



47th Annual General Assembly

Royce Hotel and Casino Clark, Mabalacat, Pampanga
25 - 26 April 2019

Complete Financial Solution for Inclusive Growth Year 3:
Transforming Cooperative Services Through Digital Connectivity



Core Purpose

- CLIMBS pursue the economic upliftment of its members nationwide, through insurance
- We were born to provide affordable insurance for the many small people in the grassroots countryside, the marginalized poor and the not-so-poor, through their cooperatives. We are reaching out to areas which big insurance firms are not inclined to visit.
- The insurance protection we provide is meant to be multi-fold in aspects: life, non-life, pre-need, etc.
- Through grassroots insurance, we were also envisioned to make the financial investments

Core Values

We subscribe to the cooperative values and principles espoused by Raiffeisen & Rochdale

But we have certain values we pay careful attention to:

- service excellence, while reserving for growth
- risk management, especially on members' monies
- environmental protection, amidst climate change
- fairness, transparency, accountability in our governance.

We are particularly sensitive to the fact that our member-investors are also our member- markets.

And we adjudge accordingly.

Audacious Goals

- As the leading cooperative insurance firm in the country, we are going international, into emerging markets of Asia.
- As the grassroots insurance leader, we seek not only a broader servicing of cooperative members, but also the coverage of NGOs, MFIs, and other people-based development groups.
- As a financial institution, we shall become a group of companies, in partnership with cooperatives, into diverse investments, financial packaging, and community-impact projects.
- As a federation, we are advocating the further development of cooperative thought and the upgrading of management across the entire cooperative movement.
- We will show the country that cooperativism is the best way to generate people-based economic upliftment.

These goals are what make CLIMBS different.

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About the Cover

Borrowing Pampanga's iconic hot air balloon using insurance jargons with fiber optics silhouette highlights CLIMBS programs on digital connectivity.

Now on its 3rd year, CLIMBS' advocacy into becoming a financial solution for inclusive growth will be coming full circle focusing on system and technology improvements that will enhance business effectiveness and productivity.

In the same way that a hot air balloon works, CLIMBS will continue to rise and serve its cooperative member owners. The undeniable heat pressure that allows the balloon to soar high is a depiction of the challenges we face that will only bring us nowhere but up.

Schedule of Activities

Day 1 April 25, 2019 (Thursday)

Royce Hotel and Casino

Clark, Pampanga

Dress Code: Business Casual

9:00AM

11:00AM

12:00PM

12:05PM

12:10PM

12:40PM

1:00PM

1:15PM

1:30PM

1:45PM

2:00PM

2:15PM

2:20PM

2:30PM

3:00PM

3:15PM

3:30PM

5:00PM

6:00PM

Day 2 April 26, 2019 (Friday)

Royce Hotel and Casino

Clark, Pampanga

Dress Code: CLIMBS Polo Shirt

6:00AM

8:00AM

9:00AM

9:05AM

9:30AM

9:45AM

12:00NN

1:00PM

2:00PM

Registration

Lunch

Invocation and National Anthem (AVP)

Cooperative Pledge and CLIMBS Hymn (AVP)

Opening Remarks

Marlene D. Sindayen, Director

Welcome Remarks

Noel D. Raboy, President and CEO

Educational Forum

Creating Business Opportunities for Cooperatives to Climb

Deal Noel Benegrado, VP for Marketing

The Future of Cooperatives on Digital Marketing

Ronald Low, Istoria Cooperative Singapore

Cosmopolitan CLIMBS Life Plan, Inc. (CCLPI) Update

Mansueto V. Dela Pena, President and COO

CLIMBS Investment & Management Advisory Corp (CIMAC) Update

Jorge G. Lumasag, Jr., President and COO

CLIMBS Institute for Financial Literacy (CIFL) Update

Donna Marie Michelle Dizon, Executive Director

Open Forum

Raffles

Introduction of Keynote Speaker

Keynote Speech

Hon. Raymund E. Liboro

Commissioner, National Privacy Commission

Presentation

Message to the Assembly

Hon. Dennis B. Funa

Commissioner, Insurance Commission

Raffles

Cooperative Solidarity Message

Hon. Orlando R. Ravanera

Chairman, Cooperative Development Authority

Buffet Dinner

CLIMBS Excellence Awards Night

Registration

Holy Mass

Fr. Anton CT Pascual

Welcome Remarks

Hon. Edgardo B. Pamintuan, Angeles City Mayor

Refreshment Break

Raffles

General Assembly Proper

Invocation, National Anthem

Cooperative Pledge and CLIMBS Hymn (AVP)

Opening Number

General Assembly

Buffet Lunch

Election Proper

Raffles

Closing Presentation

End of 2019 General Assembly



NATIONAL
REINSURANCE
CORPORATION
OF THE PHILIPPINES



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



Message



CLIMBS 47TH Life and General Insurance Annual Report

For nearly half a decade, CLIMBS has taken leap after leap since its humble beginnings in 1971. Today, more than a million people from our marginalized communities, such as low-income farmers and fishermen, are able to access mutual protection and have better chances at achieving financial stability. Once again, this could not be possible if it were not for your continuous efforts to provide quality financial services with excellence, fairness, transparency and accountability.

Though the landscape of finance has been drastically changing over the years, the Commission's advocacy to promote financial inclusion has not wavered. There is much more to be done as what it means to be a "financially inclusive country" grows more complex.

As the Commission continues to develop our country's microinsurance and disaster risk resiliency frameworks, we trust that CLIMBS will not stop in its endeavors of providing only the best, affordable and accessible microinsurance products to more Filipinos. As we realize our dreams side by side, may you all continue to serve as "the leading cooperative insurance firm in the country."

Once again, congratulations to you all.

A handwritten signature in black ink, appearing to be "Dennis B. Funa".

DENNIS B. FUNA
Insurance Commissioner





Office of the President of the Philippines
COOPERATIVE DEVELOPMENT AUTHORITY

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

Central Office

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

Message



My warmest greetings of congratulations to Climbs Life and General Insurance Cooperative on your 47th Annual General Assembly. With this year's theme: **"Climbs Complete Financial Solutions for Inclusive Growth Year 3"**.

Overtime, the Climbs as a genuine cooperative has exemplified to the highest degree the true essence of service and pro-people enterprise for inclusive growth of its members and to the general public. Your organization has been a living testament of how a cooperative can be a viable business, where the pursuit of economic ends can be achieved without sacrificing social responsibility.

I salute your advocacy and passion of providing people, particularly your members with Life Insurance, Property Insurance and Health Care products at the same time empowering them to achieve social justice and equity. I am looking forward for your success in all future endeavors.

Cooperativism has come of age, not only as vehicle of development but as a tool of empowerment but also a liberating force to defeat hunger and poverty. People with common advocacy put together their resources, ideas, potentials and experiences, ardently believing that the "people united can never be defeated," even by poverty.

On the same note, the Cooperative Development Authority (CDA) with 16 Regional Offices, vows to deliver our strong commitment to give voice to the cooperative sector, especially the ordinary workers and the community, whether they be in private sector or in the government, by providing a model of services and social enterprise that adhere to the universally accepted principles of Cooperativism.

There are now some 28,000 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.

Together, let us rectify a social wrong committed against the Filipino people. With our unity, we can truly advance Cooperativism for **people, planet, prosperity and peace**.

Mabuhay and kooperatiba! Mabuhay ang Climbs Life and General Insurance Cooperative!


ORLANDO R. RAVANERA
Chairman





International Cooperative and
Mutual Insurance Federation

Message from the CEO Shaun Tarbuck



On behalf of all the Secretariat of the International Cooperative and Mutual Insurance Federation (ICMIF), I am honoured to extend our very best wishes to our member organization: **CLIMBS and its many members in the Philippines.**

My team and I congratulate all at CLIMBS for your 47th year as a cooperative and for serving your members so well during this time. We also note the impressive way in which you have grown your business from humble beginnings to now being included in the **Top 30 largest ICMIF members in emerging markets** (Source: ICMIF Members Key Statistics 2018).

We would like to extend our warmest wishes to all your members who join you at the CLIMBS Annual General Assembly. I note with interest that your theme is focused on digital solutions in the cooperative services which is such an important theme today "**CLIMBS Complete Financial Solution for Inclusive Growth Year 3: Transforming Cooperative Services Through Digital Connectivity**".

Congratulations to **Mr. Noel Raboy**, as he comes to the end of his first year as **President and CEO at CLIMBS**. Our best wishes also to **Mr. Fermin Gonzales** who is now **President Emeritus**. The dynamic leadership you have at the helm of your organization will ensure that CLIMBS will continue to be innovative, responsive and relevant in an ever-changing environment.

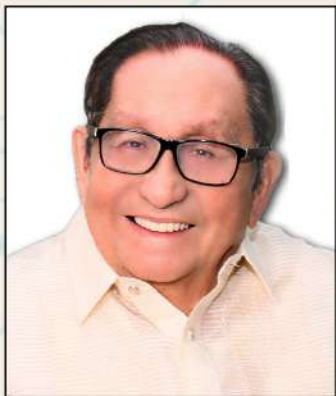
I wish you a very successful and enjoyable meeting.

Best wishes,

Shaun Tarbuck

Chairperson's MESSAGE

It has been my pleasure to lead CLIMBS Life and General Insurance Cooperative as Chairperson and a privilege to be part of CLIMBS remarkable journey as an outstanding organization that has a humble, inspiring and rich 48-year history of promoting and forging protection for the members of the cooperatives through insurance.



What is more impressive is CLIMBS continuing effort to remain in the principle of social justice, equity and sustainable development despite its achievement of becoming a 3 billion cooperative enterprise, developing subsidiaries and creating diverse financial risk protection products, building partnerships both with local and international organization and promoting education, initiatives and other activities developing positive relationship with the society.

As the world move on to the fast mobile-first way of living so should CLIMBS as well for it to be able not only drive business growth, redefine efficiency and effectiveness in the workplace culture and employee productivity at par with the insurance industry but more importantly to be able to service and response its cooperative members in the most timely and convenient manner while maintaining integrity and reliance of data.

To all my colleagues in the cooperative family, CLIMBS Board of Directors, Committees, Management Team and Staff, I give you all my best and may CLIMBS continue to soar into its aspiration of becoming a complete provider of financial services for inclusive growth.


Atty. Paulo Paras Garcia
Chairperson
April 2018 – January 2019

Chairperson's MESSAGE

I convey to you, the highly esteemed owners and stakeholders of CLIMBS, my warmest greetings and felicitations as we gather today for this General Assembly.



In a country where the poor and marginalized are pushed to the peripheries and have less access to the economic opportunities and developmental rights, the existence of cooperatives is undeniably relevant. We need to congregate and gather ourselves to be heard. We need to gather our resources to grab a space in the economic zone. We need to unify in order to secure a gram of bearing in the financial industry. We need to cooperate to build a resilient institution where ideals and advocacies like empowerment and inclusive development are advanced and furthered by and among us, ordinary citizens and netizens of this beloved Republic. We need to confederate in order to manage and reduce the impact of future disturbances and disasters in the economic milieu which may be occasioned either by the fluctuating behavior of our currencies or by the unpredictable wrath of our aging planet. The almost five decades of CLIMBS' existence can inarguably substantiate these claims.

As your partner in the great task of empowering the thousands of fellows entrusted to its services and care, CLIMBS reassures each of you, owners and stakeholders of this magnanimous Insurance Cooperative, the breadth and depth of its unaltered mission to secure your future by providing the needed protection. With you, we CLIMB the ladder of prosperity with assurances that God will definitely bless our efforts. Yes, human errors may set in at times. These are expected when an institution gets bigger and bigger. But the wisdom and the counsel of the Divine will definitely dispel the most dismaying of human faults and frailties if we become docile, teachable and not incorrigible.

As your Chairman in transit, I urge every one to allow God to write the initial terms, lines, or may be pages of nuances and new gauges of growth that our shared stories unravelled in the recent months. Let us be disturbed if this will ultimately hone us to be more discerning of what really makes CLIMBS "more than just protection." In addition, let us remain grateful for the little we have netted this year believing always what our common history has succinctly taught us, "great things come in small packages" — from a mere "grassroots insurance" to a premier insurance among Cooperatives.

With my hands extended upon you, I impart to each one gathered in this Assembly my paternal blessings. God bless CLIMBS. God bless its 3,068 member Cooperatives.


Fr. Elmo P. Manching
Chairperson

February 8, 2019 - April 2019

Board OF DIRECTORS & 2018-2019



Atty. Pablo P. Garcia
Chairperson (January 2018 to January 2019)
Countrywide Financial Institutional
(CFI) Cooperative

Atty. Garcia is a former Deputy Speaker of the Phil House of Congress. He served as Chairman of Countrywide Financial Institutional (CFI) Cooperative (formerly Cebu CFI Community Cooperative) and Cooperative Bank of Cebu.



Fr. Elmo P. Manching
Chairperson (February 2019-April 2019)
Metro Ormoc Community
Multi-Purpose Cooperative

Padre Elmo is the Chairperson of Metro Ormoc Community MPC (OCCCI) of which he served as Director for seven (7) years. He is also a Director of the Society Action Commission Archdiocese of Palo and the Cooperative Bank of Cebu.



MGen. Gilbert S. Llanto (Ret.)
Vice Chairperson
ACDI Multi-Purpose Cooperative

MGen. Llanto has 36 years coop experience with ACDI MPC. He is the Chairman of the Cooperative Health Management Federation and Director of the Dairy Confederation of the Philippines. He is also the Vice Chairman of Cosmopolitan CLIMBS Life Plan, Inc.



Atty. Marianito Q. Mojica, Jr.
Director
Countrywide Financial Institutional
(CFI) Cooperative

Atty. Mojica is a Board Director of Countrywide Financial Institutional (CFI) Cooperative (formerly Cebu CFI Community Cooperative) and served as Secretary of Cooperative Bank of Cebu in 2016.



Marjorie P. Ablaza
Director
San Dionisio Credit Cooperative

Ms. Ablaza is a Director of San Dionesio Credit Cooperative for 4 years. She is also a Director of the Phil Cooperative Center, Metro Manila Savings Cooperative and the Phil Chamber of Commerce & Industry.



Marlene D. Sindayen
Director
Novaliches Development Cooperative

Ms. Sindayen served as Directors of Novaliches Development Cooperative for 6 years and was the Chairperson in 2009-2014. She also served as Treasurer of the Phil Cooperative Center and Council Member for the Coop Sector at the National Anti-Poverty Commission.



Sarah T. Agner
Director
PHCCI Multi-Purpose Cooperative

Ms. Agner is a teacher by profession. She is a college professor at the St. Paul School of Professional Studies. She is a Board of Trustee at the PHCCI Academy Inc. and served as Director of PHCCI MPC for 9 years.



Atty. Antonio Manuel A. Alcantara
Director
Perpetual Help Community Cooperative

Atty. Alcantara served as Director to Perpetual Help Community Cooperative since 1995. He is also a Director of Cosmopolitan CLIMBS Life Plan, Inc. and the Corporate Secretary of CLIMBS Share Capital Equity Investment Fund Corporation.



Edgardo G. Amoronio
Director
Sta. Catalina Credit Cooperative

Mr. Amoronio served as member of the Board of Trustees to the Consortium for the Devt of Southern Mindanao Coop and Cotabato-Davao Sur Federation of Cooperative. He also was Coop-President of Coop NATCCO.



Atty. Daniel O. Evangelio, Jr.
Director
Toril Community Cooperative

Atty. Evangelio is a Director of Toril Community Cooperative since 2004. He was the in-house lawyer and Legal Manager of Anflo Group of Companies from 1989-2006.



Lillian D. Silubrico
Independent Director
Holy Cross Savings & Credit Cooperative

Ms. Silubrico is a Certified Public Accountant. She is the GM/CEO of Holy Cross Savings and Credit Cooperative. She also served as Chairperson of Valenzuela Cooperative Development Council in 2015 and 2019.



Reynaldo M. Vergara
Independent Director

Mr. Vergara last held the position of Actuarial Division Manager from the Insurance Commission and retired in 2017. He currently does consultancy on personal capacity.



Fermin L. Gonzales
President Emeritus

Mr. Gonzales served as President and CEO of CLIMBS Life and General Insurance Cooperative from 1993 to 2017. He is also the Chairman of CLIMBS Share Capital Equity Investment Fund Corporation and CLIMBS Investment Management and Advisory Corporation.



Doris B. Calapiz
Treasurer
Oro Integrated Cooperative

Ms. Calapiz is a member of the Board of Directors of Oro Integrated Cooperative since 2005. She is also a Director at the Metro Cagayan de Oro Water Service Coop Federation and Golden Grains Marketing Coop and was a Director as well at the Mindanao Cooperative Hostel Services and MASS-SPECC.



Atty. Isidro Q. Lico
Corporate Secretary
Mindanao Consolidated Cooperative Bank

Atty. Lico served as Director of Mindanao Consolidated Cooperative Bank (formerly CCB) since 1986. He is also the Chairman of Gasaka MPC and the Representative of Ating Koop Partylist.

Committee OFFICERS 2018-2019



Election Committee

Atty. Jose Agerico R. De Guzman (Makilala Multi-Purpose Cooperative)
Atty. Rolando C. Casaway (Davao Allied Development and Services Coop)
Alexander B. Raquero (Sta. Cruz Savings and Development Cooperative)

Ethics Committee

Cynthia E. Fulgueras (Basud Development Cooperative)
Atty. Marvin S. Pulido (Agdao Multi-Purpose Cooperative)
Wilma P. Salas (Maripipi Multi-Purpose Cooperative)



Audit Committee

Juanito P. Rosini, PhD. (ISU Multi-Purpose Cooperative)
Marie Dee B. Belagan, CPA (Providers Multi-Purpose Cooperative)
Eduard C. Amoguis (Tagum Cooperative)

GAD Committee

Romeo A. de Jesus, CPA (San Jose del Monte Savings and Credit Cooperative)
Antonio M. Viña (PAGLAUM Multi-Purpose Cooperative)
Dr. Irma E. Cruz (St. Martin of Tours Credit and Development Cooperative)

Remuneration Committee

Rev. Fr. Anton CT Pascual (Simbayanan ni Maria Multi-Purpose Cooperative)
Roberto C. Mascariña (Barangka Credit Cooperative)
Daven R. Gamolo (Oro Integrated Cooperative)

Mediation Committee

Janette B. Romero (Bohol Community Multi-Purpose Cooperative)
Eufemio L. Calio, PhD. (MSU-IIT National Multi-Purpose Cooperative)
Eric F. Dizon (Manatal Multi-Purpose Cooperative)

Top MANAGEMENT 2018-2019



Top Management

Raul M. Pregon (VP Operation), Nancy G. Ortega (AVP Life Division), Donna C. Dizon, CHRP, CMC (CIFI Executive Director & Concurrent Project Director), Ulysses P. Zulueta (AVP Non-Life Division), Noel D. Raboy (President & CEO), Renan P. Diaz (VP Sales), Engr. Deal Noel D. Benegrado (VP Marketing & Corporate Planning & Realty Development), Reynaldo G. San Andres, CPA (VP Finance, Investment & Compliance), Antonio R. Dosdos (Marketing Consultant)

Subsidiaries

Jorge G. Lumasag, Jr. - CIMAC President & COO, Henry M. Lopez - CLIFSA President & COO, Mansueto V. Dela Peña - CCLPI President & COO

1. House Rules
2. Call to Order
3. Proof of Due Notice of General Assembly
4. Roll Call and Confirmation of Quorum
5. Presentation of Candidates
6. Approval of the Agenda
7. Reading of the Approval of the Minutes of the 46th Annual General Assembly
8. Matters Arising from the 46th Annual General Assembly
9. 2018 Annual Reports
 - 9.1 Board and Management Report
 - 9.2 Audited Financial Statements
 - 9.3 Proposed Budget for the Year 2019
 - 9.4 Audit Committee Report
 - 9.5 Election Committee Report
 - Proposed Amendment to the By Laws
 - a. Article of Cooperation – Article VI, Field of Membership
 - b. By Laws – Article II, Section 5 Share Capital Subscription
 - c. By Laws – Article IV, Section 24 Composition of the BOD
 - d. By Laws – Article IV, Section 27 Qualifications of a RD and ID
 - e. By Laws – Article IV, Section 29 Meeting of the Directors
 - f. By Laws – Article IV, Section 31 Removal of Director and Committee Member
 - g. By Laws – Article VII, Section 51 President of CLIMBS
 - h. By Laws – Article X, Section 58 Order of the Distribution of Net Surplus
10. Matters Arising from the Annual Reports of the Officers and Committees
11. Recommendations and New Business
12. Other Matters
13. Declaration of Newly Elected Officers
14. Adjournment

House Rules

All voting delegates must be separated from the non-voting delegates / participants during the General Assembly.

The non-voting delegates may participate in the discussion but are not allowed to field a motion nor be allowed to vote.

A voting delegate who wants to raise a question or follow-up a question should be recognized first by the Moderator. He / She shall be called by the Moderator and will be requested to stand-up and give his / her name for record purposes.

The Moderator would then ask the voting delegate if his/ her question is related to the matter being discussed at hand.

Every voting delegate is allowed to raise only two (2) questions; the first and the other is, for the follow-up question. This is applicable to each issue or concern being discussed, subject however, to the direction of the Moderator to give chance to the other voting delegates. The Moderator has, also the discretion to further accept questions, as he / she deems fit and advisable, or elevate the matter to the Chairman / Presiding Officer for immediate consideration / dispositive action.

Every voting delegate is only allowed a maximum of three (3) minutes to discuss or clarify his / her point.

The Chairman / Presiding Officer using his inherent power, and if he sees fit and reasonable ask question/s or solicit motion/s direct from the Assembly, or even interrupt during deliberations without necessarily asking permission from the Moderator.

OFFICIAL MINUTES OF THE PROCEEDINGS OF THE 46TH CLIMBS ANNUAL GENERAL ASSEMBLY

April 21, 2018 (SATURDAY) • 11:30 AM

SMX Convention Center, Bacolod City

Board of Director and Committee Officers Present:

Atty. Pablo P. Garcia (Cebu CFI Community Cooperative)	-	Chairperson
MGen. Gilbert S. Llanto (Ret.) (ACDI Multipurpose Cooperative)	-	Vice Chairperson
Fr. Elmo P. Manching (Metro Ormoc Community Cooperative)	-	Director
Ma. Theresa G. Drueco (Novaliches Development Cooperative)	-	Director
Elvira S. Dandan (San Dionisio Credit Cooperative)	-	Director
Atty. Daniel O. Evangelio, Jr. (Toril Community Cooperative)	-	Director
Sarah T. Agner (PHCCI Multipurpose Cooperative Tacloban)	-	Director
Atty. Antonio Manuel A. Alcantara (Perpetual Help Community Coop)	-	Director
Edgardo G. Amoronio (Sta. Catalina Credit Cooperative)	-	Director
Doris B. Calapiz	-	Treasurer
Lillian D. Silubrico (Holy Cross Savings & Credit Cooperative)	-	Independent Director
Napoleon E. Sentillas (Guadalupe Community Multipurpose Coop)	-	Independent Director
Atty. Isidro Lico (Mindanao Consolidate Cooperative Bank)	-	Corporate Secretary
Jose Agerico R. De Guzman (Makilala Multipurpose Cooperative)	-	Election Committee
Atty. Rolando C. Casaway (Davao Allied Devt and Services Cooperative)	-	Election Committee
Alexander B. Raquero (Sta. Cruz Savings & Development Cooperative)	-	Election Committee
Juanito P. Rosini, PhD (Isabela State University Multipurpose Coop)	-	Audit Committee
Marie Dee B. Belagan (Providers Multipurpose Cooperative)	-	Audit Committee
Miriam R. Baloyo (Tagum Cooperative)	-	Audit Committee
Romeo A. de Jesus (San Jose del Monte Savings & Credit Coop)	-	Ethics Committee
Atty. Pedro B. Panis (PHCCI Multipurpose Cooperative Tacloban)	-	Ethics Committee
Eufemio L. Calio, PhD. (MSU-IIT National Multipurpose Cooperative)	-	Ethics Committee
Danny T. Cabahug (Perpetual Help Community Coop)	-	Mediation Committee
Eduardo Q. Guerin (Claveria Grassroots Multipurpose Cooperative)	-	Mediation Committee
Eric Dizon (Manatal Multipurpose Cooperative)	-	Mediation Committee
Norma R. Pereyras (Tagum Cooperative)	-	GAD Committee
Marlene D. Sindayen (Novaliches Development Cooperative)	-	GAD Committee
Dr. Irma E. Cruz (St. Martin of Tours Credit and Development Coop)	-	GAD Committee
Mansueto Dela Peña (Oro Integrated Cooperative)	-	Remuneration Committee
Atty. Manolette E. Dinsay (Cebu CFI Community Cooperative)	-	Remuneration Committee
Roberto C. Mascariña (Barangka Credit Cooperative)	-	Remuneration Committee
Fermin L. Gonzales	-	President and CEO

OPENING PROGRAM

The 46th CLIMBS Annual General Assembly started with an Invocation, the singing of the National Anthem and the recitation of the Cooperative Pledge.

BUSINESS ASSEMBLY PROPER

I. Call to Order

Chairperson Pablo Garcia called the meeting to order at 11:26 am and requested Vice Chairperson Gilbert Llanto to preside the proceedings of CLIMBS 46th General Assembly Proper.

II. Proof of Due Notice

Corporate Secretary Isidro Lico declared that there was a Proof of Due Notice sent to the members-cooperatives through mails.

III. Roll Call and Determination of Quorum

Corporate Secretary Isidro Lico attested that there is a quorum of 233 member cooperatives or 82% or more than two thirds are present among the 284 Members in Good Standing that are entitled to vote.

Norma Pereyras, Chairperson of the GAD Committee read the House Rules noting that only the voting delegates are allowed to participate. Nora Clar of MSU IIT NMPC commented that it has been considered in the prior General Assembly that the non-voting delegates are allowed to participate but not allowed to vote.

Presiding Officer Gilbert Llanto reconsiders the rules and allowed the non-voting delegates to participate.

IV. Approval and Adoption of Agenda.

- I. Call To Order
- II. Proof of Due Notice
- III. Roll Call and Declaration of Quorum
- IV. Approval of the Agenda
- V. Reading and Approval of the Minutes of the 45th Annual General Assembly
- VI. 2017 Annual Reports
 - 1) Board and Management Report
 - 2) Year 2018 Operating and Development Plan
 - 3) Audited Financial Statements
 - 4) Committee Reports
 - 5) Joint Board and Management Recommendation
- VII. Matters arising from the Annual Reports of the Officers and Committees
- VIII. Consideration of Resolutions, Recommendations and New Businesses
- IX. Matters Arising from the Board and Management Report
- X. Other Matters
- XI. Elections
- XII. Declaration of Newly Elected Officers
- XIII. Adjournment

GA Resolution No. 1, series of 2018

On motion made by Gloria Dagatan of Sta. Ana MPC, seconded by Divina Satur of Tagum Cooperative and unanimously carried, the Assembly approved the Agenda of the 2018 Annual General Assembly.

V. Reading and Approval of Minutes of the 46th CLIMBS Annual General Assembly

GA Resolution No. 2, series of 2018

On motion made by Fe Adlawan of Tagum Cooperative, severally seconded and unanimously carried, the Assembly approved to dispense the reading of the minutes as it is printed in the Annual Report.

Nora Clar of MSU-IIT National MPC observed that her comment in the previous General Assembly was not appearing on the minutes. She suggested for a lower Assembly registration fee for smaller coops to

1 afford and be able to participate. She added that although it was not in the minutes she noted that the
2 registration fee this year is minimal.
3

4 Nida Blanco of Northern Samar MPC commented on the absence of the signatures of the signatories of
5 the minutes as appearing in the Annual Report. EVP/CFO Admarie Marcelo explained that this was due
6 to some printing issues although the original copies have been signed.
7

8 **GA Resolution No. 3, series of 2018**

9

10 On motion made by Gloria Dagatan of Sta. Ana MPC, seconded by Nida Blanco of Northern Samar MPC
11 and unanimously carried, the Assembly adopted and approved the minutes of the previous General
12 Assembly and shall form as an integral part of the 2017 Annual Report of CLIMBS.
13

14 **Matters arising from the Minutes of the previous General Assembly:**

15

16 Admarie Magaoay of Providers MPC asked on the increase of capitalization. Presiding Officer Gilbert
17 Llanto responded that this is in compliance with the increase on insurance capitalization as mandated
18 by the New Insurance Code of which CLIMBS has already complied and subsequently included in its
19 CDA registration for its Amended Articles of Cooperation and By-Laws.
20

21 Another point of update is on the 4-storey building CLIMBS Market-Market in Cagayan de Oro as a
22 fielded proposal for GA approval in the previous annual assembly. Presiding Officer Gilbert Llanto
23 responded that there are some modifications on this project which will be presented later.
24

25 **VI. 2017 ANNUAL REPORT**

26

27 **1) Board and Management Report**

28

29 After Presiding Officer Gilbert Llanto read the Board and Management Report, Nora Clar of MSU-IIT
30 NMPC commented that there is still coop volunteerism as there was no noted salary increases of the
31 Vice Presidents though she pointed out the 6 million increases on advertisement and allowances.
32 Consequently, she commented on the alleged practice of commission pyramiding that is received by
33 the agents and employees which should be corrected if it is not true.
34

35 She added that although she had her properties covered by commercial insurers, which was cheaper
36 than CLIMBS, she asked if CLIMBS can do benchmarking so that the price will be competitive if not
37 cheapest and be affordable by the grassroots.
38

39 Nora Clar also noted of CIFL availing only the training services of Valdellon and that if CIFL can include
40 topics that can help address delinquency in the coop business. She then pointed out why CLIMBS could
41 not merge with CISP to avoid more competition.
42

43 Presiding Officer Gilbert Llanto answered that the preceding questions will likely be answered during
44 the financial report. He added that as of update, CISP is still awaiting the approval of the Insurance
45 Commission for the prior merger of FICCO MBA and CISP as one of the pre-condition included in the
46 Terms of Reference of the proposed merger.
47

48 Dr. Victor Bonifacio Hofileña of Sta. Ana MPC commended CLIMBS management, officers and the rest
49 of member-coops for a job well done so far. He then asked how the dividend rate is computed where
50 as indicated on the Five Year Key Financial Summary, the bottom line was maintained at 10-10-11-11-
51 11 when the dividend rates are not expected to be in whole figures or probably was rounded off
52 despite the increase and decrease of net income from 72 million in 2013 to 195 million then went
53 down to 136 million and last year of 195 million.

Presiding Officer Gilbert Llanto explained that this observation may be true to some companies as the coops have three (3) kinds of pay-outs; dividend, experience and patronage. As of 2017 year-end, the common shares has jumped to the ratio of 36% and that the dividend pay-out or earning per share was actually devoted on the 36% increase which has relatively participated on the net savings. He added that a higher premium generation also gives higher pay-out on patronage and experience refund.

When Dr. Victor Bonifacio Hofileña reiterated on his main question on how it is actually computed, Rose Argent of Tagum Cooperative also asked how much CLIMBS can distribute as a result of the 2016 to 2017 dividend rate.

EVP/CFO Admarie Marcelo then explained that for dividend computation, the standard practice would be to come up with an average weighted common share and since the dividend rate is fixed, the weighted average common share of 1.069 million multiplied with 11% would give an absolute amount of P117,681.85. She then said that the dividend rate this year is 11% for the common shares and as amended in 2016, the preferred share is at 4% from 6% or a total of 9.3 million based on the audited financial statement.

Miel Cadambong of Northern Samar MPC also commended the performance of the Management on the matter of financial operations for achieving more than 43% as compared to 2016. However, as compared to the actual target of 2017, it is only 86% accomplishment gleaned from the bottom line. She then asked how the target of 260 million for 2018 was decided, which is practically an advantage for the members but will it not be a disadvantage for the management to come up with more than 64% as compared to the actual performance of year 2017?

EVP/CFO Admarie Marcelo explained that budgeting is based on mapping from Luzon, Visayas and Mindanao for potentials of each coop portfolios and of loan portfolios which is the major generator through the Coop Loan Protection Plan. She said that in the year 2017-2018, there was a lot of growing loan portfolio budgets from among the networks although apparently, 100% saturation of the loan portfolio has not been achieved. But as far as budgeting is concern, it is aligned with business growth.

2) Year 2018 Operating and Development Plan

The Presiding Officer directed the attention of the Assembly to page 21 of the Annual Report. As there has been no objection, the Assembly approved the proposed budget for 2018.

	YR 2018 BUDGET		YR 2017 ACTUAL		YR 2017 BUDGET	
Gross Premiums	2,500.00		1,664.01		2,100.00	
Re-insurance/Refund	(100.00)	-4%	(35.96)	-2%	(200.00)	-10%
Net Premiums	2,400.00		1,628.05		1,900.00	100%
Less: Direct Costs						
Paid Claims and Benefits	1,020.00	43%	858.28	53%	954.50	50%
Policy Reserves (+/-)	360.00	15%	27.56	2%	150.50	8%
Commission & Collection costs	600.00	25%	453.42	28%	484.50	26%
Agent's awards and Incentives	82.50	3%	58.90	4%	42.20	2%
Total Direct Costs	2,062.50	86%	1,398.16	86%	1,631.70	86%
Underwriting Income	337.50	14%	229.89	14%	268.30	14%
Add: Other Income						
Investment Income	70.00	3%	107.22	7%	75.40	4%
Other Underwriting & Commission	3.50	0%	2.62	0%	2.50	0%
Interest & Other Income	30.00	1%	25.77	2%	29.00	2%
Total Other Income	120.00	5%	135.61	8%	106.90	6%
Total Revenues	441.00	18%	365.50	22%	375.20	20%
Less: Operating Expenses	181.00	8%	169.66	10%	165.2	9%
Net Surplus	260.00	11%	195.84	12%	210.00	11%

Capital Expenditures Budget Figures in million pesos	HO	Proposed Budget YR 2018			Total	Approved YR 2017 BUDGET	CHANGE
		Area Office	Marketing	Sales			
System Development	4.25				4.25	-	4.25
IT Hardware, Software & Licenses	14.70	2.00			16.70	12.54	4.17
Computers & Accessories	2.45	1.58	0.20	0.60	4.83	5.17	(0.35)
Furniture & Fixture	2.13	1.01	0.02		3.15	10.93	(7.78)
Transportation Equipment	2.50	0.15		1.70	4.35	3.25	1.10
Renovation	2.20	4.00			6.20	7.50	(1.30)
TOTAL	28.23	8.73	0.22	2.30	39.48	39.39	0.09

GA Resolution No. 4, series of 2018

On motion made by Miel Cadambong of Northern Samar MPC, severally seconded and unanimously carried, the Assembly adopted and approved the 2018 Operating Budget and Development Plan.

3) Audited Financial Statements

In the discussion, Nenita Malbas of Tagum Cooperative commented on the absence of the External Auditor's signature particularly on the Audit Certificate. She then noted the disclosure of the External Auditor that in 2017 CLIMBS did not provide any allowance for probable losses but despite that, there was a reversal of 8.8 million. Would this mean that all receivables are current? What particular account did the 8.8 million was credited because in the financial statement, there is no disclosure on it.

The External Auditor attested that the audited financial statements sent to CLIMBS was actually verified and signed but there were some printing issues of the Annual Report. Subsequently, on the matter of reversal of the allowance of probable losses, the External Auditor said that in 2017, CLIMBS, based on its provisioning method and particularly the provisioning for the year, has already exceeded the allowance for probable losses which is but proper for the reversal so that the balance for the probable losses could be properly presented.

Nenita Malbas then clarified if the contra account is the credit account or the income account on which the External Auditor answered that the reversal of the 8.8 million is reported on the other income account.

Judith Yap of Tagum Cooperative then asked for an explanation on the miscellaneous income since it is not clearly stated and yet when you go to its specifics, it would relate to retirement. The External Auditor answered that in 2016, there was a retirement expense of 1.6 million but none in 2017 which provides additional income. The computation is based on the actuarial report.

Judith Yap then advised to improve more on disclosure especially on material amount. Presiding Officer Gilbert Llanto acknowledged and added that any other follow-up questions even after the General Assembly will be addressed.

A delegate from Providers MPC likewise commended the Management for a good performance in 2016. She advised to include the variance between the budget and actual performance for a better appreciation of the report of which was acknowledge by the Presiding Officer as well.

Angie Ramos of Simbayanan Ni Maria MPC, directed on the decrease in the Legal Policy Reserve from 133 million to 27 million in 2017 considering that the gross premium in 2017 of 1.6 million increased from 1.5 million in 2016. The External Auditor responded that even with the premium increase in 2017, CLIMBS already complied the amount for the policy reserves as required by the Insurance Commission.

Darwin Ivan Carrasco, Actuarial Consultant for CLIMBS added that in 2016, they implemented a new method in calculating the claims reserved specifically on the IBNR or Incurred But Not Reported claims.

1 These are the claims that has previously existed and only reported to CLIMBS recently. The claim
2 happened some fifteen months ago and has materially increased the amount on claims relatively
3 around 107 million and since this has only been implemented last year, it has relatively normalized this
4 year.

5
6 Daven Gamolo from Oro Integrated Cooperative also noted the absence of signature in the Treasurer's
7 Report.

8
9 Janet Matuginas of Tagum Cooperative referred her inquiry on Officers and Employees cash advances
10 as it is understood that this has to be timely liquidated otherwise, there will be an understatement in
11 the expenses and overstatement in the asset. She added that if these advances are related to
12 expenses, this has an impact on the operations.

13
14 EVP/CFO Admarie Marcelo explained that these are the advances that were provided to the employees
15 preventing them to resort to some loan sharks. Janet Matuginas then verified if CLIMBS is allowing
16 loans to employees in a form of cash advances on which EVP/CFO Admarie Marcelo answered that
17 these refers to duly approved cash advances provided for employees and officers (some management
18 key personnel) to support their official and field operations.

19
20 Janet Matuginas reiterated that these cash advances require liquidation; otherwise there could be
21 material understatement in the expenses. With this, EVP/CFO Admarie Marcelo mentioned the ruling
22 policy that there are no approvals of another cash advance without first fully liquidating the earlier
23 cash advance incurred.

24
25 Rudy Trinidad of MSU-IIT NMPC also raised his concern on loans extended to officers and employees as
26 this should not be booked as cash advances but this should be booked separately on loan services.
27 EVP/CFO Admarie Marcelo agreed with Rudy Trinidad and then specifically gave emphasis on the
28 disclosure on the accounts receivables referring to mortgage loans and equity loans provided by
29 CLIMBS to its officers (some management key personnel) and employees with interest rates from 6%
30 to 7%.

31
32 Rudy Trinidad commented that mortgage and equity loans are for primary coops and are not for
33 employees and officers. EVP/CFO Admarie Marcelo underscored that other than the primaries, there
34 are also some individuals who availed the CERP or Cooperative Employees Retirement Plan of CLIMBS
35 which has a corresponding cash value that the respective plan holder may loan and some field
36 employees that has availed of car plans that is similarly subject to 7% interest.

37
38 Fredelino Agpuldo of Claveria Grassroots MPC addressed the External Auditors to make a clearer and
39 full disclosure especially those items with material effect on financial operations for the participants to
40 understand as this will be relayed to their respective cooperatives. He further suggested that there has
41 to be a breakdown on how much the other subsidiaries are earning that it would be easier for them to
42 decide which subsidiaries they could put their future investments.

43
44 Presiding Officer Llanto acknowledged the suggestions and expected the next annual report to be more
45 voluminous and may be conveniently accessible through our website.

46
47 Atty. Pedro Panis of PHCCI MPC Tacloban resurged the matter on the computation of dividend rates
48 and expressed his sentiments on declaring a consistent rate of 11% through the years. He said that
49 business could be fluctuating every now and then. He further commented that it is not clear in the
50 report because what is reflected is the total amount of 150 million for the Dividend, Patronage and
51 Experience Refund.

1 Presiding Officer Gilbert Llanto reiterated that bulk of the income came from premiums of the products
2 availed by the members.
3

4 President and CEO Fermin Gonzales added that the management always does its best to meet the
5 requirement to give a modest return on capital shares. He said that the standard ROI in the industry is
6 between 5%-7%. As for claims payment, Mr. Gonzales said that although there were deniable claims,
7 CLIMBS still paid them *ex gratia* settlement, of which the Insurance Commission has asked
8 management to explain. CLIMBS management contested that ensuring its coop member-owners is the
9 main reason why there are claims that could not be refused.
10

11 President and CEO Gonzales then thanked the Assembly and acknowledged their support in keeping a
12 healthy business relation with CLIMBS.
13

14 Juris Perez of Tagum Cooperative then asked for an explanation on the increased insurance receivable
15 and recoverable from reinsurers and on how will management be able to collect it. EVP/CFO Admarie
16 Marcelo explained that this pertains to the insurance receivables from member cooperatives for the
17 insurance products they have availed. As for receivable from reinsurers amounting to 63.8 million, she
18 answered that reinsurers require submission of authentic claims documents such as an authenticated
19 death certificate. Once this is provided to CLIMBS by the cooperative and forwarded to the accredited
20 reinsurer, the latter pays the amount reinsured with them.
21

22 When Juris Perez asked how reinsurance works, President and CEO Fermin Gonzales answered that the
23 game of insurance is to spread the risk and CLIMBS policy on retention limit is 1 million. If the policy
24 insured is more than 1 million, the excess is distributed to accredited reinsurers such as Stronghold,
25 Benlife and Paramount. These local reinsurers, which also have a retention limit, may distribute it to
26 international reinsurers such as Munich Re and Allianz.
27

28 As for claims procedure, President and CEO Fermin Gonzales explained that if the policy is 1.5 million,
29 CLIMBS shall pay the total claim of 1.5 million to the insured, absorbing the whole amount but treating
30 the P500,000 as reinsurance receivable which could take months and be received only after
31 completion of required claims documents.
32

33 Cielito Garrido of San Dionesio Credit Cooperative also stated her gratification to CLIMBS as it has
34 helped the coop especially on claims payment. She then expressed her observation that at the primary
35 level, there is a provision in the coop code for the computation of Interest on Capital and Experience
36 Refund, which is not at a fixed rate. However, in the federation level such as CLIMBS, the rate maybe
37 fixed when supported by a policy. She added that the said policy on how to compute the dividend and
38 patronage fund should be disclosed for the member owners. This is one way of inspiring members to
39 support CLIMBS aside from the usual capital infusion and patronizing of products. She also noted, in
40 layman's term, that after deducting the reserve fund, the distribution of net surplus in 2016 is at 75%
41 and in 2017 at 76%, which shows an increase in the amount distributed. However, since the policy is
42 fixed at 11%, whatever excess was distributed to patronage and experience refund. Cielito Garrido
43 further said that the statistics of the members of cooperatives show that majority are senior citizens.
44 She then asked CLIMBS to come up with affordable products that would address the needs of this
45 particular sector.
46

47 Before the motion for the approval of the financial report was duly moved and seconded, Roy Quintero
48 of PHCCI MPC Tacloban made an addendum by asking the management how long the 11% dividend
49 rate could be sustained for consideration of primary coops that are looking for financial institutions
50 where they could better invest their funds.
51

Presiding Officer Gilbert Llanto expressed his confidence with CLIMBS taking from ACDI MPC's analysis as a sustainable investment. He then answered that the double digit dividend rate may be sustained for the next five years and CLIMBS could do more especially through the CAC where primary coop members are still farming out their insurance needs to commercial companies.

GA Resolution No. 5, series of 2018

Upon motion moved by Sonny Boy Regencia of Baclaran MPC, severally seconded and unanimously carried, the Assembly adopted and approved the Audited Financial Statement of 2017 Operations.

4) Committee Reports

AUDIT COMMITTEE

Audit Committee Chairperson Miriam Baloyo directed the Assembly on the Audit Committee's Report and sought for a motion to dispense the reading of the same report as she would immediately proceed to the salient points therein.

GA Resolution No. 6, series of 2018

On motion made by Danny Cabahug of Perpetual Help Community Cooperative, severally seconded and unanimously carried, the Assembly approved to dispense the reading of the Audit Committee's Report as it is already printed in the Annual Report.

Miriam Baloyo then reiterated for management to manualize its policies and succession plan for future reference. She noted all policies needed to be updated and integrated with the present system such as travel policy, code of ethics, property and equipment acquisition policy, human resource policy and operational policy. These policies may be subjected for revision every three years or as deemed necessary. As for the financial investment policy, this is still pending for signature of the CEO, CFO and Compliance Officer. Noteworthy however, CLIMBS is compliant to the capital requirement prescribed by the new Insurance Commission Code.

The Committee then requested the approval of the assembly to create a Remuneration Committee, as required by Insurance Commission through Circular 31-2005 and to engage the services of Reyes Tacandong Accounting and Auditing Firm as CLIMBS engagement with BDO Roxas Tagle and Co., the current external auditors, is about to end after this Assembly.

GA Resolution No. 7, series of 2018

On motion made by Divina Satur of Tagum Cooperative, severally seconded and unanimously carried, the Assembly adopted and approved the Audit Committee's Report of 2017-2018.

Resolved further, the Assembly approved Reyes Tacandong Accounting and Auditing Firm as CLIMBS external auditors for FY 2018.

GENDER AND DEVELOPMENT

GAD Chairperson Norma Pereyras reported on the highlights of the Committee's program and training conducted nationwide in partnership with CIFL. This seminar include among others, mainstreaming Gender and Development modules with special focus on Family Enrichment. She shared that this continuing awareness has become effective with Tagum Cooperative.

GA Resolution No. 8, series of 2018

On motion made by Luzviminda Espita of Novaliches Development Cooperative, severally seconded and unanimously carried, the Assembly adopted and approved the Gender and Development Committee's Report.

CONCILIATION AND MEDIATION COMMITTEE

Committee Chairperson Danilo Cabahug reported that there were no issues neither requiring mediation nor submitted to CDA for the year 2017.

ELECTION COMMITTEE

Election Committee Chairperson Rolando Casaway read the Election Guidelines and announced that the voting will be done electronically. Thence after, the presentation of candidates commenced.

Declaration of Winners

Regular Board of Directors for Luzon

	NAME OF COOPERATIVE	CANDIDATE	TOTAL VOTES	RANK	REMARKS
1	SAN DIONESIO CREDIT COOPERATIVE	ABLAZA, MARJORIE P.	176	1 ST	WINNER

Regular Board of Director for Visayas

	NAME OF COOPERATIVE	CANDIDATE	TOTAL VOTES	RANK	REMARKS
1	PERPETUAL HELP COMMUNITY COOPERATIVE	ALCANTARA, ANTONIO MANUEL A.	193	1 st	WINNER
2	PHCCI MPC TACLOBAN	AGNER, SARAH T.	148	2 ND	WINNER

Regular Board of Director for Mindanao

	NAME OF COOPERATIVE	CANDIDATE	TOTAL VOTES	RANK	REMARKS
1	AGDAO MPC	PULIDO, MARVIN S.	78	2 ND	
2	MSUI-IIT NATIONAL MPC	CALIO, EUFEMIO L.	50	3 RD	
3	STA ANA MPC	SANTILLAN, JOSELITO O.	26	4 TH	
4	STA CATALINA CREDIT COOP	AMORONIO, EDGARDO G.	124	1 ST	WINNER

Audit Committee

	NAME OF COOPERATIVE	CANDIDATE	TOTAL VOTES	RANK	REMARKS
1	TAGUM COOPERATIVE	AMOGUIS, EDUARD C.	437	1 ST	WINNER

GA Resolution No. 9, series of 2018

On motion moved by Rudy Dalangin of Novaliches Development Cooperative, severally seconded and unanimously carried, the Assembly ratified the proclamation of winners made by the Election Committee of CLIMBS Board and Officers Election of 2018.

Subsequently, the Election Committee presented the proposed amendment of CLIMBS By-Laws as follows:

FROM	TO
<p style="text-align: center;">ARTICLE IV</p> <p style="text-align: center;">BOARD OF DIRECTORS</p> <p>Section 24. COMPOSITION OF THE BOARD OF DIRECTORS.</p> <p>a) The Board of Directors shall be composed of eleven members consisting of <u>two (2) Independent Directors (ID)</u> and nine (9) Regular Directors (RD).</p> <p>a.1.) The nine regular directors shall consist of members-cooperatives which shall be represented by their voting delegates and they shall be elected either by secret ballot or by automation by the voting delegates during the Annual General Assembly election, subject however to the provisions of paragraph b) and sub-paragraphs b.1), b.2), b.3), b.4), b.5), b.6), b.7) and b.8) respectively, as hereunder provided. They shall hold office for a term of two (2) years or until their successors shall have been duly elected and qualified.</p> <p>a.2.) Two Independent Directors (ID). <u>who</u> are natural persons, shall likewise be elected at large by all the entire voting delegates by secret ballot. They shall hold office for a term of two (2) years or until their successors shall have been duly elected and qualified.</p>	<p style="text-align: center;">ARTICLE IV</p> <p style="text-align: center;">BOARD OF DIRECTORS</p> <p>Section 24. COMPOSITION OF THE BOARD OF DIRECTORS.</p> <p>a) The Board of Directors shall be composed of <u>thirteen</u> members consisting of <u>two (2) Independent Directors (ID)</u> and <u>Eleven (11)</u> Regular Directors (RD).</p> <p>a.1.) The <u>eleven</u> regular directors shall consist of <u>members-cooperatives</u> which shall be represented by their voting delegates and they shall be elected either by secret ballot or by automation by the voting delegates during the Annual General Assembly election. They shall hold office for a term of two (2) years or until their successors shall have been duly elected and qualified.</p> <p>a.2.) Two Independent Directors (ID) <u>When position for two independent directors open, immediately the Election Committee will screen the applicants the Board will finally appoint the qualified nominees.</u> They shall hold office for a term of two (2) years or until their successors shall have been duly elected and qualified.</p>
<p>b.) The aforesaid nine seats of the Regular Directors (RD) shall be apportioned and elected either by secret ballot or by automation as follows:</p> <p>b.1.) Six seats shall be apportioned to the three Island Regions of Luzon, <u>Visayas</u> and Mindanao, respectively, based on the proportionate aggregate share capital paid by the members-cooperatives in each of the three Island Regions. Thus, voting delegates coming from Luzon shall elect the Regular Director/s for Luzon. Voting delegates from <u>Visayas</u> shall elect the Regular Director/s for <u>Visayas</u>. Likewise, voting delegates from Mindanao shall elect the Regular Director/s for Mindanao. Provided, however that the two-year term shall be observed.</p> <p>b.3.) Only one voting delegate coming from each of the five highest member cooperative-investors is qualified to run for the aforesaid <u>three seats</u> for Regular Directors.</p>	<p>b.) The aforesaid eleven seats of the Regular Directors (RD) shall be apportioned and elected either by secret ballot or automation as follows:</p> <p>b.1.) Six seats shall be apportioned to the three Island Regions of Luzon, <u>Visayas</u> and Mindanao <u>at two seats per island region regardless of aggregate share capital.</u> Thus, voting delegates coming from Luzon shall elect the Regular Director/s for Luzon. Voting delegates from <u>Visayas</u> shall elect the Regular Director/s for <u>Visayas</u>. Likewise, voting delegates from Mindanao shall elect the Regular Director/s for Mindanao. Provided, however that the two-year term shall be observed.</p> <p>b.3.) Only one <u>authorized</u> voting delegate coming from each of the five highest member cooperative-investors is qualified to run for the aforesaid three seats for Regular Directors.</p>

<p>b.4.) In the event that no member-cooperative qualifies for the three seats or only one or two members-cooperatives qualify, only voting delegate/s of member cooperative whose paid-up share capital is the next highest to the aforesaid TEN PERCENT (10%) minimum limit in the following DESCENDING ORDER of PRIORITY, to wit:</p> <p>b.4.1) 9% to 9.99%</p> <p>b.4.2) 8% to 8.99%</p> <p>b.4.3) 7% to 7.99%</p> <p>b.4.4) 6% to 6.99%</p> <p>b.4.5) 5% to 5.99%</p> <p>b.4.6) 4% to 4.99%</p> <p>b.4.7) 3% to 3.99%</p> <p>b.4.8) 2% to 2.99%</p> <p>b.4.9) 1% to 1.99%</p> <p>is qualified to run for the said vacant seat and who shall be elected by voting delegates coming from the same Island Region wherein the candidate member cooperative belongs.</p> <p>b.5.) If any member-cooperative at anytime, does not maintain its minimum paid up share capital of TEN PERCENT (10%) during the date of election or during its term of office, its seat as Regular Director shall be automatically forfeited and/or waived in favour of a qualified member cooperative.</p> <p>b.6.) Provided that, there shall only be one Regular Director representing a member- cooperative in the Board of Directors at any given time.</p> <p>b.7.) The Board of Directors and the ELECOM may, for compelling and justifiable reasons jointly adjust the aforesaid deadline of December 31 to another date.</p> <p>b.8.) The qualifications manner, procedure, rules and regulations of voting and electing the Regular Directors and Independent Directors shall be provided in the CLIMBS Election Code to be promulgated by ELECOM and approved by the General Assembly.</p>	<p>b.4.) There shall only be one Regular Director representing a member- cooperative in the Board of Directors at any given time.</p> <p>b.5.) The Board of Directors and the ELECOM may, for compelling and justifiable reasons jointly adjust the aforesaid deadline of December 31 to another date.</p> <p>b.6.) The qualifications <u>standard</u>, procedure, rules and regulations of voting and electing the Regular Directors shall be provided in the CLIMBS Election Code to be promulgated by ELECOM and approved by the General Assembly.</p>
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The proposed amendment did not warrant the GA approval as there was no prior information nor there was ample time for the Assembly to study the salient implications and reasons of this amendment. This proposed amendment was suggested to be part of the next annual report for the members' perusal prior to the approval of this General Assembly.

It has also been noted that this has never been a part of the approved agenda rendering this proposal to be out of order and was advised to be suspended and be taken up until the next General Assembly after sending this proposed amendment via printed copies or via e-mail to the member cooperatives.

5) Joint Board and Management Recommendation

Board Resolution No. 12, series of 2018
(Proposed Amendment in the By – Laws)

The Board of Directors hereby approved the proposed amendment in the By – Laws increasing by two (2) seats from eleven (11) to thirteen (13) Board of Directors.

RESOLVE FURTHER, that the aggregate share capital should no longer be the basis for the numbers of seats representing the three major islands of Luzon, Visayas and Mindanao. Resolve furthermore, that there shall be two (2) permanent seats allocated for every major island.

1 RESOLVED FINALLY as it is hereby resolved that the two seats for Independent Directors shall be
2 appointed by the majority vote of the Board of Directors. Motion carried.
3

4 Considering that the proposed amendment of the By-Laws has been suspended, the above Joint Board
5 and Management proposal was not given merit in the Assembly.
6

7 **GA Resolution No. 10, series of 2018**
8

9 On motion made by Danny Cabahug of Perpetual Help Community Cooperative, severally seconded
10 and unanimously carried, the Assembly appointed Fermin L. Gonzales as Board Emeritus.
11

12 Nora Clar of MSU IIT NMPC then clarified if the appointment of a Board Emeritus includes a voting right
13 of which Election Committee Vice Chairperson Jose Agerico De Guzman explained that the
14 appointment of a Board Emeritus is likened to an academic honor of honoris causa given to a person
15 who has not actually gone to school to obtain a specific doctoral degree but by virtue of his exemplary
16 expertise and services such honor is given to him.
17

18 Atty. Pedro Panis of PHCCI MPC Tacloban suggested to the Amendments Committee to include a
19 provision in the By Laws the specific powers and duties, voting benefits and compensation of a Board
20 Emeritus.
21

22 A delegate also asked if such appointment is allowed even without the amendment of the By Laws of
23 which Election Committee Vice Chairperson De Guzman answered that the appointment of Fermin L.
24 Gonzales as Board Emeritus is already approved and he can validly sit as a Board Emeritus and may
25 participate in an advising capacity during CLIMBS board meeting.
26

27 Board Resolution No. 13, series of 2018
28 (Proposed Renewal of Registration to the Cooperative Development Authority)
29

30 The Board of Directors hereby approved for CLIMBS to apply for renewal of registration to the
31 Cooperative Development Authority for another 50 years effective year 2022. Motion carried.
32

33 **GA Resolution No. 11, series of 2018**
34

35 On motion made by Sonny Boy Regencia of Baclaran MPC, severally seconded and unanimously
36 carried, the Assembly approved for CLIMBS to apply for renewal of registration to the Cooperative
37 Development Authority for another 50 years effective year 2022.
38

39 A modification of last year's proposed real estate project is now converted to a property development
40 that will be useful for coop for conventions that can accommodate as much as 1000 to 1500
41 participants.
42

43 Board Resolution No. 14, series of 2018
44 (Proposed CLIMBS Real Estate Projects)

45 The Board of Directors hereby approved for CLIMBS real estate projects as follows:
46 Make one Master Development Plan for the entire Bulua Property (Mixed – used)
47

48 A Convention Center to include hotel ample parking spaces, back office room and ground commercial
49 spaces. Progressive development by cluster. All will look like one big establishment preserving the
50 existing 5-storey building as the heritage building. Motion carried.
51
52
53

GA Resolution No. 12, series of 2018

On motion made by Rudy Dalangin of Novaliches Development Cooperative, severally seconded and unanimously carried, the Assembly approved Board Resolution No. 14, series of 2018 the CLIMBS Real Estate Projects as follows: Make one Master Development Plan for the entire Bulua Property (Mixed – used)


A Convention Center to include hotel ample parking spaces, back office room and ground commercial spaces. Progressive development by cluster. All will look like one big establishment preserving the existing 5-storey building as the heritage building.

A delegate then commented if the engagement on real estate projects is authorized by CLIMBS Articles of Cooperation and By Laws invoking Article II of CLIMBS Article of Cooperation Secondary Purpose: To engage in the business of real estate; acquire, sell, dispose, lease and encumber its properties.

VII. ADJOURNMENT

With no other matters being discussed, the 46th Annual General Assembly adjourned at 4:03pm.


NIÑA FLOJA BARRO-BATARA
Recording Board Secretary

Attested by:

ATTY. ISIDRO LICO.
Corporate Secretary

Approved by:

ATTY. PABLO P. GARCIA
Chairperson

Board of Directors and Management Report

For the Financial Year Ended 31 December 2018

Dear Shareholders:

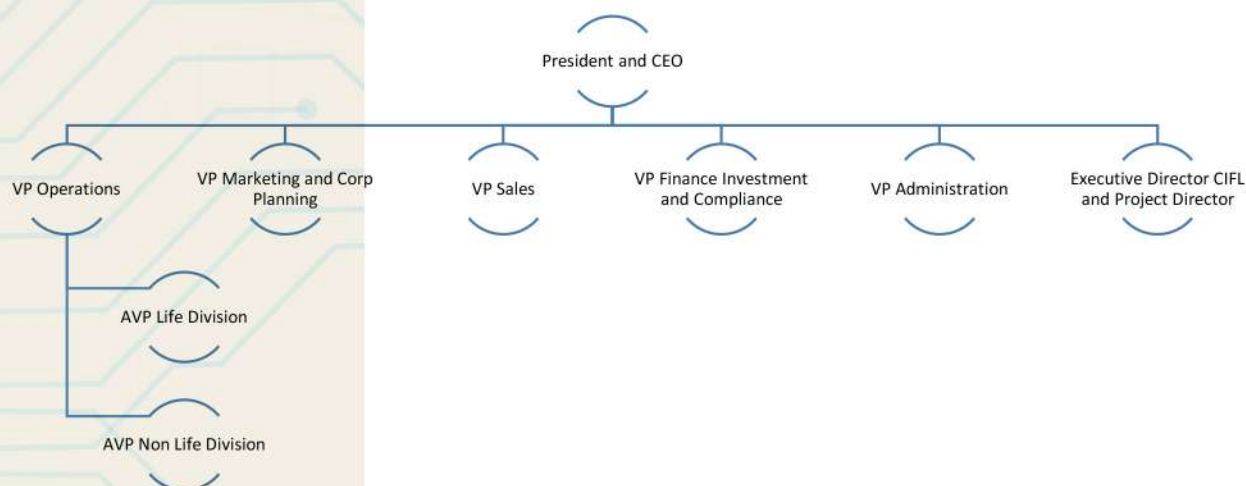
CLIMBS aims to provide complete financial solution for inclusive growth. Building on the success and lessons from the past two years, we are ushering Year 3 by transforming cooperative services through digital connectivity. Our goal to be a complete financial solutions provider has now been established throughout our network.

Safeguarding the interest of its member-owners is at the heart of CLIMBS. Technological innovation is an enabling tool to ensure fiscal fitness, remain relevant to the members' needs in a disruptive age. Creating new business models in the pursuit of digital marketing aimed to serve and deliver better products and services amidst the changing needs of our cooperative members throughout the country. This strategy can reach our targeted audience in a cost-effective and measurable way.

2018 PERFORMANCE HIGHLIGHTS

Continuing Legacy and Management Strategy

The successful turnover of leadership to the new President and CEO, Mr. Noel Raboy wrought about changes and strengthened CLIMBS' core team. In addition, the Organizational Structure was assessed and evaluated if only to make it functional. As a result, the new Management Team composed of the following was created:



The Management Committee was also established comprised of the Top Management Committee and the Division heads to provide timely feedback mechanism on management, operations and sales activities. The President and COOs of CLIMBS Subsidiaries also sit in the Management Committee as ex-officio.

Reaching New and Untapped Markets

Regionalization of the Sales Team was considered as best approach to chartering new zones in the competitive market. Needless to say, it also made CLIMBS palpable in these areas.

Employing this strategy, sales team registered its consolidated gross premium of P1.98B inclusive of refunds, against its consolidated target of P2.5B, a 79% accomplishment. The sales team also accredited 227 new accounts with a fresh premium contribution of P 22.49M.

Strengthening Area Operations

The Area Offices were strengthened by streamlining processes that would ensure fast, effective and efficient delivery of services. Area Operations Managers took charge of overseeing and monitoring the area of operations as well as providing backroom support in key cities like Quezon, Cebu and Davao.

Twenty-two (22) satellite offices were also established to support the area offices.

Innovating Marketing Strategies

Innovations in the Marketing strategy included product development and pilot testing. One significant innovation worth mentioning here is the employing of a new distribution channel via Telemarketing services. In August 2018, the three individual insurance products namely; 5 Pay Life, 5 Pay 10 and 5 Pay 15 were successfully piloted.

In strengthening the Coop Assurance Centers (CACs), a review of existing CACs and related materials was conducted. For viability and sustainability, the concept of franchising was studied and introduced along with products that were developed and upgraded.



By December 2018, a total of 155 active CACs (Luzon-45; Visayas-44; Mindanao-66) are being monitored closely by designated team. These CACs were recognized to have significantly boosted CLIMBS' premium production, with a share of 70% of the pie.

To revitalize the Sales Team, trainings were conducted and licensing of Sales Agents was facilitated in compliance to the Insurance Commission's requirement. As of December 2018, additional 16 Non-life insurance agents and 13 Life insurance agents were added in the growing roster of sales agents.

If at all it can be an edge, CLIMBS employed the services of expert consultants who could adeptly impart their competence particularly in the implementation of risk management strategies. Such is indubitably vital if CLIMBS has to be more forward-looking and if it has to boost its performances and profits at par with anyone in the insurance industry.

Recognizing the advent of the so-called "millennial" generation, CLIMBS has aggressively pursued e-marketing and its concomitant ready-to-upload mobile app.

Innovation through Digitalization

Technology innovation is inevitable in the business milieu, particularly in the insurance industry. Aside from Mobile Apps, CLIMBS' IT Team also conceptualized an e-commerce application scheduled to be up by mid-2019. This will be a flagship innovation in transforming Cooperative Services through digital connectivity.

Deepening the Bench through Staff Development

To complement these new strategies, series of trainings were conducted for personnel development.

The Human Resource and Administrative Department conducted series of in-house trainings for employees on Leadership & Management, Gender Sensitivity with Family Enrichment and Financial Literacy, Basic Safety and Occupational Health Course which were attended by a total of 64 junior managers.

CLIMBS FIVE-YEAR KEY FINANCIAL SUMMARY

	Yr 2018		Yr 2017		Yr 2016		Yr 2015		Yr 2014	
Assets	3,321.71	100.00%	2,943.36	100.00%	2,570.90	100.00%	1,962.22	100.00%	1,644.30	100.00%
Cash	1,167.22	35.14%	1,157.49	39.33%	907.12	35.28%	530.86	27.05%	380.54	23.14%
Investments	1,593.46	47.97%	1,259.80	42.80%	1,270.75	49.43%	1,119.12	57.03%	1,087.59	66.14%
Insurance Receivables	189.33	5.70%	151.44	5.15%	64.22	2.50%	62.93	3.21%	30.84	1.88%
Property & Equipment	86.39	2.60%	86.93	2.95%	88.59	3.45%	90.54	4.61%	84.20	5.12%
Legal Reserves	929.62	27.99%	672.97	22.86%	658.04	25.60%	465.32	23.71%	376.93	22.92%
Net Worth	1,907.09	57.41%	1,642.44	55.80%	1,338.46	52.06%	1,029.37	52.46%	882.95	53.70%
Net Premium	1,696.67	100.00%	1,628.06	100.00%	1,455.54	100.00%	1,251.30	100.00%	916.30	100.00%
Investments/Other Income	103.16	6.08%	132.16	8.12%	48.56	3.34%	35.18	2.81%	61.49	6.71%
Gross Revenue	1,799.84	106.08%	1,760.22	108.12%	1,548.49	106.39%	1,286.48	102.81%	977.79	106.71%
Claims	745.44	43.94%	858.28	52.72%	731.89	50.28%	549.40	43.91%	418.11	45.63%
Policy Reserves	233.39	13.76%	27.56	1.69%	133.51	9.17%	101.22	8.09%	94.99	10.37%
Commission	546.72	32.22%	543.35	33.37%	362.47	24.90%	374.13	29.90%	245.17	26.76%
Salaries / Benefits	69.80	4.11%	59.96	3.68%	63.39	4.34%	53.69	4.29%	40.84	4.46%
Other Expenses	107.47	6.33%	81.83	5.03%	93.70	6.45%	85.15	6.80%	73.65	8.04%
Total Expenses	1,702.82	100.36%	1,570.99	96.49%	1,384.96	95.15%	1,163.60	92.99%	872.76	95.25%
Net Income	62.82	3.70%	189.23	11.62%	136.82	9.40%	122.89	9.82%	105.03	11.46%
Share Value Information										
Number of Common Shares with	Yr 2018		Yr 2017		Yr 2016		Yr 2015		Yr 2014	
Par Value of P1,000 Per Share	1,538,114		1,069,835		710,290		500,976		339,149	
Total Equity - Net of Preferred Shares	1,742,682,527		1,450,646,260		1,115,251,599		885,984,067		790,521,526	
Book Value Per Share (BVPS)	1.133		1.348		1.570		1.769		2.331	
Dividend Per Share	41.40		110		110		110		100	
Dividend Rate	4.14%		11.00%		11.00%		11.00%		10.00%	

Financial Highlights

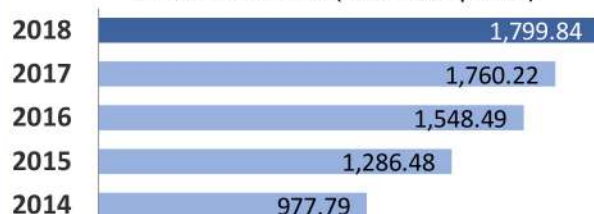
Confronted by the challenging rivalries in the insurance business and some prevalent pressures on profitability in the commercial market, CLIMBS remains unthwarted in improving its financial fit. A highlight on this year's key financial trends as compared to the performance of the previous year may be summarized as follows:

- Achieved 1.799 billion pesos in gross revenue, an increase of 2.25%.
- Grew Net premiums by 4.21% to 1.696 billion pesos.
- Netted a surplus of 62.82 million pesos, decreased by 66.8%
- Provided a Policy reserves of 233.39 million pesos, a heightened increase of 746.7%.
- Managed funds of 1.593 billion pesos, an increase of 26.88%
- Increased Asset worth to 3.321 billion pesos or a positive variance of 12.85%.
- Netted worth of 1.907 billion pesos, a 16.11% increase.

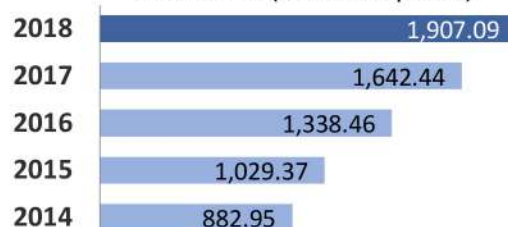
The financial statements from 2014 to 2016 are a combination of CLIMBS and CLIFSA while the 2017, 2018 FS is a consolidation of life and non-life businesses.

CLIMBS KEY TREND

Gross Revenues (in million pesos)



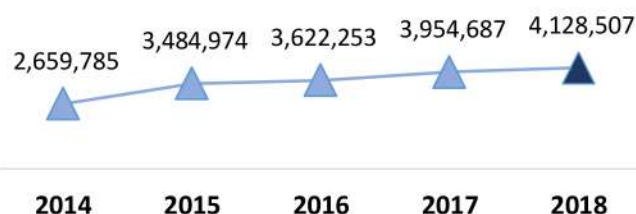
Net Worth (in million pesos)



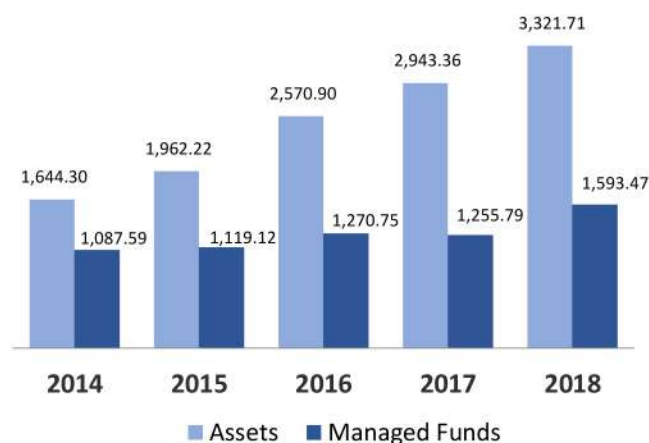
Net Surplus (in million pesos)



**Certificate of Cover (COC)
(Unique Individuals)**



Assets and Managed Funds (in million pesos)



**Gross Premium, Net Premium and Claims
(in million pesos)**



Looking Ahead: CLIMBS' 5 Year Strategic Planning

To keep CLIMBS abreast with the rapidly changing business environ, the Management Team together with the Board of Directors and the Committee Officers convened to craft a 5-year Strategic Plan (2019 to 2023) at the Lex Hotel in Cebu City on November 22-23, 2018. Such activity aimed to position CLIMBS exactly where the present leadership envisioned it to be, considering the many and diverse opportunities of the present vis-a-vis some pulsating trends and patterns of economic behavior and business rhythm. At the close of the two-day planning, a new MISSION, VISION and GOALS were formulated as guides and direction posts that shall facilitate CLIMBS towards becoming an INCLUSIVE FINANCIAL SOLUTION to the Cooperative sectors. Doable strategies and functional program of works were delineated and designed if only to assure and ensure that CLIMBS is indeed "more than just a protection".



Networking and Linkages

Some Members of the Board of Directors and key management officers were sent to international and local conferences and fora to fortify CLIMBS' networks and linkages and to equip themselves more profoundly with novel materials in the areas of development, competitiveness and excellence.

Bancassurance Seminar – Singapore, January 2018

Impact of Digital Innovation to the Cooperatives and Mutual Insurance Sector of Asia Oceania Association of the International Cooperative and Mutual Insurance Federation (ICMIF) Seminar - Hongkong; December 6-7, 2018.

Cooperative Summit – Davao City, October 2018

Mutual Exchange Forum Inclusive Insurance (MEFIN) Private Public Dialogue – January and March 2018

Property Management

Per BOD resolution number No. 44 series of 2018 CLIMBS purchased a 2-unit condo office worth P25,910,456.66, with a total area of 202.61 sqm and 2 parking lots at Base Line Center, Juana Osmeña Sts., Cebu City worth. The property is owned and developed by Cebu Landmasters, Inc., a leading local housing developer. It is located in one of the coveted locations of the city as it is only a walking distance from the major thoroughfares in Midtown Cebu. It stands on a prime 1.6 hectare complex within the proximate radius of the universities, hospitals, churches, government offices and commercial establishments. This colossal project will be the new home for CLIMBS henceforth as its operations continue to dominate in the Visayas regions.

Additional properties in Metro Manila and Davao will also be project for purchase in 2019 for branch offices in these areas.

Securing Member-owners Data and Compliance Measures

Aware of the danger of cyber hacking and scheming and to shield and protect CLIMBS' data security, the Board of Directors appointed a Data Privacy Officer and a team to fully implement the Data Privacy Act, in compliance

with the AMLA and Insurance Commission. CLIMBS personnel and member-owners were fully informed of the Data Privacy Act through different channels of communication.

As to other regulatory requirements, CLIMBS' and its CAC's logos are officially registered with the Intellectual Property of the Philippines (IPO). CLIMBS is also registered with the National Privacy Commission and updated its registration with the Anti-Money Laundering Council.



Unifying the Movement through Education: CLIMBS Institute for Financial Literacy (CIFL)

CIFL, with over 126 partner-cooperatives nationwide, remains to be a training/ education arm of CLIMBS. In 2018 alone, the Institute has increased its training fund to P6.6M. By far, it has accumulated an increase of P37M in the last 6 years.

To date, CIFL aims at elevating itself into a "Coop Academy". Whether it becomes in the future CLIMBS Institute of Management (CIM) or otherwise, CIFL will steadfastly remain a citadel for the Cooperative education and a vanguard of financial literacy in the Cooperative milieu.

CIFL has conducted a total of fourteen (14) trainings to its partner-Coops in 2018 with 494 participants from all over the areas of Luzon, Visayas and Mindanao, albeit:

Cooperative Accelerate: A Leadership Plus Series Jan. 16-17, 2018

Resource: Arete Leadership Development Consultancy
Enterprise- wide risk Management and Business Continuity Planning April 10-12, 2018

Resource: Insurance Institute of Asia and the Pacific

Reruns:

Coop Accelerate: a Leadership Plus Series May 9-10, 2018

Executive Series I Luzon Run June 27-29, 2018

Executive Series I Visayas July 25-27, 2018

Executive Series Course II Luzon Oct 17-19, 2018

Executive Series: Course II Visayas Nov 21-23, 2018

Enterprise- wide Risk Management& Business Continuity Planning August 22-24, 2018

Executive Series: Course I Feb, 7-9, 2018

Executive Series: Course II Feb, 28-March 2, 2018

Resource: Xavier University – Ateneo de Cagayan – SBM
Cooperative Culture May 25-26, 2018

Resource: Ms. Lecira Juarez

Empowering Women in CLIMBS through GST and Financial Literacy Training Sept. 29, 2018

Resource: Ms. Norma Pereyras and CLIMBS GAD Committee

Investment In Cooperatives June 13-15, 2018

Resource: Mr. Efren Cruz, RFP /PFA

Economic Outlook for 2019 Dec 4, 2018

Resource: Mr. Chinkee Tan / Mr. Marvin Fausto, RFP

A Flagship Program of CIFL and CLIMBS was launched in 2018. The 1st Global Cooperative Executive Masterclass is a partnership program with the Co-operative College of UK , launched during the Coop Summit Exhibit in October 2018.

CIFL at present continues to create new training programs and courses in partnership with renowned local and international training institutions.

In 2018, CLIMBS, through the CIFL, was awarded by the ILO for its Impact Insurance Project in the Philippines. The Project is aimed at developing an integrated risk management solution in partnership with member-cooperatives.

Projects for 2019

One of the advocacy projects of CLIMBS is Community Resiliency Program. Through Enterprise Wide Risk Management, partner-Coops will be trained and capacitated by way of assisting them craft and design their own Business Continuity Plan through CIFL.

Of course, CIFL will also tap the expertise of the Insurance Institute for Asia and Pacific (IIAP) together with Humanitarian Learning and Innovation to ensure this partnership program will indeed work. Other groups like PDRF, government agencies, NGOs and interested groups may also be included in the future.

Finally, to really ring a bell in its community partnerships and advocacy programs, and true to its commitment of protecting humanity, CLIMBS thought of setting up a Fire Station in partnership with Coops and civic organizations in Mindanao. This is an earnest effort on its part to maximize the usage of its allocations for community-related projects and engagements.

Trusting as though everything depends on God and working as though everything depends on us, we believe and claim that CLIMBS can make it through. Another milestone is looming at a hindsight because now CLIMBS — SEES with a new vision, TEAMS for a common mission and WORKS to scale new horizons if only to serve better its ever growing shareholders.

The unwavering trust and untiring support of every partner Coop in general, and the genuine dedication of every officer and staff made CLIMBS succeed through its 47 years of existence.

In behalf of CLIMBS Life and General Insurance Cooperative, we are sincerely grateful.



Noel D. Raboy
President & CEO



Atty. Pablo P. Garcia
Chairperson, April 2018-January 2019



Fr. Elmo P. Manching
Chairperson, February 2019-April 2019

The CLIMBS Institute in 2018

The CIFL, upon review of its operations and program/course offerings for the first five years, implemented new strategies to further its mandate as the education arm of CLIMBS, supporting and strengthening the leadership and management of its partner cooperatives through its capacity-building program.

TRAININGS FOR PARTNERS

CIFL has conducted 8 trainings and 6 re runs for its coop-partners in 2018 with 494 participants from Luzon, Visayas and Mindanao. The Institute partnered with reputable academic institutions, organizations and industry experts in the conduct of its trainings.



EQUIPPING THE HUMAN RESOURCE

CLIMBS Staff development training was also conducted by CIFL for the strengthening of the organization, continuous learning and capacity-building for the middle managers in the Coop Accelerate, Leadership Series and Executive Series I and II. A total of 26 key personnel were trained during the year.

GLOBAL PARTNERSHIPS AND COLLABORATIONS



2018 was a banner year for strategic partnerships and collaborations with local and international groups. The CIFL partnered with the Co-operative College of UK (a forerunner in Cooperative Education worldwide) for a flagship Executive Education Program for Cooperative leaders, the 1st Global Cooperative Executive Masterclass, the first in Asia. The program was launched in time with the Cooperative Summit in October 2018 and scheduled to run in early 2019.

In its mission to promote holistic risk management solutions, CLIMBS, through CIFL, was chosen by the ILO for the Impact Insurance Project in the Philippines. It aims to develop an integrated risk management approach in partnership with identified cooperatives in the CLIMBS network. Community of practice workshops will form part in the project which is expected to run for 18 months starting 2019.

STRENGTHENING THE CACs THROUGH GENDER EMPOWERMENT



In celebration of the International Women's Month, CIFL also conducted a Gender Sensitivity Training with Family Enrichment topics to its last batch of CLIMBS staff-participants. The lecture and workshop activity held on March 2018 was headed by the 2018-2019 GAD Committee Chairperson, Ms. Norma Pereyras, along with the Committee members and in-house pool of trainers.

A pilot training, "Empowering Women in CLIMBS CACs through GST / Financial Literacy Training" was also conducted and attended by CAC partner-coops. The Institute also works closely with CLIMBS' core team in developing and enhancing operations and training modules, capacitating implementers and partners of our Coop Assurance Centers – a unique distribution channel of CLIMBS.

HIGHER EDUCATION AND BUILDING RESILIENCY AND SUSTAINABILITY



Inked partnerships with universities and institutions led to the conduct of flagship Executive Series that focuses on capacitating the middle managers, part of the cooperatives' succession planning. A Post-graduate program on Cooperative Management for cooperative managers and next generation leaders is also designed and set to run in 2019. This is in response to coop-partners' needs and strategic review of course offerings.

Teaching our partners to be resilient and sustainable in the light of the various risks that we face, the Institute helps partners by educating them on Risk Management and Business Continuity Planning – a vital concern for the community integral to risk management, resiliency and sustainability.

WAYS FORWARD

Part of the strategic plan is to become a CLIMBS Institute of Management (CIM) - a cooperative learning center that will cater to the current and evolving leadership and management needs of Cooperative managers, executives and next-generation leaders to sustain and make cooperatives modern, viable and relevant. It is envisioned to be a unifying and creative learning hub for Cooperatives as we enjoin partners to invest in a state-of-the art facility with their names on hallways and learning spaces. It will be an enduring structure and a legacy for all those who have started the CIFL way back in 2012. Moving forward in a digital world, the CIM will also employ e-learning and blended learning platforms.

The learning world is limitless to those who value education. Hinged on the Cooperative principles on Education and Cooperation among Cooperatives, CIFL will continue to rally for support from and among its network and other interest-groups that are "Champions for Education" to fulfil this aspiration.



CLIMBS Life and General Insurance Cooperative

Zone 5, National Highway, Bulua, 9000 Cagayan de Oro City, Philippines

Telefax Nos.: (08822) 738738; (088) 8561355 Tel. Nos. (08822) 738722; 738886

Email: head_office@climbs.coop Website: www.climbs.coop


STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **CLIMBS Life and General Insurance Cooperative** is responsible for all information and representations contained in the financial statements for the years ended December 31, 2018 and 2017. The financial statements have been prepared in conformity with Philippine Financial Reporting Framework for Cooperatives as prescribed by Memorandum Circular No. 2015-06 of the Cooperative Development Authority and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.

The Board of Directors (BOD) reviews the financial statements before such statements are approved and submitted to the members of the Cooperative.

Reyes Tacandong & Co., the independent auditors and appointed by the BOD, has examined the financial statements of the cooperative in accordance with Philippine Standards on Auditing and the Standard Audit Systems for Cooperatives, and has expressed an opinion on the fairness of presentation upon completion of such examination, in its report to the members of the cooperative.


Chairman


Chief Executive Officer


Treasurer

Signed this 15th day of March 2019

LUZON BRANCH OFFICE	BAGUIO AREA OFFICE	NAGA AREA OFFICE	CEBU AREA OFFICE	DAVAO AREA OFFICE	ILOILO AREA OFFICE
Units 501,505,604 & 605 6F EU State Tower 30 Quezon City, Philippines 1100 TF: (063) (02) 511 7078 Email: metro_manila@climbs.coop	Room 402, Lyman Ogilby Centrum Magsaysay Avenue Baguio City, Philippines 2600 TF: (063) (74) 422 6720 Email: metro_baguio@climbs.coop	2F Ramaida Building Elias Angeles, Santa Cruz Naga City, Philippines 4400 TF: (063) (54) 881 7604 Email: metro_naga@climbs.coop	6F Cebu CFI Building Capitol Compound Cebu City, Philippines 6000 TF: (063) (32) 255 2234 Email: metro_cebu@climbs.coop	Door 27 ABB, CAM Building Monteverde-Alvarez Streets Davao City, Philippines 8000 TF: (063) (82) 305 1398 Email: metro_davao@climbs.coop	Door 26, Ground Floor Zerrudo Commercial Complex, E. Lopez St. Jaro, Iloilo City, Philippines 5000 TF: (063) (33) 320 0625 Email: metro_iloilo@climbs.coop



CLIMBS Life and General Insurance Cooperative


Zone 5, National Highway, Bulua, 9000 Cagayan de Oro City, Philippines
 Telefax Nos.: (08822) 738738; (088) 8561355 Tel. Nos. (08822) 738722; 738886
 Email: head_office@climbs.coop Website: www.climbs.coop

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN


The Management of **CLIMBS Life and General Insurance Cooperative** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2018. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2018 and the accompanying Annual Income Tax Return are in accordance with the books and records of **CLIMBS Life and General Insurance Cooperative**, complete and correct in all material respects. Management likewise affirms that:

- (a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of Department of Finance and Bureau of Internal Revenue;
- (b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
- (c) the **CLIMBS Life and General Insurance Cooperative** has filed all applicable tax returns, reports and statements required to be filed under the Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.


 Chairman


 Chief Executive Officer


 Treasurer

Signed this 15th day of March 2019

LUZON BRANCH OFFICE	BAGUIO AREA OFFICE	NAGA AREA OFFICE	CEBU AREA OFFICE	DAVAO AREA OFFICE	ILOILO AREA OFFICE
Units 501,505,604 & 605 6F EU State Tower 30 Quezon City, Philippines 1100 TF: (063) (02) 511 7078 Email: metro_manila@climbs.coop	Room 402, Lyman Ogilby Centrum Magsaysay Avenue Baguio City, Philippines 2600 TF: (063) (74) 422 6720 Email: metro_baguio@climbs.coop	2F Ramaida Building Elias Angeles, Santa Cruz Naga City, Philippines 4400 TF: (063) (54) 881 7604 Email: metro_naga@climbs.coop	6F Cebu CFI Building Capitol Compound Naga City, Philippines 6000 TF: (063) (32) 255 2234 Email: metro_cebu@climbs.coop	Door 27 ABB, CAM Building Monteverde-Alvarez Streets Davao City, Philippines 8000 TF: (063) (82) 305 1398 Email: metro_davao@climbs.coop	Door 26, Ground Floor Zerrudo Commercial Complex, E. Lopez St. Jaro, Iloilo City, Philippines 5000 TF: (063) (33) 320 0625 Email: metro_iloilo@climbs.coop



INDEPENDENT AUDITORS' REPORT

The Members and the Board of Directors
CLIMBS Life and General Insurance Cooperative (CLIMBS)
Zone 5, National Highway, Bulua
Cagayan de Oro City

Opinion

We have audited the accompanying financial statements of CLIMBS Life and General Insurance Cooperative (CLIMBS) (the Cooperative), which comprise the statement of financial condition as at December 31, 2018, and the statement of operations, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Cooperative as at December 31, 2018, and its financial performance and its cash flows for the year 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 audit 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.

Other Matter

The financial statements of the Cooperative as at and for the year ended December 31, 2017 were audited by another auditor, whose report dated April 21, 2018 expressed an unmodified opinion on those financial statements.

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, 2018, but does not include the financial statements and our auditors' report thereon. The Annual Report for the year ended December 31, 2018 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 audit 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 audit 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.

Pamela Ann P. Escudro

PAMELA ANN P. ESCUADRO

Partner

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Tax Identification No. 216-321-918-000

BOA Accreditation No. 4782; Valid until August 15, 2021

CDA Accreditation No. 0025-AF

Valid until March 20, 2020

IC Accreditation No. SP-2018-003-O

Valid until March 7, 2021

SEC Accreditation No. 1471-AR-1 Group A

Valid until June 4, 2021

BIR Accreditation No. 08-005144-7-2017

Valid until March 8, 2020

PTR No. 7334345

Issued January 3, 2019, Makati City

March 15, 2019

Makati City, Metro Manila

CLIMBS LIFE AND GENERAL INSURANCE COOPERATIVE (CLIMBS)

STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2018

(With Comparative Figures for 2017)

	Note	2018	2017
ASSETS			
Current Assets			
Cash	6	₱537,003,962	₱572,823,150
Short-term placements	7	630,220,678	584,667,495
Insurance receivables	8	189,331,096	151,439,097
Reinsurance assets	9	29,686,817	–
Financial assets at fair value through profit or loss (FVPL)	10	81,728,863	75,132,740
Financial assets at cost	10	385,042,081	325,509,894
Accounts and other receivables	11	50,545,846	87,514,812
Other funds and deposits	12	37,204,682	30,469,135
Prepayments	13	724,033	2,112,561
Total Current Assets		1,941,488,058	1,829,668,884
Non-Current Assets			
Financial assets at amortized cost	10	1,061,765,148	804,428,179
Financial assets at cost - net of current portion	10	64,929,516	54,736,227
Property and equipment	14	86,389,072	86,934,642
Investment property	15	154,711,829	155,324,645
Other non-current assets	16	12,426,865	12,270,752
Total Non-current Assets		1,380,222,430	1,113,694,445
TOTAL ASSETS		₱3,321,710,488	₱2,943,363,329
LIABILITIES AND EQUITY			
Current Liabilities			
Insurance contract liabilities	17	₱1,244,286,172	₱998,021,413
Due to reinsurers	18	11,271,724	7,262,678
Interest on share capital and patronage refund payable		43,971,312	145,708,634
Accounts and other payables	19	73,552,386	113,050,659
Total Current Liabilities		1,373,081,594	1,264,043,384
Non-Current Liabilities			
Retirement payable	20	2,890,455	5,032,292
Other non-current liabilities	21	38,647,088	31,850,044
Total Non-Current Liabilities		41,537,543	36,882,336
Equity			
Members' equity	22	1,702,523,074	1,000,000,000
Deposit for share capital subscription	22	–	443,272,804
Statutory funds	23	204,568,277	192,730,808
Surplus reserves	22	–	6,433,997
Total Equity		1,907,091,351	1,642,437,609
TOTAL LIABILITIES AND EQUITY		₱3,321,710,488	₱2,943,363,329

See accompanying Notes to Financial Statements.

CLIMBS LIFE AND GENERAL INSURANCE COOPERATIVE (CLIMBS)

**STATEMENT OF OPERATIONS
FOR THE YEAR DECEMBER 31, 2018
(With Comparative Figures for 2017)**

	Note	2018	2017
REVENUE			
Gross premiums earned on insurance contracts	24	₱1,752,277,004	₱1,664,014,238
Reinsurers' share of gross premiums earned on insurance contracts	24	(55,609,211)	(35,957,412)
Net insurance premiums		1,696,667,793	1,628,056,826
Interest/dividend from investments/deposits	6	67,029,520	113,943,908
Commissions and other underwriting income		25,619,138	2,307,636
Other income	29	10,521,935	15,913,338
		1,799,838,386	1,760,221,708
BENEFITS, CLAIMS AND EXPENSES			
Benefits and claims incurred on insurance contracts	25	745,441,287	858,282,622
Collection costs	26	546,715,543	543,346,073
Increase in legal policy reserves	17	233,388,654	27,564,484
General and administrative expenses	27	86,908,362	63,648,887
Salaries and benefits	28	69,802,093	59,964,924
Depreciation and amortization	14, 15, 16	20,560,901	18,182,726
		1,702,816,840	1,570,989,716
OTHER ITEMS			
Prior years' adjustment	10	(34,205,386)	—
NET SURPLUS		₱62,816,160	₱189,231,992
DISTRIBUTION OF NET SURPLUS			
Statutory funds:	23		
Reserve fund		₱6,281,616	₱18,923,199
Cooperative education and training fund		6,281,616	5,676,960
Community development fund		1,884,485	5,676,960
Optional fund		4,397,131	13,246,239
Interest on share capital and patronage refund payable		43,971,312	145,708,634
		₱62,816,160	₱189,231,992

See accompanying Notes to Financial Statements.

CLIMBS LIFE AND GENERAL INSURANCE COOPERATIVE (CLIMBS)

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR DECEMBER 31, 2018
(With Comparative Figures for 2017)**

	Note	Number of Shares			
		2018	2017	2018	2017
MEMBERS' EQUITY	22				
Common - ₱1,000 par value					
Authorized					
Balance at beginning of year		800,000	800,000		
Increase in authorized share capital		1,700,000	-		
Balance at end of year		2,500,000	800,000		
Subscribed					
Balance at beginning of year		800,000	800,000	₱800,000,000	₱800,000,000
Additions		812,000	-	812,000,000	-
Withdrawals		(55,515)	-	(55,515,000)	-
Balance at end of year		1,556,485	800,000	1,556,485,000	800,000,000
Subscriptions receivable					
Balance at beginning of year				-	-
Additions				(812,000,000)	-
Conversion of deposit for share capital subscription				420,065,667	-
Collections				373,177,859	-
Withdrawals				385,724	-
Balance at end of year				(18,370,750)	-
				1,538,114,250	800,000,000
Preferred - ₱1,000 par value					
Authorized					
Balance at beginning of year		200,000	200,000		
Increase in authorized share capital		300,000	-		
Balance at end of year		500,000	200,000		
Subscribed					
Balance at beginning of year		200,000	200,000	200,000,000	200,000,000
Additions		33,000	-	33,000,000	-
Withdrawals		(68,000)	-	(68,000,000)	-
Balance at end of year		165,000	200,000	165,000,000	200,000,000
Subscriptions receivable					
Balance at beginning of year				-	-
Additions				(33,000,000)	-
Conversion of deposit for share capital subscription				23,207,137	-
Collections				8,729,216	-
Withdrawals				472,471	-
Balance at end of year				(591,176)	-
				164,408,824	200,000,000
				1,702,523,074	1,000,000,000

(Forward)

CLIMBS LIFE AND GENERAL INSURANCE COOPERATIVE (CLIMBS)

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR DECEMBER 31, 2018
(With Comparative Figures for 2017)**

	Note	2018	2017
DEPOSIT FOR SHARE CAPITAL SUBSCRIPTION	22		
Balance at beginning of year		₱443,272,804	₱168,523,757
Conversion to share capital		(443,272,804)	–
Additions		–	274,749,047
Balance at end of year		–	443,272,804
STATUTORY FUNDS	23		
Reserve Fund			
Balance at beginning of year		90,948,804	72,025,605
Allocation from net surplus		6,281,616	18,923,199
Balance at the end of year		97,230,420	90,948,804
Cooperative Education and Training Fund (CETF)			
Balance at beginning of year		16,493,852	23,250,349
Allocation from net surplus		6,281,616	5,676,960
CETF payable to federation		(3,140,808)	(2,838,480)
Disbursements		(3,289,474)	(9,594,977)
Balance at end of year		16,345,186	16,493,852
Community Development Fund			
Balance at beginning of year		18,497,131	13,956,609
Allocation from net surplus		1,884,485	5,676,960
Disbursements		(577,097)	(1,136,438)
Balance at end of year		19,804,519	18,497,131
Optional Fund			
Balance at beginning of year		66,791,021	53,544,782
Allocation from net surplus		4,397,131	13,246,239
Balance at end of year		71,188,152	66,791,021
		204,568,277	192,730,808
SURPLUS RESERVES	22		
Balance at beginning of year		6,433,997	34,600,977
Transfer to legal policy reserves		(6,433,997)	(28,166,980)
Balance at end of year		–	6,433,997
		₱1,907,091,351	₱1,642,437,609

See accompanying Notes to Financial Statements.

CLIMBS LIFE AND GENERAL INSURANCE COOPERATIVE (CLIMBS)

**STATEMENT OF CASH FLOWS
FOR THE YEAR DECEMBER 31, 2018
(With Comparative Figures for 2017)**

	Note	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Net surplus		₱62,816,160	₱189,231,992
Adjustments for:			
Depreciation and amortization	14, 15, 16	20,560,901	18,182,726
Remeasurement gain on retirement benefits	20	(5,074,049)	(3,339,631)
Retirement cost	20	2,932,212	2,820,308
Unrealized fair value loss (gain) on financial assets at FVPL	10	3,403,877	(1,499,422)
Operating income before working capital changes		84,639,101	205,395,973
Decrease (increase) in:			
Short-term placements		(45,553,183)	42,097,176
Insurance receivables		(37,891,999)	(82,880,268)
Reinsurance assets		(29,686,817)	–
Accounts and other receivables		36,968,966	(25,171,165)
Other funds and deposits		(6,735,547)	1,054,067
Prepayments		1,388,528	10,259,467
Increase (decrease) in:			
Insurance contract liabilities		239,830,762	55,301,671
Due to reinsurers		4,009,046	40,371,079
Accounts and other payables		(42,639,081)	(26,057,763)
Net cash generated from operations		204,329,776	220,370,237
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in financial assets at:			
FVPL		(10,000,000)	(10,000,000)
Amortized cost		(257,336,969)	(86,859,786)
Cost		(69,725,476)	12,757,752
Acquisitions of:			
Property and equipment	14	(15,807,580)	(17,944,038)
Investment property	15	(1,180,242)	(14,082,743)
Increase in other non-current assets		(2,570,806)	(7,757,752)
Cash flows used in investing activities		(356,621,073)	(123,886,567)

(Forward)

CLIMBS LIFE AND GENERAL INSURANCE COOPERATIVE (CLIMBS)

**STATEMENT OF CASH FLOWS
FOR THE YEAR DECEMBER 31, 2018
(With Comparative Figures for 2017)**

	Note	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in other non-current liabilities		₱6,797,044	₱8,813,892
Payments of dividend and patronage refund		(8,384,719)	(4,336,437)
Collections of members' share capital		244,583,160	227,989,905
Withdrawals of members' share capital		(122,656,805)	–
Disbursements from statutory funds		(3,866,571)	(10,731,415)
Net cash flows from financing activities		116,472,109	221,735,945
NET INCREASE (DECREASE) IN CASH		(35,819,188)	318,219,615
CASH AT BEGINNING OF YEAR		572,823,150	254,603,535
CASH AT END OF YEAR		₱537,003,962	₱572,823,150
NONCASH FINANCIAL INFORMATION			
Issuance of share capital from dividend and patronage refund payable	22	₱137,323,915	₱87,328,239
Conversion of deposit for share capital subscription	22	443,272,804	–
		₱580,596,719	₱87,328,239

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2018
(With Comparative Figures for 2017)

1. Corporate Information

CLIMBS Life and General Insurance Cooperative (CLIMBS) (the Cooperative) is a national federation of cooperatives organized on March 17, 2004 and was originally registered with the Cooperative Development Authority (CDA) under Registration No. 0202100010 in accordance with the provisions of Republic Act (R.A.) No. 6938, and obtained its insurance license to operate as an insurance cooperative from the Insurance Commission (IC) on April 28, 2004. The Cooperative was re-registered with the Cooperative Development Authority (CDA) under Registration No. 9520-10008741 on March 1, 2010 in accordance with the provisions of R.A. No. 9520, otherwise known as the Philippine Cooperative Code of 2008.

The Cooperative has composite insurance license to operate as a life and general insurance cooperative granted by the IC with Certificate of Authority No. 2019/25-R which is valid until December 31, 2021.

The primary purposes of the Cooperative are as follows:

- To provide protection for the life, health and property of the members;
- To conduct, transact, or carry on, and undertake insurance business in all its member-cooperatives and other third persons (juridical or natural) pertaining to life and non-life such as accident, health, property, and surety agreement; to write insurance contracts providing for all risks, hazards, guarantees and contingencies to which life, accident, health, property and surety insurance is applicable; to grant endowment and annuities, payable between any fixed period or contingencies to their commencement or determination upon any event dependent upon human life or the birth or failure of issues; to issue insurance policies providing for participation or non-participation of profits; and,
- To give protection and encouragement on the capital and savings deposits of the individual members of the cooperative.

The secondary purposes of the Cooperative are as follows:

- To reinsure all or parts of the risks underwritten by CLIMBS and to undertake all kinds of reinsurance to the extent allowed by law; and,
- To establish a Training Institute on Financial Literacy and Management.

On April 23, 2017, the Cooperative's General Assembly (GA) approved the amendment of its Articles of Cooperation and included, as part of its secondary purpose, to engage in the business of real estate; acquiring, selling, disposing, leasing and encumbering its properties. The amendment was approved by the CDA on May 21, 2018.

One of the Cooperative's divisions is engaged in the business of underwriting life insurance, offering to members and beneficiaries the following products:

1. Coop Life Savings Plan;
2. Coop Loan Protection Plan (CLPP);
3. Group Yearly Renewal Term (GYRY); and,
4. Permanent Plan (5 Pay Life, 5 Pay Life - 15 years endowment, 10 Pay Life - 15 years endowment)

Other than individual and group life insurances, the Cooperative also offers non-life standard and micro insurance contracts for all risks, hazards and contingencies for marine, fire, motor car and other casually insurances, as applicable.

The registered office address of the Cooperative is at Zone 5, National Highway, Bulua, Cagayan de Oro City, Philippines.

On October 18, 2018, the Cooperative was granted by the CDA a Certificate of Compliance (COC) under COC No. 00-18-0030 which is valid until April 30, 2019.

The financial statements were authorized for issuance by the Board of Directors (BOD) on March 15, 2019.

2. Organization and Tax Exemption

Under R.A. No. 9520, cooperatives are exempted from the payment of all national, city, provincial, municipal or barangay taxes of whatever name and nature, including exemption from customs duties, advance sales of compensating taxes on its importation of machinery, equipment and spare parts which are not available locally as certified by the Department of Trade and Industry. The cooperative shall enjoy exemptions from government taxes or fees imposed under internal revenue laws provided that the cooperative does not transact business with non-members or the general public. The cooperative, if transacting business with both members and non-members or the general public, may be exempt from tax if the accumulated reserves and undivided net savings of the cooperative does not exceed ₱10 million. Accordingly, the Cooperative is exempt from taxes, including income tax.

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 March 15, 2022.

3. Basis of Accounting

Basis of Preparation

The financial statements have been prepared on the historical cost basis, except for financial assets at fair value through profit or loss (FVPL) which are carried at fair value. The financial statements are presented in Philippine Peso, the Cooperative's functional currency. All amounts are rounded to the nearest peso except when otherwise stated.

Statement of Compliance

The financial statements have been prepared in compliance with Philippine Financial Reporting Framework (PFRF) for Cooperatives as prescribed by Memorandum Circular (MC) No. 2015-06 of the CDA dated September 16, 2015. The PFRF for Cooperatives was developed from the Philippine Financial Reporting Standard for Small and Medium-sized Entities. Modifications were made on several provisions of the standard taking into consideration cooperative laws, rules, regulations and principles.

Revised Standard Chart of Accounts for Cooperatives

Pursuant to Section 3 of R.A. No. 6939, the CDA issued MC No. 2016-06 prescribing the usage of Standard Chart of Accounts (SCA) for Cooperatives in conformity with the PFRF for Cooperatives. The Circular shall be applied in the accounting and financial reporting of all types of cooperatives duly registered with the CDA pursuant to R.A. No. 9520.

4. Summary of Significant Accounting Policies

Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Cooperative recognizes a financial asset or a financial liability only when the Cooperative becomes a party to the contractual provisions of the instrument. Financial instruments are classified as cash, loans and receivables, financial assets at cost, financial assets at amortized FVPL, financial assets at amortized cost, and other financial assets or liabilities, as appropriate.

When a financial asset or financial liability is recognized initially, the Cooperative measures it at the transaction price unless the arrangement constitutes, in effect, a financing transaction. A financing transaction may take place in connection with the sale of goods or services, for example, if payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate. If the arrangement constitutes a financing transaction, the Cooperative measures the financial asset or financial liability at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

The Cooperative measures financial instruments as follows:

Cash. Cash includes cash in banks, cash in other cooperatives and working funds.

Classified as cash are the Cooperative's cash in banks, cash in other cooperatives and working funds presented under "Cash" (see Note 6).

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 undiscounted amount of cash or other consideration expected to be received, less any allowance for impairment.

Classified as loans and receivables are the Cooperative's short-term placements, insurance receivables, reinsurance assets, accounts and other receivables, other funds and deposits, and refundable deposits (presented under "Other non-current assets") (see Notes 7, 8, 9, 11, 12, and 16).

Financial assets at FVPL. Financial assets at FVPL include investments in publicly-traded securities that are held for trading and are quoted in an active market. These investments are measured at fair value. Gains or losses on financial assets at FVPL are recognized in the statement of operations.

Classified as financial assets at FVPL are the Cooperative's investments in publicly-traded securities which are measured at fair value presented under "Financial assets at FVPL" (see Note 10).

Financial assets at amortized cost. Financial assets at amortized cost include financial assets with fixed or determinable payments and investments in debt instruments which are measured at amortized cost using the straight-line method, less any impairment in value.

Classified as financial assets at amortized cost are the Cooperative's investments in retail treasury bonds, corporate bonds, fixed-rate treasury notes and long-term negotiable certificate of deposits (see Note 10).

Financial assets at cost. Financial assets at cost include investments in unquoted equity securities, mutual funds and other externally managed funds. These investments are measured at cost less any impairment in value.

Classified as financial assets at cost are the Cooperative's investments in shares of stock of cooperative banks and federations, mutual funds and externally managed funds (see Note 10).

Impairment of Financial Assets at Amortized Cost

For financial assets at amortized cost, 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.

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.

If, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

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.

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 non-interest bearing loans and borrowings. The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost using the effective or straight-line interest amortization method.

Classified as other financial liabilities are the Cooperative's insurance contract liabilities, interest on share capital and patronage refund payable, due to reinsurers, accounts and other payables (excluding statutory payables), and other non-current liabilities (see Notes 17, 18, 19, 21 and 23).

Derecognition of Financial Assets

The Cooperative derecognizes a financial asset only when:

- the contractual rights to the cash flows from the financial assets expire or are settled; or,
- the Cooperative transfers to another party substantially all of the risks and rewards of ownership of the financial assets; or,
- the Cooperative, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Cooperative:
 - Derecognizes the asset; and,
 - Recognizes separately any rights and obligations retained or created in the transfer.

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations is measured at their fair values at that date. Any difference between the consideration received and the carrying amounts is recognized in the statement of operations in the period of the transfer.

If a transfer does not result in derecognition because the Cooperative has retained significant risks and rewards of ownership of the transferred asset, the Cooperative continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The asset and liability are not offset. In subsequent periods, the Cooperative recognizes any income on the transferred asset and any expense incurred on the financial liability.

Derecognition of Financial Liabilities

The Cooperative derecognizes a financial liability (or a part of a financial liability) only when it is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expired).

If an existing borrower and lender exchange financial instruments with substantially different terms, the Cooperative accounts for the transaction as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Cooperative accounts for a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Cooperative recognizes in the statement of operations any difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed.

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.

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

Policy Acquisition Costs. Collection costs and other acquisition costs pertain to expenses that are directly attributable in securing new insurance contracts and renewal of existing contracts. For life insurance contracts, these are recognized in profit or loss when incurred. For non-life insurance contracts, these are recognized using the 24th method of amortization as required by IC.

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 returns 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.

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 is measured at its cost at initial recognition. The cost of an item of property and equipment is the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the cost is the present value of all future payments. The cost of property and equipment comprises of the following:

- its purchase price, including legal and brokerage fees, import duties and nonrefundable purchase taxes, after deducting trade discounts and rebates;
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management;
- any costs of site preparation, initial delivery and handling, installation and assembly, and testing of functionality;
- any estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the Cooperative incurs either when the item is acquired or as a consequence of having used the item during a particular period; and,
- any interest and other financing cost of funds borrowed intended for the construction or development of an asset.

Property and equipment is measured after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any impairment in value. Revaluation of land may be allowed subject to the guidelines issued by the CDA. The Cooperative recognizes the costs of day-to-day servicing of an item of property and equipment in the statement of operations in the period in which the costs are incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Category	Number of Years
Land improvements	5
Buildings and improvements	15-25
Transportation equipment	3-5
Furniture, fixtures and office equipment	2-5

The useful lives and method of depreciation are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected usage of the assets.

Construction in progress is stated at cost, which includes cost of materials, labor and other construction related costs incurred.

When property and equipment is disposed, gain or loss arising from the disposal is the difference between the net disposal proceeds, if any, and the carrying amount of the property and equipment. The gain or loss is recognized in the statement of operations.

Investment Property

Investment property is measured at its cost at initial recognition. Investment property pertains to parcels of land not used in operations and buildings held for rental. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure such as legal and brokerage fees, property transfer taxes and other transaction costs. If payment is deferred beyond normal credit terms, the cost is the present value of all future payments. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured in which case the investment properties acquired is measured at the carrying amount of asset given up. Investment property is measured after initial recognition at cost less accumulated depreciation and accumulated impairment losses. Depreciation of buildings held for rental is computed on a straight line basis over five years.

Transfers are made to, or from, investment property when, and only when, the property meets, or ceases to meet, the definition of an investment property.

Computerization Cost

Computerization cost is measured at its cost at initial recognition. The cost comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and any directly attributable cost of preparing the asset for its intended use. Computerization cost is measured after initial recognition at cost less any accumulated amortization and any accumulated impairment losses. Amortization of computerization cost is computed on a straight-line basis over a period not exceeding three years or useful life whichever is shorter. Costs associated in maintaining the information technology (IT) computer software are expensed as incurred.

Impairment of Non-Financial Assets

The Cooperative assesses at reporting date whether there is an indication that prepayments, property and equipment, investment property and computerization cost (presented under “Other non-current assets”) may be impaired. An impairment loss is recognized in the statement of operations when the recoverable amount of an asset is less than its carrying amount.

The Cooperative assesses at each reporting date whether there is any indication that an impairment loss recognized in prior periods may no longer exist or may have decreased. If any such indication exists, the Cooperative determines whether all or part of the prior impairment loss is reversed in the case of an individual asset or cash-generating unit to which the asset belongs.

Insurance Contract Liabilities

A liability for incurred policy benefits relating to life insurance contracts is accrued when premium revenue is recognized. The Cooperative assesses at each reporting date whether insurance contract liabilities 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 contract liabilities changes in the light of the estimated future cash flows, the change shall be recognized in profit or loss.

The Cooperative’s legal policy reserves and incurred but not reported are computed annually based on the approved valuation method by the IC and management’s estimates. These liabilities are derecognized upon the death of policyholder, happening of the insured event, or when the contract has matured, lapsed or has been surrendered by the policyholder.

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.

Equity

Members' equity. Members' equity are composed of common share capital and preferred share capital.

Common share capital. Common share capital is measured at par value for all shares subscribed. Common shares are available to regular members only and have voting rights.

Preferred share capital. Preferred share capital is measured at par value for all shares subscribed. Preferred shares are available to associate members and have non-voting rights.

Deposits for share capital subscription. Deposit for share capital subscription refers to amount paid by the members for capital subscription equivalent to the value of less than one share and additional subscriptions in excess of authorized capital pending approval of the amendments to increase authorized share capital. Deposit for share capital subscription is presented under the equity section of the statement of financial condition.

Statutory funds. Statutory funds are composed of reserve fund, education and training fund, community development fund and optional fund. The funds represent the cumulative balance of the allocation from the distribution of net surplus each year and disbursements thereof.

Surplus reserves. Surplus reserves are excess aggregate reserves between the amount computed by the Cooperative's consulting actuary and the independent computation of IC's actuary department.

Revenue

Revenue arises in the course of the ordinary activities of the Cooperative and results directly from the recognition and measurement of assets and liabilities. Revenue is recognized if there is an increase in future economic benefits which can be measured reliably. The following specific recognition criteria must also be met before revenue is recognized:

Life insurance premiums. Insurance premiums are recorded as income as these are collected, usually at the policy anniversary date. Accrual of uncollected premiums is made at the end of the year if the grace period is still in effect. Single premiums, however, are amortized over the term of the policy - these are recorded as income each policy anniversary date. Premium income is also deducted by the amount of premiums on insurance business ceded.

Non-life insurance premiums. Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognized on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior periods.

Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method except for the marine cargo where premiums for the last two months are considered earned the following year. The portion of the premiums written that relate

to the unexpired periods of the policies at the reporting dates are accounted for as provision for unearned premiums as part of the insurance contract liabilities and presented in the liabilities section of the statement of financial condition. The related reinsurance premiums ceded that pertains to the unexpired periods at reporting dates are accounted for as deferred reinsurance premiums and shown as part of reinsurance assets in the statement of financial condition.

Commissions and other underwriting income. Commissions earned from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method except for marine cargo where the deferred reinsurance commissions that relate to the unexpired periods of the policies at the end of the reporting period are accounted for deferred reinsurance commissions and presented in the liabilities section.

Interest/dividend income from investments/deposits. Income and interest are recognized when earned.

Other Income. Other income is recognized when earned.

Costs and Expenses

Costs and expenses are recognized when incurred.

Benefits and claims. Gross benefits and claims consist of benefits and claims paid to policyholders and changes in the gross valuation of insurance contract liabilities, except for gross changes in the provision for unearned premiums which are included in net premiums earned. It further includes internal and external claims handling cost that are directly related to the processing and settlement of claims. Amounts receivable in respect of salvage and subrogation are also considered. General insurance claims are recorded on the basis of notifications received.

Share in liabilities for claim costs and claim adjustment expenses relating to insurance contracts are accrued when insured events occur. The shares in liabilities for claims are based on the estimated ultimate cost of settling the claims. The method of determining such estimates and establishing reserves are continually reviewed and updated. Changes in estimates of claim costs resulting from the continuous review process and differences between estimates and payments are recognized as income or expense of the period in which the estimates are changed or payments are made.

Collection Costs, General and Administrative Expenses, and Salaries and Benefits. These constitute administrative costs of operating the business and costs incurred to sell and market the services. These are expensed when incurred.

Operating Leases

Cooperative as a lessee

Leases where the lessor retains substantially all the risks and rewards incidental to ownership are classified as operating leases. Operating lease payments are recognized as an expense in the statement of operations on a straight-line basis over the lease term.

Cooperative as a lessor

Leases where the Cooperative does not transfer substantially all the risks and rewards incidental to ownership are classified as operating leases. Operating lease receipts are recognized as an income in the statement of operations on a straight line basis over the lease term.

Retirement Plan

The Cooperative has a funded, non-contributory and defined benefit retirement plan, administered by an independent trustee, covering all qualified employees. The defined benefit obligation and the

related expense are measured using the projected unit credit method, which is determined by an independent actuary. Actuarial gains or losses are recognized in the statement of operations in the period in which they occur.

The retirement payable is the present value of its obligations under defined benefit plans less the fair value at the reporting date of plan assets out of which the obligations are to be settled directly and any unrecognized past service costs.

Distribution of Net Surplus

The net surplus of the Cooperative, as required by law and the Cooperative's by-laws, is distributed as follows:

Statutory Funds

- *Reserve Fund*

An amount for the reserve fund, which is 10% of net surplus. This fund is set aside for the stability of the Cooperative and to meet net losses in its operations, if any, in its business operations. The general assembly may decrease the amount allocated to reserve fund when such fund exceeds the share capital.

- *Cooperative Education and Training Fund*

An amount for the education and training fund, which is 10% of net surplus. This fund is set aside for training, development and other similar cooperative activities geared towards the growth of the cooperative movement. Half of the amount transferred to this fund is 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 union or federation chosen by the Cooperative.

- *Community Development Fund*

An amount for the community development fund, which is 3% of the net surplus. This fund is set aside for projects or activities that will benefit the community where the Cooperative operates.

- *Optional Fund*

An amount for the optional fund, which is 7% of the net surplus. This fund is intended for future use such as acquisition of land and building, or any other necessary purpose.

Interest on Share Capital and Patronage Refund

The remaining net surplus is made available to the members in the form of interest on share capital and patronage refunds not to exceed the normal rate of return on investments and patronage refund.

Provisions and Contingencies

Contingent assets and liabilities are not recognized in the financial statements. Contingent assets are disclosed when inflows of economic benefits are probable. Contingent liabilities are disclosed unless the possibility of an outflow of resources is remote.

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 End of the Reporting Period

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.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Cooperative's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in an outcome that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgments

In the process of applying the Cooperative's accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the financial statements:

- **Operating Lease**

The Cooperative has entered into lease agreements as a lessee and as a lessor. As a lessee, the Cooperative has determined that the lessor retains all the risks and rewards incidental to ownership of the properties which are leased out on operating lease. The Cooperative, as a lessor, has also determined that it does not transfer substantially all the risks and rewards incidental to ownership of the property which are leased out to the lessee on operating lease.

- **Distinction Between Investment Property and Owner-occupied Properties**

The Cooperative determines investment property and owner-occupied property separately in the financial statements. If it is not possible to separate the components of the property, such property is reported as investment property if the owner-occupied component is only an insignificant portion of the property as a whole.

- **Legal Contingencies**

The estimate of probable costs for the resolution of possible claims is developed in consultation with outside counsel handling the Cooperative's defense in these matters and is based upon an analysis of potential results. As at March 15, 2019, the Cooperative is not involved in any significant legal cases. No provision for probable losses arising from legal contingencies was recognized in 2018.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- **Probable Losses on Loans and Receivables**

The Cooperative assesses at each reporting period whether there is an indication that the receivables may be impaired. If any such indication exists, the Cooperative estimates the allowance for probable losses on receivables based on the past due amount.

The aggregate carrying values of short-term placements, insurance receivables, reinsurance assets, accounts and other receivables, other funds and deposits, and refundable deposits amounted to ₱938.5 million as at December 31, 2018 (₱855.7 million as at December 31, 2017) net of allowance for probable losses amounting to ₱11.1 million as at December 31, 2018 (₱11.1 million as at December 31, 2017) (see Notes 7, 8, 9, 11, 12 and 16). No provision for impairment losses on loans and receivables was recognized in 2018.

- **Determination of Fair Value of Financial Assets**

The Cooperative measures publicly-traded securities at fair value. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in a normal transaction. The determination of fair value for these investments is based on publicly-traded securities that are held for trading and are quoted in an active market at the reporting date.

Financial assets at FVPL amounted to ₱81.7 million as at December 31, 2018 and (₱75.1 million as at December 31, 2017) (see Note 10).

- **Impairment of Financial Assets at Amortized Cost and at Cost**

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

If a financial asset at amortized cost and at cost is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in the statement of operations, is charged to expense in the statement of operations. Reversals of impairment losses are made through the statement of operations if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the statement of operations.

The carrying value of financial assets at amortized cost and at cost amounted to ₱1.5 billion as at December 31, 2018 (₱1.2 billion as at December 31, 2017) (see Note 10). No provision for impairment losses in financial assets at amortized cost and at cost was recognized in 2018.

- **Estimated Useful Lives of Property and Equipment, Investment Property and Computerization Cost**

The Cooperative estimates the useful lives of property and equipment, investment property and computerization cost based on the expected usage of the asset, which is assessed by reference to the asset's expected capacity or physical output. Expected physical wear and tear, technical

or commercial obsolescence and legal or similar limits on the use of the asset are also considered in determining the useful life of the assets. The estimated useful lives of the assets are reviewed periodically and updated if there has been a significant change since the last annual reporting date in the pattern by which the Cooperative expects to consume an asset's future economic benefits. While the Cooperative believes that the assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the determination of the estimated useful lives of the assets.

The aggregate carrying values of property and equipment, investment property and computerization cost amounted to ₱252.0 million as at December 31, 2018 (₱253.0 million as at December 31, 2017) (see Notes 14, 15 and 16). There was no change in the estimated useful lives of property and equipment, investment property and computerization cost in 2018.

- **Impairment of Non-Financial Assets**

The Cooperative assesses at each reporting period whether there is an indication that the prepayments, property and equipment, investment property and computerization cost may be impaired. If any such indication exists, the Cooperative estimates the recoverable amount of the asset. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If it is not possible to estimate the recoverable amount of an individual asset, reference is made to the cash-generating unit to which that asset belongs. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Value in use is the present value of the future cash flows expected to be derived from an asset. This includes the estimation of the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and applying the appropriate discount rate, which requires the Cooperative to make estimates and assumptions that can materially affect the financial statements. While the Cooperative believes that the assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the determination of value in use.

The aggregate carrying values of prepayments, property and equipment, investment property and computerization cost amounted to ₱252.7 million as at December 31, 2018 (₱255.1 million as at December 31, 2017) (see Notes 13, 14, 15 and 16). No provision for impairment in non-financial assets was recognized in 2018.

- **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.

Legal policy reserves amounted to ₱809.8 million as at December 31, 2018 (₱576.4 million as at December 31, 2017) (see Note 17).

- 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.

Incurred but not reported claims amounted to ₱93.0 million as at December 31, 2018 (₱164.2 million as at December 31, 2017) (see Note 17).

- Retirement Costs

The determination of the Cooperative's retirement costs is dependent on making various actuarial assumptions, which is used by an independent actuary in calculating such amounts. Those assumptions, which include discount rates, future salary increases and average remaining working lives of employees, are described in Note 20. While management believes that the assumptions are reasonable and appropriate, significant differences in the Cooperative's actual experience or significant changes in the assumptions may materially affect the retirement costs and defined benefit obligation recognized in the financial statements.

Retirement payable amounted to ₱2.9 million as at December 31, 2018 (₱5.0 million as at December 31, 2017) (see Note 20).

6. Cash

This account consists of:

	2018	2017
Cash in banks	₱329,618,196	₱460,151,947
Cash in other cooperatives	205,593,870	111,215,436
Working funds	1,791,896	1,455,767
	₱537,003,962	₱572,823,150

Cash in banks and in other cooperatives earn interest at the respective deposit rates. Working funds represent petty cash and revolving funds.

Interest income amounted to ₱7.2 million in 2018 (₱2.6 million in 2017).

Details of interest/dividend from investments/deposits are as follows:

	Note	2018	2017
Short-term investments	7	₱18,269,836	₱13,084,291
Cash in banks		7,196,760	2,611,438
Loans receivable	11	324,636	2,693,716
Financial assets at fair value	10	(3,403,877)	1,499,422
Financial assets at amortized cost	10	33,578,698	29,669,223
Financial assets at cost	10	11,063,467	64,385,818
		₱67,029,520	₱113,943,908

7. Short-term Placements

Short-term placements amounted to ₱630.2 million as at December 31, 2018 (₱584.7 million as at December 31, 2017). These are investments in time deposits with a term of more than three (3) months to less than one (1) year from the date of placement and earn interest rates ranging from 1% to 8% per annum in 2018 (2% to 8% per annum in 2017).

Interest income amounted to ₱18.3 million in 2018 (₱13.1 million in 2017).

8. Insurance Receivables

This account consists of:

	2018	2017
Premiums receivable	₱161,512,951	₱97,853,152
Due from reinsurers	38,014,803	63,819,035
Automatic contribution loans (ACL) from Mutual Aid Services (MAS) members	664,867	664,867
Policy loans	273,003	236,571
	200,465,624	162,573,625
Allowance for probable losses	(11,134,528)	(11,134,528)
	₱189,331,096	₱151,439,097

Premiums receivable represent premiums due and uncollected from member cooperatives on all policies which are classified as in force. These are non-interest bearing and due and demandable. These are expected to be collected within a year.

Due from reinsurers represent reinsurers' share in benefits and claims incurred on insurance contracts. These are non-interest bearing and due and demandable. These are expected to be collected within a year.

ACL from MAS members represent premiums receivable from the Cooperative's qualified regular employees.

9. Reinsurance Assets

Reinsurance assets amounting to ₱29.7 million as at December 31, 2018 pertain to estimated recoverable amounts from reinsurers for its share in insurance contract liabilities (see Note 17).

10. Financial Assets

This account consists of:

	2018	2017
Current		
Financial assets at FVPL	₱81,728,863	₱75,132,740
Financial assets at cost	385,042,081	325,509,894
	466,770,944	400,642,634
Non-current		
Financial assets at amortized cost	1,061,765,148	804,428,179
Financial assets at cost	64,929,516	54,736,227
	1,126,694,664	859,164,406
	₱1,593,465,608	₱1,259,807,040

Financial Assets at FVPL

Financial assets at FVPL include investments in publicly-traded securities that are held for trading and are quoted in an active market.

Movements of financial assets at FVPL are as follows:

	2018	2017
Balance at beginning of year	₱75,132,740	₱63,633,318
Additions	60,000,000	60,000,000
Disposal	(50,000,000)	(50,000,000)
Fair value gain (loss)	(3,403,877)	1,499,422
Balance at end of year	₱81,728,863	₱75,132,740

Loss on investments in financial assets at FVPL amounted to ₱3.4 million in 2018 (gain on investments in financial assets at FVPL amounted to ₱1.5 million in 2017).

Financial Assets at Amortized Cost

Financial assets at amortized cost include retail treasury bonds, corporate bonds, fixed-rate treasury notes and long-term negotiable certificate of deposits which are measured at amortized cost using straight-line interest amortization method.

Movements of financial assets at amortized cost are as follows:

	2018	2017
Balance at beginning of year	₱804,428,179	₱717,568,393
Additions	257,988,060	79,190,607
Withdrawals at maturity	(29,000,000)	(7,500,000)
Amortization of discount - net	28,348,909	15,169,179
Balance at end of year	₱1,061,765,148	₱804,428,179

Interest income amounted to ₱33.6 million in 2018 (₱29.7 million in 2017).

Financial Assets at Cost

Financial assets at cost presented as current assets represent investment in mutual funds and externally managed funds. Financial assets at cost presented as non-current assets include investments in shares of stock in subsidiaries, cooperative banks and other cooperatives which are not quoted in an active market and are expected to be realized in more than one year. Investment in Coop Life Insurance and Financial Services Agency (CLIFSA) and CLIMBS Investment Management and Advisory Corporation (CIMAC) amounted to ₱15 million and ₱10 million as at December 31, 2018, respectively (₱15 million and ₱10 million as at December 31, 2017, respectively) (see Note 30).

Movements of financial assets at cost are as follows:

	2018	2017
Current		
Balance at beginning of year	₱325,509,894	₱333,267,646
Additions	93,737,573	–
Prior years' adjustment	(34,205,386)	–
Withdrawals	–	(60,019,388)
Unrealized fair value gain	–	52,261,636
Balance at end of year	385,042,081	325,509,894
Non-current		
Balance at beginning of year	54,736,227	59,736,227
Additions	10,193,289	–
Withdrawals	–	(5,000,000)
Balance at end of year	64,929,516	54,736,227
	₱449,971,597	₱380,246,121

Prior years' adjustment amounting to ₱34.2 million represents the effects of change in accounting policy to recognize investments in mutual funds and externally managed funds at cost, less any impairment in value, in accordance with PFRF for Cooperatives. In prior years, these were recognized at fair value through profit or loss. Unrealized fair value gain on these investments amounted to ₱52.3 million in 2017.

Dividend income from financial assets at cost amounted to ₱11.1 million in 2018 (₱12.1 million in 2017).

11. Accounts and Other Receivables

This account consists of:

	Note	2018	2017
Accounts receivable	30	₱34,469,825	₱70,377,264
Loans receivable		11,738,575	12,820,541
Advances to officers and employees		3,041,315	4,317,007
Accrued interest receivable		1,296,131	–
		₱50,545,846	₱87,514,812

Accounts receivable represents receivable from CLIFSA and CIMAC for the shared expenses paid by the Cooperative which are unsecured, non-interest-bearing and on demand.

Loans receivable represents the receivables from mortgage and equity loans provided by the Cooperative to its officers and employees. Interest rates for the loans ranged from 7% to 10% in 2018 and 2017. Interest income on these loans amounted to ₱0.3 million in 2018 (₱2.7 million in 2017).

Advances to officers and employees pertain to duly approved cash advances for official business of officers and employees subject to liquidation in accordance with the policy of the Cooperative.

Accrued interest receivable pertains to interest income earned from financial assets at amortized cost which are already earned but not yet received as at year-end.

12. Other Funds and Deposits

Other funds and deposits amounting to ₱37.2 million as at December 31, 2018 (₱30.5 million as at December 31, 2017) pertain to endowment trust fund received from various member cooperatives (see Note 21).

13. Prepayments

Prepayments amounting to ₱0.7 million as at December 31, 2018 (₱2.1 million as at December 31, 2017) pertain to prepaid rental expenses for the Cooperative's area and satellite buildings.

14. Property and Equipment

The movements in this account follow:

December 31, 2018

Cost	Note	Land	Land Improvements	Buildings and Improvements	Transportation Equipment	Furniture, Fixtures and Office Equipment	Construction in Progress	Total
Balance at beginning of year		P14,812,148	P6,081,918	P62,658,710	P26,488,174	P48,757,975	P1,260,042	P160,058,967
Additions		-	721,711	1,957,114	7,696,827	2,583,765	2,848,163	15,807,580
Reclassifications to investment property	15	-	-	-	-	-	(435,121)	(435,121)
Balance at end of year		14,812,148	6,803,629	64,615,824	34,185,001	51,341,740	3,673,084	175,431,426
Accumulated Depreciation								
Balance at beginning of year		-	4,976,201	21,857,450	15,073,373	31,217,301	-	73,124,325
Additions		-	1,565,401	3,138,109	4,159,626	7,054,893	-	15,918,029
Balance at end of year		-	6,541,602	24,995,559	19,232,999	38,272,194	-	89,042,354
Net Book Value		P14,812,148	P262,027	P39,620,265	P14,952,002	P13,069,546	P3,673,084	P86,389,072

December 31, 2017

Cost	Land	Land Improvements	Buildings and Improvements	Transportation Equipment	Furniture, Fixtures and Office Equipment	Construction in Progress	Total
Balance at beginning of year	P14,812,148	P6,066,918	P58,812,427	P17,963,261	P44,460,175	P-	P142,114,929
Additions	-	15,000	3,846,283	8,524,913	4,297,800	1,260,042	17,944,038
Balance at end of year	14,812,148	6,081,918	62,658,710	26,488,174	48,757,975	1,260,042	160,058,967
Accumulated Depreciation							
Balance at beginning of year	-	3,702,996	18,379,914	10,230,568	24,662,752	-	56,976,230
Additions	-	1,273,205	3,477,536	4,842,805	6,554,549	-	16,148,095
Balance at end of year	-	4,976,201	21,857,450	15,073,373	31,217,301	-	73,124,325
Net Book Value	P14,812,148	P1,105,717	P40,801,260	P11,414,801	P17,540,674	P1,260,042	P86,934,642

15. Investment Property

The movements in this account follow:

December 31, 2018

	Note	Land not Used in Operations	Building Held for Rentals	Construction in Progress	Total
Cost					
Balance at beginning of year		₱119,848,091	₱42,919,347	₱ –	₱162,767,438
Additions		172,060	739,325	268,857	1,180,242
Reclassifications from property and equipment	14	–	–	435,121	435,121
Balance at end of year		120,020,151	43,658,672	703,978	164,382,801
Accumulated Depreciation					
Balance at beginning of year		–	7,442,793	–	7,442,793
Additions		–	2,228,179	–	2,228,179
Balance at end of year		–	9,670,972	–	9,670,972
Net Book Value		₱120,020,151	₱33,987,700	₱703,978	₱154,711,829

December 31, 2017

		Land not Used in Operations	Building Held for Rentals	Construction in Progress	Total
Cost					
Balance at beginning of year		₱107,921,627	₱40,763,068	₱ –	₱148,684,695
Additions		11,926,464	2,156,279	–	14,082,743
Balance at end of year		119,848,091	42,919,347	–	162,767,438
Accumulated Depreciation					
Balance at beginning of year		–	5,408,162	–	5,408,162
Additions		–	2,034,631	–	2,034,631
Balance at end of year		–	7,442,793	–	7,442,793
Net Book Value		₱119,848,091	₱35,476,554	₱ –	₱155,324,645

Investment property includes a piece of land with 2-storey building which is being leased out to certain lessees. Rent income amounted to ₱3.7 million in 2018 (₱3.4 million in 2017) (see Note 29).

Fair value of investment property, excluding construction in-progress, amounted ₱186.7 million as at December 31, 2018 and 2017 as determined by an independent appraiser.

16. Other Non-Current Assets

This account consists of:

	2018	2017
Computerization cost	₱10,878,725	₱10,687,506
Refundable deposits	1,548,140	1,583,246
	₱12,426,865	₱12,270,752

Details of computerization cost follow:

	2018	2017
Cost		
Balance at beginning of year	₱10,687,506	₱2,929,754
Additions	2,605,912	7,757,752
Balance at end of year	13,293,418	10,687,506
Accumulated Amortization		
Balance at beginning of year	—	—
Additions	2,414,693	—
Balance at end of year	2,414,693	—
Net Book Value	₱10,878,725	₱10,687,506

17. Insurance Contract Liabilities

This account consists of:

	2018	2017
Legal policy reserves	₱809,803,735	₱576,415,081
Insurance payables:		
Policy and contract claims	221,701,773	160,882,500
Incurred but not reported	92,963,868	164,170,233
Unearned premium reserves	119,816,796	96,553,599
	₱1,244,286,172	₱998,021,413

Legal policy reserves and other actuarial items in the financial statements as at and for the years ended December 31, 2018 and 2017 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.

Details of insurance contract liabilities are as follows:

	2018	
	Insurance Contract Liabilities	Reinsurer's Share of Liabilities (see Note 9)
Legal policy reserves	₱809,803,735	₱ —
Insurance payables:		
Policy and contract claims	221,701,773	—
Incurred but not reported	92,963,868	29,686,817
Unearned premium reserves	119,816,796	—
	₱1,244,286,172	₱29,686,817
		₱1,214,599,355

	2017		
	Insurance Contract Liabilities	Reinsurer's Share of Liabilities (see Note 9)	Net
Legal policy reserves	₱576,415,081	₱ –	₱576,415,081
Insurance payables:			
Policy and contract claims	160,882,500	–	160,882,500
Incurred but not reported	164,170,233	–	164,170,233
Unearned premium reserves	96,553,599	–	96,553,599
	₱998,021,413	₱ –	₱998,021,413

18. Due to Reinsurers

Due to reinsurers represents unpaid premiums for reinsurance policies payable to the reinsurers, which are normally settled in cash within one year.

Due to reinsurers amounted to ₱11.3 million in 2018 (₱7.3 million in 2017). Reinsurers' share in benefits and claims on insurance contracts amounted to ₱52.3 million in 2018 and (₱47.0 million in 2017) (see Note 25).

19. Accounts and Other Payables

This account consists of:

	Note	2018	2017
Accounts payable:			
Related party	30	₱36,441,801	₱34,858,831
Others		33,219,833	61,827,185
CETF payable		3,140,808	2,838,480
Statutory payables		378,282	785,075
Deferred premium income		371,662	12,741,088
		₱73,552,386	₱113,050,659

Accounts payable pertain to commissions payable to CLIFSA and to other agents. These are unsecured, non-interest-bearing and on demand.

CETF payable represents the amount for remittance to the cooperative educational and training fund of the union or federation chosen by the Cooperative.

Statutory payables mainly include contributions to SSS, Pag-IBIG and withholding taxes, which are generally remitted within the next reporting year.

Deferred premium income represents premiums received from member-cooperatives which are not yet specifically identified. These will be recognized as revenue upon determination of the specific premium collected.

20. Retirement Payable

The Cooperative has a funded, non-contributory 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 as determined by an independent actuary as at December 31, 2018. Total retirement costs charged to operations amounted to ₱2.9 million in 2018 (₱2.8 million in 2017) (see Note 28).

The plan is exposed to interest rate risks and changes in the life expectancy of qualified employees. The plan is not exposed to significant concentration of risks on the plan assets.

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

Retirement costs recognized in the statement of operations follow:

	2018	2017
Current service cost	₱2,645,249	₱2,532,504
Net interest costs	286,963	287,804
	₱2,932,212	₱2,820,308

The retirement payable recognized in the statement of financial condition follows:

	2018	2017
Present value of defined benefit obligation	₱17,942,034	₱18,620,629
Fair value of plan assets	15,051,579	13,588,337
	₱2,890,455	₱5,032,292

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

	2018	2017
Balance at beginning of year	₱18,620,629	₱18,119,937
Current service cost	2,645,249	2,532,504
Interest cost	1,061,829	939,364
Remeasurement gain	(4,385,673)	(2,971,176)
Balance at end of year	₱17,942,034	₱18,620,629

The reconciliation of the fair value of the plan assets follows:

	2018	2017
Balance at beginning of year	₱13,588,337	₱12,568,322
Actual return on plan assets	774,866	651,560
Remeasurement gain	688,376	368,455
Balance at end of year	₱15,051,579	₱13,588,337

Remeasurement gain on retirement benefits amounted to ₱5.1 million in 2018 (₱3.3 million in 2017) (see Note 29).

The components of the Cooperative's plan assets follow:

	2018	2017
Investments in government securities	63%	63%
Investments in unit investment trust fund	26%	28%
Investment in other securities and debt securities	6%	6%
Cash in bank	5%	3%
	100%	100%

The principal assumptions used in determining retirement liability follow:

	2018	2017
Discount rate	7.39%	5.70%
Salary increase rate	5.00%	5.00%
Average remaining working lives of employees	18 years	17 years

The sensitivity analysis of defined benefit obligation for principal assumptions follows:

Principal assumptions	Effect on the Present Value of Defined Benefit Obligation	
	2018	2017
Discount rate:		
Increase by 1%	(P2,511,885)	(P2,979,301)
Decrease by 1%	2,458,123	3,064,801
Salary rate:		
Increase by 1%	2,301,081	2,850,683
Decrease by 1%	(2,332,464)	(2,793,094)

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.

21. Other Non-Current Liabilities

This account consists of:

	2018	2017
Endowment trust fund	P37,204,682	P30,469,135
Rental deposits	1,442,406	1,380,909
	P38,647,088	P31,850,044

Endowment trust fund represents the contributions of member-cooperatives intended to finance the operations of CLIMBS Institute of Financial Literacy, an institute established in 2012 dedicated to respond to the training needs of the members.

Movement of endowment trust fund follows:

	2018	2017
Balance at beginning of year	₱30,469,135	₱29,415,068
Contributions	6,735,547	1,054,067
	₱37,204,682	₱30,469,135

Rental deposits pertain to security rent deposits on investment property of the Cooperative that are refundable at the end of the contract.

22. Equity

Increase in Authorized Share Capital

On April 23, 2017, the Cooperative's GA approved the Cooperative's increase in authorized capital stock from ₱1.0 billion divided into 800,000 common shares and 200,000 preferred shares to ₱3.0 billion divided into 2,500,000 common shares and 500,000 preferred shares, all with a par value of ₱1,000 per share. The CDA approved the increase in share capital on May 21, 2018.

Conversion of Dividend and Patronage Refund to Common Share

In 2018 and 2017, various cooperative members converted its dividend and patronage refund to common share amounting to ₱137.3 million in 2018 (₱87.3 million in 2017).

Deposit for Share Capital Subscription

In 2017, the Cooperative received deposit for share capital subscription from existing members for the subscription of additional shares amounting to ₱443.3 million as at December 31, 2017. These shares were converted into share capital in 2018 upon the approval of the Cooperative's increase in share capital by the CDA.

Surplus Reserves

Surplus reserves pertain to excess aggregate reserves between the amount computed by the Cooperative's consulting actuary and the independent computation of IC's actuary department.

23. Statutory Funds

This account consists of funds required to be maintained by the Cooperative pursuant to the provisions of R.A. No. 9520, as follows:

	2018	2017
Statutory funds		
Reserve fund	₱97,230,420	₱90,948,804
Cooperative education and training fund	16,345,186	16,493,852
Community development fund	19,804,519	18,497,131
Optional fund	71,188,152	66,791,021
	₱204,568,277	₱192,730,808

The above funds are not available for distribution to members but are used only for the specific purposes for which they are set up, as may be approved by the BOD and the General Assembly.

The distribution of net surplus follows:

	2018	2017
Reserve fund	10%	10%
Cooperative education and training fund	10%	3%
Community development fund	3%	3%
Optional fund	7%	7%
Interest on share capital and patronage refund	70%	77%
	100%	100%

24. Net Insurance Premiums

Details of gross premiums earned on insurance contracts follow:

	2018	2017
Gross premiums on insurance contracts:		
Loan payment protection insurance	₱842,126,464	₱856,340,448
Group life	452,180,027	423,332,632
Regular plans	321,826,736	253,305,091
Personal accident and other non-life products	159,406,974	131,036,067
	1,775,540,201	1,664,014,238
Change in reserve for unearned premiums	(23,263,197)	—
	1,752,277,004	1,664,014,238
Reinsurers' share of gross premiums earned on insurance contracts	(55,609,211)	(35,957,412)
	₱1,696,667,793	₱1,628,056,826

25. Benefits and Claims Incurred on Insurance Contracts

Details of benefits and claims incurred on insurance contracts follow:

	Note	2018	2017
Gross benefits and claims incurred on insurance contracts		₱797,694,906	₱905,296,466
Reinsurers' share	18	(52,253,619)	(47,013,844)
		₱745,441,287	₱858,282,622

26. Collection Costs

This account pertains to costs incurred for the collection of premium, commissions and incentives paid to insurance agents.

Commissions paid to agents of CLIFSA for marketing and sale of its various life and non-life insurance products amounted to ₱64.0 million in 2018 (₱47.1 million in 2017) (see Note 30).

27. General and Administrative Expenses

This account consists of:

	2018	2017
General support services	₱32,675,003	₱21,373,726
Meetings, conferences and general assembly	18,235,696	13,591,551
Travel and transportation	12,454,288	10,104,423
Communications	6,576,245	6,430,934
Power, light and water	3,877,897	2,913,055
Repairs and maintenance	3,018,722	2,940,568
Office supplies	2,227,361	1,538,011
License fees and membership	2,133,522	677,133
Taxes and licenses	627,497	453,418
Insurance	537,394	466,747
Miscellaneous	4,544,737	3,159,321
	₱86,908,362	₱63,648,887

28. Salaries and Benefits

This account consists of:

	Note	2018	2017
Salaries and wages		₱49,713,495	₱40,655,116
Employee benefits		17,156,386	16,489,500
Retirement costs	20	2,932,212	2,820,308
		₱69,802,093	₱59,964,924

29. Other Income

This account consists of:

	Note	2018	2017
Remeasurement gain on retirement benefits	20	₱5,074,049	₱3,339,631
Rent income	15	3,653,826	3,371,831
Registration fees and others		1,794,060	1,128,000
Recovery income		–	8,073,876
		₱10,521,935	₱15,913,338

30. Related Party Transaction

The Cooperative, in its regular course of business, enters into transactions with its related parties, which principally consist of the following:

- Investment in shares of stock of CLIFSA presented under “Financial assets at cost” amounted to ₱15 million as at December 31, 2018 (₱15 million as at December 31, 2017) (see Note 10);

- b. Investment in shares of stock of CIMAC presented under “Financial assets at cost” amounted to ₱10 million as at December 31, 2018 (₱10 million as at December 31, 2017) (see Note 10);
- c. Commissions paid to CLIFSA amounted to ₱64.0 million in 2018 (₱47.1 million in 2017) (see Note 26);
- d. Accounts receivable from CLIFSA amounted to ₱20.9 million as at December 31, 2018 (₱56.5 million as at December 31, 2017), which is unsecured, non-interest-bearing and on demand (see Note 11);
- e. Accounts receivable from CIMAC amounted to ₱13.6 million as at December 31, 2018 (₱13.9 million as at December 31, 2017), which is unsecured, non-interest-bearing and on demand (see Note 11);
- f. Accounts payable to CLIFSA amounted to ₱ 36.4 million as at December 31, 2018 (₱34.9 million as at December 31, 2017), which is unsecured, non-interest-bearing and on demand (see Note 19); and,
- g. Compensation of the Cooperative’s key management personnel consists of salaries and wages, per diems and other short-term benefits amounted to ₱ 14.0 million in 2018 (₱13.8 million in 2017).

31. Financial Risk Management Policies and Objectives

The Cooperative is exposed to a variety of 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, short-term placements, insurance receivables, reinsurance assets, financial assets at FVPL, financial assets at amortized cost, financial assets at cost, accounts and other receivables, other funds and deposits, refundable deposits (presented under “Other non-current assets”), insurance contract liabilities, due to reinsurers, interest on share capital and patronage refund payable, accounts and other payables (excluding statutory payables) and other non-current liabilities. The main purpose of these financial instruments is to generate income and raise funds 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
- Morbidity risk - risk of loss due to policyholder health experience being different than expected
- Expense risk - risk of loss arising from expense experience being different than expected
- Investment risk - risk of loss arising from actual returns 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 cooperatives 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	2018			2017		
	No. of Policies	Insurance Coverage	Gross Premiums	No. of Policies	Insurance Coverage	Gross Premiums
Loan payment protection insurance	2,452,817	₱58,766,836,610	₱842,126,464	2,422,574	₱57,930,295,886	₱856,340,448
Group yearly renewable	1,317,041	31,554,868,428	452,180,027	1,197,601	28,637,891,224	423,332,632
Regular plans	449,910	67,062,321,694	321,826,736	360,776	47,150,284,755	253,305,091
Personal accident	9,373	36,728,362,916	159,406,974	6,500	16,304,092,263	131,036,067
	4,229,141	₱194,112,389,648	₱1,775,540,201	3,987,451	₱150,022,564,128	₱1,664,014,238

The table below presents the concentration of risk by attained age based on data of inforce policies as of December 31, 2018. Exposures are concentrated on age brackets 18-35, 36-45, 46-55 and 56-65.

Attained Age	Gross of Reinsurance	
	Coverage	Exposure
18-35	₱56,292,592,998	29%
36-45	32,999,106,240	17%
46-55	29,116,858,447	15%
56-65	34,940,230,137	18%
66-75	27,175,734,551	14%
76 and above	13,587,867,275	7%
Total	₱194,112,389,648	100%

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.

Lapse and Surrender Rates. Lapses relate to the termination of policies due to non-payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Cooperative's experience and vary by product type, policy duration and sales trends.

An increase in lapse rates early in the life of the policy would tend to reduce profits for shareholders, but later increases are broadly neutral in effect.

Expenses. Administrative expenses assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate.

A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for shareholders.

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 cooperative 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 a 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 gross exposure to credit risk for the components of the statement of financial condition:

	2018	2017
Cash	₱537,003,962	₱572,823,150
Short-term placements	630,220,678	584,667,495
Insurance receivables	200,465,624	162,573,625
Reinsurance assets	29,686,817	—
Financial assets at FVPL	81,728,863	75,132,740
Financial assets at amortized cost	1,061,765,148	804,428,179
Financial assets at cost	449,971,597	380,246,121
Accounts and other receivables	50,545,846	87,514,812
Other funds and deposits	37,204,682	30,469,135
Refundable deposits*	1,548,140	1,583,246
	₱3,080,141,357	₱2,699,438,503

*presented under "Other non-current assets"

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, 2018 and 2017:

2018						
	Neither Past Due nor Impaired			Past Due but not Impaired	Impaired	Total
	High Grade	Standard Grade	Substandard Grade			
Cash	₱537,003,962	₱ –	₱ –	₱ –	₱ –	₱537,003,962
Short-term placements	630,220,678	–	–	–	–	630,220,678
Insurance receivables	189,331,096	–	–	–	11,134,528	200,465,624
Reinsurance assets	29,686,817	–	–	–	–	29,686,817
Financial assets at FVPL	81,728,863	–	–	–	–	81,728,863
Financial assets at amortized cost	1,061,765,148	–	–	–	–	1,061,765,148
Financial assets at cost	449,971,597	–	–	–	–	449,971,597
Accounts and other receivables	–	50,545,846	–	–	–	50,545,846
Other funds and deposits	37,204,682	–	–	–	–	37,204,682
Refundable deposits*	1,548,140	–	–	–	–	1,548,140
	₱3,018,460,983	₱50,545,846	₱ –	₱ –	₱11,134,528	₱3,080,141,357

*presented under "Other non-current assets"

2017						
	Neither Past Due nor Impaired			Past Due but not Impaired	Impaired	Total
	High Grade	Standard Grade	Substandard Grade			
Cash	₱572,823,150	₱ –	₱ –	₱ –	₱ –	₱572,823,150
Short-term placements	584,667,495	–	–	–	–	584,667,495
Insurance receivables	151,439,097	–	–	–	11,134,528	162,573,625
Financial assets at FVPL	75,132,740	–	–	–	–	75,132,740
Financial assets at amortized cost	804,428,179	–	–	–	–	804,428,179
Financial assets at cost	380,246,121	–	–	–	–	380,246,121
Accounts and other receivables	–	87,514,812	–	–	–	87,514,812
Other funds and deposits	30,469,135	–	–	–	–	30,469,135
Refundable deposits*	1,583,246	–	–	–	–	1,583,246
	₱2,600,789,163	₱87,514,812	₱ –	₱ –	₱11,134,528	₱2,699,438,503

*presented under "Other non-current assets"

▪ 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:

	2018				
	Total	On Demand	Due Within 1 Year	Due Within 1 to 5 Years	Due 5 Years and Above
Insurance contract liabilities	₱1,244,286,172	₱ –	₱1,236,226,131	₱5,038,605	₱3,021,436
Due to reinsurers	11,271,724	–	11,271,724	–	–
Interest on share capital and patronage refund payable	43,971,313	43,971,313	–	–	–
Accounts and other payables*	73,174,104	–	73,174,104	–	–
Other non-current liabilities	38,647,088	–	38,647,088	–	–
	₱1,411,350,401	₱43,971,313	₱1,359,319,047	₱5,038,605	₱3,021,436

*Excluding statutory payables

	2017				
	Total	On Demand	Due Within 1 Year	Due Within 1 to 5 Years	Due 5 Years and Above
Insurance contract liabilities	₱998,021,413	₱ –	₱991,556,587	₱4,000,888	₱2,463,938
Due to reinsurers	7,262,678	–	7,262,678	–	–
Interest on share capital and patronage refund payable	145,708,634	145,708,634	–	–	–
Accounts and other payables*	112,265,584	–	112,265,584	–	–
Other non-current liabilities	31,850,044	–	31,850,044	–	–
	₱1,295,108,353	₱145,708,634	₱1,142,934,893	₱4,000,888	₱2,463,938

*Excluding 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. The Cooperative's exposure to market risk relates to changes in interest rates and equity prices.

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

- 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 significant level of fixed rate instruments. The policy also requires it to manage the maturities of interest-bearing financial assets and liabilities. No sensitivity analysis is needed as future interest rate changes are not expected to affect the Cooperative's net surplus. The Cooperative continuously manages the interest rate risk and ensures that the impact of changes in interest rates on the Cooperative's investment strategies is minimal.

Equity Price Risk

Equity price risk is the risk that fair value of future cash flows will fluctuate because of changes in market prices of individual stocks and the changes in the level of Philippine Stock Exchange index (PSEi).

The Cooperative's equity price risk exposure relates to equity shares classified as financial assets at FVPL. The effect on equity is caused by reasonably possible changes in the relevant market indices which lead to changes in the market value of investment securities. The effect on income is caused by reasonably possible changes in the relevant market indices which lead to changes in the market value of investment securities classified as financial assets at FVPL.

Due to the insignificant level of the Cooperative's investments in financial assets at FVPL, the Cooperative assessed that the possible impact of changes in equity prices in net surplus is minimal.

32. 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, 2018 and 2017.

	2018		2017	
	Fair Value	Carrying Amount	Fair Value	Carrying Amount
Financial Assets				
Cash	₱537,003,962	₱537,003,962	₱572,823,150	₱572,823,150
Short-term placements	630,220,678	630,220,678	584,667,495	584,667,495
Insurance receivables	189,331,096	189,331,096	151,439,097	151,439,097
Reinsurance assets	29,686,817	29,686,817	—	—
Financial assets at fair value through profit or loss	81,728,863	81,728,863	75,132,740	75,132,740
Financial assets at amortized cost	1,061,765,148	1,061,765,148	804,428,179	804,428,179
Financial assets at cost	449,971,597	449,971,597	380,246,121	380,246,121
Accounts and other receivables	50,545,846	50,545,846	87,514,812	87,514,812
Other funds and deposits	37,204,682	37,204,682	30,469,135	30,469,135
Refundable deposits	1,548,140	1,548,140	1,583,246	1,583,246
	₱3,069,006,829	₱3,069,006,829	₱2,688,303,975	₱2,688,303,975
Financial Liabilities				
Insurance contract liabilities	₱1,244,286,172	₱1,244,286,172	₱998,021,413	₱998,021,413
Due to reinsurers	11,271,724	11,271,724	7,262,678	7,262,678
Interest on share capital and patronage refund payable	43,971,313	43,971,313	145,708,634	145,708,634
Accounts and other payables*	73,174,104	73,174,104	112,265,584	112,265,584
Other non-current liabilities	38,647,088	38,647,088	31,850,045	31,850,045
	₱1,411,350,401	₱1,411,350,401	₱1,295,108,354	₱1,295,108,354

*Excluding statutory payables

Cash, Short-term Placements, Insurance Receivables, Reinsurance Assets, Financial Assets at Cost, Accounts and Other Receivables, Other Funds and Deposits, Refundable Deposits (presented under "Other Non-Current Assets"), Financial Assets at Amortized Cost, Insurance Contract Liabilities, Due to Reinsurers, Interest on Share Capital and Patronage Refund Payable, Accounts and Other Payables and Other Non-Current Liabilities. The fair values of these financial assets and financial liabilities approximate their carrying amounts due to the nature of these financial instruments.

Financial Assets at FVPL. The fair values of these investments are determined by reference to quoted market bid prices (Level 1 in the fair value hierarchy) as at December 31, 2018.

In 2018, there were no transfers within any hierarchy level of fair value measurement.

33. Capital Management and Regulatory Framework

Capital Management Framework

All insurance cooperatives 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.

Cooperatives 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 cooperatives 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 cooperatives 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 cooperatives 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 are as follows:

	2018	2017
Members' equity	₱1,702,523,074	₱1,000,000,000
Statutory funds	204,568,277	192,730,808
Deposit for share capital subscription	–	443,272,804
Surplus reserves	–	6,433,997
	₱1,907,091,351	₱1,642,437,609

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 cooperatives 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 cooperatives based on net worth on a staggered basis starting June 30, 2013 up to December 31, 2022. The amount of required net worth and the schedule of compliance are as follows:

Minimum Statutory Net Worth	Compliance Date
₱250.0 million	June 30, 2013
550.0 million	December 31, 2016
900.0 million	December 31, 2019
1.3 billion	December 31, 2022

On September 5, 2018, the IC issued Circular Letter (CL) No. 2018-45 which provides guidelines on the minimum capitalization and net worth requirements for composite insurance cooperatives. The IC confirmed that for an existing composite insurance cooperative, the minimum net worth of its life and non-life units shall each comply with the amounts and schedule of compliance provided by the Code.

In accordance with Article 107 of the R.A. 9520, the requirements on the capitalization, investments and reserves of insurance cooperatives 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.

Pursuant to Section 202 of the Code, the estimated amount of non-admitted assets as at December 31, 2018 and the actual non-admitted assets as at December 31, 2017 for the Cooperative's life unit follows:

	2018 (Estimated)	2017 (Actual)
Cash	₱1,447,781	₱23,682,700
Short-term placements	4,279,588	1,186,426
Insurance receivables	230,751,088	261,750,497
Accounts and other receivables	328,669,640	326,725,851
Financial assets at FVPL	–	57,277,503
Financial assets at amortized cost	–	818,351
Financial assets at cost	182,579,998	–
Property and equipment	27,331,832	59,286,167
Investment property	6,734,273	–
Other assets	28,199,811	101,367,479
	₱809,994,011	₱832,094,974

Pursuant to the Code and related circulars, cash and short-term investments to cooperative banks in excess of ₱500,000, insurance receivables beyond 90 days, accounts receivable and loans receivable beyond 90 days 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, 2018, the Cooperative's estimated net worth and actual net worth as at December 31, 2018 and 2017, respectively, follow:

	Life		Non-life	
	2018 (Estimated)	2017 (Actual)	2018 (Estimated)	2017 (Actual)
Total assets	₱2,252,024,261	₱2,318,006,788	₱1,069,686,227	₱625,356,541
Total liabilities	1,013,057,254	1,041,377,964	401,561,883	259,547,756
Equity	1,238,967,007	1,276,628,824	668,124,344	365,808,785
Less: Non-admitted assets	547,763,782	772,821,362	262,230,229	59,273,611
Net worth	691,203,225	503,807,462	405,894,115	306,535,174
Less: Net worth requirements as at December 31, 2018	275,000,000	275,000,000	275,000,000	275,000,000
Excess over net worth requirements	₱416,203,225	₱228,807,462	₱130,894,115	₱31,535,174

As at December 31, 2018 and 2017, 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 cooperatives in relation to their investment and insurance risks. Every life insurance cooperative 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 cooperative to regulatory intervention which could be at various levels depending on the degree of the violation.

The RBC2 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. RBC2 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 cooperative is annually required to maintain a minimum RBC2 ratio of 100% and not fail the trend test. The trend test has failed, in the event that all have occurred:

- The RBC2 ratio is less than 125% but is not below 100%;
- The RBC2 ratio has decreased over the past year; and
- The difference between RBC ratio and the decrease in the RBC2 ratio over the past year is less than 100%

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

The following table shows the RBC2 ratio of the life unit based on internal calculations as at December 31, 2018 and the final RBC2 ratio as determined by the IC as at December 31, 2017:

	Life		Non-life	
	2018 (Estimated)	2017 (Actual)	2018 (Estimated)	2017 (Actual)
Total available capital	₱1,246,607,215	₱1,426,456,088	₱513,847,603	₱564,485,997
RBC2 requirement	346,950,184	148,868,443	55,997,639	47,866,676
RBC2 ratio	359%	958%	918%	1179%

The final amount of the RBC2 ratio can be determined only after the accounts of the Cooperative have been examined by the IC specifically for the determination of admitted and non-admitted assets as defined under the Code.

Financial Reporting Framework (FRF) and Valuation Standards

The IC issued CL No. 2016-65, Financial Reporting Framework (FRF), 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 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 gross premium valuation 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

The Cooperative has complied with the submission requirements of IC in 2018 and 2017 for FRF and gross premium valuation.

34. Reclassification of 2017 Financial Statements

Certain accounts in the 2017 financial statements were reclassified to conform with the 2018 presentation, as follows:

Statement of Financial Condition

	Nature of Reclassification	As Previously Reported	Reclassification	As Reclassified
ASSETS				
Current Assets				
Cash	A	P1,187,959,780	(P615,136,630)	P572,823,150
Short-term placements	A	–	584,667,495	584,667,495
Insurance receivables	B	147,104,521	4,334,576	151,439,097
Loans and receivables - net	B	91,849,388	(91,849,388)	–
Financial assets at FVPL	C	400,642,634	(325,509,894)	75,132,740
Financial assets at cost	C	–	325,509,894	325,509,894
Accounts and other receivables	B	–	87,514,812	87,514,812
Other funds and deposits	A	–	30,469,135	30,469,135
Prepayments		2,112,561	–	2,112,561
Total Current Assets		1,829,668,884	–	1,829,668,884
Non-Current Assets				
Financial assets at amortized cost		804,428,179	–	804,428,179
Financial assets at cost	D	39,736,227	(39,736,227)	–
Equity investment in a wholly-owned subsidiary cooperative	D	15,000,000	(15,000,000)	–
Financial assets at cost - net of current portion	D	–	54,736,227	54,736,227
Property and equipment		86,934,642	–	86,934,642
Investment property		155,324,645	–	155,324,645
Other non-current assets		12,270,752	–	12,270,752
Total Current Assets		1,113,694,445	–	1,113,694,445
TOTAL ASSETS		P2,943,363,329	P –	P2,943,363,329
LIABILITIES AND EQUITY				
Current Liabilities				
Insurance contract liabilities	E	P672,968,680	P325,052,733	P998,021,413
Insurance payables	E	332,315,411	(332,315,411)	–
Trade and other payables	F	113,050,659	(113,050,659)	–
Due to reinsurers	E	–	7,262,678	7,262,678
Interest on share capital and patronage refund payable		145,708,634	–	145,708,634
Accounts and other payables	F	–	113,050,659	113,050,659
Total Current Liabilities		1,264,043,384	–	1,264,043,384
Non-Current Liabilities				
Retirement payable		5,032,292	–	5,032,292
Other non-current liabilities		31,850,044	–	31,850,044
Total Non-Current Liabilities		36,882,336	–	36,882,336
Equity				
Equity	G	1,642,437,609	(1,642,437,609)	–
Members' equity	G	–	1,000,000,000	1,000,000,000
Deposit for share capital subscription	G	–	443,272,804	443,272,804
Statutory funds	G	–	192,730,808	192,730,808
Surplus reserves	G	–	6,433,997	6,433,997
Total Equity		1,642,437,609	–	1,642,437,609
TOTAL LIABILITIES AND EQUITY		P2,943,363,329	P –	P2,943,363,329

- (A) "Short-term placements" and "Other funds and deposits" previously presented under "Cash and cash equivalents" amounting to ₱584.7 million and ₱30.5 million, respectively, were reclassified to proper accounts.
- (B) "Loans and receivables - net" amounting to ₱91.8 million were reclassified to "Accounts and other receivables" and "Insurance receivables" amounting to ₱87.5 million and ₱4.3 million, respectively. "Allowance for probable losses" on insurance receivables were previously presented under "Loans and receivables - net" amounting to ₱11.1 million were reclassified to proper accounts.
- (C) "Financial assets at FVPL" amounting to ₱325.5 million were reclassified to "Financial assets at cost".
- (D) "Financial assets at cost" and "Equity investment in a wholly-owned subsidiary cooperative" amounting to ₱39.7 million and ₱15 million were reclassified to "Financial assets at cost - net of current portion".
- (E) "Insurance payables" amounting to ₱332.3 million were reclassified to "Insurance contract liabilities" and "Due to reinsurers" amounting to ₱325.0 million and ₱7.3 million, respectively.
- (F) "Trade and other payables" amounting to ₱113.1 million were reclassified to "Accounts and other payables".
- (G) "Equity" amounting to ₱1.6 billion were reclassified to "Members' equity", "Deposit for share capital subscription", "Statutory funds" and "Surplus reserves" amounting to ₱1.0 billion, ₱443.3 million, ₱192.7 million and ₱6.4 million, respectively.



STATEMENT OF OPINION

As regards MAS certificate loans, I, **Panfilo P de la Paz**, Consulting Actuary of CLIMBS, based on the data supplied to me by their Accounting and IT departments, to the best of my knowledge and belief, after conducting such tests as I have deemed necessary, expresses the opinion that:

1. the certificate loan balances (contribution and equity loans) as of 31 December 2018 amounting to **1,964,051.92** bear reasonable relationship with the corresponding member equity values; and
2. for the certificates with loan balances, appropriate reserves have been set up, on a basis consistent with prior years and generally accepted actuarial principles.

The tests consisted of matching the certificate loans' files with the in-force file on a random basis. Similarly, the individual certificate loan balances were matched with the certificate's equity values.

PANFILO P. DE LA PAZ
Consulting Actuary
PTR No 3941

15 March 2019



ANNEX "A"

A. Assets

1. Net life insurance premiums and annuity considerations due and uncollected	2,584,000.22
2. Accident and health premiums due and uncollected	Nil

B. Liabilities

1. Aggregate reserve for life policies and contracts	809,803,735.24
2. Aggregate reserve for accident and health policies	Nil
3. Supplementary contracts without life contingencies	Nil
4. Policy and contract claims	
4.1 Due and unpaid	122,907,843.86
4.2 In course of settlement:	
4.2.1 Resisted	19,868,026.22
4.2.2 Others	Nil
4.3 Incurred but not unreported (less reinsurance)	92,963,867.88
4.4 Total (Gross)	235,739,737.96
4.5 Add: Reinsurance assumed on reported claims	Nil
4.6 Less: Reinsurance ceded on reported claims	29,686,817.30
4.7 Net Liability	206,052,920.66
5. Provision for policyholders' dividends and experience refund payable in following calendar year – estimated amount	Nil
6. Amount provisionally held for deferred dividend policies not included in Item 5	Nil
7. Policy and contract liabilities not included elsewhere:	
7.1 Surrender values on cancelled policies	Nil
8. "Cost of collection" on premiums and annuity considerations uncollected in excess of total loading thereon	Nil
9. Aggregate equity value reserves for MAS Plan	3,566,135.55
C. Net deferred premium	Nil

D. All other accounts, if any, as may have to be certified to by the Actuary. Nil

* all figures are in Philippine Pesos

CLIMBS
2018 Valuation Results

15 March 2019




STATEMENT OF OPINION

I, Panfilo P de la Paz, consulting actuary of CLIMBS, express the opinion that, based on the data supplied to me by the Accounting and IT Departments of CLIMBS, the legal certificate/policy reserves and claim reserves of the Cooperative as of 31 December 2018 amounting to

P **809,803,735.24** (individual/group life insurance contracts)
P **3,566,135.55** (MAS plan)
P **206,052,920.66** (claims reserve liability)

are adequate and accurate. The calculations of the legal certificate/policy reserves are based on reasonable actuarial assumptions and are in accordance with generally accepted actuarial principles. The due and unpaid policy and contract claims were derived solely from the inventory of such claims conducted by CLIMBS as of December 31, 2018. The Incurred But Not Reported (IBNR) reserves was derived using the chain-ladder method on claims recorded for the last 24 months. Loss development factors were derived by taking the simple average of the smallest 12 duration factors.


PANFILO P DE LA PAZ, FASP, FSA
Consulting Actuary
PTR No 3941

15 March 2019

REPORT ON THE ACTUARIAL VALUATION OF NON-LIFE INSURANCE POLICY RESERVES

CLIMBS LIFE AND GENERAL INSURANCE COOPERATIVE For the Period Ended December 31, 2018

SCOPE OF REVIEW

CLIMBS Life And General Insurance Cooperative (“the Company”) has engaged the services of AMI Actuarial Consultants Philippines, Inc. to perform an actuarial valuation at December 31, 2018 of the following, by line of business, consistent with the Revised Financial Reporting Framework and Valuation Standards for Non-life Insurance Policy Reserves:

- Premium Liabilities;
- Unpaid Claim Liabilities; and
- Margin for Adverse Deviation (MfAD).

This Actuarial Valuation Report, together with the attached Valuation Results, is provided solely for the use of, and is only to be relied upon by, the Company, its Board of Directors, external auditors, and the Insurance Commission, for their evaluation of the Company’s policy reserves, and may not be used or distributed for any other purpose.

In performing the actuarial valuation, the assumptions used are intended to be neutral estimates of the most likely or expected outcome (“best estimate”). A Margin for Adverse Deviation (MfAD) is then applied to the best estimate to bring the estimated liabilities to a 75% confidence level of assurance or sufficiency.

Recorded reserves for loss and loss adjustment expenses are the sum of reserves for known claims (case/outstanding reserves) and reserves for Incurred but Not Reported (IBNR) claims, which include Incurred but Not Enough Reported (IBNER) claims.

I have not examined the assets underlying the Company's policy reserves, and I have formed no opinion as to the validity or value of these assets. I have assumed throughout my analysis that the Company’s reserves are backed by valid assets that have scheduled maturities and/or adequate liquidity to meet cash flow requirements.

I, Aguedo M. Ingco, am the President of AMI Actuarial Consultants Philippines, Inc. and a Fellow of the Actuarial Society of the Philippines, a Fellow of the Casualty Actuarial Society, a Fellow of the Actuarial Society of Hong Kong and a Member of the American Academy of Actuaries. For the purpose of calculating and evaluating the Company’s policy reserves as of December 31, 2018, I meet the Insurance Commission’s accreditation standards for certifying non-life insurance policy reserves. I was appointed by the Board of Directors on June 25, 2018 as an external consultant.

AMI Actuarial Consultants Philippines, Inc.

18-F Aras St, San Juan City 1500 • Telefax: (632)727-9504 Web site: <http://amirisk.com>
Actuaries • Risk Management Consultants

Back-testing of IBNR and Claims Liabilities from Prior Periods
(Undiscounted at 75% Confidence Level)
Using Data as of December 31, 2018
One-Year Development on Gross Unpaid Claims
(Amounts in Pesos)

One-Year Development on Gross Unpaid	IBNR Reserves at 12/31/2017**	Actual Reported after 12/31/2017	Adequacy Ratio	Claims Liabilities at 12/31/2017**	Actual Paid after 12/31/2017	Adequacy Ratio
Fire and Allied Perils	-	(5,010,738)	0%	-	74,220	0%
Marine Cargo	-	-	-	-	-	-
Marine Hull	-	-	-	-	-	-
Aviation	-	-	-	-	-	-
Bonds/Suretyship	-	-	-	-	-	-
Motor CMVL	-	-	-	-	-	-
Motor OD (Other than CMVL)	-	3,395,703	0%	-	8,372,778	0%
Personal Accident	-	(140,973)	0%	-	15,945,882	0%
Medical and Health	-	-	-	-	-	-
Engineering	-	-	-	-	-	-
Others	-	138,547	0%	-	505,405	0%
OFW	-	-	-	-	-	-
Total	13,311,681	(1,617,460)	> 500%	55,129,708	24,898,285	221%

* IBNR includes IBNR portion of Claims Handling Expense and MfAD of Outstanding Losses.

Back-testing of IBNR and Claims Liabilities from Prior Periods
(Undiscounted at 75% Confidence Level)
Using Data as of December 31, 2018
One-Year Development on Net Unpaid Claims
(Amounts in Pesos)

One-Year Development on Net Unpaid	IBNR Reserves at 12/31/2017	Actual Reported after 12/31/2017	Adequacy Ratio	Claims Liabilities at 12/31/2017	Actual Paid after 12/31/2017	Adequacy Ratio
Fire and Allied Perils	-	(5,010,738)	0%	-	74,220	0%
Marine Cargo	-	-	-	-	-	-
Marine Hull	-	-	-	-	-	-
Aviation	-	-	-	-	-	-
Bonds/Suretyship	-	-	-	-	-	-
Motor CMVL	-	-	-	-	-	-
Motor OD (Other than CMVL)	-	3,395,703	0%	-	8,372,778	0%
Personal Accident	-	(140,973)	0%	-	15,945,882	0%
Medical and Health	-	-	-	-	-	-
Engineering	-	-	-	-	-	-
Others	-	138,547	0%	-	505,405	0%
OFW	-	-	-	-	-	-
Total	13,311,681	(1,617,460)	> 500%	54,735,541	24,898,285	220%

* IBNR includes IBNR portion of Claims Handling Expense and MFAD of Outstanding Losses.

**Comparative Analysis between
Current and Previous Valuations
Gross of Reinsurance
(Amounts in Pesos)**

	Valuation @09/30/2018	Valuation @12/31/2018	Increase/ Decrease
(1) UPR: Gross of Reinsurance	80,574,151	99,970,134	19,395,983
(2) URR: Best Estimate	49,164,000	59,309,000	10,145,000
(3) MFAD	7,971,544	9,616,474	1,644,930
(4) Excess of URR + MFAD over UPR net of DAC	36,895,254	26,534,805	(10,360,448)
(5) Total Premium Liabilities	117,469,404	126,504,939	9,035,535
(6) Outstanding Claims Reserve	9,505,994	11,911,619	2,405,624
(7) Claims Handling Expense	375,000	471,000	96,000
(8) IBNR	23,444,000	27,068,000	3,624,000
(9) MFAD	13.0%	13.0%	(0.0%)
(10) Total Losses and Claims Payable	37,647,696	44,567,897	6,920,201
(11) Policy Reserves	155,117,101	171,072,836	15,955,736

**Comparative Analysis between
Current and Previous Valuations
Net of Reinsurance
(Amounts in Pesos)**

	Valuation @09/30/2018	Valuation @12/31/2018	Increase/ Decrease
(1) UPR: Net of Reinsurance	71,949,076	94,166,062	22,216,986
(2) URR: Best Estimate	46,440,000	57,713,000	11,273,000
(3) MfAD	4,517,373	5,613,935	1,096,562
(4) Excess of URR + MfAD over UPR net of DAC	37,652,313	25,650,734	(12,001,579)
(5) Total Premium Liabilities	109,601,389	119,816,796	10,215,407
(6) Outstanding Claims Reserve	9,505,994	11,911,619	2,405,624
(7) Claims Handling Expense	375,000	471,000	96,000
(8) IBNR	19,322,000	25,223,000	5,901,000
(9) MfAD	7.8%	7.8%	0.0%
(10) Total Losses and Claims Payable	31,475,532	40,532,037	9,056,505
(11) Policy Reserves	141,076,921	160,348,833	19,271,912

CERTIFICATION BY THE ACTUARY

I hereby certify that I have conducted tests necessary to verify the reasonableness and integrity of the data, confirm that the information contained in this Report are accurate to the best of my knowledge and that I have calculated the policy reserves in accordance with the Valuation Standards prescribed by the Insurance Commission and the standards of practice of the Actuarial Society of the Philippines.



Aguedo M. Ingco, FASP, FCAS, FASHK, MAAA

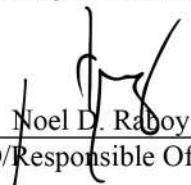
Date: February 28, 2019

IC Accreditation No.: AC-5-2015-O

PTR No.: N/A

CERTIFICATION BY THE CEO OR RESPONSIBLE OFFICER

I hereby certify that the database is properly maintained and I have satisfied myself that the data provided to the certifying Actuary are accurate and complete.



Noel D. Raboy

CEO/Responsible Officer

Date: _____

Gross Premium Income
Less : Refund & Re-Insurance
Net Premium
Less: Direct Costs
Pay't to policyholders & beneficiaries
Commission expenses/Collection
Agency Expense
(Dec)/Inc in legal policy reserves
Total Direct Cost
Underwriting Income
Operating Expenses
Operating Income
Investment and Other Income
Rental income
Commission & Other Underwriting Inc.
Investment & Interest income
Total Investment and Other Income
Less: Prior years Adjustments
NET SURPLUS

ACTUAL (A)		BUDGET (B)		VARIANCE (A-B)		BUDGET (C)		VARIANCE (C-B)	
YEAR ENDED DECEMBER 31		YEAR ENDED DECEMBER 31		YEAR ENDED DECEMBER 31		YEAR ENDED DECEMBER 31		YEAR ENDED DECEMBER 31	
2018	%	2018	%	2018	%	2019	%	2019vs2018	%
1,984.60	116.97%	2,500.00	104.17%	515.40	-20.62%	2,300.00	115.00%	200.00	-8.00%
287.93	16.97%	100.00	4.17%	187.93	187.93%	300.00	15.00%	200.00	200.00%
1,696.67	100.00%	2,400.00	100.00%	703.33	-29.31%	2,000.00	100.00%	400.00	-16.67%
745.44	43.94%	1,020.00	42.50%	274.56	-26.92%	940.00	47.00%	80.00	-7.84%
546.72	32.22%	600.00	25.00%	53.29	-8.88%	500.00	25.00%	100.00	-16.67%
4.45	0.26%	23.50	0.98%	19.05	-81.06%	24.00	1.20%	0.50	2.13%
233.39	13.76%	360.00	15.00%	126.61	-35.17%	290.88	14.54%	69.12	-19.20%
1,530.00	90.18%	2,003.50	83.48%	473.51	-23.63%	1,754.88	83.51%	248.62	-12.41%
166.68	9.82%	396.50	16.52%	229.82	-57.96%	245.12	16.49%	151.38	-38.18%
172.82	10.19%	240.00	10.00%	67.18	-27.99%	200.00	10.00%	40.00	-16.67%
6.14	-0.36%	156.50	6.52%	162.64	-103.93%	45.12	2.26%	111.38	-71.17%
3.65	0.22%	3.50	0.15%	0.15	4.40%	3.00	0.15%	0.50	-14.29%
25.62	1.51%	3.50	0.15%	22.12	632.00%	3.00	0.15%	0.50	-14.29%
73.90	4.36%	66.50	2.50%	7.40	11.13%	148.88	7.44%	82.38	123.88%
103.18	6.08%	73.50	3.06%	29.68	40.37%	154.88	7.74%	81.38	110.72%
34.21	2.02%	-		34.21					
62.82	3.70%	230.00	9.58%	167.18	-72.69%	200.00	10.00%	30.00	-13.04%

Audit Committee Report

The Audit Committee performed its role in assisting the Board of Directors in ensuring that CLIMBS' risks are properly managed and that the internal control system is effectively working. In 2018, the audit focus was on the review of insurance premiums, claims and underwriting practices.

The Audit Committee (AC) convened four (4) times in the year 2018 to review the Internal Audit Reports and the Interim Audit Report of the External Auditor. The results of the review of the reports have been presented and discussed with the Board of Directors (BOD) in four (4) Joint Officers and Management meetings held in Cagayan de Oro City and Cebu City.

As of March 14, 2019, of the 34 audit recommendations, 21 were fully implemented, seven (7) were partially implemented and six (6) remain unimplemented. The significant audit recommendations that remain unimplemented needing the consideration of member cooperatives are stated below:

AUDIT OBSERVATIONS	AUDIT RECOMMENDATIONS	MANAGEMENT RESPONSES
1. Claims of 76 cooperatives exceeded their premiums by P85.76M as of December 31, 2018.	Insurance premiums shall be regularly reviewed by CLIMBS' actuary to determine their adequacy.	CLIMBS management will re-price premiums and will implement: <ul style="list-style-type: none"> ○ standard provisions to new availments ○ offer graduated benefits to 70 years old above
2. Delays in premium remittance for as long as four (4) months to one (1) year from effective date of insurance is contrary to the provisions of the MOA between CLIMBS and cooperatives, thus exposing CLIMBS to possible fraudulent acts. There is no existing policy prescribing the period within which to remit the premiums and the corresponding actions on delayed remittances.	Management shall strictly enforce the remittance of premiums within 15 days of the subsequent month and not beyond the one month grace period, otherwise CLIMBS shall be constrained to deny the insurance claims. Claims Department shall observe due diligence in the processing of claims with premiums that have been remitted only when insurance claim arise. The BOD shall adopt a policy prescribing the period within which to remit the premiums and the corresponding actions on delayed remittances.	CLIMBS Head Office and Area Operations Manager (AOM) have been updating the Sales personnel on remittance report of Cooperatives on a monthly basis. CLIMBS has assigned various Sales personnel per region and remittance collection and monitoring were made part of their scope of work. Management shall formulate a policy regarding this matter for approval by the BOD.
3. Application form for Mortuary Plan was not required nor submitted for proper underwriting.	Consider extrinsic validity of the mortuary contract by requiring submission of a duly accomplished application form. Cooperative Assurance Centers (CAC) and underwriting staff shall thoroughly review application forms as to completeness and validity of all necessary information. Claims Department shall ascertain proof of insurable interest of beneficiaries. Waiver of right to preferential heir may be allowed.	CLIMBS management shall see to it that the recommendations made by the AC are properly implemented.

AUDIT OBSERVATIONS	AUDIT RECOMMENDATIONS	MANAGEMENT RESPONSES
<p>4. Substantial amount of remitted premiums remain unreceipted every end of the month due to the delay in the submission of remittance listing by Cooperatives, thus preventing the proper accounting thereof.</p> <p>In October 2018, unreceipted premiums totalled to P98.45M. This was reduced to P16.81M as of December 31, 2018.</p>	<p>The BOD shall adopt a policy and guidelines on electronic submission of remittance listing.</p> <p>Obtain electronic access to all depository accounts to facilitate the reconciliation of bank accounts. The Board of Directors shall issue an authority to the Bank Reconciliation Specialist on this matter.</p>	<p>CLIMBS has been closely monitoring the bank reconciliation per month.</p> <p>The management shall formulate policies and guidelines on electronic submission of remittance listing for approval by the BOD.</p>
<p>5. There is no standard period of time to process claims.</p>	<p>Management shall establish time in motion for the processing of claims.</p>	<p>CLIMBS shall settle the claims within 15 working days upon receipt of complete documents.</p>

Lastly, in the review of CLIMBS' operation, the AC has noted the absence of Risk Management Plan. It is necessary to identify all realistic risks that should be summarized in a risk register. Risk control activities should be established and monitored. The Board of Directors should be aware of the major aspects of CLIMBS' operational risks as a distinct area to be managed and periodically reviewed.

For year 2019, the Audit Committee shall focus on the review of CLIMBS' Financial Statements and recommends actions to control the impact to CLIMBS objectives.


MARIE DEE B. BELAGAN, CPA
Audit Committee Chair


EDUARD C. AMOGUIS, Ed.D
Audit Committee Secretary


JUANITO P. ROSINI, Ph.D
Audit Committee Vice Chair


REYNALDO M. VERGARA
Ex Officio Member

Election Committee Report

To The General Assembly of CLIMBS,

- I. We are reporting herewith the vacancies for the various offices and for filling up during the CLIMBS AGA 2019 Election, as follows:

1. Board of Directors

1.1 Top 5 Shareholders	= 1 seat
1.2 Luzon	= 0
1.3 Visayas	= 0
1.4 Mindanao	= 1 seat
1.5 Independent	= 0

2. Audit Committee

= 2 seats

3. Election Committee

= 1 seat

- II. The Election Committee has also conducted two (2) meetings prior to this 2019 Annual General Assembly. One was jointly undertaken with the Board of Directors which included CDA Inspection Report, Findings and Recommendation for the amendments of the CLIMBS By Laws in order to conform with RA 9520 and other issuances of CDA.

We are therefore recommending the following Proposed Amendments to CLIMBS By Laws and the Approval by the General Assembly of the same, as follows:

- a. As stated in the Articles of Cooperation that CLIMBS accepts Regular Membership and Associate Membership, the Field of Membership should likewise include acceptance of non-cooperatives.

Article VI. Field of Membership

FROM	TO
That the field of membership of CLIMBS shall be open to all duly registered cooperatives.	That the field of membership of CLIMBS shall be open to all duly registered cooperatives, foundations, self-help group, micro-finance institutions, associations and other organization.

- b. To conform with the provisions of RA 9520, the By Laws must include the following:

Article II. Membership. Section 5. Share capital subscription

FROM	TO
Regular membership. Every regular Xxx	Regular membership. Every regular Xxx No member of CLIMBS other than itself shall own or hold more than 10% of the subscribed and paid common share capital of CLIMBS.
Every member Xxx. However, he can only own or hold a maximum of 10% of the subscribed share capital of CLIMBS.	Every member Xxx. However, he can only own or hold a maximum of 10% of the subscribed preferred share capital of CLIMBS.

Section 29. Meetings of the Directors

The regular meeting of the board of directors shall be held quarterly. However, the chairman, or in his absence, the vice chairman or the majority of the directors may, at any time call a special board meeting to consider urgent matters.	The regular meeting of the board of directors shall be held quarterly. However, the chairman or in his absence, the majority of the directors, may at any time, call a special board meeting to consider urgent matters.
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Election Committee Report

Section 31. Removal of Director and Committee Member

FROM	TO
Any director may be removed from office for cause by a majority of the members entitled to vote, present and constituting a quorum in a regular general or special assembly of the members entitled to vote called for the purpose after having been given the opportunity to be heard.	An elective officer may be removed by three fourths (3/4) votes of the regular members present and constituting a quorum, in a regular or special general assembly meeting called for the purpose. The officer concerned shall be given an opportunity to be heard at said assembly.

Article X. Allocations and Distribution of Net Surplus

Section 58. Order of the Distribution of Net Surplus

FROM	TO
a) An amount for the reserve fund which shall be ten <i>per centum</i> (10%) of net surplus: Xxx	a) An amount for the reserve fund which shall be at least ten <i>per centum</i> (10%) of net surplus: Xxx
b) An amount for the education and training fund, which shall be ten <i>per centum</i> (10%) of the net surplus Xxx	b) An amount for the education and training fund, which shall not be more than ten <i>per centum</i> (10%) of the net surplus Xxx
c) An amount for the community development fund, which shall be three <i>per centum</i> (3%) of the net surplus. Xxx	c) An amount for the community development fund, which shall not be less than three <i>per centum</i> (3%) of the net surplus. Xxx
d) An optional fund, a land and building, and any other necessary fund the total of which shall be seven <i>per centum</i> (7%). Xxx	d) An optional fund, a land and building, and any other necessary fund the total of which shall not exceed seven <i>per centum</i> (7%). Xxx

c. The proposed Composition of the Board of Directors as presented in the 2018 AGA.

Article IV. Section 24. COMPOSITION OF THE BOARD OF DIRECTORS.

FROM	TO
a) The Board of Directors shall be composed of eleven members consisting of two (2) Independent Directors (ID) and nine (9) Regular Directors (RD).	a) The Board of Directors shall be composed of thirteen (13) members consisting of two (2) Independent Directors (ID) and eleven (11) Regular Directors (RD).
a.1.) The nine regular directors shall consist of members-cooperatives which shall be represented by their voting delegates and they shall be elected either by secret ballot or by automation by the voting delegates during the Annual General Assembly election, subject however to the provisions of paragraph b) and sub paragraphs b.1), b.2), b.3), b.4), b.5), b.6), b.7) and b.8) respectively, as hereunder provided. They shall hold office Xxx	b) The eleven regular directors shall be elected by member cooperatives through their voting delegates during the Annual General Assembly. They shall hold office Xxx
a.2.) Two Independent Directors (ID). Who are natural persons, shall likewise be elected at large by all the entire voting delegates by secret ballot. They shall hold office for a term of two (2) years Xxx	c) Two Directors shall be Independent Directors (ID). When positions for two Independent Directors are opened, immediately the Election Committee shall screen the nominees and the Board of Directors shall finally appoint the qualified nominees. d) The Independent Directors shall hold office for a term of two (2) years but not more than five (5) years.
b.) The aforesaid nine seats of the Regular Directors (RD) shall be apportioned and elected either by secret ballot or by automation as follows:	e) The eleven (11) Regular Directors (RD) shall be elected as follows:

<p>b.1.) Six seats shall be apportioned to the three Island Regions of Luzon, Visayas and Mindanao, respectively, based on the proportionate aggregate share capital paid by the members cooperatives in each of the three Island Regions. Thus, voting delegates coming from Luzon shall elect the Regular Director/s for Luzon. Voting delegates from Visayas shall elect the Regular Director/s for Visayas. Likewise, voting delegates from Mindanao shall elect the Regular Director/s for Mindanao. Provided, however that the two-year term shall be observed.</p>	<p>f) Two (2) Directors shall be elected by each island region of Luzon, Visayas and Mindanao respectively, regardless of the aggregate share capital/investment.</p> <p>g) Three (3) Directors from the first three highest investors/share capital holders shall be voted nominally.</p> <p>h) Two (2) Directors shall be elected at large by the entire assembly.</p> <p>i) All elections of the officers shall be supervised by the Election Committee as provided for in the By Laws of CLIMBS, and its Election Code.</p>
<p>b.6.) Provided that, there shall only be one Regular Director representing a member- cooperative in the Board of Directors at any given time.</p>	<p>j) There shall only be one Regular Director representing a member- cooperative in the Board of Directors at any given time.</p>
<p>b.8.) The qualifications manner, procedure, rules and regulations of voting and Xxx</p>	<p>k) The qualifications standard, procedure, rules and regulations of voting and Xxx</p>

- d. In compliance to Insurance Commission Circular 016-51 dated September 6, 2016 on Corporate Governance and Circular 018-36 dated June 26, 2018 on Rules, Qualifications and Term Limits of an Independent Director.

Section 27. Qualifications of a Regular Director (RD) and an Independent Director (ID).

<p>a) Independent Director (ID):</p> <p>b.1) He/she must have no conflict of interest and/or has no interest at all with CLIMBS.</p> <p>b.2) He/she must be an Expert and/or Engaged and/or Exposed and comes from reputable financial sector and/or insurance Industry.</p> <p>b.3) He/she must act as adviser of CLIMBS.</p> <p>b.4) He/she must have No personal or financial ties with CLIMBS so that he/she shall be objective in the performance of his/her functions:</p> <ul style="list-style-type: none"> ▪ Competencies in his/her respective fields; ▪ Reminds the Regular Directors/Board of Directors of ultra vires dispositions; <p>b.5) He/She must be a member of a primary or secondary cooperative duly registered with CDA, which is likewise a member of CLIMBS.</p> <p>b.6) He/She at any given time, must only own a one-unit minimum common share capital or equivalent in his/her primary or secondary cooperative, which is likewise a member of CLIMBS.</p>	<p>a) Independent Director (ID):</p> <p>a.1) An independent director shall be one who has not been an officer or employee of CLIMBS, its subsidiaries or affiliates or related interests for at least three (3) years immediately preceding his term or incumbency;</p> <p>a.2) He/she must be an Expert and/or Engaged and/or Exposed and comes from reputable financial sector and/or insurance Industry.</p> <p>a.3) He or she is not related within the fourth degree of consanguinity or affinity, legitimate or common-law of any director, officer or majority shareholder of CLIMBS or any of its related companies;</p> <p>a.4) He or she is not a director or officer of the related companies of CLIMBS and/or majority of its shareholders;</p> <p>a.5) He or she is not acting as nominee or representative of any director or substantial shareholder of CLIMBS, or any of its related companies, or any of its cooperative members with substantial shareholders;</p> <p>a.6) He or she is free from any business or other relationships with CLIMBS or any of its major stockholders which could materially interfere with the exercise of his/her judgment, i.e., has not engaged and does not engage in any transaction with CLIMBS or any of its member cooperatives or any of its substantial shareholders, whether by himself/herself or with other persons or through a firm of which he/she is a partner, director, or a shareholder.</p>
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	<p>a.7) Independent Directors can serve for five (5) consecutive years, provided that service for a period of at least six (6) months shall be equivalent to one (1) year, regardless of the manner by which the Independent Director position was relinquished or terminated.</p> <p>a.8) After completion of the five-year service period, an Independent Director shall be ineligible for election as such in CLIMBS unless the Independent Director has undergone a "cooling off" period of two (2) years, provided, that during such period, the Independent Director concerned has not engaged in any activity that under existing rules disqualifies a person from being elected as Independent Director in CLIMBS.</p> <p>a.9) An Independent Director re-elected as such in CLIMBS after the "cooling off" period can serve for another five (5) consecutive years under the conditions mentioned in paragraph (1) above. After serving as Independent Director for ten (10) years, the Independent Director shall be perpetually barred from being elected as such in CLIMBS, without prejudice to being elected as Independent Director in other companies outside of the business conglomerate. (Source:IC Circular 016-51 dated September 6, 2016 and IC Circular 018-36 dated June 26, 2018 which is adopted by CLIMBS)</p>
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- e. In compliance to GA Resolution No. 10, series of 2018 on the appointment of the Board Emeritus on the requirement to include a provision in the By Laws.

Section 51. President of CLIMBS

FROM	TO
The President Xxx	<p>The President Xxx</p> <p>Section 51-A. President Emeritus. The President Emeritus is the immediate past president appointed by the Board of Directors on the basis of honoris causa given by virtue of his/her exemplary expertise and services. He/She shall serve in an advisory role to the President and CEO and provides guidance and expertise as a knowledgeable member of the Board of Directors and provides historical perspective in the decision making. He/She shall attend as non-voting member, the Board of Directors meeting as needed from time to time.</p> <p>Only the latest immediate past president shall sit in the Board of Directors once appointed by the Board of Directors as President Emeritus.</p>

Respectfully submitted,

Atty. Rolando C. Casaway
Chairperson

Atty. Jose Agerico R. De Guzman
Vice Chairperson

Alexander B. Ragado
Secretary



OFFICES

LUZON

QUEZON CITY

Elsie Remonte

Area Sales Manager

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LINKAGES

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Insurance Commission - Website: www.insurance.gov.ph
International Cooperative Mutual Insurance Federation - Website: www.icmif.org
Asia Oceana Association - Website: www.aoa-icmif.org
National Federation and Confederation of Cooperatives in the Philippines
Mass-Specc Cooperative Development Center - Website: www.mass-specc.coop
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Philippine Chamber of Commerce
Website: <http://www.philippinechamber.com>
People Management Association of the Philippines
Website: <http://www.pmap.org.ph/>



icmif

MEMBER STATISTICS

Fastest-growing ICMIF members: Non-life

Member	Country	Premium growth (2016-2017)
1 Polski Gaz TUW	Poland	960.6%
2 Groupe VYV*	France	116.5%
3 Protección Mutual	Argentina	77.9%
4 CLIMBS	Philippines	57.9%
5 Triunfo Seguros	Argentina	53.6%

Largest ICMIF members: Emerging markets*

Member	Country	Total premiums 2017 (USD '000)
1 Grupo Sancor Seguros	Argentina	1,619,962
2 Anadolu Sigorta	Turkey	1,280,409
27 CLIMBS	Philippines	31,014
28 Productores de Frutas	Argentina	29,142
29 Co-operative Insurance Company	Sri Lanka	23,955

Source: <https://downloads.icmif.org/2018-Member-Key-Statistics-English-Final.pdf>