

# 2020 ANNUAL REPORT

20/24  
**CLIMBS**

*Complete Financial Solution  
for Inclusive Growth Year 5:  
Insuring 20 Million Lives  
by 2024*

COVID19 Edition





## ► VISION

The leading insurer for Philippine grassroots Population.

## ► MISSION

To provide innovative technology-driven insurance.

To offer risk management solutions primarily to cooperatives in the Philippines and to support their growth.

## ► CORE VALUES

We uphold the universal Cooperative Values and Principles.

We share the core values of Family, Health, Trust, Respect, Communication and Transparency.

We instill dependability and fairness and work for sustainability.

We innovate to be efficient and technology friendly in our ways of insuring.

We enhance strong partnership to achieve common goals and common interest.

We customize products that will effect resiliency among the communities we serve.

We care for the protection of the environment

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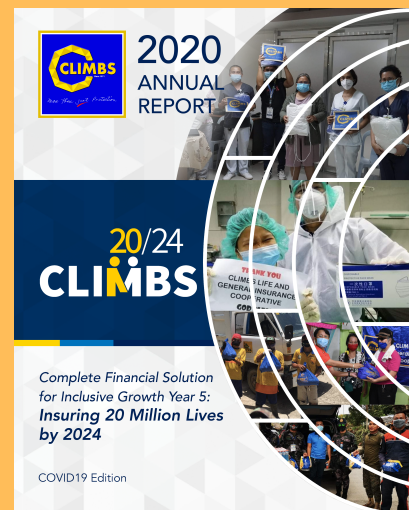
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## ► About the Cover



As one of the strategies for the 2020-2024 5-Year Plan, the battle cry for CLIMBS 20/24 which aims to insure **20 million lives by year 2024** is a symbol of continuous commitment as CLIMBS is moving towards its 50th year with the determination that the next era will remain for CLIMBS as the leading grassroots insurance provider of the Filipinos through the cooperative movement.



## ► MESSAGE FROM THE PRESIDENT

Republic of the Philippines



My warmest greetings to CLIMBS Life and General Insurance Cooperative as it holds its virtual 49th Annual General Assembly.

I commend your unyielding commitment to help improve the lives of your members through your inclusive financial programs and services. This event is auspicious time to revisit the company's vision of becoming a world-class microinsurance provider, especially as we endeavor to recover from the COVID-19 pandemic.

May this occasion inspire you to assist more Filipinos in achieving a more stable and promising future. I am certain that you will continue to help our kababayans during these difficult times while also upholding transparency and accountability within your organization.

Together, let us work with renewed vigor to attain our goal of genuine and lasting progress for the entire nation.

I wish you more success in the years ahead.

A handwritten signature in black ink, reading 'Rodrigo Roa Duterte'.

RODRIGO ROA DUTERTE

MANILA  
April 2021

THE PRESIDENT OF THE PHILIPPINES



## ► MESSAGE FROM THE COMMISSIONER

Insurance Commission



Greeting to the Officers, Staff, Agents and Members of CLIMBS Life and General Insurance Cooperative as you hold your 49th Annual General Assembly.

As the country continue to gripped in uncertainty due the pandemic, we in the insurance sphere has to work doubly hard to ensure that business continues, and more significantly, that service to policyholders and insurance members proceed unhampered.

CLIMBS Life and Gen., with its more than 4,000 member-cooperatives nationwide has always been a steady partner of the Insurance Commission in providing insurance protection to these cooperatives' individual members and their families. As we face unprecedented health hazards, CLIMBS once again proves its commitment to secure its members against specific risk, having paid more than half a million pesos in COVID-related claims in 2020.

As it gears to meet its goal, "CLIMBS Complete Financial Solution for Inclusive Growth Year 5: Insuring 20 Million Lives by 2024", we in the Commission offer our commendations and support. The goal is a tall order considering the country's current situation, but like you, we believe that with collective faith, endurance, discipline, and determination tempered with caution, anything is possible. As a famous author Zig Ziglar said, "if you can dream it, you can achieve it."

Again, congratulations to CLIMBS Life and Gen and I sincerely wish you success in all your endeavors.

  
**DENNIS B. FUNA**  
Insurance Commissioner





## ► MESSAGE FROM THE CHAIRPERSON

Cooperative Development Authority



Warmest greetings of congratulations to CLIMBS Life and General Insurance Cooperative on your 49th Annual General Assembly. This is indeed another milestone achieved of unrelenting service to your members and to the entire Filipino nation!

Amidst the crisis and uncertainty brought about by the pandemic, this year's General Assembly with the theme: "CLIMBS Complete Financial Solution for Inclusive Growth Year 5: 20 Million Lives Insured by 2024" is a manifestation of your sincere commitment to your members and to the community as it reinforces the inclusiveness of the principles of cooperativism.

The challenges that we are facing due to the unseen enemy is truly a great turbulence to our lives and economy. However, having each other and living up with the spirit of cooperativism - we will surely win whatever challenges there may be. Because the cooperatives, where people shared resources, talent, skills, time, effort and passion are truly potent drivers of development, instruments of wide capital

distribution, and true allies of the Filipinos in achieving greater resiliency and stability.

Indeed, cooperative is indispensable in transforming the members into formidable blocs that will forge dreams into tangible realities.

On behalf of the Cooperative Development Authority, I commend the CLIMBS for being strong and steadfast in showcasing the spirit of cooperativism.

As you move forward to another year of service, continue to become an enabling partner not only to your members but also to the cooperative sector, to the government, and to the communities you operate in. Keep enshrining the core principles of cooperativism for people, planet, prosperity and peace.

  
UNDERSECRETARY ORLANDO R. RAVANERA  
Chairman



## ► MESSAGE FROM THE CEO

International Cooperative and Mutual Insurance Federation



### Message from Hilde Vernailen, Chair of ICMIF, for the CLIMBS Annual General Meeting 2021

Dear Friends,

On behalf of all the Secretariat of the International Cooperative and Mutual Insurance Federation (ICMIF) I am delighted to send our very best wishes to our member organisation CLIMBS Life and General Insurance Cooperative and its many members in the Philippines on the occasion of your 2021 Annual General Meeting.

We note with interest that your theme for this year will be *"CLIMBS Complete Financial Solution for Inclusive Growth Year 5: Insuring 20 Million Lives by 2024"* and we wish you every success with both this ambitious goal and for your virtual 50th year anniversary celebrations on 23-25 April 2021.

My team and I would like to congratulate everyone at CLIMBS for your 50th year as a cooperative and for offering such great service to your members for so many years. After your five decades of experience, it is wonderful to learn that CLIMBS now has over 4,000 primary cooperatives as stakeholders and that your organisation is now the biggest microinsurance cooperative in the Philippines.

We have been delighted to hear about the continued growth of CLIMBS and the fact that you continue to design insurance products that fit the needs of your cooperative members, especially the marginalised poor and which will help them live better lives. This will have been particularly challenging due to the ongoing Covid-19 pandemic and we commend you and all the team at CLIMBS for the strong commitment to policyholders and local communities that you have demonstrated.

We note with interest that, from humble beginnings in 1971 to now, CLIMBS has grown into cooperative with total assets of P3.5 billion. Covering life insurance of 2.4 million policies and non-life insurance of 55,162 policies; with 204 employees manning your 28 offices across the Philippines.

This is a truly great achievement and proof of your success and ongoing commitment to your members.

Despite the challenges of the pandemic over the last year, it was another good year of engagement between our two organisations and we were delighted to welcome many delegates to our ICMIF webinars in recent months and also to have members of your team take part in our new *Mutual Leadership: Adapting to a Complex World* online course.

We were especially grateful for the contribution of Noel Raboy, President and CEO, CLIMBS and Donna Dizon, Vice-President, Administration and Corporate Planning, CLIMBS (Philippines) and Executive Director of CLIMBS Institute of Management in their webinar *"Education as a tool for cooperative development and organisational resilience"* earlier this year. In this webinar, we learned how the CLIMBS Institute of Management delivers continuous learning and capability-building programmes to the CLIMBS team, its member-owners and other stakeholders and to address the evolving needs of cooperatives. Despite the unprecedented challenges brought on by the COVID-19 pandemic, it was good to learn how CLIMBS continues to uphold the importance of education as it sees the benefits in the development of people, present and future leaders, and in building and strengthening organisational resilience.

We were also grateful to hear from Mr Raboy in the *COVID-19: How the mutual/cooperative sector is responding in Asia and Oceania* webinar in June 2020 on how CLIMBS was responding to the pandemic in the Philippines at that relatively early stage of Covid-19.

We have enjoyed learning more about your great organisation through these interactions and hope to continue this during 2021 and into the future.

We would like to extend our warmest wishes to all your members who join you at the 2021 CLIMBS Annual General Assembly. We wish you a very successful and enjoyable General Meeting.

Yours in cooperation,

**Hilde Vernailen**

Chairperson

## ► MESSAGE FROM THE PRINCIPAL AND CHIEF EXECUTIVE

Co-operative College



Thank you so much for the opportunity to contribute to your 2020 Annual Report which sits alongside your 49th Annual General Assembly. What an achievement! You have grown from your 1971 origins to an extraordinary organization with more than 4,000 member co-operatives. Your ambition for 20 million lives insured by 2024 is a big one but knowing the passion, commitment, quality, and courage of conviction demonstrated by CLIMBS colleagues, I am confident you will achieve this goal.

The Co-operative College is both proud and honoured to work with CLIMBS through our Memorandum of Understanding. Our focus is on co-operative leadership masterclasses and ways of leading differently. We also work with you on youth leadership. CLIMBS is a pleasure to work with because everyone enthusiastically participates in the active and reflective co-operative learning approaches that are used. But further, CLIMBS impresses because of its commitment to co-operative values and principles and its authentic belief in what education brings to the agility, creativity, and best practice of organizations and teams.

That commitment to CPD within CLIMBS is inspirational and explains your current market position. Nothing satisfies an educational organization like the College more than encountering an organization like CLIMBS which gives equal weight to education as vital to demonstrating the co-operative advantage. Many congratulations to you all.

**Dr. Cilla Ross**

Principal and Chief Executive

## About Co-operative College

**Here at the Co-operative College, we've always done things differently. Born over 100 years ago out of a need for radical education that fights for social justice, our mission hasn't changed.**

**We are fearless thinkers, innovators and passionate about change. We are small, but have big plans to make the world a more co-operative place. One where we all work together to put learning at the heart of our communities, workplaces and homes.**



## ► MESSAGE FROM THE CITY MAYOR

Cagayan de Oro



CLIMBS Life and General Insurance Cooperative is one of the pillars of the Philippine cooperative movement. It has also carved its niche in the insurance industry.

The Insurance Commission has ranked CLIMBS as the number 1 microinsurance provider in the country. Needless to say, it is the biggest insurance cooperative.

Determination to stand in the face of crises is what we need with the onslaught of Covid19 pandemic.

While our normal way of living has been disrupted, we need to adapt to the new normal while pursuing our plans, dreams and aspirations. I can see this grit, this unparalleled determination in CLIMBS' lofty objective of insuring 20 million Filipinos by 2024.

The theme of CLIMBS 49th Annual General Assembly, "CLIMBS Complete Financial Solution for Inclusive Growth Year5: Insuring 20 Million Lives by 2024," provides inspiration to the people who are now driven in to anxiety by the pandemic.

If there is one thing this pandemic taught me, it is the realization that resilience can be more than swaying with the wind, as a bamboo does, but standing up stronger and coming out better.

In times of crises, cooperatives are our natural allies. Moulded by time honored values of mutual-help, cooperatives by the DNA are made to withstand trials.

From its humble beginnings in Rochdale, Lancashire, England 177 years ago, to the cooperative pioneering in the Philippines from Cagayan de Oro with Fr. William Masterson, lawyers Mordeno Cua and Aquilino Pimentel some 60 years ago, the cooperative spirit lives on. In fact, Attys. Mords and Aquio founded CLIMBS in 1971.

Cagayan de Oro just celebrated its 71st founding day. The founders of CLIMBS represent the indomitable spirit of the fore fathers of the city.

This is the same indomitable spirit that we invoke as we fight the pandemic and standup stronger. I am comforted by the fact that CLIMBS is having its work geared towards inclusive growth.

God bless and mabuhay!

  
**OSCAR S. MORENO**  
City Mayor

## ► MESSAGE FROM THE BOD CHAIRPERSON

CLIMBS Life and General Insurance Cooperative



My paternal felicitations and well wishes to the member cooperatives, stakeholders and partners, friends and alliances of CLIMBS!

The fiscal year 2020 that transpired indeed meted out the best of CLIMBS. It had thoroughly tested as well as graphically demonstrated the true value and genuine character of our dear Insurance Cooperative. The health crisis that started as early as the first quarter of the operation last year and continues to wage havoc indiscriminately and globally to date has hugely affected and afflicted human life in general and the businesses in particular. Many companies have decided to mellow down, if not close totally, their operations because the economy continues to plunge and has not shown any sign of picking up yet. But thanks to the exceptional support and cooperation of every stakeholder and member coop, employee and officer, agent and partner. We have graciously managed to keep our baskets filled. We have succeeded to eke out a net surplus of a little more than eighty millions of pesos. With the difficulties posed by stern health protocols and the on-going financial turmoil amongst many of our primary cooperatives in the country, such a figure already is worth a toss of commendation.

This is not counting yet, the many social and pro-community projects that truly deserve recognition and admiration, too. Our

donations of PPEs to private and state-ran hospitals and medical centers in the country during the height of the pandemic, as well as the thousands of food packs distributed to those in the frontlines heroically assisting any COVID-19 related volunteer work. In addition, our charitable relief operations and initiatives to help mitigate the impact of the earthquake that had badly stricken some areas in Mindanao last year. These are but tiny holes by which we could see through the heart of CLIMBS beating to care.

Besides, without compromising any statutory compliance, we had boosted our operations in Luzon and Visayas by providing new and decent working places for our personnel. We have relocated our personnel to a sizable condominium space in Cebu and bought a 4-storey building in Manila just so our businesses become more conspicuous, palpable and yielding. To some extent, maybe the pandemic has affected us. However, it has never robbed us definitely of our resilience. All these are rays and traces of hope that CLIMBS will soon welcome the twilight of its happy golden years.

I, therefore, would like to congratulate the power horses of CLIMBS, under the leadership of our energetic President-CEO, Mr. Noel Raboy. Your determination and teamwork are your mighty wings why you have steadfastly soared high even during the most trying of times. To our thousands of member-cooperatives and associates, I could not thank you enough for your all-out support and loyalty to CLIMBS. Even if we cannot gather yet for a GA this year, let me convey to you the assurances of my paternal affection and blessing. Lastly, I would like to commend and thank also my fellow directors for their dedication and forbearance in steering the wheels of our Insurance Cooperative. While the pandemic has tried to set us far from each other, our common belief and aspiration forged as together to achieve the goals we have envisioned for CLIMBS. May our endeavors and decisions glorify the Lord who has called to this service!

God bless you all!

  
**FR. EDMO P. MANCHING**  
Chairperson



## ▶ BOARD OF DIRECTORS

2020 - 2021



**FR. ELMO P. MANCHING**  
Chairperson  
Metro Ormoc Community  
Multi-Purpose Cooperative



**ATTY. ANTONIO MANUEL A. ALCANTARA**  
Vice Chairperson  
Perpetual Help Community  
Cooperative



**ATTY. DANIEL O. EVANGELIO, JR.**  
Director  
Toril Community Cooperative



**MARJORIE P. ABLAZA**  
Director  
San Dionisio Credit Cooperative



**ATTY. LITO B. ASTILLERO**  
Director  
Cebu CFI Community Cooperative



**MARLENE D. SINDAYEN**  
Director  
Novaliches Development Cooperative



**LILLIAN D. SULIBRICO, CPA**  
Independent Director  
Holy Cross Savings and Credit Cooperative



**REYNALDO M. VERGARA**  
Independent Director  
Ex Officio



**SARAH T. AGNER**  
Director  
PHCCI Multi-purpose Cooperative



**FERMIN L. GONZALES**  
President Emeritus



**DORIS B. CALAPIZ**  
Treasurer  
Oro Integrated Cooperative



**ATTY. ISIDRIO Q. LICO**  
Corporate Secretary  
Mindanao Consolidated Cooperative Bank



## COMMITTEES

2020 - 2021



**MARIE DEE B. BELAGAN, CPA**  
Providers Multi-Purpose  
Cooperative



**DR. EDUARD C. AMOGUIS**  
Tagum Cooperative



**DR. JUANITO P. ROSINI**  
ISU Multi-Purpose  
Cooperative



**REYNALDO M. VERGARA**  
Independent Director  
Ex Officio Member

### AUDIT COMMITTEE

### ELECTION COMMITTEE



**ATTY. ROLANDO C. CASAWAY**  
Davao Allied Development and  
Service Cooperative



**ATTY. JOSE AGERICO R.  
DE GUZMAN**  
Makilala Multi-Purpose  
Cooperative



**ALEXANDER B. RAQUEPO**  
Sta. Cruz Savings and  
Development Cooperative



**DR. IRMA CRUZ**  
St. Martin of Tours Credit  
and Development Coop



**JOVITO GLODO**  
Panabo Multi-Purpose  
Cooperative



**ANTONIETO VIÑA**  
Paglaum Multi-Purpose  
Cooperative

### GENDER AND DEVELOPMENT COMMITTEE

### ETHICS COMMITTEE



**JOSELITO SANTILLAN**  
Sta. Ana Multi-Purpose  
Cooperative



**CYNTHIA FULGUERAS**  
Basud Development  
Cooperative



**ALBIN RESPUESTO**  
Agdao Multi-Purpose  
Cooperative

### MEDIATION COMMITTEE

### REMUNERATION COMMITTEE



**Atty. VIVIAN MAQUILING**  
DCCCO Multi-Purpose  
Cooperative



**ERIC DIZON**  
Manatal Multi-Purpose  
Cooperative



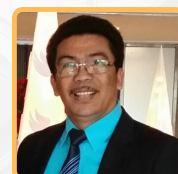
**JANETTE ROMERO**  
Bohol Community Multi-  
Purpose Cooperative



**DAVEN GAMOLO**  
Oro Integrated Cooperative



**JOSE EDUARD  
MANDAPAT, JR.**  
Landbankers Multi-  
Purpose Cooperative



**PACENCIANO TOMARONG**  
Aurora Integrated  
Multipurpose Cooperative

# TOP MANAGEMENT

2020 - 2021



**NOEL D. RABOY, MBA Ex**  
President and Chief Executive Officer



**REYNALDO G. SAN ANDRES, CPA**  
Vice President and  
Chief Finance Officer



**DONNA MARIE MICHELLE C. DIZON**  
Vice President for Admin and Corporate  
Planning / CIM Executive Director



**ROWENA R. ABELLA**  
Vice President for Marketing



**BLESILDA L. CUMBA**  
Vice President for Operations



**RENAN P. DIAZ**  
Vice President for Sales



**ATTY. CYRIL FRANCIS S. CASINO**  
Legal and Compliance Officer



**NANCY G. ORTEGA**  
Assistant Vice President for  
Life Division



**BERNADETH N. BERNADAS**  
Assistant Vice President for  
Non-Life Division

**AMIE GRACE M. SABORNIDO, CPA**  
Chief Accountant

**MARIETTA V. MAGALONES**  
Human Resources and Admin Manager

**RUEL T. ARSUA**  
Claims Manager

**CHARED A. NALIPONGUIT**  
National Sales Manager for Non-Life

**HAZELYN D. LABUDAHON**  
Branch Office Manager (Luzon)

**ENGR. CHARLES L. MAGARIN**  
ICT Head

**CHERYL LIZA C. GALLA**  
Investment Manager (Banks)

**MA. THERESA A. BILLONES**  
Admin & General Services Officer/  
Concurrent CLIMBS CARES Coordinator

**GRETCHEN M. BABANTO**  
Life Underwriting Manager

**LOUIE R. JOPSON**  
Asst. Underwriter/ Policy Issuance Head

**ERIC C. CLAMONTE**  
Branch Office Manager (Cebu)

**CYFRED U. ODARVE, MIT**  
IT Manager

**MARIA THERESA L. SENECA**  
Investment Manager (Cooperatives)

**LAURICE DEE O. INOSA**  
CIM Program Officer

**CHRIS GABULE**  
Actuary & Reinsurance Manager

**JUNEVIC R. ITEM**  
Non-Life Operations Manager

**GEDION M. CABAL**  
Branch Office Manager, OIC (Davao)

**FLOROSA B. MALINAO**  
Claims Examiner

**ANN MARIE M. SURIA**  
Chief Cashier

**GRACE D. SORIANO**  
CAC Manager

**ROWENA P. CASINILLO**  
Assistant Compliance Officer

**ROSARIO G. LEGASPI**  
Treasury Officer





## ► BOARD AND MANAGEMENT REPORT

### **Dear Shareholders:**

CLIMBS continues to deliver its commitment to provide complete financial solution for inclusive growth. Year 5 sees its completion in preparation for the 50th founding anniversary in 2021.

We look back at the past years' focus on the complete financial solution for inclusive growth ;

- Year 1 – Protecting, Managing and Investing - the evolution of the Cooperative business model as a complete financial solution for inclusive growth
- Year 2 – Expanding territorial network and strengthening business processes
- Year 3 - Transforming Cooperative Services Through Digital Connectivity
- Year 4 - Creating Business Opportunity for our Cooperatives - CLIMBS' Coop Assurance Centers (CACs) as viable social enterprises at the grassroots level.

The past five years has shown us that our fellow cooperators, member-owners are truly our partners in economic growth and drivers for change in the communities.

We continue to align our operational and community plans and actions with the globally- accepted United Nation's Sustainable Development Goals (SDGs) – meeting all the needs and aspirations of our people at the grassroots level.

As it is, the year 2020 has been challenging because of the onslaught of pandemic that has affected the global human conditions, health and economies in all levels. The most affected, the people at the grassroots level, are the most vulnerable in the sectors of our community who have lost loved ones, friends and means of livelihood.

However, this did not hinder us from continuing to extend mutual protection and build resilience in and among our own people.



## ► 2020 PERFORMANCE HIGHLIGHTS

### People First - Members and Employees Protection in the midst of Pandemic

At the onset of the pandemic, when President Rodrigo Duterte announced a national lockdown on March 15, 2020, CLIMBS' management team immediately activated its Business Continuity Plan to ensure that operations and members' needs are still being addressed to with flexible working arrangements among employees.

Vital to this is the creation of the CLIMBS Covid 19 Internal Task Force composed of key officers that continually meet to answer the pressing demands of work in the time of pandemic and to ensure that the health and safety protocols are being observed to support the government efforts in its plight to end the pandemic.

Ahead of the notices given by the National Government, members were also informed of extension of grace period given to payments and claims. Moreover, assistance was provided to members and employees needs that were heavily affected by the pandemic.

Notably, CLIMBS paid over Php 8 Million in COVID19 related claims with 151 lives covered, in 2020 alone. A testament of our commitment to cover the risks of our member-owners especially in this time of pandemic.

Utilizing the digital platforms, numerous virtual sessions were initiated such as the virtual coffee chats or "Kamustahan" and mental health and wellbeing sessions. These were conducted all throughout the year to provide the needed support to cooperative leaders and managers and the employees who are navigating through rough times at both fronts – at home and in the workplaces.

Employing the Community Development Fund, CLIMBS has utilized P12.3Million worth of support in our COVID19 response to community services and assistance. ( detailed report in the CLIMBS CARES portion) . CLIMBS also spearheaded several projects that were supported by other cooperatives and pledges from CLIMBS employees through our calls for solidarity in the "Adopt a Neighbor Project" and "Adopt a Hospital Project" wherein we provided meal packs, Personal Protective Equipment (PPEs) to our medical and men in uniform frontliners and basic grocery packs to the most vulnerable in our communities such as the elderly, PWDs , women and children and those who have lost jobs at the height of community lockdowns and economic slump.




The Cooperative identity being exemplified by the heroic and selfless deeds from among our fellow cooperators, our dear member-owners has been magnified at the height of this global crisis, a proof of our unique solidarity as we pledged, "Alone, I am weak. With others, I am strong."

## Harnessing the Digital Platform in the age of Disruption

With the limitations of a face-to-face transaction, the digital space provided the avenue to ease transactions and streamline streamlining operations.

The CLIMBS Insurtech mobile app was being used by over a hundred Cooperative Assurance Centers (CACs) nationwide. While this has been met with difficulties, the pandemic provided an opportunity to move sales activities in the digital world.

### InsurTech Review Of The Day ★★★★★




**METRO ORMOC COMMUNITY MULTI-PURPOSE COOPERATIVE**

“Thank you for accommodating all our request regarding to the newest application called INSURTECH. Convenient to use, tapos ang napakaganda ay 'di mo na kailangan pumasok sa ibang link para mag encode ulit pagkatapos mong mag authenticate, dito diritso na sa email ang response ng INSURTECH para makapag print ng assigned policy; at agad may collection report na din para sa issued policies, ang disadvantage lang minsan ay hindi agad nag authenticate at first try namin siguro dahil sa signal, pero ngayon mabilis na, tapos ang app ay 'di mo ma buksan or ma edit yung information ng insured member kung sakaling magkamali ka sa pangalan or etc., yan lang ang disadvantage ng nakita namin. Thank you sa mabilis na pag response kung may concern kami. God bless and more power!”

CLIMBS Life and General Insurance Corporation

LINKEDIN | EMAIL | WEBSITE | FACEBOOK | YOUTUBE

### InsurTech Review Of The Day ★★★★★




**ROXANNE RODRIGUEZ ISU MULTI-PURPOSE COOPERATIVE**

“Mas mabilis siya gamitin kahit data lang gamit ko, kahit brownout or nasa labas ako, nakakapag issue ako ng policy. Sa CTPL at Compre lalo, 'di ko na kailangan ng maraming maraming papel na pineprepara ngayon then 'di ko na din kailangan magprepara ng remittance report para e send ko sa CLIMBS every end of month. Na momonitor din lahat ng transactions wherein yung gusto ng mga Directors ng Coop. Tapos kahit medyo nangangapa pa akong gamitin nung una, napakabilis naman din mag response ng team niyo para e accomodate ako. Well appreciated sa team work niyo. May surprise birthday greeting pa!”

CLIMBS Life and General Insurance Corporation

LINKEDIN | EMAIL | WEBSITE | FACEBOOK | YOUTUBE

### InsurTech Review Of The Day ★★★★★




**DELLIO BOHOL COMMUNITY MULTI-PURPOSE COOPERATIVE**

“Salamat sa pag assist at pagturo kung paano gamitin ang InsurTech App, mas namomonitor ko ang sales kahit saan, pwede maka authenticate tapos ang policy ay ma send na sa email ng client so mas less ang expense namin dahil paperless na siya. Ang advantage ay hindi na kailangan ng policy or mag request pa ako sa inyo ng COC, automatic na nag issue ng COC at Policy. Hindi na hassle sa aming mga CACs kahit nasa field kami ay makapagap issue kami ng Policy sa client or kahit manghingi lang sila ng quotation sa kanilang Standard Fire Insurance or Comprehensive insurance, screenshot lang tapos pwede na e send sa messenger. Good job and Congrats CLIMBS sa InsurTech.”

CLIMBS Life and General Insurance Corporation

LINKEDIN | EMAIL | WEBSITE | FACEBOOK | YOUTUBE

### InsurTech Review Of The Day ★★★★★



**RAQUEL JAGNA MULTI-PURPOSE COOPERATIVE**

“As we experienced the new app of CLIMBS which is the INSURTECH APP, it is more easier to us to transact CTPL products 'caz we don't need to have any forms in our hands unlike before that we can't transact unless we have the policy and COC issued from CLIMBS office. Now, we just simply fill all the details required on the app and then the COC will automatically be authenticated, in short hassle free talaga and InsurTech at on the go anytime basta may internet!! Pero okay naman kahit mahina ang net makapagtransact naman kami 'caz Sir Merboy is always ready to assist us para makapag issue kami ng policy using the INSURTECH APP. It just make our transactions smooth and less hassle compared to the old practice with the help of this App. Great work to CLIMBS! Indeed a convenient way and friendly-user app!”

CLIMBS Life and General Insurance Corporation

LINKEDIN | EMAIL | WEBSITE | FACEBOOK | YOUTUBE

Employing this strategy, sales team registered its consolidated premium accomplishment of 1,515,021,859.76. The sales team also accredited 8 new accounts with a fresh premium contribution of . Understandably, the dip is generally attributed to the slow, if not lack of , economic activities particularly in the cities and areas tagged as COVID19 hotspots.

Automation of CLIMBS payment process has been fine-tuned especially that the ongoing pandemic has amplified the need for such measures.

The management team remained to be steadfast in accomplishing the yearly goals, pivoting naturally to adaptive strategies such as weekly monitoring of performance metrics and indices to ensure that everyone stayed laser focused on the achievement of goals despite of the challenges.

## Partners in Innovative Solutions for sustainable and resilient communities

CLIMBS, as the leading Insurer of the grassroots population in the Philippines, continued to soar high with the latest Insurance Commission report. From the 19th slot in 2019, CLIMBS climbed a step higher in 2020, in terms of Life and 29th in Non-life, hurdling a challenging year. This silver lining provided the boost of morale to continue to serve our member-owners and partners.



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



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



Name of Company	FIRST YEAR		RENEWAL		TOTAL		GRAND TOTAL
	Traditional	Variable	Traditional	Variable	Traditional	Variable	
1. Sun Life of Canada (Philippines), Inc.	1,555,521,745	5,801,011,054	454,657,526	3,773,400,046	5,019,177,279	21,378,592,075	39,266,089,724
2. Philippine Axa Life Insurance Corporation	1,288,540,303	2,111,268,048	937,444	14,052,881,421	3,288,088,327	18,533,269,487	4,569,566,173
3. Pru Life Insurance Corporation of U.S.A.	189,205,492	7,862,378,439	937,444	14,052,881,421	3,288,088,327	18,533,269,487	28,897,510,948
4. Philippine American Life and General Ins. Co. *	693,175,754	1,078,233,163	514,832,781	869,683,890	4,271,252,864	5,981,119	30,892,187,816
5. GFLife Philippines Life Insurance Corporation	292,718,421	2,174,969,293	186,699,263	2,973,524,418	1,853,875,256	9,999,911,098	16,766,045,818
6. Manufacturers Life Insurance Co. (Phil.), Inc. The	875,040,981	1,697,515,748	191,748,263	1,660,412,435	4,337,214,910	7,121,525,736	18,479,453,909
7. Allianz PHL Life Insurance, Inc.	275,465,577	826,864,455	2,807,191	13,173,250,078	394,839,824	718,398,811	15,764,574,445
8. BDO Life Assurance Company, Inc.	1,355,611,231	829,664,186	728,089	1,151,193,704	6,614,472,736	6,554,124,386	15,157,537,156
9. FWD Life Insurance Corporation	497,896,486	1,757,719,842	1,092,369	6,164,234,296	938,178,681	4,382,468,091	12,854,491,829
10. United Coconut Planters Life Assurance Corp.	236,360,723	539,648,097	248,338,869	3,959,028,504	2,396,365,466	2,892,463,466	7,480,718,657
11. Manulife Chubb Life Insurance Corporation Limited, The	215,550,341	383,447,318	44,265,894	5,647,829,266	6,069,379,078	722,189,450	8,381,336,446
12. United Coconut Planters Life Assurance Corp.	1,340,067,287	44,265,894	-	914,451,170	179,889,649	2,593,352,962	1,157,894,498
13. Sun Life of Canada (Philippines), Inc.	411,321,103	674,952,821	3,861,238	2,888,327,119	1,704,739,817	1,965,293,368	4,320,530,498
14. Sun Life of Canada (Philippines), Inc.	789,064,532	1,171,718,157	-	933,086,533	3,638,822,178	43,346,233	3,387,465,707
15. Pioneer Life, Inc.	1,009,328,782	117,831,884	-	116,728,733	1,652,621,164	428,987,404	2,881,948,866
16. East West Agribank Life Insurance Corporation	352,581,150	783,177,346	-	524,313,973	214,751,537	883,739,866	467,323,673
17. Beneficial Life Insurance Company, Inc.	948,577,171	-	2,798,780	-	696,174,726	-	1,648,170,647
18. General Life Assurance Corporation	291,156,064	-	171,084,786	-	932,679,751	-	1,564,596,862
19. CLIMBS Life & General Insurance Cooperative *	85,154,668	-	93,615,096	-	1,139,184,618	-	1,317,954,239
20. First Life Financial Company, Inc.	5,442,793	-	-	1,179,458	805,433,847	322,478,339	932,384,613
21. Paramount Life and General Insurance Corp. *	589,844,117	-	-	-	369,509,218	325,453,335	925,453,335
22. Future Life Insurance Company, Inc.	289,420,011	-	-	-	852,492,280	871,822,291	871,822,291
23. Cooperative Insurance System of the Phila Life and Gen Ins. *	95,560,813	-	-	-	729,364,103	817,955,166	817,955,166
24. Philippine Life Financial Assurance Corporation	39,881,129	100,000	-	-	448,504,099	489,385,228	489,385,228
25. Country Bankers Life Insurance Corporation	92,850,059	-	340,706,011	-	2,855,339	343,542,051	343,542,051
26. Manila Bankers Life Insurance Corporation	1,059,180	-	25,081	-	67,269,924	105,140,055	105,140,055
27. Centula Life Insurance Corporation	3,716,118	-	-	-	46,451,332	46,282,147	46,282,147
28. Philippines International Life Insurance Co., Inc.	6,477,185	-	-	-	6,336,184	10,652,262	10,652,262
29. United Life Assurance Corporation	-	-	-	-	7,847,873	8,477,185	8,477,185
30. United Life Assurance Corporation	-	-	-	-	7,847,873	8,477,185	8,477,185
31. Philam Equitable Life Assurance Company, Inc.	-	-	-	-	35,348	-	35,348
<b>TOTAL</b>	<b>13,708,767,478</b>	<b>26,212,246,125</b>	<b>2,432,808,237</b>	<b>59,886,955,164</b>	<b>49,338,337,839</b>	<b>97,039,849,815</b>	<b>183,238,249,285</b>

\* Composite companies - life and

Date prepared: February 1, 2021

Name of Company	Net Premiums Written
1. Prudential Guarantee & Assurance, Inc.	4,954,433,975
2. Malayan Insurance Company, Inc.	4,076,562,673
3. Pacific Cross Insurance, Inc. (Blue Cross Insurance, Inc.)	3,116,277,762
4. Pioneer Insurance & Surety Corp.	2,972,930,745
5. BPMS Insurance Corp.	2,820,907,760
6. Charter Ping An Insurance Corp.	2,644,512,473
7. Mercantile Insurance Company, Inc.	2,036,255,837
8. Commonwealth Insurance Company	1,791,910,025
9. FPD Insurance Co., Inc.	1,684,767,135
10. Standard Insurance Company, Inc.	1,511,384,618
11. UCPB General Insurance Company, Inc.	1,509,549,397
12. MAA General Assurance Phils., Inc.	1,366,349,855
13. Philippine British Assurance Company, Inc.	1,214,198,997
14. Paramount Life & General Insurance Corp.	1,147,584,298
15. Stronghold Insurance Company, Inc.	1,039,859,682
16. Insurance Company of North America	784,067,643
17. Western Guaranty Corporation	779,328,518
18. Pacific Union Insurance Company	759,843,248
19. Magpie Insular Insurance Corp.	720,381,179
20. Oriental Assurance Corp.	721,030,089
21. Alpha Insurance & Surety Company, Inc.	708,171,720
22. Fortune General Insurance Corp.	670,724,149
23. Card Pioneer Microinsurance, Inc.	659,460,295
24. Milestone Guaranty & Assurance Corp.	610,098,684
25. PNB General Insurance Company, Inc.	465,763,068
26. Visayan Surety & Insurance Corp.	437,742,675
27. Asia Insurance (Philippines) Corp.	416,687,780
28. Liberty Insurance Corp.	383,860,298
29. CLIMBS Life & General Insurance Coop. *	344,366,038
30. Corporate Guarantees & Insurance Company, Inc.	340,628,678
31. Alliedbankers Insurance Corp.	331,750,061
32. Asia United Insurance, Inc.	308,535,297
33. M Pioneer Insurance Inc.	308,423,599
34. Cables Insurance Corp.	303,407,000
35. Sterling Insurance Company, Inc.	281,765,696
36. Empire Insurance Company	261,111,035
37. ADB Philippines Insurance Inc.	244,802,154
38. Philippines First Insurance Company, Inc.	210,305,340
39. New India Assurance Company Ltd., The	186,845,078
40. Travellers Insurance & Surety Corp.	180,940,059

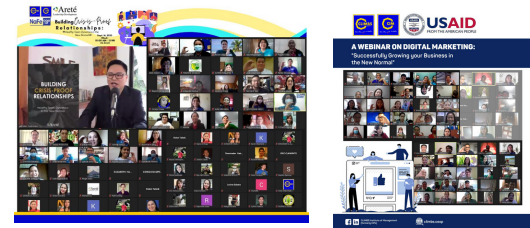
The opportunity to serve the grassroots population remains vital to CLIMBS especially in addressing the plight of the farmers and the agripreneurs, the Philippines mainly being an agricultural country. In the middle of the year, CLIMBS entered into exploratory talks with global fintech – IBISA, in aid of the International Cooperative and Mutual Insurance Federation (ICMIF) – where CLIMBS is a member. The project aims to support the farmers through an agri insurance to be distributed by CLIMBS network of cooperatives. For the pilot phase which is set to start in the 2nd quarter of 2021, the identified cooperative partners are the OCCI, OIC, MCCB, Paglaum MPC, and the AgriCoopPh with a potential upscale to the more than 4,000 cooperative-owners / affiliates of CLIMBS and the various Cooperative Assurance Centers (CACs) nationwide. A smart farming advisory services will be part of the project to ensure sustainability and livelihood viability among farmers who are vulnerable to the onslaught of many typhoons, drought and other catastrophic events that hit the Philippines in large scale. Because of the project goals, other international partners are drawn into the team such as CIAT (International Center for Tropical Agriculture) and the Global Parametrics. Starting from 3,600 farmers, the aim is to increase protection reach to over 36,000 famers in a three-year period.

With the ongoing pandemic, the institutionalized Business Continuity Plan enabled CLIMBS to operate business and continue to deliver essential services in times of calamities, disasters and other unforeseen events. This advocacy for preparedness and risk mitigation has been taught to partner-coops through the CLIMBS Institute of Management (CIM, formerly CIFI). To date, there are 45 cooperatives who underwent the Business Continuity Management Training with 24 who have drafted their own Business Continuity Plans through virtual face to face (pre-pandemic) and virtual platform (pandemic).



The ILO's Impact Insurance Project's implementation was also suspended due to the pandemic but has since picked up when community lockdowns were eased and cooperative partners NICO and OIC also started to utilize digital platforms. A change in strategy was employed also maximizing the Cooperative Assurance Centers as distribution channels for a wider reach in providing holistic risk management solutions through the cooperatives.

## People Development – Strengthening the Adaptive Capacity and Promotion of Health and Wellness



Overcoming the challenges of the pandemic, the Human Resource and Administration Department conducted a series of in-house trainings for employees "Mutual Leadership Course, Youth Social Action Hackathon Webinars 1 and 2, and Insurance Marketing Management Course 1" which were attended by a total of 46 middle managers and leaders and various virtual learning sessions from the global partners, ICMIF, Cooperative College of United Kingdom and the Singapore College of Insurance (SCI), to develop mastery in executive management, leadership and service excellence and the insurance industry best practices.

With our commitment to develop next generation leaders, CLIMBS sent 6 middle managers to the 11th Asean Young Insurance Managers Virtual Program which was designed to ensure that future challenges in the insurance landscape will be met by capacitating next-gen talents. The delegates were identified as high-potential managers and are deemed to be the next multi-faceted leaders.

The Youth Social Action Hackathon with the Cooperative College of UK and the ICMIF enabled our own HR Champs, in partnership with CLIMBS CARES, to launch the Adopt a School Project in response to the need for digital services in our local schools. Their actionable plans were established with Youth Development in schools and communities as part of the utilization of the Community Development Fund.



The HRAD continues to implement the CLIMBS Excellent Employees Leadership (ExCEL) Program to promote excellence, camaraderie and foster solidarity in the workplace. Primary focus on this year's program was the health and safety of the employees in the workplace. However, the digital space also provided a handful opportunities for retooling, upskilling and capacitating our talent pool particularly in enabling our sales, marketing and learning teams manage virtual sessions with our member-owners and clientele such as sales bootcamps, online selling , digital marketing , and the like with resource speakers from industry experts.



Along with the hard skills, soft skills that are very crucial for resilience and in coping with the ongoing effects of pandemic in a person's total wellbeing were also introduced and in particular, managing the overall health and wellness through conduct of virtual mental health sessions through Wellness Fridays, and the Occupational Health and Safety Program updates , not only as a compliance requirement but more so as an inculcation of the safety reminders for the people.



A virtual team recollection and team- building activity culminated the year with a theme to Finish Strong and "RARA" (Relearn, Adjust, Rebuild, Adapt) for 2021, ably facilitated by Bro. Alvin Barcelona (of the Feast), and Dr. Nerius Acosta of Kampo Juan, Bukidnon.

CLIMBS was also nominee of the PMAP's Employer of the Year Award however due to the pandemic, the final selection process was postponed by the organizer. This is a testament to our commitment to develop our talent pool, the most important asset in the organization.

## Financial Measures embodying the Cooperative Identity

The global economic slump due to the pandemic has been devastating but by divine providence, dedication and commitment to deliver the goals set for the year, CLIMBS continues to set new milestones even in the midst of difficulties and challenges. As it is, sound financial metrics make a viable business that is core to our sustainability. Our ways of doing business in a cooperative way is what makes us different. The cooperative identity guides us through our laid-down values of self-help, self-responsibility, democracy, equality, equity, and solidarity. We believe in the ethical values of honesty, openness, social responsibility and caring for others to guide financial decisions. Cooperative principles particularly on democratic control on membership, practicing “one member, one vote” is evident in our financial dealings, ensuring that all members are treated fairly.

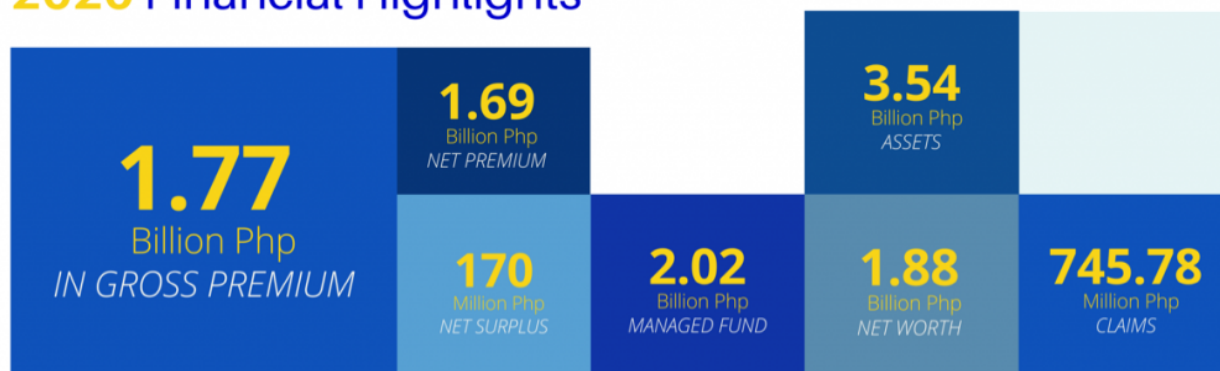
Positive financial outcomes were marked by the end of 2020 despite of a hovering pessimism in the global and local markets. Thriving and making “profits for the people” in a challenging environment, laden with health and other pressures of profitability is prevailing in commercial markets, the year 2020 is a milestone year.

### This year's trends are highlighted as follows:

- Achieved Gross Premium of 1.77 billion pesos, an increase of 8.59%.
- Net premiums grew by 6.29% to 1.69 billion pesos.
- Net surplus of 170 million pesos, decreased by 17%.
- Managed funds of 2.02 billion pesos, an increase of 3.54%.
- Assets worth 3.54 billion pesos, an increase of 9.50%.
- Net worth of 1.88 billion pesos, 3.64% increase.

The financial statement of CLIMBS represents the consolidated life and non-life business.

## 2020 Financial Highlights \*



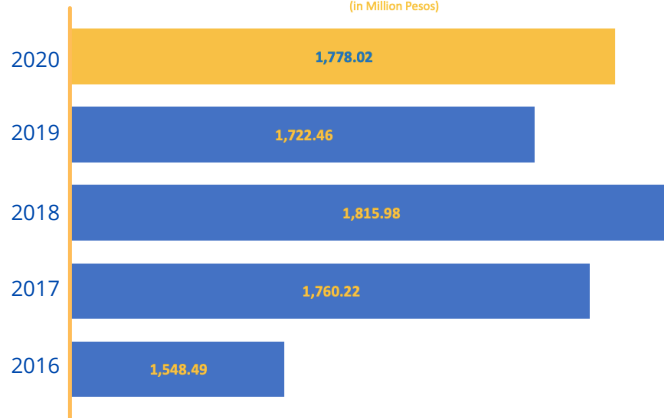
\*Data as of December 2020



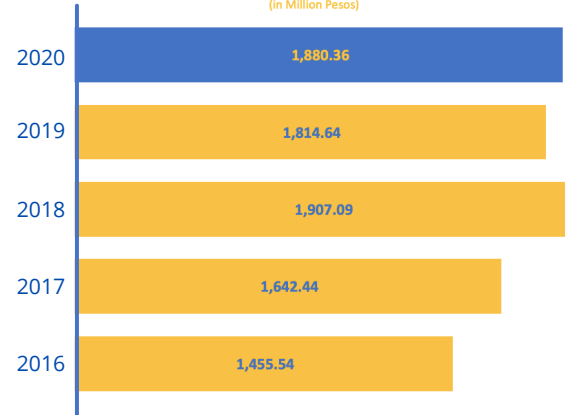
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## ► KEY TREND

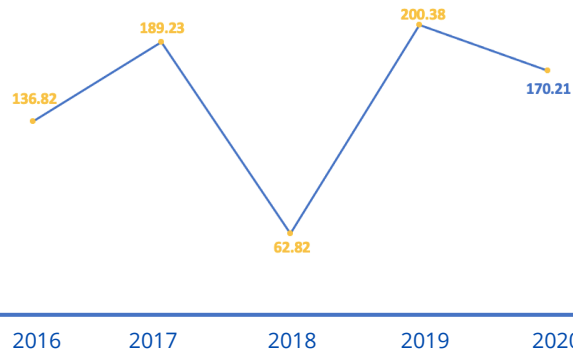
**GROSS REVENUES**  
(in Million Pesos)



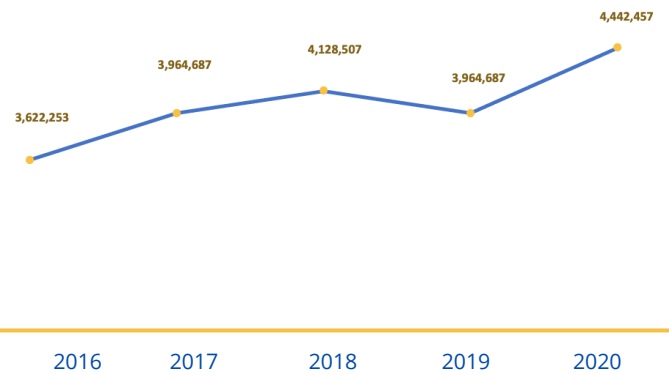
**NET WORTH**  
(in Million Pesos)



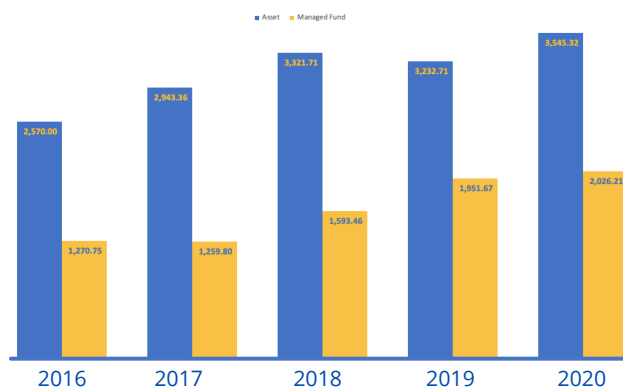
**NET SURPLUS**  
(in Million Pesos)



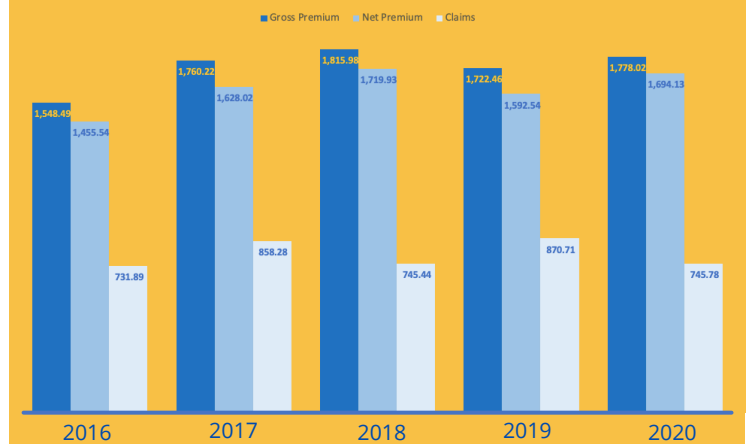
**NUMBER OF INSURED**



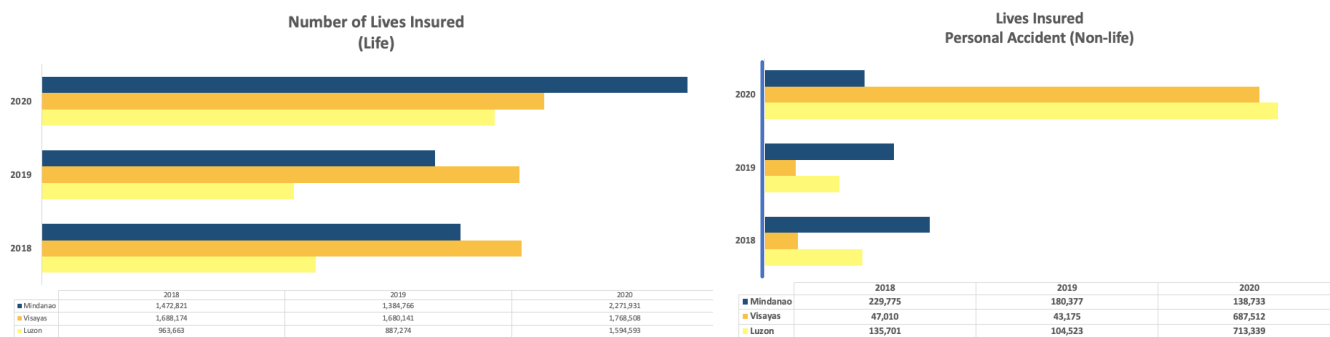
**ASSETS AND MANAGED FUNDS**  
(in Million Pesos)



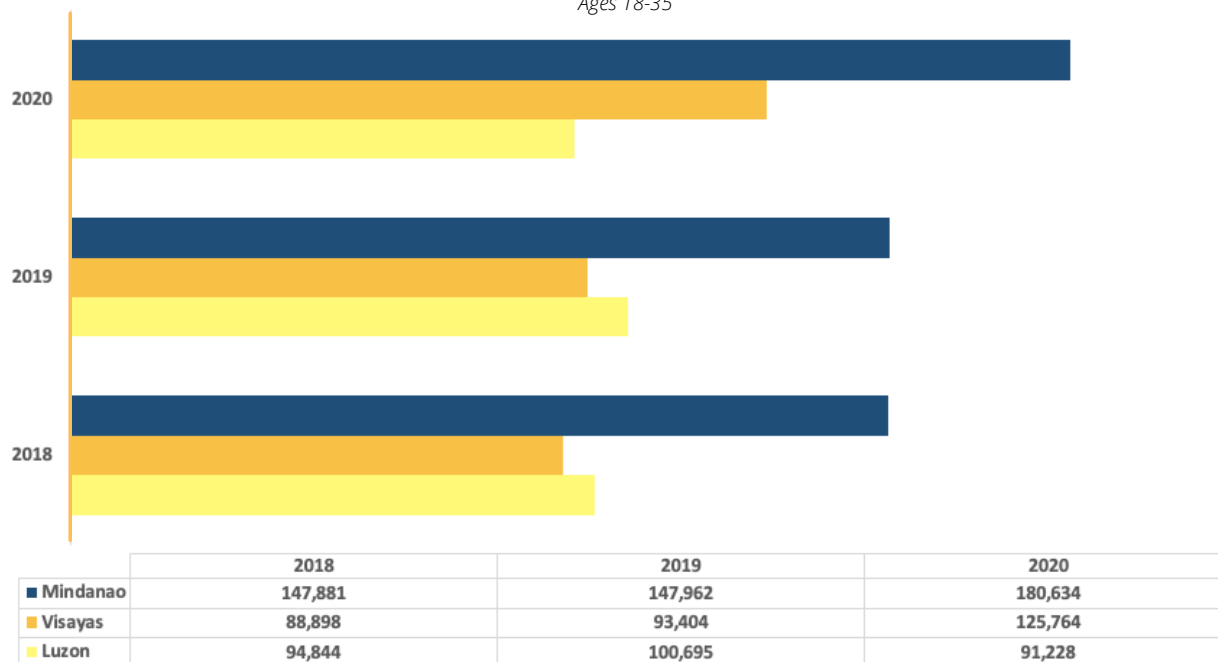
**GROSS PREMIUM, NET PREMIUM, CLAIMS**  
(in Million Pesos)



## ▶ KEY TREND

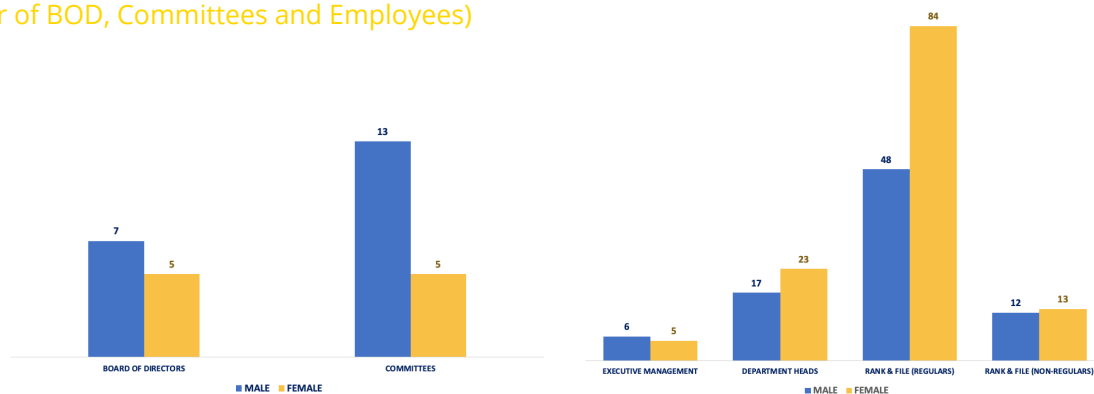


### Number of Lives Insured (Youth) Ages 18-35



## GENDER

(Number of BOD, Committees and Employees)





## Resonating the call towards the Golden Year; CLIMBS 20/24 - Beyond Numbers

The Strategic Plan for 2020-2024 echoed a new battlecry, not only for our CLIMBS network but for the whole cooperative movement.

Rounding up the 5-year theme of Complete Financial Solution for Inclusive Growth is “20/24” i.e., Insuring 20 Million lives by 2024.

An aspirational goal - a game changer. Every life being protected is essential more so in the grassroots population of the Philippines. The 20 Million lives' multiplier effect will greatly benefit majority of our families and households who have limited access to financial services, including insurance protection. We continue to sustain the movement, making it relevant and attractive to people in all walks of life and in particular, the youth through these various activities :

1. Advocacy campaigns on community resiliency and sustainability through our allied services.
2. Raise and educate a new generation of young co-operators and leaders, keeping the Millennials and GenZers in mind in our future activities such as the Youth for Coops Summit and Young Leaders Program
3. Forge strategic partnerships with community groups and reputable organizations, local and abroad.

## Sharing of Best Practices in global platforms as Innovation Leaders

CLIMBS participated in several virtual sessions organized by international partners, ICMIF and ILO.

In celebration of the **International Cooperative Day**, July 4th, President and CEO Noel Raboy spoke about CLIMBS efforts pertaining to Climate change and in caring for the environment. ILO's theme in its centenary and also the IDC's theme is “**Cooperatives for Climate Action**”, supporting SDG 13 on Climate Action.

During the strategy leaders' roundtable discussions organized by ICMIF, President and CEO Noel Raboy and Vice President for Admin/Corporate Planning and concurrent Executive Director of the CIM, Donna Dizon, also spoke about the innovations being done and cooperative actions undertaken, the continuing education of its officers, members and employees in the midst of the pandemic, to ensure that we continue to serve the member- owners and partners of CLIMBS and build organizational resilience.

Locally, CLIMBS participated in the Arbor Day Celebration with the “plant a tree in your home” as a way of taking care of our environment.



## Property Management

Per BOD resolution number No. 44 series of 2018 CLIMBS purchased a commercial property consist of 2 units commercial condominium with a total area of 202.61 sqm and 2 parking units with a total area of 25 sqm in Base Line Center, Juana Osmeña Sts., Cebu City for a total amount of P25,910,456.66. The property is owned and developed by Cebu Landmasters, Inc., the leading local housing developer. It is one of the most desirable locations in the city, Base Line Center is within walking distance from the major lifestyle needs in Midtown Cebu. It belongs to a prime 1.6 hectare complex that is easily accessible from the major thoroughfares of Osmeña Blvd, Escario St., and Mango Avenue. It is within 1 kilometer radius from universities, hospitals, churches, government offices and commercial establishments. This commercial area will be utilized for business expansions and to house our Cebu branch office. Currently we are renting four (4) rooms at the 4th floor of the CFI building.

## Securing Member-owners Data and Compliance Measures

Recognizing the dangers of cyber threat and data security, CLIMBS Board of Directors appointed a Data Privacy Officer and a team to fully implement the Data Privacy Act, in compliance with the Anti-Money Laundering Act (AMLA) and Insurance Commission. CLIMBS personnel and member-owners were fully informed of the Data Privacy Act in different channels of communication.

As for other regulatory requirements and advisories from the National Privacy Commission in the processing of data and information during a pandemic, specifically for confidential information involving health protocols and safety, such information were widely disseminated to employees and members in various channels.

The following seminars were also conducted to support DOLE in promoting and sustaining a safe and healthy workplace:

1. Occupational Safety Seminar
2. Earthquake Preparedness and Fire Safety Seminar and drills

## Responding to a global crisis – the COVID 19 Pandemic

CLIMBS CARES (Community Action and Response to Emergency Services) played a very important and special role in our rapid response and continuing efforts to help the government and other organizations in our fight to end the COVID 19 pandemic.

The CLIMBS COVID19 Internal Task force summarized the significant activities, communications and media releases in a comprehensive report submitted to the Board and Management team.

## Realizing the dream for a Cooperative College in the Philippines

CLIMBS Institute of Management (CIM) in 2020 (formerly CIFL), continues to deliver its mandate as a vanguard of education in the Cooperative milieu supporting cooperative partners in providing high-quality, continuous Cooperative education at par with global standards, addressing the ever-changing needs of our managers and next-generation leaders.

In 2020, CIM has grown with 136 partners and with Php49Million in Institute Training Fund. Virtual learning sessions totaled to 20 with 1,454 participants, 539 Male and 915 Female coming from 795 cooperatives nationwide.



Title of Learning Activity:	Dates Conducted:	Training Partner:
Enterprise Wide-risk and Business Continuity Management for the Cooperatives and Communities	March 5-6, 2020	Center for Humanitarian Learning and Innovation (CHLI)
Business Continuity Amidst COVID19	April 13, 2020	Center for Humanitarian Learning and Innovation (CHLI)
Thriving in the New Normal	April 24, 2020	Areté Leadership Development Consultancy
Virtual Coffee Chat and "Kamustahan"	May 12, 13, 14, 2020	CIM
Business Continuity Planning in the "New Normal"	June 8-25, 2020	Center for Humanitarian Learning and Innovation
Youth Social Action Hackathon	June 26, 2020	Co-operative College and International Cooperative and Mutual Insurance Federation (ICMIF), UK
A Webinar on Digital Marketing: Successfully Growing Your Business in the New Normal	July 16, 2020	USAID
Managing Stress Amid COVID19: How is it for Cooperative CEOs and GMs?	July 20, 2020	NaFeCOOP and CIM
Virtual Coffee Chat and Kamustahan with CIM Partners	July 30, 2020	NaFeCOOP and CIM
Introduction to Digital Citizenship	August 6, 2020	Digital Tayo from Facebook
Digital Marketing	August 14, 2020	RadManila
Excel in Excel Worksheets	August 19, 2020	NaFeCOOP and CIM
Digital Marketing	August 20, 2020	Digital Tayo from Facebook
Youth Social Action Hackathon (A Re-run)	September 3, 2020	Co-operative College and International Cooperative and Mutual Insurance Federation (ICMIF), UK
Building Crisis-Proof Relationships: Healthy Team Dynamics in the New Normal	September 16, 2020	Areté Leadership Development Consultancy
Friday Coop Talks: Co-operative Identity	October 9, 2020	NaFeCOOP and CIM
Friday Coop Talks: Co-operative Funds	October 16, 2020	NaFeCOOP and CIM
Friday Coop Talks: Co-operative Regulations	October 23, 2020	NaFeCOOP and CIM
Insurance Masterclass Course 1: Insurance Marketing Management	December 1-2, 2020	Singapore College of Insurance
CLIMBS Economic Outlook for 2021	December 11, 2020	NaFeCOOP and CIM



This year also marked many new collaborations and partnerships with local and international groups like the Facebook Philippines, USAID Surge Project, Singapore College of Insurance. Development of the youth leaders through the Youth Social Hackathons in partnership with the Cooperative College of UK and the ICMIF Young Leaders Program also rallied cooperative partners for youth participation as partners for growth and sustainability.

The rebirth of the National Federation of Cooperatives (NAFECOOP) with education as its main advocacy, made the CIM its sole training provider thus enabling a greater reach for cooperative education to be promoted not only in the Philippines but in the Asia Pacific region.

CIM also inked an agreement with the Cooperative College as its “sister school” for the delivery of the Cooperative Executive Masterclasses in the country. Eventually, it is our vision to bring our cooperative leaders to Rochdale, United Kingdom, the seat of the cooperative movement and cooperative education around the world, for a greater appreciation of Cooperative as an old, and yet remains to be a modern, sustainable movement around the world.

The envisioned Cooperative College will breed leaders who are wholly committed to grow their cooperatives, attract and inspire young talents and become ambassadors of goodwill in the movement. Cooperatives – driven by values and principles – thrive even in challenging times and it is ripe time for CLIMBS to signal a call for solidarity for partners for the establishment of a Cooperative College as a legacy, entering our golden year.

All activities are aimed at driving members’ growth, sustainability, organizational strength and resiliency in an age of continuous innovation and disruption, and perhaps the most disruptive as yet, the ongoing pandemic.

Your unwavering support and trust are vital to the success of our 49th year.

Lastly, let us face the future together with a renewed hope and optimism. While the pandemic has indeed weighed us all down, it has opened the opportunity for us to stay connected, not isolated. To stay strong, weathering all kinds of battles right in the midst of a global turmoil, even losing some of our loved-ones, our colleagues, our friends. We remain steadfast and committed to serve you and in so doing, we have provided opportunities for growth and learned painstakingly from a novel experience that is the COVID19 pandemic that require novel approaches for solutions.

We do not see the end of this yet, but it is our fervent prayer that we will all see and live to tell the story of how we surpassed this pandemic.

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

To God be the glory!



**Mr. Noel D. Raboy, MBA Ex**  
President and CEO



**Fr. Elmo P. Manching**  
BOD Chairperson

## ► CoopAssurance Center (CAC) REPORT

The **CoopAssurance Center (CAC)**, is a distribution channel of CLIMBS in partnership with primary cooperatives nationwide. It was launched in 2006, now with more than 100+ partners, with the goal of bringing insurance protection at the doorstep of the members of the cooperatives.

In its aspiration to give full support in providing business opportunities to its partner-CACs, CLIMBS created the CAC Team on January 1, 2020 with the appointment of CAC Executive Manager, now Vice President for Marketing, Ms. Rowena Abella leading the team with CAC Operations Manager, Ms. Grace Soriano with five (5) Field Officers for Luzon, Visayas and Mindanao. The said Team is now a part of the Marketing Department and is tasked to focus on training, giving assistance and conducting assessments to the CAC partners nationwide.

During the first quarter of the year 2020, simultaneous training for new and existing CACs were held nationwide. Despite the pandemic, our CAC Team continued conducting virtual activities for our dear cooperators. In May 2020, the Team distributed Telehealth Vouchers to selected members and employees of our CACs, in partnership with Philippine Natural Telehealth, that gives access to a one month unlimited online consultations with various doctors nationwide for free.

To further give convenience to CACs, the mobile app – CLIMBS InsureTech was launched in June 2020. It is a secure, reliable, suitable and easy to use application wherein the CACs can do quotations and issue policies on time electronically. We also conducted the “CAC Kamustahan” nationwide to gain insights on the current work set-up of our CACs and how they are coping with the pandemic. Most importantly, concerns with our services which has been affected by the imposed quarantine particularly in Luzon were discussed and addressed.

In August, we conducted the “Show us your CAC Office Contest” to showcase the various offices of our CAC partners nationwide. The members of the Cooperatives manifested their support by participating in the photo liking contest of the entries submitted by their CAC.

As a take-off for the Cooperative Month Celebration, the first CAC Awarding Ceremony for the “Show Us your CAC Office” was virtually conducted. The awardees were as follows :

AREA	First Place	Second Place	Third Place
<b>LUZON</b>	<i>Bukluran Multipurpose Cooperative</i>	<i>Novaliches Development Cooperative</i>	<i>Bagong Silang 2 Multipurpose Cooperative</i>
<b>VISAYAS</b>	<i>PHCCI-Tacloban</i>	<i>Bohol Diocesan Multipurpose Cooperative</i>	<i>Belison Multipurpose Cooperative</i>
<b>MINDANAO</b>	<i>ICTUS Premier Cooperative</i>	<i>Paglaum Multipurpose Cooperative</i>	<i>Sta. Ana Multipurpose Cooperative</i>

from the CACs took delight and enjoyed the said activity with their respective prizes.

Despite the pandemic that affected the cooperative industry and the entire country, the CAC Team, determined to deliver services to its CACs and further cement the partnership to extensively deliver insurance services to cooperative members, managed a total of 94 different training during the year.

Completed Trainings	Area	No. of Trainings (Face to Face)	No. of Trainings (Virtual)
<b>CAC Orientation (new Coops)</b>	North Luzon	0	0
	Central and NCR	0	0
	South Luzon	4	1
	Visayas	1	0
	Mindanao	0	0
<b>CAC Re-Orientation and Retraining</b>	North Luzon	2	14
	Central and NCR	0	2
	South Luzon	5	2
	Visayas	8	2
	Mindanao	10	0
<b>CLIMBS InsurTech App</b>	North Luzon	0	12
	Central and NCR	0	2
	South Luzon	0	3
	Visayas	0	8
	Mindanao	0	3
<b>Others</b>			
<b>Claims and Underwriting</b>	South Luzon	0	1
	Mindanao	3	1
<b>Agents Training</b>	Central and NCR	1	1
<b>Policy issuance Training</b>	South Luzon	1	1
<b>CAC Concept and Product Orientation for prospect Coop</b>	North Luzon	0	2
	Mindanao	3	0
<b>Business Planning</b>	Mindanao	1	0
<b>Total</b>		39	55

We are grateful for the enthusiasm and commitment that our partner CoopAssurance Centers have afforded to the partnership and CLIMBS commits as well to give an unparalleled service to the Cooperatives and its members.

We are looking forward to more fruitful years ahead!!




**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

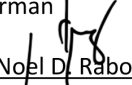
**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR ANNUAL INCOME TAX RETURN**

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, 2020. 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, 2020 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.

  
Fr. Elmo P. Manching  
Chairman

  
Mr. Noel D. Raboy, MBA Ex  
Chief Executive Officer

  
Ms. Doris B. Calapiz, CPA

Signed this 15th day of March, 2021

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: nagaclimbs@gmail.com	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: marge_climbsdvo@yahoo.com	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 financial statements of CLIMBS Life and General Insurance Cooperative (CLIMBS) (the Cooperative), which comprise the statements of financial condition as at December 31, 2020 and 2019, and the statements of operations, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial condition of the Cooperative as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Framework for Cooperatives (PFRF for Cooperatives) as prescribed by Memorandum Circular No. 2015-06 of the Cooperative Development Authority (CDA).

### *Basis for Opinion*

We conducted our audits in accordance with Philippine Standards on Auditing (PSA) and Standard Audit System for Cooperatives (SASC). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Cooperative in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to the audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *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, 2020, but does not include the financial statements and our auditors' report thereon. The Annual Report for the year ended December 31, 2020 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRF for Cooperatives 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.





**REYES TACANDONG & Co.**  
FIRM PRINCIPLES. WISE SOLUTIONS.

- 3 -

- 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.**

**CEDRIC M. CATERIO**

Partner

CPA Certificate No. 87322

Tax Identification No. 102-083-647-000

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

CDA Accreditation No. 0025-AF; Valid until April 5, 2023

SEC Accreditation No. 1312-AR-2 Group A; Valid until August 28, 2022

BIR Accreditation No. 19-005765-001-2019; Valid until December 5, 2022

PTR No. 5025582; Issued January 5, 2021, Davao City

March 15, 2021

Davao City

**CLIMBS LIFE AND GENERAL INSURANCE COOPERATIVE (CLIMBS)**  
**STATEMENTS OF FINANCIAL CONDITION**

		December 31	
	Note	2020	2019
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	6	₱522,296,381	₱397,817,083
Short-term placements	7	513,407,060	453,390,870
Insurance receivables	8	76,055,524	60,626,790
Reinsurance assets	9	14,255,828	14,083,901
Financial assets at fair value through profit or loss (FVPL)	10	71,438,294	89,400,451
Financial assets at cost	10	430,051,629	477,465,020
Accounts and other receivables	11	66,284,177	77,494,912
Prepayments and other current assets	12	41,068,713	1,181,274
Total Current Assets		1,734,857,606	1,571,460,301
<b>Noncurrent Assets</b>			
Financial assets at amortized cost	10	1,329,483,980	1,200,950,402
Financial assets at cost - net of current portion	10	195,241,697	183,860,036
Property and equipment	13	120,687,397	109,058,670
Investment property	14	150,779,208	153,038,751
Other noncurrent assets	15	14,266,364	14,342,075
Total Noncurrent Assets		1,810,458,646	1,661,249,934
<b>TOTAL ASSETS</b>		<b>₱3,545,316,252</b>	<b>₱3,232,710,235</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Insurance contract liabilities	16	₱1,350,461,701	₱1,188,999,622
Due to reinsurers	17	15,360,402	10,606,076
Interest on share capital and patronage refund payable	22	119,146,430	112,939,768
Accounts and other payables	18	158,770,418	89,515,816
Total Current Liabilities		1,643,738,951	1,402,061,282
<b>Noncurrent Liabilities</b>			
Retirement payable	19	19,417,417	14,408,317
Other noncurrent liabilities	20	1,799,852	1,574,695
Total Noncurrent Liabilities		21,217,269	15,983,012
<b>Equity</b>			
Members' equity	21	1,624,510,348	1,582,288,750
Statutory funds	22	255,849,684	232,377,191
Total Equity		1,880,360,032	1,814,665,941
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>₱3,545,316,252</b>	<b>₱3,232,710,235</b>

See accompanying Notes to Financial Statements.

**CLIMBS LIFE AND GENERAL INSURANCE COOPERATIVE (CLIMBS)**  
**STATEMENTS OF OPERATIONS**

		Years Ended December 31	
	Note	2020	2019
<b>REVENUE</b>			
Gross premiums earned on insurance contracts	23	₱1,728,084,092	₱1,631,694,702
Reinsurers' share of gross premiums earned on insurance contracts	23	(33,955,556)	(39,156,359)
Net insurance premiums		1,694,128,536	1,592,538,343
Income/interest from investments/deposits	6	80,813,442	110,331,908
Commissions and other underwriting income		3,075,581	2,807,880
		<b>1,778,017,559</b>	<b>1,705,678,131</b>
<b>BENEFITS, CLAIMS AND EXPENSES</b>			
Benefits and claims incurred on insurance contracts	24	745,783,862	870,712,485
Collection costs	25	550,025,630	539,344,085
Increase (decrease) in insurance contract liabilities	16	118,268,641	(79,385,081)
Salaries and benefits	26	96,106,269	84,205,456
General and administrative expenses	27	65,668,114	79,774,836
Depreciation and amortization	13	23,603,872	21,478,796
		<b>1,599,456,388</b>	<b>1,516,130,577</b>
<b>OTHER INCOME (LOSS)</b>	28	<b>(8,351,982)</b>	<b>10,836,781</b>
<b>NET SURPLUS</b>		<b>₱170,209,189</b>	<b>₱200,384,335</b>
<b>DISTRIBUTION OF NET SURPLUS</b>			
Statutory funds:	22		
Reserve fund		₱17,020,920	₱20,038,434
Cooperative education and training fund		17,020,920	20,038,434
Community development fund		5,106,276	6,011,529
Optional fund		11,914,643	14,026,903
Interest on share capital and patronage refund		119,146,430	140,269,035
		<b>₱170,209,189</b>	<b>₱200,384,335</b>

See accompanying Notes to Financial Statements.



## CLIMBS LIFE AND GENERAL INSURANCE COOPERATIVE (CLIMBS)

## STATEMENTS OF CHANGES IN EQUITY

			Years Ended December 31	
	Note	Number of Shares		
		2020	2019	
<b>MEMBERS' EQUITY</b>	21			
<b>Common share capital</b>				
- ₱1,000 par value				
Authorized		<b>2,500,000</b>	2,500,000	
<b>Subscribed:</b>				
Balance at beginning of year		<b>1,436,907</b>	1,556,485	<b>₱1,436,907,000</b> ₱1,556,485,000
Additions		<b>192,296</b>	157,734	<b>192,296,000</b> 157,734,000
Withdrawals		<b>(90,491)</b>	(277,312)	<b>(90,491,000)</b> (277,312,000)
Balance at end of year		<b>1,538,712</b>	1,436,907	<b>1,538,712,000</b> 1,436,907,000
<b>Subscriptions receivable:</b>				
Balance at beginning of year				<b>(45,697,717)</b> (18,370,750)
Additions				<b>(192,296,000)</b> (157,734,000)
Collections				<b>142,543,244</b> 119,770,183
Withdrawals				<b>3,470,961</b> 10,636,850
Balance at end of year				<b>(91,979,512)</b> (45,697,717)
				<b>1,446,732,488</b> 1,391,209,283
<b>Preferred share capital</b>				
- ₱1,000 par value				
Authorized		<b>500,000</b>	500,000	
<b>Subscribed:</b>				
Balance at beginning of year		<b>196,759</b>	165,000	<b>196,759,000</b> 165,000,000
Additions		<b>28,068</b>	87,859	<b>28,068,000</b> 87,859,000
Withdrawals		<b>(39,896)</b>	(56,100)	<b>(39,896,000)</b> (56,100,000)
Balance at end of year		<b>184,931</b>	196,759	<b>184,931,000</b> 196,759,000
<b>Subscriptions receivable:</b>				
Balance at beginning of year				<b>(5,679,533)</b> (591,176)
Additions				<b>(28,068,000)</b> (87,859,000)
Collections				<b>26,317,192</b> 82,380,855
Withdrawals				<b>277,201</b> 389,788
Balance at end of year				<b>(7,153,140)</b> (5,679,533)
				<b>177,777,860</b> 191,079,467
				<b>₱1,624,510,348</b> ₱1,582,288,750

(Forward)

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		Years Ended December 31	
	Note	2020	2019
<b>STATUTORY FUNDS</b>	22		
<b>Reserve Fund</b>			
Balance at beginning of year		<b>₱117,268,854</b>	₱97,230,420
Allocation from net surplus		<b>17,020,920</b>	20,038,434
Balance at the end of year		<b>134,289,774</b>	117,268,854
<b>Cooperative Education and Training Fund</b>			
Balance at beginning of year		<b>9,411,500</b>	16,345,186
Allocation from net surplus		<b>17,020,920</b>	20,038,434
Payable to federation		<b>(8,510,460)</b>	(10,019,217)
Disbursements		<b>(2,833,255)</b>	(16,952,903)
Balance at end of year		<b>15,088,705</b>	9,411,500
<b>Community Development Fund</b>			
Balance at beginning of year		<b>20,481,782</b>	19,804,519
Allocation from net surplus		<b>5,106,276</b>	6,011,529
Disbursements		<b>(16,246,551)</b>	(5,334,266)
Balance at end of year		<b>9,341,507</b>	20,481,782
<b>Optional Fund</b>			
Balance at beginning of year		<b>85,215,055</b>	71,188,152
Allocation from net surplus		<b>11,914,643</b>	14,026,903
Balance at end of year		<b>97,129,698</b>	85,215,055
		<b>255,849,684</b>	232,377,191
		<b>₱1,880,360,032</b>	₱1,814,665,941

See accompanying Notes to Financial Statements.

## CLIMBS LIFE AND GENERAL INSURANCE COOPERATIVE (CLIMBS)

## STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Note	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net surplus		<b>₱170,209,189</b>	₱200,384,335
Adjustments for:			
Loss on fair values of financial assets at FVPL	10	<b>12,266,299</b>	1,728,689
Depreciation and amortization	13	<b>23,603,872</b>	21,478,796
Decrease (increase) in insurance contract liabilities	16	<b>143,508,482</b>	(79,385,081)
Remeasurement loss on retirement payable	19	<b>6,200,140</b>	11,554,546
Retirement costs	19	<b>4,459,626</b>	2,226,204
Gain on disposal of property and equipment	28	<b>(12,369)</b>	(129,585)
Operating surplus before working capital changes		<b>360,235,239</b>	157,857,904
Decrease (increase) in:			
Short-term placements		<b>(60,016,190)</b>	176,829,808
Insurance receivables		<b>(15,428,734)</b>	128,704,306
Reinsurance assets		<b>(171,927)</b>	15,602,916
Accounts and other receivables		<b>11,210,735</b>	(26,949,066)
Other funds and deposits		<b>—</b>	37,204,682
Prepayments and other current assets		<b>112,561</b>	(457,241)
Increase (decrease) in:			
Insurance contract liabilities		<b>17,953,597</b>	24,098,531
Due to reinsurers		<b>4,754,326</b>	(665,648)
Accounts and other payables		<b>60,744,142</b>	5,944,213
Net cash generated from operations		<b>379,393,749</b>	518,170,405
Retirement benefits paid	19	<b>(5,650,666)</b>	(2,262,888)
Net cash flows from operating activities		<b>373,743,083</b>	515,907,517
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Decrease (increase) in financial assets at:			
FVPL		<b>5,695,858</b>	(9,400,277)
Amortized cost		<b>(128,533,578)</b>	(139,185,254)
Cost		<b>36,031,730</b>	(211,353,459)
Acquisitions of:			
Property and equipment	13	<b>(27,415,944)</b>	(43,334,875)
Investment property	14	<b>(58,984)</b>	(675,176)
Advances for property acquisition	12	<b>(40,000,000)</b>	—
Additions to computerization costs	15	<b>(4,754,721)</b>	(608,673)
Proceeds from disposal of property and equipment		<b>91,002</b>	300,000
Decrease (increase) in other noncurrent assets		<b>(746,329)</b>	57,783
Net cash flows used in investing activities		<b>(159,690,966)</b>	(404,199,931)

(Forward)



- 2 -

		Years Ended December 31	
	Note	2020	2019
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase (decrease) in other noncurrent liabilities		<b>₱225,157</b>	(₱37,072,393)
Payments of dividend and patronage refund		<b>(348,324)</b>	(21,521,718)
Collections of members' share capital		<b>56,268,992</b>	152,372,177
Withdrawals of members' share capital		<b>(126,638,838)</b>	(322,385,362)
Disbursements from statutory funds		<b>(19,079,806)</b>	(22,287,169)
Net cash flows used in financing activities		<b>(89,572,819)</b>	(250,894,465)
<b>NET INCREASE (DECREASE) IN CASH</b>		<b>124,479,298</b>	(139,186,879)
<b>CASH AT BEGINNING OF YEAR</b>		<b>397,817,083</b>	537,003,962
<b>CASH AT END OF YEAR</b>		<b>₱522,296,381</b>	₱397,817,083
<b>NONCASH FINANCIAL INFORMATION</b>			
Conversion of dividend and patronage refund to share capital	21	<b>₱112,591,444</b>	₱49,778,861

*See accompanying Notes to Financial Statements.*

## CLIMBS LIFE AND GENERAL INSURANCE COOPERATIVE (CLIMBS)

### NOTES TO FINANCIAL STATEMENTS

AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### 1. Cooperative 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. The Cooperative 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 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 nonlife 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 the Cooperative and to undertake all kinds of reinsurance to the extent allowed by law;
- To establish a training institute on financial literacy and management; and,
- To engage in the business of real estate; acquiring, selling, disposing, leasing and encumbering its properties.

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 (GYRT); 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 nonlife standard and micro-insurance contracts for all risks, hazards and contingencies for marine, fire, motor car and other casualty insurances, as applicable.

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

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On July 1, 2020, the Cooperative was granted by the CDA a Certificate of Compliance (COC) under COC No. 10-2020-2279 which is valid until April 30, 2021.

The financial statements were authorized for issuance by the Board of Directors (BOD) on March 15, 2021.

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## 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.

On March 15, 2017, the Bureau of Internal Revenue (BIR) granted the Cooperative a Certificate of Tax Exemption (CTE), which is valid until March 15, 2022.

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## 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 and retirement payable which is computed based on the present value of its obligations under defined benefit plans less the fair value at the reporting date of plan asset.

For assets, historical cost is the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire the asset at the time of its acquisition. For liabilities, historical cost is the amount of proceeds of cash or cash equivalents received or the fair value of non-cash assets received in exchange for the obligation at the time the obligation is incurred, or in some circumstances the amounts of cash or cash equivalents expected to be paid to settle the liability in the normal course of business. 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 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 for Cooperatives (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**

CDA MC No. 2016-06 prescribes the usage of Standard Chart of Accounts (SCA) for Cooperatives in conformity with the PFRF for Cooperatives. The MC 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 FVPL, financial assets at amortized cost, financial assets at 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.

At the end of each reporting period, the Cooperative measures financial instruments as follows, without any deduction for transaction costs on the sale or disposal:

*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, and refundable deposits (presented under "Other noncurrent assets") (see Notes 7, 8, 9, 11 and 15).

*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 related parties, cooperative banks and other cooperatives, mutual funds and externally managed funds (see Note 10).

*Financial liabilities at amortized cost.* Financial liabilities at amortized cost are not publicly-traded and are not quoted in an active market. These liabilities are measured at amortized cost using the effective or straight-line interest amortization method.

Classified as financial liabilities at amortized cost are the Cooperative's insurance contract liabilities, due to reinsurers, interest on share capital and patronage refund payable, accounts and other payables (excluding statutory payables), and other noncurrent liabilities (see Notes 16, 17, 18, 20 and 22).

#### **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.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the assets' original effective interest rate. Time value is generally not considered when the effect of discounting is not material. The carrying amount of the asset shall be reduced directly or through the use of an allowance account. The amount of loss shall be recognized in profit or loss.

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.

If there is objective evidence that an impairment loss has occurred on financial assets at cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

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.

#### **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 noncash assets transferred or liabilities assumed.

**Offsetting of Financial Instruments**

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

**Insurance Contracts**

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

*Benefits and Claims.* Claims consist of benefits and claims incurred on insurance contracts. Death claims and nonlife 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 nonlife 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 profit or loss.

#### **Advances for Property Acquisition**

Advances for property acquisition are payments made for purchases of property. Reclassification to proper asset accounts is done upon receipt of required documents supporting the transfer of ownership to the Company.

#### **Investment Property**

Investment property is measured at its cost at initial recognition. Investment property pertains to land not used in operation and building held for rentals. 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.

Investment property is measured after initial recognition at cost less accumulated depreciation and accumulated impairment losses. Depreciation of buildings held for rentals is computed on a straight-line basis over a maximum period of 25 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.

#### **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. 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
Building 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 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. Construction in progress is not depreciated until such time as the relevant assets are completed and put into operational use.

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.

#### **Computerization Cost**

Computerization cost is measured at 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 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. Computerization cost is measured after initial recognition at cost less any accumulated amortization and any accumulated impairment losses. Amortization of computerization costs is computed on a straight-line basis over a period of three to five years.

#### **Impairment of Nonfinancial Assets**

The Cooperative assesses at reporting date whether there is an indication that prepayments and other current assets, property and equipment, investment property, and computerization cost 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. An impairment loss is recognized in profit or loss immediately.

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. Any subsequent reversal of an impairment loss is recognized in profit or loss.

**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 insurance contract liabilities are determined based on the approved valuation method by the IC and using management's estimates for other reserves. 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**

A related party is a person or entity that is related to the Cooperative.

A person is related to the Cooperative if that person or that person's close family member:

- is a member of the key management personnel of the Cooperative;
- has control over the Cooperative; or,
- has joint control or significant influence over the Cooperative or has significant voting power in it.

An entity is related to the Cooperative if any of the following conditions applies:

- the entity is an associate, subsidiary or joint venture of the Cooperative;
- the entity is a post-employment benefit plan for the benefit of employees of the Cooperative; or,
- the Cooperative is controlled or jointly controlled by a person identified above.

In considering each possible related party relationship, the Cooperative assesses the substance of the relationship and not merely the legal form.

**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.

*Preferred share capital.* Preferred share capital is measured at par value for all shares subscribed. Preferred shares are available to regular and associate members.

*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.

**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 which are recorded as income at each policy anniversary date. Premium income is also deducted by the amount of premiums on insurance business ceded.

*Nonlife 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.

*Income/interest from investments/deposits.* Dividend income and interest are recognized when earned.

*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.

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

**Costs and Expenses**

The recognition of expenses results directly from the recognition and measurement of assets and liabilities. Costs and expenses are recognized when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. These are recognized as expense 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, salaries and benefits, and general and administrative expenses.* 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 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.

#### *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.

### **Retirement Plan**

The Cooperative has a funded, noncontributory 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.

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

### **Allocation and Distribution of Net Surplus**

The net surplus of the Cooperative, as required by R.A. No. 9520 and By-Laws of the Cooperative, should be distributed as follows:

#### *Statutory Funds*

##### ▪ *Reserve Fund*

An amount for the reserve fund, which is 10% of the 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 the 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**

Provisions are recognized when the Cooperative has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

#### **Contingencies**

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

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

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

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

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

#### **Events After the End of the Reporting Period**

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

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## 5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Cooperative's financial statements requires management to exercise judgment, use estimates and make 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, estimates and assumptions are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Cooperative believes the following represent a summary of judgments, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities, as well as to the related revenue and expenses, within the next fiscal year, and related impact and associated risk in the financial statements.

### 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:

*Classification of Lease Arrangements.* Management exercises judgment in determining whether substantially all the significant risks and benefits of ownership over the leased properties are retained by the Cooperative. Lease contracts which the Cooperative retains substantially all the risks and benefits incidental to ownership of the leased item are accounted for as operating leases. Otherwise, these are considered as finance leases.

The Cooperative, as a lessor, has existing lease agreements on its investment properties where it has determined that it retains all the significant risks and benefits of ownership over the leased properties. Accordingly, the lease agreements are accounted for as operating leases.

Rent income recognized is disclosed in Note 28.

*Classification of Properties.* Management determines the classification of a property depending on its use. The Cooperative classifies its owner-occupied properties as property and equipment. Properties held to earn rentals or for capital appreciation are classified as investment properties. The change of use of properties will trigger a change in classification and accounting of these properties.

The carrying amounts of property and equipment, and investment property are disclosed in Notes 13 and 14, respectively.

*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, 2021, the Cooperative is not involved in any significant legal cases. No provision for probable losses arising from legal contingencies was recognized in 2020 and 2019.

**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:

*Estimation of Allowance for 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, and refundable deposits (presented under “Other noncurrent assets”) amounted to ₱672.2 million and ₱607.1 million as at December 31, 2020 and 2019, respectively, net of allowance for probable losses amounting to ₱25.1 million and ₱11.1 million as at December 31, 2020 and 2019, respectively (see Notes 7, 8, 9, 11 and 15). Provision for impairment losses on loans and receivables amounted to ₱14.0 million in 2020.

*Estimation of Allowance for Impairment Losses on Financial Assets at Amortized Cost and 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 the financial asset 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 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 aggregate carrying values of financial assets at amortized cost and cost amounted to ₱2.0 billion and ₱1.9 billion as at December 31, 2020 and 2019, respectively (see Note 10). No provision for impairment losses in financial assets at amortized cost and cost were recognized in 2020 and 2019.

*Estimation of 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 (presented under “Other noncurrent assets”) amounted to ₱283.5 million and ₱274.9 million as at December 31, 2020 and 2019, respectively (see Notes 13, 14 and 15). There was no change in the estimated useful lives of property and equipment, investment property, and computerization cost in 2020 and 2019.

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

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

The aggregate carrying values of prepayments and other current assets, property and equipment, investment property and computerization cost (presented under “Other noncurrent assets”) amounted to ₱324.6 million and ₱276.1 million as at December 31, 2020 and 2019, respectively (see Notes 12, 13, 14 and 15). No provision for impairment in nonfinancial assets was recognized in 2020 and 2019.

*Estimation of Legal Policy Reserves and Unearned Premium 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.

The aggregate carrying values of legal policy reserves and unearned premium reserves amounted to ₱945.4 million and ₱738.2 million as at December 31, 2020 and 2019, respectively (see Note 16).

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

Incurred but not reported claims amounted to ₱81.6 million and ₱126.9 million as at December 31, 2020 and 2019, respectively (see Note 16).

*Estimation of Retirement Liability.* The determination of the obligation and costs of retirement benefits is dependent on the assumptions used by the actuary in calculating such amounts. These assumptions are described in Note 19 to financial statements and include, among others, discount rates and salary increase rates.

Retirement payable amounted to ₱19.4 million and ₱14.4 million as at December 31, 2020 and 2019, respectively (see Note 19).

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## 6. Cash

This account consists of:

	2020	2019
Cash in banks	<b>₱275,515,340</b>	₱205,546,924
Cash in other cooperatives	<b>245,606,128</b>	190,296,263
Working funds	<b>1,174,913</b>	1,973,896
	<b>₱522,296,381</b>	₱397,817,083



Cash in banks and in other cooperatives earn interest at the respective deposit rates.

Working funds represent petty cash funds and revolving funds.

The details of income/interest from investments/deposits are as follows:

	Note	2020	2019
Cash		<b>₱5,549,387</b>	₱5,536,773
Short-term placements	7	<b>13,033,256</b>	24,340,807
Financial assets at FVPL	10	<b>3,686,311</b>	–
Financial assets at amortized cost	10	<b>57,646,369</b>	51,093,595
Financial assets at cost	10	<b>735,378</b>	29,011,673
Loans receivable	11	<b>162,741</b>	349,060
		<b>₱80,813,442</b>	₱110,331,908

## 7. Short-Term Placements

Short-term placements amounted to ₱513.4 million and ₱453.4 million as at December 31, 2020 and 2019, respectively. These are investments in time deposits with terms of more than three months to less than one year from the date of placement and earn interest ranging from 0.5% to 7% per annum and 3% to 7% per annum in 2020 and 2019, respectively.

Interest income amounted to ₱13.0 million and ₱24.3 million in 2020 and 2019, respectively (see Note 6).

## 8. Insurance Receivables

This account consists of:

	2020	2019
Premiums receivable	<b>₱78,786,036</b>	₱27,415,481
Due from reinsurers	<b>21,575,819</b>	43,488,155
Automatic contribution loans (ACL) from Mutual Aid Services (MAS) members	<b>664,867</b>	664,867
Policy loans	<b>121,411</b>	192,815
	<b>101,148,133</b>	71,761,318
Allowance for probable losses	<b>(25,092,609)</b>	(11,134,528)
	<b>₱76,055,524</b>	₱60,626,790

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 normally collected within a year.

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

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

The changes in the allowance for probable losses for insurance receivables are as follows:

	Note	2020	2019
Balance at beginning of year		<b>₱11,134,528</b>	₱11,134,528
Provision for probable losses	27	<b>13,958,081</b>	–
		<b>₱25,092,609</b>	₱11,134,528

## 9. Reinsurance Assets

Reinsurance assets amounting to ₱14.3 million and ₱14.1 million as at December 31, 2020 and 2019, respectively, pertain to estimated recoverable amounts from reinsurers for their share in insurance contract liabilities (see Note 16).

## 10. Financial Assets

This account consists of:

	2020	2019
<b>Current</b>		
Financial assets at FVPL	<b>₱71,438,294</b>	₱89,400,451
Financial assets at cost	<b>430,051,629</b>	477,465,020
	<b>501,489,923</b>	566,865,471
<b>Noncurrent</b>		
Financial assets at amortized cost	<b>1,329,483,980</b>	1,200,950,402
Financial assets at cost	<b>195,241,697</b>	183,860,036
	<b>1,524,725,677</b>	1,384,810,438
	<b>₱2,026,215,600</b>	₱1,951,675,909

### Financial Assets at FVPL

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

The movements in the financial assets at FVPL are as follows:

	Note	2020	2019
Balance at beginning of year		<b>₱89,400,451</b>	₱81,728,863
Loss on fair values	28	<b>(12,266,299)</b>	(1,728,689)
Disposals		<b>(5,695,858)</b>	(8,199,723)
Additions		–	17,600,000
Balance at end of year		<b>₱25,092,609</b>	₱11,134,528

Realized gain on disposal of financial assets at FVPL amounted to ₱3.7 million in 2020 (see Note 6).

**Financial Assets at Amortized Cost**

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

The movements in the financial assets at amortized cost are as follows:

	2020	2019
Balance at beginning of year	<b>₱1,200,950,402</b>	₱1,061,765,148
Additions	<b>253,799,572</b>	159,800,000
Redemptions at maturity	<b>(124,500,000)</b>	(20,000,000)
Amortization of premium - net	<b>(765,994)</b>	(614,746)
Balance at end of year	<b>₱1,329,483,980</b>	₱1,200,950,402

Interest income amounted to ₱57.6 million and ₱51.1 million in 2020 and 2019, respectively (see Note 6).

**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 noncurrent assets represent investments in shares of stock of related parties, cooperative banks and other cooperatives which are not quoted in an active market and are expected to be realized in more than one year.

The movements in the financial assets at cost are as follows:

	2020	2019
<b>Current</b>		
Balance at beginning of year	<b>₱477,465,020</b>	₱385,042,081
Additions	<b>19,458,383</b>	159,194,438
Withdrawals	<b>(66,871,774)</b>	(66,771,499)
Balance at end of year	<b>430,051,629</b>	477,465,020
<b>Noncurrent</b>		
Balance at beginning of year	<b>183,860,036</b>	64,929,516
Additions	<b>11,381,661</b>	119,070,520
Withdrawals	<b>—</b>	(140,000)
Balance at end of year	<b>195,241,697</b>	183,860,036
	<b>₱625,293,326</b>	₱661,325,056

Dividend income from financial assets at cost amounted to ₱0.7 million and ₱29.0 million in 2020 and 2019, respectively (see Note 6).

Gain on disposal from financial assets at cost amounted ₱0.3 million and ₱16.8 million in 2020 and 2019, respectively (see Note 28).

## 11. Accounts and Other Receivables

This account consists of:

	Note	2020	2019
Accounts receivable:			
Member-cooperatives		<b>₱52,963,382</b>	₱55,998,377
Related parties	29	<b>936,380</b>	8,463,544
Loans receivable		<b>11,815,149</b>	12,510,463
Accrued interest receivable		<b>502,111</b>	427,111
Advances to officers and employees		<b>67,155</b>	95,417
		<b>₱66,284,177</b>	<b>₱77,494,912</b>

Accounts receivable from related parties represent receivables from CLIMBS Investment Management and Advisory Corporation (CIMAC), CLIFSA General Insurance Agency Inc. (CGIAI), Coop Life General Insurance & Financial Services Agency (CLIFSA) and CLIMBS Share Capital Equity Investment Fund Corporation (CSCEIFC) which are unsecured, non-interest bearing and shall be settled on demand in the form of cash.

Accounts receivable from member-cooperatives are unsecured, non-interest bearing and shall be settled on demand in the form of cash.

Loans receivable represent receivables from mortgage and equity loans provided by the Cooperative to its officers and employees, and other cooperatives. Interest rates for the loans range from 7% to 10% per annum in 2020 and 2019. Interest income on these loans amounted to ₱162,741 and ₱349,060 in 2020 and 2019, respectively (see Note 6).

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.

Advances to officers and employees pertain to cash advances for official business of officers and employees that are subject to liquidation.

## 12. Prepayments and Other Current Assets

This account consists of:

	2020	2019
Advances for property acquisition	<b>₱40,000,000</b>	₱–
Prepayments	<b>1,068,713</b>	1,181,274
	<b>₱41,068,713</b>	<b>₱1,181,274</b>

Advances for property acquisition are payments made for purchases of property. Reclassification to proper asset accounts is done upon receipt of required documents supporting the transfer of ownership to the Cooperative.

Prepayments pertain to prepaid rental for the Cooperative's area offices and satellite buildings.



### 13. Property and Equipment

The movements in this account are as follows:

December 31, 2020

	Land	Land Improvements	Building and Improvements	Transportation Equipment	Furniture, Fixtures and Office Equipment	Construction in Progress	Total
<b>Cost</b>							
Balance at beginning of year	₱14,812,148	₱6,803,629	₱92,012,573	₱38,358,879	₱46,049,806	₱6,691,423	<b>₱204,728,458</b>
Additions	10,526	–	6,722,047	16,726,820	2,989,675	966,876	<b>27,415,944</b>
Disposals	–	–	–	(11,700)	(233,670)	–	<b>(245,370)</b>
Balance at end of year	14,822,674	6,803,629	98,734,620	55,073,999	48,805,811	7,658,299	<b>231,899,032</b>
<b>Accumulated Depreciation</b>							
Balance at beginning of year	–	6,722,529	28,699,276	23,539,004	36,708,979	–	<b>95,669,788</b>
Additions	–	66,257	4,123,187	6,024,711	5,494,429	–	<b>15,708,584</b>
Disposals	–	–	–	(1,950)	(164,787)	–	<b>(166,737)</b>
Balance at end of year	–	6,788,786	32,822,463	29,561,765	42,038,621	–	<b>111,211,635</b>
<b>Net Book Value</b>	<b>₱14,822,674</b>	<b>₱14,843</b>	<b>₱65,912,157</b>	<b>₱25,512,234</b>	<b>₱6,767,190</b>	<b>₱7,658,299</b>	<b>₱120,687,397</b>

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December 31, 2019

	Land	Land Improvements	Building and Improvements	Transportation Equipment	Furniture, Fixtures and Office Equipment	Construction in Progress	Total
<b>Cost</b>							
Balance at beginning of year	₱14,812,148	₱6,803,629	₱64,615,824	₱34,185,001	₱38,439,997	₱3,673,084	₱162,529,683
Additions	–	–	27,396,749	5,309,978	7,609,809	3,018,339	43,334,875
Disposals	–	–	–	(1,136,100)	–	–	(1,136,100)
Balance at end of year	14,812,148	6,803,629	92,012,573	38,358,879	46,049,806	6,691,423	204,728,458
<b>Accumulated Depreciation</b>							
Balance at beginning of year	–	6,541,602	24,995,559	19,232,999	29,479,069	–	80,249,229
Additions	–	180,927	3,703,717	5,271,690	7,229,910	–	16,386,244
Disposals	–	–	–	(965,685)	–	–	(965,685)
Balance at end of year	–	6,722,529	28,699,276	23,539,004	36,708,979	–	95,669,788
<b>Net Book Value</b>	₱14,812,148	₱81,100	₱63,313,297	₱14,819,875	₱9,340,827	₱6,691,423	₱109,058,670

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Depreciation and amortization charged to statements of operations are as follows:

	Note	2020	2019
Depreciation:			
Property and equipment		<b>₱15,708,584</b>	₱16,386,244
Investment property	14	<b>2,318,527</b>	2,348,254
Amortization of computerization cost	15	<b>5,576,761</b>	2,744,298
		<b>₱23,603,872</b>	<b>₱21,478,796</b>

#### 14. Investment Property

The movements in this account are as follows:

##### December 31, 2020

	Land not Used in Operations	Building Held for Rentals	Construction in Progress	Total
<b>Cost</b>				
Balance at beginning of year	₱120,020,151	₱44,333,848	₱703,978	<b>₱165,057,977</b>
Additions	—	58,984	—	<b>58,984</b>
Balance at end of year	120,020,151	44,392,832	703,978	<b>165,116,961</b>
<b>Accumulated Depreciation</b>				
Balance at beginning of year	—	12,019,226	—	<b>12,019,226</b>
Additions	—	2,318,527	—	<b>2,318,527</b>
Balance at end of year	—	14,337,753	—	<b>14,337,753</b>
<b>Net Book Value</b>	<b>₱120,020,151</b>	<b>₱30,055,079</b>	<b>₱703,978</b>	<b>₱150,779,208</b>

##### December 31, 2019

	Land not Used in Operations	Building Held for Rentals	Construction in Progress	Total
<b>Cost</b>				
Balance at beginning of year	₱120,020,151	₱43,658,672	₱703,978	₱164,382,801
Additions	—	675,176	—	675,176
Balance at end of year	120,020,151	44,333,848	703,978	165,057,977
<b>Accumulated Depreciation</b>				
Balance at beginning of year	—	9,670,972	—	9,670,972
Additions	—	2,348,254	—	2,348,254
Balance at end of year	—	12,019,226	—	12,019,226
<b>Net Book Value</b>	<b>₱120,020,151</b>	<b>₱32,314,622</b>	<b>₱703,978</b>	<b>₱153,038,751</b>

Rent income from building amounted to ₱1.8 million in 2019 (see Note 28).

Fair value of investment property, excluding construction in progress, amounted to ₱186.7 million as at December 31, 2020 and 2019 as determined by an independent appraiser.

**15. Other Noncurrent Assets**

This account consists of:

	2020	2019
Computerization cost	<b>₱12,029,678</b>	₱12,851,718
Refundable deposits	<b>2,236,686</b>	1,490,357
	<b>₱14,266,364</b>	₱14,342,075

The details of computerization cost are as follows:

	2020	2019
<b>Cost</b>		
Balance at beginning of year	<b>₱18,010,709</b>	₱17,402,036
Additions	<b>4,754,721</b>	608,673
Balance at end of year	<b>22,765,430</b>	18,010,709
<b>Accumulated Amortization</b>		
Balance at beginning of year	<b>5,158,991</b>	2,414,693
Additions	<b>5,576,761</b>	2,744,298
Balance at end of year	<b>10,735,752</b>	5,158,991
<b>Net Book Value</b>	<b>₱12,029,678</b>	₱12,851,718

**16. Insurance Contract Liabilities**

This account consists of:

	2020	2019
Legal policy reserves	<b>₱815,254,753</b>	₱657,719,067
Insurance payables:		
Policy and contract claims	<b>290,858,897</b>	211,814,912
Incurred but not reported	<b>81,550,854</b>	126,949,260
Outstanding claims reserve	<b>32,609,910</b>	112,049,526
Unearned premium reserves	<b>130,187,287</b>	80,466,857
	<b>₱1,350,461,701</b>	₱1,188,999,622

Legal policy reserves and other actuarial items in the financial statements as at and for the years ended December 31, 2020 and 2019 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.



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Details of insurance contract liabilities are as follows:

	2020		
	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (see Note 9)	Net
Legal policy reserves	<b>₱815,254,753</b>	<b>₱—</b>	<b>₱815,254,753</b>
Insurance payables:			
Policy and contract claims	<b>290,858,897</b>	<b>(14,255,828)</b>	<b>276,603,069</b>
Incurred but not reported	<b>81,550,854</b>	<b>—</b>	<b>81,550,854</b>
Outstanding claims reserve	<b>32,609,910</b>	<b>—</b>	<b>32,609,910</b>
Unearned premium reserves	<b>130,187,287</b>	<b>—</b>	<b>130,187,287</b>
	<b>₱1,350,461,701</b>	<b>(₱14,255,828)</b>	<b>₱1,336,205,873</b>

	2019		
	Insurance Contract Liabilities	Reinsurers' Share of Liabilities (see Note 9)	Net
Legal policy reserves	<b>₱657,719,067</b>	<b>₱—</b>	<b>₱657,719,067</b>
Insurance payables:			
Policy and contract claims	<b>211,814,912</b>	<b>(14,083,901)</b>	<b>197,731,011</b>
Incurred but not reported	<b>126,949,260</b>	<b>—</b>	<b>126,949,260</b>
Outstanding claims reserve	<b>112,049,526</b>	<b>—</b>	<b>112,049,526</b>
Unearned premium reserves	<b>80,466,857</b>	<b>—</b>	<b>80,466,857</b>
	<b>₱1,188,999,622</b>	<b>(₱14,083,901)</b>	<b>₱1,174,915,721</b>

#### 17. Due to Reinsurers

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

Due to reinsurers amounted to ₱15.4 million and ₱10.6 million as at December 31, 2020 and 2019, respectively. Reinsurers' share in benefits and claims on insurance contracts amounted to ₱20.2 million and ₱38.8 million in 2020 and 2019, respectively (see Note 24).

#### 18. Accounts and Other Payables

This account consists of:

	Note	2020	2019
Premium deposits from members		<b>₱78,787,271</b>	₱33,478,139
Accounts payable:			
Third parties		<b>53,785,178</b>	32,600,021
Related parties	29	<b>10,282,255</b>	9,057,070
CETF payable		<b>11,670,485</b>	13,160,025
Statutory payables		<b>4,245,229</b>	1,220,561
		<b>₱158,770,418</b>	<b>₱89,515,816</b>

Premium deposits from members represent premiums received from member-cooperatives which are not yet specifically identified. These will be recognized as revenue upon determination of the specific premium collected.

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

CETF payable represents the amount for remittance to the cooperative educational and training fund of the federation or union chosen by the Cooperative (see Note 22).

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

## 19. Retirement Plan

The Cooperative has a funded and noncontributory defined benefit 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, 2020 and 2019. Total retirement costs charged to operations amounted to ₱4.5 million and ₱2.2 million in 2020 and 2019, respectively (see Note 26).

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 statements of operations and retirement payable recognized in the statements of financial condition.

Retirement costs recognized in the statements of operations are as follows:

	2020	2019
Current service cost	<b>₱3,739,200</b>	₱2,192,699
Net interest costs	<b>720,426</b>	33,505
	<b>₱4,459,626</b>	₱2,226,204

The retirement payable recognized in the statements of financial condition is as follows:

	2020	2019
Present value of defined benefit obligation	<b>₱36,083,089</b>	₱30,752,016
Fair value of plan assets	<b>16,665,672</b>	16,343,699
	<b>₱19,417,417</b>	₱14,408,317

The movements of the present value of defined benefit obligation are as follows:

	2020	2019
Balance at beginning of year	<b>₱30,752,016</b>	₱17,942,034
Remeasurement loss	<b>5,704,917</b>	11,554,546
Current service cost	<b>3,739,200</b>	2,192,699
Interest cost	<b>1,537,622</b>	1,325,625
Retirement benefits paid from operating funds	<b>(5,650,666)</b>	(2,262,888)
Balance at end of year	<b>₱36,083,089</b>	₱30,752,016

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

	2020	2019
Balance at beginning of year	<b>₱16,343,699</b>	₱15,051,579
Actual return on plan assets	<b>817,196</b>	1,292,120
Remeasurement loss	<b>(495,223)</b>	–
Balance at end of year	<b>₱16,665,672</b>	₱16,343,699

Remeasurement loss on retirement benefits amounted to ₱6.2 million and ₱11.6 million in 2020 and 2019, respectively (see Note 28).

The components of the Cooperative's plan assets are as follows:

	2020	2019
Investments in government securities	<b>63%</b>	63%
Investments in unit investment trust fund	<b>26%</b>	26%
Investment in other securities and debt securities	<b>6%</b>	6%
Cash in banks	<b>5%</b>	5%
	<b>100%</b>	100%

The principal assumptions used in determining retirement payable are as follows:

	2020	2019
Discount rate	<b>3.78%</b>	5.00%
Salary increase rate	<b>5.00%</b>	5.00%
Average remaining working lives of employees	<b>18 years</b>	18 years

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

Principal assumptions	Effect on defined benefit obligation	
	2020	2019
Discount rate:		
Increase by 1%	<b>(₱7,110,184)</b>	(₱4,148,384)
Decrease by 1%	<b>7,088,707</b>	5,317,244
Salary rate:		
Increase by 1%	<b>6,515,360</b>	4,921,226
Decrease by 1%	<b>(6,602,313)</b>	(3,852,070)

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.

## 20. Other Noncurrent Liabilities

Other noncurrent liabilities amounting to ₱1.8 million and ₱1.6 million as at December 31, 2020 and 2019, respectively, pertain to security deposits for the leased properties which will be refunded upon termination of the lease contracts.

## 21. Equity

### **Conversion of Dividend and Patronage Refund to Common Share**

Various member-cooperatives converted their dividend and patronage refund to common share capital amounting to ₱112.6 million and ₱49.8 million in 2020 and 2019, respectively.

## 22. 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:

	2020	2019
Statutory funds:		
Reserve fund	<b>₱134,289,774</b>	₱117,268,854
CETF	<b>15,088,705</b>	9,411,500
Community development fund	<b>9,341,507</b>	20,481,782
Optional fund	<b>97,129,698</b>	85,215,055
	<b>₱255,849,684</b>	₱232,377,191

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 GA.

The distribution of net surplus is as follows:

	2020	2019
Reserve fund	<b>10%</b>	10%
CETF	<b>10%</b>	10%
Community development fund	<b>3%</b>	3%
Optional fund	<b>7%</b>	7%
Interest on share capital and patronage refund	<b>70%</b>	70%
	<b>100%</b>	100%

### **CETF**

On August 22, 2019, the CDA issued MC No. 2019-08 series of 2019, *Policy Guidelines Governing the Allocation, Utilization and Remittance of the Cooperative Education and Training Fund (CETF) of the Cooperative*, which mandates the remittance of half of the CETF to a secondary or tertiary federation or union, where the cooperative is a member, within sixty days after the deadline of submission of the required reports to the CDA, following the year of allocation. As a transitory provision, the accumulated CETF as at December 31, 2018 intended for secondary or tertiary federation or union, that is above ₱3 million to ₱10 million, shall be remitted within 5 years upon the effectivity of the MC.

### **Community Development Fund**

On September 23, 2019, the CDA issued MC No. 2019-11 series of 2019, *Policy Guidelines Governing the Allocation and Utilization of the Community Development Fund (CDF) of the Cooperative*, which requires that the CDF allocation for the current year shall be fully utilized on the following year unless the projects or activities as approved by the GA require multi-year utilization. The remaining balance of the Cooperative's CDF as at December 31, 2018 that is above ₱3 million to ₱10 million, shall be utilized within 5 years upon the effectivity of the MC and as reflected in the Social Development Plan approved by the GA.



**Interest on Share Capital and Patronage Refund Payable**

The movements in this account are as follows:

	2020	2019
Balance at beginning of year	<b>₱112,939,768</b>	₱43,971,312
Conversion to share capital	<b>(112,591,444)</b>	(49,778,861)
Payments	<b>(348,324)</b>	(21,521,718)
Allocation from net surplus	<b>119,146,430</b>	140,269,035
Balance at end of year	<b>₱119,146,430</b>	₱112,939,768

**23. Net Insurance Premiums**

The details of net premiums earned on insurance contracts are as follows:

	2020	2019
Gross premiums on insurance contracts:		
Loan payment protection insurance	<b>₱848,838,607</b>	₱778,833,813
Group life	<b>521,745,075</b>	528,856,989
Regular plans	<b>211,570,646</b>	190,042,183
Personal accident and other nonlife products	<b>145,929,764</b>	133,961,717
	<b>1,728,084,092</b>	1,631,694,702
Reinsurers' share of gross premiums earned on insurance contracts	<b>(33,955,556)</b>	(39,156,359)
	<b>₱1,694,128,536</b>	₱1,592,538,343

**24. Benefits and Claims Incurred on Insurance Contracts**

The details of benefits and claims incurred on insurance contracts are as follows:

	Note	2020	2019
Gross benefits and claims incurred on insurance contracts		<b>₱765,977,700</b>	₱909,561,266
Reinsurers' share	17	<b>(20,193,838)</b>	(38,848,781)
		<b>₱745,783,862</b>	₱870,712,485

**25. 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 and CGIAl for marketing and sale of its various life and nonlife insurance products amounted to ₱23.5 million and ₱16.1 million in 2020 and 2019, respectively (see Note 29).

**26. Salaries and Benefits**

This account consists of:

	Note	2020	2019
Salaries and wages		<b>₱57,543,399</b>	₱54,912,472
Employee benefits		<b>34,103,244</b>	27,066,780
Retirement costs	19	<b>4,459,626</b>	2,226,204
		<b>₱96,106,269</b>	₱84,205,456

**27. General and Administrative Expenses**

This account consists of:

	Note	2020	2019
General support services		<b>₱14,979,760</b>	₱19,339,512
Provision for probable loss	8	<b>13,958,081</b>	—
Professional fees		<b>8,234,024</b>	8,224,662
Meetings, conferences and general assembly		<b>7,698,950</b>	20,610,059
Communications		<b>5,127,537</b>	6,217,271
Travel and transportation		<b>3,399,740</b>	12,514,476
Repairs and maintenance		<b>2,940,386</b>	4,370,737
Power, light and water		<b>2,732,783</b>	3,418,383
License fees and membership		<b>1,658,926</b>	786,064
Office supplies		<b>1,300,115</b>	1,989,223
Insurance		<b>714,769</b>	769,968
Taxes and licenses		<b>438,393</b>	189,553
Miscellaneous		<b>2,484,650</b>	1,344,928
		<b>₱65,668,114</b>	₱79,774,836

**28. Other Income (Loss)**

This account consists of:

	Note	2020	2019
Loss on fair values of financial assets at FVPL	10	<b>(₱12,266,299)</b>	(₱1,728,689)
Remeasurement loss on retirement payable	19	<b>(6,200,140)</b>	(11,554,546)
Gain on disposal of financial assets at cost	10	<b>313,881</b>	16,784,960
Gain on disposal of property and equipment	13	<b>12,369</b>	129,585
Rent income	14	<b>—</b>	1,801,062
Miscellaneous income		<b>9,788,207</b>	5,404,409
		<b>(₱8,351,982)</b>	₱10,836,781

## 29. Related Party Transactions

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

	2020	2019
Investments in shares of stock of related parties:		
CIMAC	<b>₱66,500,000</b>	₱66,500,000
CGIAI	<b>50,000,000</b>	50,000,000
CLIFSA	<b>15,000,000</b>	15,000,000
CLIMBS Printing Press and Publishing Corporation	<b>8,503,000</b>	—
CLIMBS Real Estate Development Corporation	<b>218,334</b>	218,334
	<b>₱140,221,334</b>	<b>₱131,718,334</b>

		2020		2019	
Nature of Transactions	Note	Amount of Transactions	Outstanding Balance	Amount of Transactions	Outstanding Balance
Accounts receivable:	11				
CSCEIFC					
Balance at beginning of year		<b>₱2,276,976</b>		₱2,240,714	
Conversion to capital stock		<b>(1,340,596)</b>		—	
Cash advances		—		36,262	
Balance at end of year			<b>₱936,380</b>		₱2,276,976
CGIAI					
Balance at beginning of year		<b>6,186,568</b>		—	
Collections		<b>(6,186,568)</b>		—	
Premiums		—		6,186,568	
Balance at end of year			—		6,186,568
			<b>₱936,380</b>		<b>₱8,463,544</b>
Accounts payable:	18				
CGIAI					
Balance at beginning of year		<b>₱1,553,070</b>		₱—	
Commissions	25	<b>23,545,563</b>		5,795,715	
Payments		<b>(14,816,378)</b>		(4,242,645)	
Balance at end of year			<b>₱10,282,255</b>		₱1,553,070
CLIFSA					
Balance at beginning of year		<b>7,504,000</b>		36,441,801	
Payments		<b>(7,504,000)</b>		(39,264,799)	
Commissions	25	—		10,326,998	
Balance at end of year			—		7,504,000
			<b>₱10,282,255</b>		<b>₱9,057,070</b>

Dividend income from investments in shares of stock of related parties amounted to ₱25.2 million in 2019 (see Note 10).

**Compensation of Key Management Personnel of the Cooperative**

Compensation of the Cooperative's key management personnel consists of salaries and wages and other short-term benefits amounting to ₱15.4 million and ₱14.5 million in 2020 and 2019, respectively.

**30. Segment Reporting**

The Cooperative considers its life and nonlife operations as its operating segments. The financial information for each segment as at and for the years ended December 31, 2020 and 2019 are as follows:

**Statements of Financial Condition**

	Life		Nonlife	
	2020	2019	2020	2019
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash	₱388,072,476	₱275,683,464	₱134,223,905	₱122,133,619
Short-term placements	294,940,451	226,835,675	218,466,609	226,555,195
Insurance receivables	25,358,570	59,572,709	50,696,954	1,054,081
Reinsurance assets	14,255,828	14,083,901	—	—
Financial assets at fair value through profit or loss (FVPL)	67,620,368	89,400,451	3,817,926	—
Financial assets at cost	430,051,629	477,465,020	—	—
Accounts and other receivables	65,229,858	60,586,099	1,054,319	16,908,813
Prepayments and other current assets	41,059,803	1,181,274	8,910	—
Total Current Assets	1,326,588,983	1,204,808,593	408,268,623	366,651,708
<b>Noncurrent Assets</b>				
Financial assets at amortized cost	845,180,617	755,891,202	484,303,363	445,059,200
Financial assets at cost - net of current portion	121,131,697	109,750,036	74,110,000	74,110,000
Property and equipment	82,618,324	80,467,448	38,069,073	28,591,222
Investment property	150,779,208	153,038,751	—	—
Other noncurrent assets	10,955,062	14,050,657	3,311,302	291,418
Total Noncurrent Assets	1,210,664,908	1,113,198,094	599,793,738	548,051,840
	₱2,537,253,891	₱2,318,006,687	₱1,008,062,361	₱914,703,548
<b>LIABILITIES AND EQUITY</b>				
<b>Current Liabilities</b>				
Insurance contract liabilities	₱1,111,529,055	₱1,040,263,203	₱238,932,646	₱148,736,419
Due to reinsurers	—	354,452	15,360,402	10,251,624
Interest on share capital and patronage refund payable	88,588,633	80,308,136	30,557,797	32,631,632
Accounts and other payables	77,133,090	22,028,992	81,637,328	67,486,824
Total Current Liabilities	1,277,250,778	1,142,954,783	366,488,173	259,106,499
<b>Noncurrent Liabilities</b>				
Retirement payable	18,749,732	13,740,632	667,685	667,685
Other noncurrent liabilities	1,750,219	1,574,695	49,633	—
Total Noncurrent Liabilities	20,499,951	15,315,327	717,318	667,685

(Forward)



	Life		Nonlife	
	2020	2019	2020	2019
<b>Equity</b>				
Members' equity	<b>₱988,187,094</b>	₱931,477,073	<b>₱636,323,254</b>	₱650,811,677
Statutory funds	<b>251,316,068</b>	228,259,504	<b>4,533,616</b>	4,117,687
Total Equity	<b>1,239,503,162</b>	1,159,736,577	<b>640,856,870</b>	654,929,364
	<b>₱2,537,253,891</b>	₱2,318,006,687	<b>₱1,008,062,361</b>	₱914,703,548

### Statements of Operations

	Life		Nonlife	
	2020	2019	2020	2019
<b>REVENUE</b>				
Gross premiums earned on insurance contracts	<b>₱1,375,948,816</b>	₱1,311,388,952	<b>₱352,135,276</b>	₱320,305,750
Reinsurers' share of gross premiums earned on insurance contracts	<b>(17,120,412)</b>	(29,050,124)	<b>(16,835,144)</b>	(10,106,235)
Net insurance premiums	<b>1,358,828,404</b>	1,282,338,828	<b>335,300,132</b>	310,199,515
Income/interest from investments/deposits	<b>54,429,992</b>	110,082,604	<b>26,383,450</b>	17,034,264
Commissions and other underwriting income	<b>856,021</b>	1,092,262	<b>2,219,560</b>	1,715,618
	<b>1,414,114,417</b>	1,393,513,694	<b>363,903,142</b>	328,949,397
<b>BENEFITS, CLAIMS AND EXPENSES</b>				
Benefits and claims incurred on insurance contracts	<b>636,286,285</b>	726,318,822	<b>109,497,577</b>	144,393,663
Collection costs	<b>447,414,737</b>	415,779,599	<b>102,610,893</b>	123,564,486
Increase (decrease) in insurance contract liabilities	<b>68,548,211</b>	(58,695,326)	<b>49,720,430</b>	(20,689,755)
Salaries and benefits	<b>53,385,813</b>	49,941,576	<b>42,720,456</b>	34,263,880
General and administrative expenses	<b>51,328,284</b>	62,178,000	<b>14,339,830</b>	17,596,836
Depreciation and amortization	<b>21,298,240</b>	20,791,790	<b>2,305,632</b>	687,006
	<b>1,278,261,570</b>	1,216,314,461	<b>321,194,818</b>	299,816,116
<b>OTHER INCOME AND EXPENSES</b>	<b>(9,297,653)</b>	(39,974,177)	<b>945,671</b>	34,025,998
<b>NET SURPLUS</b>	<b>₱126,555,194</b>	₱137,225,056	<b>₱43,653,995</b>	₱63,159,279

### 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 noncurrent assets"), insurance contract liabilities, due to reinsurers, interest on share capital and patronage refund payable, accounts and other payables (excluding statutory payables) and, other noncurrent liabilities. The main purpose of these financial instruments is to generate surplus 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 predetermined 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	2020			2019		
	No. of Policies	Insurance Coverage (in millions)	Gross Premiums	No. of Policies	Insurance Coverage (in millions)	Gross Premiums
Loan payment protection insurance	1,165,405	₱57,960	₱848,838,607	1,374,931	₱37,264	₱778,833,813
Group life	1,236,969	83,984	521,745,075	2,904,267	85,822	528,856,989
Standard nonlife products	46,394	13,084	211,570,646	46,917	30,472	190,042,183
Personal accident and other nonlife products	8,761	42,903	145,929,764	9,200	20,895	133,961,717
	<b>2,457,529</b>	<b>₱197,931</b>	<b>₱1,728,084,092</b>	<b>4,335,315</b>	<b>₱174,453</b>	<b>₱1,631,694,702</b>

The table below presents the concentration of risk by attained age based on data of in-force policies as at December 31, 2020. Exposures are concentrated on age brackets 18-35, 36-45, 46-55 and 56-65.

Attained Age	Gross of Reinsurance	
	Coverage (in millions)	Exposure
18-35	₱40,780	21%
36-45	51,613	26%
46-55	46,397	23%
56-65	40,724	21%
66-75	16,656	8%
76 and above	1,761	1%
<b>Total</b>	<b>₱197,931</b>	<b>100%</b>

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

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

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



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

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

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

***Discount Rates.*** Life insurance liabilities are determined as the sum of the present value of the expected benefits less the presented value of the expected premiums that would be required to meet these future cash outflows. The weighted average rate of return is derived based on model portfolio that is assumed to back liabilities, consistent with the long-term asset allocation strategy. These estimates are based on current market returns as well as expectations about future economic and financial development. A decrease in the discount rate will increase the value of the liability.

***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 net surplus to members, 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 net surplus to members.

### **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 member-cooperatives 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 statements of financial condition:

	2020	2019
Cash in banks and other cooperatives	<b>₱521,121,468</b>	₱395,843,187
Short-term placements	<b>513,407,060</b>	453,390,870
Insurance receivables	<b>101,148,133</b>	71,761,318
Reinsurance assets	<b>14,255,828</b>	14,083,901
Financial assets at FVPL	<b>71,438,294</b>	89,400,451
Financial assets at amortized cost	<b>1,329,483,980</b>	1,200,950,402
Financial assets at cost	<b>625,293,326</b>	661,325,056
Accounts and other receivables	<b>66,284,177</b>	77,494,912
Refundable deposits*	<b>2,236,686</b>	1,490,357
	<b>₱3,244,668,952</b>	₱2,965,740,454

\*Presented under "Other noncurrent 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:

	2020					
	Neither Past Due nor Impaired			Past Due but not Impaired	Impaired	Total
	High Grade	Standard Grade	Substandard Grade			
Cash in banks and other cooperatives	₱521,121,468	₱—	₱—	₱—	₱—	₱521,121,468
Short-term placements	513,407,060	—	—	—	—	513,407,060
Insurance receivables	76,055,524	—	—	—	25,092,609	101,148,133
Reinsurance assets	14,255,828	—	—	—	—	14,255,828
Financial assets at FVPL	71,438,294	—	—	—	—	71,438,294
Financial assets at amortized cost	1,329,483,980	—	—	—	—	1,329,483,980
Financial assets at cost	625,293,326	—	—	—	—	625,293,326
Accounts and other receivables	—	66,284,177	—	—	—	66,284,177
Refundable deposits*	2,236,686	—	—	—	—	2,236,686
	₱3,153,292,166	₱66,284,177	₱—	₱—	₱25,092,609	₱3,244,668,952

\*Presented under "Other noncurrent assets"

	2019					
	Neither Past Due nor Impaired			Past Due but not Impaired	Impaired	Total
	High Grade	Standard Grade	Substandard Grade			
Cash in banks and other cooperatives	₱395,843,187	₱—	₱—	₱—	₱—	₱395,843,187
Short-term placements	453,390,870	—	—	—	—	453,390,870
Insurance receivables	60,626,790	—	—	—	11,134,528	71,761,318
Reinsurance assets	14,083,901	—	—	—	—	14,083,901
Financial assets at FVPL	89,400,451	—	—	—	—	89,400,451
Financial assets at amortized cost	1,200,950,402	—	—	—	—	1,200,950,402
Financial assets at cost	661,325,056	—	—	—	—	661,325,056
Accounts and other receivables	—	77,494,912	—	—	—	77,494,912
Refundable deposits*	1,490,357	—	—	—	—	1,490,357
	₱2,877,111,014	₱77,494,912	₱—	₱—	₱11,134,528	₱2,965,740,454

\*Presented under "Other noncurrent 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:

	2020				
	Total	On Demand	Due Within 1 Year	Due More Than 1 Year Up To 5 Years	Due More Than 5 Years
Insurance contract liabilities	<b>₱1,350,461,701</b>	₱–	₱1,341,293,731	₱5,733,177	₱3,434,793
Due to reinsurers	<b>15,360,402</b>	–	15,360,402	–	–
Interest on share capital and patronage refund payable	<b>119,146,430</b>	119,146,430	–	–	–
Accounts and other payables*	<b>154,525,189</b>	77,227,458	77,297,731	–	–
Other noncurrent liabilities	<b>1,799,852</b>	–	1,799,852	–	–
	<b>₱1,641,293,574</b>	₱196,373,888	₱1,435,751,716	₱5,733,177	₱3,434,793

\*Excluding statutory payables

	2019				
	Total	On Demand	Due Within 1 Year	Due Within 1 to 5 Years	Due Above 5 Years
Insurance contract liabilities	₱1,188,999,622	₱–	₱1,180,925,045	₱5,049,425	₱3,025,152
Due to reinsurers	10,606,076	–	10,606,076	–	–
Interest on share capital and patronage refund payable	112,939,768	112,939,768	–	–	–
Accounts and other payables*	88,295,255	41,657,091	46,638,164	–	–
Other noncurrent liabilities	1,574,695	–	1,574,695	–	–
	₱1,402,415,416	₱154,596,859	₱1,239,743,980	₱5,049,425	₱3,025,152

\*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 surplus 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, 2020 and 2019:

	2020		2019	
	Fair Value	Carrying Amount	Fair Value	Carrying Amount
<b>Financial Assets</b>				
Cash in banks and other cooperatives	₱521,121,468	₱521,121,468	₱395,843,187	₱395,843,187
Short-term placements	513,407,060	513,407,060	453,390,870	453,390,870
Insurance receivables	76,055,524	76,055,524	60,626,790	60,626,790
Reinsurance assets	14,255,828	14,255,828	14,083,901	14,083,901
Financial assets at FVPL	71,438,294	71,438,294	89,400,451	89,400,451
Financial assets at amortized cost	1,329,483,980	1,329,483,980	1,200,950,402	1,200,950,402
Financial assets at cost	625,293,326	625,293,326	661,325,056	661,325,056
Accounts and other receivables	66,284,177	66,284,177	77,494,912	77,494,912
Refundable deposits	2,236,686	2,236,686	1,490,357	1,490,357
	<b>₱3,219,576,343</b>	<b>₱3,219,576,343</b>	<b>₱2,954,605,926</b>	<b>₱2,954,605,926</b>
<b>Financial Liabilities</b>				
Insurance contract liabilities	₱1,350,461,701	₱1,350,461,701	₱1,188,999,622	₱1,188,999,622
Due to reinsurers	15,360,402	15,360,402	10,606,076	10,606,076
Interest on share capital and patronage refund payable	119,146,430	119,146,430	112,939,768	112,939,768
Accounts and other payables*	154,525,189	154,525,189	88,295,255	88,295,255
Other noncurrent liabilities	1,799,852	1,799,852	1,574,695	1,574,695
	<b>₱1,641,293,574</b>	<b>₱1,641,293,574</b>	<b>₱1,402,415,416</b>	<b>₱1,402,415,416</b>

\*Excluding statutory payables

*Cash in Banks and Other Cooperatives, Short-term Placements, Insurance Receivables, Reinsurance Assets, Financial Assets at Amortized Cost, Financial Assets at Cost, Accounts and Other Receivables, Other Funds and Deposits, Refundable Deposits (presented under "Other Noncurrent Assets"), Insurance Contract Liabilities, Due to Reinsurers, Interest on Share Capital and Patronage Refund Payable, Accounts and Other Payables and Other Noncurrent 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, 2020 and 2019.

In 2020 and 2019, 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.

Insurance 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 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 Cooperative's capital are as follows:

	2020	2019
Members' equity	<b>₱1,624,510,348</b>	₱1,582,288,750
Statutory funds	<b>255,849,684</b>	232,377,191
	<b>₱1,880,360,032</b>	₱1,814,665,941

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 R.A. No. 10607 known as the “The Insurance Code” (the Code) which provides the new capitalization requirements of all existing insurance companies based on net worth on a staggered basis starting June 30, 2013 up to December 31, 2022. The amount of required net worth and the schedule of compliance are as follows:

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

In accordance with Article 107 of the Philippine Cooperative Code of 2008, 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. The net worth requirements of the Cooperative amounted to ₱450 million as at December 31, 2020 and 2019.

On September 5, 2018, the IC issued Circular Letter (CL) 2018-45 that sets the guidelines on the minimum capitalization and net worth requirements for composite insurance companies under the amended Code. However, the IC issued CL No. 2019-55 which revoked the CL 2018-45 dated October 25, 2019.

Pursuant to Section 202 of the Code, the estimated amount of non-admitted assets as at December 31, 2020 and the actual non-admitted assets as at December 31, 2019 for the Cooperative’s life unit are as follows:

	2020 (Estimated)	2019 (Actual)
Cash and cash equivalents	₱6,637,436	₱38,714,169
Insurance receivables	90,311,352	58,564,618
Accounts and other receivables	66,284,177	95,483,489
Financial assets at FVPL	71,438,294	1,060,991
Financial assets at amortized cost	—	3,435,433
Financial assets at cost	442,135,700	350,335,472
Property and equipment	31,603,851	62,055,944
Investment property	69,094,146	75,061,172
Other assets	15,335,077	91,783,614
	<b>₱792,840,033</b>	<b>₱776,494,902</b>

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, 2020, the Cooperative's estimated net worth as at December 31, 2020 and actual net worth as at December 31, 2019 are as follows:

	Life		Nonlife		Total	
	2020 (Estimated)	2019 (Actual)	2020 (Estimated)	2019 (Actual)	2020 (Estimated)	2019 (Actual)
Total assets	<b>₱2,644,508,448</b>	₱2,382,832,210	<b>₱1,026,659,592</b>	₱915,082,747	<b>₱3,671,168,040</b>	₱3,297,914,957
Total liabilities	<b>1,245,712,301</b>	1,194,755,350	<b>369,577,769</b>	279,303,857	<b>1,615,290,070</b>	1,474,059,207
Equity	<b>1,398,796,147</b>	1,188,076,860	<b>657,081,823</b>	635,778,890	<b>2,055,877,970</b>	1,823,855,750
Less: Non-admitted assets	<b>694,467,803</b>	708,116,057	<b>98,372,230</b>	68,378,845	<b>792,840,033</b>	776,494,902
Net worth	<b>704,328,344</b>	479,960,803	<b>558,709,593</b>	567,400,045	<b>1,263,037,937</b>	1,047,360,848
Less: Net worth requirements as at December 31					<b>450,000,000</b>	450,000,000
Excess over net worth requirements					<b>₱813,037,937</b>	₱597,360,848

As at December 31, 2020 and 2019, 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, 2020 and the final RBC2 ratio as determined by the IC as at December 31, 2019:

	Life		Nonlife	
	2020 (Estimated)	2019 (Actual)	2020 (Estimated)	2019 (Actual)
Total available capital	<b>₱665,937,771</b>	₱473,754,048	<b>₱653,169,938</b>	₱632,835,498
RBC2 requirement	<b>250,694,131</b>	462,414,385	<b>76,515,910</b>	82,697,165
RBC2 ratio	<b>266%</b>	102%	<b>854%</b>	765%

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 (R.A. 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 March 31	May 31
As of June 30	August 31
As of September 30	November 30
As of December 31	April 30

The Cooperative has complied with the submission requirements of IC as at December 31, 2020 and 2019 for FRF and gross premium valuation.

### 34. Supplementary Information Required by the Bureau of Internal Revenue

#### **Certificate of Tax Exemption**

The BIR issued a CTE to the Cooperative, which entitles the Cooperative to the following tax exemptions and incentives provided for under Article 60 of R.A. 9520, as implemented by the Joint Rules and Regulations Implementing Articles 60, 61 and 144 of R.A. 9520:

- Exemption from Income tax on income from CDA-registered operations;
- Exemption from Value-added tax on CDA-registered sales or transactions;
- Exemption from other Percentage tax;
- Exemption from Donor's tax on donations to duly accredited charitable, research and educational institutions, and reinvestment to socio-economic projects within the area of operation of the Cooperative;
- Exemption from Excise tax for which it is directly liable;
- Exemption from Documentary stamp tax; provided however, that the other party to the taxable document/transaction who is not exempt shall be the one directly liable for the tax;
- Exemption from payment of Annual Registration fee of ₱500; and,
- Exemption from all taxes on transactions with insurance companies and banks, including but not limited to 20% final tax on interest deposits and 7.5% final income tax on interest income derived from a depository bank under the expanded foreign currency deposit system.

The CTE is valid until March 15, 2022.

#### **Revenue Regulations No. 15-2010**

The information for 2020 as required by the above regulation is presented below.

#### **Output VAT**

The Cooperative is exempt from VAT pursuant to the provisions of R.A. No. 9520 otherwise known as the Philippine Cooperative Code of 2008.

#### **All Other Local and National Taxes**

All other local and national taxes paid in 2020 consist of:

Permits and licenses	₱317,892
Registration fees	58,114
Real estate tax	45,312
Community tax	500
Others	16,575
	<u>₱438,393</u>

The above local and national taxes are classified as "Taxes and licenses" under "General and administrative expenses" account in the statements of operations.

#### **Withholding Taxes**

Withholding taxes paid and accrued and/or withheld in 2020 consist of:

	Paid	Accrued	Total
Withholding tax on compensation	₱2,936,703	₱308,703	₱3,245,406
Expanded withholding tax	10,845,586	608,824	11,454,410
	<u>₱13,782,289</u>	<u>₱917,527</u>	<u>₱14,699,816</u>



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**Tax Assessments and Tax Cases**

In 2020, the Company received final assessment notices pertaining to tax deficiencies for the taxable year 2018. The Company paid the final assessment of the BIR.

The final tax assessment is lodged under “Miscellaneous” under “General and administrative expenses”.



## 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 2020 amounting to

P **811,192,695.46** (individual/group life insurance contracts)  
 P **4,062,057.11** (MAS plan)  
 P **253,841,393.73** (claims reserve liability net of reinsurance receivables)

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, 2020. 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 6 duration factors.

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

08 March 2021

**ANNEX "A"****A. Assets**

1. Net life insurance premiums and annuity considerations due and uncollected	21,960,730.27
2. Accident and health premiums due and uncollected	Nil

**B. Liabilities**

1. Aggregate reserve for life policies and contracts	811,192,695.46
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	122,785,990.12
4.2 In course of settlement:	
4.2.1 Resisted	63,760,378.03
4.2.2 Others	Nil
4.3 Incurred but not unreported (less reinsurance)	81,550,854.03
4.4 Total (Gross)	268,097,222.18
4.5 Add: Reinsurance assumed on reported claims	Nil
4.6 Less: Reinsurance ceded on reported claims	14,255,828.45
4.7 Net Liability	253,841,393.73
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	4,062,057.11

**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

2020 Actuarial Valuation Results

PH14 VGP Center (formerly ManilaBank Bldg.) Ayala Ave. Makati City  
Tel: 7752-0963 E-mail: panfilodelapaz@yahoo.com



**STATEMENT OF OPINION**

This is to certify that the amount of reinsurance recoverable by CLIMBS from its reinsurers as of December 31, 2020 is **14,255,828.45**.

In issuing this certification, I completely relied on the data and information provided to me by the Head of Reinsurance of CLIMBS.

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

08 March 2021



**AMI Actuarial Consultants Philippines, Inc.**

Unit 18-F Aras cor Wilson Street, Brgy.  
Maytunas, San Juan City, 1500

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Telephone: (632) 866-3665  
Telefax: (632) 727-9504

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

### **CLIMBS LIFE AND GENERAL INSURANCE COOPERATIVE For the Period Ended December 31, 2020**

#### **SECTION A: 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, 2020 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, 2020, 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, 2020**  
**One-Year Development on Gross Unpaid Claims**  
**(Amounts in Pesos)**

One-Year Development on Gross Unpaid	IBNR Reserves at 12/31/2019*	Actual Reported after 12/31/2019	Adequacy Ratio	Claims Liabilities at 12/31/2019	Actual Paid after 12/31/2019	Adequacy Ratio
Fire and Allied Perils	2,727,693	12,721,653	21%	3,537,731	13,056,108	27%
Motor	18,062,037	823,393	> 500%	26,013,217	7,993,840	325%
Personal Accident	13,019,529	20,354,590	64%	14,072,782	20,454,504	69%
Others	421,492	1,836,128	23%	434,453	1,296,194	34%
Total	34,230,751	35,735,764	96%	44,058,183	42,800,646	103%

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

**AMI Actuarial Consultants Philippines, Inc.**

18-F Aras St, San Juan City 1500 • Telefax: (632)727-9504 Web site: <http://amirisk.com>  
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**Back-testing of IBNR and Claims Liabilities from Prior Periods**  
**(Undiscounted at 75% Confidence Level)**  
**Using Data as of December 31, 2020**  
**One-Year Development on Net Unpaid Claims**  
**(Amounts in Pesos)**

One-Year Development on Net Unpaid	IBNR Reserves at 12/31/2019*	Actual Reported after 12/31/2019	Adequacy Ratio	Claims Liabilities at 12/31/2019	Actual Paid after 12/31/2019	Adequacy Ratio
Fire and Allied Perils	1,106,424	12,721,653	9%	1,916,047	13,056,108	15%
Motor	14,989,833	823,393	> 500%	22,936,862	7,993,840	287%
Personal Accident	11,823,326	20,354,590	58%	12,876,060	20,454,504	63%
Others	233,145	1,836,128	13%	246,105	1,296,194	19%
Total	28,152,728	35,735,764	79%	37,975,074	42,800,646	89%

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

**AMI Actuarial Consultants Philippines, Inc.**

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For the period ended December 31, 2020  
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**Comparative Analysis between  
Current and Previous Valuations  
Gross of Reinsurance  
(Amounts in Pesos)**

	Valuation @09/30/2020	Valuation @12/31/2020	Increase/ Decrease
(1) UPR: Gross of Reinsurance	36,811,143	130,187,287	93,376,144
(2) URR: Best Estimate	15,900,000	48,935,000	33,035,000
(3) MFAD	7,218,557	22,216,358	14,997,801
(4) Excess of URR + MFAD over UPR net of DAC	40,154,000	0	(40,154,000)
<b>(5) Total Premium Liabilities</b>	<b>76,965,142</b>	<b>130,187,287</b>	<b>53,222,145</b>
(6) Outstanding Claims Reserve	12,413,295	22,649,188	10,235,893
(7) Claims Handling Expense	62,000	125,000	63,000
(8) IBNR	20,324,000	19,367,000	(957,000)
(9) MFAD	25.9%	25.9%	0.0%
<b>(10) Total Losses and Claims Payable</b>	<b>41,308,318</b>	<b>53,073,751</b>	<b>11,765,433</b>
<b>(11) Policy Reserves</b>	<b>118,273,461</b>	<b>183,261,039</b>	<b>64,987,578</b>

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

	Valuation @09/30/2020	Valuation @12/31/2020	Increase/ Decrease
(1) UPR: Net of Reinsurance	29,884,614	123,009,926	93,125,312
(2) URR: Best Estimate	13,722,000	46,511,000	32,789,000
(3) MfAD	3,737,397	12,667,982	8,930,586
(4) Excess of URR + MfAD over UPR net of DAC	40,229,148	0	(40,229,148)
<b>(5) Total Premium Liabilities</b>	<b>70,113,762</b>	<b>123,009,926</b>	<b>52,896,164</b>
(6) Outstanding Claims Reserve	12,413,295	22,649,188	10,235,893
(7) Claims Handling Expense	62,000	125,000	63,000
(8) IBNR	17,417,000	16,600,000	(817,000)
(9) MfAD	15.6%	15.6%	0.0%
<b>(10) Total Losses and Claims Payable</b>	<b>34,544,651</b>	<b>45,502,281</b>	<b>10,957,630</b>
<b>(11) Policy Reserves</b>	<b>104,658,413</b>	<b>168,512,207</b>	<b>63,853,794</b>

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## ► CLIMBS AUDIT COMMITTEE REPORT

The Audit Committee provides oversight of CLIMBS' financial reporting processes, internal controls, and compliance to laws and regulations. This role also includes oversight of the internal and independent auditors. In 2020, the Committee crafted the Audit Policy in order to establish the framework within which the Internal Audit can provide objective assurance to the Board of Directors over the internal control and risk management processes and systems. The Audit Policy contains the objectives, standards, assumptions, strategies and procedures in the conduct of audit as well as the guidelines for report preparation.

The Audit Committee convened once in 2020 to review the Internal Audit Reports and the Interim Audit Report of the independent auditor. The results of the review of these reports were presented to and discussed with the Board of Directors once in Joint Officers and Management meetings held last March 15, 2021 thru zoom.

For the year 2020, the Committee has issued nine (9) Audit Observation Memorandums (AOM) with twenty-nine (29) audit recommendations. As of April 12, 2021, five (5) of these audit observations have been fully implemented while four (4) are in progress for 2020 and two (2) for 2019. The audit observations that are still in progress are as follows:

AOM NO./DATE	OBSERVATIONS	RECOMMENDATIONS	MANAGEMENT REPLIES
1. 2019-08-002/08.02.19	<b>Unremitted Collections (CARAGA Area) - Head Office</b>  There were unremitted premium collections from different cooperatives, associate members and individuals in Caraga Region representing premium payments of both Life and Non-Life products less commissions to a total of Php 1,394,095.07.	It is recommended to file a legal case and seek full restitution of the amount not remitted.  It is also recommended submitting an agent's negative list to Insurance Commission.	A case has been filed in court last December 11, 2020 and is waiting for Fiscal Resolution.  An agent's negative list was submitted to Insurance Commission dated April 8, 2021.
2. 2019-11-001/11.14.19	<b>Unremitted Collections (Region 2) – Baguio Area Office</b>  There were unremitted premium collections from cooperatives within Region 2 representing Life premium payment net of commissions amounted to Php 232,901.28.	It is recommended to file a legal case and seek full restitution of the amount not remitted.  It is also recommended submitting an agent's negative list to Insurance Commission.	The management hired Atty. Robin James A. Gunnacao in Tuguegarao City, Cagayan to file the appropriate complaint in the Office of the City Prosecutor in Tuguegarao.  An agent's negative list was submitted to Insurance Commission dated April 8, 2021.
3. 2020-003/02.24.20	<b>Accounts Receivable from RSM Representing Commissions Taken in Advance – Davao Area Office</b>  An Accounts Receivable from RSM amounting to Php 483,000.00 represents	It is recommended that premium collections made by the RSM be accounted for to	The full restitution of the owed amount is made through commissions and

	<p>commissions earned deducted in advance from Life premium being collected. This is in contrary to the memo issued by Finance on Premium Collections that requires all collections be deposited intact and wait for the commissions to be released as scheduled.</p> <p>The RSM was already given warning previously.</p>	<p>determine his net liability. The withholding tax pertaining to his commissions should also be taken into account for proper recording and remittance to BIR.</p> <p>It is also recommended that a sanction be given to the RSM for ignoring such warning.</p>	<p>salary deduction. As of December 31, 2020, a zero balance of his Accounts Receivable was noted.</p> <p>A Written Reprimand Letter dated March 25, 2021 was received by RSM on March 31, 2021. This letter will serve as the final warning for RSM not to commit the same violation.</p>
4. 2020-004/07.07.20	<p><b>Check for Premium payment is in the name of GAM – Davao Area Office</b></p> <p>A check payment for Life premium from Rural Bank of Digos, Inc. (RBDI) – Malita Branch were in the name of GAM instead of CLIMBS. This violates the internal control measure as provided in the Audit Policy that any check issued as a payment instrument be made payable to CLIMBS.</p>	<p>It is recommended that the GAM has to explain in writing the agreement he had with RBDI management on such remittance arrangement including the reason for withholding this significant information from the management of CLIFSA and CLIMBS, considering this is a direct violation of the policy on collection. Any exception to the rules must be considered only upon the approval of the top management.</p> <p>It is recommended that management request a representation letter from the bank of their practice for CLIMBS to consider them and not to lose the business.</p>	<p>A letter from the GAM was received dated March 10, 2021 explaining the premium collection process flow of RBDI.</p> <p>On the same date, a letter was received from General Manager of RBDI who certifies that the procedure for remitting premium to CLIMBS is the same with their previous insurance provider.</p> <p>On March 26, 2021, the ASM submitted the agreement with RBDI, Inc. for them to observe CLIMBS process on premium remittance.</p>
5. 2020-009/11.25.20	<p><b>Late Premium Remittance of CLIFSA Marketing Representative – Davao Area Office</b></p> <p>A late premium remittance from CLIFSA Kidapawan Satellite Office was noted were premium collections for both Life and Non-Life in one of our coop was reported only when there was claim.</p>	<p>It is recommended that a Weekly Provisional Receipt Report be implemented and a Provisional Receipt (PR) must be issued in every collection attached with the deposit slips.</p>	<p>A Memo on Guidelines in Provisional Receipt (PR) Handling was released on December 3, 2020 and the PR Weekly Report was endorsed for implementation effective</p>

		<p>day or the next banking day and to validate this, a weekly report on PR issuance must be submitted to Head Office Cashier.</p> <p>It is also recommended to come up a system where all PR's issued by the GAMS, Agents, CAC and CLIFSA Satellite Offices will be captured (reported and not yet reported). In this way, the inventory of PR is not difficult to do and any unremitted premium collection can be controlled.</p>	<p>The management also forwarded to CLIFSA the Guidelines in Provisional Receipt Handling for implementation.</p> <p>A facility will be added to FPlus wherein the submitted reports on PR will be now automated by April 2021.</p>
6. 2020-010/12.16.20	<p><b>Inventory on Non-Life Total Loss Recovery for CY 2017 – CY 2020 – Head Office</b></p> <p>There were 2 long outstanding Reinsurance Recovery from Stronghold Insurance where total loss claim was under the name of the following assured:</p> <ol style="list-style-type: none"> <li>20009149 Henry Lopez 03.06.17 Php 272,646.00</li> <li>1600057 Leading Edge 06.10.19 <u>3,043,344.00</u> Php 3,315,990.00 =====</li> </ol>	<p>It is recommended that Reinsurance Recovery from Stronghold Insurance be collected in order to lessen the non-admitted asset of CLIMBS.</p>	<p>The management coordinated with Stronghold Insurance and submitted the additional requirements on April 8, 2021.</p>

Upon review of the Financial Statements as at and for the year ended December 31, 2020, the following relevant financial ratios were noted, with comparative figures from the previous year:

Relevant Ratios	2020	2019
Current Ratio	1.06:1	1.12:1
Solvency Ratio	116.4:1	113.5:1
Net Profit Margin	10.05%	12.58%
Return on Equity	9.05%	11.04%

**Current Ratio** measures the Cooperative's ability to pay off short-term liabilities with current assets. CLIMBS' current ratio was lower for this year as compared to last year because current liabilities increased by 17% while current assets increased by 10% only.

**Solvency ratio** aims to determine how much of the business assets belong to the Members rather than the Creditors. The lower the ratio, the higher the creditors' claims on the assets, possibly indicating the Cooperative is

extending its debt beyond its ability to repay. The ratio for 2020 as compared to 2019 was high which may indicate that CLIMBS is managing its assets too conservatively.

**Net Profit Margin or Return on Sales** measures CLIMBS' operating efficiency. The Cooperative's Net Profit Margin decrease from previous year because of the decrease in investment income which still indicates improvement in terms of efficiency, flexibility and ability to take on new opportunities.

**Return on Equity (ROE)** measures how well CLIMBS did in relation to the investments made by members. Similarly, ROE decreased in the current year due to decrease in net income however the Cooperative still earned more for every amount of capital invested by members compared to the previous year.

For the year 2020, the Audit Committee shall focus on assessing the effectiveness of internal controls and ensuring compliance to Cooperative policies and regulations.



**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*

## ► CLIMBS 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.

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 <b>and self-help organization.</b>

- 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.	Regular membership.
Every regular Xxx	Every regular Xxx
	<b>No member of CLIMBS other than itself shall own or hold more than 10% of the subscribed and paid</b>



	<b>common share capital of CLIMBS.</b>
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 <b>preferred</b> 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, <del>the vice-chairman</del> 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.
--	--

## Section 31. Removal of Director and Committee Member

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

## 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 <b>at least</b> 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 <b>not</b> be <b>more than</b> 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 <b>not</b> be <b>less than</b> 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 <b>not exceed</b> 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
<p>a) The Board of Directors shall be composed of <del>eleven</del> members consisting of two (2) Independent Directors (ID) and nine (9) Regular Directors (RD).</p> <p>a.1.) The <del>nine</del> regular directors <del>shall consist of</del> members-cooperatives which shall be represented by their voting delegates <del>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 subparagraphs b.1), b.2), b.3), b.4), b.5), b.6), b.7) and b.8) respectively, as hereunder provided.</del> They shall hold office Xxx</p>	<p>a) The Board of Directors shall be composed of <b>thirteen (13)</b> members consisting of two (2) Independent Directors (ID) and <b>eleven (11)</b> Regular Directors (RD).</p> <p>b) The <b>eleven</b> regular directors shall be <b>elected</b> by member cooperatives through their voting delegates during the Annual General Assembly.</p> <p>They shall hold office Xxx</p>
<p>a.2.) Two Independent Directors (ID). <del>Who are natural persons, shall likewise be elected at large by all the entire voting delegates by secret ballot.</del> They shall hold office for a term of two (2) years Xxx</p>	<p><b>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.</b></p> <p><b>d) The Independent Directors shall hold office for a term of two (2) years but not more than five (5) years.</b></p>
<p>b.) The <del>aforesaid nine</del> seats of the Regular Directors (RD) <del>shall be apportioned and elected either by secret ballot or by automation</del> as follows:</p>	<p><b>e) The <b>eleven (11)</b> Regular Directors (RD) shall be elected</b> as follows:</p>

<p>b.1.) <del>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.</del></p>	<p><b>f) Two (2) Directors shall be elected by each island region of Luzon, Visayas and Mindanao respectively, regardless of the aggregate share capital/investment.</b></p> <p><b>g) Three (3) Directors from the first three highest investors/share capital holders shall be voted nominally.</b></p> <p><b>h) Two (2) Directors shall be elected at large by the entire assembly.</b></p> <p><b>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.</b></p>
<p>b.6.) <del>Provided that, there shall only be one Regular Director representing a member- cooperative in the Board of Directors at any given time.</del></p> <p>b.8.) The qualifications manner, procedure, rules and regulations of voting and Xxx</p>	<p><b>j) There shall only be one Regular Director representing a member- cooperative in the Board of Directors at any given time.</b></p> <p><b>k) The qualifications <b>standard</b>, procedure, rules and regulations of voting and Xxx</b></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><del>b.1) He/she must have no conflict of interest and/or has no interest at all with CLIMBS.</del></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><del>b.3) He/she must act as adviser of CLIMBS.</del></p> <p><del>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:</del></p> <ul style="list-style-type: none"> <li><del>• Competencies in his/her</del></li> </ul>	<p>a) Independent Director (ID):</p> <p><b>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;</b></p> <p><b>a.2) He/she must be an Expert and/or Engaged and/or Exposed and comes from reputable financial sector and/or insurance Industry.</b></p> <p><b>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</b></p>
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<p>respective fields;</p> <ul style="list-style-type: none"> <li>Reminds the Regular Directors/Board of Directors of ultra vires dispositions;</li> </ul> <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>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 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 or with other persons or through a firm of which he is a partner, director, or a shareholder.</p> <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</p>
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	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)
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d. 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.

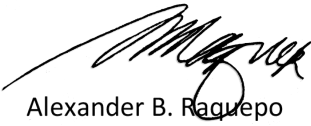
Section 51. President of CLIMBS

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. Raguepo  
Secretary



## ► OFFICES

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