


# 2017 Annual Report



# 44<sup>TH</sup> ANNUAL GENERAL ASSEMBLY

## Leadership and Innovation: Sustaining Growth, Empowering Communities

April 13 & 14, 2018  
Royce Hotel & Casino Manuel A. Roxas Highway, Ninoy Aquino Avenue  
Corner Clark Freeport, Pampanga

# *Vision*



A globally competitive Cooperative Insurance System

# *Mission*

To build a society whose stakeholders are fully protected and empowered through a viable and sustainable cooperative insurance system

# *Values*

## **COMMITMENT TO RELIABILITY**

Promoting a dependable cooperative insurance system where members enjoy guaranteed protection for their financial and welfare needs.

## **UNDER-PROMISE, OVER-DELIVER**

Empowering cooperatives and their members by going the extra mile to produce outstanding results that favor the insured and deliver beyond expectations.

## **MUTUAL PROSPERITY**

Creating a cooperative insurance system that perpetuates Mutual prosperity and financial fairness and responsibility to all parties.

## **EXCELLENT SERVICE**

Delivering excellent and uncompromised service to its host communities and member cooperatives.



MALACAÑAN PALACE  
MANILA



## MESSAGE

My warmest greetings to the **1Cooperative Insurance System of the Philippines Life and General Insurance (1CISP)** as it holds its **44<sup>th</sup> Annual General Assembly**.

This event is a great opportunity to reflect on the organization's vision of becoming a known cooperative insurance system with a social conscience. I commend the remarkable work that the 1CISP has done over the years to economically and socially protect its beneficiaries through their viable financial programs.

Let this event provide the platform for the organization to deepen its commitment to further engage with the community. I am confident that the members will continue to uphold the principles of integrity, sustainability and professionalism as they contribute to the progress of our society.

We in government depend on your initiatives that empower individuals so that they may realize their full potential. Together, let us work steadfastly to attain our aspirations for positive change.

I wish you a successful assembly.

  
RODRIGO ROA DUTERTE

MANILA  
13 April 2018



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



## MESSAGE

It is my pleasure to congratulate the **Cooperative Insurance System of the Philippines** as it holds its **44<sup>th</sup> Annual General Assembly**. Your longevity is a testament that there is strength and stability, not to mention fulfillment, when dealing with cooperatives, labor groups, organizations and community-based entities.

The CISP has been an important partner of the government in achieving a more financially inclusive status for our people. In fact, your System's objectives resonate with the government's goals, and this is emphasized in your chosen theme for this occasion, "*Leadership and Innovation: Sustaining Growth, Empowering Communities*". Truly, these are what we need to meet our vision of building a strong republic – financial strength of the society not just at the top, but from top to bottom, and in-between the two.

Over the recent years, the microinsurance industry has experienced palpable growth. As of end-September 2017, our records indicate that we have already more than 32 million Filipinos insured under the microinsurance program. However, much as we celebrate this achievement, we cannot afford to be complacent in our efforts to encourage more of our people to protect themselves from financial risks due to unforeseen events. In this, we will continue to expect the same level of dedicated pursuit by CISP to encourage increased membership and more insurance coverage for your members and their dependents.

Once again, my congratulations to CISP. May this 44<sup>th</sup> Annual General Assembly bring you closer to your goals.

**DENNIS B. FUNA**  
Insurance Commissioner





# Office of the President of the Philippines **COOPERATIVE DEVELOPMENT AUTHORITY**

<http://www.cda.gov.ph> [chairman@cda.gov.ph](mailto:chairman@cda.gov.ph) [Philippine Cooperators Page](#) [@CDAPH](#)

## Central Office

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

# Message



Greetings to 1Cooperative Insurance System of the Philippines Life and General Insurance (1CISP) and 2,000 plus cooperative members on the occasion of your 44<sup>th</sup> Annual General Assembly.

The Cooperative Development Authority (CDA) together with eleven offices, have been put under the Office of the Cabinet Secretary and have exemplified to the highest degree an amazing pro-people leadership with a strong national mindset that gives adherence to empowering the poor and the marginalize sectors so they can be drawn into the mainstream of development process.

We, at the CDA, have been vigilant in our commitment to give voice to the cooperative sector and for the “wheel” of cooperative development to be put into motion. There are now some 26,600 cooperatives in the Philippines with some 14 million members coming from all walks of life who have good stories to tell, of how they have been liberated from the quagmire of poverty be they farmers, fisherfolks, workers, women, persons with disabilities and even former combatants who have left armed struggle to now peacefully working for social justice and equity through cooperativism.

Cooperatives have been successful in drawing the marginalized sectors into the mainstream of development process, bonding together productive members of our citizenry who contribute significantly to our economy. We have realized that cooperativism has come of age, not only as a vehicle of development but as a tool of empowerment. It is the pathway to make people more productive, becoming revenue-makers for our government.

Today, there is a need for paradigm shift: from unsustainability to sustainability! Money should not be used to make money but to improve the quality of life of the people. In this context, the essence of cooperativism has become the answer because it DNA is that of being members-owned, value-based and sustainable.

That is why advancing cooperativism means working for social transformation based on justice, equity and sustainability. It is a kind of revolution that is peaceful, yet, forceful, that relies on the collective strength of the people.

*Orlando R. Ravanera*  
**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  
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ID 9105070733

# Chairman's Message



Dear Fellow Shareholders,

It is my great pleasure and honor to welcome all of you as we celebrate our 44<sup>th</sup> Annual General Assembly with the theme: *Leadership and Innovation: Sustaining Growth, Empowering Communities*. In our 44 years of progressive operations, 1 CISP envisions “A globally competitive Cooperative Insurance System” for the more than 2,000 member-cooperatives and providing protection to more than 800,000 individuals annually. We continuously offer competitive insurance products as well as health insurance services transforming its mantra of “Protecting You Like Family” into action.

1 CISP family has withstood all the challenges of the past and continuously delivers resilient performance. We are now a stronger, more reliable and financially viable insurance cooperative. We are continuously building new capabilities, while delivering sustainable and profitable growth.

Sustainability is essential to 1 CISP’s purpose and 2017 was another breakthrough year. For 2017, we booked a record of P1.553 Billion total assets versus last year’s ₱1.040 Billion or 49.24% increase. We produced a net surplus of P160 Million against last year’s ₱116 Million or 38% increase. 1 CISP’s paid-up capital balloons to P951 Million compared to last year’s P600 Million for a 58.5% improvement. These are tangible results of the high trust and confidence bestowed upon 1 CISP by our fellow shareholders.

1 CISP Team is on the move. Year 2018 will be a very significant one for all of us. Our strategic direction has a newly articulated purpose through leadership and innovation, sustaining growth and empowering the communities where we operate. Our five year strategic plan highlights the establishment of a new 1 CISP Head Office in Green Building configuration; fully operating branches in Cagayan De Oro City, Davao City and North Luzon; enhancing the policies and procedures for more efficient and effective delivery of our services; increasing employee and marketing personnel competency on their assigned positions; and reimagining 1 CISP’s brands.

We remain committed to transparency, good governance and sustainability. We are intensifying the capabilities we need and the skills to continue creating value for you, our shareholders.

The Board and Management of 1 CISP express its wholehearted gratitude to our fellow shareholders for your continuing support, confidence and trust.

God bless us all! Mabuhay ang 1 CISP! Mabuhay ang Kilusang Kooperatiba sa Pilipinas!

BGEN. TEODORO P. EVANGELISTA (Ret)  
Chairman

## PROGRAMME

|  |   |
|--|---|
| <b>Part I – REGISTRATION</b>             | <b>8:00 am to 9:00 am</b>                       |
| <b>Part II – OPENING PROGRAM</b>         | <b>9:00 am to 11:00 am</b>                      |
| A. Opening Prayer                        | Edwin S. Buena                                  |
| B. National Anthem                       | Music Guided                                    |
| C. Cooperative Pledge                    | Avon Independent<br>Managers MPC Representative |
| D. CISP Hymn                             | Music Guided                                    |
| E. Acknowledgement of CISP Member-Owners | Ms. Jacqueline C. Macabenlar                    |
| F. Welcome Remarks                       | Mr. Roy S. Miclat<br><i>1CISP President</i>     |

Master of Ceremonies:  
**Ms. Jacqueline C. Macabenlar**

|  |                             |
|--|-----------------------------|
| <b>Part III – BUSINESS PROPER</b>  | <b>11:00 am to 12:30 pm</b> |
| 1. Call to Order   |                             |
| 2. Proof of Due Notice   |                             |
| 3. Determination of Quorum   |                             |
| 4. Approval of Agenda for the 44 <sup>th</sup> General Assembly                                  |                             |
| 5. Consideration/Approval of the Minutes of the Meeting of the 43 <sup>rd</sup> General Assembly |                             |
| 6. Confirmation of the Board Resolutions for the Year 2017                                       |                             |
| 7. Approval of Annual Reports  |                             |
| i. Joint Report of the Board and Management for the Year 2017                                    |                             |
| ii. Approval of the 2017 Audited Financial Statements  |                             |
| iii. Audit Committee Report for the Year 2017  |                             |
| iv. Proposed Budget for the Year 2018  |                             |
| 8. Approval of Distribution of Net Surplus for the Year 2017                                     |                             |
| 9. Appointment of External Auditors for the Year 2018  |                             |
| 10. Approval of Five-Year Strategic Plan (2018-2022)   |                             |
| 11. Presentation of Election Guidelines  |                             |
| 12. Election Proper  |                             |
| <i>Board of Directors</i>  |                             |
| i. Four (4) Regular Members  |                             |
| ii. One (1) Independent Member   |                             |
| <i>Committees</i>  |                             |
| iii. Three (3) Members of the Audit and Inventory Committee                                      |                             |
| iv. Three (3) Members of the Election Committee  |                             |
| 13. New Business   |                             |
| 14. Adjournment  |                             |

|                        |                            |
|------------------------|----------------------------|
| <b>Part IV – LUNCH</b> | <b>12:30 pm to 1:30 pm</b> |
|------------------------|----------------------------|

|   |                           |
|---|---------------------------|
| <b>Part V – CLOSING (HIGHLIGHTS OF THE EVENT DAY 1 AND 2)</b> | <b>1:30 pm to 1:40 pm</b> |
|---|---------------------------|

1 MINUTES OF MEETING OF THE FORTY-THIRD (43<sup>rd</sup>) ANNUAL GENERAL ASSEMBLY/SHAREHOLDERS MEETING OF THE  
2 COOPERATIVE INSURANCE SYSTEM OF THE PHILIPPINES LIFE AND GENERAL INSURANCE (CISP) HELD ON APRIL 8, 2017 AT  
3 SARABIA MANOR HOTEL & CONVENTION CENTER, GEN. LUNA ST., ILOILO 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 OPENING PROGRAMME**

- 15
- 16 A. Registration of coop representatives/delegates and guests started at 6:00 a.m.
- 17

18 The program started at 9:15 a.m.

19

- 20 B. Opening prayer led by Mr. Edwin Buena
- 21
- 22 C. National Anthem (Music-guided)
- 23
- 24 D. Cooperative Pledge led by Ms. Marciana Foryasen
- 25
- 26 E. Singing of CISP Hymn
- 27
- 28 F. Acknowledgment of CISP member-shareholders by emcees Ms. Jackelyn Ballena and Mr. Alfredo Samantila, Jr.,  
29 followed by the signing of Memorandum of Agreement with the new CISP Koop Insurance Network (KIN)  
30 partners Maco Development Cooperative (MADECO) and BCS Credit Cooperative.
- 31
- 32 G. Welcome Remarks
- 33

34 CISP President Mr. Roy Miclat delivered the welcome remarks. On behalf of the Board of Directors and  
35 management, he thanked the representative-delegates in coming all the way to Iloilo City to participate in the  
36 43<sup>rd</sup> General Assembly. He also acknowledged the continued support of CISP members which helped in boosting  
37 CISP's performance and reaching the one-billion mark in total assets—a great and remarkable achievement  
38 considering CISP experienced a financial setback in 2013.

39

- 40 H. Top 30 CISP members for 2016
- 41

42 Management awarded the top 30 members for Calendar Year 2016, to wit:



| Coop Name   | Capital        | Gross Premium  | Net Premium   | Dividend      | Exp. Ref. 1 | Exp. Ref. 2   | Pat. Ref.    | Total Earnings |
|---|----------------|----------------|---------------|---------------|-------------|---------------|--------------|----------------|
| <b>FIRST COMMUNITY COOPERATIVE</b>  |                |                |               |               |             |               |              |                |
| 1   | 319,160,045.96 | 170,396,326.03 | 87,143,024.86 | 17,559,204.61 | 0.00        | 18,198,837.78 | 5,192,340.53 | 40,950,382.92  |
| <b>ACDI MULTIPURPOSE COOPERATIVE</b>  |                |                |               |               |             |               |              |                |
| 2   | 77,674,193.36  | 28,550,639.83  | 25,398,768.89 | 9,175,119.81  | 0.00        | 2,712,664.56  | 773,954.82   | 12,661,739.19  |
| <b>SAN FRANCISCO GOVERNMENT EMPLOYEES MULTI-PURPOSE COOPERATIVE</b>         |                |                |               |               |             |               |              |                |
| 3   | 1,407,138.48   | 15,311,087.79  | 5,407,148.79  | 164,191.70    | 0.00        | 577,499.68    | 164,767.39   | 906,458.77     |
| <b>KING COOPERATIVE</b>   |                |                |               |               |             |               |              |                |
| 4   | 698,151.12     | 5,104,731.20   | 4,326,030.42  | 92,625.78     | 527,293.60  | 462,033.00    | 131,823.40   | 1,213,775.78   |
| <b>ABRA DIOCESAN TEACHERS AND EMPLOYEES MULTI-PURPOSE COOPERATIVE</b>       |                |                |               |               |             |               |              |                |
| 5   | 204,000.00     | 7,335,720.47   | 3,651,880.19  | 28,313.46     | 0.00        | 390,031.74    | 111,280.60   | 529,625.80     |
| <b>COOPERATIVE BANK OF PALAWAN</b>  |                |                |               |               |             |               |              |                |
| 6   | 1,283,205.74   | 5,397,340.22   | 3,498,715.68  | 89,345.24     | 0.00        | 373,673.31    | 106,613.35   | 569,631.90     |
| <b>UNITED SUGARCANE PLANTERS OF DAVAO (USPD) MULTI-PURPOSE COOPERATIVE</b>  |                |                |               |               |             |               |              |                |
| 7   | 335,753.99     | 3,085,217.89   | 2,746,696.10  | 32,445.90     | 159,036.20  | 293,355.37    | 83,697.71    | 568,535.18     |
| <b>AVON INDEPENDENT MANAGERS MULTI-PURPOSE COOPERATIVE</b>                  |                |                |               |               |             |               |              |                |
| 8   | 674,629.33     | 5,045,310.47   | 2,719,177.71  | 47,821.98     | 0.00        | 283,137.07    | 75,579.91    | 406,538.96     |
| <b>SILANGAN MULTI-PURPOSE COOPERATIVE</b>                                   |                |                |               |               |             |               |              |                |
| 9   | 1,335,903.70   | 6,260,644.77   | 2,692,560.31  | 176,694.20    | 0.00        | 285,583.11    | 80,050.81    | 542,328.12     |
| <b>SIMBAYANAN NI MARIA MULTI-PURPOSE COOPERATIVE</b>                        |                |                |               |               |             |               |              |                |
| 10  | 12,479,290.03  | 3,096,365.31   | 2,564,860.21  | 1,280,196.55  | 0.00        | 263,934.75    | 68,156.78    | 1,612,288.08   |
| <b>PERA MULTI-PURPOSE COOPERATIVE</b>                                       |                |                |               |               |             |               |              |                |
| 11  | 977,769.46     | 5,620,475.59   | 2,348,940.26  | 51,829.63     | 0.00        | 250,873.85    | 71,577.23    | 374,280.71     |
| <b>CONSOLIDATED COOPERATIVE BANK</b>  |                |                |               |               |             |               |              |                |
| 12  | 2,458,514.24   | 3,319,579.41   | 2,165,703.21  | 306,972.86    | 0.00        | 231,303.59    | 65,993.61    | 604,270.06     |
| <b>BOHOL PUBLIC SCHOOL TEACHERS AND EMPLOYEES MULTI-PURPOSE COOPERATIVE</b> |                |                |               |               |             |               |              |                |
| 13  | 327,872.91     | 3,591,162.28   | 1,630,261.14  | 32,274.99     | 0.00        | 174,116.77    | 49,677.54    | 256,069.30     |
| <b>CITY HALL EMPLOYEES MULTI-PURPOSE COOPERATIVE</b>                        |                |                |               |               |             |               |              |                |
| 14  | 161,043.92     | 2,268,832.11   | 1,616,542.88  | 21,186.37     | 0.00        | 172,651.62    | 49,259.52    | 243,097.51     |
| <b>COOPERATIVE BANK OF QUEZON PROVINCE</b>                                  |                |                |               |               |             |               |              |                |
| 15  | 397,402.08     | 3,475,955.38   | 1,413,494.92  | 55,656.20     | 124,923.20  | 145,965.49    | 38,072.21    | 364,617.10     |
| <b>SANGUNIANG PANLUNGSOD MULTI-PURPOSE COOPERATIVE</b>                      |                |                |               |               |             |               |              |                |
| 16  | 187,682.59     | 2,952,170.91   | 1,413,413.09  | 17,462.39     | 0.00        | 150,956.75    | 43,069.72    | 211,488.86     |
| <b>PANTUKAN CHESS CLUB COOPERATIVE</b>                                      |                |                |               |               |             |               |              |                |
| 17  | 927,513.34     | 2,644,668.06   | 1,365,313.63  | 125,252.97    | 0.00        | 143,819.58    | 39,604.03    | 308,676.58     |
| <b>COOPERATIVE BANK OF BOHOL</b>  |                |                |               |               |             |               |              |                |
| 18  | 410,938.25     | 2,902,804.40   | 1,317,642.20  | 49,918.41     | 0.00        | 137,728.13    | 37,151.38    | 224,797.92     |
| <b>SAMAL ISLAND MULTI-PURPOSE COOPERATIVE</b>                               |                |                |               |               |             |               |              |                |
| 19  | 183,788.90     | 2,548,968.82   | 1,294,564.23  | 17,121.07     | 0.00        | 130,263.34    | 31,448.14    | 178,832.55     |
| <b>COOPERATIVE BANK OF ILOCOS NORTE</b>                                     |                |                |               |               |             |               |              |                |
| 20  | 374,734.37     | 3,267,838.20   | 1,243,277.63  | 42,589.16     | 0.00        | 132,785.77    | 37,885.33    | 213,260.26     |
| <b>ST. JOSEPH PARISH - KAYAPA MULTI-PURPOSE COOPERATIVE</b>                 |                |                |               |               |             |               |              |                |
| 21  | 265,874.24     | 2,054,224.90   | 1,057,345.24  | 14,005.01     | 0.00        | 112,927.64    | 32,219.57    | 159,152.22     |
| <b>SAN JOSE DEL MONTE SAVINGS AND CREDIT COOPERATIVE</b>                    |                |                |               |               |             |               |              |                |
| 22  | 550,000.00     | 1,337,115.63   | 926,509.85    | 44,932.74     | 0.00        | 98,954.03     | 28,232.74    | 172,119.51     |
| <b>ST. VINCENT FERRER PARISH MULTI-PURPOSE COOPERATIVE</b>                  |                |                |               |               |             |               |              |                |
| 23  | 63,411.67      | 1,046,757.01   | 872,581.31    | 7,811.84      | 50,000.00   | 93,194.30     | 26,589.42    | 177,595.56     |
| <b>SUYO MULTI-PURPOSE COOPERATIVE</b>                                       |                |                |               |               |             |               |              |                |
| 24  | 341,421.11     | 2,073,856.65   | 813,006.82    | 38,722.67     | 0.00        | 83,831.56     | 21,774.06    | 144,328.29     |
| <b>SAN ISIDRO LABRADOR PARISH MULTI-PURPOSE COOPERATIVE (VALENZUELA)</b>    |                |                |               |               |             |               |              |                |
| 25  | 481,204.82     | 1,311,310.45   | 790,440.56    | 47,136.21     | 0.00        | 82,421.42     | 22,086.41    | 151,644.04     |
| <b>DIFFUN SARANAY DEVELOPMENT COOPERATIVE</b>                               |                |                |               |               |             |               |              |                |
| 26  | 522,460.43     | 2,514,534.29   | 760,605.68    | 42,015.03     | 0.00        | 81,234.96     | 23,177.28    | 146,427.27     |
| <b>OLONGAPO MULTI-PURPOSE COOPERATIVE</b>                                   |                |                |               |               |             |               |              |                |
| 27  | 160,340.73     | 1,122,393.11   | 729,555.52    | 21,807.15     | 0.00        | 77,918.71     | 22,231.12    | 121,956.98     |
| <b>BUGASONG MULTI-PURPOSE COOPERATIVE</b>                                   |                |                |               |               |             |               |              |                |
| 28  | 947,294.00     | 1,183,378.83   | 694,998.50    | 117,393.85    | 84,712.36   | 74,227.92     | 21,178.09    | 297,512.22     |
| <b>SAN JOSE MULTI-PURPOSE COOPERATIVE</b>                                   |                |                |               |               |             |               |              |                |
| 29  | 185,023.48     | 923,998.50     | 692,998.88    | 14,039.12     | 0.00        | 74,014.35     | 21,117.16    | 109,170.63     |
| <b>NETWORK CONSOLIDATED COOPERATIVE BANK (SORSOGON)</b>                     |                |                |               |               |             |               |              |                |
| 30  | 193,663.56     | 1,303,431.64   | 674,230.57    | 13,808.21     | 21,230.39   | 70,009.84     | 18,545.25    | 123,593.69     |

43 **PART II: BUSINESS PROPER**

44

45 **I. CALL TO ORDER**

46

47 Chairman Evangelista called the meeting to order at 10:45 a.m.

48

49 **II. PROOF OF DUE NOTICE/DETERMINATION OF QUORUM**

50

51 The president introduced to the member-delegates the acting corporate secretary, Atty. Lyman A. Manzanares. He  
52 said that the incumbent corporate secretary, Atty. Calilung, was unable to attend the annual shareholders meeting  
53 due to medical reasons.

54

55 Thereafter, Atty. Manzanares informed the assembly of two additional items that were included in the agenda but  
56 were not part of the Notice/Agenda sent to the member-shareholders since the additional items [No. 13 letter E  
57 (Proposed G.A. Resolution Opposing Senate and House Bills Scrapping the Tax Exemptions of Cooperatives)] and  
58 letter F (Proposed Resolution Adopting a Method of Mediation and Conciliation Program)] were only approved and  
59 adopted by the Board during its March 23, 2017 meeting, which was already beyond the printing schedule of the  
60 annual report.

61

62 As proof of notice, Atty. Manzanares informed the assembly that the member-shareholders were duly notified on  
63 the holding of the general assembly through the following modes: (a) announcement of the holding of 43rd Annual  
64 G.A. in the CISP website on February 9 and 28; (b) electronic announcement (emails) on February 13; (c) publication  
65 in the Philippine Star on March 1; and (d) sending of notices and related documents through courier on March 3. All  
66 of these satisfied the requirement of Sec. IV Art VI of the CISP By-laws which require that the *“members entitled to*  
67 *vote must be duly notified of the holding of a general assembly not later than 20 days thereof.”*

68

69 The acting corporate secretary further certified that there were 5,074,373 total number of shares being represented  
70 by 91 coop-members entitled to vote who were present on said general assembly. This is equivalent to 85.27% of  
71 the 5,951,95 total capital shares of CISP. Accordingly, a quorum was present to hold the 43<sup>rd</sup> Annual General  
72 Assembly. Thus, Chairman Evangelista formally opened the assembly meeting at 10:56 a.m.

73 Further, Atty. Manzanares explained to the body the key points of the House Rules that will be observed during the  
74 entire assembly proceedings. The said rules were also printed on the last page of the annual report and posted at  
75 the entrance of the venue. With no objection raised, the Chairman proceeded to the approval of the agenda.

76

77 **III. APPROVAL OF THE AGENDA**

78

79 The Chairman presented the order of the agenda including the two additional items as mentioned earlier by the  
80 acting corporate secretary that were also printed in the revised program and was included in the G.A. kit. Thereupon,  
81 Mr. Joel Canuel of Kampilan Multipurpose Cooperative moved to include as new business the extension on the  
82 deadline for experience refund. Mr. Danilo Tagalog, Davao City Water District Employees MPC, moved for the  
83 approval of the agenda as presented, including the additional item, which was seconded by Ms. Luzviminda Espita,  
84 Novaliches Development Cooperative (NOVADECI). No objection or question was raised, thus, the assembly  
85 unanimously approved and adopted the following Resolution, to wit:

86

87

88

89

90

91 **G. A. RESOLUTION NO. 01 S-2017**

92  
93 **BE IT RESOLVED, AS IT IS HEREBY RESOLVED** that the agenda matters of today's 43rd Annual  
94 General Assembly/Shareholders Meeting of the Cooperative Insurance System of the  
95 Philippines (CISP), including the additional item,

96  
97 **BE, AS THEY ARE HEREBY, APPROVED.**  
98

99 **IV. CONSIDERATION/APPROVAL OF THE MINUTES OF THE 42<sup>ND</sup> ANNUAL GENERAL ASSEMBLY/SHAREHOLDERS MEETING**  
100 **AND SPECIAL ASSEMBLY**  
101

102 Considering that the minutes of the General Assembly and Special Assembly were sent in advance to the member-  
103 shareholders, Ms. Angelita Ramos, Simbayanan ni Maria MPC, moved to dispense with the reading of the same.  
104 Likewise, Mr. Marilou Llavan, San Jose Multipurpose Cooperative moved for the consideration/approval of the  
105 minutes of the 42<sup>nd</sup> General Assembly and Special Assembly held on April 16, 2016 and July 23, 2016, respectively,  
106 duly seconded by Mr. Mario Jaraula, Amoros Farmers MPC. Thus, the following omnibus Resolution was approved,  
107 to wit:

108 **G.A. RESOLUTION NO. 02 S-2017**  
109

110 **BE IT RESOLVED, AS IT IS HEREBY RESOLVED,** that the member-shareholders approved the  
111 minutes of the 43<sup>rd</sup> Annual General Assembly/Shareholders Meeting and Special Assembly of  
112 the Cooperative Insurance System of the Philippines (CISP), held on April 16, 2016 and July 23,  
113 2016, respectively,  
114

115 **BE, AS IT IS HEREBY, APPROVED.**

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

118 None was taken up.  
119

120 **VI. CONFIRMATION OF BOARD RESOLUTIONS FOR YEAR 2016**  
121

122 The summary of all Board Resolutions for Calendar Year 2016 was also printed in the annual report, thus,  
123 Mr. Nestor Ortigoza moved for their confirmation by the general assembly, which was severally seconded.  
124 Accordingly, the assembly unanimously approved their confirmation, thus the following Resolution was adopted, to  
125 wit:

126 **G.A. RESOLUTION NO. 03 S-2017**  
127

128 **BE IT RESOLVED, AS IT IS HEREBY RESOLVED,** that all Resolutions adopted and/or approved by  
129 the Board of Directors for Calendar Year 2016, be confirmed and ratified,  
130

131  
132 **BE, AS THEY ARE HEREBY, APPROVED.**  
133

134 **VII. PRESENTATION AND APPROVAL OF ANNUAL REPORT**  
135

136 For better appreciation of the general assembly, the joint report was presented in video presentation. Its full text  
137 was also printed in the annual report, highlights of which, are as follows:  
138

139 A.) JOINT REPORT OF THE BOARD OF DIRECTORS AND MANAGEMENT

140

141 • **Asset Growth, Liquidity and Asset Quality**

142

143 The remarkable growth in CISP's resources for the last five years from 2012 to 2016, the highest yearly growth was  
 144 registered in 2014, at 73%, eclipsing the 2013 increase of 51%. With a bigger base, 2015 asset increase was at a  
 145 lower clip of almost 40%. But 2016 again defied expectations with assets growing by 86%.

146

|      | Assets (in mil) | Liquid assets |
|------|-----------------|---------------|
| 2016 | 1040.18         | 963.66        |
| 2015 | 559.05          | 489.76        |
| 2014 | 400.76          | 343.66        |
| 2013 | 231.24          | 168.87        |
| 2012 | 152.72          | 89.13         |

147

148 • **CISP's gross revenue, total expenses and net surplus for the past five years:**

149

|                   | In million |        |        |        |        |
|-------------------|------------|--------|--------|--------|--------|
|                   | 2016       | 2015   | 2014   | 2013   | 2012   |
| Net Surplus       | 116.1      | 88.81  | 62.02  | -1.38  | -9.23  |
| Cost and Expenses | 311.23     | 244.19 | 238.63 | 207.36 | 211.47 |
| Gross Revenue     | 427.33     | 333    | 300.65 | 205.98 | 202.24 |

150

151 From consecutive losses in 2012 and 2013, CISP made a huge turnaround in 2014. It also continued posting  
 152 remarkable bottom lines in the next two years. Despite the fact that only 50% of its distributable surplus is  
 153 appropriated as dividend (the other 50% is distributed as patronage and experience refunds), its dividend rates keep  
 154 on improving, thus:

155

| Year | Profitability rate | Year | Dividend rate |
|------|--------------------|------|---------------|
| 2016 | 27.2%              | 2016 | 14.00%        |
| 2015 | 26.7%              | 2015 | 13.75 %       |
| 2014 | 20.6%              | 2014 | 13.00 %       |
| 2013 | (0.7%)             |      |               |
| 2012 | (4.6%)             |      |               |

156

157 • **Stability** - R.A. 10607 otherwise known as The Amended Insurance Code of the Philippines requires insurance  
 158 companies to increase their net worth to P1.3 billion by 2022. As of the end of 2016, the net worth required under  
 159 the said law is set at P550 million. As a cooperative, CISP is considered compliant if its net worth amounts to 50%  
 160 to what is set by the said law, or at P275 million in 2016 and P650 million in 2022. The figures below show the Net  
 161 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  
 162 above what is required for coop insurers for end-2022.

163

|                 | 2012   | 2013  | 2014   | 2015   | 2016   |
|-----------------|--------|-------|--------|--------|--------|
| Net Worth       | 88.56  | 93.47 | 250.46 | 319.47 | 698.9  |
| Paid-up Capital | 114.22 | 64.61 | 202.86 | 244.9  | 599.72 |

164 • **Membership Growth** - The continuous growth of its membership is a testament that CISP has recaptured the trust  
 165 and confidence of the sector. The last three years showed that with good governance, efficiency in operations and  
 166 transparency in dealing with its stakeholders, cooperatives will give their support. The increasing membership base  
 167 enabled CISP to generate additional capital, gain more patronage and extend its reach to cooperatives which were  
 168 deemed to be "uninsurable".

169

170 In 2013, eight (8) member-cooperatives withdrew their membership from CISP, not including member-  
 171 cooperatives that stopped patronizing and supporting the System. In 2014, however, CISP was able to recruit 48  
 172 new cooperatives that saw the potential of supporting the direction of the System in *"Renewing Itself through*  
 173  
 174  
 175  
 176  
 177

178 **Efficiency and Good Governance**". In 2015, with the theme of "Sustaining Growth and Stability through Service  
179 **Quality**", CISP attracted 51 new member-cooperatives. And by 2016, CISP embraced the theme of "**Securing Lives...**  
180 **Securing Future**" and generated 82 new members that contributed their resources, provided patronage and  
181 support, thereby propelling CISP's growth.  
182

183 **2017 Theme** - This year's theme: "**People, Purpose, and Passion: Key to Continuous Growth and Success**" captures  
184 all the effort invested since the middle of 2013.  
185

186 Consequently, Mr. Llavan moved for the approval of the joint report as presented duly seconded by Ms. Irene  
187 Bringas of Abra Diocesan Teachers and Employees MPC. No comment or objection was raised thereon, thus the  
188 assembly unanimously approved said joint report, viz:  
189

190 **G.A. RESOLUTION NO. 04 S-2017**  
191

192 **BE IT RESOLVED, AS IT IS HEREBY RESOLVED**, that the joint report of the Board of Directors and  
193 Management detailing the results of CISP operation for the Year 2016, as presented and  
194 discussed.  
195

196 **BE, AS IT IS HEREBY, APPROVED.**  
197

198 **B.) APPROVAL OF THE 2016 AUDITED FINANCIAL STATEMENTS**  
199

200 Mr. Isagani Daba, EVP and COO, presented the 2016 Audited Financial Statements, printed in pages 45 to 79 of the  
201 annual report. He read the unqualified opinion of the independent auditor Reyes Tacandong & Co., presented the  
202 Balance Sheet, Statement of Operation, Changes in Equity and the cash flow. He informed the assembly that the  
203 receivables from cooperatives as stated in the FS have been fully provided in 2014 and 2015.  
204

205 The highlights of the 2016 AFS are as follows:

|  | <b>2016</b>          | <b>2015</b>        |
|--|----------------------|--------------------|
| Cash & cash equivalents                          | 738,363,848          | 346,418,593        |
| Short Term Investments                           | 66,390,666           | 4,633,009          |
| Insurance Receivables                            | 42,501,854           | 42,436,219         |
| <b>Available-for-sale (AFS) Financial Assets</b> | <b>158,900,681</b>   | <b>138,711,133</b> |
| <b>Total Assets</b>                              | <b>1,040,302,988</b> | <b>559,051,528</b> |
| Insurance Contract liabilities                   | 215,055,995          | 155,059,696        |
| <b>Dividend and patronage refund payable</b>     | <b>105,944,535</b>   | <b>69,705,049</b>  |
| <b>Total liabilities</b>                         | <b>338,794,779</b>   | <b>235,820,841</b> |
| Capital stock                                    | 599,631,400          | 244,809,800        |
| <b>Total Equity</b>                              | <b>698,899,839</b>   | <b>318,283,298</b> |

|     |   |                    |                    |
|-----|---|--------------------|--------------------|
| 206 | <b>Gross premium on insurance contracts</b>     | <b>442,456,324</b> | <b>341,086,158</b> |
|     | Net Insurance premiums                          | 416,012,946        | 324,913,011        |
|     | Interest income                                 | 9,789,517          | 5,453,966          |
|     | Other income                                    | 1,532,170          | 2,634,848          |
|     | <b>Total Revenue</b>                            | <b>427,334,633</b> | <b>333,001,825</b> |
|     | Benefits and Claims paid on insurance contracts | 156,173,448        | 112,289,467        |
|     | Increase in legal policy reserves               | 49,000,000         | 46,500,000         |
|     | Salaries and benefits                           | 26,323,092         | 20,241,413         |
|     | Gen and admin expenses                          | 19,174,999         | 14,277,755         |
|     | Total Benefits and Expenses                     | 311,320,601        | 244,190,773        |
|     | <b>Net Surplus for the Year</b>                 | <b>116,014,032</b> | <b>88,811,052</b>  |
|     | <b>Total Comprehensive Income for the Year</b>  | <b>114,139,473</b> | <b>83,969,936</b>  |

207 Consequently, Mr. Mario Jaraula moved for the approval of the 2016 Audited Financial Statements, duly seconded  
208 by Ms. Maria Lourdes Mercado, Avon Independent Managers MPC (AIM MPC). Thus, the assembly unanimously  
209 approved the 2016 AFS, to wit:

210 **G.A. RESOLUTION NO. 05 S-2017**

211  
212 **BE IT RESOLVED, AS IT IS HEREBY RESOLVED,** that the Audited Financial Statements of the  
213 Cooperative Insurance System of the Philippines for Calendar Year ended December 31, 2016,  
214 as presented to, and discussed by, the General Assembly.

215  
216 **BE, AS IT IS HEREBY, APPROVED.**

217  
218 **C.) AUDIT COMMITTEE REPORT**

219  
220 Mr. Rolan Literatus, Vice-Chairman of the Audit Committee, presented the report of the Committee under page 80  
221 of the Annual Report. The extent of their audit covered CISP's operations for year 2016, which includes but was not  
222 limited to audit of cash receipts, cash counts, and minutes of meetings of the Board of Directors. He said that the  
223 Audit Committee had also discussed its audit findings and recommendations to management which the latter already  
224 acted upon.

225  
226 No objection or question was raised therein, hence, Ms. Vicenta Cabalhin, University of San Carlos MPC, moved for  
227 the approval of the report of Audit Committee, duly seconded by Ms. Marites Bartolome, Mariveles Public Market  
228 Development Cooperative.

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G.A. RESOLUTION NO. 06 S-2017

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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 2016, as presented and discussed.

BE, AS IT IS HEREBY ACCEPTED AND APPROVED.

243 D.) PROPOSED BUDGET FOR YEAR 2017

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246

The President presented the Proposed Budget for Year 2017 as follows.

| Budget (2015)   | Budget (2016)      | Actual (2016)      | Proposed Budget 2017 |
|---|--------------------|--------------------|----------------------|
| Gross premiums on insurance contracts                 | 410,000,000        | 442,456,324        | 505,000,000          |
| Net insurance premiums                                | 390,000,000        | 416,012,946        | 483,000,000          |
| Investment Income                                     | 6,000,000          | 9,789,517          | 12,000,000           |
| <b>Net Revenue</b>                                    | <b>396,300,000</b> | <b>427,334,634</b> | <b>498,000,000</b>   |
| Increase (decrease) in legal policy reserve           | 48,000,000         | 49,000,000         | 50,000,000           |
| Gross benefits and claims paid on insurance contracts | 118,000,000        | 156,173,448        | 165,000,000          |
| <b>Net insurance benefits and claims</b>              | <b>166,000,000</b> | <b>205,173,448</b> | <b>215,000,000</b>   |
| <b>Total benefits and expenses</b>                    | <b>289,200,000</b> | <b>311,320,601</b> | <b>366,000,000</b>   |
| <b>Excess (deficiency) or revenue over expenses</b>   | <b>107,100,000</b> | <b>116,014,032</b> | <b>131,000,000</b>   |
| <b>Total comprehensive income (loss) for the year</b> | <b>107,100,000</b> | <b>114,139,473</b> | <b>131,000,000</b>   |

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Profitability rate 27.1%

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Consequently, Mr. Rodolfo Dalangin, NOVADECI, moved for the approval of the proposed budget for year 2017 which was severally seconded. Mr. Rene Ariola, Dingle Government Workers Development Cooperative, raised his observation saying that in the budget for 2015 to 2016 there was an increase of 30% in the net surplus, whereas, the budget from 2016 to 2017, there is only an increase of 13%, which could be a very conservative estimate. Mr. Miclat explained that the budget only maintained a 13% increase in net surplus because management has considered the present economic situation in the country which is experiencing some instability. Added to this is the climate change we are experiencing which could also affect CISP's operations. He assured the assembly that if the merger of CISP and R&B Insurance Corp. will materialize this year, it is expected that the CISP net surplus will reach at least P175 million to P180 million. With that, the general assembly unanimously approved the proposed budget. Thus, the following Resolution was adopted, to wit:

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G.A. RESOLUTION NO. 07 S-2017

BE IT RESOLVED, AS IT IS HEREBY RESOLVED, that the proposed Budget for Calendar Year 2017 as presented to, and deliberated on, by the General Assembly of the Cooperative Insurance System of the Philippines (CISP).

BE, AS IT IS HEREBY, APPROVED.

267 E.) APPROVAL OF DISTRIBUTION OF NET SURPLUS FOR 2017

268 The President presented the following allocation of net surplus for Calendar Year 2017 which include  
 269 statutory/mandatory reserves, land acquisition and building construction, patronage refund, experience refund and  
 270 dividend (preferred and common shares), thus:  
 271

|                                      |                      |                       |                             |
|--------------------------------------|----------------------|-----------------------|-----------------------------|
| <b>NET SURPLUS</b>                   |                      | <b>116,014,032.45</b> |                             |
| General Reserve Fund                 | 11,601,403.25        |                       | 10%                         |
| Reserve for Education & Training     | 8,120,982.27         |                       | 7%                          |
| Community Development Fund           | 3,480,420.97         |                       | 3%                          |
| Land and Building Fund               | 5,258,162.00         | (accumulated fund)    | 4.532<br>35%                |
|                                      |                      | <u>28,460,968.49</u>  |                             |
| <b>DISTRIBUTABLE SURPLUS</b>         |                      | <b>87,553,063.96</b>  |                             |
| <b>APPROPRIATIONS:</b>               |                      |                       |                             |
|                                      | Patronage Refund     | 8,755,306.40          | 10%                         |
|                                      | Experience Refund    | <u>35,021,225.58</u>  | 40%                         |
| <b>AMOUNT AVAILABLE FOR DIVIDEND</b> |                      | <b>43,776,531.98</b>  |                             |
|                                      | For preferred shares | 4,670,631.77          | 280,237.91<br>6%            |
|                                      | For common shares    | 310,687,767.70        | <u>43,496,287.48</u><br>14% |
|                                      |                      | <b>87,556,057.36</b>  |                             |

6.60

272 No question or comment was raised on the proposed allocation of net surplus, thus, Ms. Leonila Medina, Sacred Heart  
 273 Parish Development Cooperative, moved for the approval of the aforesaid appropriations as presented and discussed,  
 274 which was severally seconded, thus, the following Resolution was adopted, to wit:

275  
 276 **G.A. RESOLUTION NO. 08 S-2017**

277  
 278 **WHEREAS**, as a result of the remarkable performance of the Cooperative Insurance System of the  
 279 Philippines (CISP) on its operation for Calendar Year 2016, its Audited Financial Statements recorded a  
 280 net surplus of **Php 116,014,032.45**;

281  
 282 **WHEREAS**, the Board of Directors in its financial report to the General Assembly recommended for the  
 283 approval of the Member-Shareholders the allocation of net surplus which include statutory/mandatory  
 284 reserves, land acquisition and building improvement and/or construction, patronage refund,  
 285 experience refund and dividend for preferred and common shares,

286  
 287 **WHEREFORE, FOREGOING PREMISES CONSIDERED, BE IT RESOLVED, AS IT IS HEREBY RESOLVED**, that the  
 288 CISP General Assembly approved the abovementioned distribution of net surplus as presented and



289 discussed and the following appropriations for dividend, patronage refund, and experience refund for  
290 the year ended December 31, 2016, to wit:

|                              |          |               |          |                      |
|------------------------------|----------|---------------|----------|----------------------|
| <b>Distributable Surplus</b> |          |               | <b>P</b> | <b>87,553,063.96</b> |
| Appropriations:              | <b>%</b> |               |          |                      |
| Patronage refund             | 50%      |               |          |                      |
| Basic patronage refund       | 10%      | 8,755,306.40  |          |                      |
| Experience refund            | 40%      | 35,021,225.58 | <b>P</b> | <b>43,776,531.98</b> |
| Dividend                     | 50%      |               |          |                      |
| Preferred Shares             |          | 280,237.91    |          |                      |
| Common Shares                |          | 43,496,294.07 | <b>P</b> | <b>43,776,531.98</b> |
|                              |          |               | <b>P</b> | <b>87,553,063.96</b> |

291  
292  
293 **RESOLVED FURTHER**, that the distribution of cash dividend to CISP member-shareholders shall take  
294 effect immediately upon approval by the Insurance Commission of the allocation of net surplus.  
295

296 **BE, AS IT IS HEREBY, APPROVED.**

297  
298 **F.) APPOINTMENT OF INDEPENDENT AUDITORS**

299  
300 On the recommendation of the Board and management, Ms. Fe Vidar, Metro Manila Savings Cooperative, moved for  
301 the approval to retain the audit services of Reyes Tacandong & Co. as CISP's external auditor for Calendar Year 2017,  
302 duly seconded by Mr. Mario Jaraula, Amoros Farmers Multi-purpose Cooperative, thus:

303  
304 **G.A. RESOLUTION NO. 09 S-2017**

305  
306 **BE IT RESOLVED, AS IT IS HEREBY RESOLVED**, that the Cooperative Insurance System of the  
307 Philippines, re-engage the audit services of Reyes Tacandong & Co. as CISP Independent  
308 Auditors for Calendar Year 2017,

309  
310 **BE, AS IT IS HEREBY, APPROVED.**

311  
312 **VIII. APPROVAL OF FIVE-YEAR STRATEGIC PLAN**

313  
314 The Five-Year Strategic Plan for 2017 to 2021 was presented in video presentation and its texts were also printed in  
315 the annual report. Chairman Evangelista explained that it has been the practice of the Board of Directors and  
316 management to review the strategic plans yearly and revised the strategies based on the operating environment of  
317 CISP and how it will pursue the goals set therein.

318  
319 Thereafter, Mr. Frederico Blanco, San Francisco Government Employees MPC, moved for the approval of the Five-  
320 Year Strategic Plan, duly seconded by Mr. Jaraula. Ms. Elmerli Colangan, Tabuk Multi-purpose Cooperative,  
321 commented that one of the strategic goals in 2019 is the merger of CISP with CLIMBS, which talks started years ago.  
322 She asked on what will happen if the merger will fail, would it mean that the goal set in 2019 will also fail. Chairman  
323 Evangelista replied that the CISP is still pursuing the merger talks since it is the mandate of the general assembly. In  
324 fact, CISP has constantly communicated to CLIMBS regarding the merger negotiations, thus, the Board and  
325 management are not losing hope that the merger will be pursued. The Chairman added that as a practice of the  
326 Board and management, the strategic goals are being reviewed yearly for the direction and opportunities that come  
327 in, and how the business direction is going on. And, if in the future, the merger is still achievable, the CISP will pursue  
328 it. With no further questions, the Assembly unanimously approved the Five-Year Strategic Plan for 2017 to 2021,  
329 thus the following Resolution:

G.A. RESOLUTION NO. 10 S-2017

BE IT RESOLVED, AS IT IS HEREBY RESOLVED, that the Five Year Strategic Plan for year 2017 to 2021 of the Cooperative Insurance System of the Philippines, as presented and discussed,

BE, AS IT IS HEREBY, APPROVED.

IX. AMENDMENT TO CISP COOPERATIVE NAME

Atty. Manzanares explained that to effect the amendment to the provisions of Articles of Cooperation and By-laws changing the cooperative name of CISP from **Cooperative Insurance System of the Philippines Life and General Insurance (CISP)** to **1 Cooperative Insurance System of the Philippine Life and General Insurance (1 CISP)**, the CISP by-laws require a vote of at least 2/3 of all members present and entitled to vote in said annual meeting. He further explained that since there were already more than 85% of shares in attendance, in consultation with the Board and Election Committee, the latter will just take into account the number of objections and the number of shares that they represent which must comprise at least 1/3 of the total shares present. He added that should there be no objection to the proposed amendment, it is deemed that the General Assembly approved unanimously the amendments to the CISP cooperative name.

Chairman Evangelista said that when the Board and management reviewed the strategic plan they decided to change the name of CISP from Cooperative Insurance System of the Philippines Life and General Insurance (CISP) to 1 Cooperative Insurance System of the Philippines Life and General Insurance (1CISP) since the System is advancing the 1 coop integrated financial system (ICFS) in pursuance with the vision of "one coop health," "one coop bank," and "one coop insurance." Thus, he appealed to the general assembly to support said amendment to the CISP name. Thereafter, Ms. Espita moved for approval of the amendment to the CISP cooperative 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)** which was severally seconded. No question or objection was raised, hence, the general Assembly unanimously approved the proposed amendment, viz:

G.A. RESOLUTION NO. 11 S-2017

**WHEREAS**, the Board of Directors and management of the Cooperative Insurance System of the Philippines Life and General Insurance (CISP) advocate the vision for One Cooperative Integrated Financial System (1CIFS), which aims to build a strong and viable financial system for cooperatives by establishing a one cooperative bank, one cooperative insurance and one coop health management;

**WHEREAS**, to support and advance this vision, it is essential that CISP amend its cooperative name to conform with One Cooperative Integrated Financial System (ICIFS);

**WHEREFORE, IN CONSIDERATION OF THE FOREGOING PREMISES, BE IT RESOLVED, AS IT IS HEREBY RESOLVED**, that the General Assembly of the Cooperative Insurance System of the Philippines Life and General Insurance (CISP), represented by 5,074,373 total number of shares entitled to vote, consisting of 85.27% or more than 2/3 of 5,951,95 total capital shares, approved the following amendments to the CISP Articles of Cooperation and By-laws, to wit:

384

ARTICLES OF COOPERATION

385

AMENDED ARTICLES OF COOPERATION OF THE

386

1 COOPERATIVE

387

INSURANCE SYSTEM OF THE PHILIPPINES LIFE AND GENERAL

388

INSURANCE

389

390

WE, the undersigned, X X X duly authorized to represent our respective cooperatives, X X X in Quezon City, voluntarily associated ourselves together to form an insurance cooperative under the laws of the Republic of the Philippines.

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**First** – The name of this cooperative shall be the “1 Cooperative Insurance System of the Philippines Life and General Insurance” herein referred to as the “1 CISP.”

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396

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X X X

398

BY-LAWS

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400

AMENDED BY-LAWS OF THE 1 COOPERATIVE INSURANCE SYSTEM OF THE PHILIPPINES LIFE

401

AND GENERAL INSURANCE

402

403

We, the undersigned, all of legal age, citizens and residents of the Philippines, representing at least two-thirds (2/3) vote of all the members with voting rights of the 1 Cooperative Insurance System of the Philippines Life and General Insurance, a secondary cooperative, hereinafter referred to as the “1 CISP,” this 25<sup>th</sup> of January, 1974, in Quezon City, by these presents do hereby amend and adopt the following by-laws:

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X X X

410

411

BE, AS IT IS HEREBY, APPROVED.

412

413

X. APPROVAL OF DOCUMENTS FOR THE MERGER OF CISP AND R&B

414

415

(A) Articles of Merger of CISP and R&B Insurance Corp.

416

(B) Plan of Merger for CISP and R&B Insurance Corp

417

(C) Business Plan for CISP and R&B Insurance Corp.

418

419

Mr. Daba informed the Assembly that First Community Cooperative has already acquired R&B Insurance Corp. in October 2016, and the Certificate of Authority was subsequently issued by the Insurance Commission. Thus, R&B has been in full operation since November 2016 up to present. Ninety (90%) percent of the shareholdings of R&B is owned by FICCO while 10% is retained by its former owner. Once the merger is consummated, R&B Insurance Corp will be dissolved and CISP will be the surviving entity and its board of directors will be retained. The merged entity will be named 1 Cooperative Insurance System of the Philippines Life and General Insurance (1 CISP). Likewise, CISP will assume all assets, liabilities and obligations of R&B. As of December 31, 2016, R&B has a liability in the amount of P11.8 million while its assets amount to P281.7 million. With the merged CISP and R& B, the accounting of its non-life business will be separated to properly assess the performance of R&B business and for the purpose of distribution of patronage refund.

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He added that the approval of the General Assembly of the Articles of Merger, Plan of Merger and Business Plan of CISP and R&B is a mandatory requirement for the approval of the said merger. The said documents, which were also included in the G.A. materials sent to CISP member-shareholders were presented and explained by Mr. Daba to the general assembly, including the updated financial data of R&B.

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432

433

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435

There was no question or objection raised on the above documents, hence, Ms. Maria Lourdes Mercado, AIM MPC, moved for the approval of the Articles of Merger, duly seconded by Mr. Jaraula. Further, Mr. Jaraula moved for the

436

437 approval of the Plan of Merger duly seconded by Mr. Llavan. While Mr. Nestor Ortigoza, King Cooperative, moved  
438 for the approval of the Business Plan, duly seconded by Ms. Medina. Thus, the following omnibus Resolutions were  
439 adopted, to wit:

440 **G.A. RESOLUTION NO. 12 S-2017**

441  
442  
443 **WHEREAS**, during the Special Assembly of the Cooperative Insurance System of the Philippines  
444 Life and General Insurance held on July 23, 2016, the member-shareholders approved the CISP  
445 acquisition of or merger with R&B Insurance Corp., a non-life insurance company;

446  
447 **WHEREAS**, to effect said merger, the CISP Board of Directors and the Stockholders of R&B  
448 Insurance Corp., in their respective meeting held on December 9, 2016 and February 15, 2017,  
449 approved the Articles of Merger, Plan of Merger and Business Plan for CISP and R & B Insurance  
450 Corp.;

451  
452 **WHEREAS**, as mandatory requirement for the application for merger of CISP and R&B with the  
453 Insurance Commission (IC), it is deemed necessary that the CISP member-shareholders  
454 approve the pertinent documents and/or any proposal relative thereto, and

455  
456 **NOW, THEREFORE FOR AND IN CONSIDERATION OF THE FOREGOING PREMISES, BE IT**  
457 **RESOLVED AS IT IS HEREBY, RESOLVED**, that the CISP General Assembly approve the following:

- 458 a. Articles of Merger of CISP and R&B Insurance Corp.  
459 b. Plan of Merger of CISP and R&B Insurance Corp.  
460 c. Business Plan of CISP and R&B Insurance Corp.  
461 hereto attached as Annexes "A", "B", and "C".

462  
463 **BE, AS IT IS HEREBY, APPROVED.**

464  
465 Noon break (12:20PM to 1:20PM)

466  
467 **XI. APPROVAL OF PROPOSED RESOLUTIONS**

468  
469 **A) PROPOSED RESOLUTION GRANTING INCENTIVE TO PATRONIZING MEMBERS**

470  
471 According to Mr. Miclat, the proposed Resolution aims to encourage CISP members to patronize its products and  
472 services. In order to qualify for the additional dividend rates, all patronizing members must satisfy the minimum  
473 number of enrollees, to wit:

- 474  
475 1. 300 basis points = for coop members which can enroll at least 25% of its total membership;  
476 2. 200 basis points = for coop members which can enroll at least 20% of its total membership; and  
477 3. 100 basic points = for coop members which can enroll at least 10% of its total membership

478  
479 *(The basis of membership is members in good standing).*

480  
481 Chairman Evangelista said that the granting of additional basis points to patronizing members has been the practiced  
482 of some cooperatives who are also members of CISP, which aims to encourage the members to support CISP's  
483 products and services.

484  
485 Mr. Victor Hizon objected to the proposal saying it is not that their federation doesn't want to patronize CISP products,  
486 but the premium rate of the latter is higher than that of other insurance providers which the members of their  
487 federation could not afford. In fact, there were previous negotiations with CISP marketing for a lower premium rate  
488 which did not materialize. The current practice of CISP with regard to the distribution of dividend and patronage  
489 refund does not prejudice the dividend of patronizing members, hence, he couldn't see any reason for an additional  
490 bonus points to patronizing members.

491

492 Mr. Miclat explained that whenever a coop member request for the product pricing, management just based its  
493 premium rate on the demographics of members. Unfortunately, the demographics presented by Mr. Hizon's  
494 federation is composed of members who are already of old age, which if CISP will accept, would be detrimental to the  
495 latter's business.

496  
497 Ms. Elmerli Colangan, Tabuk Multi-purpose Cooperative, agreed to Mr. Hizon's objection on the proposed Resolution  
498 for being prejudicial to the rights of non-patronizing members. If the proposed Resolution will be implemented that  
499 would impose a mandatory patronage of CISP products by members, which is against the cooperative principle of  
500 voluntary and open membership. Ms. Colangan added, her primary cooperative is both a member of the two coop  
501 insurance, but does not impose a mandatory patronage of the products of either CISP or CLIMBS. Instead they  
502 patronize the services of both. Ms. Llavan said that CISP should promote its products based on the incentive that a  
503 member will get in patronizing its products rather than penalizing them for non-patronage. Mr. Miclat explained that  
504 CISP is not penalizing its non-patronizing members since the additional basis point is only an additional incentive to  
505 patronizing members. While it is true that one of the coop principles is voluntary, it is also equally true that the  
506 members should patronize the products of their cooperatives to make them viable and competitive.

507  
508 Mr. Hizon said that since the bonus points will be taken from the net surplus, hence, the dividend of non-patronizing  
509 members will also be affected which is unfair to them. Mr. Daba explained that the sad reality is that out of 2,700 CISP  
510 members, only 800 plus coops are patronizing CISP. Notwithstanding said small percentage of service patronage, still  
511 CISP will be giving a 14% dividend for 2016, and the 1,900 non-patronizing members will be sharing the same amount  
512 of dividend with that of patronizing members. And were it not for the patronizing members, CISP will not be able to  
513 distribute dividend and patronage refund. Thus, the proposed Resolution is only fair to give the patronizing members  
514 an incentive since they are the ones who give full support to CISP. And if he were a member coop of CISP, Mr. Daba  
515 said, he will patronize CISP even if it means paying a higher premium since he will be helping CISP rather than  
516 supporting commercial insurance companies which are owned by big capitalists.

517  
518 Ms. Marlene Sindayen, NOVADECI, opined that the distribution of the basis points is not equitable considering that if  
519 you have a big capital and you patronize more you will get more in addition to the additional bonus points that will be  
520 given to patronizing members. She recommended to the Board and management to conduct further study on the  
521 proposal, and instead of an additional incentive to patronizing members, CISP should look into the manner of  
522 distribution of dividends.

523  
524 Mr. Gil Gilot, PERA MPC, said that he is in favor of the proposal because he believes that it is not an imposition but  
525 only a basis of computation of incentive. It is understandable that if you patronize more you will get more patronage  
526 refund. Also, nowhere can you find any cooperative which will give a 14% dividend to its members. He added, even  
527 coop banks only give a dividend ranging from 5% to 10%. But in CISP, the members are given a 14% dividend aside  
528 from the patronage refund. Mr. Ariola agreed with Mr. Gilot saying that it is a corresponding responsibility of  
529 membership in any cooperative to patronize the products of the organization and the dividend and patronage refund  
530 that a member gets is only a fair share of what he/she contributes to the cooperative. Accordingly, to settle the issue,  
531 Mr. Ariola recommended for the division of the house. Chairman Evangelista said that the purpose of the discussion  
532 is to get the opinion of the members. And after the deliberations on the floor, he believes that there is a need to  
533 conduct further study on the proposal. He then suggested to the Assembly to defer the decision and submit the same  
534 to future assemblies so that the Board and management could conduct further study on the proposed Resolution.  
535 The chairman added that the board and management will bring the matter to the CISP members through owners'  
536 forums, so as to avoid unnecessary division of the house. The general assembly unanimously accepted the suggestion  
537 of the chairman. Therefore, the proponent to divide the house withdrew his motion.

538  
539 B) APPROVAL OF RESOLUTION OPPOSING HOUSE AND SENATE BILLS REPEALING THE TAX EXEMPTIONS OF  
540 COOPERATIVES

541  
542 In support of the stand of the coop movement opposing the pending bills in the Senate and House of Representatives  
543 scrapping the tax exemption granted to cooperatives, the General Assembly unanimously approved the proposed  
544 Resolution to that effect through the motion of Mr. Ariola, duly seconded by Ms. Theresa Drueco, NOVADECI, thus:

545  
546

G.A. RESOLUTION NO. 13 S-2017

**WHEREAS**, it has come to the knowledge of the members of the Cooperative Insurance System of the Philippines (CISP), on the Department of Finance-initiated bills filed in the Senate and House of Representatives seeking to repeal tax exemptions of cooperatives as contained in Articles 60 and 61 of R.A. No. 9520, also known as the Philippine Coop Code of 2008, to wit:

1. House Bill 231 (An Act Rationalizing The Grant and Administration of Fiscal Incentives And for Other Purposes), filed by Ilocos Sur Rep. Eric D. Singson on June 30, 2016;
2. Senate Bill 229 (An Act Rationalizing The Grant and Administration of Fiscal Incentives And for Other Purposes), filed by Sen. Franklin Drilon on July 4, 2016;
3. House Bill No. 4688 (An Act Amending Sections 22, 24, 31, 32, 34, 35, 79, 106, 107, 108, 109, 110, 148, and Title VI of R.A. No. 8424, also known as "The National Internal Revenue Code of 1997" as Amended, And For Other Purposes), filed by Albay Rep. Joey Sarte Salceda on December 14, 2016; and
4. House Bill No. 4774 ((An Act Amending Sections 6, 22, 24, 25, 31, 33, 34, 79, 84, 86, 99, 106, 107, 108, 109, 113, 116, 148, 149, 155, 232, 237 and 288; Creating New Sections 148-A, 237-A And 264-B; And Repealing Sections 35 And 62 All Under R.A. No. 8424, also known as "The National Internal Revenue Code of 1997") filed by Quirino Rep. Dakila Carlo E. Cua on January 17, 2017;

**WHEREAS**, the 1987 Constitution, particularly Article XII on National Economy and Patrimony Section 15, mandates Congress to create "an agency to promote the viability and growth of cooperatives as instruments for social justice and economic development," thus creating in 1990 the Cooperative Development Authority (CDA) by virtue of R.A. No. 6939;

**WHEREAS**, R.A. No. 9520, otherwise known as the Philippine Coop Code of 2008 states that "*it is the declared policy of the State to foster the creation and growth of cooperatives as a practical vehicle for promoting self-reliance and harnessing people power towards the attainment of economic development and social justice*" and that Government "shall create an atmosphere that is conducive to the growth and development of cooperatives";

**WHEREAS**, R.A. No. 9520 and its Implementing Rules and Regulations (IRR) list down or prescribe what Government must do to "create an atmosphere conducive to growth and development of cooperatives";

**WHEREAS**, R.A. No. 9520, under Article 3 defines a cooperative as "an autonomous and duly registered association of persons, with a common bond of interest, who have voluntarily joined together to achieve their social, economic and cultural needs and aspirations by making equitable contributions to the capital required, patronizing products and services and accepting a fair share of the risks and benefits of the undertaking in accordance with universally accepted cooperative principles", thereby recognizing cooperatives and organizations of volunteers working together to achieve their needs and aspirations, and solidifying their status not merely as money-making enterprises but more so as economic engines for a just and civil society ;

**WHEREAS**, R.A. No. 9520 in Article 86 mandates all cooperatives to allot not less than 10% of their Net Surplus as Reserve Fund, not more than 10% for Education & Training Fund, and not less than 3% for Community Development Fund , to improve their lives and build better communities;

**WHEREAS**, Article 86 of R.A. No. 9520 also stipulates that the Remaining Net Surplus shall be made available to the members in the form of interest on share capital and patronage refund, not as earned income but rather as savings due to members in availing of services from their own cooperative;

601 **WHEREAS**, Articles 60 and 61 of R.A. No. 9520 provide cooperatives tax exemptions in all its transactions  
602 with members, as a recognition that cooperative are partners of the Government in community-  
603 building, and consequently, in nation-building.

604 **WHEREAS** the Cooperative Development Authority reports that in 2016, data submitted by 11,524  
605 registered cooperatives employ 892,432 workers who steward the more than P300.3 Billion assets of  
606 some 8 million individual co-op members, and the same 892,432 workers paid P7.56 Billion in taxes  
607 in 2016. This does not yet include the taxes paid by the 8 million cooperative members who are enabled  
608 by their cooperatives to have easy access to financial services and consequently, provide for their  
609 families and/or operate their enterprises, proving that the cooperatives are tax- makers rather than tax  
610 – avoiders.

611  
612 **WHEREAS**, without the cooperatives, thousands of which are in the countryside, many would have  
613 fallen victims to loan sharks and would now be **beneficiaries of the Government's Pangtawid Pamilya**  
614 **Program**;

615  
616 **NOW THEREFORE, FOREGOING PREMISES CONSIDERED, BE IT RESOLVED, AS IT IS HEREBY RESOLVED**, by  
617 the CISP General Assembly to **STRONGLY OPPOSE** the repeal of cooperative tax exemption under Article  
618 60 and 61 of R.A. No. 9520, as proposed in Senate and House Bills listed above;

619  
620 **RESOLVED FURTHER**, to furnish copies of this Resolution to the Cooperative Development Authority  
621 (CDA), the Philippine Cooperative Center (PCC), the Senators, and all Representatives of districts where  
622 our Coop operates, Senate Committee on Coop Development Chairman Juan Miguel Zubiri, House  
623 Committee on Coops Chairman Rico Geron.

624  
625 **BE, AS IT IS HEREBY, APPROVED.**

626  
627 C) APPROVAL OF CISP MEDIATION AND CONCILIATION PROGRAM

628  
629 Mr. Blanco moved for the approval of the Resolution adopting a method of Mediation and Conciliation proceedings  
630 between and among CISP members, officers, policyholders, directors and stakeholders, which was unanimously  
631 seconded, to wit:

632  
633 **G.A. RESOLUTION NO. 14 S-2017**

634  
635 **WHEREAS**, the Cooperative Insurance System of the Philippines (CISP), adheres to the policy of settling  
636 intra-cooperative disputes between and among members, policy holders, officers, directors and  
637 stakeholders, in an amicable, peaceful and inexpensive manner;

638  
639 **WHEREAS**, the Cooperative Development Authority and the Insurance Commission likewise prescribed  
640 procedures on conciliation and mediation program and alternative dispute resolutions in settling  
641 disputes arising from insurance claims to be observed by insurance cooperatives; and

642  
643 **WHEREAS**, the objective of the conflict management/conciliation and mediation program is to settle  
644 intra-cooperative disputes in the fastest and most accessible manner and to reduce the cost and time  
645 of the litigation process;

646  
647 **NOW THEREFORE, FOREGOING PREMISES CONSIDERED, BE IT RESOLVED, AS IT IS HEREBY RESOLVED**, that  
648 the CISP General Assembly adopts the Procedures on Conciliation and Mediation Program of the  
649 Cooperative Insurance System of the Philippines (CISP), hereto attached as Annex "D".

650  
651 **RESOLVED FINALLY**, that the Conciliation and Mediation Committee shall be granted the powers as may  
652 be necessary to implement the aforesaid Conciliation and Mediation Program and ensure a speedy,  
653 just, equitable, and inexpensive settlement of disputes within the CISP.

654  
655 **BE, AS IT IS HEREBY, APPROVED.**

656 **XII. NEW BUSINESS**

657

658 The Assembly discussed first the previous motion proposing for the extension of the deadline of experience refund  
659 of affected members. Its proponent, Mr. Canuel, asked management to update the assembly on those who have fully  
660 recovered their capital since the deadline for the recovery was only until December 31, 2016. But, the sentiment of  
661 the members is to extend the deadline since majority of the CISP members have not yet fully recovered their written  
662 down capital. Hence, his proposition for to extend the deadline until December 31, 2017. Accordingly, Mr. Jaraula  
663 seconded said motion.

664

665 Mr. Miclat explained that all 698 patronizing CISP members for 2016 have already recovered their capital fully.  
666 Noteworthy to mention is King Cooperative, which because of its patronage to CISP products, in one sweep, has fully  
667 recovered its capital. But, for those members who have stopped patronizing CISP, there is no way for them to recover  
668 their watered down capital except through dividend. And if we will extend the deadline for the granting of experience  
669 refund 1 until December 31, 2017, CISP will allocate P4 million for the recovery of the affected capital. Hence, the  
670 experience refund 1 will cover all premiums paid until December 31, 2017. Mr. Miclat likewise encouraged the  
671 member-shareholders to patronize CISP products for them to avail the extension of the experience refund 1. No one  
672 objected to the motion, hence, the Assembly unanimously approved the extension of the cut-off date of experience  
673 refund 1, viz:

674

675

**G.A RESOLUTION NO. 15 S-2017**

676

677 **WHEREAS**, during the 41st Annual General Assembly/Shareholders Meeting of the Cooperative  
678 Insurance System of the Philippines (CISP), the members unanimously passed and adopted G.A.  
679 Resolution No. 13 S-2015, setting a cut-off date for the grant of experience refund until December 31,  
680 2016;

681

682 **WHEREAS**, of the 2,700 CISP members, there were only 698 members who have patronized CISP  
683 products and services and have fully recovered their written down share capital as of December 31,  
684 2016;

685

686 **WHEREAS**, to encourage non-patronizing members to patronize CISP and give them the chance to  
687 recover their watered down capital, there is a proposal to extend the deadline for the grant of  
688 experience refund 1 until December 31, 2017;

689

690 **WHEREFORE, FOREGOING PREMISES CONSIDERED, BE IT RESOLVED, AS IT IS HEREBY RESOLVED**, that the  
691 deadline for the grant of experience refund 1, a mechanism to recover the written down capital of  
692 affected member coops, will cover premium remittances up to the end of Calendar Year 2017; and

693

694 **RESOLVED FINALLY**, that CISP management and marketing agents launch an extensive information drive  
695 to inform the coops concerned of the deadline set.

696

697 **BE, AS IT IS HEREBY, APPROVED.**

698

699 **XIII. APPROVAL OF 2017 ELECTION GUIDELINES**

700

701 Copies of the 2017 CISP Election Guidelines were sent through electronic communications and courier, hence, Mr.  
702 Danilo Capili, chairman of the CISP ELECOM, sought for a motion approving the same. Accordingly, Mr. Manuel  
703 Esperanza, MACO Development Cooperative, moved for the approval of the election guidelines, which was severally  
704 seconded. No question or objection was raised therein, thus, the assembly unanimously adopted the following  
705 Resolution, to wit:

706

707

**G.A RESOLUTION NO. 16 S-2017**

708

709 **BE IT RESOLVED, AS IT IS HEREBY RESOLVED**, that the CISP member-shareholders approved the proposed  
710 Election Guidelines for the 43<sup>rd</sup> General Assembly/Election of Officers, as presented,

711

712 **BE, AS IT IS HEREBY, APPROVED.**



713 **XIV. ELECTION OF OFFICERS**

714

715 In the spirit of transparency and good governance, the general assembly appointed three members of the  
716 Independent Body who will check the electronic voting system and computers that will be used during the election  
717 of Board of Directors, Audit and Election Committees to ensure they are free from error and human intervention, as  
718 well as the voting results. The three members were: Mr. Noel Altamirano, UPLB Credit and Development.  
719 Cooperative; Mr. Erlic Garcia, KBK Multipurpose Cooperative, and Mr. Jonathan Gumia, Nabunturan Integrated  
720 Cooperative. Thereafter, Mr. Capili acknowledged the outgoing Board of Directors, namely: Mr. Prudencio  
721 Consolacion, Mr. Francisco Jose and Engr. Raymond Joseph Salvador, He then declared vacancies to the following  
722 elective positions:

723

724 1. Three (3) regular members of the Board of Directors.

725 2. Three (3) members of the Audit Committee.

726 3. Three (3) members of the Election Committee.

727

728 He announced the candidates for the board of directors who have qualified:

729 1. Mr. Prudencio F. Consolacion = Cooperative Banks Federation of the Philippines  
730 (BANGKOOP);

731 2. Mr. Francisco C. Jose = BCS Credit Cooperative

732 3. Mr. Rolan F. Literatus = Xavier University Community Credit Cooperative

733 4. Mr. Nestor D. Ortigoza = King Multipurpose Cooperative

734 5. Engr. Raymond Joseph L. Salvador = San Dionisio Credit Cooperative.

735

736 For the Election Committee, Mr. Capili said that nobody has filed a certificate of candidacy, whereas, for the Audit  
737 Committee, nobody has qualified. For that reason, the Assembly opened the floor for nominations of candidates for  
738 the elected committees, whose qualifications, Mr. Capili said, will still be subject for screening in accordance with  
739 the election rules. He added that the general assembly should elect the members of the Audit committee and should  
740 not be appointees of the Board. Consequently, Mr. Consolacion nominated Ms. Cristina Salvador but whose  
741 nomination was subsequently withdrawn for being absent at the assembly.

742

743 Ms. Sindayen asked for clarification from the ELECOM chairman saying that a representative from her primary has  
744 filed a certificate of candidacy for the Audit Committee but was disqualified for failing to meet the deadline. She  
745 added, she has been attending the CISP general assembly yearly and she observed that there's always no candidate  
746 for the Audit Committee. She suggested for the ELECOM to review the rule which might be very strict that's why  
747 nobody qualifies for said committee. She said that the members of AC are elected posts, hence, they should be  
748 elected and not appointed since they are the ones who conduct audit on the operation, finances and management  
749 of CISP. Mr. Capili replied that every year, the ELECOM will always encourage the CISP members to run for the Audit  
750 Committee and it is even written in the minutes of the assembly meetings. Further, there were two candidates who  
751 have filed their candidacy for the Committee but were disqualified. With regard to the candidate of NOVADECI,  
752 Mr. Capili said that upon review of her application yesterday, the candidate was disqualified because NOVADECI did  
753 not meet the capital requirement under the election rules.

754

755 Mr. Jesse Sto. Domingo commented that during last year's general assembly the candidate of his primary filed a  
756 certificate of candidacy and was disqualified but was not informed in writing of the reason for his disqualification.  
757 Likewise, this year, their candidate was again disqualified but was only informed through telephone, thus, he  
758 requested the ELECOM that in the next general assembly they should inform the candidates in writing of their  
759 deficiency so that they can comply with the election requirements. Mr. Capili said that the ELECOM will take note of  
760 Mr. Sto. Domingo's comment, and that in next year's assembly they will inform both the qualified and disqualified  
761 candidate in writing of the reasons why they have qualified or disqualified. Ms. Margie Somera, Ilocos Sur  
762 Cooperative Bank, asked the ELECOM chairman on the reason of the disqualifications of the candidates. Mr. Capili  
763 said that the candidates did not meet the minimum capital requirement of 3,000 shares as provided under the CISP  
764 by-laws and election rules. If that's the case, Ms. Somera said, they should have been informed of the said capital  
765 deficiency so that the candidates should have put up additional capital to fill in the deficiency. Said minimum capital

766 requirement, Mr. Capili said was approved by the general assembly in 2015 and the cut-off for the share capital of  
767 members is only until December 31, 2016.

768  
769 Ms. Sindayen opined that her cooperative has an investment in CISP in both common and preferred shares. And  
770 when the capital shares of CISP members were written down to 50% in 2013, both common and preferred shares  
771 were affected, which in her opinion should not be the case. And now, the candidate of her cooperative was  
772 disqualified because of capital deficiency. If that's the case, there is already a problem with the CISP system. Mr.  
773 Capili explained that the objective of the ELECOM when it drafted the election rules is to set a certain level of  
774 regularity. In fact, the rules are only aligned with the CISP by-laws. If the downsizing of the share capital of the  
775 members was an issue, it's not with the ELECOM since it only relies on the applicant's application when it comes to  
776 the share capital.

777  
778 Mr. Canuel said that the candidate of his coop was disqualified for the second time because of the capital deficiency  
779 though his primary put up an additional capital of P1 million just recently. Hence, he proposed to the assembly to  
780 temporarily suspend or dispense with the election rules even for the Audit and Election Committees so as to  
781 accommodate the candidates. Mr. Capili replied that there are certain limitations on the power of the general  
782 assembly and the election rules were just lifted from the by-laws. Thus, the assembly should be careful in changing  
783 the rules which would lead to amending the by-laws. If that happens, it may create a breakdown on the rules of the  
784 organization. Ms. Sindayen said that the general assembly is the highest body of the organization and if there's a  
785 problem in the rules, the assembly then could ratify them. Mr. Literatus opined that the issue here is not technicality  
786 but procedures. If the assembly wants to change the rules, that is basically an amendment to the CISP by-laws. If  
787 that happens, CISP still has to submit any amendment to the CDA for approval.

788  
789 Mr. Decal said that he also has the same observation with that of Ms. Sindayen. Every year during CISP election, there  
790 is always a shortage of candidates for the Audit and Election Committees. As part of the responsibility of the ELECOM  
791 is not only to review the qualifications of candidates but also to look and encourage potential candidates. Thus, he  
792 recommended to the assembly that in the next year's election the ELECOM should come up with a list of cooperatives  
793 and their respective shares and identify who among them qualify for the board of directors and committees. After  
794 identifying the qualified members, the ELECOM will encourage them to participate in the CISP election.

795  
796 Upon due deliberation, the assembly decided to proceed with the nominations. Mr. Capili said that the nominees  
797 will be subject to qualification requirements. Mr. Elmerli Colangan, Tabuk MPC, said that since they don't know who  
798 the qualified members are, he recommended that that present members of the Audit and Election Committees be  
799 retained in their current position with the recommendation that the ELECOM will also start assessing the qualified  
800 member coops and encourage them to run in the CISP election next year. Ms. Amelita Lachica seconded the motion  
801 with a recommendation that in the next year's assembly the ELECOM will also provide the list of qualified members.  
802 Mr. Sto. Domingo objected saying that the rules state that no floor nominations shall be allowed, hence, the  
803 assembly should not resort to floor nominations otherwise that would mean amending the rules and the by-laws.  
804 Mr. Capili replied that the situation calls for floor nomination since nobody qualified for the CISP committees.  
805 Thereafter, Mr. Ariola recommended for the division of the house. Mr. Blanco said that it is the responsibility of the  
806 Election Committee to conduct a fair and orderly election and if the Assembly will not elect its officers today, then it  
807 might be running out of time and no one will be elected as members of Audit and Election Committee. If the assembly  
808 wants to amend the subject provision of the bylaws which was incorporated in the election rules, they have to  
809 endorse it to the Board for further study and then implement it next year. Therefore, he appealed to the assembly  
810 to pursue with the nomination. Mr. Lito Coloma, Sta. Cruz Savings and Development Cooperative, agreed to the  
811 motion for the retention of the members of Election and Audit Committee for one year only and then next year the  
812 CISP will conduct a special election. Mr. Canuel said that if the assembly will pursue with the floor nominations then  
813 that is tantamount to amending the CISP by-laws which effectivity could only be implemented next year. Mr. Hizon  
814 said that under the election and succession rules, if there is a failure of election, the current members of the Audit  
815 and Election committees will be retained in a holdover capacity until their successors are elected and qualified. Thus,  
816 the motion must state that way. Ms. Somera asked what if Mr. Literatus, who is a member of the Audit Committee,  
817 wins in the election of the Board of Director. Mr. Capili said that if Mr. Literatus is elected to the board, he will  
818 automatically relinquish his post as member of the Audit Committee but the Committee could still carry out its  
819 functions since the members are still a majority. Afterwards, Mr. Capili reminded again the members to participate  
820 in the next year's election. He said that it is the corresponding duty of the members of CISP to know the status of

821 their capital share. They should not always depend on the staff and management of CISP to remind them of that  
822 matter. Then no one has objected to the retention of the members of Audit and Election Committee, thus, the  
823 assembly unanimously approved the following Resolution to wit:

824  
825 **G.A. RESOLUTION NO. 17 S-2017**

826  
827 **WHEREAS**, in the 2017 CISP election of officers, no one has qualified for the members of the  
828 Audit Committee and no one has filed a certificate of candidacy for the position of Election  
829 Committee;

830  
831 **WHEREAS**, for reason of exigency, it was recommended to retain the members of the Audit  
832 Committee and Election Committee for one year of until the next general assembly;

833  
834 **WHEREFORE, FOREGOING PREMISES CONSIDERED, BE IT RESOLVED, AS IT IS HEREBY RESOLVED,**  
835 that the General Assembly of the Cooperative Insurance System of the Philippines Life and  
836 General Insurance, elect the following members of the Audit and Election Committee in a  
837 hold-over capacity, to wit:

838  
839 **AUDIT COMMITTEE**

- 840  
841 1. Wilma Gidaya  
842 2. Rolan Literatus  
843 3. Gina Valente  
844

845 **ELECTION COMMITTEE**

- 846  
847 1. Danilo Capili  
848 2. Karen Ann Balbuena  
849 3. Frederico Blanco  
850

851 **RESOLVED, FURTHER**, in the event that Mr. Literatus is elected as Board of Director he shall  
852 automatically relinquish his post as member of the Audit Committee, and

853  
854 **RESOLVED, FINALLY**, that the aforementioned members of CISP Audit Committee and Election  
855 Committee shall serve for one (1) year until the next General Assembly or until their successors  
856 shall have been elected and qualified.

857  
858 **BE, AS IT IS HEREBY, APPROVED.**

859  
860 **ELECTION OF THE BOARD OF DIRECTORS**

861  
862 For the election of the board of directors, Mr. Capili informed the assembly that only the official delegates are  
863 authorized to cast votes. The common shares of their respective primaries that they will use in voting for their chosen  
864 candidates were also printed at the back of their IDs. A delegate can give all his/her votes to one candidate only or  
865 distribute his/her votes equally or in any number to just one, two or more candidates. The CISP also reserved a special  
866 lane for senior citizens and persons with disability. Prior to the conduct of the election, the independent body  
867 checked first the voting system and the computers. After an hour, Mr. Capili announced the results of the election,  
868 thus:

|                                  |           |
|----------------------------------|-----------|
| Engr. Raymond Joseph L. Salvador | 1,682,027 |
| Mr. Nestor D. Ortigoza           | 1,369,208 |
| Mr. Rolan F. Literatus           | 1,308,312 |
| Mr. Prudencio F. Consolacion     | 500,524   |
| Mr. Francisco C. Jose            | 287,208   |

869

870 Consequently, the Election Committee through Mr. Capili declared Engr. Raymond Joseph Salvador, Mr. Rolan  
871 Literatus and Mr. Nestor Ortigoza as winners for the Board of Directors who will serve for a term of two (2) years.

872  
873 After the proclamation of winners Mr. Capili turned over the floor to Chairman Evangelista.  
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875 **XV. ADJOURNMENT**

876  
877 With no other matters to be discussed, the assembly meeting was adjourned at 3:10 p.m.

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Certified True and Correct:

  
ATTY. LYMAN A. MANZANARES  
Acting Corporate Secretary

Attested:

  
BGEN. TEODORO P. EVANGELISTA AFP (RET)  
Chairman

SUMMARY OF APPROVED/RATIFIED/CONFIRMED BOARD RESOLUTIONS  
LIFTED FROM THE MINUTES OF THE MEETINGS OF THE BOARD OF DIRECTORS OF  
1 COOPERATIVE INSURANCE SYSTEM OF THE PHILIPPINES (1 CISP) FOR CALENDAR YEAR 2017

| Date        | Board Resolution No. | Particulars   |
|-------------|----------------------|---|
| Jan 25 2017 | 1                    | Approval of the agenda.   |
|             | 2                    | Approval of minutes of the meeting of the Board of Directors held on December 9, 2016.  |
|             | 3                    | Approval of the Audited Financial Statements of CISP for the year 2016 as presented by Reyes Tacandong & Co.  |
|             | 4                    | Approval of the write-off of various accounts.  |
|             | 5                    | Approval of the allocation from the distributable surplus for the Year 2016.  |
|             | 6                    | Approval of the revised Five-Year Strategic Plan (2017-2021).   |
|             | 7                    | Approval of the proposed Housing Loan Policy.   |
|             | 8                    | Approval of the proposed Car Loan Policy.   |
|             | 9                    | Approval of the proposed Motor Cycle Loan Policy.   |
|             | 10                   | Approval of the proposed Gadget Loan Policy.  |
|             | 11                   | Approval of the creation of the Remuneration and Compensation Committee, to wit: <ul style="list-style-type: none"> <li>1. Dir. Armen Cuenca = Chairman</li> <li>2. Dir. Imelda Magabilen = Member</li> <li>3. Dir. Francisco Jose = Member</li> </ul>  |
|             | 12                   | Approval of the creation the Governance Committee to wit: <ul style="list-style-type: none"> <li>1. BGen. Teodoro P. Evangelista = Chairman</li> <li>2. Dir. Senen C. Bacani = Vice-Chairman</li> <li>3. Dir. Benjamin T. Que = Member</li> </ul>   |
|             | 13                   | Approval of the withdrawal of capital of the following cooperatives: <ul style="list-style-type: none"> <li>1. DAR Employees MPC (DAREMCO) – Region V</li> <li>2. Norala Vendors Employees Farmers’ Cooperative</li> <li>3. Davao del Norte Government Officials and Employees MPC (DAGOEMC)</li> </ul> |
| Mar 23 2017 | 14                   | Approval of the transfer of Cebu City Area Office to the Philippine Cooperative Central (PCF) Fund Office.  |
|             | 15                   | Approval of the change of name of 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).   |
|             | 16                   | Approval of the agenda.   |
|             | 17                   | Approval of the President’s report.   |

- 18 Approval of increase of allowances of the Board and Committee members.
- 19 A) Appointment of CISP representative in the Consolidated Cooperative Bank (CCB) Annual General Assembly.  
 B) Appointment of CISP representative in the Cooperative Bank of Palawan Annual General Assembly.  
 C) Appointment of CISP representative in the Cooperative Bank Negros Oriental Annual General Assembly.
- 20 Confirmation of bank deposits and short term investments to various banking institutions and cooperatives.
- 21 Designation of authorized signatories to CISP Metrobank Account.
- 22 Approval of Productivity Incentive Bonus to CISP employees and to the Members of the Board.
- 23 Approval of the Per Diem Policy.
- 24 Approval of the Marketing Incentive Scheme.
- 25 Approval of the Annual Merit Increase of CISP employees.
- 26 Approval of the scholarship training of the President in United Kingdom.
- 27 Approval of the 10% merit increase of the President and EVP/COO.
- Apr 07 2017 28 Approval of the agenda.
- 29 Approval of the date of the celebration of CISP Founding Anniversary on April 8 of every year.
- 30 Appointment of Atty. Lyman A. Manzanares as Acting Corporate Secretary.
- 31 Approval of the investment of CISP in RTB with Banco de Oro Unibank Inc.
- 32 Approval of the change of name of FICCO MBA account to CISP's name and designation of authorized signatories.
- 33 Designation of CISP's General Agency Manager in the Visayas, Ms. Erlin T. Pasaylo to represent CISP in all the CCSFP proceedings in Cebu City.
- 34 Approval of the updating of CISP signatories to its investment in common shares with Network Consolidated Cooperative Bank.
- 35 Appointment of President Roy S. Micalat as CISP representative in the General Assembly Meeting of Network Consolidated Cooperative Bank.
- Apr 08 2017 36 Appointment of the following directors as Chairperson and Vice-Chairperson of the Board, to wit:
1. BGen. Teodoro P. Evangelista (Ret) - Chairperson  
 2. Dir. Imelda S. Magabilen - Vice-Chairperson
- 37 Appointment of the following CISP corporate officers, to wit:
1. Atty. Lyman A. Manzanares - Corporate Secretary  
 2. Ms. Leonila R. Medina - Treasurer

- 38 Re-appointment of President & CEO Roy S. Miclat and EVP & COO Isagani B. Daba to their respective post.
- 39 Appointment of the following directors as members of the Executive Committee:
1. 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 (Independent Dir.) = Member
  6. Ms. Leonila R. Medina = Ex-Officio
  7. Mr. Roy S. Miclat = Ex-Officio
  8. Atty. Lyman A. Manzanares = Corporate Secretary
- 40 Appointment of the following directors as members of the Risk Management Committee:
1. Dir. Benjamin T. Que = Chairman
  2. Dir. Imelda S. Magabilen = Member
  3. Dir. Rolan F. Literatus = Member
  4. Dir. Armen A. Cuenca = Member
  5. Ms. Leonila R. Medina = Member
  6. Mr. Roy S. Miclat = Ex-Officio
- 41 Appointment of the following directors as members of the Investment and Credit Committee:
1. Dir. Raymond Joseph L. Salvador = Chairman
  2. Dir. Rolan F. Literatus = Member
  3. Dir. Jesus G. Cornito = Member
  4. Mr. Leonila R. Medina = Member
  5. Mr. Roy S. Miclat = Ex-Officio
  6. Mr. Rene G. Mantilla = Secretariat
- 42 Appointment of the following directors as members of the CISP 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
- 43 Appointment of the following directors as members of the Remuneration Committee:
1. Dir. Armen A. Cuenca = Chairperson
  2. Dir. Imelda S. Magabilen = Vice-Chairperson
  3. Dir. Nestor D. Ortigoza = Member
- 44 Appointment of the following directors as members of the Personnel Committee:
1. Dir. Nestor D. Ortigoza = Chairman
  2. Dir. Benjamin T. Que = Member
  3. Ms. Leonila R. Medina = Member
  4. Mr. Roy S. Miclat = Ex-Officio
  5. Ms. Jackelyn P. Ballena = Secretary

|             |    |  |
|-------------|----|--|
| May 18 2017 | 45 | Approval of the agenda.  |
|             | 46 | Approval of minutes of the meeting of the Board of Directors held on April 7, 2017; Organizational Meeting on April 8, 2017, and Board Meeting on April 30, 2017.  |
|             | 47 | Approval of the acquisition of 523.7 sq. meter corner lot located at corner Mapagbigay and Maunlad Sts., Brgy. Pinyahan, Quezon City.  |
|             | 48 | Approval of Atty. Calilung's retirement benefit.   |
|             | 49 | Acceptance of the resignation of Mr. Isagani B. Daba, as CISP Executive Vice President and Chief Operating Officer (EVP & COO) effective July 7, 2017.   |
|             | 50 | Appointment of Mrs. Cecilia M. Laguna as the new EVP & COO of CISP effective July 8, 2017.   |
|             | 51 | Appointment of the following members of the Ethics Committee, to wit: <ul style="list-style-type: none"> <li>1. Bureau of Jail Management and Penology MPC</li> <li>2. San Jose del Monte Savings and Credit Cooperative</li> <li>3. IMCO Multipurpose Cooperative</li> </ul>                                    |
|             | 52 | Appointment of the following members of the Mediation & Conciliation Committee, to wit: <ul style="list-style-type: none"> <li>1. Alay Buhay Development Foundation Inc.</li> <li>2. Avon Independent Managers Multipurpose Cooperative</li> <li>3. Kapit Bisig Sa Pag-unlad Multipurpose Cooperative</li> </ul> |
|             | 53 | Approval of CISP investment in government securities.  |
|             | 54 | Approval of the adoption of Resolution adopting the signatories to its current account in PNB.   |
|             | 55 | Approval of the creation of Related Party Transaction Committee <ul style="list-style-type: none"> <li>1. Jesus G. Cornito = Chairman</li> <li>2. Armen A. Cuenca = Member</li> <li>3. Raymond Joseph L. Salvador = Member</li> </ul>  |
|             | 56 | Approval of the Opening of Savings Account as Claims Fund with Sidhay National High School MPC   |
|             | 57 | Approval of the additional investment of CISP to PERA Multipurpose Cooperative.  |
|             | 58 | Approval of Go Hotels as one of CISP's hotels in its travels in different parts of the country.  |
| Jun 23 2017 | 59 | Approval of the agenda.  |
|             | 60 | Approval of minutes of the meeting of the Board of Directors held on May 18, 2017.   |
|             | 61 | Approval of the proposed capital build-up scheme.  |
|             | 62 | Approval to settle the Priority Development Loan Fund (CDLF) shares with the Cooperative Development Authority (CDA).  |



- 63 Approval of the Redemption of Cooperative Development Loan Fund Shares.
- 64 Approval of the trainings and seminar to be attended by CISP Officers and staff.
- 65 Approval of the extension in office of EVP & COO Isagani B. Daba until July 31, 2017.
- 66 Approval of the appointment of Mrs. Cecilia M. Laguna as CISP EVP & COO from July 8, 2017 to August 1, 2017.
- 67 Appointment of CISA Compliance Officers:
1. Jenette A. Alde = Legal and Compliance Officer
  2. Aiza G. Malonzo = Internal Auditor
  3. Jackelyn P. Ballena = HR/OD Manager
  4. Ansell Gabriel del Ayre = IT Manager
- 68 Approval of the partnership of CISP with Philippine Cooperative Central Fund (PCF).
- 69 Approval of the partnership of CISP with UKR in providing the capability trainings.
- 70 Approval of the partnership with National Trade Union Congress of the Philippines (NATCO).
- 71 Approval of the purchase of CISP of the common shares of Coop Life General Insurance and Financial Services Agency CLIFSA and JAT Multi-purpose Cooperative in Digos City in the amount of P7,000,000.00 and P902,000, respectively, in Consolidated Cooperative Bank (CCB).
- 72 Approval of the Withdrawal of Capital of Irosin Market Vendors & Farmers Development Cooperative.
- 73 Approval of CISP financial assistance to the family of Mrs. Corazon Diwas, CDA Senior CDS.
- Jul 28 2017 74 Approval of the agenda.
- 75 Approval of minutes of the meeting of the Board of Directors held on June 23, 2017.
- 76 Approval of the President's report.
- 77 Approval of the Related Party Transactions Policy.
- 78 Approval of the proposed organizational structure.
- 79 Approval of the Investment Policy.
- 80 Approval of the P20 Million Investment with Security Bank and designation of official signatories.
- 81 Appointment of CISA Compliance Officers:
1. Ms. Aiza G. Malonzo, the Cooperative's Internal Auditor, as the principal CISA Compliance Officer
  2. Ms. Jackelyn P. Ballena, the Cooperative's HR/OD Manager, as the alternate CISA Compliance Officer
- 82 Acceptance of the resolution from Memorial Services Cooperative Federation (MSCF) with regard to the recall representation of Dir. Cornito as official representative of MSCF to CISP.

Aug 25 2017

- 83 Approval and appointment of the 3<sup>rd</sup> Member of the Audit Committee: P/SSUPT Jesse Sto. Domingo, of Kampilan Multi-Purpose Cooperative.
- 84 Approval of the CISP undertaking to assume all assets, liabilities & obligations of R&B (IC merger requirement).
- 85 Approval of the update of official signatories in difference accounts.
- 86 Approval of the purchase of CISP new service vehicle.
- 87 Approval of the agenda.
- 88 Approval of minutes of the meeting of the Board of Directors held on July 28, 2017.
- 89 Approval of the President's report.
- 90 Approval of the additional benefit to CISP Employees wherein each employee will receive a birthday cake effective January 1, 2018.
- 91 Approval of the increase of insurance coverage under Group Yearly Renewable Term (GYRT) Plan for all CISP employees.
- 92 Approval of the salary rationalization for all CISP employees.
- 93 Approval of the compensation of Mrs. Cecilia M. Laguna as CISP EVP & COO.
- 94 Approval of the hiring of Architect Bulseco for the construction of the new CISP building.
- 95 Approval of the creation of the Oversight Committee:

1. Dir. Raymond Joseph L. Salvador – Chairman
2. Mr. Roy S. Miclat – Member
3. Ms. Leonila R. Medina – Member

- 96 Approval of the Anti-Fraud Plan.
- 97 Approval of the application for one (1) corporate credit card.
- 98 Approval of the updated list of Board Committees:

**EXECUTIVE COMMITTEE**

- |    |                        |          |
|----|------------------------|----------|
| 1. | Teodoro P. Evangelista | Chairman |
| 2. | Imelda S. Magabilen    | Member   |
| 3. | Senen C. Bacani        | Member   |
| 4. | Benjamin T. Que        | Member   |
| 5. | Armen A. Cuenca        | Member   |
| 6. | Leonila R. Medina      | Member   |

**RISK MANAGEMENT COMMITTEE**

- |    |                     |          |
|----|---------------------|----------|
| 1. | Benjamin T. Que     | Chairman |
| 2. | Imelda S. Magabilen | Member   |
| 3. | Rolan F. Literatus  | Member   |
| 4. | Armen A. Cuenca     | Member   |
| 5. | Leonila R. Medina   | Member   |

**INVESTMENT & CREDIT COMMITTEE**

- 1. Raymond Joseph L. Salvador Chairman-Investment
- 2. Rolan F. Literatus Chairman-Credit
- 3. Armen A. Cuenca Member
- 4. Leonila R. Medina Member

**EDUCATION & MEMBERSHIP COMMITTEE**

- 1. Imelda S. Magabilen Chairman
- 2. Raymond Joseph L. Salvador Member
- 3. Leonila R. Medina Member
- 4. Apolinario P. Mariano Member
- 5. Roy S. Miclat Ex-Officio

**REMUNERATION COMMITTEE**

- 1. Armen A. Cuenca Chairman
- 2. Imelda S. Magabilen Member
- 3. Nestor D. Ortigoza Member

**PERSONNEL COMMITTEE**

- 1. Nestor D. Ortigoza Chairman
- 2. Benjamin T. Que Member
- 3. Leonila R. Medina Member

**RELATED PARTY TRANSACTIONS COMMITTEE**

- 1. Armen Cuenca Chairman
- 2. Raymond Joseph Salvador Member

**GOVERNANCE COMMITTEE**

- 1. Teodoro P. Evangelista Chairman
- 2. Senen C. Bacani Vice-Chairman
- 3. Benjamin T. Que Member
- 4. Lyman A. Manzanares Corp Secretary

|             |     |  |
|-------------|-----|--|
| Sep 08 2017 | 99  | Approval of the agenda.  |
|             | 100 | Approval of minutes of the meeting of the Board of Directors held on August 25, 2017.                                  |
|             | 101 | Approval of the CISP's Strategic Plan (2018-2022).   |
|             | 102 | Approval of the withdrawal of common shares of Consolidated Cooperative Bank (24,585 common shares).                   |
|             | 103 | Approval of the withdrawal of common shares of Our Lady of Grace Credit Cooperative (2,552 common shares).             |
|             | 104 | Approval of the withdrawal of common shares of Cainta Karangalan Market Multi-Purpose Cooperative (137 common shares). |
|             | 105 | Approval of the design of the new CISP building  |
| Oct 13 2017 | 106 | Approval of the agenda   |

|             |     |  |
|-------------|-----|--|
|             | 107 | Approval of minutes of the meeting of the Board of Directors held on September 8, 2017.  |
|             | 108 | Approval of the President's report.  |
|             | 109 | Approval of the acquisition of property with a land area of 152 square meters located at Poblacion, Cagayan de Oro City  |
|             | 110 | Approval to subscribe additional common shares amounting to Seven Million Pesos (P7, 000,000.00) equivalent to Seven Thousand (7,000) shares to Cooperative Bank of Palawan.   |
|             | 111 | Approval to invest One Million Pesos (P1, 000,000.00) to Bataan Cooperative Bank.  |
|             | 112 | Approval of the loan application of Philippine Cooperative Central Fund Federation (PCF).  |
|             | 113 | Approval of the additional savings deposit of One Million Pesos (P1,000,000.00) to Masisit Dacal Livelihood Cooperative  |
|             | 114 | Approval of the Board of Directors and Committee Members Allowances for Official Business Engagements.   |
|             | 115 | Approval of the Car Plan for Regular Junior Officers and Senior Officers.  |
|             | 116 | Approval of the Non-Life Personnel Salary Adjustment.  |
|             | 117 | Approval of the Additional Delegates for Malaysia Seminar.   |
|             | 118 | Designation of Vice-Chairperson Magabilen as Acting Chairman and EVP/COO Laguna as Acting President on the duration of the Chairman and President official travel abroad; and designation of Ms. Aiza G. Malonzo as Acting President on October 16-18, 24-27, 2017 as President Miclat and EVP/COO Laguna have their official travel abroad. |
|             | 119 | Approval of the services of Reyes Tacandong & Co. as External Auditors of 1 CISP.  |
|             | 120 | Approval of the withdrawal of common shares of Cooperative Bank of Nueva Vizcaya (4,301 common shares).  |
|             | 121 | Approval of the withdrawal of common shares of Balingasag Government Employees Cooperative (1,200 common shares)   |
|             | 122 | Approval of One Hundred Fifteen Thousand Pesos (P115, 000.00) in support to the 7 <sup>th</sup> ASEAN Cooperative Business Forum.  |
|             | 123 | Approval to engage with the GeiserMaclang Marketing Communication Inc. in rebranding CISP's image.   |
| Nov 24 2017 | 124 | Approval of the agenda   |
|             | 125 | Approval of minutes of the meeting of the Board of Directors held on October 13, 2017.   |
|             | 126 | Approval of the President's report.  |
|             | 127 | A. Approval of hiring of Ms. Irene Meguillo as Branch Manager of 1 CISP CDO Branch.  |

|             |     |  |
|-------------|-----|--|
|             |     | B. Approval of the bidding for the Cagayan de Oro service vehicle which is the Isuzu Crosswind.  |
|             | 128 | Approval to insure the Board of Directors and Top Officers of 1 CISP with Directors And Officers Liability Insurance.  |
|             | 129 | Approval of the opening of savings account of the following cooperatives: <ul style="list-style-type: none"> <li>1. Cooperative Bank of Cotabato</li> <li>2. Sidhay Bataan National High School MPC</li> <li>3. Balanga City Employees MPC</li> </ul>                            |
| Dec 08 2017 | 130 | Approval of the agenda   |
|             | 131 | Approval of minutes of the meeting of the Board of Directors held on November 24, 2017.  |
|             | 132 | Approval of the President's report.  |
|             | 133 | Approval of the new commission structure effective January 1, 2018.  |
|             | 134 | Approval of the appointment of the following AMLA Compliance Officers, as presented and discussed, <ul style="list-style-type: none"> <li>1. Ms. Cecilia M. Laguna as principal Compliance Officer</li> <li>2. Ms. Sarah Mae C. Buksh as alternate Compliance Officer</li> </ul> |
|             | 135 | Approval of the opening of Metrobank Account in Cagayan de Oro City  |
|             | 136 | Approval of the proposal of the Governance Committee as guidelines for the implementation of certain undertakings and the new composition of Bids & Awards Committee.  |
|             | 137 | Approval of the appointment of Ms. Aiza G. Malonzo as VP for Admin and Finance effective January 1, 2018.  |
|             | 138 | Approval of the appointment of Ms. Jackelyn P. Ballena as VP for Operations, (Life Division) effective January 1, 2018.  |
|             | 139 | Approval of the appointment of Mr. Armando D. Gutierrez Jr. as VP for Operations, (Non-Life Division) effective January 1, 2018.   |
|             | 140 | Approval of meal allowance and per diem for CISP employees who are on official business attending conferences, seminars and trainings.   |
|             | 141 | Approval of the actual reimbursement of representation expense for the Members of the Board.   |
|             | 142 | Approval of cash gift for the management, members of the Board, marketing personnel and committee members.   |

Certified true and correct:

  
**ATTY. LYMAN A. MANZANARES**  
Corporate Secretary

Attested:

  
**BGEN. TEODORO P. EVANGELISTA (Ret)**  
Chairman

## JOINT REPORT OF THE BOARD OF DIRECTORS AND MANAGEMENT

Dear 1CISP Shareholders,

Our remarkable growth in 2017 is way above the industry averages in all financial indicators which is another milestone for 1CISP. It is worth to note that 1CISP's Net Worth grew by 53% as it breached the P1 Billion mark from P698.9 million in 2016 to P 1.069 billion at the end of 2017. This year's theme, "**Leadership and Innovation: Sustaining Growth, Empowering Communities**" shows our commitment to support our member-cooperatives in developing new leaders who will take the cudgels in realizing a Cooperative Philippines. We send out our sincere appreciation to all our member-cooperatives for their continued patronage to 1CISP in bringing our federation to greater heights.

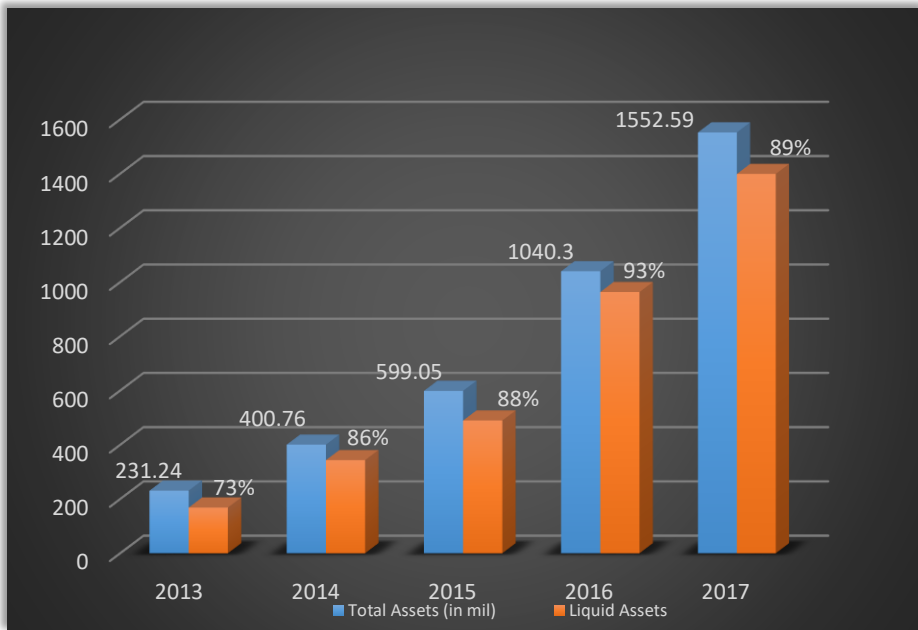
### Financial Highlights 2013-2017

The performance of 1CISP is better appreciated when viewed on a 5-year comparative graphical presentation. The following graphs show the much improved performance of 1CISP in terms of asset growth, asset quality, liquidity, profitability and stability.

#### Assets Growth, Asset Quality, and Liquidity

Graph 1 reflects the remarkable **growth** of 1CISP resources in the last five years. From 2013 to 2017, the highest annual growth was registered in 2014, at 73%, and the same growth rate happened in 2016. With a bigger base in 2016, our 2017 asset increase was at a lower clip of almost 49%, but is still way above the industry average growth rate.

Graph 1 - Data on Total Assets and Liquid Assets (in mil):



Looking at the growth trend of our dear 1CISP, both in total assets and liquid assets, we are assured that our investments are safe and in good hands. Claims can be serviced immediately because we are very liquid. It will also boost the confidence of our member cooperatives that if they withdraw their investments, 1CISP can easily pay.

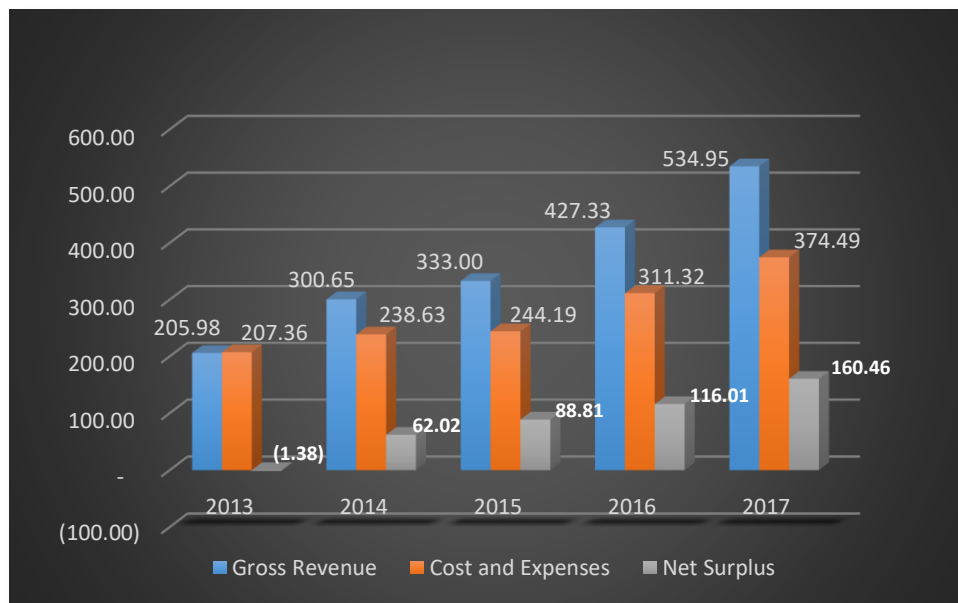
The above graph also tells us the proportion of the liquid assets of 1CISP to total assets in the last five years. It is interesting to note the steady rise of liquid assets, from 73% in 2013 to 89% in 2017. This signifies two things: 1CISP is **very liquid** and, considering the requirements of the Insurance Commission to have our funds placed in stable financial institutions, the **quality of these assets is beyond doubt**.

### Profitability

Graphs 2 and 3 below, tells us how profitable our coop federation is. Most, if not all of our members whose capitalization was written down way back in 2012 have already fully recovered and are enjoying modest return of their investments. **Profitability** ensures that there is no threat of erosion in the value of our capital with 1CISP. More importantly, it gives assurance that we, the members, will receive the expected return on our investment and, at the same time, partake of the patronage refund.

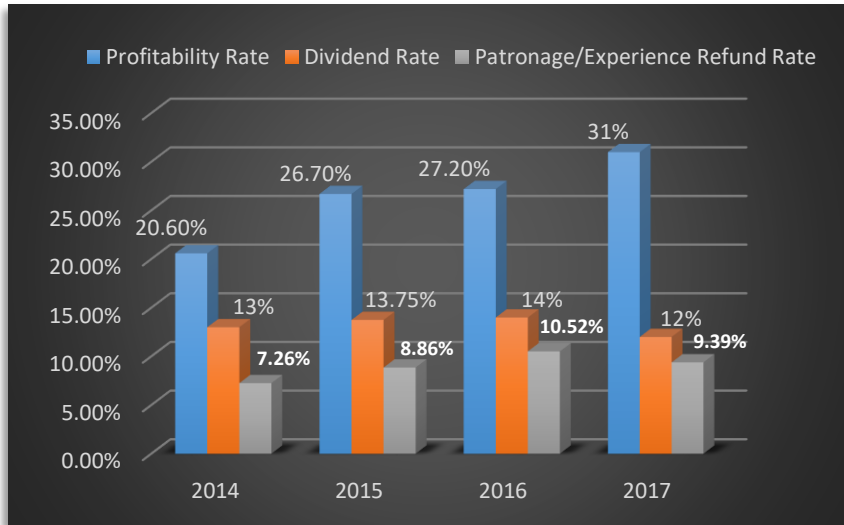
Graph 2 shows 1CISP's **gross revenue, total cost and expenses** and **net surplus** in the past five (5) years. From a net loss of ₱1.38 million in 2013, the net surplus increased to a robust ₱160.46 million in 2017. The ratio of admin costs, which consists of the salaries and benefits and other expenses versus the gross revenue, has improved substantially from 31% in 2013 to 12% in 2017. This proves the efficiency of the board of directors and management in managing the business, our business.

**Graph 2 – Data on Gross Revenue, Total Cost and Expenses, and Net Surplus:**



From a negative bottom line in 2013, 1CISP made a huge turn-around in 2014. It continued posting remarkable bottom lines in the next three years as well, the highest of which was in the recent year, 2017, with a 31% profitability as shown in graph 3 below. With the remarkable performance of 1CISP in the last 4 years prompted our shareholders to increase their capital contribution in 2017 which resulted to the decrease of our dividend rate and patronage/experience refund rate from 14% and 10.52% in 2016 to 12% and 9.39% in 2017, respectively.

Graph 3 - Profitability Rate, Dividend Rate and Patronage/Experience Refund Rate:

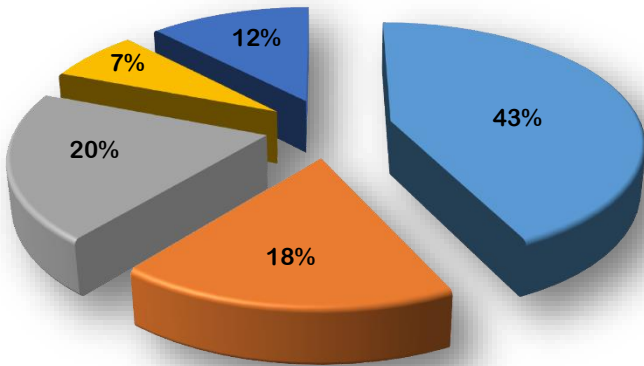


Expense distribution

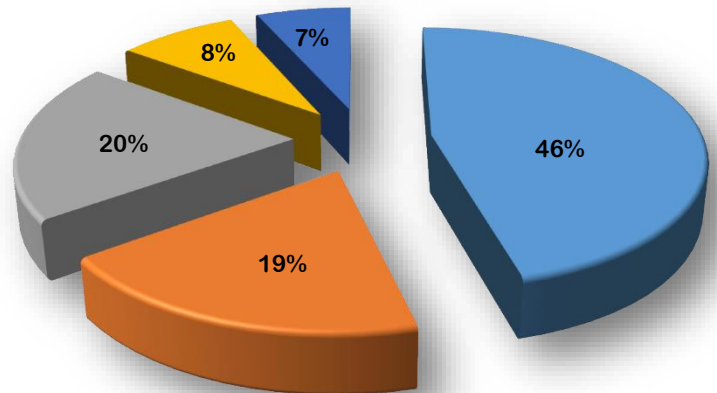
The graphs shown below are the distribution of total expenses in the years 2014 to 2017. On the average, claims paid accounted for 46% of the total cost and expenses of 1CISP. Please note the increasing proportion of claims paid to total expenses, from 43% in 2014 to 46% in 2015, to 50% in 2016 while it decreased to 45% in 2017. The second highest share of the pie is the *service fee* at an average of 16.75% followed by the increase in policy reserves.

Graph 4 - Classification and distribution of Expenses by year:

2014

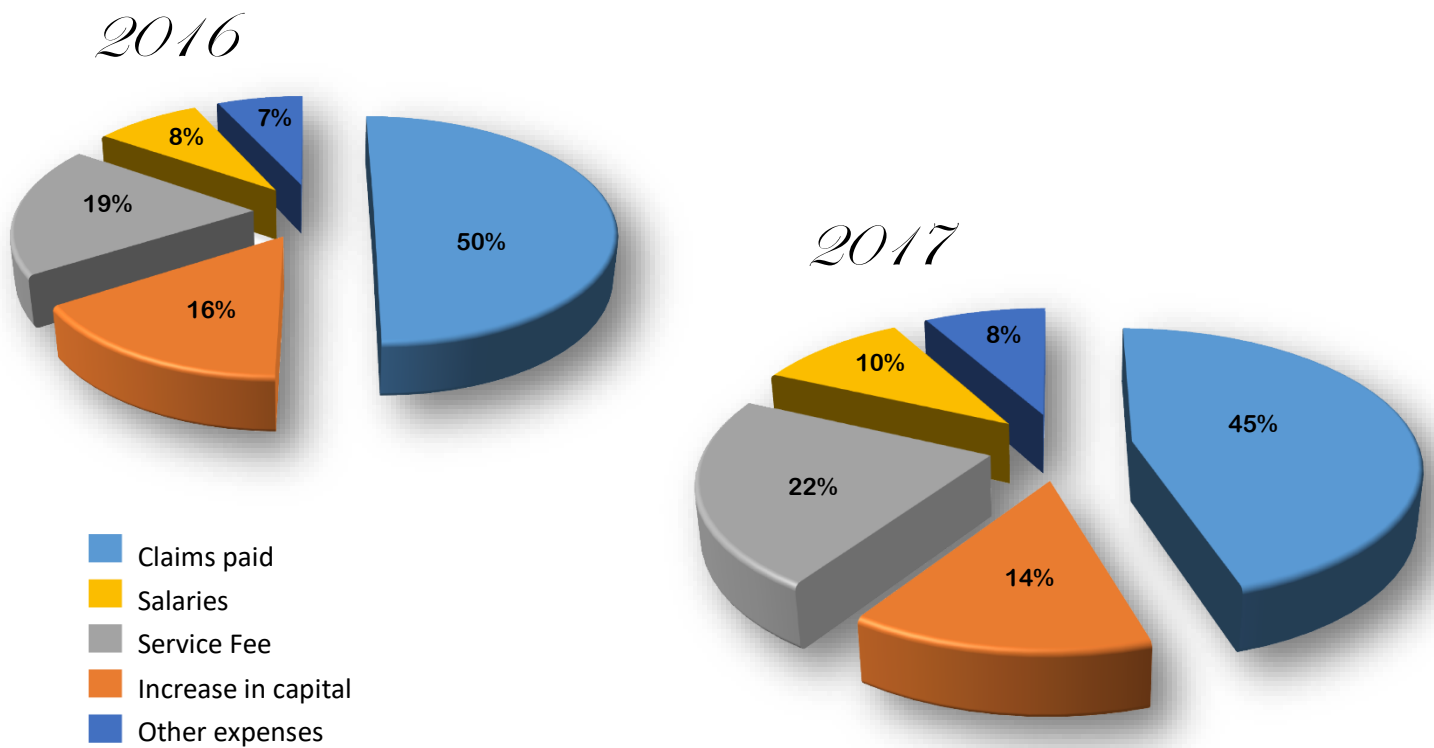


2015



- Claims paid
- Salaries
- Service Fee
- Increase in capital
- Other expenses

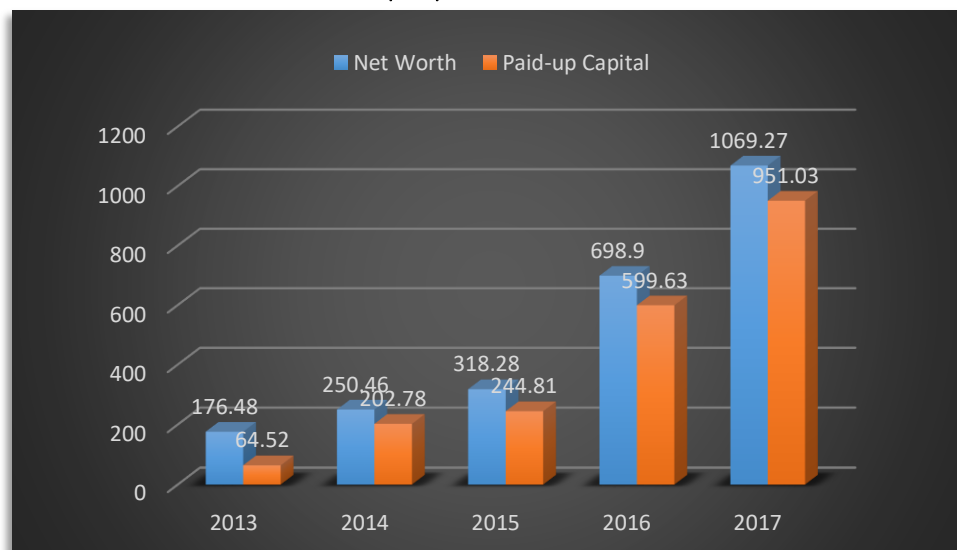




### Stability

The Insurance Commission strictly monitors the compliance of insurance companies, including 1CISP, 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 ₱550 million by 2016, to ₱900 million by 2019 and ₱ 1.3 billion by 2022. As of the end of 2017, the net worth of 1CISP is at P1.069 billion which is compliant to the required net worth as of the end of 2019. As a cooperative, 1CISP is considered compliant if its net worth amounted to 50% to what is set by law, or at ₱ 450 million in 2019 and ₱ 650 million in 2022. As of the end of 2017, 1CISP already met the net worth requirement set for 2019 pursuant to RA No. 10607 even without the 50% set for cooperative insurance.

**Graph 5 - Data on Total Net Worth and Paid-up Capital:**



Graph 5 shows the Net Worth and Paid-up Capital of 1CISP during the last five years. Thus, as of the end of 2017, 1CISP's Net Worth is already above what is required at the end of 2019. The Paid-up Capital increased by ₱351.4 million as of December 31, 2017 or 58.6% higher than 2016.

**Stability** results from the interplay of the other three financial indicators: liquidity, asset quality and profitability. If an insurance company cannot pay its claims on time, it is experiencing a liquidity problem. Chances are, the clients will withdraw support through non-remittance of premium or delayed payment of premium already due.

Inefficient premium collection coupled with inefficient cost management 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. Thus, problem on stability will crop up.

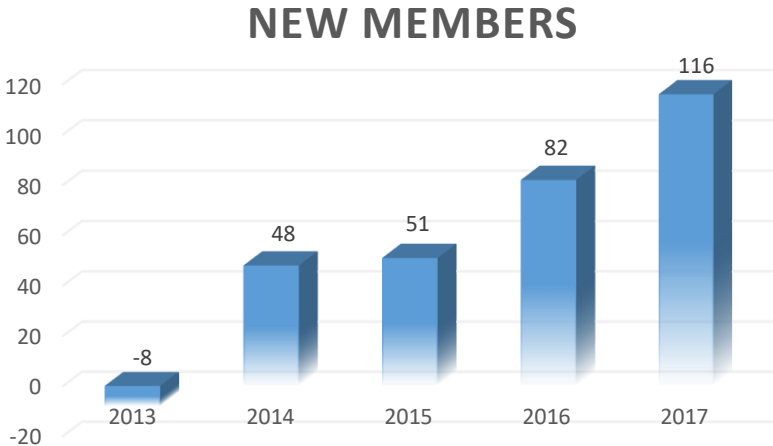
With the above financial indicators of our dear 1CISP, it shows that our cooperative federation is growing so fast, with good quality assets, high liquidity rate, increased profitability and stability.

**Membership Growth**

The continuous growth of its membership is also a testament that 1CISP has re-captured the trust and confidence of the sector. We were able to bring in a total of 297 new member cooperatives in the last four (4) years, the highest of which was in 2017 with 116 registered new member coops followed by 2016 which registered 82 new member coops. The increasing membership base enabled 1CISP to generate additional capital, gain more patronage and extend its reach to individual members of cooperatives who cannot afford or do not have access to affordable insurance. Likewise, with our good governance, efficiency in operations, and transparency in dealing with its stakeholders, support will be generously provided by the members.

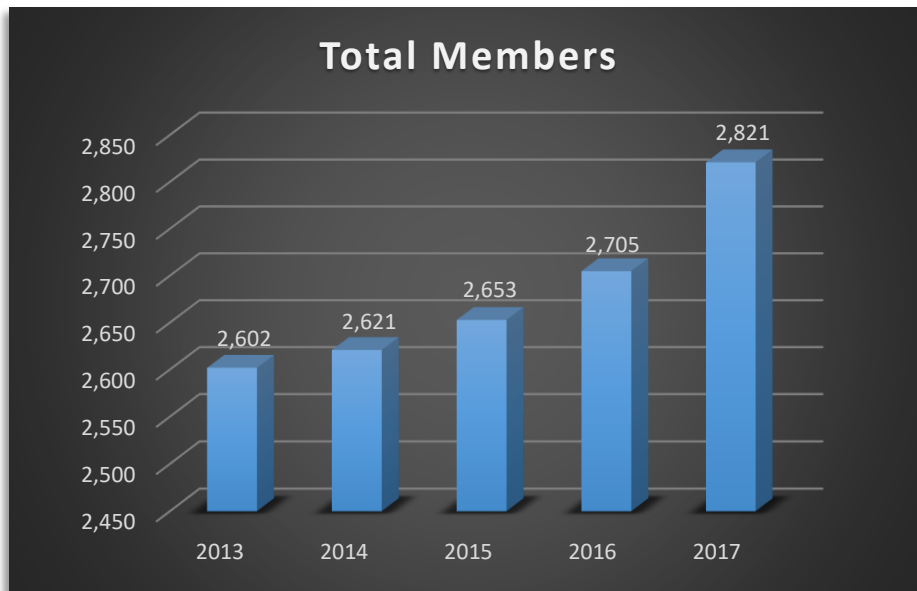
Graph 6 shows that in 2013, there were 8 member-cooperatives that withdrew their membership from 1CISP. At that time, there were also member-cooperatives that ceased patronage and support. However, by 2014, we were able to recruit 48 new cooperatives that saw the opportunity in supporting our direction 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 1CISP 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. By 2017, 116 more cooperatives were invited in as new members, and, we are confident that with our aggressive campaign this year, there will be more coops coming in, in the next few months as we embrace our theme for this year's general assembly, *“Leadership and Innovation: Sustaining Growth, Empowering Communities”*.

**Graph 6 - Data on New Member Cooperatives:**



Graph 7 below shows that as of December 31, 2017, 1CISP is owned and being patronized by a total of 2,821 member-cooperatives catering to a total of 922,157 individual members. We continue to recruit new members this year to increase our reach and be able to service those who have not yet seen the light that existing members are now enjoying.

**Graph 7 - Data on Total Membership:**



### **Human Resource Development**

In its continuous pursuit of excellence in Human Resource and in preparation for its expansion, 1CISP implemented a comprehensive and holistic program that is expected to enhance and build the capacity and capability of its personnel. A total of 49 seminars, workshops, and conferences, both domestic and international, were attended by the board of directors, department managers, supervisors, marketing personnel, and rank and 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)**

The 1 Cooperative Insurance System of the Philippines strongly values community involvement, and therefore advocates programs that aim to improve the lives of individuals and the environment. The following are the various CSR activities conducted by 1 CISP in 2017:

- A. Group CSRs have been organized, wherein the employees of 1 CISP have been divided into four groups with different CSR activities.
  1. On October 12-13, 2017, one of the groups has visited an Aeta Community in Nabuklod, Pampanga. The team has arranged a feeding program and a seminar on maternity health and child mortality. Furthermore, medicines and school supplies have also been donated to the participants.
  2. A medical mission has also been conducted on November 2 and 3, 2017 and the participants of this event were from Brgy. Tumana, Sta Maria, Bulacan. The mission included a talk on health and sanitation, and disaster risk preparedness, as well as free check-ups, tooth extractions, and medicines for those who were present.
  3. A Leadership Training workshop has been given by one of the groups to the senior high school students of Perez National High School in Perez, Quezon City on November 28 and 29, 2017. Ms. Jackelyn Ballena, the HR/OD Head of 1 CISP, was the speaker for the workshop.

4. An HIV seminar has been conducted among 80 students of Krus na Ligas High School students on December 1, 2017. The topics included the prevention of HIV and how it's acquired. In addition, the CSR team has also donated food and supplies to the HIV patients of Hospicio de San Juan.
- B. A tree planting activity has been organized last September 23, 2017 in Tanay, Rizal, wherein the employees have planted a total of 700 seedlings.
- C. 1 CISP has also given a donation to Caritas Manila, Inc., an organization that helps send underprivileged youth to collage. This donation has enabled 1 CISP to sponsor 12 students in 2017.
- D. Finally, 1 CISP has donated to Handong ng Pagmamahal Association Inc. Children's Joy Foundation, and Alay sa may mga Kapansanan Association, in three separate Christmas Caroling events on December 15, 19 and 20, wherein groups of kids and teenagers have sung Christmas Carols as a way of giving thanks to the company.

### **Linkages and Network Building**

1CISP continues to participate in the seminars/workshops being sponsored for the foundation for the Advancement of Life insurance around the World (FALIA) in Yokohama, Oriental Life Insurance Cultural Development Center, the Institute of Actuaries of Japan, International Cooperative and Mutual Insurance Federation (ICMIF) and International Cooperative Alliance (ICA). These exchanges of Directors, Officers and Personnel enabled us to learn from the experiences of participating countries and eventually gave us a better outlook in formulating the strategic course of 1CISP.

Our partnership with Model Cooperative Network (MCN) in Mindanao expanded our reach and increased our network. MCN provided a total of 21 seminars/trainings/workshops to our member-cooperatives in Mindanao. The enhancement in the capacity and capability of the board of directors and employees of our member-cooperatives will assure the financial viability and sustainability and ensure continued service to their individual members. Our patronizing members get full subsidy while non-patronizing members get 50% subsidy. 1CISP has allocated the amount of ₱4 million to support the training program for 2017-2018. Lastly, 1CISP is an active member of the Philippine Life Insurance Association (PLIA), Home Office Underwriters Association of the Philippines (HOLUAP), People Management Association of the Philippines (PMAP), and Life Insurance Claims Association of the Philippines (LICAP). We actively participate in the various activities of these associations to learn the best practices in the insurance industry.

### **Cooperative Health Management Federation (CHMF)**

The CHMF or "1 Coop Health" sustained its growth and expanded its reach as individual members' enrollment increased to 23,843 coming from 81 member-coops in 2017 compared to 6,711 of 34 member coops in 2016. Barely three years in operation, but already made a remarkable growth of almost 6 times the no. of enrollment from its first year of operation. This resulted from our active support in marketing the products and services offered by 1 Coop Health.

In 2017, 1CISP generated a total of **₱2.44 million** as gross premium from the life and accident coverage of their 23,843 individual member-subscribers. We continuously assist 1 Coop Health in promoting its products and services as part of our commitment to provide affordable and quality risk protection and mitigation schemes for cooperatives.

### **Non-life Insurance**

Merger of R&B Insurance Corporation with 1CISP is now in process pending the release of the Insurance Commission of our license to operate as a composite insurance. 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 personal accident cover that will provide assistance in the event that the insured experienced fire and other calamities (e.g. flood, earthquake). We were able to generate non-life premium of ₱51.96 million in 2017 from ₱20.14 million in 2016, from which 1CISP earned a service fee of ₱1.1 million. Part of the target of our marketing team for 2018 is to generate non-life production of at least 20%.

## 2017 Theme

Over the years, 1CISP has endeavored to provide quality service, from its humble beginning, it has grown into a steadfast and prominent insurance cooperative that touches the lives of numerous individuals.

Last year's theme, *"People, Purpose, and Passion: Key to Continuous Growth and Success"*, recognized and appreciated the tireless effort and unparalleled drive of the Board of Directors, Committees and Management to continuously improve and exceed expectations in achieving organizational goals.

The theme for 2018 is, *"Leadership and Innovation: Sustaining Growth and Empowering Communities"*, highlights the two critical factors that will ensure the continued growth and increase its impact on the communities where our member-cooperatives are present. It is with conviction that 1CISP will always strive for excellence and continue to touch the lives of Filipino cooperators.

### Other initiatives:


- 1CISP together with the other big 3 coops in the country, FICCO, ACDI, and SDCC provided financial assistance to support the operations of Philippine Cooperative Central Fund (PCF), a federation based in Cebu City.
- 1CISP is also extending financial assistance through loans with minimal interest rate as our way of support to coop members.
- 1CISP signed a Memorandum of Agreement with PCF in the compliance of RA 9510 also known as the Credit Information System Act (CISA) of 2008 with the end goal of assisting our coop members to comply with the mandate of the law.
- 1CISP purchased a 523.70sq.m. Lot in Quezon City where a 6-storey green building will be constructed which will house our main office soon.
- 1CISP opened its first branch in Cagayan de Oro last quarter of 2017 although we are still currently holding office in our existing field office, we will be transferring to our recently bought building within this year. The branch will handle the operations in Regions 9, 10, and CARAGA.
- Merger of 1CISP with FICCO MBA was consummated in 2017 and we are in the process of finalizing the merger of 1CISP with R&BIC. We are now waiting for the issuance by the Insurance Commission on the license for 1CISP to operate as a composite insurance.
- Exploratory talks on merger has been revived with the top management of 1CISP and CLIMBS on our dream of having only one coop insurance that will service the insurance needs of the cooperative sector in the country. With our proven track record in the last four years, coupled with our aggressive marketing campaign, we are confident that we can really bring 1CISP to greater heights in the years to come and contribute in the achievement of our goal - "A prosperous Philippines is a Cooperative Philippines". Let us be one in achieving this ultimate goal as our contribution in poverty reduction, wealth redistribution, and nation-building for our country.

Congratulations to all of us! Mabuhay ang Kilusang Kooperatiba!

For the Board of Directors

  
B/GEN. TEODORO P. EVANGELISTA  
Chairman

For the Management

  
ROY S. MICLAT  
President

**ANNEX A – CAPACITY AND CAPABILITY ENHANCEMENT PROGRAMS FOR EMPLOYEES**

| #                                       | No. of Employees Attended | Training Title   |
|---|---------------------------|--|
| <b>International Trainings</b>          |                           |  |
| 1                                       | 1                         | OLIS SPRING 2017: LIFE INSURANCE SALES AND CUSTOMER PROTECTION   |
| 2                                       | 2                         | FALIA 2017: CHANNEL STRATEGY & PRODUCT DEVELOPMENT   |
| 3                                       | 1                         | ICMIF ADVANCE MANAGEMENT COURSE  |
| 4                                       | 1                         | FALIA 2017: RISK MANAGEMENT  |
| 5                                       | 4                         | ICMIF BIENNIAL CONFERENCE  |
| 6                                       | 6                         | 28TH PACIFIC INSURANCE CONFERENCE  |
| 7                                       | 1                         | ACTUARIAL SEMINAR OF EAST ASIA 2017  |
| 8                                       | 1                         | OLIS ANNIVERSARY   |
| 9                                       | 7                         | INTERNATIONAL COOPERATIVE ALLIANCE   |
| 10                                      | 1                         | FALIA: IT COURSE   |
| 11                                      | 1                         | FINANCING SKILLS DEVELOPMENT   |
| <b>Local Trainings</b>                  |                           |  |
| 1                                       | 1                         | BUSINESS TAXATION MADE EASY  |
| 2                                       | 1                         | 4TH PHILIPPINE TAX AND ACCOUNTING CONGRESS   |
| 3                                       | 2                         | GRAPHIC PUBLISHING SEMINAR   |
| 4                                       | 3                         | GENERAL INSURANCE FINANCIAL CONDITION  |
| 5                                       | 1                         | FRAUD 101  |
| 6                                       | 2                         | BASIC MACINTOSH TUTORIAL   |
| 7                                       | 1                         | CFE FACILITATED STUDY SESSION  |
| 8                                       | 1                         | INTERNAL CONTROL MANAGEMENT  |
| 9                                       | 2                         | 2017 ADVANCED MEDICAL UNDERWRITING COURSE  |
| 10                                      | 1                         | 6TH CUSTOMER LOVE FEST   |
| 11                                      | 2                         | MID USER TRAINING AND UAT  |
| 12                                      | 1                         | 54TH PMAP ANNUAL CONFERENCE  |
| 13                                      | 1                         | EFFECTIVE HR AUDIT   |
| 14                                      | 2                         | HR LEADERSHIP CONFERENCE 2017  |
| 15                                      | 1                         | WORKER'S INSTITUTE IN LABOR LAW  |
| 16                                      | 1                         | SPECIALIZED COURSE ON SURETYSHIP   |
| 17                                      | 1                         | LET'S TALK ABOUT CLAIMS  |
| 18                                      | 2                         | BASIC LIFE SUPPORT AND FIRST AID   |
| 19                                      | 1                         | 20TH ANNUAL LICAP CONVENTION   |
| 20                                      | 1                         | BOOKKEEPING AND BASIC ACCOUNTING FOR NON- ACCOUNTANTS  |
| 21                                      | 1                         | HOLUAP CONVENTION 2017 : UNDERWRITING: GAINING THE EDGE  |
| 22                                      | 4                         | MANAGERS COURSE  |
| 23                                      | 9                         | BUSINESS ECONOMIC FORUM  |
| 24                                      | 2                         | THE CLAIMS AND UNDERWRITING EXCHANGE   |
| <b>Webinars</b>                         |                           |  |
| 1                                       | 1                         | PMAP WEBINAR: LEADING IN THE AGE OF DISRUPTION   |
| 2                                       | 3                         | PMAP WEBINAR: COMPENSATION AND BENEFITS SURVEY   |
| <b>In House Trainings for Employees</b> |                           |  |
| 1                                       | 10                        | MANAGEMENT DEVELOPMENT PROGRAM: PERSONAL BRANDING FOR BUSINESS AND CAREER SUCCESS THROUGH IMAGE AND COURTESY |
| 2                                       | 18                        | RELATIONSHIP MATTERS: FINDING THE PERFECT MATCH  |
| 3                                       | 20                        | RELATIONSHIP MATTERS: A GUIDE TO A HAPPY MARRIED LIFE  |
| 4                                       | 61                        | CUSTOMER SERVICE   |
| 5                                       | 30                        | FINANCIAL LITERACY   |
| 6                                       | 10                        | PERSONALITY DEVELOPMENT  |
| 7                                       | 34                        | DISASTER AND RISK PREPAREDNESS   |
| 8                                       | 36                        | VALUES FORMATION TALK  |
| <b>In House Trainings for Agents</b>    |                           |  |
| 1                                       | 27                        | PERSONAL BRANDING FOR BUSSINESS & CAREER SUCCESS THROUGH IMAGE AND COURTESY                                  |
| 2                                       | 31                        | SALES EFFECTIVENESS W/ STRONG NEGOTIATION SKILLS   |
| 3                                       | 12                        | HIGH IMPACT LEADERSHIP FOR ORGANIZATIONAL EXCELLENCE   |
| 4                                       | 29                        | HIGH IMPACT PRESENTATION WORKSHOP  |



## INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors  
1 Cooperative Insurance System of the Philippines Life and General Insurance  
No. 80, Malakas Street, Central District  
Quezon City

### *Opinion*

We have audited the accompanying financial statements of 1 Cooperative Insurance System of the Philippines Life and General Insurance (the Cooperative), which comprise the statements of financial condition as at December 31, 2017 and 2016, 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 condition of the Cooperative as at December 31, 2017 and 2016, 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) and Standard Audit System for Cooperatives (SASC). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the 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 the audit 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*

As discussed in Note 2 to the financial statements, the Cooperative has adopted the PFRF for Cooperatives in preparing its financial statements as prescribed by CDA MC No. 2015-06. Our report is not modified in respect of this matter.



*Other Information*

Management is responsible for the other information. The other information comprises the information included in the Annual Report for the year ended December 31, 2017, but does not include the financial statements and our auditors' report thereon. The Annual Report for the year ended December 31, 2017 is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

*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.

*Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA and SASC 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 and SASC, 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the 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 20, 2020

IC Accreditation No. SP-2020/009-R

Valid until August 26, 2020

SEC Accreditation No. 0658-AR-3 Group A

Valid until May 17, 2020

BIR Accreditation No. 08-005144-7-2017

Valid until January 13, 2020

PTR No. 6607960

Issued January 3, 2018, Makati City

January 26, 2018

Makati City, Metro Manila

## STATEMENT OF REPRESENTATION

To the Cooperative Development Authority:

In connection with our audit of the financial statements of 1 Cooperative Insurance System of the Philippines Life and General Insurance (the Cooperative) as at and for the year ended December 31, 2017, which are herewith submitted to the Cooperative Development Authority (CDA), I hereby represent the following:

1. That the accompanying financial statements are prepared by the Cooperative's management and presented in conformity with the Philippine Financial Reporting Framework for Cooperatives as prescribed by Memorandum Circular No. 2015-06 of the CDA;
2. That in the conduct of the audit, I adhered to the Philippine Standards on Auditing (PSA) and the Standard Audit System for Cooperatives (SASC) as required by the CDA;
3. That I am qualified as provided for in Section 8 of the Code of Professional Ethics for Certified Public Accountants and Article 80 of Republic Act No. 9520 (Philippine Cooperative Code of 2008);
4. That I am fully aware of my responsibility as an independent auditor for the audit report issued and attached to the financial statements and the sanctions to be bestowed on me for my misrepresentations that I may have willingly or unwillingly committed;
5. That I nor any member of my immediate family do not have any direct or indirect financial interest with the Cooperative;
6. That I am not an employee nor an officer of a secondary cooperative or tertiary cooperative of which this Cooperative is a member;
7. That I am not an employee of the CDA nor have I engaged an employee of the CDA in the course of the audit;
8. That I make this representation in my individual capacity and as a partner in the accounting firm of Reyes Tacandong & Co.; and,
9. That I am a member of the Philippine Institute of Certified Public Accountants.



- 2 -

It is, however, understood that my accountability is based on matter within the normal coverage of an audit conducted in accordance with PSA and SASC.

**REYES TACANDONG & Co.**

*Carolina P. Angeles*

CAROLINA P. ANGELES

Partner

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**1 COOPERATIVE INSURANCE SYSTEM OF THE PHILIPPINES**  
**LIFE AND GENERAL INSURANCE**  
(Formerly Cooperative Insurance System of the Philippines)

**STATEMENTS OF FINANCIAL CONDITION**

|   |      | December 31    |                |
|---|------|----------------|----------------|
|   | Note | 2017           | 2016           |
| <b>ASSETS</b>   |      |                |                |
| <b>Current Assets</b>                                 |      |                |                |
| Cash and cash equivalents                             | 4    | ₱704,016,339   | ₱738,363,848   |
| Short-term investments                                | 5    | 333,477,637    | 66,390,666     |
| Insurance receivables                                 | 6    | 13,241,718     | 42,501,854     |
| Reinsurance assets                                    | 7    | 19,653,111     | 12,732,185     |
| Financial assets at cost                              | 8    | 51,861,549     | 28,758,069     |
| Financial assets at fair value through profit or loss | 8    | 11,070,824     | 10,691,106     |
| Loans and receivables                                 | 9    | 22,913,362     | 4,848,806      |
| Other current assets                                  | 10   | 1,260,479      | 1,239,860      |
| Total Current Assets                                  |      | 1,157,495,019  | 905,526,394    |
| <b>Noncurrent Assets</b>                              |      |                |                |
| Loans receivable                                      | 9    | 52,000,000     | –              |
| Financial assets at cost                              | 8    | 26,881,501     | 9,462,053      |
| Financial assets at amortized cost                    | 8    | 258,759,083    | 109,989,453    |
| Property and equipment:                               | 11   |                |                |
| At revalued amount                                    |      | 38,946,133     | 9,150,000      |
| At cost   |      | 18,504,879     | 6,175,088      |
| Total Noncurrent Assets                               |      | 395,091,596    | 134,776,594    |
|   |      | ₱1,552,586,615 | ₱1,040,302,988 |
| <b>LIABILITIES AND EQUITY</b>                         |      |                |                |
| <b>Current Liabilities</b>                            |      |                |                |
| Insurance contract liabilities                        | 12   | ₱279,171,020   | ₱215,055,995   |
| Dividend and patronage refund payable                 | 17   | 159,625,907    | 105,944,535    |
| Due to reinsurers                                     | 13   | 12,251,844     | 7,696,415      |
| Other current liabilities                             | 14   | 27,202,391     | 10,097,834     |
| Total Current Liabilities                             |      | 478,251,162    | 338,794,779    |
| <b>Noncurrent Liability</b>                           |      |                |                |
| Net retirement liability                              | 15   | 5,066,291      | 2,608,370      |
| <b>Equity</b>   |      |                |                |
| Capital stock   | 16   | 951,029,200    | 599,631,400    |
| Contributed surplus                                   |      | 85,298         | 85,298         |
| Revaluation surplus                                   | 11   | 6,150,000      | 6,755,702      |
| Cumulative unrealized gain on financial assets        | 8    | –              | 858,151        |
| Cumulative remeasurement loss on retirement liability | 15   | –              | (6,234,760)    |
| Statutory funds:                                      | 17   |                |                |
| General reserve fund                                  |      | 60,254,212     | 50,424,812     |
| Optional fund   |      | 27,537,282     | 22,723,521     |
| Cooperative education and training fund               |      | 12,361,449     | 17,006,807     |
| Community development fund                            |      | 11,851,721     | 7,648,908      |
| Total Equity  |      | 1,069,269,162  | 698,899,839    |
|   |      | ₱1,552,586,615 | ₱1,040,302,988 |

See accompanying Notes to Financial Statements.

**1 COOPERATIVE INSURANCE SYSTEM OF THE PHILIPPINES**  
**LIFE AND GENERAL INSURANCE**  
(Formerly Cooperative Insurance System of the Philippines)

**STATEMENTS OF OPERATIONS**

|  | Note | Years Ended December 31 |              |
|--|------|-------------------------|--------------|
|  |      | 2017                    | 2016         |
| <b>REVENUE</b>   |      |                         |              |
| Gross premiums on insurance contracts                      | 18   | <b>₱553,264,813</b>     | ₱442,456,324 |
| Reinsurers' share of gross premiums on insurance contracts | 18   | <b>(35,894,823)</b>     | (26,443,378) |
| Net insurance premiums                                     |      | <b>517,369,990</b>      | 416,012,946  |
| Interest income  | 4    | <b>15,283,600</b>       | 9,789,517    |
| Other income   |      | <b>2,295,748</b>        | 1,532,170    |
|  |      | <b>534,949,338</b>      | 427,334,633  |
| <b>BENEFITS, CLAIMS AND EXPENSES</b>                       |      |                         |              |
| Benefits and claims on insurance contracts                 | 19   | <b>169,331,311</b>      | 156,173,448  |
| Increase in legal policy reserves                          | 12   | <b>53,000,000</b>       | 49,000,000   |
| Salaries and benefits                                      | 20   | <b>37,469,229</b>       | 26,323,092   |
| Collection costs   |      | <b>51,988,873</b>       | 35,524,172   |
| Commission expense   |      | <b>32,242,079</b>       | 22,815,375   |
| General and administrative expenses                        | 21   | <b>27,175,770</b>       | 19,174,999   |
| Depreciation   | 11   | <b>3,283,367</b>        | 2,309,515    |
|  |      | <b>374,490,629</b>      | 311,320,601  |
| <b>NET SURPLUS</b>   |      | <b>₱160,458,709</b>     | ₱116,014,032 |
| <b>ALLOCATION OF NET SURPLUS</b>                           |      |                         |              |
|  | 17   |                         |              |
| Dividend and patronage refund payable                      |      | <b>₱131,243,029</b>     | ₱87,553,064  |
| General reserve fund                                       |      | <b>16,780,130</b>       | 11,601,403   |
| Optional fund  |      | <b>4,813,761</b>        | 5,258,162    |
| Cooperative education and training fund                    |      | <b>2,808,028</b>        | 8,120,982    |
| Community development fund                                 |      | <b>4,813,761</b>        | 3,480,421    |
|  |      | <b>₱160,458,709</b>     | ₱116,014,032 |

*See accompanying Notes to Financial Statements.*

**1 COOPERATIVE INSURANCE SYSTEM OF THE PHILIPPINES  
LIFE AND GENERAL INSURANCE**

(Formerly Cooperative Insurance System of the Philippines)

**STATEMENTS OF CHANGES IN EQUITY**

|  | Note | Years Ended December 31 |              |
|--|------|-------------------------|--------------|
|  |      | 2017                    | 2016         |
| <b>CAPITAL STOCK</b>   | 16   |                         |              |
| <b>Common</b>  |      |                         |              |
| Balance at beginning of year                                 |      | P550,510,400            | P239,699,100 |
| Issuances  |      | 210,850,200             | 310,811,300  |
| Withdrawals  |      | (5,427,900)             | -            |
| Transfer from preferred stock                                |      | 182,145,000             | -            |
| Balance at end of year                                       |      | 938,077,700             | 550,510,400  |
| <b>Preferred</b>   |      |                         |              |
| Balance at beginning of year                                 |      | 49,121,000              | 5,110,700    |
| Issuances  |      | 139,751,100             | 44,450,300   |
| Withdrawals  |      | (726,330)               | (440,000)    |
| Restoration of preferred stock                               |      | 6,950,730               | -            |
| Transfer to common stock                                     |      | (182,145,000)           | -            |
| Balance at end of year                                       |      | 12,951,500              | 49,121,000   |
|  |      | 951,029,200             | 599,631,400  |
| <b>CONTRIBUTED SURPLUS</b>                                   |      | 85,298                  | 85,298       |
| <b>REVALUATION SURPLUS</b>                                   | 11   |                         |              |
| Balance at beginning of year                                 |      | 6,755,702               | 7,300,588    |
| Reversal of revaluation surplus                              |      | (605,702)               | -            |
| Transfer to statutory funds                                  |      | -                       | (544,886)    |
| Balance at end of year                                       |      | 6,150,000               | 6,755,702    |
| <b>CUMULATIVE UNREALIZED GAIN ON FINANCIAL ASSETS</b>        | 8    |                         |              |
| Balance at beginning of year                                 |      | 858,151                 | 771,682      |
| Transfer to profit or loss                                   |      | (858,151)               | -            |
| Unrealized gain on financial assets                          |      | -                       | 86,469       |
| Balance at end of year                                       |      | -                       | 858,151      |
| <b>CUMULATIVE REMEASUREMENT LOSS ON RETIREMENT LIABILITY</b> | 15   |                         |              |
| Balance at beginning of year                                 |      | (6,234,760)             | (4,818,618)  |
| Remeasurement loss on retirement liability                   |      | -                       | (1,416,142)  |
| Transfer to profit or loss                                   |      | 6,234,760               | -            |
| Balance at end of year                                       |      | -                       | (6,234,760)  |

(Forward)

**1 COOPERATIVE INSURANCE SYSTEM OF THE PHILIPPINES**  
**LIFE AND GENERAL INSURANCE**  
(Formerly Cooperative Insurance System of the Philippines)

**STATEMENTS OF CASH FLOWS**

|  | Note | Years Ended December 31 |              |
|--|------|-------------------------|--------------|
|  |      | 2017                    | 2016         |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |      |                         |              |
| Net surplus for the year   |      | <b>₱160,458,709</b>     | ₱116,014,032 |
| Adjustments for:   |      |                         |              |
| Interest income  | 4    | <b>(15,283,600)</b>     | (9,789,517)  |
| Transfer to profit or loss of cumulative<br>remeasurement loss on retirement liability | 15   | <b>6,234,760</b>        | –            |
| Depreciation   | 11   | <b>3,283,367</b>        | 2,309,515    |
| Retirement costs   | 15   | <b>2,457,921</b>        | 1,192,228    |
| Transfer to profit or loss of cumulative unrealized<br>gain on financial assets        | 8    | <b>(858,151)</b>        | –            |
| Unrealized fair value gain on financial assets at<br>fair value through profit or loss | 8    | <b>(379,718)</b>        | –            |
| Operating income before working capital changes  |      | <b>155,913,288</b>      | 109,726,258  |
| Decrease (increase) in:  |      |                         |              |
| Short-term investments   |      | <b>(267,086,971)</b>    | (61,757,657) |
| Insurance receivables  |      | <b>29,260,136</b>       | (65,635)     |
| Loans and receivables  |      | <b>(67,329,624)</b>     | (1,570,095)  |
| Reinsurance assets   |      | <b>(6,920,926)</b>      | (4,569,748)  |
| Other current assets   |      | <b>(20,619)</b>         | (400,473)    |
| Increase in:   |      |                         |              |
| Insurance contract liabilities   |      | <b>64,115,025</b>       | 59,996,299   |
| Due to reinsurers  |      | <b>4,555,429</b>        | 3,609,937    |
| Other current liabilities  |      | <b>17,104,557</b>       | 3,128,216    |
| Net cash generated from (used for) operations  |      | <b>(70,409,705)</b>     | 108,097,102  |
| Interest received  |      | <b>12,548,668</b>       | 9,310,437    |
| Contribution to plan assets  | 15   | –                       | (4,947,389)  |
| Net cash provided by (used in) operating activities                                    |      | <b>(57,861,037)</b>     | 112,460,150  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |      |                         |              |
| Acquisitions of:   |      |                         |              |
| Financial assets at cost   | 8    | <b>(40,522,928)</b>     | (20,103,079) |
| Financial assets at amortized cost   | 8    | <b>(148,769,630)</b>    | –            |
| Property and equipment   | 11   | <b>(46,014,993)</b>     | (2,583,484)  |
| Cash used in investing activities  |      | <b>(235,307,551)</b>    | (22,686,563) |

(Forward)



|  |      | <b>Years Ended December 31</b> |              |
|--|------|--------------------------------|--------------|
|  | Note | <b>2017</b>                    | 2016         |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                          |      |                                |              |
| Proceeds from issuances of stocks                                    |      | <b>₱276,909,079</b>            | ₱306,281,164 |
| Payments of withdrawals of stocks                                    |      | <b>(6,154,230)</b>             | (247,220)    |
| Payments of dividends and patronage refund:                          | 17   |                                |              |
| Interest on share capital  |      | <b>(7,123,198)</b>             | (1,187,829)  |
| Patronage and experience refund                                      |      | <b>(3,696,968)</b>             | (1,338,039)  |
| Disbursements from statutory funds                                   | 17   | <b>(8,064,334)</b>             | (1,336,408)  |
| Restoration of preferred stock                                       | 16   | <b>6,950,730</b>               | -            |
| Net cash provided by financing activities                            |      | <b>258,821,079</b>             | 302,171,668  |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>          |      |                                |              |
|  |      | <b>(34,347,509)</b>            | 391,945,255  |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>                |      |                                |              |
|  |      | <b>738,363,848</b>             | 346,418,593  |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>                      |      |                                |              |
|  |      | <b>₱704,016,339</b>            | ₱738,363,848 |
| <b>NONCASH FINANCIAL INFORMATION</b>                                 |      |                                |              |
| Issuance of capital stock from dividend and patronage refund payable | 17   | <b>₱73,692,221</b>             | ₱48,787,710  |
| Restoration of preferred stock through general reserve fund          | 16   | <b>6,950,730</b>               | -            |
|  |      | <b>₱80,642,951</b>             | ₱48,787,710  |

*See accompanying Notes to Financial Statements.*

**1 COOPERATIVE INSURANCE SYSTEM OF THE PHILIPPINES  
LIFE AND GENERAL INSURANCE  
(Formerly Cooperative Insurance System of the Philippines)**

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**NOTES TO FINANCIAL STATEMENTS**

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**1. Corporate Information**

**General Information**

The 1 Cooperative Insurance System of the Philippines Life and General Insurance (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.

On April 8, 2017, the Cooperative's Board of Directors (BOD) approved the change of cooperative name to 1 Cooperative Insurance System of the Philippines Life and General Insurance from Cooperative Insurance System of the Philippines. On August 31, 2017, the CDA approved the change in cooperative name of the Cooperative. The change in the Cooperative's name is in preparation for its application with the IC as a composite insurance cooperative.

**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. The Cooperative's certificate of tax exemption is valid until June 17, 2021.

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.

**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.

**Authorization for the Issuance of the Financial Statements**

The financial statements of the Cooperative as at and for the years ended December 31, 2017 and 2016 were approved and authorized for issuance by the BOD on January 26, 2018.

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**2. Summary of Significant Accounting Policies**

**Basis of Preparation**

The financial statements of the Cooperative have been prepared in accordance with 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.

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 financial assets at fair value through profit or loss (FVTPL) which are carried at fair value and land which is 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 24.

#### **Financial Assets**

The Cooperative recognizes a financial asset when it becomes a party to the contractual provisions of a financial instrument. Financial assets are classified as financial assets at FVTPL, financial assets at cost, financial assets at amortized cost and loans and receivables, as appropriate. When financial assets are recognized initially, these are measured at the transaction price, unless the arrangement constitutes a financing transaction. In which case, financial assets are recognized initially at the present value of the future payments discounted at a market rate of interest for a similar instrument.

*Financial Assets at FVTPL.* Financial assets at FVTPL include investments in publicly-traded securities which are measured at fair value, with fair value changes recognized in profit or loss.

The Cooperative's investment in publicly traded shares of stocks is classified under this category.

*Financial Assets at Cost.* Financial assets at cost include investments in unquoted securities, mutual funds and other externally managed funds. As the fair values could not be reliably determined, the investments are reported at cost less any impairment in value.

The Cooperative's investment in various cooperatives and mutual funds are classified under this category.

*Financial Assets at Amortized Cost.* Financial assets at amortized cost include debt instruments which are measured at amortized cost using the effective interest method, less any impairment in value.

The Cooperative's fixed rate treasury notes are classified under this category.

*Loans and Receivables.* Loans and receivables are financial assets with fixed or determinable payments and are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method. An allowance provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Cooperative will not be able to collect all of the amounts due under the original terms of the loan. The carrying amount of the loans and receivables are reduced by setting up an allowance account. The impairment loss is recognized in profit or loss.

The Cooperative's loans and receivables include its cash and cash equivalents, short-term investments, insurance receivables, reinsurance assets, loans and receivables and refundable deposits (presented under "Other current assets" account, in the statements of financial condition.

#### **Impairment of Financial Assets at Cost**

The Cooperative assesses at each reporting date whether its financial assets at cost is impaired.

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 it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are no longer included in a collective assessment of impairment.

If, in the subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in the profit or loss.

#### **Financial Liabilities**

The Cooperative recognizes a financial liability when it becomes a party to the contractual provisions of a financial instrument. Financial liabilities are recognized initially at fair value, which is the fair value of the consideration received.

*Other Financial Liabilities.* This category pertains to financial liabilities that are not held for trading or not at fair value upon the inception of the liability. These include liabilities arising from operations or interest-bearing loans and borrowings. The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

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

#### **Derecognition of Financial Assets and Liabilities**

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

- the contractual rights to the cash flows from the financial asset have expired or are settled;
- the Cooperative has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the profit or loss.

#### **Offsetting of Financial Instruments**

The Cooperative does not offset financial assets and liabilities unless required or permitted by PFRF for Cooperatives.

#### **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.

*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, collection costs 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 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. The share of reinsurers in premiums and claims are recognized simultaneously with the related insurance contracts issued by the Cooperative.

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 which is 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 is carried at revalued amount which represent fair values as determined by independent appraisers. Other property and equipment are carried at cost less accumulated depreciation and any accumulated impairment loss.

Any revaluation surplus on land is recognized in other comprehensive income in the statements of financial condition. 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 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 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 and any impairment in value are removed from the accounts. Any resulting gain or loss is recognized in profit or loss.

**Other Current Assets**

Other assets consist of refundable deposits and prepayments.

Refundable deposits are recognized at face amount or the amount of consideration transferred.

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, 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 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.

#### **Contributed Surplus**

Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as contributed surplus.

#### **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.* Allocation to 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.

*Optional Fund.* Allocation to 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.

*Cooperative Education and Training Fund.* Allocation to 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 may 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.* Allocation to 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.

*Interest on Share Capital 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.* Revenue is recognized as the interest accrues, taking into account the effective yield of the asset.

*Other Income.* Other income is recognized when earned.

**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.* These represent the aggregate losses and claims against the Cooperative arising from the life insurance contracts issued to policyholders. These include death claims, accidental death benefit, disability claims, health insurance benefits and medical insurance benefits.

*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.

**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 profit or loss in the period in which they arise.

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.

**Changes in Accounting Policies and Estimates and Correction of Prior Period Errors**

The Cooperative changes its accounting policies if the change is required by PFRF for Cooperatives or as a result of providing reliable and more relevant information about the effects of transactions, other events or conditions on the Cooperative's financial condition. The Cooperative recognizes the effect of changes in accounting policies in the period of change.

In relation to changes in accounting estimates, the Cooperative recognizes the effect of the change prospectively by including it in profit or loss in the period of change and future periods, if applicable.

Prior period errors are omissions from, and misstatements in, the Cooperative's financial statements for one or more periods arising from mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretation of facts or fraud. The Cooperative recognizes the effect of the correction of prior period error in the financial statements of the current period.

**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.

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**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 ₱13,241,718 and ₱42,501,854 as at December 31, 2017 and 2016, respectively. Allowance for impairment loss on insurance receivables amounted to ₱5,218,610 as at December 31, 2017 and 2016, respectively (see Note 6).

The carrying amounts of loans and receivables amounted to ₱74,913,362 and ₱4,848,806 as at December 31, 2017 and 2016, respectively. Allowance for impairment loss on loans and receivables amounted to ₱16,775,019 as at December 31, 2017 and 2016 (see Note 9).

The carrying amounts of reinsurance assets amounted to ₱19,653,111 and ₱12,732,185 as at December 31, 2017 and 2016, respectively. No impairment loss on reinsurance assets is recognized in 2017 and 2016 (see Note 7).

*Estimation of Allowance for Impairment on Financial Assets at Cost.* The Cooperative treats financial assets at cost 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. Impairment may be appropriate when there is evidence of deterioration in the industry and sector performance.

The carrying amounts of financial assets at cost amounted to ₱78,743,050 and ₱38,220,122 as at December 31, 2017 and 2016, respectively. Allowance for impairment loss on financial assets at cost amounted to ₱9,268,410 as at December 31, 2017 and 2016 (see Note 8).

*Determination of Fair Value of Land.* In determining the appraised value of land, 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) current prices for similar used property in the second hand market; (c) age, condition, past maintenance, and present and prospective serviceability in comparison with new assets of like kind; and (d) recent trend and development in the industry concerned. The approaches used in determining the appraised value of land is disclosed in Note 11 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 latest appraisal for land of the independent appraiser was made on March 11, 2015. The revalued amount of land amounted to ₱38,946,133 and ₱9,150,000 as at December 31, 2017 and 2016, respectively (see Note 11).

*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 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 2017 and 2016. The carrying amount of property and equipment, excluding land, amounted to ₱18,504,879 and ₱6,175,088 as at December 31, 2017 and 2016, respectively (see Note 11).

*Estimation of Impairment for 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 2017 and 2016.

*Estimation 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, interest rates, lapse and/or persistency, expenses, non-guaranteed benefits, margin for adverse deviation and management's estimates as required by the IC.

As at December 31, 2017 and 2016, the carrying amounts of legal policy reserves amounted to ₱232,275,177 and ₱171,562,917, respectively (see Note 12).

*Estimation of Incurred but not Reported Claims.* Provision is made for the cost of claims incurred but not yet reported as at reporting date based on the Cooperative's experience and historical data. Differences between the provision for outstanding claims at the reporting date and subsequent revisions and settlements are recognized in profit or loss of subsequent years.

As at December 31, 2017 and 2016, the carrying amounts of incurred but not reported claims amounted to ₱16,841,675 and ₱21,885,000, respectively (see Note 12).

*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 15 to financial statements and include, among others, discount rates and salary increase rates.

The retirement liability amounted to ₱5,066,291 and ₱2,608,370 as at December 31, 2017 and 2016, respectively (see Note 15).

#### 4. Cash and Cash Equivalents

This account consists of:

|                  | 2017                | 2016         |
|------------------|---------------------|--------------|
| Petty cash fund  | <b>₱30,000</b>      | ₱30,000      |
| Cash in banks    | <b>450,268,599</b>  | 715,663,757  |
| Cash equivalents | <b>202,185,002</b>  | 2,125,534    |
| Revolving fund   | <b>51,532,738</b>   | 20,544,557   |
|                  | <b>₱704,016,339</b> | ₱738,363,848 |

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 4.50% per annum in 2017 and 2016.

Details of interest income are as follows:

|   | Note | 2017               | 2016       |
|---|------|--------------------|------------|
| Cash equivalents and short-term investments |      | <b>₱11,639,937</b> | ₱8,490,764 |
| Cash in banks                               |      | <b>2,924,653</b>   | 444,676    |
| Loans and receivables:                      | 9    |                    |            |
| Accounts receivable                         |      | <b>166,857</b>     | -          |
| Loans receivable                            |      | <b>210,000</b>     | -          |
| Financial assets at amortized cost          | 8    | <b>328,470</b>     | 854,077    |
| Others                                      |      | <b>13,683</b>      | -          |
|   |      | <b>₱15,283,600</b> | ₱9,789,517 |

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## 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 ₱333,477,637 and ₱66,390,666 as at December 31, 2017 and 2016, respectively.

Interest rates of short-term investments range from 1.75% to 7% per annum.

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## 6. Insurance Receivables

This account consists of:

|                               | 2017               | 2016        |
|-------------------------------|--------------------|-------------|
| Premium receivables           | ₱11,153,720        | ₱45,283,800 |
| Due from reinsurers           | 7,306,608          | 2,436,664   |
|                               | <b>18,460,328</b>  | 47,720,464  |
| Allowance for impairment loss | <b>(5,218,610)</b> | (5,218,610) |
|                               | <b>₱13,241,718</b> | ₱42,501,854 |

Premium receivables represent premiums 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:

|                              | 2017              | 2016         |
|------------------------------|-------------------|--------------|
| Balance at beginning of year | ₱5,218,610        | ₱19,853,489  |
| Write-off                    | -                 | (14,634,879) |
| Balance at end of year       | <b>₱5,218,610</b> | ₱5,218,610   |

The write-off in 2016 pertains to premium receivables.

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## 7. Reinsurance Assets

Reinsurance assets amounting to ₱19,653,111 and ₱12,732,185 as at December 31, 2017 and 2016, respectively, pertain to estimated recoverable amounts from reinsurers for its share in insurance contract liabilities (see Note 12).

## 8. Financial Assets

This account consists of:

|                                    | 2017                | 2016         |
|------------------------------------|---------------------|--------------|
| <b>Current</b>                     |                     |              |
| Financial assets at cost           | <b>₱51,861,549</b>  | ₱28,758,069  |
| Financial assets at FVTPL          | <b>11,070,824</b>   | 10,691,106   |
|                                    | <b>62,932,373</b>   | 39,449,175   |
| <b>Noncurrent</b>                  |                     |              |
| Financial assets at cost           | <b>26,881,501</b>   | 9,462,053    |
| Financial assets at amortized cost | <b>258,759,083</b>  | 109,989,453  |
|                                    | <b>285,640,584</b>  | 119,451,506  |
|                                    | <b>₱348,572,957</b> | ₱158,900,681 |

Movements of financial asset at cost are as follows:

|                               | 2017               | 2016        |
|-------------------------------|--------------------|-------------|
| <b>Current</b>                |                    |             |
| Balance at beginning of year  | <b>₱28,758,069</b> | ₱28,758,069 |
| Additions                     | <b>23,103,480</b>  | -           |
| Balance at end of year        | <b>51,861,549</b>  | 28,758,069  |
| <b>Noncurrent</b>             |                    |             |
| Balance at beginning of year  | <b>18,730,463</b>  | 18,730,463  |
| Additions                     | <b>17,419,448</b>  | -           |
|                               | <b>36,149,911</b>  | 18,730,463  |
| Allowance for impairment loss | <b>(9,268,410)</b> | (9,268,410) |
| Balance at end of year        | <b>26,881,501</b>  | 9,462,053   |
|                               | <b>₱78,743,050</b> | ₱38,220,122 |

Financial assets at cost presented as current assets represent investment in mutual funds. Financial assets at cost presented as noncurrent assets include investments in shares which are not quoted in an active market and are expected to be realized in more than one year.

Financial assets at FVTPL include investments in publicly-traded securities which are measured at fair value. Unrealized fair value gain amounted to ₱379,718 and ₱86,469 in 2017 and 2016, respectively.

Movements of cumulative unrealized gain on financial assets follow:

|   | Note | 2017             | 2016     |
|---|------|------------------|----------|
| Balance at beginning of year  |      | <b>₱858,151</b>  | ₱771,682 |
| Transfer to profit or loss  | 21   | <b>(858,151)</b> | -        |
| Gain on fair value adjustments recognized in other comprehensive income |      | -                | 86,469   |
| Balance at end of year  |      | <b>₱-</b>        | ₱858,151 |

The cumulative unrealized gain on financial assets was transferred to profit or loss in compliance with PFRF for Cooperatives.

Financial assets at amortized cost include fixed rate treasury notes which are measured at amortized cost using the effective interest method. Interest income on these securities amounted to ₱328,470 and ₱854,077 in 2017 and 2016, respectively (see Note 4).

In 2017, the AFS financial assets were transferred to financial assets at cost and FVTPL, as applicable, in compliance with PFRF for Cooperatives.

## 9. Loans and Receivables

This account consists of:

|                                    | 2017                | 2016         |
|------------------------------------|---------------------|--------------|
| <b>Current</b>                     |                     |              |
| Accounts receivable                | ₱23,931,105         | ₱9,693,395   |
| Receivable from closed banks       | 11,353,986          | 11,051,148   |
| Advances to officers and employees | 1,189,278           | 400,202      |
| Accrued interest                   | 3,214,012           | 479,080      |
|                                    | <b>39,688,381</b>   | 21,623,825   |
| Less allowance for impairment on:  |                     |              |
| Accounts receivable                | (5,435,438)         | (5,435,438)  |
| Receivable from closed banks       | (11,051,148)        | (11,051,148) |
| Advances to officers and employees | (288,433)           | (288,433)    |
|                                    | <b>(16,775,019)</b> | (16,775,019) |
|                                    | <b>22,913,362</b>   | 4,848,806    |
| <b>Noncurrent</b>                  |                     |              |
| Loans receivable                   | 52,000,000          | -            |
|                                    | <b>₱74,913,362</b>  | ₱4,848,806   |

Accounts receivable pertains to interest bearing loans granted to qualified employees and debit memos from cooperative banks for claims paid to policyholders. Interest rates range from 6% to 8% per annum with terms of semi-annual salary deduction. Interest income on these loans amounted to ₱166,857 and nil in 2017 and 2016, respectively (see Note 4).

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:

|                                    | 2017               | 2016        |
|------------------------------------|--------------------|-------------|
| Balance at beginning of year       | ₱16,775,019        | ₱24,492,760 |
| Write off:                         |                    |             |
| Accounts receivable                | -                  | (4,874,437) |
| Mortgage loans                     | -                  | (2,435,352) |
| Advances to officers and employees | -                  | (38,476)    |
| Others                             | -                  | (369,476)   |
| Balance at end of year             | <b>₱16,775,019</b> | ₱16,775,019 |

Loans receivable pertain to credit assistance granted to the Cooperative's members. The loans earn annual interest rate of 6% with terms of five to fifteen years. Interest income on loans and receivables amounted to ₱210,000 and nil in 2017 and 2016, respectively (see Note 4).

#### 10. Other Current Assets

This account consists of:

|                         | 2017              | 2016              |
|-------------------------|-------------------|-------------------|
| Refundable deposits     | ₱584,973          | ₱554,834          |
| Prepaid office supplies | 408,966           | 469,130           |
| Prepaid insurance       | 188,664           | 149,636           |
| Others                  | 77,876            | 66,260            |
|                         | <b>₱1,260,479</b> | <b>₱1,239,860</b> |

#### 11. Property and Equipment

The movements in this account follow:

|                                 | 2017               |                           |   |                          |                    |
|---------------------------------|--------------------|---------------------------|---|--------------------------|--------------------|
|                                 | At Appraised Value |                           | At Cost                                 |                          |                    |
|                                 | Land               | Building and Improvements | Furniture, Fixture and Office Equipment | Transportation Equipment | Total              |
| <b>Cost</b>                     |                    |                           |   |                          |                    |
| Balances at beginning of year   | ₱9,150,000         | ₱9,503,152                | ₱12,108,477                             | ₱2,233,380               | ₱32,995,009        |
| Additions                       | 29,796,133         | 8,395,000                 | 5,133,460                               | 2,690,400                | 46,014,993         |
| Reversal of revaluation surplus | -                  | (2,360,156)               | -                                       | -                        | (2,360,156)        |
| Balances at end of year         | 38,946,133         | 15,537,996                | 17,241,937                              | 4,923,780                | 76,649,846         |
| <b>Accumulated Depreciation</b> |                    |                           |   |                          |                    |
| Balances at beginning of year   | -                  | 7,061,878                 | 9,514,663                               | 1,093,380                | 17,669,921         |
| Depreciation                    | -                  | 874,059                   | 1,957,608                               | 451,700                  | 3,283,367          |
| Reversal of revaluation surplus | -                  | (1,754,454)               | -                                       | -                        | (1,754,454)        |
| Balances at end of year         | -                  | 6,181,483                 | 11,472,271                              | 1,545,080                | 19,198,834         |
| <b>Carrying Amount</b>          | <b>₱38,946,133</b> | <b>₱9,356,513</b>         | <b>₱5,769,666</b>                       | <b>₱3,378,700</b>        | <b>₱57,451,012</b> |

|                                 | 2016               |                           |   |                          |                    |
|---------------------------------|--------------------|---------------------------|---|--------------------------|--------------------|
|                                 | At Appraised Value |                           | At Cost                                 |                          |                    |
|                                 | Land               | Building and Improvements | Furniture, Fixture and Office Equipment | Transportation Equipment | Total              |
| <b>Cost</b>                     |                    |                           |   |                          |                    |
| 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         |
| <b>Accumulated Depreciation</b> |                    |                           |   |                          |                    |
| 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         |
| <b>Carrying Amount</b>          | <b>₱9,150,000</b>  | <b>₱2,441,274</b>         | <b>₱2,593,814</b>                       | <b>₱1,140,000</b>        | <b>₱15,325,088</b> |

The latest appraisal of land by an independent appraiser was made on March 11, 2015. In 2017, the Cooperative acquired parcels of land for the establishment of its branch in Cagayan de Oro (CDO) and for the proposed construction of the new Cooperative's building.

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.

In 2017, the revaluation surplus on building amounting to ₱605,702 was reversed in compliance with PFRF for Cooperatives.

The fair value of land has been categorized as Level 3 in the fair value hierarchy (significant observable inputs).

If the land was carried at costs, the carrying amount would be ₱32,796,133 and ₱3,000,000 as at December 31, 2017 and 2016, respectively. The cumulative revaluation surplus on land amounted to ₱6,150,000 as at December 31, 2017 and 2016.

Fully depreciated property and equipment that are still being used in the Cooperative's operations amounted to ₱8,947,379 and ₱7,127,087 as at December 31, 2017 and 2016, respectively.

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## 12. Insurance Contract Liabilities

This account consists of:

|                       | <b>2017</b>         | 2016         |
|-----------------------|---------------------|--------------|
| Legal policy reserves | <b>₱232,275,177</b> | ₱171,562,917 |
| Insurance payables    | <b>46,895,843</b>   | 43,493,078   |
|                       | <b>₱279,171,020</b> | ₱215,055,995 |

Legal policy reserves and other actuarial items in the financial statements as at and for the years ended December 31, 2017 and 2016 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:

|  | <b>2017</b>                                   |  |                     |
|--|---|--|---------------------|
|  | <b>Insurance<br/>Contract<br/>Liabilities</b> | <b>Reinsurer's<br/>Share of<br/>Liabilities<br/>(see Note 7)</b> | <b>Net</b>          |
| Legal policy reserves:                     |   |  |                     |
| Aggregate reserves for group life policies | <b>₱229,780,040</b>                           | <b>₱16,971,724</b>   | <b>₱212,808,316</b> |
| Aggregate reserves for life policies       | <b>2,495,137</b>                              | -  | <b>2,495,137</b>    |
|  | <b>232,275,177</b>                            | <b>16,971,724</b>  | <b>215,303,453</b>  |
| Insurance payables:                        |   |  |                     |
| Policy and contract claims                 | <b>30,054,168</b>                             | <b>2,681,387</b>   | <b>27,372,781</b>   |
| Incurred but not reported                  | <b>16,841,675</b>                             | -  | <b>16,841,675</b>   |
|  | <b>46,895,843</b>                             | <b>2,681,387</b>   | <b>44,214,456</b>   |
|  | <b>₱279,171,020</b>                           | <b>₱19,653,111</b>   | <b>₱259,517,909</b> |

|  | <b>2016</b>                                   |  |                     |
|--|---|--|---------------------|
|  | <b>Insurance<br/>Contract<br/>Liabilities</b> | <b>Reinsurer's<br/>Share of<br/>Liabilities<br/>(see Note 7)</b> | <b>Net</b>          |
| Legal policy reserves:                     |   |  |                     |
| Aggregate reserves for group life policies | <b>₱169,085,844</b>                           | <b>₱9,259,464</b>  | <b>₱159,826,380</b> |
| Aggregate reserves for life policies       | <b>2,477,073</b>                              | -  | <b>2,477,073</b>    |
|  | <b>171,562,917</b>                            | <b>9,259,464</b>   | <b>162,303,453</b>  |
| Insurance payables:                        |   |  |                     |
| Policy and contract claims                 | <b>21,608,078</b>                             | <b>3,472,721</b>   | <b>18,135,357</b>   |
| Incurred but not reported                  | <b>21,885,000</b>                             | -  | <b>21,885,000</b>   |
|  | <b>43,493,078</b>                             | <b>3,472,721</b>   | <b>40,020,357</b>   |
|  | <b>₱215,055,995</b>                           | <b>₱12,732,185</b>   | <b>₱202,323,810</b> |

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

|                   | <b>2017</b>        | <b>2016</b>        |
|-------------------|--------------------|--------------------|
| Group life        | <b>₱60,694,196</b> | <b>₱51,576,471</b> |
| Ordinary life     | <b>18,064</b>      | <b>(86,606)</b>    |
|                   | <b>60,712,260</b>  | <b>51,489,865</b>  |
| Reinsurers' share | <b>(7,712,260)</b> | <b>(2,489,865)</b> |
|                   | <b>₱53,000,000</b> | <b>₱49,000,000</b> |

### 13. Due to Reinsurers

Due to reinsurers represents unpaid premiums for reinsurance policies payable to the reinsurers. These are normally settled in cash within one (1) year.

Due to reinsurers amounted to ₱12,251,844 and ₱7,696,415 in 2017 and 2016, respectively. Reinsurers' share in benefits and claims on insurance contracts amounted to ₱10,524,539 and ₱6,770,262 in 2017 and 2016, respectively (see Note 19).

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#### 14. Other Current Liabilities

This account consists of:

|                         | 2017               | 2016        |
|-------------------------|--------------------|-------------|
| Accounts payable        | <b>₱16,799,858</b> | ₱6,905,312  |
| Accrued expenses        | <b>8,355,024</b>   | 1,602,757   |
| Statutory payables      | <b>957,784</b>     | 589,615     |
| Life insurance deposits | <b>544,576</b>     | 550,862     |
| Others                  | <b>545,149</b>     | 449,288     |
|                         | <b>₱27,202,391</b> | ₱10,097,834 |

Accounts payable pertains to the unpaid portion for the acquisition of land and unreleased claims which are payable within the next reporting year.

Accrued expenses comprise of collection cost, commission expense, 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 mainly include contributions to SSS, Pag-ibig and withholding taxes, 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.

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#### 15. 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 24, 2018 for the year ended December 31, 2017.

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:

|                      | 2017              | 2016       |
|----------------------|-------------------|------------|
| Current service cost | <b>₱1,381,400</b> | ₱1,019,276 |
| Net interest costs   | <b>136,816</b>    | 172,952    |
| Remeasurement loss   | <b>939,705</b>    | -          |
|                      | <b>₱2,457,921</b> | ₱1,192,228 |

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

|   | 2017               | 2016        |
|---|--------------------|-------------|
| Present value of defined benefit obligation | <b>₱10,267,914</b> | ₱7,898,149  |
| Fair value of plan assets                   | <b>(5,201,623)</b> | (5,289,779) |
|   | <b>₱5,066,291</b>  | ₱2,608,370  |

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

|                              | 2017               | 2016       |
|------------------------------|--------------------|------------|
| Balance at beginning of year | <b>₱7,898,149</b>  | ₱5,347,389 |
| Current service cost         | <b>1,381,400</b>   | 1,019,276  |
| Interest cost                | <b>399,646</b>     | 272,637    |
| Remeasurement loss           | <b>779,727</b>     | 1,258,847  |
| Benefits paid                | <b>(191,008)</b>   | -          |
| Balance at end of year       | <b>₱10,267,914</b> | ₱7,898,149 |

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

|                              | 2017              | 2016       |
|------------------------------|-------------------|------------|
| Balance at beginning of year | <b>₱5,289,779</b> | ₱400,000   |
| Interest income              | <b>262,830</b>    | 99,685     |
| Benefits paid                | <b>(191,008)</b>  | -          |
| Remeasurement loss           | <b>(159,978)</b>  | (157,295)  |
| Contribution                 | -                 | 4,947,389  |
| Balance at end of year       | <b>₱5,201,623</b> | ₱5,289,779 |

The categories of the plan assets follow:

|                                      | 2017           | 2016    |
|--------------------------------------|----------------|---------|
| Cash and cash equivalents            | <b>9.81%</b>   | 26.51%  |
| Investments in government securities | <b>89.22%</b>  | 72.69%  |
| Others                               | <b>0.97%</b>   | 0.80%   |
|                                      | <b>100.00%</b> | 100.00% |

The cumulative remeasurement loss as at December 31, 2017 and 2016 is as follows:

|                               | Note | 2017               | 2016       |
|-------------------------------|------|--------------------|------------|
| Balance at beginning of year  |      | <b>₱6,234,760</b>  | ₱4,818,618 |
| Transfer to profit or loss    | 21   | <b>(6,234,760)</b> | –          |
| Remeasurement loss (gain) on: |      |                    |            |
| Defined benefit obligation    |      | –                  | 1,258,847  |
| Plan assets                   |      | –                  | 157,295    |
|                               |      | <b>(6,234,760)</b> | 1,416,142  |
| Balance at end of year        |      | <b>₱–</b>          | ₱6,234,760 |

The cumulative remeasurement loss amounting to ₱6,234,760 was transferred to profit or loss in compliance with PFRF for Cooperatives (see Note 21).

The principal assumptions used in determining retirement liability follow:

|  | 2017            | 2016     |
|--|-----------------|----------|
| Discount rate                                | <b>5.11%</b>    | 5.06%    |
| Salary increase rate                         | <b>5.00%</b>    | 5.00%    |
| Average remaining working lives of employees | <b>19 years</b> | 20 years |

The sensitivity analysis of defined benefit obligation for principal assumptions used as at December 31, 2017 and 2016 follows:

| Principal assumptions | Effect on the Present Value of Defined Benefit Obligation |              |
|-----------------------|---|--------------|
|                       | 2017  | 2016         |
| Discount rate:        |   |              |
| Increase by 1%        | <b>(₱2,220,680)</b>                                       | (₱1,645,093) |
| Decrease by 1%        | <b>2,105,782</b>  | 1,559,980    |
| Salary rate:          |   |              |
| Increase by 1%        | <b>1,969,272</b>  | 1,455,474    |
| Decrease by 1%        | <b>(2,299,692)</b>  | (1,699,683)  |

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 |
|-------------|---------------------------|
| 2018        | ₱169,388                  |
| 2019        | 266,057                   |
| 2020        | 244,244                   |
| 2021 - 2026 | 51,964,677                |

## 16. Capital Stock

Movements in capital stock are as follow:

|                                   | Number of Shares |           | Amount         |              |
|-----------------------------------|------------------|-----------|----------------|--------------|
|                                   | 2017             | 2016      | 2017           | 2016         |
| <b>Authorized capital stock</b>   |                  |           |                |              |
| <b>Common - ₱100 par value</b>    |                  |           |                |              |
| Balance at beginning of year      | 7,500,000        | 7,500,000 | ₱750,000,000   | ₱750,000,000 |
| Increase                          | 5,000,000        | –         | 500,000,000    | –            |
| Balance at end of year            | 12,500,000       | 7,500,000 | ₱1,250,000,000 | ₱750,000,000 |
| <b>Preferred - ₱100 par value</b> |                  |           |                |              |
|                                   | 2,500,000        | 2,500,000 | ₱250,000,000   | ₱250,000,000 |
| <b>Issued and outstanding</b>     |                  |           |                |              |
| <b>Common</b>                     |                  |           |                |              |
| Balance at beginning of year      | 5,505,104        | 2,396,991 | ₱550,510,400   | ₱239,699,100 |
| Issuances                         | 2,108,502        | 3,108,113 | 210,850,200    | 310,811,300  |
| Withdrawals                       | (54,279)         | –         | (5,427,900)    | –            |
| Transfer from preferred stock     | 1,821,450        | –         | 182,145,000    | –            |
| Balance at end of year            | 9,380,777        | 5,505,104 | ₱938,077,700   | 550,510,400  |
| <b>Preferred</b>                  |                  |           |                |              |
| Balance at beginning of year      | 491,210          | 51,107    | 49,121,000     | 5,110,700    |
| Issuances                         | 1,397,511        | 444,503   | 139,751,100    | 44,450,300   |
| Withdrawals                       | (7,263)          | (4,400)   | (726,300)      | (440,000)    |
| Restoration                       | 69,507           | –         | 6,950,700      | –            |
| Transfer to common stock          | (1,821,450)      | –         | (182,145,000)  | –            |
| Balance at end of year            | 129,515          | 491,210   | 12,951,500     | 49,121,000   |
|                                   |                  |           | ₱951,029,200   | ₱599,631,400 |

### Increase in Authorized Capital Stock

On July 23, 2016, the Cooperative's BOD approved the increase in authorized capital stock from 10,000,000 consisting of 7,500,000 common shares with par value of ₱100 per share and 2,500,000 preferred shares with par value of ₱100 per share to 15,000,000 consisting of 12,500,000 common shares with par value of ₱100 per share and 2,500,000 preferred shares with par value of ₱100 per share. The CDA approved the increase in capital stock on August 31, 2017.

### Restoration of Preferred Stock

On April 15, 2016, the BOD approved the restoration of written down portion of all outstanding preferred shares of stocks as at December 21, 2015 amounting to ₱6,950,730 (see Note 17). In 2017, the Cooperative charged the restoration of preferred stock against general reserve fund as approved by the CDA.

### Transfer of Preferred Stock to Common Stock

In 2017, certain members transferred their shares from preferred stock to common stock with a total amount of ₱182,145,000.

## 17. 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:

|   | 2017                         |                           |                                 |                     |  | Balance at End of Year |
|---|------------------------------|---------------------------|---------------------------------|---------------------|--|------------------------|
|   | Balance at Beginning of Year | Additions                 |                                 | Disbursements       | Restoration of Preferred Stock (see Note 16) |                        |
|   |                              | Allocation of Net Surplus | Transfer of Revaluation Surplus |                     |  |                        |
| General reserve fund                    | ₱50,424,812                  | ₱16,780,130               | ₱-                              | ₱-                  | (₱6,950,730)                                 | ₱60,254,212            |
| Land and building fund                  | 22,723,521                   | 4,813,761                 | -                               | -                   | -  | 27,537,282             |
| Cooperative education and training fund | 17,006,807                   | 2,808,028                 | -                               | (7,453,386)         | -  | 12,361,449             |
| Community development fund              | 7,648,908                    | 4,813,761                 | -                               | (610,948)           | -  | 11,851,721             |
|   | <b>₱97,804,048</b>           | <b>₱29,215,680</b>        | <b>₱-</b>                       | <b>(₱8,064,334)</b> | <b>(₱6,950,730)</b>                          | <b>₱112,004,664</b>    |

|   | 2016                         |                           |                                 |                     |  | Balance at End of Year |
|---|------------------------------|---------------------------|---------------------------------|---------------------|--|------------------------|
|   | Balance at Beginning of Year | Additions                 |                                 | Disbursements       | Restoration of Preferred Stock (see Note 16) |                        |
|   |                              | Allocation of Net Surplus | Transfer of Revaluation Surplus |                     |  |                        |
| 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              |
|   | <b>₱70,134,602</b>           | <b>₱28,460,968</b>        | <b>₱544,886</b>                 | <b>(₱1,336,408)</b> | <b>₱-</b>                                    | <b>₱97,804,048</b>     |

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:

|   | 2017           |                     | 2016           |                     |
|---|----------------|---------------------|----------------|---------------------|
|   | Percentage     | Amount              | Percentage     | Amount              |
| Dividend and patronage refund payable   | 81.79%         | ₱131,243,029        | 75.47%         | ₱87,553,064         |
| General reserve fund                    | 10.46%         | 16,780,130          | 10.00%         | 11,601,403          |
| Optional fund                           | 3.00%          | 4,813,761           | 4.53%          | 5,258,162           |
| Community development fund              | 3.00%          | 4,813,761           | 3.00%          | 3,480,421           |
| Cooperative education and training fund | 1.75%          | 2,808,028           | 7.00%          | 8,120,982           |
|   | <b>100.00%</b> | <b>₱160,458,709</b> | <b>100.00%</b> | <b>₱116,014,032</b> |

Allocation of dividend and patronage refund payable consists of:

|                           | 2017                | 2016               |
|---------------------------|---------------------|--------------------|
| Interest on share capital | ₱82,683,108         | ₱43,776,532        |
| Experience refund         | 35,435,618          | 35,021,226         |
| Patronage refund          | 13,124,303          | 8,755,306          |
|                           | <b>₱131,243,029</b> | <b>₱87,553,064</b> |

The movements in dividend and patronage refund payable follow:

|   | Note | 2017                | 2016         |
|---|------|---------------------|--------------|
| Balance at beginning of year                |      | <b>₱105,944,535</b> | ₱69,705,049  |
| Allocation from net surplus during the year |      | <b>131,243,029</b>  | 87,553,064   |
| Conversion to capital stock                 |      | <b>(73,692,221)</b> | (48,787,710) |
| Payments during the year:                   |      |                     |              |
| Interest on share capital                   |      | <b>(7,123,198)</b>  | (1,187,829)  |
| Patronage and experience refund             |      | <b>(3,696,968)</b>  | (1,338,039)  |
| Restoration of preferred stock              | 16   | <b>6,950,730</b>    | –            |
| Balance at end of year                      |      | <b>₱159,625,907</b> | ₱105,944,535 |

#### 18. Net Insurance Premiums

This account consists of:

|  |  | 2017                | 2016         |
|--|--|---------------------|--------------|
| Gross premiums on insurance contracts:                     |  |                     |              |
| Group life   |  | <b>₱553,264,813</b> | ₱442,387,082 |
| Others   |  | –                   | 69,242       |
|  |  | <b>553,264,813</b>  | 442,456,324  |
| Reinsurers' share of gross premiums on insurance contracts |  | <b>(35,894,823)</b> | (26,443,378) |
|  |  | <b>₱517,369,990</b> | ₱416,012,946 |

#### 19. Benefits and Claims on Insurance Contracts

Benefits and claims on insurance contracts are as follows:

|                   | Note | 2017                | 2016         |
|-------------------|------|---------------------|--------------|
| Group life        |      | <b>₱179,855,850</b> | ₱162,775,066 |
| Ordinary life     |      | –                   | 168,644      |
|                   |      | <b>179,855,850</b>  | 162,943,710  |
| Reinsurers' share | 13   | <b>(10,524,539)</b> | (6,770,262)  |
|                   |      | <b>₱169,331,311</b> | ₱156,173,448 |

#### 20. Salaries and Benefits

This account consists of:

|                    | Note | 2017               | 2016        |
|--------------------|------|--------------------|-------------|
| Salaries and wages |      | <b>₱25,595,967</b> | ₱19,081,389 |
| Employee benefits  |      | <b>9,415,341</b>   | 6,049,475   |
| Retirement costs   | 15   | <b>2,457,921</b>   | 1,192,228   |
|                    |      | <b>₱37,469,229</b> | ₱26,323,092 |

**Key Management Compensation**

Compensation of key management personnel amounted to ₱4,036,351 and ₱3,438,854 in 2017 and 2016, respectively.

**21. General and Administrative Expenses**

This account consists of:

|                                   | 2017               | 2016               |
|-----------------------------------|--------------------|--------------------|
| Meetings and conferences          | ₱5,184,877         | ₱3,328,427         |
| Transportation and travel         | 2,714,654          | 2,185,088          |
| Honorarium and allowances         | 1,937,225          | 930,000            |
| Postage, telephone and telegram   | 1,802,005          | 1,878,121          |
| Utilities                         | 1,777,599          | 1,844,972          |
| Professional and consultancy fees | 1,581,927          | 1,792,626          |
| Networking and representation     | 1,489,220          | 1,355,005          |
| Printing, stationery and supplies | 1,022,558          | 1,097,714          |
| Security and maintenance services | 1,011,946          | 802,808            |
| Advertising and promotions        | 915,687            | 578,267            |
| Taxes and licenses                | 559,353            | 224,526            |
| Membership and association dues   | 410,837            | 677,119            |
| Repairs and maintenance           | 321,622            | 214,869            |
| Others                            | 6,446,260          | 2,265,457          |
|                                   | <b>₱27,175,770</b> | <b>₱19,174,999</b> |

Others include the effects of transfer to profit or loss of the following:

|   | Note | 2017              | 2016      |
|---|------|-------------------|-----------|
| Cumulative remeasurement loss on retirement liability | 15   | ₱6,234,760        | ₱-        |
| Cumulative unrealized gain on financial assets        | 8    | (858,151)         | -         |
|   |      | <b>₱5,376,609</b> | <b>₱-</b> |

**22. 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, reinsurance assets, financial assets at cost, financial assets at FVTPL, loans and receivables, financial assets at amortized cost, refundable deposits (presented under "Other current assets" account in the statements of financial condition), insurance contract liabilities, dividend and patronage refund payable, due to reinsurers and other current liabilities (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.

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 an 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.

The table below sets out the Cooperative's concentration of insurance risk based on types of policy:

| Type            | 2017            |                        |                     | 2016            |                        |                     |
|-----------------|-----------------|------------------------|---------------------|-----------------|------------------------|---------------------|
|                 | No. of Policies | Amount of Insurance    | Premiums            | No. of Policies | Amount of Insurance    | Premiums            |
| Group life      | 552,494         | ₱26,463,430,628        | ₱472,319,441        | 320,323         | ₱16,143,737,283        | ₱380,102,950        |
| Micro insurance | 32,432          | 612,059,500            | 15,003,383          | 12,174          | 315,867,000            | 7,927,654           |
| Group accident  | 1,684           | 83,680,000             | 628,598             | 12,241          | 3,472,000              | 1,571,542           |
| Permanent plans | 46              | 3,805,300              | 77,319              | 48              | 3,905,300              | 69,242              |
|                 | <b>586,656</b>  | <b>₱27,162,975,428</b> | <b>₱488,028,741</b> | <b>344,786</b>  | <b>₱16,466,981,583</b> | <b>₱389,671,388</b> |

The table below presents the concentration of risk by attained age based on data of inforce policies as of December 31, 2017. Exposures are concentrated on age brackets 18-35, 36-45 and 46-55.

| Attained Age | Gross of Reinsurance   |             |
|--------------|------------------------|-------------|
|              | Concentration          | Exposure    |
| 18-35        | ₱6,844,220,423         | 25%         |
| 36-45        | 7,869,647,447          | 29%         |
| 46-55        | 7,018,153,192          | 26%         |
| 56-65        | 4,675,044,929          | 17%         |
| 66-75        | 670,810,977            | 2%          |
| 76 and above | 85,098,460             | 0%          |
| <b>Total</b> | <b>₱27,162,975,428</b> | <b>100%</b> |

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 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 are 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 present value of the expected benefits less the presented 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. 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, future investment risk associated with certain policies currently in force exists 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 or industry 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.

**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 and equity products. These are all 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.

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

|   | 2017                  | 2016                  |
|---|-----------------------|-----------------------|
| Cash in banks and cash equivalents                    | P652,453,601          | P717,789,291          |
| Short-term investments                                | 333,477,637           | 66,390,666            |
| Insurance receivables                                 | 13,241,718            | 42,501,854            |
| Reinsurance assets                                    | 19,653,111            | 12,732,185            |
| Financial assets at cost                              | 78,743,050            | 38,220,122            |
| Financial assets at fair value through profit or loss | 11,070,824            | 10,691,106            |
| Financial assets at amortized cost                    | 258,759,083           | 109,989,453           |
| Loans and receivables                                 | 74,913,362            | 4,848,806             |
| Refundable deposits                                   | 584,973               | 554,834               |
|   | <b>P1,442,897,359</b> | <b>P1,003,718,317</b> |

*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, 2017 and 2016:

|   | 2017                          |                |                   |                           |             |                |
|---|-------------------------------|----------------|-------------------|---------------------------|-------------|----------------|
|   | Neither Past Due nor Impaired |                |                   | Past Due but not Impaired | Impaired    | Total          |
|   | High Grade                    | Standard Grade | Substandard Grade |                           |             |                |
| Cash in banks and cash equivalents                    | ₱652,453,601                  | ₱-             | ₱-                | ₱-                        | ₱-          | ₱652,453,601   |
| Short-term investments                                | 333,477,637                   | -              | -                 | -                         | -           | 333,477,637    |
| Insurance receivables                                 | 13,241,718                    | -              | -                 | -                         | 5,218,610   | 18,460,328     |
| Reinsurance assets                                    | 19,653,111                    | -              | -                 | -                         | -           | 19,653,111     |
| Financial assets at cost                              | 78,743,050                    | -              | -                 | -                         | 9,268,410   | 88,011,460     |
| Financial assets at fair value through profit or loss | 11,070,824                    | -              | -                 | -                         | -           | 11,070,824     |
| Financial assets at amortized cost                    | 258,759,083                   | -              | -                 | -                         | -           | 258,759,083    |
| Loans and receivables                                 | -                             | 74,913,362     | -                 | -                         | 16,775,019  | 91,688,381     |
| Refundable deposits                                   | 584,973                       | -              | -                 | -                         | -           | 584,973        |
|   | ₱1,367,983,997                | ₱74,913,362    | ₱-                | ₱-                        | ₱31,262,039 | ₱1,474,159,398 |

|   | 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                    | ₱717,789,291                  | ₱-             | ₱-                | ₱-                        | ₱-          | ₱717,789,291   |
| Short-term investments                                | 66,390,666                    | -              | -                 | -                         | -           | 66,390,666     |
| Insurance receivables                                 | 42,501,854                    | -              | -                 | -                         | 5,218,610   | 47,720,464     |
| Reinsurance assets                                    | 12,732,185                    | -              | -                 | -                         | -           | 12,732,185     |
| Financial assets at cost                              | 38,220,122                    | -              | -                 | -                         | 9,268,410   | 47,488,532     |
| Financial assets at fair value through profit or loss | 10,691,106                    | -              | -                 | -                         | -           | 10,691,106     |
| Financial assets at amortized cost                    | 109,989,453                   | -              | -                 | -                         | -           | 109,989,453    |
| Loans and receivables                                 | -                             | 4,848,806      | -                 | -                         | 16,775,019  | 21,623,825     |
| Refundable deposits                                   | 554,834                       | -              | -                 | -                         | -           | 554,834        |
|   | ₱998,869,511                  | ₱4,848,806     | ₱-                | ₱-                        | ₱31,262,039 | ₱1,034,980,356 |

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:

|                                       | 2017         |              |                   |                         |                       |
|---------------------------------------|--------------|--------------|-------------------|-------------------------|-----------------------|
|                                       | Total        | On Demand    | Due Within 1 Year | Due Within 1 to 5 years | Due 5 Years and Above |
| Insurance contract liabilities        | ₱279,171,020 | ₱-           | ₱279,171,020      | ₱-                      | ₱-                    |
| Dividend and patronage refund payable | 159,625,907  | 159,625,907  | -                 | -                       | -                     |
| Due to reinsurers                     | 12,251,844   | -            | 12,251,844        | -                       | -                     |
| Other current liabilities*            | 26,244,607   | 26,244,607   | -                 | -                       | -                     |
|                                       | ₱477,293,378 | ₱185,870,514 | ₱291,422,864      | ₱-                      | ₱-                    |

\*Excludes statutory payables

|                                       | 2016         |              |                      |                            |                          |
|---------------------------------------|--------------|--------------|----------------------|----------------------------|--------------------------|
|                                       | Total        | On Demand    | Due Within<br>1 Year | Due Within<br>1 to 5 years | Due 5 Years<br>and Above |
| Insurance contract liabilities        | ₱215,055,995 | ₱-           | ₱215,055,995         | ₱-                         | ₱-                       |
| Dividend and patronage refund payable | 105,944,535  | 105,944,535  | -                    | -                          | -                        |
| Due to reinsurers                     | 7,696,415    | -            | 7,696,415            | -                          | -                        |
| Other current liabilities*            | 9,508,219    | 9,508,219    | -                    | -                          | -                        |
|                                       | ₱338,205,164 | ₱115,452,754 | ₱222,752,410         | ₱-                         | ₱-                       |

\*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 BOD. 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:

|                                   | 2017         | 2016         |
|-----------------------------------|--------------|--------------|
| Cash in bank and cash equivalents | 1.25% - 4.5% | 1.25% - 1.5% |
| Short-term investments            | 1.75% - 7%   | 2.45% - 7%   |
| Fixed rate treasury notes         | 4.25%        | 3.18%        |
| Loans and receivables             | 6% - 8%      | -            |

### **23. Capital Management and Regulatory Framework**

#### **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, 2017 and 2016 follows:

|   | 2017                  | 2016                |
|---|-----------------------|---------------------|
| Capital stock   | P951,029,200          | P599,631,400        |
| Contributed surplus                                   | 85,298                | 85,298              |
| Revaluation surplus on land and building              | 6,150,000             | 6,755,702           |
| Cumulative unrealized gain on financial assets        | -                     | 858,151             |
| Cumulative remeasurement loss on retirement liability | -                     | (6,234,760)         |
| Statutory funds                                       | 112,004,664           | 97,804,048          |
|   | <b>P1,069,269,162</b> | <b>P698,899,839</b> |

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

#### **Regulatory Framework**

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

The operations of the Cooperative 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, RBC requirements).

#### **Minimum Statutory Net Worth Requirements**

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   |
|-----------------------------|-------------------|
| P250.0 million              | June 30, 2013     |
| 550.0 million               | December 31, 2016 |
| 900.0 million               | December 31, 2019 |
| 1.3 billion                 | December 31, 2022 |

Pursuant to Section 202 of the Code, details of admissibility and inadmissibility of assets and liabilities as at December 31, 2017 are as follows:

|  | Admitted     | Non-admitted |
|--|--------------|--------------|
| Cash and cash equivalents                            | P647,824,772 | P56,191,567  |
| Short-term investments                               | 135,552,190  | 197,925,447  |
| Insurance receivables                                | 13,241,718   | -            |
| Reinsurance assets                                   | 19,653,111   | -            |
| Loans and receivables                                | 67,534,868   | 7,378,494    |
| Financial asset at cost                              | 78,743,050   | -            |
| Financial asset at fair value through profit or loss | 8,070,989    | 2,999,835    |
| Financial asset at amortized cost                    | 258,759,083  | -            |

(Forward)

|                                       | <b>Admitted</b> | <b>Non-admitted</b> |
|---------------------------------------|-----------------|---------------------|
| Property and equipment                | P52,755,667     | P4,695,345          |
| Other current assets                  | -               | 1,260,479           |
| Insurance contract liabilities        | 279,171,020     | -                   |
| Dividend and patronage refund payable | 159,625,907     | -                   |
| Due to reinsurers                     | 12,251,844      | -                   |
| Net retirement liabilities            | 5,066,291       | -                   |
| Other current liabilities             | 27,202,391      | -                   |

Pursuant to the Code and related circulars, cash and cash equivalents and short-term investments to commercial banks and cooperative banks (with limit of P500,000), insurance receivables within 90 days, reinsurance assets, accrued interest, loans and receivables within 90 days, listed equity securities and investments in cooperative banks (with limit of P 500,000), real estate properties and electronic data processing machines and security fund, which are readily realizable and available for the payment of losses and claims, are considered as admitted assets. Insurance contract liabilities, dividend and patronage refund payable, due to reinsurers, net retirement liabilities and other payables are considered as admitted liabilities.

Cash and cash equivalents and short-term investments to cooperative banks in excess of P500,000, insurance receivables beyond 90 days, loans and receivables beyond 90 days, receivables from closed banks and advances to officers and employees, investments in cooperatives, office furniture and fixtures, office equipment, motor vehicles and other assets are generally non-admitted assets.

As at December 31, 2017, the Cooperative's estimated net worth is P798,817,995 which is in compliance with the minimum statutory net worth requirement as provided by the Code.

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, 2017 and 2016, the Cooperative has complied with the minimum paid-up capital and statutory net worth requirements required by IC.

#### **RBC Requirements**

The Amended Insurance Code provides that the Commissioner may require the adoption of the RBC approach and other internationally accepted forms of capital framework. Together with the insurance industry, the IC is currently in the process of adopting a new RBC approach that would be more tailored to the Philippine insurance industry. In 2016, the IC issued CL 2016-68 regarding the Amended RBC framework to be known as "RBC2 Framework" which was effective starting January 1, 2017.

CL 2016-68 provides for the RBC2 framework for the life insurance industry which establishes the required amounts of capital to be maintained by the insurance companies in relation to their investment and insurance risks. Every life insurance company is annually required to maintain an RBC ratio of at least 100% and not to fail the trend test. Failure to meet the minimum RBC ratio shall subject the insurance company to regulatory intervention which could be at various levels depending on the degree of the violation.

The RBC ratio shall be calculated as total available capital (TAC) divided by the RBC requirement. TAC is the aggregate of Tier 1 and Tier 2 capital minus deductions, subject to applicable limits and determinations. Tier 1 Capital represents capital that is fully available to cover losses of the insurer at all times on a going-concern and winding up basis. Tier 2 Capital which includes reserve for appraisal increment and remeasurement gains or losses on retirement pension asset or obligation shall not exceed 50% of Tier 1 Capital. RBC requirement shall be computed based on the formula provided in the Circular and shall include asset default risk, insurance pricing risk, interest rate risk and general business risk.

Every life insurance company is annually required to maintain a minimum RBC ratio of 100% and not fail the trend test. The trend test has failed, in the event that all have occurred:

- a. The RBC ratio is less than 125% but is not below 100%;
- b. The RBC ratio has decreased over the past year; and
- c. The difference between RBC ratio and the decrease in the RBC ratio over the past year is less than 100%

Failure to meet the RBC ratio shall subject the insurance company to the corresponding regulatory intervention which has been defined at various levels.

The following table shows how the RBC ratio as at December 31, 2017 and 2016 was determined by the Cooperative based on its internal calculations:

|                 | 2017        | 2016        |
|-----------------|-------------|-------------|
| Net worth       | 798,817,995 | 605,129,719 |
| RBC requirement | 20,454,083  | 11,298,835  |
| RBC ratio       | 3905%       | 5356%       |

The final amount of the RBC ratio can be determined only after the accounts of the Cooperative have been examined by the Insurance Commission specifically for the determination of admitted and non-admitted assets as defined under the Insurance Code.

#### Financial Reporting Framework (FRF) and Valuation Standards

The IC issued CL No. 2016-65, Financial Reporting Framework, under Section 189 of The Insurance Code (RA No. 10607). Whereas, the FRF will adopt the economic valuation of assets and liabilities based on internationally accepted accounting, actuarial and insurance core principles.

IC also released CL No. 2016-66, Valuation Standards for Life Insurance Policy Reserves, pursuant to Sections 216 and 423 of The Insurance Code. Where appropriate, the life insurance policy reserves shall be valued using the Gross Premium Valuation (GPV) considering other assumptions such as morbidity, lapse and/or persistency, expenses, non-guaranteed benefits and margin for adverse deviation. IC decided to treat the change in the basis of valuation as a change in accounting policy and shall be retrospectively applied in its regulatory financial reporting requirements. However, for purposes of compliance with PFRF for Cooperatives, the effects of the change in valuation model is recognized in the current period.

FRF and Valuation Standards are effective starting January 1, 2017. Moreover, the IC provides the submission of the regulatory requirements for the following covered period and corresponding submission date starting 2017:

| Period Covered     | Submission Date  |
|--------------------|------------------|
| As of 31 March     | 31st of May      |
| As of 30 June      | 31st of August   |
| As of 30 September | 30th of November |
| As of 31 December  | 30th of April    |

#### 24. 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, 2017 and 2016.

|   | 2017                  |                       | 2016                  |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
|   | Fair Value            | Carrying Amount       | Fair Value            | Carrying Amount       |
| <b>Financial Assets</b>                               |                       |                       |                       |                       |
| Cash and cash equivalents                             | P704,016,339          | P704,016,339          | P738,363,848          | P738,363,848          |
| Short-term investments                                | 333,477,637           | 333,477,637           | 66,390,666            | 66,390,666            |
| Insurance receivables                                 | 13,241,718            | 13,241,718            | 42,501,854            | 42,501,854            |
| Reinsurance assets                                    | 19,653,111            | 19,653,111            | 12,732,185            | 12,732,185            |
| Financial assets at cost                              | 78,743,050            | 78,743,050            | 38,220,122            | 38,220,122            |
| Financial assets at fair value through profit or loss | 11,070,824            | 11,070,824            | 10,691,106            | 10,691,106            |
| Financial assets at amortized cost                    | 258,759,083           | 258,759,083           | 109,989,453           | 109,989,453           |
| Loans and receivables                                 | 74,913,363            | 74,913,363            | 4,848,806             | 4,848,806             |
| Refundable deposits                                   | 584,973               | 584,973               | 554,834               | 554,834               |
|   | <b>P1,494,460,098</b> | <b>P1,494,460,098</b> | <b>P1,024,292,874</b> | <b>P1,024,292,874</b> |



|                                       | 2017                |                     | 2016         |                 |
|---------------------------------------|---------------------|---------------------|--------------|-----------------|
|                                       | Fair Value          | Carrying Amount     | Fair Value   | Carrying Amount |
| <b>Financial Liabilities</b>          |                     |                     |              |                 |
| Insurance contract liabilities        | <b>₱279,171,020</b> | <b>₱279,171,020</b> | ₱215,055,995 | ₱215,055,995    |
| Dividend and patronage refund payable | <b>159,625,907</b>  | <b>159,625,907</b>  | 105,944,535  | 105,944,535     |
| Due to reinsurers                     | <b>12,251,844</b>   | <b>12,251,844</b>   | 7,696,415    | 7,696,415       |
| Other current liabilities*            | <b>26,244,607</b>   | <b>26,244,607</b>   | 9,508,219    | 9,508,219       |
|                                       | <b>₱477,293,378</b> | <b>₱477,293,378</b> | ₱338,205,164 | ₱338,205,164    |

\*Excludes statutory payables

*Cash and Cash Equivalents, Short-term Investments, Insurance Receivables, Reinsurance Assets, Financial Assets at Cost, Loans and Receivables, Reinsurance Assets, Refundable Deposits, Insurance Contract Liabilities, Dividend and Patronage Refund Payable, Due to Reinsurers and Other Current Liabilities.* The fair values of these financial assets and financial liabilities approximate their carrying amounts due to its short-term nature of these financial instruments.

*Financial Assets at FVTPL and Amortized Cost.* 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 2017 and 2016, there were no transfers within any hierarchy level of fair value measurement.

## AUDIT COMMITTEE REPORT

For the Year Ending December 31, 2017

### The General Assembly


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

We have examined the compliance to the industry standards of the 1 Cooperative Insurance System of the Philippines Life and General Insurance for the year ending December 31, 2017. Our responsibility is to render a report on the company's compliance to said standards based on our examination.


In our opinion, based on the report rendered by REYES TACANDONG & CO. and in accordance with the CDA CAPR and Social Audit, the 1 Cooperative Insurance System of the Philippines Life and General Insurance obtained the following ratings for the year ending December 31, 2017.

|                      | Rating            | Report Rendered |
|----------------------|-------------------|-----------------|
| Financial Statements |                   | Unqualified     |
| CDA CAPR             | Satisfactory      |                 |
| CDA Social Audit     | Very Satisfactory |                 |
| ACGS                 | Satisfactory      |                 |

We conducted our examination in accordance with the Cooperative Development Authority (CDA) Cooperative Annual Progress Report (CAPR), the Guidelines on Social Audit of Cooperatives, Asean Corporate Governance Scorecard 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 1 Cooperative Insurance System of the Philippines Life and General Insurance complies with the standards set by the governing/regulating agencies. The examination included validating the Cooperative Performance Report, accomplishing the Social Audit Questionnaires and calculating the points earned by the 1 Cooperative Insurance System of the Philippines Life and General Insurance based on parameters/criteria set forth under the CDA and Insurance Commission guidelines. We believe that our examination provided a reasonable basis to render a rating on the Insurance Company's Performance.

  
WILMA L. GIDAYA  
Chairperson

  
JESSE J. STO DOMINGO  
Vice Chairman

  
GINA B. VALENTE  
Secretary

# 2018 PROPOSED BUDGET

|                                   | BUDGET 2017  | VA     | ACTUAL 2017  | VA      | VARIANCE     | PROPOSED BUDGET 2018 | VA      |
|-----------------------------------|--------------|--------|--------------|---------|--------------|----------------------|---------|
| <b>REVENUES</b>                   |              |        |              |         |              |                      |         |
| Gross premiums                    | 505,000,000  |        | 553,264,813  |         | 48,264,813   | 719,300,000          |         |
| Reinsurance Premium               | (22,000,000) |        | (35,894,823) | 6.49%   | (13,894,823) | (46,700,000)         | 6.49%   |
| <i>Net Insurance Premiums</i>     | 483,000,000  | 100.0% | 517,369,990  | 100.00% | 34,369,990   | 672,600,000          | 100.00% |
| Investment Income                 | 12,000,000   | 2.5%   | 15,283,600   | 2.95%   | 3,283,600    | 25,300,000           | 3.76%   |
| Other Income                      | 2,000,000    | 0.4%   | 2,295,748    | 0.44%   | 295,748      | 1,100,000            | 0.16%   |
|                                   | 497,000,000  | 102.9% | 534,949,338  | 103.40% | 37,949,338   | 699,000,000          | 103.93% |
| <b>BENEFITS AND EXPENSES</b>      |              |        |              |         |              |                      |         |
| Increase (decrease) in LPR        | 50,000,000   | 10.4%  | 53,000,000   | 10.24%  | 3,000,000    | 67,300,000           | 10.01%  |
| Gross benefits and claims paid    | 172,000,000  | 35.6%  | 169,331,311  | 32.73%  | (2,668,689)  | 220,200,000          | 32.74%  |
| Net Insurance benefits and claims | 222,000,000  | 46.0%  | 222,331,311  | 42.97%  | 331,311      | 287,500,000          | 42.74%  |
| Commission                        | 67,700,000   | 13.4%  | 84,230,952   | 15.22%  | 16,530,952   | 107,600,000          | 16.00%  |
| Compensation and Benefits         | 44,700,000   | 9.3%   | 42,856,838   | 8.28%   | (1,843,162)  | 66,600,000           | 9.90%   |
| Utilities                         | 4,800,000    | 1.0%   | 3,156,005    | 0.61%   | (1,643,995)  | 4,700,000            | 0.70%   |
| Depreciation                      | 3,300,000    | 0.7%   | 3,283,367    | 0.63%   | (16,633)     | 9,000,000            | 1.34%   |
| Postage, Telephone & Telegram     | 2,300,000    | 0.5%   | 1,802,005    | 0.35%   | (497,995)    | 2,500,000            | 0.37%   |
| Travelling Expenses               | 2,900,000    | 0.6%   | 2,714,654    | 0.52%   | (185,346)    | 3,500,000            | 0.52%   |
| Professional, Legal & Audit Fee   | 3,000,000    | 0.6%   | 2,141,279    | 0.41%   | (858,721)    | 3,000,000            | 0.45%   |
| Printing, Stationery & Supplies   | 1,500,000    | 0.3%   | 1,022,558    | 0.20%   | (477,442)    | 1,600,000            | 0.24%   |
| Officers Honorarium and Allowance | 1,200,000    | 0.2%   | 1,937,225    | 0.37%   | 737,225      | 2,500,000            | 0.37%   |
| Conference and Sales Meeting      | 2,900,000    | 0.6%   | 2,586,111    | 0.50%   | (313,889)    | 2,800,000            | 0.42%   |
| Representation and Entertainment  | 2,000,000    | 0.4%   | 1,489,220    | 0.29%   | (510,780)    | 2,100,000            | 0.31%   |
| Membership and Association Dues   | 1,000,000    | 0.2%   | 410,837      | 0.08%   | (589,163)    | 1,000,000            | 0.15%   |
| Board Meeting Expenses            | 1,300,000    | 0.3%   | 1,418,526    | 0.27%   | 118,526      | 2,300,000            | 0.34%   |
| General Assembly Expenses         | 1,200,000    | 0.2%   | 1,180,240    | 0.23%   | (19,760)     | 3,500,000            | 0.52%   |
| Provisions                        | 1,200,000    | 0.2%   | -            | 0.00%   | (1,200,000)  | 1,000,000            | 0.15%   |
| Advertising/Donation Expenses     | 1,700,000    | 0.4%   | 1,330,908    | 0.26%   | (369,092)    | 1,800,000            | 0.27%   |
| General and admin expenses        | 1,300,000    | 0.3%   | 609,593      | 0.12%   | (690,407)    | 800,000              | 0.12%   |
|                                   | 366,000,000  | 75.8%  | 374,501,629  | 72.39%  | 8,501,629    | 503,800,000          | 74.90%  |
| <b>NET SURPLUS (LOSS)</b>         | 131,000,000  | 25.9%  | 160,447,709  | 31.01%  | 29,447,709   | 195,200,000          | 29.02%  |

# 2018 CAPITAL OUTLAY

|   | Amount     | Qty | Amount               |
|---|------------|-----|----------------------|
| <b><u>Computer / IT Equipment</u></b>   |            |     |                      |
| Desktop/Laptop  | 40,000.00  |     |                      |
| Head Office (Vacant Position)   |            | 10  | 400,000              |
| Branch Office   |            | 8   | 320,000              |
| Printer   | 10,000.00  |     |                      |
| Head Office   |            | 5   | 50,000               |
| Branch Office   |            | 2   | 20,000               |
| Regions   |            | 5   | 50,000               |
| Router  | 10,000.00  | 3   | 30,000               |
| Software for ICARD  |            |     | 250,000              |
| Projector   | 50,000.00  | 4   | 200,000              |
| Sophos Cloud Endpoint Protection Advance (Anti-virus)<br>Integrated Software (Branch Office & Non Life) |            |     | 200,000<br>3,000,000 |
| Server  | 300,000.00 |     |                      |
| Head Office   |            | 2   | 600,000              |
| Branch Office   |            | 2   | 600,000              |
| Sub-Total   |            |     | <b>5,720,000</b>     |
| <b><u>Office Equipment</u></b>  |            |     |                      |
| Aircon (inverter)   |            |     |                      |
| Head Office   | 70,000.00  | 7   | 490,000              |
| Branch Office   | 70,000.00  | 4   | 280,000              |
| Regional Office   | 70,000.00  | 3   | 210,000              |
| Emergency Light   | 5,000.00   | 11  | 55,000               |
| Photocopying machine  |            |     |                      |
| Head Office   |            | 1   | 100,000              |
| Branch Office   |            | 1   | 100,000              |
| Sub-Total   |            |     | <b>1,235,000</b>     |

|   | Amount       | Qty | Amount                       |
|---|--------------|-----|------------------------------|
| <b><u>Office Furniture &amp; Fixtures</u></b>                 |              |     |                              |
| Head Office (for the new building)                            |              |     | 32,000,000.00                |
| Branch Office (for the newly renovated building)              |              |     | 1,000,000.00                 |
| Sub-Total   |              |     | <u><u>33,000,000.00</u></u>  |
| 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                   |
| Sub-Total   |              |     | <u><u>476,000.00</u></u>     |
| <b><u>Building/Improvements</u></b>                           |              |     |                              |
| Head Office (newly acquired land)<br>Construction of Building |              |     | 75,000,000.00                |
| Branch Office<br>Renovation of Building                       |              |     | 4,000,000.00                 |
| Sub-Total   |              |     | <u><u>79,000,000.00</u></u>  |
|   | <b>TOTAL</b> |     | <u><u>119,431,000.00</u></u> |

# CISP'S STRATEGIC PLAN (2018-2022)

## I. VISION

*A globally competitive Cooperative Insurance System*

## II. MISSION

*To build a society whose stakeholders are fully protected and empowered through a viable and sustainable cooperative insurance system"*

## III. STRATEGIC GOALS

1. Strategic Financial Goal  
20-40% increase in gross revenues for the 5-year period
2. Strategic Membership Goal  
Increase new members and patronizing cooperatives
3. Strategic Organizational Goal  
To become a preferred employer in the insurance industry by 2022

## IV. AREAS FOR CONCENTRATION

1. Financial Stability
2. Customer Perspective
3. Internal Process Perspective
4. Learning And Growth Perspective

## V. FINANCIAL PERSPECTIVE

Increase gross revenues, profitability rate, and number of member and patronizing cooperatives

|      |  |
|------|--|
| 2018 | <ul style="list-style-type: none"><li>• Increase gross revenues by 20%</li><li>• Increase net surplus by 20%</li><li>• Generate 400 new members, 240 of which are patronizing cooperatives</li></ul> |
| 2019 | <ul style="list-style-type: none"><li>• Increase gross revenues by 25%</li><li>• Increase net surplus by 25%</li><li>• Generate 480 new members, 290 of which are patronizing cooperatives</li></ul> |
| 2020 | <ul style="list-style-type: none"><li>• Increase gross revenues by 30%</li><li>• Increase net surplus by 30%</li><li>• Generate 600 new members, 350 of which are patronizing cooperatives</li></ul> |
| 2021 | <ul style="list-style-type: none"><li>• Increase gross revenues by 35%</li><li>• Increase net surplus by 35%</li><li>• Generate 690 new members, 420 of which are patronizing cooperatives</li></ul> |
| 2022 | <ul style="list-style-type: none"><li>• Increase gross revenues by 40%</li><li>• Increase net surplus by 40%</li><li>• Generate 830 new members, 500 of which are patronizing cooperatives</li></ul> |

NOTE: Marketing personnel set annual target will be broken down per product.  
Non-Coop Market will be included in the target gross revenue and net surplus.

## VI. CUSTOMER PERSPECTIVE

Create CISP brand as an insurance of choice

|      |   |
|------|---|
| 2018 | <ul style="list-style-type: none"><li>• Availability of wide range of selection of risk protection and mitigation solutions</li><li>• Availability of new payment facility for Claims Settlement (Online Banking)</li></ul> |
|------|---|

|      |   |
|------|---|
|      | <ul style="list-style-type: none"> <li>• Implement newly approved Customer Service (Handling Objections) Manual – include here Social Media Strategies (Contents Strategy and Response Strategy)</li> <li>• Establish new CISP Head Office (Green Building) and fully operating branches in Cagayan De Oro &amp; North Luzon</li> </ul>   |
| 2019 | <ul style="list-style-type: none"> <li>• Provide more accessibility to wide range of selection of risk protection and mitigation solutions through digital technology (website and IOS/Android Application)</li> <li>• Utilize web application as part of Information Management System (IMS) to keep agents and customers updated of insurance applications</li> <li>• Availability of new premium payment facility for Group Life Insurance (Online Banking)</li> <li>• Design and Implement Customers Rewards System</li> <li>• Establish fully operating branches in Davao and Cebu City</li> </ul> |
| 2020 | <ul style="list-style-type: none"> <li>• Availability of new premium payment facility for Individual Life Insurance (Bills Payment Facilities)</li> <li>• Establish fully operating branches in South Luzon</li> <li>• Form merger and alliances domestically</li> </ul>  |
| 2021 | <ul style="list-style-type: none"> <li>• Promote CISP as an insurance of choice</li> <li>• Scan opportunities in the ASEAN Market</li> </ul>  |
| 2022 | <ul style="list-style-type: none"> <li>• CISP is recognized as financially stable insurance cooperative</li> <li>• Form alliances in the ASEAN Market</li> </ul>  |

**VII. INTERNAL PROCESS PERSPECTIVE**

To enhance CISP policies and procedures for more efficient and effective delivery of CISP products and services.

|      |   |
|------|---|
| 2018 | <ul style="list-style-type: none"> <li>• Implement newly approved Standard Operations Policies and Procedures (SOPP)</li> <li>• Implement new Information Management System</li> <li>• Implement Business Continuity Plan as stated in the Manual</li> <li>• Installation of Research and Development <ul style="list-style-type: none"> <li>- Impact Measurement System</li> <li>- Capability Building</li> <li>- Product Development</li> </ul> </li> <li>• Development of New Distribution Channels (like KIN, Telemarketing)</li> <li>• Protective Strategy – Fund Management Capability Development</li> </ul> |
| 2019 | <ul style="list-style-type: none"> <li>• Employer Branding</li> <li>• Standardize Marketing Collaterals.</li> <li>• Be ISO Certified (Actuarial and Reinsurance, Underwriting Department, Claims Department)</li> </ul>   |
| 2020 | <ul style="list-style-type: none"> <li>• Strong Investment Group and Asset Management Group</li> <li>• Be ISO Certified (other departments)</li> </ul>  |
| 2021 | <ul style="list-style-type: none"> <li>• Investing in Real Estate Development</li> <li>• Be ISO Certified <ul style="list-style-type: none"> <li>- CISP Branches (Cagayan de Oro and North Luzon)</li> </ul> </li> </ul>  |
| 2022 | <ul style="list-style-type: none"> <li>• Be ISO Certified <ul style="list-style-type: none"> <li>- CISP Branches (Davao, Cebu and South Luzon)</li> </ul> </li> </ul>   |

**VIII. LEARNING AND GROWTH PERSPECTIVE**

To increase employee and marketing personnel competency on their assigned positions.

|      |   |
|------|---|
| 2018 | <ul style="list-style-type: none"> <li>• Budget Support for Manpower Plan, HR Plan, and Physical (Facilities and Service) Plan</li> <li>• All Supervisors and Managers have attended and completed CISP Management Development Program (MDP) both internal and external.</li> <li>• All Supervisors and Managers have attended at least one international training.</li> <li>• Structured Marketing Set-up is implemented.</li> <li>• Develop and implement training programs for life and non-life that will increase number of Marketing Personnel</li> <li>• Enroll all Department Heads in Toastmasters Club.</li> <li>• Continuous Training Development Program of employees and marketing personnel.</li> </ul> |
|------|---|

|      |   |
|------|---|
|      | <ul style="list-style-type: none"> <li>Structured training programs for member-cooperatives to enhance efficiency and effectiveness in the delivery of services to their individual members.</li> </ul>   |
| 2019 | <ul style="list-style-type: none"> <li>Formulate succession plan that will provide personnel to attend and complete the CISP supervisory program</li> <li>CISP-led initiatives to empower member coops to mitigate/adapt to/manage global warming effects.</li> </ul> |
| 2020 | <ul style="list-style-type: none"> <li>Continuous Training Development Program of employees and marketing personnel.</li> </ul>   |
| 2021 | <ul style="list-style-type: none"> <li>Continuous Training Development Program of employees and marketing personnel.</li> </ul>   |
| 2022 | <ul style="list-style-type: none"> <li>Full complement of in-house Actuary</li> <li>Continue Training Development Program of employees and marketing personnel.</li> </ul>  |

**IX. REBRANDING OF CISP IMAGE**

\* Change of CISP Logo and related collaterals





# 43<sup>rd</sup> Annual General Assembly

**PEOPLE,  
PURPOSE,  
PASSION:**

*Key to Continuous Growth and Success*



April 8, 2017 • SARABIA MANOR HOTEL & CONVENTION CENTER  
No. 101, Gen. Luna St. Iloilo City, Philippines



The 1CISP Board of Directors, officers, employees & agents gamely posed for a souvenir photo after the successful 43rd General Assembly.

# OWNERS FORUM 2017

1CISP conducted series of owner's fora in different parts of the country.



**Butuan**



**Malolos, Bulacan**



**Dagupan, Pangasinan**



**Naga**



**Dipolog**



**General Santos**



**Palawan**



**Laoag**



**Romblon**



**Subic**



**Leyte**



**Tarlac**



**Tuguegarao**



# Insurance Benefits



True to its promise of "Securing Lives, Securing Future" these photos show the beneficiaries receiving from the 1CISP the claims benefits of the insurance policy of their deceased loved-ones.

## CSR Activities



**Reducing Child Mortality and Maternal Health Awareness**, held in Nabuklod, Pampanga October 13, 2017



**YOUTH LEADERSHIP**, held in Perez, Quezon on November 27-29, 2017

**Improving Quality of Life through Health & Sanitation Seminar**, held in Brgy. Tumana, Sta. Maria Bulacan.



**AIDS AWARENESS** The 1 CISP in partnership with Hospicio de San Jose, a Roman Catholic welfare institution in Manila, conducted campaign to 80 students of Krus na Ligas High School on December 1, 2017



**1CISP cares for the environment** The 1CISP employees planted 700 seedlings of fruit trees on September 23, 2017 at Brgy. San Antonio, Tanay Rizal.

These pictures show 1CISP's way of practicing the 7th Cooperative Principle - Concern for Community

# MARKETING TRAININGS & CONFERENCE



HIGH IMPACT LEADERSHIP FOR ORGANIZATIONAL EXCELLENCE



SALES EFFECTIVENESS WITH STRONG NEGOTIATION SKILL

## EMPLOYEES ENGAGEMENT

### HEALTH & WELLNESS

### HR ORIENTATION



### SPORTS FEST

### TEAM BUILDING



### FIRST AID SEMINAR



# LOCAL TRAININGS 2017

## General Insurance Financial Condition Acumen for Executives Seminar

February 13, 2017

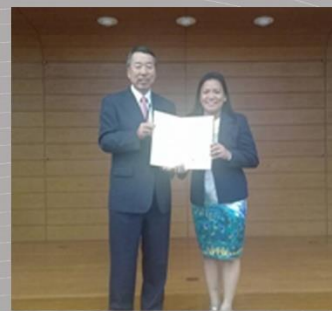
Course Leader : Ms. Wenli Yee & Mr. Joel Perlado



INSURANCE INSTITUTE FOR ASIA AND THE PACIFIC, INC.



# INTERNATIONAL TRAININGS 2017



Financing Skills Development  
Le financement du développement des compétences





# Board of Directors

**BGen. Teodoro P. Evangelista (Ret)**  
Chairperson

**Imelda S. Magabilen**  
Vice Chairperson

**Senen C. Bacani**  
Director

**Rolan F. Literatus**  
Director

**Nestor D. Ortigoza**  
Director

**Engr. Raymond Joseph L. Salvador**  
Director

**Benjamin T. Que**  
Director

**Engr. Armen A. Cuenca, MPA**  
Independent Director



**Leonila R. Medina**  
Treasurer



**Atty. Lyman A. Manzanares**  
Corporate Secretary

# Board of Directors



## **BGEN. TEODORO P. EVANGELISTA (Ret)** *Chairperson*

BS Electronics and Communication Engineering (University of the East)  
Master in National Security Administration (De La Salle University)  
Master in National Security Administration (National Defense College of the Philippines)  
Doctor in Business Administration (24 units De La Salle University)  
Officer – Pilot Training (PAF Flying School, AFP)

### **Present Positions**

- BGen. Evangelista has been serving as the 1CISP Chairman since April 5, 2014 up to present. His term as 1CISP director will end in 2018.
- ACDI Multipurpose Cooperative Director, June 2015 - present
- Cooperative Health Management Federation Director, 2014 - present
- Leading Edge Air Services Corp. Director, 2017 - present

### **Past Positions**

- ACDI Multipurpose Cooperative, President, June 2015 - March 2016
- ACDI Multipurpose Cooperative, Board of Director, 2012 - 2014
- ACDI Multipurpose Cooperative, EVP for Operations, January - December 2011
- Consolidated Coop Bank, Board of Director, April 2016 - May 2017

## **IMELDA S. MAGABILEN** *Vice-Chairperson*

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

### **Present Positions**

- Vice-Chair Magabilen has been serving as 1CISP director since May 2008. She was elected as 1CISP Vice-Chairperson on April 18, 2015. Her term of office will end in 2018.
- General Manager, United Sugarcane Planters of Davao (USPD) Savings and Credit Cooperative (2003-present)/ USPD Multi-Purpose Cooperative (1984 - present)
- Vice - Chairman, Model Cooperative Network (May 2017 - present)
- Vice - Chairman, Consolidated Cooperative Bank (May 2017 - present)

### **Past Positions**

- Board of Director, 1 CISP (Year 2010)
- Chairman, Model Cooperative Network (Year 2011)
- Board of Director, Cooperative Bank of Davao Del Sur (Year 2007)



## **SENEN C. BACANI**

*Director*

Bachelor of Science in Commerce (De La Salle University)  
Master in Business Administration (University of Hawaii East-West Center  
Scholarship)  
Advance Management Program (Carnegie Mellon University)

### **Present Positions**

- Dir. Bacani has been serving as 1CISP director since May 24, 2008. His term of office will end in 2018.
- President, Ultrex Management & Investments Corp. (1993 - present)
- Chairman, Ramon Magsaysay Award Foundation, Inc. (2017 - present)
- Chairman, NCM Advocacy Cooperative (1999 - present)

### **Past Positions**

- Secretary, Department of Agriculture (1990 - 1992)
- Country Manager - Philippines, Costa Rica, Dole Food Company (1983-1989, 1978-1982)
- Chairman, Philippine Cooperative Center (2003 - 2008)
- Chairman & President, La Frutera, Inc. (1996 - 2016)



## **BENJAMIN T. QUE**

*Director*

Bachelor of Science in Marine Biology (Xavier University)

### **Present Positions**

- Dir. Que has been serving as 1CISP director since June 1, 2013. His term of office will end in 2018.
- Vice - Chairman, First Community Cooperative (FICCO)
- Chairman, R&B insurance, 2017 - present
- Education Committee Officer, FICCO, 2008 - present

### **Past Positions**

- Chairman, First Community Cooperative (2016)
- Treasurer, First Community Cooperative (2012 - 2015)
- Credit Committee Officer, FICCO (2005 - 2010)





## **ENGR. RAYMOND JOSEPH L. SALVADOR**

*Director*

Bachelor of Science in Civil Engineering (De La Salle University)  
Master in Business Administration (De La Salle - Graduate School of Business)

### **Present Positions**

- Dir. Salvador has been serving as ICISP director since April 16, 2016. His term of office will end in 2018.
- President, Danlilia Construction Corporation (2013 - present)
- Director, San Dionisio Credit Cooperative (2013 - present)

### **Past Positions**

- President, Danlilia Construction Corporation
- Director, San Dionisio Credit Cooperative

## **NESTOR D. ORTIGOZA**

*Director*

Bachelor of Arts Major in English, Minor in Philosophy, St. Francis Xavier College Seminary

24 Units Pastoral Theology, St. Francis Xavier Regional Major Seminary

18 Units MBA, University of South Eastern Philippines

### **Present Positions**

- Dir. Ortigoza has been elected as ICISP director since April 8, 2017. He will serve for a term of two (2) years.
- General Manager, King Multipurpose Cooperative (2008 - present)
- Member, Davao City Chamber of Commerce and Industry Inc. (DCCCI) (2008 - present)
- Member, Brotherhood of Christian Businessmen and Professionals (2008 - present)

### **Past Positions**

- General Manager, Community Health and Development Cooperative Hospital (2003 - September 15, 2005)
- Assistant General Manager, Davao Cooperative Bank (1998 - 2001)
- Grameen Banking Manager, Davao Cooperative Bank (1993 - 1998)
- Executive Director, Provincial Cooperative Union of Davao (1992 - 1993)



## **ROLAN F. LITERATUS**

*Director*

Bachelor of Science in Accountancy (Xavier University - Ateneo de Cagayan)

Master's in Business Administration (Xavier University - Ateneo de Cagayan)

### **Present Positions**

- Dir. Literatus has been elected as 1CISP director since April 8, 2017. He will serve for a term of two (2) years.
- Chairman, Business Administration Department – School of Business and Management, Xavier University – Ateneo de Cagayan (May 1, 2016 - present)
- Treasurer, Xavier University Community Credit Cooperative (October 2014 - present)
- Internal Auditor, General Services Cooperative (September 2013 - present)

### **Past Positions**

- Faculty/Financial Management Program Coordinator, Xavier University - Ateneo de Cagayan (November 2011 - May 2016)
- Chairman, Mediation and Conciliation Committee, Xavier University Community Credit Cooperative (May 2014 - October 2014)
- Chairman, Audit and Inventory Committee, Cooperative Insurance System of the Philippines (March 2015 - April 2016)
- Vice-Chairman, Audit and Inventory Committee, Cooperative Insurance System of the Philippines (April 2016 - April 2017)



## **ENGR. ARMEN A. CUENCA, MPA**

*Independent Director*

Bachelor of Science in Electrical Engineering (Cagayan De Oro College)

Master in Public Administration (Ateneo De Cagayan - Xavier University)

Associate in Ministry (Siliman University)

### **Present Positions**

- Dir. Cuenca has been serving as 1CISP independent director since April 2016. His term of office will end in 2020.
- Department Head, City Local Environment and Natural Resources Office (January 1, 2018)
- Executive Director, Land and Asset Management Office (August 2017 - present)
- Chairperson, City Hall Employees MPC (2005 - present)

### **Past Positions**

- Chairperson, Memorial Services Coop. (February 2012 - 2017)
- Director, Consolidated Coop Bank (April 2017 - September 2017)
- DRRM Officer, City Disaster Risk Reduction and Management Office (2012 - 2013)
- Incident Commander, Oro ALERT (2009 - 2013)

# Corporate Officers

## **ATTY. LYMAN A. MANZANARES**

### *Cooperative Secretary*

Bachelor of Laws, University of the Philippines College of Law  
BA English Studies: Language, University of the Philippines  
College of Arts and Letters  
BS Electrical Engineering, University of the Philippines  
College of Engineering (unfinished)

#### **Present Positions**

- Atty. Manzanares has been serving as 1CISP Corporate Secretary since April 8, 2017.
- Partner, Manzanares Bangoy & Partners Law Offices (2010-present)

#### **Past Positions**

- Special Assistant to the Secretary of Finance, Department of Finance, Republic of the Philippines (2007 - 2010)
- Special Counsel to the Insurance Commissioner, Insurance Commission, Republic of the Philippines (2005 - 2007)



## **LEONILA R. MEDINA**

### *Treasurer*

Cum Laude, BSBE Major in Cooperatives, Philippine College of Commerce  
MBA, 30 units earned, Greenville College

#### **Present Positions**

- Ms. Medina has been serving as 1CISP Treasurer since January 15, 2015.
- Executive Director, Ankura Foundation, Inc. (November 2010 - present)
- Special Lecturer-Assoc. Prof 5, Polytechnic University of the Phil. (June 2017 - present)

#### **Past Positions**

- Treasurer, Oversight Committee, QC Credit Surety Fund (August 2015)
- Chairperson, BOD, Sacred Heart Parish Development Cooperative (April 2013)
- Secretary, Audit Committee, NCRL-PHIL. Federation of Credit Unions (June 2013)



# Senior Management

**Mr. Roy S. Micalat**  
President

**Ms. Cecilia M. Laguna**  
Executive Vice-President & Chief Operating Officer

**Ms. Aiza G. Malonzo**  
Vice President for Admin and Finance

**Ms. Jackelyn P. Ballena**  
Vice President for Operations (Life)

**Mr. Armando D. Gutierrez Jr.**  
Vice President for Operations (Non-Life)

## **ROY S. MICLAT**

*President*

Bachelor of Science in Agriculture Major in Breeding  
(University of the Philippines – Los Baños)  
Master of Arts in Urban and Regional Planning (UP-Diliman)

### **Present Positions**

- Mr. Miclat has been serving as President since January 1, 2014 up to present.
- Chief Executive Officer, Cooperative Health Management Federation (2015-present)
- Vice-Chairman, Cooperative Bank of Bataan (2013 - present)

### **Past Positions**

- President R & B Insurance Corporation Inc. (2017)
- Director, Cooperative Bank of Palawan (October 2016)
- Vice-President, 1CISP (Secondment-September - December 2013)
- Manager-Life Division, CLIMBS Life and General Insurance Cooperative (2008 - 2013)



## **CECILIA M. LAGUNA**

*Executive Vice-President and Chief Operating Officer*

Bachelor of Science in Commerce, Major in Accounting  
(Cagayan De Oro College)  
Master in Business Administration (Xavier University)

### **Present Positions**

- Ms. Laguna was appointed as Executive Vice-President and Chief Operating Officer on August 1, 2017 - present.
- Member of the Board , NCM Mutual Fund/CODIS Federation of Cooperatives (August, 2017 - present)
- Member of the Board , First Community Cooperative (FICCO) April, 2016 - present
- Member of the Board, FICCO Community Outreach Foundation (FCOF) April, 2016 - present

### **Past Positions**

- Vice Chairperson of the Board , CLIMBS, April, 2008 - March, 2012
- College Dean, Cagayan de Oro College, April 2010 - August, 2017
- Comptroller , Cagayan de Oro College, June 1992 - April, 2010
- Member of the Board, Philippine Association of Collegiate Schools of Business (PACSB), June 2014 - August, 2017

## **AIZA G. MALONZO**

*Vice-President for Admin and Finance*

Bachelor of Science in Accountancy  
St. Mary's College of Meycauyan

### **Present Positions**

- Ms. Malonzo was appointed as Vice-President for Admin and Finance on January 1, 2018 - present.
- Secretariat for Related Party Transaction (RPT) Committee, Credit Committee and Investment Committee - 1CISP
- Internal Auditor & Compliance Officer - Cooperative Health & Management Federation, January 2016 - present

### **Past Positions**

- Internal Audit Head & Compliance Officer - 1CISP, November 3, 2014 - December 31, 2017
- Internal Auditor & Compliance Officer - R&B Insurance Corporation, January 2017 - October 2017
- Accountant - Philippine Postal Savings Bank Inc. , April 2013 - November 2014
- Audit Supervisor - AMA Group of Co., February 2012 - March 2013



## **JACKELYN P. BALLENA**

*Vice-President for Operations (Life)*

Bachelor in Secondary Education (Major in Special Education)  
University of the Philippines (Diliman)  
Master of Arts in Social Psychology (on-going)  
University of the Philippines (Diliman)

### **Present Positions**

- Ms. Ballena was appointed as Vice President for Operations (Life) on January 1, 2018 - present.
- Secretariat - 1 CISP Mediation and Conciliation Committee, Personnel Committee, Remuneration Committee, Education and Training Committee, Gender and Development Committee
- Mentee of PMAP Leadership Committee - People Management Association of the Philippines, July 2017- present

### **Past Positions**

- HR/OD Head, 1 CISP, April 1, 2011 - December 31, 2017
- HR Consultant, Pacific Air-conditioning and General Services, Inc - August 2012 - August 2017
- HR Head, R & B Insurance Corporation - January 2017 - October 15, 2017
- HR Consultant, Cooperative Bank of Bataan - March 2017 - December 2017

**ARMANDO D. GUTIERREZ JR.**  
*Vice-President for Operations (Non-Life)*

Bachelor of Science in Business Administration Major in Marketing  
(University of the East)

**Present Positions**

- Mr. Gutierrez was appointed as Vice President for Operations (Non-Life) on January 1, 2018 - present.

**Past Positions**

- VP – Underwriting & Claims, Milestone Guaranty & Assurance Corp., October, 2011 - December 2014
- VP & Chief Underwriter- Stronghold Insurance Co., Inc., September 2010 - September 2015
- Manager- Hubertus Clausius International Insurance & Reinsurance Broker, September 2002 - May 2005
- General Manager - Conglo International Reinsurance Broker, June 1995 - December 1999



**PAID-IN CAPITAL OF THE COOPERATIVES REPRESENTED BY THE BOARD OF DIRECTORS  
AS OF DECEMBER 2017**

| Name of Director                 | Citizenship | Coop Represented   | Shares Held      | Type   | %      |
|----------------------------------|-------------|--|------------------|--------|--------|
| Teodoro P. Evangelista           | Filipino    | ACDI MPC   | 140, 335, 932.55 | Common | 14.76% |
| Imelda S. Magabilen              | Filipino    | USPD Savings & Credit Coop.                              | 4, 314, 689.50   | Common | 0.45%  |
|                                  |             | USPD MPC   | 642, 721.33      | Common | 0.07%  |
| Senen C. Bagani                  | Filipino    | Peace Equity Access for Community Empowerment Foundation | 9, 151, 663.09   | Common | 0.96%  |
| Rolan F. Literatus               | Filipino    | Xavier University Community Credit Cooperative           | 4, 065, 687.97   | Common | 0.43%  |
| Nestor D. Ortigoza               | Filipino    | King Cooperative   | 1, 225, 444.72   | Common | 0.13%  |
| Engr. Raymond Joseph L. Salvador | Filipino    | San Dionisio Credit Cooperative                          | 20, 995, 789.89  | Common | 2.21%  |
| Benjamin T. Que                  | Filipino    | First Community Cooperative                              | 542, 315, 563.27 | Common | 57.02% |
| Engr. Armen A. Cuenca, MPA       | Filipino    | City Hall Employees Credit Cooperative                   | 161, 043.92      | Common | 0.02%  |

**MEETING HELD AND ATTENDED BY THE BOARD OF DIRECTORS FOR THE YEAR 2017**

| The Board of Directors prior to the 43 <sup>rd</sup> General Assembly/Election of Officers on April 8, 2017. Meetings were held on January 25, March 23 and April 7, 2017. |                  | Attendance | The Board of Directors subsequent to the 43 <sup>rd</sup> General Assembly/Election of Officers on April 8, 2017. Meetings were held on April 8, May 15, June 23, July 28, August 25, September 8, October 13, November 24 and December 8, 2017. |  | Attendance |
|--|------------------|------------|--|--|------------|
| BGen. Teodoro P. Evangelista AFP (Ret)   | Chairperson      | 3          | BGen. Teodoro P. Evangelista AFP (Ret)   |  | 9          |
| Dir. Imelda S. Magabilen   | Vice-Chairperson | 3          | Dir. Imelda S. Magabilen   |  | 9          |
| Dir. Senen C. Bacani   | Director         | 3          | Dir. Senen C. Bacani   |  | 8          |
| Dir. Prudencio F. Consolacion  | Director         | 3          | Dir. Rolan F. Literatus*   |  | 9          |
| Dir. Francisco C. Jose   | Director         | 3          | Dir. Nestor D. Ortigoza*   |  | 9          |
| Dir. Raymond Joseph L. Salvador  | Director         | 3          | Dir. Raymond Joseph L. Salvador  |  | 8          |
| Dir. Benjamin T. Que   | Director         | 3          | Dir. Benjamin T. Que   |  | 9          |
| Dir. Jesus G. Cornito  | Director         | 3          | Dir. Jesus G. Cornito**  |  | 4          |
| Dir. Armen A. Cuenca   | Director         | 3          | Dir. Armen A. Cuenca   |  | 9          |

\*Drs. Literatus and Ortigoza were elected during the April 8, 2017 Election of Officers.

\*\*Dir. Cornito resigned from his position last July 28, 2017 Board Meeting.

**BOARD OF DIRECTORS HONORARIUM FOR THREE SUCCEEDING CALENDAR PERIODS**

*(in Aggregate Amount)*

| 2015  | 2016       | 2017         |
|---|------------|--------------|
| 785,000.00                                      | 930,000.00 | 1,937,225.00 |
| AUDIT FEE FOR THREE SUCCEEDING CALENDAR PERIODS |            |              |
| 2015  | 2016       | 2017         |
| 450,000.00                                      | 500,000.00 | 600,000.00   |

**AUDIT AND INVENTORY COMMITTEE (AUDIT CONDUCTED FOR THE YEAR 2017)**

| Date of Audit (prior to the 42 <sup>nd</sup> Annual GA)      | Present  | Absent                       |
|--|--|------------------------------|
| January 18-20, 2017  | Wilma Gidaya (AIC Chairperson)<br>Rolan F. Literatus (AIC Vice-Chairman) | Gina Valente (AIC Secretary) |
| Date of Audit (subsequent to the 42 <sup>nd</sup> Annual GA) |  |                              |
| August 9, 2017   | Wilma Gidaya (AIC Chairperson)<br>Gina Valente (AIC Secretary)           | -                            |
| August 23, 2017  | Wilma Gidaya / Gina Valente  | -                            |
| September 20, 2017   | Wilma Gidaya / Gina Valente /<br>Jesse Sto. Domingo                      | -                            |
| October 25, 2017   | Wilma Gidaya / Gina Valente /<br>Jesse Sto Domingo                       | -                            |
| November 27, 2017  | Wilma Gidaya / Gina Valente /<br>Jesse Sto. Domingo                      | -                            |



**BOARD COMMITTEES****EXECUTIVE COMMITTEE**

|                                    |            |
|------------------------------------|------------|
| BGen. Teodoro P. Evangelista (Ret) | = Chairman |
| Imelda S. Magabilen                | = Member   |
| Senen C. Bacani                    | = Member   |
| Benjamin T. Que                    | = Member   |
| Engr. Armen A. Cuenca, MPA         | = Member   |
| Leonila R. Medina                  | = Member   |

**EDUCATION & MEMBERSHIP COMMITTEE**

|                                  |              |
|----------------------------------|--------------|
| Imelda S. Magabilen              | = Chairman   |
| Engr. Raymond Joseph L. Salvador | = Member     |
| Leonila R. Medina                | = Member     |
| Apolinario P. Mariano            | = Member     |
| Roy S. Miclat                    | = Ex-Officio |

**GOVERNANCE COMMITTEE**

|                                    |                  |
|------------------------------------|------------------|
| BGen. Teodoro P. Evangelista (Ret) | = Chairman       |
| Senen C. Bacani                    | = Vice-Chairman  |
| Benjamin T. Que                    | = Member         |
| Atty. Lyman A. Manzanares          | = Corp Secretary |

**INVESTMENT & CREDIT COMMITTEE**

|                                  |                       |
|----------------------------------|-----------------------|
| Engr. Raymond Joseph L. Salvador | = Chairman-Investment |
| Rolan F. Literatus               | = Chairman-Credit     |
| Engr. Armen A. Cuenca, MPA       | = Member              |
| Leonila R. Medina                | = Member              |

**PERSONNEL COMMITTEE**

|                    |            |
|--------------------|------------|
| Nestor D. Ortigoza | = Chairman |
| Benjamin T. Que    | = Member   |
| Leonila R. Medina  | = Member   |

**RELATED PARTY TRANSACTIONS COMMITTEE**

|                                  |            |
|----------------------------------|------------|
| Engr. Armen A. Cuenca, MPA       | = Chairman |
| Engr. Raymond Joseph L. Salvador | = Member   |

**REMUNERATION COMMITTEE**

|                            |            |
|----------------------------|------------|
| Engr. Armen A. Cuenca, MPA | = Chairman |
| Imelda S. Magabilen        | = Member   |
| Nestor D. Ortigoza         | = Member   |

**RISK MANAGEMENT COMMITTEE**

|                            |            |
|----------------------------|------------|
| Benjamin T. Que            | = Chairman |
| Imelda S. Magabilen        | = Member   |
| Rolan F. Literatus         | = Member   |
| Engr. Armen A. Cuenca, MPA | = Member   |
| Leonila R. Medina          | = Member   |

**ELECTED COMMITTEES****AUDIT COMMITTEE**

|                              |            |
|------------------------------|------------|
| Wilma L. Gidaya              | = Chairman |
| Gina F. Valente              | = Member   |
| PSSupt Jesse J. Sto. Domingo | = Member   |

**ELECTION COMMITTEE**

|                       |             |
|-----------------------|-------------|
| Danilo M. Capili      | = Chairman  |
| Karen Ann R. Balbuena | = Secretary |
| Frederico A. Blanco   | = Member    |

**APPOINTED COMMITTEES****ETHICS COMMITTEE**

|                       |          |
|-----------------------|----------|
| Aurelio A. Jose Jr.   | = Member |
| Deogracias C. Tapayan | = Member |
| Jose M. Aguilar       | = Member |

**MEDIATION & CONCILIATION COMMITTEE**

|                   |            |
|-------------------|------------|
| Antonio Ll. Sayo  | = Chairman |
| Delia R. Rosario  | = Member   |
| Jocelyn P. Rivera | = Member   |

**MANAGEMENT STAFF**

**Ms. Mary Ann P. Alde** – Accountant  
**Mr. Joyce C. Servito** – Actuarial and Reinsurance Supervisor  
**Mr. Joel L. Fulache** – Administrative and General Services Supervisor  
**Ms. Irene P. Meguillo** – CDO Branch Head  
**Mr. Ansel Gabriel E. Del Ayre** – IT Head  
**Mr. Michael R. Navarette** – MIS Head  
**Mr. Lorenzo L. Samuya** – Non-Life Insurance In-Charge (CDO Branch)  
**Mr. Eugene C. De Omaña** – OIC Claims Department  
**Ms. Gladly Jean R. De Vera** – OIC Underwriting Department

**CONSULTANTS**

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

**MARKETING AGENTS****NCR**

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

**REGION 1**

*Financial Advisor:*  
Ms. Gemma Diente

**REGION 2**

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

**REGION 3**

*Financial Advisors:*  
Ms. Delegada Bellen  
Ms. Nerissa Brucal

**REGION 4A, 4B**

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

**REGION 5**

*Agency Manager:*  
Ms. Cherry Dejucos

**REGION 6,7,8**

*Agency Manager:*  
Ms. Erlin Pasaylo  
*Financial Advisor:*

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. Eulogio Coteles  
Ms. Jacqueline Macabenlar  
Ms. Marcosa Dela Cruz

**REGION 13**

*Agency Manager:*  
Ms. Rosalina Martinez



# *Elected Committees*



## **AUDIT COMMITTEE**

Wilma L. Gidaya - Chairman  
Gina F. Valente - Member  
Pssupt. Jesse J. Sto. Domingo - Member



## **ELECTION COMMITTEE**

Danilo M. Capili - Chairman  
Karen Ann R. Balbuena - Member  
Frederico A. Blanco - Member

# *Appointed Committees*



## **MEDIATION AND CONCILIATION COMMITTEE**

Antonio Ll. Sayo - Chairman  
Delia R. Rosario - Member  
Jocelyn P. Rivera - Member



## **ETHICS COMMITTEE**

Aurelio A. Jose Jr. - Member  
Deogracias C. Tapayan - Member  
Jose M. Aguilar - Member

1 COOPERATIVE INSURANCE SYSTEM OF THE PHILIPPINES  
LIFE AND GENERAL INSURANCE





**ACTUARIAL AND REINSURANCE  
DEPARTMENT**

**ACCOUNTING DEPARTMENT**

# 1 CISP Employees



**ADMINISTRATIVE & GENERAL  
SERVICES DEPARTMENT**

**AUDIT DEPARTMENT**



**CISP PLANNING DEPARTMENT**

**CAGAYAN DE ORO SATELLITE OFFICE**

# 1 CISP Employees



**CLAIMS DEPARTMENT**



**CUSTOMER SERVICE ASSOCIATES**

**HUMAN RESOURCES DEPARTMENT**

# 1 CISP Employees



**MIS DEPARTMENT**

**IT DEPARTMENT**



**MEDICAL DIRECTOR**  
**Dr. Aileen P. Binuya**

**TREASURY DEPARTMENT**

**LEGAL AND COMPLIANCE DEPARTMENT**

**ACTUARY** **Mr. Panfilo P. Dela Paz**

# 1 CISP Employees



**UNDERWRITING DEPARTMENT**

# 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](http://www.cisp.coop)  
Email: [cisplife@cisp.coop](mailto: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.) Group-Basic Life Insurance Security System (G-BLISS)
- 2.) Student Insurance Plan (SIP)
- 3.) Personal Accident Insurance Card (I-Card)
- 4.) KOOPamilya Plan

### **INDIVIDUAL PLANS**

- 1.) 5 PAY - 15 Year Endowment
- 2.) 7 PAY - 15 Year Endowment
- 3.) Whole Life with Anticipated Endowment

**NON-LIFE AND HEALTH & ALLIED SERVICES THROUGH PARTNERSHIP**





# HOUSE RULES

For the conduct of an orderly and smooth 1CISP 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.

# Regional Offices

## NCR

1CISP Bldg. No. 80 Malakas St. Brgy. Pinyahan,  
Diliman, Quezon City  
Email: cisplife@cisp.coop , cispcsa@gmail.com  
(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, 1/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: cisp.region3@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

3/F Bichara Commercial Complex  
General Luna St., Naga City  
Email: lynx\_eyed2983@yahoo.com  
(054) 473-3311 / 09228437239

*Protecting You Like Family*



www.cisp.coop



1CISP



cisplife@cisp.coop



(02) 924-04-71  
(02) 923-07-39

## REGION 6

Room 2-D 2 Floor of B&C Square,  
Iznart Solis St. Iloilo City  
Email: tete\_retotar@yahoo.com  
(033) 337-9431 / 09228437251

## REGION 6

2/F RMU Building  
Tobias Fornier St., San Jose Antique  
Email: ednavillamora@yahoo.com  
09058366575

## REGION 7

c/o Cooperative Bank of Bohol  
CPG East Ave. Tagbilaran City Bohol  
Email: gilbertmarcojos@yahoo.com  
09228437247

## PCF Building

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

## REGION 9

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

## REGION 10

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

## REGION 11

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

## REGION 13

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