets the last five years. It is interesting to note the steady rise of liquid assets, from 58% in 2012 to 93% in 2016, which signifies two things: CISP is **very liquid** and considering the requirements of the Insurance Commission to have our funds placed in stable financial institutions, the **quality of these assets are beyond doubt**.

Profitability

The next item we should determine is if our cooperative is profitable. **Profitability** ensures that there is no threat of erosion in the value of our capital with CISP. More importantly, it gives assurance that we the members will receive the expected return on our investment and, at the same time, partake of patronage refund.

The next graph shows CISP's *gross revenue, total expenses* and *net surplus* in the past five (5) years.



From consecutive losses in 2012 and 2013, CISP made a huge turn-around in 2014. It continued posting remarkable bottom lines in the next two years as well. Profitability rates during these period are as follows:

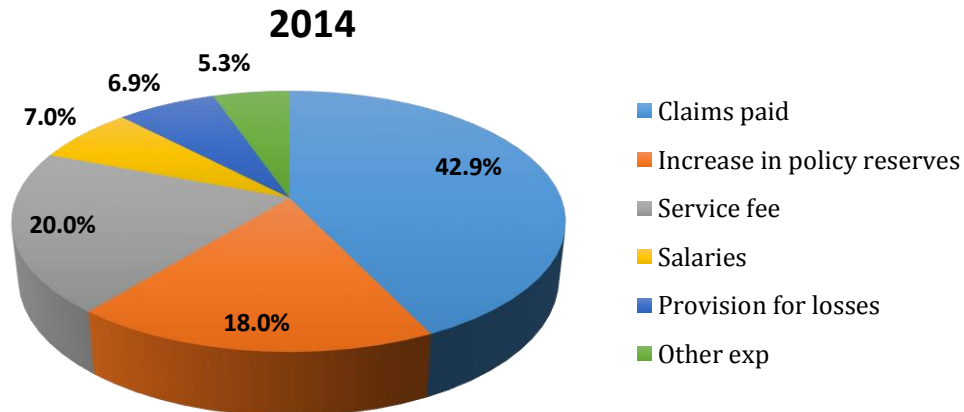
Year	Profitability Rate
2012	(4.6%)
2013	(0.7%)
2014	20.6%
2015	26.7%
2016	27.2%

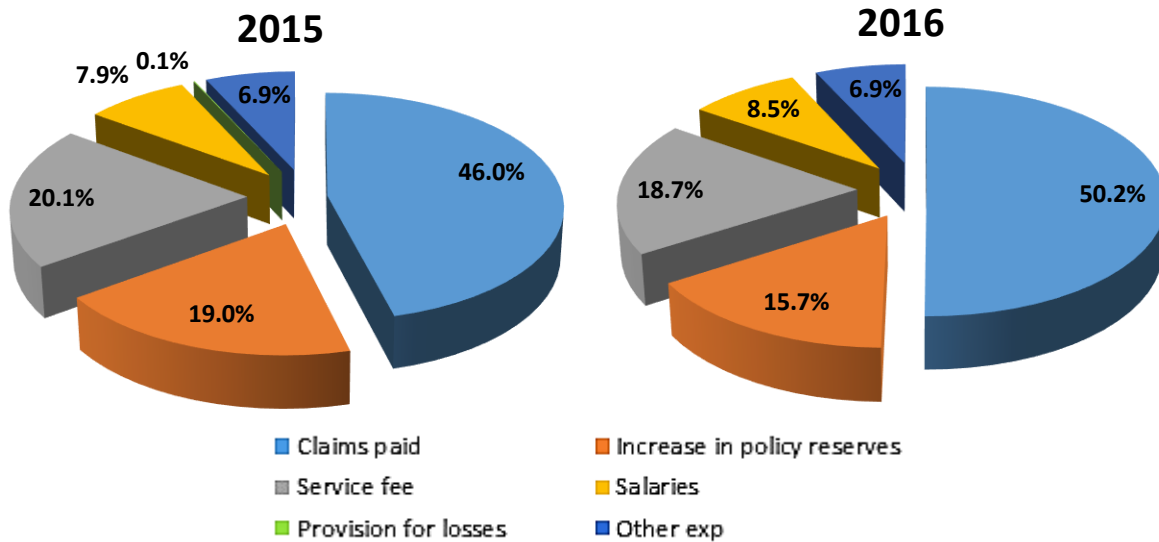
Despite the fact that only 50% of its distributable surplus is appropriated as dividend (the other 50% is distributed as patronage and experience refunds), its dividend rates keep on improving:

Year	Dividend Rate
2014	13.00 %
2015	13.75 %
2016	14.00 %

Expense distribution

Are the favorable profitability indicators achieved at the expense of servicing the protection needs of coop members? The following graphs show the distribution of total expenses in the years 2014 to 2016. Please note the increasing proportion of claims paid to expenses, from 42.9% in 2014 to 46% in 2015 and 50.2% in 2016.

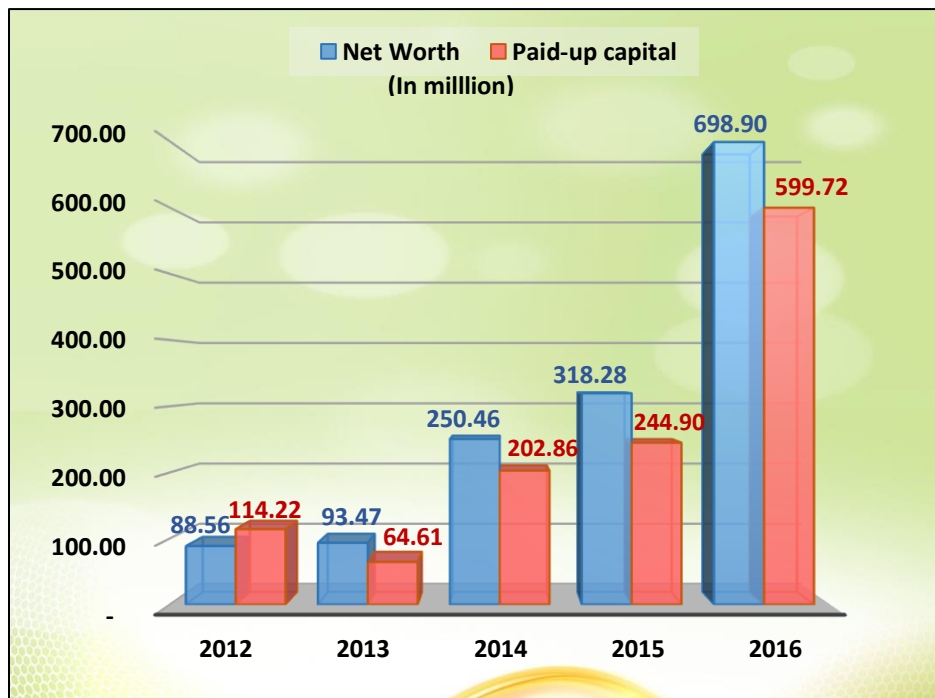




Stability

The Insurance Commission strictly monitors the compliance of insurance companies, including CISP, on the capital requirement based on the risk carried by each company. On top of this, RA No. 10607, otherwise known as the Amended Insurance Code of the Philippines, also requires insurance companies to increase their net worth to P 1.3 billion by 2022. As of the end of 2016, the net worth required is set at P 550 million. As a cooperative, CISP is considered compliant if its net worth amounted to 50% to what is set by law, or at P 275 million in 2016 and P 650 million in 2022.

The following graph shows the Net Worth and Paid-up capital of CISP during the last five years.



Thus, as of the end of 2016, CISP's Net Worth is already above what is required at the end of 2022.

Stability results from the interplay of the other three financial indicators: liquidity, asset quality and profitability. If an insurance company cannot pay claims on time (*illiquidity*), clients will withdraw support

through non-remittance of premium or delayed payment of premium already due. Uncollected premium receivable will translate into poor **asset quality** and requires higher provisioning.

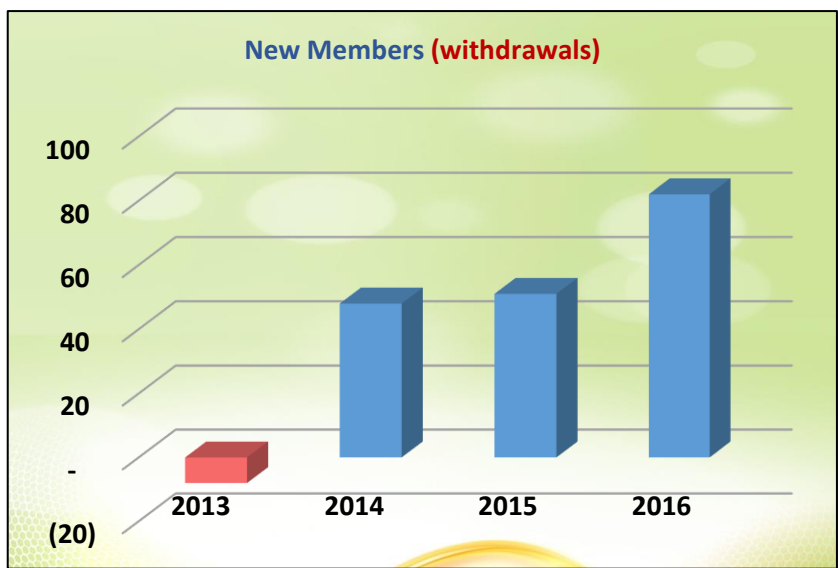
Lower premium collection and higher provisioning for uncollected premium will have major impact on **profitability**. This will then translate into lower or worse no dividend and patronage refund which can lead to no additional capital contribution, or worst, withdrawal of capital already contributed.

With the grace of the Almighty, the above financial indicators are testaments of a CISP that is growing, with good quality assets, liquid, profitable and stable.

Membership Growth

The continuous growth of its membership is also a testament that CISP has re-captured the trust and confidence of the sector. The last three years has shown that with good governance, efficiency in operations, and transparency in dealing with its stakeholders, support will be generously provided. The increasing membership base enabled CISP to generate additional capital, gain more patronage and extend its reach to individual members of cooperatives which were deemed to be “uninsurable”.

In 2013, there were 8 member-cooperatives that withdrew their membership from CISP. At that time, there were also member-cooperatives that ceased patronage and support. However, by 2014, we were able to recruit 48 new cooperatives that saw the opportunity in supporting our direction of “Renewing Itself through Efficiency and Good Governance”. In 2015, with the theme of “Sustaining Growth and Stability through Service Quality” we attracted 51 new member-cooperatives. And by 2016, with CISP embracing the theme of “Securing Lives... Securing Future,” we generated 82 new members that contributed their resources and provided patronage and support thereby propelling the growth of the system. These new member-cooperatives came from the three (3) major island groups of the country, with Luzon contributing fifty (50) cooperatives; Visayas eight (8) and Mindanao adding twenty-four (24) cooperatives to our roster.



“Securing Lives... Securing Future,” we generated 82 new members that contributed their resources and provided patronage and support thereby propelling the growth of the system. These new member-cooperatives came from the three (3) major island groups of the country, with Luzon contributing fifty (50) cooperatives; Visayas eight (8) and Mindanao adding twenty-four (24) cooperatives to our roster.

Human Resource Development

In preparation for the sustained growth and expansion of CISP, a comprehensive and holistic program was implemented that will enhance the capacity and capability of our personnel. For 2016, a total of 39 seminars, workshops and conferences, both domestic and international, were attended by department managers, supervisors, and rank & file personnel to update and upgrade their knowledge and skills in their respective areas of operation. (See Annex A - Trainings/Seminars/Workshops/Conferences)

Cooperative Social Responsibility (CSR)

CISP upholds the seventh principle of cooperation, “Concern for the Community” by conducting year-long activities that benefit the communities where we operate. These activities were:

1. Conducted Maternal Health Awareness for 100 participants from Bagong Bantay (May 2016) and Commonwealth (June 2016) in Quezon City that highlighted immunization, family planning, pre and post-natal check-up, and vaccination.

2. Visited kids afflicted with cancer at Child Haus Foundation last October 2016 and played the game “Bocce” with children with special needs as a way of showing support to the Special Olympics Philippines.
3. Participated in “Brigada Eskwela” by donating five (5) ceiling fans and painted a mural that depicted the family at Flora Ylagan High School in Quezon City. Also made a donation for electric wiring materials for San Roque National High School in Navotas to support the electrical rewiring of their classrooms.
4. Held a tree planting activity in Norzagaray, Bulacan last August 2016.
5. Presented Urban Gardening/Agriculture as a means of livelihood for 30 unemployed mothers in San Jose del Monte, Bulacan last September 2016. There are still 28 participants that are engaged in the program and are generating additional income and stable food source for their families.
6. Participated in the annual Blood Letting Program of PLIA as part of our contribution during the 21st Life Insurance Consciousness Week.
7. In coordination with the LGU, conducted an “Awareness of Road Traffic Safety of Students” Seminar for 45 students at Gen. Tiburcio Elementary School in Valenzuela City last October 2016 to create awareness among students in avoiding any danger, injury, or risk outside their schools when they travel to and from school.
8. Joined the government in its campaign against money laundering and financial terrorism. We also participated in a fun-run sponsored by the AMLC last October 2016. This activity was intended to benefit children with cleft lip and palate.
9. Provided assistance to the Model Cooperative Network, a training and advocacy federation based in Davao City, to help cooperatives improve their operations. It also partnered with the FICCO Community Outreach Foundation in providing CDA-required training to cooperatives in Caraga Region, in the province of Quirino, and in the municipality of Laguindingan, Misamis Oriental.

Linkages and Network Building

CISP participated in two (2) Technical Working Groups in formulating the new regulatory framework on Distribution Channels and Consumer Protection and Enhanced Performance Standards for Microinsurance sponsored by Asian Development Bank (ADB), with the support of the Insurance Commission (IC), Department of Finance (DoF), Cooperative Development Authority (CDA), Securities and Exchange Commission (SEC) and Bangko Sentral ng Pilipinas (BSP).

We continue to participate in the seminar/workshops being sponsored the Foundation for the Advancement of Life Insurance in the World (FALIA) in Yokohama, Oriental Life Insurance Cultural Development Center (OLIS) and The Institute of Actuaries of Japan in Tokyo. These exchange of personnel enabled us to learn from the experiences of participating countries and eventually gives us a better outlook in formulating the strategic course of CISP.

Lastly, CISP is an active member of Philippine Life Insurance Association (PLIA), Home Office Underwriters Association of the Philippines (HOLUAP), Personnel Management Association of the Philippines (PMAP), and Life Insurance Claims Association of the Philippines (LICAP). We participate in the various activities of these associations to learn the best practices in the insurance industry.

Cooperative Health Management Federation (CHMF)

Our active support in marketing the products and services of 1 Coop Health (CHMF) resulted in 20 new coops joining the federation, bringing its total membership to 34 at the end of 2016. The marketing effort generated for CISP additional premium in group life insurance amounting to P 399,844.00 covering 6,047 individual member-subscribers of cooperatives. We continuously assist 1 Coop Health in promoting their products and services as part of our commitment to provide affordable and quality risk protection and mitigation schemes for cooperatives.

Model Cooperative Network (MCN)

CISP has forged partnership with Mindanao-based MCN for the capacity and capability building program of its cooperative members. The quality and effective training programs will help our cooperative members

become financially viable and sustainable that will ensure continued service to their individual members. Our patronizing members get full subsidy while non-patronizing members get 50% subsidy. CISP has allocated the amount of P 2.25 million to subsidize the trainings for 2016-2017

Non-life Insurance

In preparation for the merger of R&B Insurance Corporation with CISP, we are now strongly marketing non-life insurance products such as motor vehicle, fire, surety bonds, and personal accident including the hot-selling “Home Protect”— a micro-insurance personal accident cover that will provide assistance in the event that the insured experienced fire and other calamities (e.g. flood, earthquake). For 2016, we were able to generate non-life premium of P 20.14 million, from which CISP earned a service fee of P 1.1 million.

2017 Theme

The last three and a half years, CISP officers and staff tirelessly worked to provide fast and efficient service to its members. It has developed new products and improved its systems and procedures. It also expanded its reach by deploying marketing personnel in provinces and regions with low coop participation.

This year’s theme: **"People, Purpose, and Passion: Key to Continuous Growth and Success"** captures all the effort invested since mid-2013.

If we recall, our theme for 2014 focused on renewal through efficiency and good governance. When modest growth in resources and revenue was achieved, we proclaimed in 2015 that we will sustain said growth through quality service. The response of member coops inspired all of us to be more encompassing in our outlook. Thus, in 2016, CISP promised to secure lives and secure the future of coop members.

As CISP pursues its 5-year strategic plan with the guiding mantra of **Develop, Enhance, Maximize, Intensify** and **Accelerate**, it has in mind –

1. To **develop** its people, its products, its structure, and delivery system, gearing these towards serving the members well;
2. To **enhance** the quality of its services as well as its interface with the members to establish active feedback mechanism;
3. To **maximize** the use of technology to facilitate service delivery, immediately address concerns, and further improve the skills of its manpower and the knowhow of its members;
4. To **intensify** the marketing and delivery of its services, bringing CISP closer to its members through the establishment of branches, and even increase its community development undertakings to improve the lives of people and help preserve the environment;
5. To **accelerate** the growth of CISP by ensuring that all the products, services, and systems are in place and that these, as well as the whole organization, have obtained ISO certification.

Thus, for this year, CISP **people**, have the clear **purpose**, the unsurpassed **passion** and commitment to deliver the products and services of the federation to cooperatives, their individual members and their families. **Growth and Success** will certainly follow, to the benefit of all its member cooperatives.

We enjoined all our shareholders to continuously support CISP as part of our contribution in reducing poverty, redistributing wealth, and helping in nation-building for our country. Lastly, may our accomplishments in risk protection and mitigation for cooperatives pave the way for the realization of an Integrated Cooperative Financial System (ICFS) in the cooperative movement.

For the Board of Directors


BGEN. TEODORO P. EVANGELISTA (RET)
Chairman

For the Management


ROY S. MICLAT
President

ANNEX A – CAPACITY AND CAPABILITY ENHANCEMENT PROGRAMS FOR EMPLOYEES

#	No. Of Employees Attended	<u>TRAINING TITLE</u>
International Trainings		
1	2	FALIA Forum 2016 (Major Challenges Facing Life Insurance Company and Consumer Protection)
2	1	OLIS 2016 Autumn (Practical Business Operation of Life Insurance Company)
3	1	Actuarial Seminar of East Asia 2016 (ASEA 2016)
4	2	FALIA 2016 (Risk Management Course)
Local Trainings		
1	1	How To Manage Your Office Operations Like A Well-Oiled Machine
2	1	Updates And Compliance With Payroll And Withholding Taxes
3	1	Updates And Compliance With SSS, Pag-Ibig, and PhilHealth Regulation
4	1	Workshop On Internal Control
5	1	8th Negosyo Filipina Entrepreneurship Summit
6	2	Seminar - Workshop on Annual Compliance Requirements for Cooperatives
7	2	Dyslipidemia & Urinalysis
8	1	Flexible Work, Time, And Technology 2016
9	2	Asean Corporate Governance Scorecard
10	1	Certificate Course in Industrial Relations And Human Resources Management
11	1	MS Excel VBA Macro 2010
12	1	Basics In Actuarial Valuation of General Insurance Liabilities
13	1	Advanced Course on Motor Insurance
14	2	21st Annual Convention HOLUAP
15	3	Getting Rody For Change : The Philippines In A New Political Landscape
16	1	Effective Office Administration
17	2	Colonic Polyps
18	1	10th Philippine HR Congress
19	1	Northern CPD Package 4
20	2	19th Annual LICAP Convention
21	1	Defining The Business Impact Analysis for Business Community Management System
22	1	53rd PMAP Conference
23	2	Emerging Infectious Diseases/Approach Update on HIV in the Philippines
24	6	Strategic Management System Through Process Management And Balanced Scorecard Model
25	1	Profiling and Measuring Competencies
26	2	Mental, Neurological and Substance Abuse Disorders; and Mental Health Program 2. Documentation and Updates on Report of Birth, Death, Marriage, CENOMAR
In-House Trainings		
1	17	1st Quarterly Learning Session
2	17	2nd Quarterly Learning Session
3	17	3rd Quarterly Learning Session
4	43	Disaster Preparedness And Management Seminars (Earthquake)
5	43	Disaster Preparedness And Management Seminars (First Aid)
6	43	Family Planning
7	43	Financial Literacy Seminar
8	43	Sexually Transmitted Diseases
9	43	The Five Love Languages





INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Cooperative Insurance System of the Philippines

Opinion

We have audited the accompanying financial statements of Cooperative Insurance System of the Philippines (the Cooperative), which comprise the statements of financial condition as at December 31, 2016 and 2015, and the statements of operations, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Cooperative Insurance System of the Philippines as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Framework for Cooperatives (PFRF for Cooperatives) as prescribed by Memorandum Circular (MC) No. 2015-06 of the Cooperative Development Authority (CDA).

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 are independent of the Cooperative 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 audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

The financial statements are prepared to assist the Cooperative to meet the requirements of the CDA. Effective January 1, 2016, the Cooperative has adopted retroactively the PFRF for Cooperatives as prescribed by the CDA's MC No. 2015-06 dated September 16, 2015 (see Note 2). Our report is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with PFRF for Cooperatives as prescribed by MC No. 2015-06 of the CDA, 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 Cooperative'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 Cooperative or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Cooperative'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 Cooperative to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

REYES TACANDONG & Co.

Carolina P. Angeles

CAROLINA P. ANGELES

Partner

CPA Certificate No. 86981

Tax Identification No. 205-067-976-000

BOA Accreditation No. 4782; Valid until December 31, 2018

CDA Accreditation No. 0025-AF

Valid until March 2, 2017

IC Accreditation No. SP-2014/020-R

Valid until August 26, 2017

SEC Accreditation No. 0658-AR-2 Group A

Valid until April 14, 2017

BIR Accreditation No. 08-005144-7-2017

Valid until January 13, 2020

PTR No. 5908528

Issued January 3, 2017, Makati City

January 25, 2017

Makati City, Metro Manila

COOPERATIVE INSURANCE SYSTEM OF THE PHILIPPINES
STATEMENTS OF FINANCIAL CONDITION

	Note	2016	2015
ASSETS			
Current Assets			
Cash and cash equivalents	4	₱738,363,848	₱346,418,593
Short-term investments	5	66,390,666	4,633,009
Insurance receivables	6	42,501,854	42,436,219
Reinsurance assets	8	12,732,185	8,162,437
Loans and receivables	7	4,848,806	2,799,631
Other assets	10	1,239,860	839,387
Total Current Assets		866,077,219	405,289,276
Noncurrent Assets			
Available-for-sale (AFS) financial assets	7	158,900,681	138,711,133
Property and equipment:	9		
At revalued amounts		11,591,274	12,390,000
At cost		3,733,814	2,661,119
Total Noncurrent Assets		174,225,769	153,762,252
		₱1,040,302,988	₱559,051,528
LIABILITIES AND EQUITY			
Current Liabilities			
Insurance contract liabilities	11	₱215,055,995	₱155,059,696
Dividend and patronage refund payable	15	105,944,535	69,705,049
Due to reinsurers	12	7,696,415	4,086,478
Other payables	14	10,097,834	6,969,618
Total Current Liabilities		338,794,779	235,820,841
Noncurrent Liability			
Net retirement liability	13	2,608,370	4,947,389
Equity			
Capital stock		599,631,400	244,809,800
Contributed surplus		85,298	85,244
Revaluation surplus on land and building		6,755,702	7,300,588
Cumulative unrealized gain on AFS financial assets	7	858,151	771,682
Cumulative remeasurement loss on retirement liability	13	(6,234,760)	(4,818,618)
Statutory funds:	15		
General reserve fund		50,424,812	38,278,523
Land and building fund		22,723,521	17,465,359
Cooperative education and training fund		17,006,807	9,894,081
Community development fund		7,648,908	4,496,639
Total Equity		698,899,839	318,283,298
		₱1,040,302,988	₱559,051,528

See accompanying Notes to Financial Statements.

COOPERATIVE INSURANCE SYSTEM OF THE PHILIPPINES
STATEMENTS OF OPERATIONS

	Note	2016	2015
REVENUE			
Gross premiums on insurance contracts	16	₱442,456,324	₱341,086,158
Reinsurers' share of gross premiums on insurance contracts	16	(26,443,378)	(16,173,147)
Net insurance premiums		416,012,946	324,913,011
Interest income	4	9,789,517	5,453,966
Other income		1,532,170	2,634,848
		427,334,633	333,001,825
BENEFITS AND EXPENSES			
Benefits and claims on insurance contracts	17	156,173,448	112,289,467
Increase in legal policy reserves	11	49,000,000	46,500,000
Collection costs		35,524,172	31,070,680
Commission expense		22,815,375	17,953,744
Salaries and benefits	18	26,323,092	20,241,413
General and administrative expenses	19	19,174,999	14,277,755
Depreciation	9	2,309,515	1,855,484
Interest expense		-	2,230
		311,320,601	244,190,773
NET SURPLUS		116,014,032	88,811,052
OTHER COMPREHENSIVE INCOME (LOSS)			
Remeasurement loss on retirement liability	13	(1,416,142)	(4,818,618)
Increase (decrease) in revaluation surplus on land and building		(544,886)	1,076,067
Unrealized gain (loss) on AFS financial assets	7	86,469	(1,098,565)
		(1,874,559)	(4,841,116)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		₱114,139,473	₱83,969,936
ALLOCATION OF NET SURPLUS			
	15		
Dividend and patronage refund payable		₱87,553,064	₱57,578,648
General reserve fund		11,601,403	20,575,078
Land and building fund		5,258,162	6,216,774
Cooperative education and training fund		8,120,982	1,776,221
Community development fund		3,480,421	2,664,331
		₱116,014,032	₱88,811,052

See accompanying Notes to Financial Statements.

COOPERATIVE INSURANCE SYSTEM OF THE PHILIPPINES
STATEMENTS OF CHANGES IN EQUITY

	Note	2016	2015
CAPITAL STOCK			
Common - P100 par value			
Authorized - 7,500,000 shares			
Issued and outstanding - 5,505,104 shares in 2016 and 2,396,991 shares in 2015			
Balance at beginning of year		P239,699,100	P198,036,700
Issuances during the year		310,811,300	41,662,400
		550,510,400	239,699,100
Subscribed - 14,395 shares (net of subscriptions receivable of P1,439,500)		-	-
Balance at end of year		550,510,400	239,699,100
Preferred - P100 par value			
Authorized - 250,000,000 shares			
Issued and outstanding - 491,210 in 2016 and 51,107 shares in 2015			
Balance at beginning of year		5,110,700	4,740,400
Issuances during the year		44,010,300	370,300
Balance at end of year		49,121,000	5,110,700
		599,631,400	244,809,800
CONTRIBUTED SURPLUS		85,298	85,244
REVALUATION SURPLUS ON LAND AND BUILDING			
Balance at beginning of year		7,300,588	6,224,521
Increase (decrease) for the year		(544,886)	1,076,067
Balance at end of year		6,755,702	7,300,588
CUMULATIVE UNREALIZED GAIN ON AFS FINANCIAL ASSETS			
	7		
Balance at beginning of year		771,682	1,870,247
Unrealized gain (loss) on AFS financial assets		86,469	(1,098,565)
Balance at end of year		858,151	771,682
CUMULATIVE REMEASUREMENT LOSS ON RETIREMENT LIABILITY			
	13		
Balance at beginning of year		(4,818,618)	-
Remeasurement gain (loss) on retirement liability		(1,416,142)	(4,818,618)
Balance at end of year		(6,234,760)	(4,818,618)
STATUTORY FUNDS			
	15		
Balance at beginning of year		70,134,602	39,505,646
Net increase in statutory funds:			
Net surplus		116,014,032	88,811,052
Dividend and patronage refund payable		(87,553,064)	(57,578,648)
Net surplus transferred to statutory funds		28,460,968	31,232,404
Disbursements		(1,336,408)	(603,448)
Transfer of revaluation surplus		544,886	-
		27,669,446	30,628,956
Balance at end of year		97,804,048	70,134,602
		P698,899,839	P318,283,298

See accompanying Notes to Financial Statements.

COOPERATIVE INSURANCE SYSTEM OF THE PHILIPPINES
STATEMENTS OF CASH FLOWS

	Note	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Net surplus for the year		₱116,014,032	₱88,811,052
Adjustments for:			
Interest income	4	(9,789,517)	(5,453,966)
Depreciation	9	2,309,515	1,855,484
Retirement costs	13	1,192,228	895,617
Reversal of impairment loss on insurance receivables	6	–	(335,000)
Impairment loss on loans and receivables	7	–	268,722
Interest expense		–	2,230
Others		–	(1,866,846)
Operating income before working capital changes		109,726,258	84,177,293
Decrease (increase) in:			
Short-term investments		(61,757,657)	(2,824,511)
Insurance receivables		(65,635)	(10,148,749)
Loans and receivables		(2,049,175)	(804,023)
Reinsurance assets		(4,569,748)	(1,702,995)
Other assets		(400,473)	199,666
Increase in:			
Insurance contract liabilities		59,996,299	56,656,617
Due to reinsurers		3,609,937	2,199,140
Other payables		3,128,216	1,695,760
Net cash generated from operations		107,618,022	129,448,198
Interest received		9,789,517	5,453,966
Contribution to plan assets	13	(4,947,389)	–
Interest paid		–	(2,230)
Net cash provided by operating activities		112,460,150	134,899,934
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of AFS financial assets		(20,103,079)	(93,155,443)
Acquisitions of property and equipment	9	(2,583,484)	(452,795)
Net cash used in investing activities		(22,686,563)	(93,608,238)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuances of stocks		354,821,654	42,032,645
Payment of dividends and patronage refund	15	(51,313,578)	(31,289,566)
Disbursements in statutory funds	15	(1,336,408)	(603,448)
Payment of loans		–	(215,410)
Net cash provided by financing activities		302,171,668	9,924,221
NET INCREASE IN CASH AND CASH EQUIVALENTS		391,945,255	51,215,917
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		346,418,593	295,202,676
CASH AND CASH EQUIVALENTS AT END OF YEAR		₱738,363,848	₱346,418,593

See accompanying Notes to Financial Statements.

COOPERATIVE INSURANCE SYSTEM OF THE PHILIPPINES

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

General Information

The Cooperative Insurance System of the Philippines (the Cooperative) is a national federation of cooperatives committed to deliver security to members of cooperatives, labor unions and cooperative-oriented groups and organizations through insurance packages. It was organized to promote and engage in the service of life insurance as a cooperative undertaking, including all its various types, kinds, branches, divisions and other incidents. It is a holder of secondary license as a life insurance cooperative from the Insurance Commission (IC) with Certificate of Authority No. 2016/10-R. The secondary license is renewed every three years and its current license is valid until December 31, 2018.

The Cooperative was originally registered with the Department of Local Government and Community Development on April 8, 1974 and obtained its first Certificate of Authority to operate as a life insurance cooperative from the IC on September 30, 1974. In accordance with the provisions of Republic Act (R.A.) No. 6938 and R.A. No. 6939, otherwise known as the Cooperative Code of the Philippines and the Act creating the Cooperative Development Authority (CDA), it was registered as a cooperative on December 4, 1991 with the CDA. Pursuant to CDA Memorandum Circular No. 2010-05, Series of 2010, the Cooperative complied with the mandatory filing for the registration of amendment in accordance with the provisions of R.A. No. 9520, An Act Amending the Cooperative Code of the Philippines to be known as the "Philippine Cooperative Code of 2008", obtaining therein its registration (Registration No. 9520-16000011) on September 22, 2009.

Head Office Address and Branches

The Cooperative's head office is located at No. 80, Malakas Street, Central District, Quezon City. It has regional offices in almost all regions in the Philippines.

Tax Exemptions

The Cooperative is a holder of RDA - RR No.6 Ruling No. 11-10 dated July 15, 2010 which entitles it with certain tax exemptions.

As a cooperative transacting business with members only, it is entitled to the following tax exemptions and tax incentives provided for under Article 60 of R.A. No. 9520, as implemented by Section 7 of the Joint Rules and Regulations Implementing Articles 60, 61 and 144 of R.A. No. 9520: (a) Income tax on income from CDA registered operations; (b) Value-Added Tax (VAT) under Section 109 pars. (r), (s), (t) and (u) of the Tax Code of 1997 on CDA-registered sales or transactions; (c) Three percent (3%) Percentage Tax under Section 116 of the Tax Code of 1997; (d) Donor's tax on donations to duly accredited charitable, research and educational institutions, and reinvestment to socio-economic projects within the area of operation of the cooperative; (e) Excise tax under Title VI of the Tax Code of 1997 of which it is directly liable; (f) Documentary Stamp Tax imposed under Title VII of the Tax Code of 1997, provided, however, that the other party of the taxable document/transaction who is not exempt shall be the one directly liable for the tax; (g) Annual Registration Fee of ₱500 under Section 236 (B) of the Tax Code of 1997; and (h) Exemption from all taxes on transactions with insurance companies and banks, including but not limited to 20% final tax on interest deposits and 7.5% final income tax on interest income derived from a depository bank under the expanded foreign currency deposit system.

Authorization for the Issuance of the Financial Statements

The financial statements of the Cooperative as at and for the years ended December 31, 2016 and 2015 were approved and authorized for issuance by the Board of Directors (BOD) on January 25, 2017.

2. Summary of Significant Accounting Policies

Basis of Preparation

Effective January 1, 2016, the Cooperative has adopted retroactively the Philippine Financial Reporting Framework for Cooperatives (PFRF for Cooperatives) as prescribed by the CDA's Memorandum Circular (MC) No. 2015-06 dated September 16, 2015. For periods up to and including the year ended December 31, 2015, the Cooperative prepared its financial statements in accordance with the Philippines Financial Reporting Standards (PFRS). The transition to PFRF for Cooperatives did not have any material effect on the financial statements of the Cooperative as at and for the years ended December 31, 2016 and 2015. Additional disclosures have been included in the notes to financial statements, as applicable.

The PFRF for Cooperatives was developed from the Philippine Financial Reporting Standard for Small and Medium-sized Entities (PFRS for SMEs) to provide a comprehensive financial reporting framework that will address the needs of the users of the financial statements of the cooperatives. Modifications were made on several provisions of the standards taking into considerations cooperative laws, rules, regulations and principles.

Measurement Bases

The financial statements are presented in Philippine Peso, the Cooperative's functional currency. All values are in absolute amounts except when otherwise indicated. The financial statements of the Cooperative have been prepared on a historical cost basis, except for available-for-sale (AFS) financial assets, land and building and improvements which are carried at revalued amount. Historical cost is generally based on the fair value of the consideration given in exchange for an asset.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the transaction date. The Cooperative uses market observable data to the extent possible when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

The Cooperative recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 22.

Financial Assets and Liabilities

Financial assets and liabilities are accounted for as follows:

a. Recognition

Financial assets and liabilities are recognized in the statements of financial condition when the Cooperative becomes a party to the contractual provisions of a financial instrument. Financial assets and liabilities are initially measured at fair value which includes transaction costs directly attributable to the acquisition (e.g. fees, commissions, transfer taxes, etc.). However, transaction costs related to the acquisition of financial instruments classified as fair value through profit or loss (FVPL) are recognized immediately in profit or loss. The Cooperative uses trade date accounting to account for financial instruments.

"Day 1" Difference. The best evidence of the fair value of a financial instrument at initial recognition is its transaction price unless the transaction price differs from its fair value. The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the Cooperative determines fair value by using a valuation technique whose variables include data from observable markets. The difference between the transaction price and the fair value (a "day 1" difference) is recognized in profit or loss, unless it qualifies for recognition as some other type of asset. In cases where the valuation model uses unobservable data, the difference between the transaction price and the model value is only recognized in profit or loss when the inputs become observable, or when the instrument is derecognized. For each transaction, the Cooperative determines the appropriate method of recognizing the "day 1" difference.

b. Classification

The Cooperative classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) held-to-maturity (HTM) investments, (c) loans and receivables and (d) AFS financial assets. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or other financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Cooperative's intention at acquisition or issuance date.

As at December 31, 2016 and 2015, the Cooperative does not have financial assets and liabilities classified at FVPL and HTM investments.

AFS Financial Assets. AFS financial assets are those non-derivative financial assets that are designated as such or are not classified as another category of financial assets. After initial recognition, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income. These fair value changes are recognized in other comprehensive income until the investment is derecognized or until the investment is determined to be impaired, at which time the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. Investment in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured are carried at cost, net of any impairment.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. After initial recognition, loans and receivables are subsequently measured at amortized cost using the effective interest 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 and losses arising from impairment are recognized in profit or loss.

The Cooperative's loans and receivables include its cash and cash equivalents, short-term investments, insurance receivables, loans and receivables (presented under "Financial assets" account), reinsurance assets and refundable deposits (presented under "Other assets" account).

Cash includes cash on hand and in banks. Cash in banks are carried at face amount and earns interest at prevailing bank deposit rates. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities of three (3) months or less from the date of acquisition and that are subject to an insignificant risk of change in value.

Other Financial Liabilities at Amortized Cost. Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon inception of the liability. These include liabilities arising from operations or through borrowing.

Other financial liabilities are initially recognized at fair value less any direct transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains and losses are recognized in profit or loss when the liabilities are derecognized, as well as through the amortization process.

The Cooperative's insurance contract liabilities (excluding legal policy reserves), dividend and patronage refund payable, due to reinsurers and other payables (excluding statutory payables) are classified under this category.

c. Impairment of Financial Assets

The Cooperative assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that have 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 the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the customer 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.

Financial Assets Carried at Amortized Cost. For financial assets carried at amortized cost, such as loans and receivables, the Cooperative first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Cooperative determines that no objective evidence of impairment exists for individually assessed financial assets, whether significant or not, it includes the financial assets in a portfolio with similar credit risk characteristics and collectively assesses them for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in the collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the excess of financial asset's carrying amount over its net realizable value, normally based on the present value of the estimated future cash flows from the financial asset. 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. 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. Any impairment loss determined is recognized in profit or loss.

The carrying amount of an impaired financial asset is reduced to its net realizable value through the use of an allowance account. For an impaired financial asset, interest income continues to be recognized using the interest rate used to discount the future cash flows for the purpose of measuring the impairment loss.

AFS Financial Assets. For AFS financial assets, the Cooperative assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

In the case of financial instruments classified as AFS financial assets, an objective evidence of impairment is determined to exist if there is a significant and prolonged decline in the fair value of the instrument below its acquisition cost. Where there is evidence of impairment, the cumulative losses previously recognized in other comprehensive income is reclassified to profit or loss. Subsequent reversals of impairment losses on equity investments do not flow through profit or loss. Subsequent increases in fair value after impairment are recognized in equity as other comprehensive income.

If in a subsequent period, the amount of impairment loss relating to a financial asset carried at amortized cost or a debt instrument carried as AFS decreases due to an event occurring after the impairment loss was originally recognized, the previously recognized impairment loss is reversed to profit or loss to the extent that the resulting carrying amount of the asset does not exceed its carrying amount had no impairment loss been recognized. Impairment relating to investments in AFS equity instruments is not reversed through profit or loss.

d. **Derecognition**

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

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

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

A financial liability is derecognized when the obligation under the liability is discharged or 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 the new liability, and the difference in the carrying amount is recognized in profit or loss.

e. **Offsetting**

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

Insurance Contracts

Product Classification. Insurance contracts are those contracts under which the Cooperative (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholder. As a general guideline, the Cooperative determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risks.

Conventional Long-term Insurance Contracts. These contracts ensure events associated with human life (for example, death or survival) over a long duration. Premiums are recognized as revenue when they become payable by the contract holder. Benefits are recognized as expense when they are incurred or when the policies reach maturity.

A liability for contractual benefits that is expected to be incurred in the future is recognized for policies that are in-force as at the reporting date. The liability is determined as the expected future discounted value of the benefit payments that are directly related to the contract, less the expected discounted value of the theoretical premiums that would be required to meet the benefit expenses based on the valuation assumptions used. The liability is based on assumptions as to mortality, reserve method, and interest rate approved by the IC.

Benefits and Claims. Claims consist of benefits and claims on insurance contracts. Death claims, surrenders and life insurance claims are recorded on the basis of notifications received. Maturities are recorded when due.

Policy Acquisition Costs. Commissions and other acquisition costs that vary with and are related to securing new insurance contracts and renewing existing contracts are recognized in profit or loss when incurred.

Liability Adequacy Tests. At each reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of reinsurance assets. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from assets backing such liabilities are used. Any deficiency is immediately recognized in profit or loss.

Reinsurance Contracts Held. Contracts entered into by the Cooperative with reinsurers under which the Cooperative is compensated for losses on one or more contracts issued by the Cooperative and that meet the classification requirement for insurance contracts above are classified as reinsurance contracts held. Contracts that do not meet those classification requirements are classified as financial assets.

The benefits to which the Cooperative is entitled to under its reinsurance contracts held are recognized as reinsurance assets. These include short-term balances due from reinsurers. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

If there is objective evidence that reinsurance assets are impaired, the Cooperative reduces the carrying amount of the reinsurance assets and recognizes the impairment loss in profit or loss.

Receivables and Payables Related to Insurance Contracts. Receivables and payables are recognized when due. 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 Cooperative reduces the carrying amount of the insurance receivable and recognizes the impairment loss in the profit or loss.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment in value, except for land and building and improvements which are carried at revalued amounts.

The initial cost of property and equipment comprises its purchase price, after deducting trade discounts and rebates, and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

Subsequent to initial recognition, land and building and improvements are carried at revalued amounts which represent fair values as determined by independent appraisers, less any subsequent accumulated depreciation and accumulated impairment losses. Other property and equipment are carried at cost less accumulated depreciation and amortization and any accumulated impairment loss.

Any revaluation surplus is recognized in other comprehensive income in the statements of financial condition. Any revaluation deficit directly offsetting a previous surplus is charged to other comprehensive income to the extent of any revaluation surplus in equity relating to the same asset and the remaining deficit, if any, is recognized in profit or loss. Upon disposal of the revalued assets, amount included in revaluation reserves is transferred to statutory funds. Revaluations are performed at least every three (3) years to ensure that the carrying amount does not materially differ from that which would be determined using fair value at the end of reporting period.

Depreciation and amortization are computed using the straight-line basis over the estimated useful lives of the assets as follows:

<u>Asset Type</u>	<u>Number of Years</u>
Buildings and improvements	12
Transportation equipment	5
Office furniture, fixtures and office equipment	3

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

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation, amortization and any impairment in value are removed from the accounts. Any resulting gain or loss is recognized in profit or loss.

Other Assets

Other assets consist of refundable deposits and prepayments. Prepayments are expenses paid in advance and recorded as assets before these are utilized. These are apportioned over the period covered by the payment and recognized in profit or loss when incurred. Prepayments that are expected to be realized over no more than 12 months after the reporting date are classified as current assets. Otherwise these are classified as noncurrent assets.

Impairment of Nonfinancial Assets

The carrying amounts of nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists and when the carrying amounts exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of the fair value less cost to sell or value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's-length transaction less the cost of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In such instance, the carrying amount of the asset is increased to its recoverable amount. However, that increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such reversal, the depreciation and amortization charges are adjusted in future years to allocate the asset's revised carrying amount, on a systematic basis over its remaining useful life.

Legal Policy Reserves

A liability for incurred policy benefits relating to life insurance contracts in force is accrued when premium revenue is recognized.

The Cooperative's legal policy reserves are computed annually based on the approved valuation method by the IC being certified by an independent actuary and management's estimates.

The Cooperative assesses at each reporting date whether its recognized legal policy reserves are adequate, using the current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of the estimated future cash flows, the increase in the required reserves shall be recognized in profit or loss.

The liability is derecognized when the contract has matured, lapsed, or has been surrendered.

Capital Stock

Common stock. Common stock is measured at par value for all shares subscribed. Common stocks are available to regular members only.

Preferred stock. Preferred stock is measured at par value for all shares subscribed. Preferred stocks are available to regular and associate members.

Statutory Funds

The net surplus of the Cooperative, as required by law and the Cooperative's By-Laws, shall be distributed as follows:

General Reserve Fund. General reserve fund shall be at least 10% of net surplus. This fund is set aside to guarantee the stability of the Cooperative's development and to absorb losses, if any, in its business operations. The general assembly may decrease the amount allocated to general reserve fund when such fund exceeds the capital stock.

Cooperative Education and Training Fund. Cooperative education and training fund shall not be more than 10% of net surplus. Certain fees or fines or a portion thereof may be credited to such fund. Half of the amount transferred to this fund shall be spent by the Cooperative for education and training purposes; while the other half shall be remitted to the cooperative education and training fund of the federation or union chosen by the Cooperative or of which the Cooperative is a member.

Community Development Fund. Community development fund shall not be less than 3% of the net surplus. The community development fund shall be used for projects or activities that will benefit the community where the Cooperative operates.

Land and Building Fund. An optional fund shall not be more than 7% of the net surplus. The optional fund established by the Cooperative for future use is for the acquisition of land and building.

Interest on Capital Stock and Patronage Refund. The remaining net surplus shall be made available to the members in the form of interest on share capital and patronage refunds. The sum allocated for patronage refund shall be made available at the same rate to all patrons of the Cooperative in proportion to their individual patronage.

Revenue Recognition

Revenue is recognized when it is probable that the economic benefits associated with the transactions will flow to the Cooperative and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts and returns. The Cooperative has concluded that it is the principal in all of its revenue arrangements. Revenue is recognized as follows:

Premium income. Premiums arising from insurance contracts are recognized as income on the issue date which coincides with the effective date of the insurance policies for the first year premiums. For the renewal business, gross earned recurring premiums on life insurance contracts are recognized as revenue when they become payable by the policyholder. For gross earned premium contracts, receivables are recorded at the date the payments become due. For single premiums business, revenue is recognized on the date on which the policy becomes effective. Estimates of premiums written as at the reporting date but not yet received are assessed based on the estimates from underwriting or past experience and are included in premiums earned.

Interest income. Interest income is recognized on a time proportionate basis that reflects the effective yield on the asset in profit or loss as it accrues.

Interest from deposits and investments. Revenue is recognized as the interest accrues, taking into account the effective yield of the asset.

Cost and Expense Recognition

Costs and expenses are recognized in profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Benefits and Claims. This represents the aggregate losses and claims against the Cooperative arising from the life insurance contracts issued to policyholders. This includes death claims, accidental death benefit, disability claims, health insurance benefit and medical insurance benefit.

Collection Costs, Commission Expense and General and Administrative Expenses. These constitute costs of administering the business and costs incurred to sell and market the goods and services. These are expensed when incurred.

Interest Expense. Interest expense is recognized in profit or loss using the effective interest method.

Employee Benefits

Short-term Benefits. The Cooperative recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Cooperative has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

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

Retirement Benefits. The Cooperative has a funded, non-contributory defined benefit plan covering all qualified employees. The retirement benefits cost is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Cooperative recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailments and non-routine settlements and net interest expense or income in profit or loss. Net interest cost is calculated by applying the discount rate to the net retirement liability or asset.

Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment and the date that the Cooperative recognizes restructuring-related costs.

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

The net retirement liability or asset is the aggregate of the present value of the defined benefit obligation and the fair value of plan assets on which the obligations are to be settled directly. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

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

Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individual or corporate entities. Parties are also considered to be related if they are subject to common control.

Provisions and Contingencies

Provisions are recognized when the Cooperative has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase due to the passage of time is recognized as interest expense.

Contingent liabilities are not recognized in the financial statements. These are disclosed in the notes to financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed in the notes to financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date

Post year-end events that provide additional information about the Cooperative's financial condition at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Cooperative's financial statements requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. The judgments and estimates used in the financial statements are based upon management's evaluation of relevant facts and circumstances as at the reporting date.

While the Cooperative believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Changes in accounting estimates are recognized in the period in which the estimate is revised if the change affects only that period or in the period of the change and future periods if the revision affects both current and future periods.

The following are the significant judgments and estimates made by the Cooperative:

Estimation of Allowance for Impairment Losses on Loans and Receivables. The Cooperative maintains allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, significant financial difficulties or bankruptcy, the counterparties' payment behavior and other known market factors. The Cooperative identifies and provides for specific accounts that are doubtful of collection and reviews the age and status of the remaining receivables and establishes a provision considering, among others, historical collection and write-off experience.

The carrying amounts of insurance receivables amounted to ₱42,501,854 and ₱42,436,219 as at December 31, 2016 and 2015, respectively. Allowance for impairment loss on insurance receivables amounted to ₱5,218,610 and ₱19,853,489 as at December 31, 2016 and 2015, respectively (see Note 6).

The carrying amounts of loans and receivables amounted to ₱4,848,806 and ₱2,799,631 as at December 31, 2016 and 2015, respectively. Allowance for impairment loss on loans and receivables amounted to ₱16,775,019 and ₱24,492,760 as at December 31, 2016 and 2015, respectively (see Note 7).

The carrying amounts of reinsurance assets amounted to ₱12,732,185 and ₱8,162,437 as at December 31, 2016 and 2015, respectively. No impairment loss on reinsurance assets is recognized in 2016 and 2015 (see Note 8).

Estimation of Allowance for Impairment on AFS Financial Assets. The Cooperative treats AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or when other objective evidence of impairment exists. The determination of what is significant or prolonged requires judgment. The Cooperative evaluates other factors, including normal volatility in share price. Impairment may be appropriate when there is evidence of deterioration in the industry and sector performance.

The carrying amounts of AFS financial assets amounted to ₱158,900,681 and ₱138,711,133 as at December 31, 2016 and 2015, respectively. No impairment loss on AFS financial assets is recognized in 2016 and 2015 (see Note 7).

Determination of Fair Value of Land and Building and Improvements. In determining the appraised values of land and building and improvements, the Cooperative hires an independent firm of appraisers. In order to arrive at a reasonable valuation, the appraisers personally inspected the properties, requested information from reputable sources and considered the following: (a) utility and market value of the land; (b) cost of reproduction of new replaceable property; (c) current prices for similar used property in the second hand market; (d) age, condition, past maintenance, and present and prospective serviceability in comparison with new assets of like kind; (e) accumulated depreciation; and (f) recent trend and development in the industry concerned. The approaches used in determining the appraised values of land and building and improvements are disclosed in Note 9 to financial statements.

Fair market value is defined as the highest price in terms of money which a property will bring if exposed for sale in the open market, allowing reasonable time to find a purchaser who buys with knowledge of all the uses to which it is adapted and for which it is capable of being used.

The appraiser also considered the concept of value in use which is based on the highest and most profitable continuous use or that which may reasonably be expected to produce the greatest net return over a given period of time.

The latest appraisal for land and building and improvements of the independent appraiser was made on March 11, 2015. The revalued amount of land and building and improvements amounted to ₱ 11,591,274 and ₱ 12,390,000 as at December 31, 2016 and 2015, respectively (see Note 9).

Estimation of Useful Lives of Property and Equipment. The Cooperative estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimates are based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of property and equipment and intangible assets are reviewed at each reporting date and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. Future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned above. The amount and timing of recording of depreciation expense for any period would be affected by changes in these factors and circumstances.

There were no changes in the estimated useful lives of the Cooperative's property and equipment in 2016 and 2015. The carrying amount of property and equipment, excluding land, amounted to ₱6,175,088 and ₱5,901,119 as at December 31, 2016 and 2015, respectively (see Note 9).

Impairment of Nonfinancial Assets. The Cooperative assesses impairment on its nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of the assets or group of assets may not be recoverable. The relevant factors that the Cooperative considers in deciding whether to perform an asset impairment review include the following:

- ☐ significant underperformance of a business in relation to expectations;
- ☐ significant negative industry or economic trends; and
- ☐ significant changes or planned changes in the use of the assets.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. Recoverable amount represents the value in use, determined as the present value of estimated future cash flows expected to be generated from the continued use of the assets. The estimated cash flows are projected using growth rates based on historical experience and business plans and are discounted using pretax discount rates that reflect the current assessment of the time value of money and the risks specific to the assets.

No impairment loss on property and equipment was recognized by the Cooperative in 2016 and 2015.

Set up of Legal Policy Reserves. Reserves are set up as requirement pursuant to the provision and guidelines set by the IC, which should not be less than the reserves required. These are computed using assumptions that are based on the standard mortality and morbidity tables and interest rates as required by the IC.

As at December 31, 2016 and 2015, the carrying amounts of legal policy reserves amounted to ₱169,073,052 and ₱120,073,052, respectively (see Note 11).

Estimation of Incurred but not Reported. Provision is made for the cost of claims incurred but not yet reported as at reporting date based on the Company's experience and historical data. Differences between the provision for outstanding claims at the reporting date and subsequent revisions and settlements are included in statements of operations of subsequent years.

As at December 31, 2016 and 2015, the carrying amounts of incurred but not reported amounted to ₱21,885,000 and ₱19,702,995, respectively (see Note 11).

Estimation of Retirement Liability. The determination of the obligation and costs of retirement benefits is dependent on the assumptions used by the actuary in calculating such amounts. These assumptions are described in Note 13 to financial statements and include, among others, discount rates and salary increase rates.

The retirement liability amounted to ₱2,608,370 and ₱4,947,389 as at December 31, 2016 and 2015, respectively (see Note 13).

Assessment of Contingencies. The Cooperative has recognized provisions arising from various third-party claims. The estimate of the probable costs for the resolution of these claims has been developed based on the management's assessment and analysis of potential results. The Cooperative believes that these claims will not have a material effect on the Company's financial condition and results of operations.

4. Cash and Cash Equivalents

This account consists of:

	2016	2015
Cash on hand	₱20,574,556	₱9,150,302
Cash in banks and cash equivalents	717,789,292	337,268,291
	₱738,363,848	₱346,418,593

Cash in banks earn interest at prevailing bank deposit rates. Cash equivalents are made for varying periods of up to three months depending on the immediate cash requirement of the Cooperative and earn interest at the respective short-term placements rates ranging from 1.25% to 1.50% per annum in 2016 and 2015.

Details of interest income are as follows:

	Note	2016	2015
Cash in banks		₱444,676	₱484,592
Cash equivalents and short-term investments		8,490,764	4,869,994
AFS financial assets	7	854,077	99,380
		₱9,789,517	₱5,453,966

5. Short-term Investments

Short-term investments are investments in time deposits with a term of more than three (3) months but not more than one (1) year from the date of acquisition. These amounted to ₱66,390,666 and ₱4,633,009 as at December 31, 2016 and 2015, respectively.

Interest rates of short-term investments range from 2.45% to 7% per annum.

6. Insurance Receivables

This account consists of:

	2016	2015
Premium receivables	₱45,283,800	₱58,165,134
Due from reinsurers	2,436,664	4,124,574
	47,720,464	62,289,708
Allowance for impairment loss	(5,218,610)	(19,853,489)
	₱42,501,854	₱42,436,219

Premium receivables represent premium due and uncollected at the end of the reporting period on all policies which are classified as in force on the Cooperative's valuation records. These are due and uncollected within the grace period.

Due from reinsurers represent reinsurers' share on benefits and claims paid.

Movement in the allowance for impairment loss follows:

	2016	2015
Balance at beginning of year	₱19,853,489	₱20,188,489
Write-off	(14,634,879)	–
Reversal	–	(335,000)
Balance at end of year	₱5,218,610	₱19,853,489

The write-off during the year pertains to premium receivables.

7. Financial Assets

This account consists of:

	2016	2015
AFS financial assets	₱158,900,681	₱138,711,133
Loans and receivables	4,848,806	2,799,631
	₱163,749,487	₱141,510,764

AFS Financial Assets

	2016	2015
Cost:		
Fixed rate treasury notes	₱107,889,371	₱92,815,869
Investment in mutual fund	30,000,000	30,000,000
Investment in shares of stocks - at cost	7,200,000	7,200,000
Investment in shares of stocks - at fair value	22,221,569	17,191,992
	167,310,940	147,207,861
Allowance for impairment loss	(9,268,410)	(9,268,410)
Cumulative unrealized gain on AFS financial assets:		
Balance at beginning of year	771,682	1,870,247
Gain (loss) on fair value adjustments	86,469	(1,098,565)
Balance at end of year	858,151	771,682
	₱158,900,681	₱138,711,133

Fixed rate treasury notes represent investments in government securities. Investment in mutual fund is composed of investments in equity instruments being held by a third party fund manager.

Interest income earned from AFS financial assets amounted to ₱854,077 and ₱99,380 in 2016 and 2015, respectively (see Note 4).

Loans and Receivables

	2016	2015
Accounts receivable	₱9,693,395	₱11,860,349
Receivable from closed banks	11,051,148	11,051,148
Accrued interest	479,080	488,910
Advances to officers and employees	400,202	538,936
Mortgage loans	-	2,435,351
Others	-	917,697
	21,623,825	27,292,391
Less allowance for impairment on:		
Accounts receivable	(5,435,438)	(10,309,875)
Receivable from closed banks	(11,051,148)	(11,051,148)
Advances to officers and employees	(288,433)	(326,909)
Mortgage loans	-	(2,435,351)
Others	-	(369,477)
	(16,775,019)	(24,492,760)
	₱4,848,806	₱2,799,631

Accounts receivable includes debit memos from cooperative banks for claims paid to policyholders.

Receivable from closed banks pertains to the Cooperative's outstanding claims from closed depository banks.

Advances to officers and employees pertain to advances for office-related expenses and official business transactions which are subject to liquidation.

Movement in the allowance for impairment follows:

	Note	2016	2015
Balance at beginning of year		₱24,492,760	₱24,224,038
Write off:			
Accounts receivable		(4,874,437)	–
Mortgage loans		(2,435,352)	–
Advances to officers and employees		(38,476)	–
Others		(369,476)	–
Provisions	19	–	268,722
Balance at end of year		₱16,775,019	₱24,492,760

8. Reinsurance Assets

Reinsurance assets amounting to ₱12,732,185 and ₱8,162,437 as at December 31, 2016 and 2015, respectively, pertain to estimated recoverable amounts from reinsurers for its share in insurance contract liabilities (see Note 11).

9. Property and Equipment

The movements in this account follow:

	2016				
	At Appraised Values		At Cost		
		Building and Land Improvements	Furniture, Fixture and Office Equipment	Transportation Equipment	Total
Cost					
Balances at beginning of year	₱9,150,000	₱9,503,152	₱10,892,993	₱865,380	₱30,411,525
Additions	–	–	1,215,484	1,368,000	2,583,484
Balances at end of year	9,150,000	9,503,152	12,108,477	2,233,380	32,995,009
Accumulated Depreciation					
Balances at beginning of year	–	6,263,152	8,231,874	865,380	15,360,406
Depreciation	–	798,726	1,282,789	228,000	2,309,515
Balances at end of year	–	7,061,878	9,514,663	1,093,380	17,669,921
Carrying Amount	₱9,150,000	₱2,441,274	₱2,593,814	₱1,140,000	₱15,325,088
	2015				
	At Appraised Values		At Cost		
		Building and Land Improvements	Furniture, Fixture and Office Equipment	Transportation Equipment	Total
Cost					
Balances at beginning of year	₱8,400,000	₱9,177,085	₱10,440,198	₱865,380	₱28,882,663
Revaluations	750,000	326,067	–	–	1,076,067
Additions	–	–	452,795	–	452,795
Balances at end of year	9,150,000	9,503,152	10,892,993	865,380	30,411,525
Accumulated Depreciation					
Balances at beginning of year	–	5,545,032	7,144,616	815,274	13,504,922
Depreciation	–	718,120	1,087,258	50,106	1,855,484
Balances at end of year	–	6,263,152	8,231,874	865,380	15,360,406
Carrying Amount	₱9,150,000	₱3,240,000	₱2,661,119	₱–	₱15,051,119

The latest appraisal for land and building and improvements of the independent appraiser was made on March 11, 2015.

The fair value of the land was arrived using the market data approach. In this approach, the value of the land was based on sales and listing of comparable property registered within the vicinity. The technique on this approach requires the adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator. This was done by adjusting the differences between the subject property and those comparable actual sales and listings. The properties used as bases of comparison are situated within the immediate vicinity of the subject property. The comparison was premised on the factors of location, size and shape of the lot, time element and other factors.

The fair value of building and improvements was arrived using the cost of replacement approach. In estimating the cost of replacement, the modified quantity survey method was used. This method requires an analysis of the building and improvements by breaking it down into major components such as foundation, columns, beams, floorings, walls, roofs and others. Equally given importance are the interior finishes such as floor finishes, wall finishes and ceiling finishes. Bills of quantities for each building component using the appropriate basic unit are prepared and related to the unit cost for each component developed on the basis of current costs of materials, labor, plant and equipment prevailing in the locality to arrive at the direct costs of the building. Indirect costs such as contractor's profits, overhead, taxes and fees and other related expenses are then added to arrive at the estimated cost of replacement.

The fair values of land and building and improvements have been categorized as Level 2 in the fair value hierarchy (significant observable inputs).

If the land and building and improvements were carried at costs, the carrying amounts would be as follows:

	2016	2015
Land	₱3,000,000	₱3,000,000
Building and improvements	2,252,384	2,252,384
	5,252,384	5,252,384
Less accumulated depreciation	2,159,422	2,069,326
	₱3,092,962	₱3,183,058

As at December 31, 2016 and 2015, fully depreciated property and equipment with aggregate cost of ₱7,127,087 and ₱7,106,179, respectively, are still in use.

10. Other Assets

This account consists of:

	2016	2015
Refundable deposits	₱554,834	₱495,678
Prepaid office supplies	469,130	233,885
Prepaid insurance	149,636	44,824
Prepaid rent	66,260	65,000
	₱1,239,860	₱839,387

11. Insurance Contract Liabilities

This account consists of:

	2016	2015
Legal policy reserves	₱171,562,917	₱120,073,052
Insurance payables	43,493,078	34,986,644
	₱215,055,995	₱155,059,696

Legal policy reserves and other actuarial items in the financial statements as at and for the years ended December 31, 2016 and 2015 have been computed using management's estimates and actuarial computations as used and certified by the consulting actuary of the Cooperative. The actuarial computations and management's estimates are in accordance with commonly accepted actuarial standards consistently applied and that the legal policy reserves and other actuarial items are fairly stated in accordance with sound actuarial principles.

The insurance contract liabilities are broken down as follows:

	2016		Net
	Insurance Contract Liabilities	Reinsurer's Share of Liabilities	
Legal policy reserves:			
Aggregate reserves for group life policies	₱169,085,844	₱9,259,464	₱159,826,380
Aggregate reserves for life policies	2,477,073	-	2,477,073
	171,562,917	9,259,464	162,303,453
Insurance payables:			
Policy and contract claims	21,608,078	3,472,721	18,135,357
Incurred but not reported	21,885,000	-	21,885,000
	43,493,078	3,472,721	40,020,357
	₱215,055,995	₱12,732,185	₱202,323,810
	2015		
	Insurance Contract Liabilities	Reinsurer's Share of Liabilities	Net
Legal policy reserves:			
Aggregate reserves for group life policies	₱117,509,373	₱6,769,599	₱110,739,774
Aggregate reserves for life policies	2,563,679	-	2,563,679
	120,073,052	6,769,599	113,303,453
Insurance payables:			
Policy and contract claims	15,283,649	1,392,838	13,890,811
Incurred but not reported	19,702,995	-	19,702,995
	34,986,644	1,392,838	33,593,806
	₱155,059,696	₱8,162,437	₱146,897,259

The increase (decrease) in legal policy reserves is broken down as follows:

	2016	2015
Group life	₱51,576,471	₱47,432,528
Ordinary life	(86,606)	152,029
	51,489,865	47,584,557
Reinsurers' share	(2,489,865)	(1,084,557)
	₱49,000,000	₱46,500,000

12. Due to Reinsurers

Due to reinsurers represents unpaid premiums for reinsurance policies payable to the following reinsurers: (1) United Coconut Planters Life Assurance Corporation (COCOLIFE), (2) Beneficial Life Insurance Co., Inc. (BENLIFE) and (3) Malayan Reinsurance Berhad. These are normally settled in cash within one (1) year.

As at December 31, 2016 and 2015, due to reinsurers amounted to ₱7,696,415 and ₱4,086,478, respectively. Reinsurers' share in benefits and claims on insurance contracts amounted to ₱6,770,262 and ₱5,914,032 in 2016 and 2015, respectively (see Note 17).

13. Retirement Liability

The Cooperative has a funded, noncontributory and defined benefit retirement plan administered by an independent trustee covering all qualified employees. The benefits are based on the years of service and percentage of latest monthly salary. The Cooperative's latest actuarial valuation report was made on January 16, 2017 for the year ended December 31, 2016.

Retirement cost is actuarially determined using the projected unit credit method. This method reflects services rendered by the employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur.

The following tables summarize the components of the retirement costs recognized in the statements of operations and amounts recognized in the statements of financial condition for the retirement plan.

Retirement costs recognized in the statements of operations follow:

	2016	2015
Current service cost	₱1,019,276	₱711,021
Net interest costs	172,952	184,596
	₱1,192,228	₱895,617

The net retirement liability recognized in the statements of financial condition follows:

	2016	2015
Present value of defined benefit obligation	₱7,898,149	₱5,347,389
Fair value of plan assets	(5,289,779)	(400,000)
	₱2,608,370	₱4,947,389

The movements of the present value of defined benefit obligation follow:

	2016	2015
Balance at beginning of year	₱5,347,389	₱1,450,458
Current service cost	1,019,276	711,021
Interest cost	272,637	202,490
Remeasurement loss	1,258,847	4,850,266
Others	-	(1,866,846)
Balance at end of year	₱7,898,149	₱5,347,389

The movements of the fair value of the plan assets follow:

	2016	2015
Balance at beginning of year	₱400,000	₱350,458
Contribution	4,947,389	-
Interest income	99,685	17,894
Remeasurement gain (loss)	(157,295)	31,648
Balance at end of year	₱5,289,779	₱400,000

The categories of the plan assets follow:

	2016	2015
Cash and cash equivalents	26.51%	44.91%
Investments in unit investment trust funds	-	22.70%
Investments in government securities	72.69%	32.28%
Others	0.80%	0.11%
	100.00%	100.00%

The cumulative remeasurement loss as at December 31, 2016 and 2015 is as follows:

	2016	2015
Balance at beginning of year	₱4,818,618	₱-
Remeasurement loss (gain) on:		
Defined benefit obligation	1,258,847	4,850,266
Plan assets	157,295	(31,648)
	1,416,142	4,818,618
Balance at end of year	₱6,234,760	₱4,818,618

The principal assumptions used in determining retirement liability follow:

	2016	2015
Discount rate	5.06%	5.10%
Future salary increases	5.00%	5.00%
Average remaining working lives of employees	20 years	20 years

The sensitivity analysis of defined benefit obligation for principal assumptions used as at December 31, 2016 and 2015 follows:

Principal assumptions	Effect on the Present Value of Defined Benefit Obligation	
	2016	2015
Discount rate:		
Increase by 1%	(P1,645,093)	(P880,305)
Decrease by 1%	1,559,980	1,055,075
Salary rate:		
Increase by 1%	1,455,474	984,917
Decrease by 1%	(1,699,683)	(841,864)

The sensitivity analysis above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The maturity profile of expected benefit payments from the plan are as follows:

Year	Expected Benefit Payments
2017	P161,179
2018	751,023
2019	297,152
2020	171,661
2021 - 2026	3,429,229

14. Other Payables

This account consists of:

	2016	2015
Accounts payable	P6,905,312	P3,946,053
Accrued expenses	1,602,757	1,754,105
Statutory payables	589,615	400,932
Life insurance deposits	550,862	550,489
Others	449,288	318,039
	P10,097,834	P6,969,618

Accounts payable pertains to the liability of the Cooperative to its suppliers which are payable within the next reporting year.

Accrued expenses comprise of light and water, postage and telephone and other operating expenses accrued as of the reporting date and are generally payable within 30 to 60 days.

Statutory payables pertain to withholding taxes payable to the government which are generally remitted within the next reporting year.

Life insurance deposits consist of advance premium collections from policyholders which will be recognized as premium income when due or upon approval of the application for an insurance policy.

15. Statutory Funds

This account consists of funds required to be maintained by the Cooperative pursuant to the provisions of RA No. 9520. The movements of this account follow:

	2016				
	Balance at Beginning of Year	Additions			Balance at End of Year
		Allocation of Net Surplus	Transfer of Revaluation Surplus	Disbursements	
General reserve fund	₱38,278,523	₱11,601,403	₱544,886	₱-	₱50,424,812
Land and building fund	17,465,359	5,258,162	-	-	22,723,521
Cooperative education and training fund	9,894,081	8,120,982	-	(1,008,256)	17,006,807
Community development fund	4,496,639	3,480,421	-	(328,152)	7,648,908
	₱70,134,602	₱28,460,968	₱544,886	(₱1,336,408)	₱97,804,048

	2015				
	Balance at Beginning of Year	Additions			Balance at End of Year
		Allocation of Net Surplus	Transfer of Revaluation Surplus	Disbursements	
General reserve fund	₱17,703,445	₱20,575,078	₱-	₱-	₱38,278,523
Land and building fund	11,248,585	6,216,774	-	-	17,465,359
Cooperative education and training fund	8,692,932	1,776,221	-	(575,072)	9,894,081
Community development fund	1,860,684	2,664,331	-	(28,376)	4,496,639
	₱39,505,646	₱31,232,404	₱-	(₱603,448)	₱70,134,602

The above funds are not available for distribution to members but are used only for the specific purposes for which they are set aside, as approved by the BOD and the members of the Cooperative in the General Assembly (GA).

The distribution of net surplus pursuant to the provisions of R.A. No. 9520 follows:

	2016		2015	
	Percentage	Amount	Percentage	Amount
Dividend and patronage refund payable	75.47%	₱87,553,064	64.83%	₱57,578,648
General reserve fund	10.00%	11,601,403	23.17%	20,575,078
Cooperative education and training fund	7.00%	8,120,982	2.00%	1,776,221
Land and building fund	4.53%	5,258,162	7.00%	6,216,774
Community development fund	3.00%	3,480,421	3.00%	2,664,331
	100.00%	₱116,014,032	100.00%	₱88,811,052

Allocation of dividend and patronage refund payable consists of:

	2016	2015
Interest on share capital	₱43,776,532	₱28,789,324
Patronage refund	35,021,226	23,031,459
Experience refund	8,755,306	5,757,865
	₱87,553,064	₱57,578,648

The movements in dividend and patronage refund payable follow:

	2016	2015
Balance at beginning of year	₱69,705,049	₱43,415,967
Distribution of net surplus	87,553,064	57,578,648
Payments during the year	(51,313,578)	(31,289,566)
Balance at end of year	₱105,944,535	₱69,705,049

16. Net Insurance Premiums

This account consists of:

	2016	2015
Gross premiums on insurance contracts:		
Group life	₱442,387,082	₱340,982,158
Ordinary life	69,242	104,000
	442,456,324	341,086,158
Reinsurers' share of gross premiums on insurance contracts	(26,443,378)	(16,173,147)
	₱416,012,946	₱324,913,011

17. Benefits and Claims on Insurance Contracts

Benefits and claims on insurance contracts are as follows:

	Note	2016	2015
Group life		₱162,775,066	₱118,147,299
Ordinary life		168,644	56,200
		162,943,710	118,203,499
Reinsurers' share	12	(6,770,262)	(5,914,032)
		₱156,173,448	₱112,289,467

18. Salaries and Benefits

This account consists of:

	Note	2016	2015
Salaries and wages		₱19,081,389	₱14,984,068
Employee benefits		6,049,475	4,361,728
Retirement costs	13	1,192,228	895,617
		₱26,323,092	₱20,241,413

19. General and Administrative Expenses

This account consists of:

	Note	2016	2015
Meetings and conferences		₱3,328,427	₱2,014,378
Transportation and travel		2,185,088	1,199,761
Postage, telephone and telegram		1,878,121	1,483,304
Utilities		1,844,972	1,829,014
Professional and consultancy fees		1,792,626	2,114,066
Networking and representation		1,355,005	724,372
Printing, stationery and supplies		1,097,714	875,078
Honorarium and allowances		930,000	785,000
Penalties and charges		900,262	–
Security and maintenance services		802,808	658,362
Membership and association dues		677,119	719,858
Advertising and promotions		578,267	508,114
Taxes and licenses		224,526	334,433
Repairs and maintenance		214,869	214,199
Provision for impairment loss on loans and receivables	7	–	268,722
Others		1,365,195	549,094
		₱19,174,999	₱14,277,755

20. Financial Risk Management

The Cooperative is exposed to a variety of financial risks arising from its operating, investing and financing activities. The BOD has overall responsibility for the Cooperative's financial risk management, which includes establishment and approval of risk strategies, policies and limits. The main objective of the financial risk management is to minimize the adverse impact of financial risks on the Cooperative's financial performance and financial condition due to the unpredictability of financial markets.

The Cooperative's financial instruments consist of cash and cash equivalents, short-term investments, insurance receivables, AFS financial assets, loans and receivables, reinsurance assets, refundable deposits (presented under "Other assets" account in the statements of financial condition), insurance contract liabilities, dividend and patronage refund payable, due to reinsurers and other payables (excluding statutory payables). The main purpose of these financial instruments is to generate income and raise finances for the Cooperative's operations.

The main risks arising from the Cooperative's use of financial instruments are summarized as follows:

Insurance Risk

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Cooperative faces under such contracts is when the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is organized by the frequency of claims, severity of claims, actual benefits paid that are greater than original estimates and subsequent development of long-term claims.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The majority of insurance business ceded is placed on a quota share basis with retention limits varying by product line. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Cooperative has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Cooperative's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Cooperative substantially dependent upon any single reinsurance contract.

The Cooperative principally writes life insurance where the life of a policyholder is insured against death, illness, injury or permanent disability which are usually for a pre-determined amount.

The Cooperative adopts the underwriting risk policy. The risks associated with the life and accident products are underwriting risk and investment risk.

Underwriting Risk

Underwriting risk represents the exposure to loss resulting from actual policy experience adversely deviating from assumptions made in the product pricing. Underwriting risks arise from the combination of the following:

- Mortality risk - risk of loss arising from policyholders' death experience being different than expected.
- Expense risk - risk of loss arising from expense experience being different than expected.
- Policyholder decision risk - risk of loss arising from policyholders' experiences (lapses and surrenders) being different than expected.

The Cooperative's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geographical locations, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular view of actual claims experience and product pricing and detailed claims handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria.

The Cooperative is conscious of the need to exercise good judgment in the selection and approval of companies participating in its reinsurance programs. While reinsurance arrangements do not relieve the Cooperative from its direct obligations to the insured, an efficient and effective reinsurance program substantially limits the Cooperative's exposure to potentially significant losses.

Concentration of Insurance Risk. The table below sets out the Cooperative's computation of insurance risk based on sum insured:

Type	2016			2015		
	No. of Policies	Amount of Insurance	Premiums	No. of Policies	Amount of Insurance	Premiums
Group life	320,323	₱16,143,737,283	₱380,102,950	265,218	₱14,867,507,214	₱239,048,679
Group accident	12,241	3,472,000	1,571,542	14,849	134,461,500	1,328,756
Micro insurance	12,174	315,867,000	7,927,654	12,901	353,050,000	4,181,182
Permanent plans	48	3,905,300	69,242	52	4,105,300	92,173
	344,786	₱16,466,981,583	₱389,671,388	293,020	₱15,359,124,014	₱244,650,790

Classification by Attained Age (Based on 2016 Data of In-force Policies). The table below presents the concentration of risk by attained age. Exposures are concentrated on age brackets 36-45, 46-55 and 56-65.

Attained Age	Gross of Reinsurance	
	Concentration	Exposure
18-35	₱3,248,039,883	20%
36-45	4,956,449,426	30%
46-55	4,822,271,691	29%
56-65	3,227,096,690	20%
66-75	213,123,893	1%
Total	₱16,466,981,583	100%

Key Assumptions. Material judgment is required in determining the liabilities and in choosing assumptions relating to insurance contracts. Assumptions in use are based on past experience, current internal data and conditions and external market indices and benchmarks, which reflect current observable market prices and other published information. Such assumptions are determined as appropriate at inception of the contract and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations. Assumptions are subject to the provisions of the Code and guidelines set by the IC.

For insurance contracts, the Cooperative determines the assumptions in relation to future deaths, illness or injury and investment returns at inception of the contract.

Subsequently, new estimates are developed at each reporting date and liabilities are tested to determine whether such liabilities are adequate in the light of the latest current estimates. The initial assumptions are not altered if the liabilities are considered adequate. Otherwise, the assumptions are altered to reflect the latest current estimates. As a result, the effect of changes in the underlying variables on insurance liabilities and related assets is not symmetrical.

The key assumptions to which the estimation and adequacy testing of liabilities are particularly sensitive to the following:

Mortality Rates. Assumptions are based on standard industry and national mortality tables, according to the type of contract written and which may be adjusted where appropriate to reflect the Cooperative's own experiences. Assumptions are differentiated by sex, underwriting class and contract type.

For life insurance policies, increased mortality rates would lead to a larger number of claims occurring sooner than anticipated, increasing the expenditure and thereby reducing profits from operations.

Discount Rates. Life insurance liabilities are determined as the sum of the discounted value of the expected benefits less the discounted value of the expected premiums that would be required to meet these future cash outflows. The weighted average rate of return is derived based on model portfolio that is assumed to back liabilities, consistent with the long-term asset allocation strategy. These estimates are based on current market returns as well as expectations about future economic and financial development. Interest rates used for estimating liabilities are capped at 6% by the Code. An increase in investment return would lead to an increase in profits from operations. A decrease in the discount rate will increase the value of the liability.

Investment Risk

Investment risk represents the exposure to loss resulting from cash flows from invested assets, primarily long-term fixed rate investments, being less than the cash flows required to meet the obligations of the expected policy and contract liabilities and the necessary return on investments. Additionally, there exists a future investment risk associated with certain policies currently in force which will have premium receipts in the future. That is, the investment of those future premium receipts may be at a yield below that required to meet future policy liabilities.

To maintain an adequate yield to match the interest necessary to support future policy liabilities, management focus is required to reinvest the proceeds of the maturing securities and to invest the future investment receipts while continuing to maintain satisfactory investment quality.

The Cooperative likewise adopts investment strategy to invest primarily in high quality securities while maintaining diversification to avoid exposure to issuer, industry and/or country concentrations. The Cooperative also adopts strategy to produce cash flows required to meet maturing insurance liabilities. The Cooperative invests in equities for various reasons, including diversifying its overall exposure to interest rate risk. Equity securities are subject to declines in fair value. Generally, insurance regulations restrict the type of assets in which an insurance company may invest when permitted by regulatory authorities and when deemed necessary to protect insurance assets including invested assets, from adverse movement of foreign currency exchange rates, interest rates and equity prices. The Cooperative may also enter into derivative transactions as end users.

The Cooperative uses asset-liability matching as a management tool to determine the composition of the invested assets and appropriate investment and marketing strategies. As part of these strategies, the Cooperative may determine that it is economically advantageous to be temporarily in an unmatched position due to anticipated interest rates or other economic changes.

Financial Risk

The Cooperative is exposed to financial risk through its financial assets and liabilities. In particular, the key financial risk that the Cooperative is exposed to is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts.

The most important components of this financial risk are credit risk, liquidity risk and market risk. These risks arise from open positions in interest rate, currency and equity products and all are exposed to general and specific market movements.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Cooperative manages the level of credit risk it accepts through a comprehensive credit risk policy setting out the assessment and determination of what constitutes credit risk for the Cooperative; setting up exposure limits by each counterparty or group of counterparties and industry segment; right of offset where both counterparties are debtors and creditors; guidelines in obtaining collateral and guarantees; reporting of credit risk exposures; monitoring compliance with credit risk policy; and review of credit risk policy for pertinence and changing environment.

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

In respect of investment securities, the Cooperative limits its exposure by setting maximum limits of portfolio securities with a single or group of issuers. The Cooperative also makes use of institutions of high credit worthiness.

The Cooperative sets maximum amounts and limits that may be advanced to or placed with individual corporate counterparties which are set by reference to their long-term ratings.

With respect to credit risk arising from its financial assets, which comprise cash in banks and cash equivalents, short-term investments, insurance receivables, loans and receivables, AFS financial assets, reinsurance assets and refundable deposits, the Cooperative's maximum exposure is equal to the gross amount of these instruments.

The table below shows the maximum exposure to credit risk for the components of the statements of financial condition:

	2016	2015
Cash in banks and cash equivalents	P717,789,292	P337,268,291
Short-term investments	66,390,666	4,633,009
Insurance receivables	47,720,464	62,289,708
AFS financial assets	168,169,091	147,979,543
Loans and receivables	21,623,825	27,292,391
Reinsurance assets	12,732,185	8,162,437
Refundable deposits	554,834	495,678
	P1,034,980,357	P588,121,057

Credit Quality per Class of Financial Assets. The Cooperative's bases in grading its financial assets are as follows:

High grade - These are receivables which have a high probability of collection (the counterparty has the apparent ability to satisfy its obligation and the security on the receivables are readily enforceable).

Standard Grade - These are receivables where collections are probable due to the reputation and the financial ability of the counterparty to pay but have been outstanding for a certain period of time.

Substandard Grade - These are receivables that can be collected provided the Cooperative makes persistent effort to collect the amounts due.

The table below shows the credit quality by class of financial assets of the Cooperative based on their historical experience with the corresponding parties as at December 31, 2016 and 2015:

	2016					
	Neither Past Due nor Impaired			Past Due but not Impaired	Impaired	Total
	High Grade	Standard Grade	Substandard Grade			
Cash in banks and cash equivalents	P717,789,292	P-	P-	P-	P-	P717,789,292
Short-term investments	66,390,666	-	-	-	-	66,390,666
Insurance receivables	42,501,854	-	-	-	5,218,610	47,720,464
AFS financial assets	158,900,681	-	-	-	9,268,410	168,169,091
Loans and receivables	-	4,848,806	-	-	16,775,019	21,623,825
Reinsurance assets	12,732,185	-	-	-	-	12,732,185
Refundable deposits	554,834	-	-	-	-	554,834
	P998,869,512	P4,848,806	P-	P-	P31,262,039	P1,034,980,357

	2015					
	Neither Past Due nor Impaired			Past Due but not Impaired	Impaired	Total
	High Grade	Standard Grade	Substandard Grade			
Cash in banks and cash equivalents	P337,268,291	P-	P-	P-	P-	P337,268,291
Short-term investments	4,633,009	-	-	-	-	4,633,009
Insurance receivables	42,436,219	-	-	-	19,853,489	62,289,708
AFS financial assets	138,711,133	-	-	-	9,268,410	147,979,543
Loans and receivables	-	2,799,631	-	-	24,492,760	27,292,391
Reinsurance assets	8,162,437	-	-	-	-	8,162,437
Refundable deposits	495,678	-	-	-	-	495,678
	P531,706,767	P2,799,631	P-	P-	P53,614,659	P588,121,057

The credit quality of the Cooperative's financial assets is evaluated using internal credit rating. Financial assets are considered high grade if the counterparties are not expected to default in settling their obligations, thus credit risk exposure is minimal. These counterparties include banks, customers and related parties who pay on or before due date.

Liquidity Risk

Liquidity risk is the risk from inability to meet obligations when they become due because of the inability to obtain adequate funding. The Cooperative ensures that sufficient liquid assets are available to meet short-term funding and regulatory requirements.

The Cooperative is mainly exposed to liquidity risk through its maturing liabilities.

The details of the Cooperative's maturity analysis are as follows:

	2016				
	Total	On Demand	Due Within 1 Year	Due Within 1 to 5 years	Due 5 Years and Above
Insurance contract liabilities	P215,055,995	P-	P215,055,995	P-	P-
Dividend and patronage refund payable	105,944,535	105,944,535	-	-	-
Due to reinsurers	7,696,415	-	7,696,415	-	-
Other payables*	9,508,219	9,508,219	-	-	-
	P338,205,164	P115,452,754	P222,752,410	P-	P-

	2015				
	Total	On Demand	Due Within 1 Year	Due Within 1 to 5 years	Due 5 Years and Above
Insurance contract liabilities	P155,059,696	P5,117,070	P149,942,626	P-	P-
Dividend and patronage refund payable	69,705,049	69,705,049	-	-	-
Due to reinsurers	4,086,478	-	4,086,478	-	-
Other payables*	6,568,686	6,568,686	-	-	-
	P235,419,909	P81,390,805	P154,029,104	P-	P-

*Excludes statutory payables.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risks: market interest rates (interest rate risk) and market price (price risk). The market risk of the Cooperative is minimal.

The following policies and procedures are in place to mitigate the Cooperative's exposure to market risk:

- A market risk policy setting out the assessment and determination of what constitutes market risk for the Cooperative. Compliance with the policy is monitored and exposures and breaches are reported to the risk committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.
- Set asset allocation and portfolio limit structure, to ensure that assets back specific policyholders' liabilities and those assets are held to deliver income and gains for policyholders which are in line with expectations to the policyholders.
- Stipulated diversification benchmarks by type of instrument, as the Cooperative is exposed to guaranteed bonuses, cash and annuity options when interest rates fall.

Interest Rate Risk

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

The Cooperative's market risk policy requires it to manage interest rate risk by maintaining appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest-bearing financial assets and liabilities. Any gap between the maturities of fixed and variable rate instruments is effectively managed by the Cooperative. No sensitivity analysis is needed as future interest rate changes are not expected to significantly affect the Cooperative's net surplus.

The details of the interest rates and the interest-bearing financial instruments are as follows:

	2016	2015
Cash in bank and cash equivalents	1.25% - 1.5%	1% - 2%
Short-term investments	2.45% - 7%	3.5% - 7%
Fixed rate treasury notes	3.18%	3.18%

21. Capital Management

Capital Management Framework

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

Companies manage capital through a process that determines future projected capital requirements through the development of long-term financial plans and projections that consider the impact on the surplus of new business, profitability of in-force business and other major corporate initiatives that will affect capitalization levels. The results of the financial plans and projections provide basis in the determination of capitalization changes and surplus distribution decisions.

The operations of insurance companies 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., margin of solvency to minimize the risk of default and insolvency on the part of the insurance companies to meet the unforeseen liabilities as these arise, fixed capitalization requirements, risk-based capital requirements).

Regulators are interested in protecting the rights of the policyholders and maintaining close vigil to ensure that the companies are satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that they maintain an appropriate solvency position to meet liabilities arising from claims and that the risks are at acceptable levels.

The Cooperative's capital as at December 31, 2016 and 2015 follows:

	2016	2015
Capital stock	P599,631,400	P244,809,800
Contributed surplus	85,298	85,244
Revaluation surplus on land and building	6,755,702	7,300,588
Cumulative unrealized gain on AFS financial assets	858,151	771,682
Cumulative remeasurement loss on retirement liability	(6,234,760)	(4,818,618)
Statutory funds	97,804,048	70,134,602
	P698,899,839	P318,283,298

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

Fixed Capitalization and Minimum Statutory Net Worth Requirements

On November 29, 2006, the IC issued the Insurance Memorandum Circular (IMC) No. 10-2006, the purpose of which is to integrate the compliance standards under Department Order (DO) No. 27-06, as issued by the Department of Finance on September 1, 2006 prescribing the fixed capitalization increase and IMC Nos. 6-2006 and 7-2006, prescribing the RBC framework for insurers.

The table below shows the amount of minimum paid-up capital and the schedule of compliance per DO No. 15-2012 of the Department of Finance:

Minimum Paid-up Capital	Compliance
Date ₱250 million	December 31, 2012
400 million	December 31, 2014
600 million	December 31, 2016
800 million	December 31, 2018
1 billion	December 31, 2020

On November 22, 2012, the IC issued an advisory to all insurance and reinsurance companies doing business in the Philippines regarding the implementation of DO No. 27-06. According to the advisory, the minimum paid-up capital for December 31, 2012 must at least be equal to the amount previously scheduled for December 31, 2011 per DO No. 27-06.

On December 11, 2012, the implementation of DO No. 15-2012 was issued a temporary restraining order. Accordingly, the required minimum paid-up capital requirement would still be ₱250,000,000 by the end of 2012 as advised by the IC.

On August 15, 2013, the President of the Philippines approved the Republic Act No. 10607 to be known as the "The Insurance Code" (the Code) which provides the new capitalization requirements of all existing insurance companies based on net worth on a staggered basis starting June 30, 2013 up to December 31, 2022. The amount of required net worth and the schedule of compliance are as follows:

Minimum Statutory Net Worth	Compliance
Date ₱250 million	June 30, 2013
550 million	December 31, 2016
900 million	December 31, 2019
1.3 billion	December 31, 2022

On January 13, 2015, the IC issued the Circular Letter (CL) No. 2015-02-A which provides for the clarification of minimum capital requirements under sections 194, 197, 200 and 289 of the Code. The said circular supersedes the DO Nos. 27-06 and 15-2012 and CL Nos. 22-2008 and 26-2008. The minimum net worth requirements must remain unimpaired for the continuance of the license.

In accordance with the Philippine Cooperative Code of 2008, the requirements on the capitalization, investments and reserves of insurance companies may be modified upon consultation with the CDA and the cooperative sector, but in no case may the requirements be reduced to less than half of those provided under the Code.

As at December 31, 2016 and 2015, the Cooperative has complied with the minimum paid-up capital and statutory net worth requirements required by IC.

RBC Requirements

IMC No. 6-2006 provides for the RBC framework for the life insurance industry to establish the required amounts of capital to be maintained by the companies in relation to their investment and insurance risks. Every life insurance company is annually required to maintain a minimum RBC ratio of 100% and not to fail the trend test. Failure to meet the minimum RBC ratio shall subject the insurance company to the corresponding regulatory intervention which has been defined at various levels.

The Cooperative's RBC ratio can be determined only after considering the admitted value of certain financial statement accounts. These are normally determined after the examination of the IC.

22. Financial Assets and Liabilities

The following table presents a comparison of the carrying amounts and fair values of all the Cooperative's financial assets and liabilities as at December 31, 2016 and 2015.

	2016		2015	
	Fair Value	Carrying Amount	Fair Value	Carrying Amount
Financial Assets				
Cash and cash equivalent	₱738,363,848	₱738,363,848	₱346,418,593	₱346,418,593
Short-term investments	66,390,666	66,390,666	4,633,009	4,633,009
Insurance receivables	42,501,854	42,501,854	42,436,219	42,436,219
Loans and receivables	4,848,806	4,848,806	2,799,631	2,799,631
AFS financial assets	158,900,681	158,900,681	138,711,133	138,711,133
Reinsurance assets	12,732,185	12,732,185	8,162,437	8,162,437
Refundable deposits	554,834	554,834	495,678	495,678
	₱1,024,292,874	₱1,024,292,874	₱543,656,700	₱543,656,700
Financial Liabilities				
Insurance contract liabilities	₱215,055,995	₱215,055,995	₱155,059,696	₱155,059,696
Dividend and patronage refund payable	105,944,535	105,944,535	69,705,049	69,705,049
Other payables*	9,508,219	9,508,219	6,568,686	6,568,686
Due to reinsurers	7,696,415	7,696,415	4,086,478	4,086,478
	₱338,205,164	₱338,205,164	₱235,419,909	₱235,419,909

*Excludes statutory payables.

Cash and Cash Equivalents, Short-term Investments, Insurance Receivables, Loans and Receivables, Reinsurance Assets, Refundable Deposits, Insurance Contract Liabilities, Dividend and patronage refund payable, Other Payables and Due to Reinsurers. The fair value of the financial assets and financial liabilities approximate their carrying amounts due to short-term nature of these financial instruments.

AFS Financial Assets. The fair values of these investments are determined by reference to quoted market bid prices (Level 1 in the fair value hierarchy) at the close of business as at the reporting date.

In 2016 and 2015, there were no transfers within any hierarchy level of fair value measurement.

AUDIT COMMITTEE REPORT

For the Year Ending December 31, 2016

The General Assembly

Cooperative Insurance System of the Philippines
80 Malakas St., Brgy. Pinyahan, Diliman
Quezon City

We have examined the compliance to the industry standards of the Cooperative Insurance System of the Philippines for the year ending December 31, 2016. Our responsibility is to render a report on the company's compliance to said standards based on our examination.

We conduct our examination in accordance with Cooperative Development Authority (CDA) Cooperative Annual Progress Report (CAPR), the guidelines on Social Audit of the Cooperatives and the Audit Report rendered by Reyes Tacandong & Co... These standards require that we plan and perform the examination to ensure reasonable assurance about whether the Cooperative Insurance System of the Philippines complies with the standard set by governing/regulating agencies. The examination included validating the Cooperative Progress Report, accomplishing the Social Audit Questionnaires and calculating the points earned by the Cooperative Insurance System of the Philippines based on parameters/criteria set forth under CDA guidelines. We believe that our examination provided a reasonable basis to render a rating on the Insurance Company's performance.

In our opinion, based on the report rendered by Reyes Tacandong & Co. and in accordance with the CDA CAPR and Social Audit, The Cooperative Insurance System of the Philippines obtained the following ratings for the year ending December 31, 2016.

	Rating	Report Rendered
Financial Statement		Unqualified
CDA CAPR	Satisfactory	
CDA Social Audit	Very Satisfactory (83.50)	


WILMA L. GIDAYA
Chairman


ROLAN F. LITERATUS
Vice-Chairman


GINA F. VALENTE
Secretary

**COOPERATIVE INSURANCE SYSTEM OF THE PHILIPPINES
PROPOSED BUDGET 2017**

	BUDGET 2016	VA	ACTUAL 2016	VA	VARIANCE	PROPOSED BUDGET 2017	VA
REVENUES							
Gross premiums on insurance contracts	410,000,000		442,456,324		32,456,324	505,000,000	
Reinsurer's share of gross premium on ins contracts	(20,000,000)		(26,443,378)		(6,443,378)	(22,000,000)	
<i>Net Insurance Premiums</i>	390,000,000	100.0%	416,012,946	100.0%	26,012,946	483,000,000	100.0%
Investment Income	6,000,000	1.5%	9,789,517	2.4%	3,789,517	12,000,000	2.5%
Other Income	300,000	0.1%	1,532,170	0.4%	1,232,170	2,000,000	0.4%
	396,300,000	101.6%	427,334,634	102.7%	31,034,634	497,000,000	102.9%
BENEFITS AND EXPENSES							
Increase (decrease) in legal policy reserves	48,000,000	12.3%	49,000,000	11.8%	1,000,000	50,000,000	10.4%
Gross benefits and claims paid on insurance contracts	118,000,000	30.3%	156,173,448	37.5%	38,173,448	165,000,000	34.2%
Net Insurance benefits and claims	166,000,000	42.6%	205,173,448	49.3%	39,173,448	215,000,000	44.5%
Commission	61,500,000	15.0%	58,339,547	13.2%	(3,160,453)	72,500,000	15.0%
Compensation and Benefits	35,700,000	9.2%	26,323,093	6.3%	(9,376,907)	44,700,000	9.3%
Utilities	3,500,000	0.9%	2,987,633	0.7%	(512,367)	5,500,000	1.1%
Depreciation	3,200,000	0.8%	2,309,514	0.6%	(890,486)	3,300,000	0.7%
Postage, Telephone & Telegram	2,000,000	0.5%	1,878,121	0.5%	(121,879)	2,300,000	0.5%
Travelling Expenses	3,000,000	0.8%	2,185,088	0.5%	(814,912)	3,000,000	0.6%
Professional, Legal & Audit Fee	2,700,000	0.7%	1,792,626	0.4%	(907,374)	3,000,000	0.6%
Printing, Stationery & Supplies	1,600,000	0.4%	1,097,714	0.3%	(502,286)	1,800,000	0.4%
Officers Honorarium and Allowance	1,300,000	0.3%	930,000	0.2%	(370,000)	1,400,000	0.3%
Conference and Sales Meeting	1,500,000	0.4%	1,344,164	0.3%	(155,836)	2,900,000	0.6%
Representation and Entertainment	1,500,000	0.4%	1,355,006	0.3%	(144,994)	2,000,000	0.4%
Membership and Association Dues	1,000,000	0.3%	677,119	0.2%	(322,881)	1,500,000	0.3%
Board Meeting Expenses	1,100,000	0.3%	1,011,406	0.2%	(88,594)	1,300,000	0.3%
General Assembly Expenses	1,000,000	0.3%	972,858	0.2%	(27,142)	1,200,000	0.2%
Provisions	1,000,000	0.3%	900,262	0.2%	(99,738)	1,200,000	0.2%
Advertising/Donation Expenses	800,000	0.2%	1,306,975	0.3%	506,975	1,700,000	0.4%
General and administrative expenses	800,000	0.2%	736,029	0.2%	(63,971)	1,700,000	0.4%
	289,200,000	74.2%	311,320,601	74.8%	22,120,601	366,000,000	75.8%
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	107,100,000	26.1%	116,014,032	27.9%	8,914,032	131,000,000	27.1%
OTHER COMPREHENSIVE INCOME							
Remeasurement loss on retirement liability	-		(1,416,142)		(1,416,142)		
Increase (decrease) in revaluation surplus on land and build	-		(544,886)		(544,886)		
Unrealized gain (loss) on AFS financial assets	-		86,469		86,469		
	-		(1,874,559)		(1,874,559)	-	
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	107,100,000		114,139,473		7,039,473	131,000,000	

**Cooperative Insurance System of the Philippines
2017 Capital Outlay**

	Amount	Qty	Amount
<u>Computer / IT Equipment</u>			
Desktop	40,000.00		
Head Office		40	1,600,000
Printer	10,000.00		
Head Office		5	50,000
Regions (12 branch office)		12	120,000
Router	10,000.00	2	20,000
Software for ICARD			250,000
Projector	50,000.00	2	100,000
Sophos Cloud Endpoint Protection Advance (Anti-virus)			200,000
Integrated Software (Acctg., URD, Claims & Others)			25,000,000
Server	300,000.00		
Head Office		1	<u>300,000</u>
Sub-Total			<u><u>27,640,000</u></u>
<u>Office Equipment</u>			
Aircon (inverter)			
Head Office		2	70,000
Regional Office	70,000.00	8	560,000
Video Camera		1	65,000
Emergency Light	5,000.00	8	40,000
Photocopying machine			
Head Office		1	<u>100,000</u>
Sub-Total			<u><u>835,000</u></u>
<u>Motor Vehicles</u>			
Service Vehicle			<u><u>1,500,000.00</u></u>
<u>Office Furniture & Fixtures (Subject to consumption of proposed acquisition of building)</u>			
Head Office			
Clerical Office Chair w/ arm	4,000.00	62	248,000.00
Executive Chair w/ arm	3,000	28	84,000.00

**Cooperative Insurance System of the Philippines
2017 Capital Outlay**

Pedestal Cabinet Model	6,000	104	624,000.00
Cubicle Table	9,000	90	810,000.00
Steel Cabinet Brown	13,000	32	416,000.00
Visitor Chair Black Lobby	2,000	10	20,000.00
Folding Table	3,000	2	6,000.00
Records Cabinet OD:96 Hx42 Wx16D	21,000	25	525,000.00
Conference Table	20,000	2	40,000.00
Conference Chair	1,000	36	36,000.00
			<hr/>
Sub-Total			2,809,000.00
			<hr/> <hr/>

Additional Regional Office

Clerical Office Chair w/ arm	4,000.00	8	32,000.00
Executive Chair w/ arm	3,000	8	24,000.00
Pedestal Cabinet Model	6,000	8	48,000.00
Cubicle Table	9,000	8	72,000.00
Steel Cabinet Brown	13,000	8	104,000.00
Visitor Chair Black Lobby	2,000	8	16,000.00
Folding Table	3,000	4	12,000.00
Records Cabinet OD:96 Hx42 Wx16D	21,000	8	168,000.00
			<hr/>
Sub-Total			476,000.00
			<hr/> <hr/>

Building/Improvements

Acquisition of Land		100,000,000.00
Construction of Building		100,000,000.00
		<hr/>
Sub-Total		200,000,000.00
		<hr/> <hr/>

TOTAL		233,260,000.00
		<hr/> <hr/>

FIVE-YEAR STRATEGIC PLAN (2017-2021)

The CISP is committed to provide its stakeholders a reliable, financially stable and viable insurance cooperative. With the great opportunities coming CISP's way, the Board and management deemed it necessary to re-align our strategic goals to ensure CISP competitiveness to be able to meet the demands of the market and its member-patrons. The five-year major strategic goal are as follows:

I. Year 2017: "Consolidation Mode"

Main keys:

- ✓ Aggressive Human Resource and IT Development
- ✓ Operationalization of composite insurance system
- ✓ Manualization of business processes
- ✓ Establishment of 1st branch in Mindanao
- ✓ Implementation of Koop Insurance Network (KIN)

II. Year 2018: "Expansion Mode"

Main keys:

- ✓ Establishment of 2 major branches in Luzon & Visayas
- ✓ Explore acquisition of other insurance companies
- ✓ Forge partnerships with different distribution channels
- ✓ Continuous strengthening of the organization
- ✓ ISO Certification
- ✓ Improve rating in ASEAN Corporate Governance Scorecard (ACS)

III. Year 2019: "Size Matters"

Main keys:

- ✓ Establishment of one cooperative insurance
- ✓ Acquire other insurance company/ies
- ✓ Strengthening of the merger set-up (HRD/IT/Operations & Marketing)
- ✓ ISO Certification (IT/URD/Claims)

IV. Year 2020: "Go International"

Main keys:

- ✓ Establish foothold in the ASEAN Market
- ✓ Acquire other insurance company
- ✓ ISO Certification (ALL DEPARTMENTS)

V. Year 2021: "Our Proud Moment"

Main keys:

- ✓ Establish 1 International Branch (ASEAN)
- ✓ Membership in International Association of Insurance



Board of Directors



The Board of Directors during their oath taking on May 4, 2016 officiated by the Corporate Secretary



BOD Orientation 2016



Board of Directors-at-work.



AMLA Seminar for BODs, CISP officers & members of committees.

Dir. Armen Cuenca & Dir. Francisco Jose attended the Corporate Governance Orientation Program on August 8, 2016 organized by the Institute of Corporate Directors (ICD).



42nd Annual General Assembly



Mr. Randy Albores (center) of USPD MPC, grand winner of CISP songwriting contest.



The CISP Board of Directors, officers, employees & agents gamely posed for a souvenir photo after the successful 42nd General Assembly.

2016 SPECIAL ASSEMBLY

CISP Chairman BGen. Teodoro Evangelista answering queries from member-delegates during the Special Assembly on July 23, 2016 at Quezon City.



OWNERS FORUMS 2016

CISP conducted series of owner's fora in different parts of the country.

Quezon City



Davao City



Legaspi City



Cebu City



Cagayan De Oro City (attended by CISP members from Regs. 9 & 10)



Iloilo City



Baguio City



FALIA: Major Challenges facing Life Insurance Company & Consumer Protection

Ms. Jackelyn Ballena and Ms. Gelizabeth Cabuhat posed for a souvenir photo together with the other delegates during the FALIA Forum in Yokohama, Japan in July 2016.



International Trainings



Actuarial Seminar of East Asia

Mr. Joyce Servito, Head of the Actuarial & Reinsurance Dept., participated in the Actuarial Seminar of East Asia in Tokyo, Japan on September 13-16, 2016.



FALIA: Risk Management Course

Ms. Gladys Jean De Vera, Head of the Claims Dept. & Ms. Aiza Malonzo, Internal Auditor, represented CISP at FALIA Risk Management Course in Yokohama, Japan on November 8-16, 2016.



OLIS Autumn: Practical Business Operation of Life Insurance Company

Ms. Mary Ann Alde, CISP Accountant, attended the OLIS Autumn Seminar in Tokyo, Japan on October 20-25, 2016.



Technical Working Group

Distribution Channels & Consumer Protection for Microinsurance

CISP actively participated in the Technical Working Group (TWG) sponsored by the Asian Development Bank & Department of Finance.



I-Cove Olongapo City



Tagaytay City



Batangas City



Pampanga

Policy Benefits



True to its promise of "Securing Lives, Securing Future", these photos show the beneficiaries accepting from the CISP the claims benefits of the insurance policy of their deceased loved-ones.



CSR Activities

Increasing Awareness in Maternal Health Care. CISP's first CSR for 2016 held at Brgy. Ramon Magsaysay, Quezon City on May 13-14, 2016.



Brigada Eskwela. CISP helped in the annual Brigada Eskwela of Flora Ylagan High School on May 30-31, 2016.



Reducing Child Mortality. In Partnership with QC Health Department, CISP conducted a seminar among 60 women of Brgy. Commonwealth on June 24, 2016.

CISP cares the environment. The CISP employees planted 500 seedlings of Cacao, Guyabano and Narra trees on August 6, 2016 in Norzagaray, Bulacan.

Urban Agriculture. In partnership with the DA, NHA, Bureau of Plant Industry & LGU-San Jose del Monte, CISP sponsored urban agriculture seminar on September 1-4, 2016 in San Jose del Monte, Bulacan.



Encounter with Cancer Patients. The CISP employees visited the children suffering from cancer Child Haus Manila on October 8, 2016.

Road Traffic Safety Awareness for Students. The CISP sponsored a seminar on road safety awareness to 45 students of Gen. Tiburcio Elem. School at Gen. T. De Leon, Valenzuela City on October 14, 2016.

The CISP employees enjoyed a day of fun games with children with special needs on November 12, 2016 in coordination with Special Olympics Philippines.



Health and Wellness (Financial Literacy Seminar)



Disaster Preparedness & Management Seminar



CISP employees attended AMLA Seminar.



Fire Prevention Seminar



CSA Immersion Program



Sports Fest 2016



Movie Night Out



Christmas Party 2016

MARKETING CONFERENCE



AMLA RUN



LOCAL TRAININGS



HR ORIENTATION



TEAM BUILDING

The CISP family posed for a souvenir photo at the Loboc River during their team building in Bohol a day after the 42nd G.A. last April 2016.



HEALTH & WELLNESS





Board of Directors



BGEN. TEODORO P. EVANGELISTA (Ret), 60
Chairperson

BS Electronics and Communication Engineering (University of the East)
Master in Business Administration (De La Salle University)
Master in National Security Administration (National Defense College of the Philippines)
Doctor of Business Administration (24 units [De La Salle University])

- BGen. Evangelista has been serving as the CISP Chairman since April 5, 2014 up to present. His term as CISP director will end in 2018.
- Chairman, CISP Executive Committee (April 2014-April 2018)
- Director, ACDI Multi-Purpose Cooperative (June 2015-present)
- Director, Cooperative Health Management Federation (CHMF) (2014-present)
- Director, Consolidated Cooperative Bank (April 2016 – present)

Past positions

- President, ACDI MPC, June 2015 to March 2016
- Board of Director, ACDI (2012-2014)
- EVP for Operations (January–December 2011)
- Retired Brigadier General, Philippine Air Force and Armed Forces of the Philippines



IMELDA S. MAGABILEN, 69
Vice-Chairperson

Bachelor of Science in Chemistry, Registered Chemist (University of Iloilo)
Master in Business Management (University of the Philippines-Iloilo)

- Vice-Chair Magabilen has been serving as CISP director since May 2008. She was elected as CISP Vice-Chairperson on April 18, 2015. Her term of office will end in 2018.
- Vice-Chairman, CISP Executive Committee; Chairperson, Education and Membership Committee; Member, Risk Management Committee
- General Manager, United Sugarcane Planters of Davao (USPD) Savings and Credit Cooperative (2003–present)
- General Manager, USPD Multi-Purpose Cooperative (1984–present)
- Director, Cooperative Health Management Federation (2014–present)
- Vice-Chairman, Consolidated Cooperative Bank (2013–present)
- Director, National Cooperative Movement Mutual Fund, Inc. (2009–present)
- Director, CODIS-Federation of Cooperatives (2000–present)
- Director, Provincial Cooperative Union (April 2015-Present)
- Director, Tripartite Council DOLE-XI (February 2002-Present)
- Vice-Chairman, Model Coop Network (MCN), (2013 to present)
- Vice-Chairman, Mill District Development Council (2002 - present)

Past positions

- Chairman, Cooperative Bank of Davao del Sur (2007-2012)
- OIC/Chief Chemist, United Sugarcane Planters of Davao, Inc.



SENEN C. BACANI, 72
Director

Bachelor of Science in Commerce (CPA) - De La Salle University
Master in Business Administration (University of Hawaii [EWS Scholarship])
Summer Session, University of Pennsylvania (Wharton)
Advance Management Program (Carnegie Mellon University)

- Dir. Bacani has been serving as CISP director since May 24, 2008. His term of office will end in 2018.
- Chairperson, CISP Merger Committee (2014 – present); Member, Executive Committee
- President, Ultrex Management and Investments Corp (1993-present)
- Board of Trustee, Peace and Equity Foundation (present)
- Chairman and President, La Frutera, Inc. (1997-present)
- Advisers, East West Seed Inc. (2010-present)
- Chairman, Truly Natural Food Corp. (2005-present)
- Chairman, TWS Ventures, INC (2004)
- Director, Icebox Logistics Service Inc. (2012)
- Director, Franklin Baker Co. of the Phil. (2014)
- Adviser, Roxas Holdings Inc. (2000-present)
- Director, Swift Foods, Inc. (2000)
- Adviser, East-West Seed, Inc. (2010)
- Vice Chairman-Tech Advisory Committee, PCARRD (DOST) (2003-present)
- Board of Trustees, Philippine Rice Institute (2003-present)

Past Positions

- Member, Government Peace Panel, OPAPP (2010-2016)
- Chairman, Board of Trustees – Philippine Rice Research Institute
- Secretary, Dept. of Agriculture (January 1990-June 1992)
- Member-Board of Trustees, PCPD (2005-2011)
- Chairman, Philippine Cooperative Center (2003-2008)
- Member, BOT and Treasurer, Peace and Equity Foundation (2001-2008)
- Chairman, Cooperative Sectoral Council (2005-2010)
- Member-EDC, Dept. of Trade and Industry (2002-2005)



PRUDENCIO F. CONSOLACION, 63
Director

BS Business Administration, Manuel L. Quezon University

- Dir. Consolacion was first elected to the CISP Board in year 2007. His term of office will end on April 8, 2017.
- Vice-Chairperson, CISP Investment and Credit Committee (2017-2017); Chairperson, Personnel Committee (2016-2017)
- Executive Director, Cooperative Banks Federation of the Philippines (2013-present)
- Director, Cooperative Bank of Ilocos Norte (2016-present)

Past Positions

- Director, Cooperative Bank of Ilocos Norte (2016)
- Director, Cooperative Bank of Nueva Vizcaya (2001-2013)
- Vice-Chairman, Bangkoop(2005-2007)
- Vice-Chairman, Bangkoop (2008-2013)
- Chairman, Cooperative Bank of Nueva Vizcaya (2004-2006; 2008-2010)
- Chairman-Audit & Inventory Committee, Cooperative Bank of Nueva Vizcaya (1998-2001)
- Corporate Secretary, Share Development Foundation, Inc.
- Chairman, Nueva Vizcaya Gunners Consumers Coop
- Chairman, Bambang Federation of Barangay Secretaries
- Director, CISP (2005 to date)
- Treasurer, CISP (2014)
- Member-Executive Committee, CISP (2012-2015)
- Congressional Consultant 14th Congress, House of Representatives



FRANCISCO C. JOSE, 68
Director

BS Elementary Education, Mindanao Institute of Technology
Certificate in Public Administration (Alternative Non-Thesis Program,
University of Southern Philippines)

- Dir. Jose's term as CISP director is for one year from April 16, 2016 up to April 8, 2017).
- Member, CISP Investment and Credit Committee (2016-2017)
- Chairman, BCS Credit Cooperative (March 31, 2016-present)
- Treasurer, 1Mindanao Energy Cooperative Federation (September 20, 2015)
- Vice President, Mindanao Microfinance Council (present)
- Davao del Sur Provincial Coordinator – MASSPECC Regional Steering Comm.

Past Positions

- Chairman, BCS Credit Cooperative (2007-2011)
- Director IV, Department of Interior and Local Government (February 10, 2010- October 10, 2013)



BENJAMIN T. QUE, 50
Director

BS Marine Biology (Xavier University)

- Dir. Que has been serving as CISP director since June 1, 2013. His term of office will end in 2018.
- Chairman, CISP Risk Management Committee (December 2016-April 2017)
- Member, CISP Executive Committee/Merger Committee/ (2013-present)
- Chairman, First Community Cooperative (April 2, 2016)
- General Manager, TACO Bistro (2010-present)

Past Positions

- Treasurer, First Community Cooperative (2010-2016)
- Member, FICCO Credit Committee (2005-2009)



**ENGR. RAYMOND JOSEPH
L. SALVADOR, 47**
Director

BS Civil Engineering (De La Salle University)
Master in Business Administration (De La Salle University)

- Dir. Salvador's term of office as CISP director is for one year from April 16, 2016 to April 8, 2017
- Chairman, CISP Investment and Credit Committee (2016-2017)
- Chairman, San Dionisio Credit Cooperative (2015-present)
- Director, San Dionisio Credit Cooperative (2013-present)
- President, Danlilia Construction Corporation (2013-present)
- Director, Paranaque Smashers Inc. (2012-present)
- Treasurer, Palanyag Movement (2012 to present)

Past Positions

- Chairman, CISP Ethics Committee –(2015-2016)
- Director, San Dionisio Credit Cooperative (2013-2015)
- Senior Project Manager, Winsome Development Corporation (2009-2012)
- Director, Technical Services Department of Tagaytay Highlands (2009)
- Director, Escuela de San Dionisio (2007)
- Director, San Dionisio Credit Cooperative (2006-2008)



ENGR. ARMEN A. CUENCA,
MPA, 51
Independent Director

BS Electrical Engineering ([1992] Cagayan De Oro College)
Master in Public Administration (Ateneo De Cagayan- Xavier University [2001])
Associate in Ministry (Siliman University [2005])

- Dir. Cuenca was elected as CISP independent in April 2016. His term of office is until year 2020
- Member- CISP Risk Management Committee (2016-2017)
- Executive Director, Fullness in Christ Network Phils. Inc. (Orphanage) (February 2016-present)
- Chairman of the Board, City Hall Employees Multipurpose Cooperative (CHEMCO) (2006-present)
- Asst. Dept. Head, LGU- Cagayan de Oro (February 2013-present)
- Executive Director, TFEPB- LGU/CDO (May 2015-present)
- Vice-Chairman, Cagayan de Oro Development Advisory Council (October 2015-present)
- Chairman of the Board, Memorial Services Cooperative Federation (2011-present)
- Board of Director, Federation of Government Employees Cooperative (2011-present)

Past Positions

- Acting Department Head, City Disaster Risk Reduction and Management Office (CDRRMO) (2011-2013)
- Treasurer, Cagayan de Oro City b Blood Council (2010-2013)



JESUS G. CORNITO, 61
Independent Director

AB Education (San Isidro College, Malaybalay City)
Theology (Regional Major Seminary, Bangkal, Davao City)

- Dir. Cornito assumed office as CISP Independent Director on June 19, 2015. His term of office will expire in 2020
- Member, CISP Executive Committee/Risk Management Committee (2016-2017)
- Marketing Manager, Memorial Services Cooperative Federation (2012-present)
- Chairman-Credit Committee, Consolidated Cooperative Bank (2014-present)
- Director, COOP TV (2015-present)
- Vice Chairman, Civil Society Organization (2015-present)
- Grand Knight, Knights of Columbus (2014-present)
- Vice-Chairman, ALKALEAD Multi-Purpose Cooperative (2015-present)

Past Positions

- Chairman, First Community Cooperative (2012-2013)
- Director, Bislig Cooperative Bank (2009-2011)
- Director, Metro South Cooperative Bank (2011-2013)
- Chairman, FICCO MBA (2012-2013)
- Chairman, MACOMPC (1996-1997)
- Chairman, REMCO (2010-2011)
- President, VAP-SDAI- Southern Bukidnon (2001-2005)
- Mindanao Representative, NAPC (2001-2006)
- Municipal Councilor, LGU Maramag, Bukidnon, (1988-1992)
- Municipal Councilor, LGU- Maramag (1988-1992)



Executive Officers



ROY S. MICLAT, 55
President

BS Agriculture Major in Breeding (University of the Philippines-Los Baños)
Master of Arts in Urban and Regional Planning (UP-Diliman)
Diploma Program Environmental Studies & Rural Development (Wagenigen University & Research Center)

- Mr. Miclat has been serving as CISP President since January 1, 2014 up to present.
- Chief Executive Officer, Cooperative Health Management Federation (2015-present)
- Executive Vice-President, R&B Insurance Corporation (October 2016-present)
- Vice-Chairman, Cooperative Bank of Bataan (2013-present)
- Director, Cooperative Bank of Palawan (October 2016-present)
- Director, National Cooperative Movement Mutual Fund, Inc. (2014-present)
- Asst. Treasurer for Luzon, First Community Cooperative (2012-present)

Past Positions

- Vice President, CISP (Secondment-September to December 2013)
- Manager-Life Division, CLIMBS Life and General Insurance Cooperative (2008-2013)
- Marketing Department Manager, Metro South Cooperative Bank (1999-2008)
- Department Manager Marketing, Metro South Cooperative Bank (April 1999-July 2008)
- Faculty, College Cooperatives, (1992- 2002)



ISAGANI B. DABA, 66
EVP and COO

BSBA Major in Accounting (CPA), Philippine School of Business Administration (PSBA)
Master in Management (Asian Institute of Management)

- Mr. Daba was appointed as the Executive Vice-President and Chief Operating Officer on January 1, 2014. Prior to said appointment, he served as CISP President from July 8, 2013 to December 31, 2013
- Chairman, National Cooperative Movement Mutual Fund, Inc. (2009-present)
- Director, CBP (April 29, 2016 - present)
- Chairman, Metro South Cooperative Bank (2014-2016)
- Director of First Community Cooperative (FICCO) since 1979, with mandatory breaks in between; Chairman for 5 terms; Vice Chair for 14 terms

Past Positions

- Chairman, Metro South Cooperative Bank (2014-2016)
- Director, Cooperative Health Management Federation (2014-2015)
- Member-Audit Committee, CHMF (2015-2016)
- Consultant, Cooperative Bank of Palawan (2015-2016)
- Consultant, Consolidated Cooperative Bank (2011to present)
- First Community Cooperative, Vice-Chairman (2015-March 2016)
- President, Metro South Cooperative Bank (May 2011-April 2012)
- Vice Chairman, Metro South Cooperative Bank (2012 -2013)
- EVP & COO, CLIMBS Life and General Insurance Cooperative (December 2007-March 2011)
- Chairman, Misamis Occidental Cooperative Bank (2007 to 2011)
- Vice-Chairman, Cooperative Bank of Davao del Sur (2008-2011)
- Investment Manager, CLIMBS (Sept 2007-December 2007)
- Asst. to the President for Land Management, Xavier University (Jan 2007-Mar 2007)
- Treasurer, Xavier University (June 2003-December 2006)
- National Chairman, Philippine Federation of Credit Cooperatives (1999-2001)
- Assistant Director, South East Asia Rural Leadership Institute (1990-1991)



Corporate Officers



ORLANDO C. CALILUNG, 79
Corporate Secretary

Bachelor of Laws (LIB), Manuel L. Quezon University
Liberal Arts (MLQU)
Development Economics (UP Diliman)

- Law Practitioner (1963-present)
- Atty. Calilung has been serving as CISP's Corporate Secretary of CISP since 1995.
- Chief of Staff, Office of Hon. Isidro S. Rodriguez Jr., Representative-2nd District, Rizal

Past Positions

- College Professor, University of Sto. Tomas (1983-2005)
- College Professor, Miriam College (1986-2005)
- College Professor, College of the Holy Spirit (1985-2005)



LEONILA R. MEDINA, 62
Treasurer

Cum Laude, BSBE Major in Cooperatives, Philippine College of Commerce
Certificate Course on Professional Christian Fundraising, Asian Theological Seminary
In progress, Diploma Course in Biblical Studies, International Bible Institute
UK-River of God Ministries Satellite School

- Ms. Medina has been serving as CISP treasurer since January 15, 2015.
- Chairperson, Sacred Heart Parish Development Cooperative (2013-present)
- Executive Director, Ankura Foundation, Inc. (2010-present)
- BOD Secretary, Christians in Conservation, Inc. (2013-present)
- Treasurer-Oversight Committee, Quezon City Credit Surety Fund (2014-present)
- Member, Ship Communication (May 04, 2016-present)
- Member, CISP Executive Committee (January 15, 2015-present)
- Member, CISP Personnel Committee (May 04, 2016-present)
- Member, CISP Investment and Credit Committee (2015-present)
- Member, CISP Education and Training Committee (2015-present)

Past Positions

- BOT-Chairperson, Christian Stewardship Association, Inc. (2013-2015)
- BOT-Vice Chairperson, DRRM - Bearers of Hope (2013-2014)
- Deputy Executive Director, JLLCFI (2008-2010)
- Associate Director, Admin Services, MMLDC (2003-2008)
- IRD/IRM Chief, Public Estates Authority (1998-2003)
- Faculty, Polytechnic University of the Philippines (PUP), (1996-1998)
- Admin Officer V, DBM RO IV (1987-1992)

**PAID-IN CAPITAL OF COOPERATIVES REPRESENTED BY THE BOARD OF DIRECTORS
AS OF DECEMBER 31, 2016**

Name of Director	Citizenship	Coop Represented	Shares Held	Type	%
Teodoro P. Evangelista	Filipino	ACDI MPC	77,674,193.36	Common	14.11%
Imelda S. Magabilen	Filipino	USPD Savings & Credit Coop	3,888,539.62	Common	0.71%
		USPD MPC	335,753.99	Common	0.06%
Senen C. Bacani	Filipino	Peace & Equity Foundation	4,151,663.09	Common	0.75%
Francisco C. Jose	Filipino	BCS Cooperative	2,748,801.41	Common	0.50%
Prudencio F. Consolacion	Filipino	Cooperative Banks Federation of the Philippines	326,249.27	Common	0.06%
Benjamin T. Que	Filipino	First Community Cooperative	319,160,045.96	Common	57.98%
Raymond Joseph L. Salvador	Filipino	San Dionisio Credit Coop	4,995,789.89	Common	0.91%
Jesus G. Cornito	Filipino	Memorial Services Cooperative Federation	216,400.00	Common	0.04%
Armen A. Cuenca	Filipino	City Hall Employees Credit Cooperative	161,043.92	Common	0.03%

MEETINGS HELD AND ATTENDED BY THE BOARD OF DIRECTORS FOR THE YEAR 2016

The Board of Directors prior to the 42 nd General Assembly/Election of Officers on April 16, 2016. Meetings were held on Jan 15, Feb. 12, March 18 & April 15, 2016.		Attendance	The Board of Directors subsequent to the 42 nd General Assembly/Election of Officers on April 16, 2016. Meetings were held on April 16, May 4, June 2, July 22, July 23, Aug 11, Oct. 26, Dec. 9, 2016.		Attendance
BGen. Teodoro P. Evangelista (Ret)	Chairperson	4	BGen. Teodoro P. Evangelista (Ret)	Chairperson	8
Ms. Imelda S. Magabilen	Vice-Chairperson	2	Ms. Imelda S. Magabilen	Vice-Chairperson	8
Mr. Senen C. Bacani	Director	1	Mr. Senen C. Bacani	Director	7
Mr. Romeo P. Batilo	Director	4	Mr. Prudencio F. Consolacion	Director	8
Mr. Prudencio F. Consolacion	Director	3	*Mr. Francisco C. Jose	Director	8
Mr. Jose Restituto A. Milagroso	Director	3	*Engr. Raymond Joseph L. Salvador	Director	7
Mr. Benjamin T. Que	Director	3	Mr. Benjamin T. Que	Director	8
Mr. Jesus G. Cornito	Independent Director	4	*Engr. Armen A. Cuenca	Independent Director	6
Mr. Erwin P. Lutap	Independent Director		Mr. Jesus G. Cornito	Independent Director	8

**Dirs. Jose and Salvador were elected during the April 16, 2016 election of officers. Whereas, Dir. Cuenca's nomination as CISP's second independent director was confirmed by the Board on May 4, 2016. He assumed office on June 2, 2016.*

**BOARD OF DIRECTORS HONORARIUM FOR THREE SUCCEEDING CALENDAR PERIODS
(In Aggregate Amount)**

2014	2015	2016
327,500.00	785,000.00	930,000.00
AUDIT FEES FOR THREE SUCCEEDING CALENDAR PERIODS		
2014	2015	2016
Quilab Cabilin Bato & Co.	Reyes Tacandong & Co.	Reyes Tacandong & Co.
P245,378.88	P450,000.00	P500,000.00

AUDIT AND INVENTORY COMMITTEE (Audit conducted for the Year 2016)

Date of Audit (prior to April 16 Annual GA)		
Date	Present	Absent
1. March 14, 2016	Wilma Gidaya (Secretary) / Cristina Salvador (Member)	Rolan Literatus (Chairman)
Date of Audit (subsequent to the 42 nd Annual GA)		
Date	Present	Absent
1. April 16, 2016	Wilma Gidaya (Chairperson) / Gina Valente (Secretary) / Rolan Literatus (Member)	-
2. July 22, 2016	Wilma Gidaya / Rolan Literatus / Gina Valente	-
3. August 25, 2016	Wilma Gidaya / Gina Valente	-
4. October 11, 2016	Wilma Gidaya / Gina Valente	-
5. November 11, 2016	Wilma Gidaya / Gina Valente	-

ELECTED COMMITTEES

Audit Committee

1. Ms. Wilma L. Giday = Chairperson
2. Ms. Gina F. Valente = Secretary
3. Mr. Rolan F. Literatus = Member

Election Committee

1. Mr. Danilo M. Capili = Chairman
2. Ms. Karen Ann R. Balbuena = Secretary
3. Mr. Frederico A. Blanco = Member

APPOINTED COMMITTEES

Ethics Committee

1. Ms. Angelita S. Ramos = Chairperson
2. Ms. Marilou Dumlao = Secretary
3. Ms. Glenda Lita N. Ersando = Member

Mediation and Conciliation Committee

1. Mr. Antonio Sayo = Chairperson
2. Ms. Margarita San Pedro = Member
3. Ms. Zenaida Vergel = Member
4. Ms. Jackelyn P. Ballena = Secretary

Executive Committee

1. B/Gen. Teodoro P. Evangelista (Ret.)=Chairperson
2. Ms. Imelda S. Magabilen = Vice-Chairperson
3. Sec. Senen C. Bacani = Member
4. Mr. Benjamin T. Que = Member
5. Mr. Jesus G. Cornito = Member
6. Ms. Leonila R. Medina = Member
7. Mr. Roy S. Miclat = Ex-Officio
8. Atty. Orlando C. Calilung = Corp. Secretary

Education and Training Committee:

1. Dir. Imelda S. Magabilen = Chairperson
2. Dir. Raymond Joseph L. Salvador= Member
3. Ms. Leonila R. Medina = Member
4. Mr. Roy S. Miclat = Member
5. Mr. Apolinar P. Mariano, Jr. = Member
6. Ms. Jackelyn P. Ballena = Secretary

Personnel Committee

1. Dir. Prudencio F. Consolacion = Chairman
2. Dir. Francisco F. Jose = Member
3. Ms. Leonila R. Medina = Member
4. Mr. Roy S. Miclat = Ex-Officio
5. Ms. Jackelyn P. Ballena = Secretary

Investment & Credit Committee

1. Dir. Raymond Joseph L. Salvador= Chairperson
2. Dir. Prudencio F. Consolacion = Vice-Chairperson
3. Dir. Jesus G. Cornito = Member
4. Dir. Francisco C. Jose = Member
5. Ms. Leonila R. Medina = Member
6. Mr. Roy. S. Miclat = Ex-Officio
7. Mr. Rene G. Mantilla = Secretariat

Risk Management Committee

1. Dir. Benjamin Que = Chairman
2. Dir. Imelda S. Magabilen = Member
3. Dir. Prudencio F. Consolacion = Member
4. Dir. Armen A. Cuenca = Member
5. Ms. Leonila R. Medina = Member
6. Mr. Roy S. Miclat = Ex-Officio

MANAGEMENT STAFF

Ms. Jenette A. Alde - Legal & Compliance Officer
Ms. Jackelyn P. Ballena - HR/OD Manager
Ms. Mary Ann P. Alde - Accountant
Ms. Aiza G. Malonzo - Internal Auditor
Mr. Eugene C. De Omaña - Underwriting Manager
Ms. Glady Jean R. De Vera - Claims Supervisor
Mr. Rene G. Mantilla - Cashier Supervisor
Mr. Ansell Gabriel E. Del Ayre - IT/MIS Officer
Mr. Joyce C. Servito - Actuarial & Reinsurance Supervisor
Mr. Joel L. Fulache - Administrative & General Services Supervisor
Mr. Lorenzo L. Samuya - Non-Life Insurance In-charge

CONSULTANTS

Dr. Aileen P. Binuya - Medical Director
Mr. Panfilo P. Dela Paz - Actuary

MARKETING AGENTS

NCR

Agency Manager:
Mr. Apolinar Mariano
Financial Advisors:
Ms. Leonora Alarcio
Mr. Randolph Atienza
Mr. Leo Flores
Ms. Ma. Linda Yaras

REGION 1

Financial Advisors:
Ms. Nadine Cipriano
Ms. Gemma Diente

REGION 2

Agency Manager:
Ms. Ruby Shayne Balanay
Financial Advisors:
Mr. Manolo Metcha
Marketing Consultants:
Ms. Marciana Foryasen
Mr. Nilo Aquino

REGION 3

Financial Advisors:
Ms. Nerissa Brucal
Ms. Delegada Bellen

REGION 4A, 4B

Agency Manager:
Ms. Hilda Tinampay
Financial Advisors:
Mr. Cipriano Maan
Mr. Jayvin De Guzman
Ms. Maria Liza Gaza
Ms. Ma. Eloiza Fernandez

REGION 5

Agency Manager:
Ms. Cherry Dejudos

REGION 6, 7, 8

Agency Manager:
Ms. Erlin Pasaylo
Financial Advisors:
Ms. Chona Amparo
Ms. Edna Villamora
Ms. Elsie Dionio
Mr. Gilbert Marcojos

REGION 9, 10

Agency Manager:
Ms. Cecile Waga

REGION 11, 12

Agency Manager:
Mr. Alfredo Samantila Jr.
Financial Advisors:
Ms. Eulogia Cotaes
Ms. Jacqueline Macabenlar
Ms. Marcosa dela Cruz

REGION 13

Agency Manager:
Ms. Rosalina Martinez

HEALTH PLAN



10 Piso
para sa
Kalusugan mo!

FOR INQUIRIES PLEASE CONTACT:

HEAD OFFICE

2/F CISP Bldg., No. 80 Malakas St., Brgy. Pinyahan,
Central District, Diliman, Quezon City
Email Address: onecoophealth@gmail.com

HOTLINE:

Telephone: (02) 899-7667, (02) 899-7663,
(02) 283-2321
Toll Free: 180010-9310387
Telefax: (02) 931-0387
Sun: (0943) 1327628, Globe: (0917) 5067809
Smart: (0998) 9668501



Cooperative Health Management Federation

R&B

INSURANCE CORPORATION

Non-Life Insurance



Motor Insurance



Fire Insurance



Home Protect



Surety Bond



**Money Security &
Payroll Robbery (MSPR)**



For more information, visit us at:
2F-Unit 203, Eastside Condo, Malakas St.,
Brgy. Pinyahan, Diliman, Quezon City

CONTACT US

Telephone: (02) 287-4389, (02) 285-9104
Email: rbissuance2016@gmail.com

"Protecting You Like Family"

Head Office:

CISP Building, No. 80 Malakas St.,
Brgy. Pinyahan, Diliman, Quezon City
924-0471; 436-2590 Fax No.: 923-0739

Website: www.cisp.coop
Email: cisplife@cisp.coop



We Provide:

GROUP TERM PLANS

- 1.) Loan Payment Protection Insurance (LPPI)
- 2.) Group Yearly Renewable Term (GYRT)
- 3.) Savings Incentive Insurance (SII)

MICROINSURANCE

- 1.) KOOPamilya Plan
- 2.) Group-Basic Life Insurance Security System (G-BLISS)
- 3.) Student Insurance Plan (SIP)
- 4.) Personal Accident Insurance Card (I-Card)

NON-LIFE AND HEALTH & ALLIED SERVICES THROUGH PARTNERSHIP

HOUSE RULES

For the conduct of an orderly and smooth CISP shareholders meeting, the following rules shall apply:

- 1.** Upon registration, the delegates shall be given a color tag based on the type of attendance, either as official delegate or accompanying delegate. Official delegates shall occupy the front row seats while accompanying delegates shall sit at the back row specifically designated for them.
- 2.** Only official delegates shall be allowed to participate in parliamentary discussions such as raising or seconding of motions, proposing amendments or objecting to pending motions, as well as in voting for or against a pending motion. An accompanying delegate, however, may be allowed to speak at the option of the Chairperson. Likewise, only official delegates shall be allowed to participate in the election of CISP officials.
- 3.** Whenever an official delegate wishes to speak or raise an objection or motion, he/she should first ask for recognition by the Chairperson. Once recognized, he/she should state his/her name and the coop he/she represents. He/she will then be given not more than three (3) minutes to explain his/her position. Thus, in presenting one's position, he/or she is advised to go straight to the point.
- 4.** To allow for greater participation, the Chairperson shall see to it that the discussion is not monopolized by few people. The Chairperson is also allowed to interrupt the presentation of a delegate if such delegate has exceeded the time limit or if the ideas presented were the same ideas already earlier expressed.
- 5.** In cases wherein the General Assembly failed to arrive at a consensus on a pending motion, and an objection was raised, the Chairperson can order a division of the house after listening to all the arguments for or against said motion. The number of votes of each official delegate shall be based on the number of fully paid common shares of the coop he/she represents. In this connection, the Election Committee shall prepare ballots for each official delegate indicating therein the number of votes the coop represented is entitled to.
- 6.** The outcome of the vote shall depend on what is required by law: simple majority, two-thirds vote or three-fourths vote of all the members with voting rights represented in an assembly with a duly constituted quorum.
- 7.** Delegates are requested to observe house rules to avoid inconvenience. The Board, through the Chairman, shall enforce these rules.



Protecting You Like Family

Regional Offices:

NCR

CISP Bldg., No. Malakas St., Brgy. Pinyahan,
Diliman, Quezon City
Email: cisplife@cisp.coop
(02) 924-0471 (02) 436-2590 (02) 923-0739

Region 1

3/F Boy Construction Bldg.,
National Hi-way, San Nicolas, Ilocos Norte
Email: josephinefernandez13@yahoo.com
(077) 670-6537/09228437231

Region 2

Room 201, 2/F FORT MASCOOP,
Caritan Sur, Tuguegarao City
Email: magdabragado@yahoo.com
(078) 396-2334/09257136654

Region 3

Guagua MPC Bldg., Ceferino de Mesa
St., Sto. Niño, Guagua, Pampanga
Email: cym_nhice@yahoo.com
(044) 464-1220/09228437261

Region 4

c/o Coop Bank of Quezon Province, cor.
Granja & Leon Guinto St., Lucena City, Quezon
Email: jayvin305@yahoo.com
(042) 373-6089

Region 5

2/F Bichara Commercial Complex
General Luna St., Naga City
Email: lynx_eyed2983@yahoo.com
(054) 473-3311/09228437239

Region 6

2/F RMU Building
Tobias Fornier St., San Jose Antique
Email: ednatvillamora@yahoo.com
0905-836-6575

Region 6

G/F Ilo-ilo Christian Reformed
Church Bldg., Bonifacio Drive, Iloilo City
Email: tetet_retotar@yahoo.com
(033) 337-9431/09228437251

Region 7

c/o Cooperative Bank of Bohol
CPG East Ave., Tagbilaran City, Bohol
Email: gilbertmarcojos@yahoo.com
0922-843-7247

PCF Bldg., 20 M. Zosa St.,
Capitol Site, Cebu City
Email: cispcebu@yahoo.com
(032) 239-7629/09228437252

Region 9

MCLL Highway, Tetuan,
Zamboanga City
Email: mmbelisariolaureta@yahoo.com
(088) 852-4028/09228247735

Region 10

G/F Borres Bldg.,
Tiano del Pilar St., Cagayan de Oro City
Email: mmbelisariolaureta@yahoo.com
(088) 852-4028/09228247735

Region 11

31 - A - G.B. CAM Bldg.,
Monteverde St., Davao City
Email: cispdavao@yahoo.com
(082) 225-4705/09228247722

Region 13

2/F Balibrea Bldg.,
Pili Drive, Butuan City
Email: annalizajbesinga@yahoo.com
(085) 341-9819/09228437271