MANUAL
ON EXAMINATION
OF
MUTUAL BENEFIT
ASSOCIATIONS

2017 Edition
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CHAPTER I

FOREWORD

The Insurance Commission is the regulatory body that regulates insurance companies. The function of the Life/MBA’s/Trust Division is to conduct examination/verification of Mutual Benefit Associations’ (MBA) financial condition, affairs and methods of doing business.

Section 253 of Republic Act No. 10607 (Amended Insurance Code) explicitly states that, "The Commissioner shall at least once a year and whenever he considers the public interest so demands, cause an examination to be made into the affairs, financial condition and method of business of every insurance company authorized to transact business in the Philippines and of any other person, firm or corporation managing the affairs and/or property of such insurance company."

The objective of the examination is to monitor the MBAs’ compliance with regulatory requirements, to detect, as early as possible, any financial difficulties and practice and/or engagement of improper or unlawful activities to ensure financial stability of all MBAs for the protection of all members.

This manual is intended as guide for examiners in conducting examination of the financial condition of MBAs in accordance with the Insurance Commission standard chart of accounts for MBAs, valuation of insurance policy reserves, risk-based capital framework and enhanced microinsurance regulatory framework.

It is not claimed that this manual is entirely without flaws, hence its periodic review is earnestly recommended to keep pace with the rapidly changing business environment. Neither is it claimed to be complete and absolute, as the Insurance Commission may require additional documents and perform additional procedures, as necessary, depending on the circumstances at the time of examination.
CHAPTER II

CHART OF ACCOUNTS

11000 ASSETS

Economic resources of MBAs that are recognized and measured in conformity with Philippine Financial Reporting Standards (PFRSs).

This represents resources controlled by the MBA (entity) as a result of past events and which future economic benefits are expected to flow to the MBA [Framework for the Preparation and Presentation of Financial Statements (1989), paragraph 4.4 (a)].

111000 – 116300 CURRENT ASSETS

Cash and other assets that are reasonably expected to be realized in cash or intended for sale or consumption within twelve (12) months after the reporting period (balance sheet date), or the normal operating cycle of the business, unless it is restricted from being exchanged or used to settle a liability for at least twelve (12) months after the reporting period (balance sheet date; PAS 1, paragraph 66).

111000 Cash and Cash Equivalents

Cash includes money and any other negotiable instrument that is receivable in money and acceptable by the bank for deposit and immediate credit. Cash comprises cash on hand and demand deposits (PAS 7, paragraph 6).

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value (PAS 7, paragraph 6). Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. An investment normally qualifies as a cash equivalent only when it has a short maturity of three (3) months or less from the date of acquisition (PAS 7, paragraph 7).
111100  Cash on Hand

This represents the total amount of undeposited collections in the custody of the cashier. This includes any acceptable currency notes and coins, checks, bank drafts, postal money orders, and other cash items in favor of the MBA that is awaiting deposit within the day or the following banking day. This does not include post-dated checks (PDCs) and returned checks which have been dishonored by the bank due to insufficient funds.

111200  Petty Cash Fund

This represents the fund established to defray immediate minimal disbursements which are evidenced by duly accomplished and approved petty cash vouchers with the corresponding supporting receipts and/or other supporting documents. This fund shall be maintained under an imprest system.

111300  Cash in Banks

This account refers to money deposited in the bank under the name of the MBA, i.e., savings, current, and combo-account which are unrestricted and available for use in the current operations. A subsidiary ledger shall be maintained for each bank account and may include the following:

111310  Cash in Banks – Savings
111320  Cash in Banks – Current/Checking
111330  Cash in Banks – Combo-Account
111340  Cash in Banks – Other Account

111400  Cash Equivalents

This account refers to short-term, highly liquid investments that are readily convertible into known amount of cash and which are subject to an insignificant risk of changes in value (PAS 7, paragraph 6). An investment normally qualifies as a cash equivalent only when it has short maturity of three (3) months or less from the date of acquisition (PAS 7, paragraph 7) [e.g. three-month debt securities, debt securities purchased three (3) months before maturity]. Time deposits and investments maturing beyond three (3) months are presented under Short-term
Financial Assets. A subsidiary ledger shall be maintained for each account and may include the following:

111410  Cash Equivalents – Time Deposits
111420  Cash Equivalents – Money Market Instruments
111430  Cash Equivalents – Others

112000 Financial Assets at Amortized Cost (FAAC) – Current

This account refers to financial assets (debt securities) which are held within a business model whose objective is to hold the assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flow that are solely payments of principal and interest on the principal amount outstanding (PFRS 9, paragraph 4.1.2) within twelve (12) months after the reporting period.

112100 FAAC – Investment in Bonds/Debt Securities

This refers to the current portion of investment in bonds (formal unconditional promise made under seal to pay a specified sum of money on a determinable future date and to make periodic interest payments at a stated rate until the principal sum is paid) issued by National Government, private corporation and/or other domestic/foreign institution. To be classified as FAAC, the MBA’s primary objective is to hold the asset to collect the contractual cash flow rather than selling the asset prior to its maturity (hold to maturity). The account may be further classified as follows:

112110  FAAC – Investment in Bonds – Government Securities
112120  FAAC – Investment in Bonds – Corporate Issued
112130  FAAC – Investment in Bonds – Others (i.e., Foreign Issues)

113000 Financial Assets at Fair Value – Profit and Loss (P&L)

This represents financial assets that are (a) quoted equity/debt instruments and which are intended to be sold within one year, and (b) irrevocably designated, at initial recognition, as at fair value through
profit or loss (PFRS 9, paragraph a.1.5). A financial asset shall be measured at fair value unless it is measured at amortized cost (PFRS 9, paragraph 4.1.4).

113100 FAFV (P&L) – Investment in Bonds/Debt Securities

This refers to investment in bonds issued by the National Government, private corporation and/or other domestic/foreign institution. To be classified as FAFV through profit and loss, the MBAs primary objective is to collect the contractual cash flow and selling the financial asset within the calendar year. The account may be further classified as follows:

113110 FAFV (P&L) – Investment in Bonds - Government Securities

113120 FAFV (P&L) – Investment in Bonds – Corporate Issues

113130 FAFV (P&L) – Investment in Bonds – Others (i.e. Foreign Issues)

113200 FAFV (P&L) – Investment in Stocks/Equities

This refers to investments in equity securities, either common/ordinary or preferred/preference share, that are purchased and held for short term, principally for the purpose of generating gains on resale (trading securities) and reported at fair value with gains and losses through profit or loss. Investments in equity securities that are not trading securities are classified as non-current through FAFV through other comprehensive income (OCI) account.

113210 FAFV (P&L) – Investments in Stocks/Equities - Common/Ordinary

113220 FAFV (P&L) – Investments in Stocks/Equities - Preferred/Preference

113230 FAFV (P&L) – Investments in Stocks/Equities - Others (i.e. Foreign)

114100 Receivables

This refers to financial assets that represent a contractual right to receive cash or another financial asset.
114100  **Members' Fees & Dues Receivable**
This represents membership fees and dues which remain to be uncollected as of the end of the accounting period.

114200  **Members' Contributions Due and Uncollected**
This represents contributions due and uncollected at the end of the accounting period on all membership certificates (basic policies) which are classified as in force on the MBA's valuation records. These are contributions that are due and uncollected within the grace period.

114300  **Net Premiums Due and Uncollected**
This represents net premiums due and uncollected at the end of the accounting period on all optional policies which are classified as in force on the MBA's valuation records. These are net premiums that are due and uncollected within the grace period.

114400  **Unremitted Members' Contributions, Dues and Fees**
This represents members' contributions, fees and dues collected by partner individuals/institutions on membership certificates (basic policies) but which have not been remitted as of the end of the accounting period.

114500  **Unremitted Premiums**
This represents gross premiums collected by partner individuals/institutions on all optional policies but which have not been remitted as of the end of the accounting period.

114600  **Amounts Recoverable from Reinsurers**
This represents the accrued amount recoverable from reinsurers arising from paid claims and claims payable.
114610 Allowance for Probable Losses – Reinsurers
This represents the total amount set up to provide for losses which may arise from non-collection of the amounts recoverable from reinsurers.

114700 Members’ Assessment Receivable
This includes assessment on members arising from any impairment on the reserves as may be determined by the Insurance Commission that remains to be unpaid as of valuation date.

114710 Allowance for Probable Losses – Members’ Assessment
This represents the amount set up to provide for losses which may arise from non-collection of the amounts recoverable from members.

114800 Accrued Income
This represents income earned but not yet received as of the end of the accounting period.

114810 Accrued Interest Income
This represents interest income earned from time deposits, investments and loans receivable but not yet received as of the end of the accounting period.

114811 Accrued Interest Income – Bonds
114812 Accrued Interest Income – Receivables
114813 Accrued Interest Income – Others

114820 Accrued Dividend Income
This represents dividend income earned from investments but not yet received as of the end of the accounting period.

114821 Accrued Dividend Income - Common/Ordinary Shares
114822 Accrued Dividend Income - Preferred/Preference Shares
114823 Accrued Dividend Income – Others
114830 Other Accrued Income
This represents other income earned but not yet received as of the end of the accounting period.

114900 Other Current Receivables
This includes accounts or those not supported by promissory notes which arise from the normal operations but are not classified under any of the foregoing accounts.

114910 Advances to Officers and Employees
This account refers to duly approved cash advances for official business to officers and employees, subject to liquidation in accordance with the policy of the MBA.

114920 Due from Officers and Employees
This account refers to total collectibles due from officers and employees arising from credit accommodations, shortages, losses and unliquidated cash advances beyond the prescribed period, that are subject to immediate settlement.

114930 Lease Receivables
This represents receivables arising from lease contracts

114940 Receivables – Others
This represents all other receivables which cannot be classified under any of the foregoing receivables.

114950 Allowance for Probable Losses — Other Current Receivables
This represents the amount set up to provide for losses which may arise from non-collection of the foregoing loans receivables. This account may have the following sub-accounts:
114951 Allowance for Probable Losses — Advances to Officers and Employees

114952 Allowance for Probable Losses — Due from Officers and Employees

114953 Allowance for Probable Losses — Lease Receivables

114954 Allowance for Probable Losses — Others

115000 Due to/from Other Funds

This represents interfund (e.g. General Fund, Basic Benefit Fund, and Optional Fund) receivables and/or payables. This should always be equal to “zero” during consolidation.

116000 Prepayments and Other Current Assets

This account refers to payments (e.g. insurance, interest, rentals, etc.) made in advance and other assets which are expected to be realized, consumed or used within the year or one operating cycle.

116100 Prepaid Expenses

This account represents unamortized portion of advance payments which is expected to be incurred within one year or one operating cycle.

116200 Unused Stationery and Supplies

This account represents unused accountable forms, stationery and other supplies.

116300 Other Current Assets

This account represents other assets which are expected to realized or consumed within one year or one operating cycle.
190000  NON-CURRENT ASSETS

All assets not classified as current are classified as non-current assets (PAS 1, paragraph 66).

121000  Financial Assets at Amortized Cost (FAAC)

This account refers to financial assets (debt securities) which are held within a business model whose objective is to hold the assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flow that are solely payments of payments of principal and interest on the principal amount outstanding (PFRS 9, paragraph 4.1.2) beyond 12 months after the reporting period.

121100  FAAC - Investment in Bonds/Debt Securities

This refers to the non-current portion of investment in bonds issued by National Government, private corporation and/or other domestic/foreign institution. To be classified as FAAC, the MBA's primary objective is the hold the asset to collect the contractual cash flow rather than selling the asset prior to its maturity (hold to maturity). The account may be further classified as follows:

121110  FAAC Investment in Bonds - Government Securities
121120  FAAC - Investment in Bonds - Corporate Issues
121130  FAAC - Investment in Bonds - Others (i.e. Foreign Issues)

122000  Financial Assets at Fair Value (FAFV) - Other Comprehensive Income (OCI)

This represents financial assets that are (a) quoted equity/debt instruments and which are not held for trading and (b) irrevocably designated, at initial recognition, as at fair value through other comprehensive income (PFRS 9, paragraph 5.7.5).
122100 FAFV (OCI) - Investment in Bonds/Debt Securities
This refers to investment in bonds issued by the National Government, private corporation and/or other domestic/foreign institution. To be classified as FAFV through other comprehensive income, the MBA initially recognized it as available for sale and its primary objective is to collect the contractual cash flow and selling the financial asset before its maturity. The account may be further classified as follows:

122110 FAFV (OCI) — Investment in Bonds — Government Securities

122120 FAFV (OCI) — Investment in Bonds — Corporate Issues

122130 FAFV (OCI) — Investment in Bonds — Others (i.e. Foreign Issues)

122200 FAFV (OCI) — Investment in Stocks/Equities
This refers to investments in equity securities, either common/ordinary or preferred/preference share, that are purchased and held for long term, principally for the purpose of generating gains and reported at fair value with gains and losses through other comprehensive income. These securities that are not trading securities and are classified as non-current through FAFV through other comprehensive income (OCI) account.

122210 FAFV (OCI) — Investments in Stocks/Equities — Common/Ordinary

122220 FAFV (OCI) — Investments in Stocks/Equities — Preferred/Preference

122230 FAFV (OCI) — Investments in Stocks/Equities — Others (i.e. Foreign)

131000 Loans Receivable
Loans receivables are credit accommodations to members on the security of a pledge or chattel mortgage of personal properties of the borrowers, or in the absence thereof, on the security of the membership certificate of the borrowing members, in which event such loan shall become a first lien on the proceed thereof (Insurance Code).
131100 Membership Certificate Loans

This represents the outstanding balances of loans granted to members at prescribed interest rates, fully secured by the members' equity value of the certificate. These may be in the form of a cash loan applied for by the members or Automatic Contributions Loan applied by the MBA, as provided for in the membership certificate, to cover contribution(s) due on the certificate but still unpaid within the grace period.

131200 Policy Loans

This represents the outstanding balances of loans granted to members at prescribed interest rates, fully secured by the cash surrender value of the underlying optional/traditional insurance policy. These may be in the form of a cash loan applied for by the policyholder or Automatic Premium Loan applied by the MBA, as provided for in the policy contract, to cover premium(s) due on the policy but still unpaid within the grace period. Policy loan may be further classified into:

131210 Policy Loans – Regular
131220 Policy Loans – Micro

131300 Other Loans Receivable

This represents all other loans which cannot be classified under any of the foregoing loan accounts (e.g. real estate mortgage loan, financial assistance loans, etc.).

131400 Allowance for Loan Impairment

This represents the amount set up to provide for losses which may arise from decrease in the estimated future cash flows from any of the foregoing loans receivable accounts (PFRS 9, paragraph 5.2.2).

131410 Allowance for Loan Impairment - Membership Certificate Loans
131420 Allowance for Loan Impairment - Policy Loans
131430 Allowance for Loan Impairment - Other Loans Receivable
141000 **Investments in Associates**

This represents the amount of the MBA's investments in stocks of an entity over which the MBA has significant influence and that is neither a subsidiary nor an interest in a joint venture (PAS 28, paragraph 2) as approved by the Commissioner.

142000 **Investments in Subsidiaries**

This represents the amount of the MBA's investments in stocks of a subsidiary, that is controlled by the MBA (known as the parent) (PAS 27, paragraph 4) as approved by the Commissioner.

143000 **Investment in Joint Venture**

This represents the cost of the MBA's investments in joint ventures as approved by the Commissioner. A joint venture is a joint arrangement whereby the MBA and one or more parties have rights to the net assets of the arrangement (PFRS 11, paragraph 16).

151000 **Investment in Property**

This represents real property (land or building, or part of a building, or both or building under construction) held (by the owner or by the lessee under a finance lease) to earn rentals or held for capital appreciation or both (PAS 40), rather than for: (a) use in the MBA's business operations or for administrative purposes; or (b) sale in the ordinary course of business.

151100 **Investment in Property – Land**

This represents land held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for: (a) use in the MBA's business operations or for administrative purposes; or (b) sale in the ordinary course of business (PAS 40, paragraph 5). This may include the following:

(a) Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of business.
(b) Land held for a currently undetermined future use (PAS 40, paragraph 8).
151200 Investment in Property - Building(s) and Building Improvements

This represents building, or part of a building, or both held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both (PAS 40), rather than for: (a) use in the MBA's business operations or for administrative purposes; or (b) sale in the ordinary course of business. This may include the following:

(a) Building owned by the MBA and leased out under one or more operating leases.
(b) Building that is vacant but is held to be leased out under one or more operating leases.

Further classification may include the following:

151210 Investment in Property - Building(s)
151220 Investment in Property - Building Improvements

151300 Investment in Property - Under Construction - Building(s) and Building Improvements

This represents building, or part of a building, or both held by the MBA that is still under the construction with a purpose to earn rentals or for capital appreciation or both, rather than for: (a) use in the MBA's business operations or for administrative purposes; or (b) sale in the ordinary course of business. The account may be further classified as follows:

151310 Investment in Property - Under Construction - Building(s)
151320 Investment in Property - Under Construction - Building Improvements

151400 Accumulated Depreciation - Investment in Property - Building and Building Improvements

This account refers to the total amount of depreciation and impairment on Investment Property - Building that are set up periodically and charged against the current operations if the MBA elect to use the cost model. If the entity use the fair value model in recognizing the asset, this account will not be used.

151410 Accumulated Depreciation - Investment in Property - Building
Accumulated Depreciation - Investment in Property - Improvements

161000 Property and Equipment
These are tangible items that are: (a) held for use in the MBA's business operations or for administrative purposes; and (b) expected to be used during more than one accounting period (PAS 16, paragraph 6).

161100 Land
This represents the land used by the MBA in its ordinary course of business.

161200 Building(s) and Building Improvements
These represent the building and improvements used by the MBA in its ordinary course of business. The account may be further classified as follows:

161210 Building
161220 Building Improvements

161300 Leasehold Improvements
This represents the cost of additions, improvements and/or alterations on the MBA's leased office premises which are incurred in making the property ready for use and occupancy.

161400 IT Equipment
This represents the cost of the information processing systems of the MBA including the computer hardware, customized software, and peripherals.

161500 Transportation Equipment
This represents the cost of motor vehicle and other transportation equipment owned, operated, used, or to be used by the MBA in carrying
out its business and/or insurance operations and as service vehicle of its officers and employees.

161600 **Office Furniture, Fixtures and Equipment**

This represents the costs of office machines, equipment, furniture and fixtures.

161700 **Other Equipment**

This account includes other equipment otherwise not chargeable to the foregoing property and equipment.

162000 **Accumulated Depreciation - Property and Equipment**

This represents that portion of the property cost, which was already allocated or charged to operations. This is a "contra property and equipment" account.

162100 **Accumulated Depreciation - Building(s) and Building Improvements**

Accumulated depreciation - building represents that portion of the cost of building and building improvements, which was already allocated or charged to operations. This is a "contra-building and building improvements" account.

162110 **Accumulated Depreciation - Building(s) and Building Improvements - Building**

162120 **Accumulated Depreciation - Building(s) and Building Improvements - Building Improvements**

162200 **Accumulated Depreciation - Leasehold Improvements**

This account represents that portion of the leasehold improvement costs, which was already allocated or charged to operations. This is a "contra leasehold improvement" account
162300 Accumulated Depreciation - IT Equipment
This account represents that portion of the IT equipment cost, which was already allocated or charged to operations. This is a "contra IT equipment" account.

162400 Accumulated Depreciation - Transportation Equipment
This account represents that portion of the transportation equipment cost, which was already allocated or charged to operations. This is a "contra transportation equipment" account.

162500 Accumulated Depreciation - Office Furniture, Fixtures & Equipment
This account represents that portion of the office furniture, fixtures and equipment cost, which was already allocated or charged to operations. This is a "contra office furniture and fixture" account.

162600 Accumulated Depreciation - Other Equipment
This account represents that portion of the other equipment cost, which was already allocated or charged to operations. This is a "contra fixed asset" account.

171000 Other Non-Current Assets
Include tangible, intangible and financial assets of long-term nature and are not classified under any of the foregoing accounts.

171100 Other Funds and Deposits
This account refers to restricted funds set aside for funding of Statutory and other reserves such as Retirement and Other Funds. This may be in the form of time deposit or other securities which may be convertible to cash when needed.
171200 Rental Deposit

This represents rental deposits on leased properties beyond one year which may be applied on the last period of occupancy or may be refunded upon termination of the lease contract.

171300 Foreclosed Properties

This represents real and other properties acquired by the MBA in settlement of loans or any obligations such as foreclosure of mortgage loan arrangements.

171400 Allowance for Probable Losses - Foreclosed Properties

This account refers to the cumulative amount of impairment loss incurred on ROPA, which shall be accounted for in accordance with PAS 36.

171500 Net Pension Asset

This represents excess of the MBA’s contribution to the benefit fund over the projected benefit obligation (PBO) with respect to post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care (PAS 19). This account arises when there is overfunding in the post-employment benefit fund.

171600 Miscellaneous non-current assets

This account refers to assets not falling in any of the foregoing categories.
200000 **LIABILITIES**

Economic Obligations that are recognized and measured in conformity with Philippine Financial Reporting Standards (PFRSs).

This represents the present obligation of the MBA (entity) arising from the past events, the settlement of which is expected to result in an outflow from the MBA (entity) of resources embodying economic benefits. [Framework for the Preparation and Presentation of Financial Statements (1989), paragraph 4.4 (b)].

210000 **CURRENT LIABILITIES**

Obligations reasonably expected to be settled within the normal business operating cycle, that: (a) is due within 12 months after balance sheet date; (b) is held primarily for the purpose of being traded; (c) does not have an unconditional right to defer settlement of the liability for the least 12 months after balance sheet date (PAS 1, PFRSs p. 397).

211000 **Liability on Individual Equity Value**

This represents the total amount of obligations set-up by the MBA on membership certificates pertaining to the 50% equity value, as required under the Insurance Code, and any incremental amount declared by the MBA.

212000 **Basic Contingent Benefit Reserve**

This represents the total actuarial services set-up by the MBA pertaining to the basic life benefit that is in force as at the end of the accounting period. It refers to the amount of liability which the MBA establishes for a certificate to meet the contractual obligation as it falls due.

213000 **Optional Benefit Reserve**

This represents the total actuarial services set-up by the MBA pertaining to the policies under optional benefit that is in force as at the end of the accounting period. It refers to the amount of liability which the MBA establishes for an optional policy to meet the contractual obligation as it falls due. The account may be further classified as follows:
213100  Optional Benefit Reserve – Regular
213200  Optional Benefit Reserve- Micro

214000  **Claims Payable on Basic Contingent Benefit**
This represents benefit claims on membership certificates reported filed or reported to the MBA, but not yet paid as of the end of the accounting period. It includes claims due and unpaid, claims in the course of settlement, resisted claims and those which are incurred but not reported.

214100  **Claims Payable on Basic Contingent Benefit - Due and Unpaid**
This represents the sum of the Individual claims on membership certificates that are due and have already been approved for payment but, for one reason or another, have not actually been paid. This includes checks already issued to beneficiaries but not yet released as of end of the accounting period.

214200  **Claims Payable on Basic Contingent Benefit - In Course of Settlement**
This represents the sum of the individual claims on membership certificates on which the MBA has already received notice of claim but on which, for one reason or another, final action has not been taken either approving the claims for payment in full or rejection it in part or in full.

214300  **Claims Payable on Basic Contingent Benefit - Claims Resisted**
This represents the sum of the individual amounts claimed on membership certificates which the MBA has been notified that its decision to deny liability, either in whole or in part, is being challenged and on which the contest has not yet been resolved.
214400 Claims Payable on Basic Contingent Benefit - Incurred but not yet Reported (IBNR)

This represents the sum of the individual claims on membership certificates that have already occurred but on which notice has not yet been received by the MBA. This estimates takes into account any policy reserve liability set up by the MBA and any amount recoverable from reinsurers.

215000 Claims Payable on Optional Benefits

This represents benefit claims on optional benefit filed or reported to the MBA but not yet paid as of the end of the accounting period. It includes claims due and unpaid, claims in the course of settlement, resisted claims and those which are incurred but not reported. Claims payable on Optional benefits will be further break into:

215100 Claims Payable on Optional Benefits-Regular
215200 Claims Payable on Optional Benefits-Micro

215310 Claims Payable on Optional Benefit-Due and Unpaid

This represents the sum of the individual claims on optional policies that are due and have already been approved for payment but, for one reason or another, have not actually been paid. This includes checks already issued to beneficiaries but not yet released as of end of the accounting period.

215320 Claims Payable on Optional Benefit-In Course of Settlement

This represents the sum of the individual claims on optional policies on which the MBA has already received notice of claim but on which, for one reason or another, final action has not been taken either approving the claims for payment in full or rejecting it in part or in full.

215330 Claims Payable on Optional Benefit-Claims Resisted

This represents the sum of the individual amounts claimed on optional policies which the MBA has been notified that its decision to deny liability, either in whole or in part, is being challenged and on which the contest has not yet been resolved.
215340  **Claims Payable on Optional Benefit - Incurred but not yet reported (IBNR)**

This represents the sum of the individual claims on optional policies that have already occurred but on which notice has not yet been received by the MBA. This estimate takes into account any policy reserve liability set up by the MBA and any amount recoverable from reinsurers.

216000  **Other Benefits Payable on Basic Policies**

This represents the sum of the individual claims for maturity, surrenders and withdrawals on basic policies of which for one reason or another final action has not been taken either by approving the claims for payment in full or by rejecting it in part or in full.

217000  **Other Benefits Payable on Optional Policies**

This represents the sum of the individual claims for maturity, surrenders and withdrawals on optional policies of which for one reason or another final action has not been taken either by approving the claims for payment in full or by rejecting it in part or in full. This is further classified into:

- 217100  Other Benefits Payable on Optional Policies – Regular
- 217200  Other Benefits Payable on Optional Policies – Micro

221000  **Members' Contributions Received in Advance - Current**

This represents member contributions received but not yet due/earned as of the end of the accounting period and which is expected to become due within one year.

222000  **Premiums Received in Advance - Current**

This represents premium on optional benefits received but not yet due/earned as of the end of the accounting period and which is expected to become due within one year.

- 222100  Premiums Received in Advance - Current - Regular
- 222200  Premiums Received in Advance - Current - Micro
223000  **Unearned Income**

This account pertains to income received but not yet earned, such as rent received in advance or other income received in advance not falling in any of the foregoing categories.

224000  **Amount Due to Reinsurers**

This represents reinsurance premiums due and payable by the MBA to all its reinsurers.

225000  **Loans Payable – Current**

This account refers to the indebtedness to financial institutions or individuals payable within the accounting period and includes the current portion of the Long-term Loans Payable.

226000  **Accounts Payable**

Accounts payable represents liabilities of the MBA as a result of indebtedness due to any institution, individual or supplier.

226100  **Accounts Payable — Minor Beneficiary**

This refers to amounts due to beneficiaries, classified as minor, which shall be released to the beneficiary or his/her guardian in accordance with existing laws, rules and regulations.

226200  **Withholding Taxes Payable**

This account represents the amount due to the Bureau of Internal Revenue (BIR) for liabilities arising from taxes withheld from employee compensation or fees for other services provided to the MBA.
226300 SSS/ECC/Pag-ibig/Philhealth Contributions Payable
This account refers to amounts withheld from the compensation income of employees representing their premium contributions to SSS, Pag-ibig (HDMF) and Philhealth agencies and the corresponding share of the MBA as employer. (Note: The MBA may have subsidiary ledgers for each agency).

226400 SSS/Pag-ibig Loans Payable
This account refers to the amount due to SSS, representing amounts withheld from the compensation income of employees representing their payment of loans to SSS and Pag-ibig (HDMF) agencies. (Note: The MBA may have subsidiary ledgers for each agency).

226500 Other Accounts Payable
Includes other current liabilities that cannot be classified under foregoing accounts.

231000 Accrued Expenses
This represents expenses incurred for the period but not yet paid as of the end of the accounting period.

231100 Accrued Utilities
This represents accruals for utilities consumed by the MBA during the reporting period which have not yet been paid. This includes accruals for electricity, water and communications.

231200 Accrued Services
This represents accruals for services rendered to the MBA such as janitorial, security, professional fees and others.

231300 Accrual for Unused Compensated Absences
This represents the MBA's liability relating to unused compensated absences, incurred when the employees render service.
231400 Accrued Interest Expense
Includes interest expense incurred but not yet paid as of end of accounting period.

231500 Other Accrued Expenses
Includes other expenses incurred but not yet paid as of end of the accounting period.

250000 NON-CURRENT LIABILITIES
All liabilities not classified as current are classified as noncurrent liabilities (PAS 1, paragraph 69).

251000 Members' Contribution Received in Advance - Non-current
This represents members' contribution received during the accounting period but not yet due/earned for which recognition as income exceeds one year.

252000 Premiums Received in Advance - Non-current
This represents premium income received during the accounting period but not yet due/earned for which recognition as income exceeds one year. This account is further classified into:

252100 Premiums Received in Advanced-Non-current-Regular
252200 Premiums Received in Advanced-Non-current-Micro

253000 Net Pension Liability
This represents excess of the MBA's projected benefit obligation (PBO) over the benefit fund over with respect to post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care (PAS 19). This liability arises when there is underfunding in the post-employment benefit fund.
254000  **Long-term Loans Payable**

This account refers to the indebtedness to financial institutions or individuals payable beyond the accounting period.

255000  **Other Long-Term Liabilities**

Includes other non-current liabilities that cannot be classified under foregoing accounts.
300000  **FUND BALANCE**

Refers to the residual interest in the assets of the MBA after deducting all its liabilities [Framework for the Preparation and Presentation of Financial Statements (1989), paragraph 4.4 (c)]. This represents the accumulated earnings of the MBA reduced by whatever losses the MBA may incur during a certain accounting period.

310000  **Free and Unassigned Fund Balance**

This represents portion of the fund balance that is not restricted.

320000  **Assigned Fund Balance**

This includes portion of the fund balance which has been appropriated for special purposes. This may include the following:

321000  **Funds Assigned for Guaranty Fund**

This represents portion of the fund balance that is restricted as guaranty fund.

322000  **Funds Assigned for Member’s Benefits**

This represents portion of the fund balance that shall be used to provide benefits to members.

322100  **Funds Assigned for Incremental Benefit for Individual Equity Value**

This account refers to a portion of the net surplus set aside by the MBA as additional benefits to its members computed proportionately on their Individual Equity Value.

322200  **Funds Assigned for Education and Training**

This account refers to the amount allocated by the MBA for education and training of its members, officers and staff of the MBA.
322300  *Funds Assigned for Other Members' Benefit*

Includes other members' benefit allocated by the MBA that cannot be classified under foregoing accounts.

323000  *Funds Assigned for Community Development*

This account refers to the fund set aside from the net surplus for projects and/or activities that will benefit the community where the MBA operates.

330000  *Revaluation Increment/Surplus*

This refers to the amount of increase in the asset’s carrying amount as a result of revaluation less the amount recognized in profit or loss (PAS 16).
400000  REVENUES

Increases in economic benefit during the accounting period of the MBA in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in the fund balance. (Framework for the Preparation and Presentation of Financial Statements, PFRSs).

411000  Members' Fees/Dues

Represents fees and dues collected from individuals to maintain their membership in the MBA.

412000  Members' Contributions

This represents considerations given by the member in exchange for the promises of the MBA to a stipulated sum in the event of a loss covered under the basic benefits indicated in the Internal Rules and Regulations (IRR) of the MBA and/or membership certificates.

412100  Members' Contributions Ceded to Reinsurers

Includes cost of premiums on ceded basic benefit insurance business.

413000  Premiums

This represents considerations given by the insured in exchange for the promises of the MBA to pay stipulated sum in the event of a loss covered under the optional insurance contract of the MBA. This account may be further classified into:

413100  Premiums-Regular

413200  Premiums-Micro
413110  **Premiums Ceded to Reinsurers**
Includes cost of premiums on ceded optional insurance business. This account may be further classified into:

413111  **Premiums Ceded to Reinsurers-Regular**
413112  **Premiums Ceded to Reinsurers-Micro**

414000  **Reinsurance Commissions**
This represents commission derived from ceded business.

415000  **Experience Refund**
This represents the refund received from insurers and reinsurers arising from favorable claims experience over a given period.

416000  **Penalties and Surcharges**
This represents the amount of penalties and surcharges imposed upon members/policyholders due to late payments of contributions and/or premiums, including early withdrawals and surrenders.

421000  **Interest Income**
This represents interest earned by the MBA from its bank deposits, investments and loans receivable.

422000  **Dividend Income**
This represents income derived from cash dividend declaration on stock investments, including those accrued or earned but not yet received.

430000  **Donations and Other Contributions Received**
This represents donations and contributions received by the MBA.
441100  **Gain on Sale of Investments**
This represents gains realized on sale of the MBA's investments.

441200  **Gain on Sale of Property and Equipment**
This represents gains realized on sale of property and equipment.

499999  **Miscellaneous Income**
This represents income received or earned from various sources which cannot be properly classified under any of the revenue accounts.
500000 EXPENSES
This refers to decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incidences of liabilities that result in decreases in fund balance (Framework for the Preparation and Presentation of Financial Statements, PFRSs).

510000 BENEFIT EXPENSES
This refers to all costs incurred that are directly related to the provision of insurance services to its members.

511000 Benefits/Claims Expense
This represents the aggregate losses and claims (including refund of equity value, if any) against the MBA arising from the certificates and/or insurance contracts issued to members. This account may be further classified into:

511100 Benefits/Claims Expenses-Basic Benefits
511200 Benefits/Claims Expenses-Optional – Regular
511300 Benefits/Claims Expenses-Optional – Micro

511400 Benefit/Claims Recovery
This is the portion of gross losses and claims that are covered by reinsurers. This refers to the share of the reinsurer in the benefits and claims expense. This account may be further classified into:

511410 Benefits/Claims Recovery - Basic Benefits
511420 Benefits/Claims Recovery - Optional – Regular
511430 Benefits/Claims Recovery - Optional – Micro

512000 Allocation for Liability on Individual Equity Value
This represents the 50% of the members' contribution on the basic benefit.
512100  **Increase/(Decrease) on Liability on Individual Equity**
This represents the net change in the liability on individual equity value for basic benefit for the current period (i.e. withdrawal of membership and additional contribution).

513100  **Increase/(Decrease) in Reserve for Basic Contingent Benefit**
This represents the net change in the reserve for basic for the current period.

513200  **Increase/(Decrease) in Reserve for Optional Benefit**
This represents the net change in the reserves for optional benefit for the current period. This account may be further classified into:

- 513210  **Increase/(Decrease) in Reserve for Optional Benefit – Regular**
- 513220  **Increase/(Decrease) in Reserve for Optional Benefit – Micro**

514000  **Incremental Benefit on Individual Equity Value**
This represents additional benefit given by the MBA to its members on their respective Individual Equity Value.

515000  **Other Expenses for Members**
This refers to all expenses incurred for information education, training and development of members, including conduct of special events such as anniversary, sports fest, team building, mass, wedding, etc.

516000  **Membership Enrollment and Marketing Expense**
This represents expenses for marketing, including member mobilization and production of policy forms and promotional materials among others.
517000  **Collection fees**
This refers to fees paid to individuals and/or partner institutions for collection services.

518000  **Research and Development Expense**
Includes expenses related to conduct of research related to the improvement of existing product (e.g. client impact assessment and clients satisfaction survey) and development of new products.
520000  **OPERATING EXPENSES**

Expenses incurred related to general administration, management and operations of the MBA.

521000  **Salaries, Wages and Benefits**

This represents all types of remuneration paid to the officers and staff of the MBA.

521010  **Salaries and Wages**

This represents basic salaries, wages and allowances paid to the officers and employees of the MBA.

521020  **13th Month/Bonuses/Incentives**

This account refers to 13th month pay, bonuses, incentives and awards given to employees of the MBA.

521030  **SSS/EC/Pag-ibig/Philhealth Contributions**

This account refers to employer's contribution in the SSS/EC premium (Republic Act No. 1161 as amended by RA No. 8282), Philhealth (RA No. 7875) and Pag-ibig Fund.

521040  **Post-Employment Benefit Cost**

This represents the cost of the MBA's employee retirement plan as required under PAS 19.

521050  **Other Employee Welfare and Benefit Cost**

This represents other benefits given to the employees including rice subsidy/allowances, service awards, annual excursion expenses, Christmas party benefits, expenses incurred during MBA meetings, and others not specifically classified under any of the other foregoing accounts.
522000  Professional and Technical Development
This represents expenses in developing the professional and technical capabilities of the officers and staff of the MBA.

523010  Annual General Assembly
This account includes expenses incurred in relation to the conduct of annual general assembly and election of coordinators and board of trustees.

523020  Meetings and Conferences
This account refers to expenses incurred during management meetings, board meetings and in attending other meetings or conferences with other agencies and/or organizations (e.g. network, government institutions). Meals and/or refreshments served during management and board meetings are chargeable to this account. Registration fees, transportation expense, gasoline and oil expense, hotel accommodation and per diem of staff attending the meetings with other agencies and/or organizations are also chargeable to this account.

523030  Board Honorarium, Allowances and Benefits
This represents honorarium and allowance granted to the members of the Board of Trustees.

523040  Travel Expenses
This includes expenses related to transportation including fuel and oil consumption, expenses incurred using public transportation and other incidental expenses related to the official travel other than those related to meetings and conferences.

523050  Representation Expense
This represents the cost of representation insured by the officers and staff for the promotion of the business of the MBA other than those related to meetings and conferences.
524000  **Social and Community Service Expenses**
This account refers to expenses incurred by the MBA in its social community involvement including donations to social organizations, relief operations, scholarship grants, etc.

525010  **Technical and Professional Fees**
This represents fees paid to individuals/firms for external audits, actuarial, legal and other technical and professional services.

525020  **Service Fees**
This represents fees paid to certain authorized individuals or institution for non-technical services rendered to the MBA on a contractual or temporary basis. (i.e. janitorial & security services).

526010  **Dues and Subscriptions**
This represents regular payments, fees, dues and subscriptions paid to relevant organizations/associations of which the MBA is a member.

526110  **Office Supplies**
This represents expenses incurred by the MBA for the production of forms/materials and purchase of office supplies used in the business operations.

526210  **Rent/Lease Expenses**
This represents expenses incurred on rented/leased properties and equipment.

526220  **Utilities Expense**
This represents the cost of electricity, water consumption, telephone/cellphone/internet services, postage/courier services, etc.
526300 **Repair and Maintenance**
This represents the cost of materials and labor in the repair and maintenance of the MBA property and equipment.

526400 **Insurance Expense**
This represents premiums paid on insurance coverage of office building, furniture, fixtures and equipment, IT equipment, vehicles and others. It also includes premium changes on the surety/fidelity bond of accountable officers and staff.

527000 **Depreciation**
This represents the periodic depreciation and amortization of the asset cost of the MBA depreciable fixed assets. It represents an estimate of the decline in service potential of the asset occurring during the period. This may include the following accounts:

527020 Depreciation – Building and Building Improvements
527030 Depreciation – Leasehold Improvements
527040 Depreciation – I.T. Equipment
527050 Depreciation – Transportation Equipment
527060 Depreciation – Office Furniture, Fixtures and Equipment.
527070 Depreciation – Other Equipment
527110 Depreciation – Investment Property

528100 **Taxes, Licenses and Fees**
This represents taxes, licenses, permits and fees paid to any government entity.
**Investment Management Fees**
This represents fees paid to duly authorized investment fund manager to the handling of the MBA's investment portfolio.

**Bank and Other Charges**
This represents the charges imposed by bank and non-bank institutions on financial transactions (e.g. overdrafts, remittances, money transfers, etc.) other than financing charges.

**Interest Expense and Financing Charges**
This represents interest expense and other charges on borrowings of the MBA.

**Provision for Probable Losses/Loan Impairment Loss**
This represents provisions for losses that may arise from loans and receivables, account receivables, and other financial and non-financial assets. This shall be comprised of the following sub-accounts:

- **529010** Loan Impairment Loss
- **529020** Provision for Probable Losses - Accounts Receivable
- **529030** Provision for Probable Losses - Foreclosed Properties

**Loss on disposal of assets**
Includes losses incurred by the MBA in relation to the disposal of its assets.

**Miscellaneous Expenses**
This represents other operating expenses which cannot be specifically classified under any of the other expense accounts.
600000 OTHER COMPREHENSIVE REVENUES
This comprises items of income and expense (including reclassification adjustments), that are not recognized in profit or loss as required or permitted by other IFRs (IAS/PAS 1).

610000 Unrealized Gain on Financial Assets
Excess of fair value investments in securities over carrying amount (PFRS 9).

610009 Other Comprehensive Revenues
This comprises items of income (including reclassification adjustments), that are not recognized in profit or loss as required or permitted by other IFRSs (IAS/PAS 1).

650000 Unrealized losses on Financial Assets
Excess of carrying amount of investments in securities over fair value (PFRS 9).

650009 Other Comprehensive Expenses
This comprises items of expense (including reclassification adjustments), that are not recognized in profit or loss as required or permitted by other IFRs (IAS/PAS 1).
CHAPTER III
EXAMINATION CYCLE

A. Administrative Guidelines

A.1 Field Examination

A.1.1 Preparation

"Section 253 of the Amended Insurance Code provides that the Commissioner shall, at least once a year and whenever he considers the public interest so demands, cause an examination to be made into the affairs, financial condition and methods of doing business of every insurance company authorized to transact business in the Philippines and of any other person, firm or corporation managing the affairs and/or property of such insurance company..."

On their first day of field audit, the examiners present their designation letter to the President of the MBA, authorizing them to conduct the said examination (sample letter on Exhibit A.1). The examiners are then indorsed by the President of the MBA to the Chief Accountant who will be responsible in bringing them to the department where they will be working and in introducing them to the respective officers of said department. The examiners then expect that they will be given a permanent area where they can work and leave in place the records/documents they are using throughout their audit.

There are two (2) groups of examiners who conduct the field audit, namely;

a. Financial examiners, who are in charge of examination of the financial condition and therefore, stay most of the time in the accounting department;

b. Actuarial examiners, who verify the actuarial accounts and therefore are confined in the actuarial department;

The examiner of each group gives the listings of requirements, i.e., the books/records/documents, etc. that they will be using in their examination to the officer/employee in charge (samples of requirements are on Exhibit A.2)
A.1.2 Concluding the Examination

One week before terminating the examination, the supervisor should write a letter advising the MBA of the conclusion of the examination and reminding them of any record/document not yet submitted/presented to the examiner.

On the last day of the examination, the examiner with the supervisor, will inform the MBA of the termination of the examination and thank the management for the help and cooperation extended to them during the examination. Likewise, management will be advised that an invitation for a conference will be sent to them as soon as the report of examination is finalized.

The Insurance Specialist should study the prior year’s working paper, review status of compliance of prior year’s findings and analyse account movement.

A report on the examination will be prepared. As soon as the report is finished, an invitation for a conference will be sent to the MBA. The agenda of the conference will consist of the current findings and previous findings not complied with, if any, on the financial condition, including its guaranty fund and risk-based capital (RBC) ratio deficiency, if any, the methods of doing business of the MBA, compliance with the Anti-Money Laundering Act, compliance with Corporate Governance Principles and Leading Practices and compliance with Enhanced Microinsurance Regulatory Framework for the year under examination.

If necessary, the MBA will be given a period of five (5) working days within which to document and/or explain any finding. Findings satisfactorily explained and/or duly supported will be deleted and the final report will be transmitted to the MBA.

The MBA will be given ten (10) working days from receipt of the final report to comply with the requirements based on the results of the examination and/or to make good the guaranty fund and RBC ratio deficiency in pursuant to Section 405 of the Amended Insurance Code and Insurance Memorandum Circular Letter 11-2006 dated 8 December 2006, respectively.

On the other hand, if upon examination it will be disclosed that the condition of the MBA is one of the insolvency or that its continuance in business would be hazardous to its policyholders and creditors, the Commissioner shall order the former to cease and desist from transacting business in the Philippines and the case will be transferred to the Conservatorship, Receivership and Liquidation Division for possible action under Section 258 of the Amended Insurance Code.
A.2 Annual Statement Verification

A.2.1 Filing

Section 229 of the Amended Insurance Code provides that, “Every insurance company doing business in the Philippines shall terminate its fiscal period on the thirty-first day of December every year, and shall annually on or before the thirtieth day of April of each year render to the Commissioner a statement signed and sworn to by the chief officer of such company showing, in such form and details as may be prescribed by the Commissioner, the exact condition of its affairs on the preceding thirty-first of December.”

The same Codal section also states that, “An entry in the statement which is found to be false shall constitute a misdemeanor and the officer signing such statement shall be subject to the penalty provided for under Section 442.”

Meanwhile, the fee for filing of the annual statement (AS) pursuant to Insurance Commission Circular Letter No. 2014-15 dated 15 May 2014 is twenty thousand pesos (P20,000) plus two hundred pesos (P200.00) for Legal Research Fund (LRF); which is equivalent to 1% of the filing fee but in no case lower than ten (P10.00) as required by Republic Act No. 3870. A fine of five thousand pesos (P5,000) is imposed for each day of delay in the filing of the AS.

Sometime in January or February of every year, the Insurance Commission sends an e-mail to each MBA representative informing them of the issuance of the circular letter relative to the filing of the AS on or before April 30 of that year together with the checklist of requirements (Exhibit A.3).

The required documents to be filed together with the AS are listed in the checklist of the supporting documents of the MBA, particularly the audited financial statements and adjusted trial balance; without which, the AS cannot be accepted for filing.
A.2.2 Acceptance

The AS is presented to the Insurance Specialists in the Life/MBAs/Trust Division to find out if upon filing, all the required documents are attached and the statements properly and completely accomplished based on the checklist of requirements (Exhibit A.3). If found complete and in order, the Insurance Specialist will prepare an order of payment (OP) indicating the filing fee and/or penalty for late filing in pursuanto CL No. 2014-15 and places “Ok for Payment” on the front cover of the AS.

The representative of the MBA presents the OP form together with the AS to the cashier. The latter will accept the OP form, collects payment and issues an official receipt (OR). The cashier indicates the OR number, date and amount received, affixes initials on the cover of the AS, and returns it to the representative.

The representative returns the AS and receiving copy of OP form and presents the OR to Insurance Specialist. The latter will stamp “Received” on the front cover of all copies of the AS, affixes initials and date, and release the receiving copy of the AS to the former.

A.2.3 Assignment

Based on the work program, assignments to Insurance Specialist at Life/MBAs/Trust Division is on a selective basis taking into account that the capabilities of each specialist match the corresponding type of MBA.

A.2.4 Verification, Analysis and Evaluation of Accounts

Guided by the examination/verification procedures, the Insurance Specialist verifies and analyzes the accounts in the AS. If additional documents are needed, a letter is sent to the MBA giving it ten (10) working days, as the case may be, within which to comply. If the documents are submitted and the analysis of the accounts are completed, the working balance sheet, computation of the RBC ratio and other financial schedules are prepared.

The results of the verification are reviewed by the Supervising Insurance Specialist and passed upon by the Division Manager.

Then the President of the MBA and/or his authorized representative/s are invited in writing to a conference to discuss the results of the verification.
A.2.5 Transmittal of Results of the Verification

The Insurance Specialist determines if the MBA commented/answered within the ten (10) working days. If not, a follow up letter (FUL) is now prepared; which indicates that the MBA must comply within five (5) working days. If after the issuance of the FUL and the MBA still fails to comply with the requirements, a show cause letter (SCL) is made requiring the MBA to comply within five (5) working days upon receipt of the letter. If after the issuance of the SCL and the MBA still fails to comply with the requirements, a cease and desist order (CDO) is now issued and if the CDO is found in order, the Commissioner approves and signs the CDO, forwards same to the Legal Services Group and furnishes a copy to the Life/MBAs/Trust Division.

If the MBA commented/answered within the deadline required, the Insurance Specialist evaluates if the former has fully complied with the requirements and subsequently prepares a reply letter.

A.2.6 Approval of the Annual Statement

After the MBA has fully complied with the requirements, or if no deficiency nor impairment is noted, the Insurance Specialist prepares an acknowledgement letter, and the verification/examination is now considered closed.
Republic of the Philippines
Department of Finance
INSURANCE COMMISSION

____________________ (Date)

____________________, President
____________________ (Company Address)

Sir/Madam:

This will be presented to you by ____________, Supervising Insurance Specialist ____________, Senior Insurance Specialist II and ____________, Insurance Specialist II of this Commission, whom I designated as my representatives to make an examination as of December 31, 20__, into the affairs, financial condition and methods of doing business of (Name of MBA) ____________ pursuant to Section 253 of the Insurance Code, as amended.

Please extend to them your assistance and cooperation for the early completion of the examination.

Very truly yours,

DENNIS B. FUNA
Insurance Commissioner
Date ______________________

The Chief Accountant

and Other Officials Concerned:

In connection with the examination into the affairs, financial condition and methods of doing business of ______________________ as of 31 December ______, please present and/or submit to the examiners the following:

1. **Non-Financial Records/Documents**

   1. **For Review and/or Verification**
      
      a. Stock and Transfer Book
      b. Stock Certificate Booklets (Stubs, etc.)
      c. Minutes of Stockholders' and Board Meetings
      d. Articles of Incorporation, By-Laws and Amendments
      e. General Agency Agreements
      f. Other Agreements such as Custodianship Agreement, Management Agreement, etc
      g. Manual Operating Procedures, if any
      h. Fidelity and Surety Bond for Cashier and other Accountable Officers
      i. Surety Bond for General Agents
2. **For Submission**
   a. Particulars of Reinsurance Treaties
   b. List of all books of account currently being used
   c. List of stockholders as of 31 December 20__ indicating nationality, number of shares owned, par value per share, percentage of ownership, contributed surplus, and indicate in the remarks column whether stockholder is an affiliate or sister company
   d. List of current officers, Chairman of the Board and Directors, indicating date of election
   e. List of agents, brokers, reinsurance brokers, and general agents with the corresponding certificate of authority numbers and date of issuance/expiration and their addresses.
   f. List and addresses of branches and/or agencies
   g. List of adjusters, addresses, certificate of authority, number and date of issuance

II. **Financial Records/Documents**

1. Adjusted Trial Balance as of 31 December __________
2. Audited Financial Statement as of 31 December ____ with Auditor's Adjustments
3. Detailed Schedules of:
   a. All Asset Accounts
   b. All Liability Accounts

   Reinsurance accounts should be patterned after the schedule in the Annual Statement.

4. All Books of Accounts currently being used
5. Other Records
   a. Official Receipts
   b. Cash Vouchers
   c. Paid/Returned Checks
d. Claims Folders

e. Policy/Bond Forms

f. Control of Accountable Forms

g. Bank Reconciliation Statements for all deposits in Current Accounts

6. Photocopies of proofs of tax payments

a. Premium Tax

b. Documentary Stamp Tax

c. Fire Service Tax

d. Expanded Withholding Tax

e. Real Estate Tax on property owned

7. Other records which may be needed from time to time

The above documents are to be submitted within ten (10) days from receipt hereof.

Very truly yours,

_____________________

Life/MBAs/Trust Division

Examiners

Received:

Signature: _______________________

Title. _______________________

Date received: _______________________

Due date for

submission of above documents: _______________________

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CHECKLIST OF SUPPORTING DOCUMENTS
OF MUTUAL BENEFIT ASSOCIATIONS
For the Year Ended 31 December 20__

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NAME OF COMPANY

<table>
<thead>
<tr>
<th>DOCUMENT</th>
<th>HARD COPY</th>
<th>SOFT COPY</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. 20__ Audited Financial Statements with comparative figures for 20__, signed by an External Auditor accredited by the Insurance Commission, and duly received by the Bureau of Internal Revenue (BIR)</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td></td>
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<td>(PDF/ scanned format)</td>
</tr>
<tr>
<td>2. Adjusted Trial Balance as of 31 December 20__ signed by the Chief Accountant</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(PDF/ scanned format)</td>
</tr>
<tr>
<td>3. Reconciliation Statement of the Audited Financial Statements versus the Annual Statement figures</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(Microsoft Excel format)</td>
</tr>
<tr>
<td>4. Reconciliation of figures/accounts in the Adjusted Trial Balance (breakdown/groupings) to tally with the figures/accounts in the Annual Statement</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(Microsoft Excel format)</td>
</tr>
<tr>
<td>5. Computation of Risk-based Capital Ratio of the company</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(Microsoft Excel format)</td>
</tr>
<tr>
<td>6. 20__ General Information Sheet filed with Securities and Exchange Commission</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>7. Accredited actuary's certification on actuarial and all related accounts (e.g. reserves, certificate/policy loans, net premiums due and uncollected, policy and contract claims payable, etc.)</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td></td>
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</tr>
<tr>
<td>8</td>
<td>Certification of the association’s comptroller or any responsible officer with the rank of at least Vice President for the account Members’ Equity Value, Certificate/Policy and Other Loans, Premiums Contributions Due &amp; Uncollected, Unremitted Premiums/Contributions, Members Deposit</td>
<td>✓</td>
</tr>
<tr>
<td>9</td>
<td>Schedules of Claims Payable on Basic Contingent Benefit/Optional Benefits as of December 31, 20__ and of all claims filed for the 1st quarter of 20__</td>
<td>✓</td>
</tr>
<tr>
<td>10</td>
<td>Statement of Securities Account of BTR-ROSS/Securities Account for Tax Tracking as of 31 December 20__</td>
<td>✓</td>
</tr>
<tr>
<td>11</td>
<td>Certification from the Custodian Bank for Dollar-denominated Bonds as of 31 December 20__</td>
<td>✓</td>
</tr>
<tr>
<td>12</td>
<td>Schedule of Dollar-denominated Bonds using the attached MBA – Required Format No.2</td>
<td>✓</td>
</tr>
<tr>
<td>13</td>
<td>Supporting documents of all investments not presented during the inventory</td>
<td>✓</td>
</tr>
<tr>
<td>14</td>
<td>Detailed schedule showing the computation of Fair Market or Book Value of Schedule of Bonds and Treasury Bills, together with the pricing documents (Column 13 of Schedule A1 and A2 of Annual Statement. Refer to MBA – Required Format No. 8)</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>(Microsoft Excel format)</td>
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</tr>
<tr>
<td>15</td>
<td>Certification from Philippine Depository &amp; Trust Corp. (PDTC) for the Scriptless Stock Certificates as of 31 December 20__</td>
<td>✓</td>
</tr>
<tr>
<td>16</td>
<td>Breakdown/Computation/Schedule of Fluctuation Reserve-Bonds/Stocks and Revaluation Reserve – Real Estate as reported in the Annual Statement</td>
<td>✓</td>
</tr>
<tr>
<td>17</td>
<td>Bank Statements/Passbooks of all Current, Savings and Time Deposit accounts as of 31 December 20__ and 31 January 20__, together with the pertinent Bank Reconciliation statements</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>DOCUMENT</td>
<td>HARD COPY</td>
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<tr>
<td>---</td>
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</tr>
<tr>
<td>18.</td>
<td>Detailed schedule of Deposits-in-Transit and Undeposited Collections, showing in columns the Official Receipt Number, Official Receipt Date, Date Deposited and Name of Depository Bank</td>
<td>✓</td>
</tr>
<tr>
<td>19.</td>
<td>Certification of Receivables from Government Agencies/Government-owned and Controlled Corporations as of 31 December 20__</td>
<td>✓</td>
</tr>
<tr>
<td>20.</td>
<td>Sales Invoices and Official Receipts to support purchases of Electronic Data Processing (EDP) Equipment during the year ended 31 December 20__</td>
<td>✓</td>
</tr>
<tr>
<td>21.</td>
<td>Official Receipts to support payments of Premium Tax, Documentary Stamps Tax and Real Estate Tax during the year ended 31 December 20__</td>
<td>✓</td>
</tr>
<tr>
<td>22.</td>
<td>Schedule of Reinsurance Recoverable and Due to Reinsurers as of year-end, if any, using the attached MBA - Required Format No. 6.</td>
<td>✓ ✓</td>
</tr>
<tr>
<td>23.</td>
<td>Summary of in-force certificates and policies by plan of insurance as of December 31, 2016 using the attached MBA - Required Format No. 1.</td>
<td>✓ ✓</td>
</tr>
<tr>
<td>24.</td>
<td>Copy of MBA – Required Format No. 4</td>
<td>✓ ✓</td>
</tr>
<tr>
<td>25.</td>
<td>Schedule showing balance sheet items in foreign currency, if any, and their peso equivalent, including a sub-schedule showing the currency breakdown in case an account consists of multiple currencies.</td>
<td>✓</td>
</tr>
<tr>
<td>26.</td>
<td>Seriatim list of all the members indicating therein the certificate number, effectivity date of membership, total actual contributions and equity values as of year-end (MBA - Required Format No. 3)</td>
<td>✓ ✓</td>
</tr>
<tr>
<td>27.</td>
<td>Copy of the 20__ Annual Statements.</td>
<td>✓</td>
</tr>
<tr>
<td>DOCUMENT</td>
<td>HARD COPY</td>
<td>SOFT COPY</td>
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</tr>
<tr>
<td>28. List of current members of board of directors and trustees, independent directors/trustees and their respective addresses, positions and also the chairman and members of Audit, Remuneration and Nomination committees.</td>
<td>✓</td>
<td>(Microsoft Excel format)</td>
</tr>
<tr>
<td>29. Minutes of Meetings of the Board and Executive Committees, including a copy of Board Resolutions made during the year ended 31 December 20_</td>
<td>✓</td>
<td>(PDF/ scanned format)</td>
</tr>
<tr>
<td>30. For companies with Microinsurance business</td>
<td>✓</td>
<td>(Microsoft Excel format)</td>
</tr>
<tr>
<td>a. Enhanced Performance Indicators and Standard in Microinsurance (i.e., SEGURO) using Insurance Commission Circular 2016-63 dated 16 December 2016; and</td>
<td>✓</td>
<td>(Microsoft Excel format)</td>
</tr>
<tr>
<td>b. Copy of the following:</td>
<td>✓</td>
<td>(Microsoft Excel format)</td>
</tr>
<tr>
<td>b.1. Production:</td>
<td>✓</td>
<td>(Microsoft Excel format)</td>
</tr>
<tr>
<td>Schedule showing separately in columns the Name of the Assured, Policy Number, Certificate Number, Sum Assured, Premium, Premium Tax, Documentary Stamp Tax, and Other Taxes (per Product Line)</td>
<td>✓</td>
<td>(Microsoft Excel format)</td>
</tr>
<tr>
<td>b.2. Collections:</td>
<td>✓</td>
<td>(Microsoft Excel format)</td>
</tr>
<tr>
<td>Schedule showing separately in columns the Name of the Assured, Policy Number, Certificate Number, Sum Assured, Premium, Premium Tax, Documentary Stamp Tax, Other Taxes, Amount Collected, Official Receipt Number, and Official Receipt Date</td>
<td>✓</td>
<td>(Microsoft Excel format)</td>
</tr>
<tr>
<td>b.3. Claims paid:</td>
<td>✓</td>
<td>(Microsoft Excel format)</td>
</tr>
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<tr>
<td>Schedule showing separately in columns the Name of Assured/Claimant, Claim Number, Date Filed, Policy Number, Sum Insured, Date of Loss, Amount of Loss, Nature of Claim, Date Paid, and Voucher Number</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>31. Schedule on Benefits Payable (MBA - Required Format No. 5).</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>32. Claims paid/denied during the year (MBA - Required Format No. 7).</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>33. Contact Details of the Company's representative from:</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>a. Accounting Unit/Division/Department:</td>
<td></td>
<td></td>
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<tr>
<td>a.1. Full name (i.e., First Name, Middle Initial, Last Name)</td>
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<tr>
<td>a.2. Designation</td>
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<tr>
<td>a.3. Official Telephone Number</td>
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<td></td>
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<tr>
<td>a.4. Official Fax Number</td>
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<tr>
<td>a.5. Official E-mail Address</td>
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<tr>
<td>b. Actuarial Unit/Division/Department:</td>
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<tr>
<td>b.1. Full name (i.e., First Name, Middle Initial, Last Name)</td>
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<td>b.2. Designation</td>
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<td>b.3. Official Telephone Number</td>
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<td>b.4. Official Fax Number</td>
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<tr>
<td>b.5. Official E-mail Address</td>
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<tr>
<td>c. Anti-money Laundering Unit/Division/Department:</td>
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<tr>
<td>c.1. Full name (i.e., First Name, Middle Initial, Last Name)</td>
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<tr>
<td>c.2. Designation</td>
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<tr>
<td>c.3. Official Telephone Number</td>
<td></td>
<td></td>
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<tr>
<td>c.4. Official Fax Number</td>
<td></td>
<td></td>
</tr>
<tr>
<td>c.5. Official E-mail Address</td>
<td></td>
<td></td>
</tr>
<tr>
<td>34. FLASH DRIVE NO. 1</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>- Containing requirements in soft copy format for Item Nos. 7, 26, 31 and 32 related to actuarial accounts, due to huge file size</td>
<td></td>
<td></td>
</tr>
<tr>
<td>35. FLASH DRIVE NO. 2</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>- Containing all remaining requirements in soft copy format, EXCEPT Item Nos. 7, 26, 31, and 32</td>
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</tbody>
</table>

Remarks:

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

Submitted by:

________________________________________________________________________
Signature over Printed Name

Received by:

__________________________
Signature over Printed Name

Designation

__________________________
B. Audit Guidelines

B.1 Physical Inventory

B.1.1 Why:

To prove the existence, ownership and amount of the item being examined, and to verify its status and/or condition (not pledged, restricted, free from lien or any encumbrance).

B.1.2 When:

Physical count of assets being examined shall be conducted as needed by the Insurance Specialist assigned to handle the examination. As a matter of practice, the unscheduled count is done soon after the end of the period (usually a year) to minimize after-date transactions, and at the same time giving the MBA reasonable time to complete pertinent supporting schedules.

B.1.3 How:

1. On the day of the count/inventory, the Supervising Insurance Specialist informs the MBA of the physical count to be done for the year under examination. The latter is given reasonable time, when appropriate, to put the required documents together.

2. At the time of inventory, the MBA provides the Insurance Specialist with the following:

   (a) Schedules and working papers relative to the asset being examined, and
   (b) Items to be counted preferably arranged in a manner listed in the schedules.

3. A representative of the MBA should be available at all times to answer any queries relative to the asset being counted. Any finding(s)/exception(s) is immediately communicated to the said representative for appropriate action. The representative is given reasonable time to reply and/or submit the required/appropriate documents.

4. A final report is prepared and discussed with the Chief Financial Officer (or equivalent) of the MBA.
B.1.4 Coverage:

Generally, all assets are subject to physical count including those assets covered by Investment Management Agreement (IMA) duly approved by the Insurance Commission. However, focus shall be on the following:

A. Cash on Hand  
B. Cash in Bank  
C. Bonds  
D. Stocks  
E. Treasury Bills  
F. Real Estate  
G. Real Estate Mortgage Loan  
H. Collateral Loan  
I. Guaranteed Loan  
J. Car Loans  
K. EDP Machine

B.1.5 Audit Procedures:

A. Cash on Hand

1. Funds should be presented for actual physical count

   Petty cash fund, commission fund, documentary stamps fund, change fund, revolving fund, undeposited collections, etc.

2. Confirmed amount of funds should reconcile with the general ledger.

3. The schedule of Cash in the company’s office should be presented to Insurance Commission containing the following information. (Ref: Schedule of Annual Statement)

   (a) Nature of cash in company’s office  
   (b) Encumbrance  
   (c) Monthly balances

4. Funds held by branches should be supported by a Certificate of the Custodian as to the existence and amount.

5. Differences and/or unaccounted items arising from reconciliation should be adequately explained.
B. Cash in Bank

1. The schedule of Cash in Bank should be presented to Insurance Commission containing the following information (Ref: Schedule of Annual Statement)
   
   (a) Name and location of bank or trust company
   (b) Account Number
   (c) Encumbrance
   (d) Monthly balance
   (e) Interest

2. Bank statements/passbooks, certificate of time deposits, debit/credit memos should be available for inspection.

3. In case of late bank statements/passbooks – amount directly confirmed by bank with the Insurance Commission may be used subject to reconciliation with balance per book.

4. If available at the time of count, reconciliation of each bank account should be presented.

5. Specialized/new products should be supported by Certification from the BSP that the same is allowable or approved for sale through bank and other authorized dealers.

C. Bonds

1. The schedule of Bonds should be presented to Insurance Commission containing the following information. (Ref: Schedule of Annual Statement)

   (a) Description- as to category

   1. As to financial assets:
      • FVPL
      • HTM Investments
      • AFS
   2. Domestic or foreign issues
   3. Government or private

   (b) Date acquired/issued
   (c) Date of maturity
   (d) Certificate’s serial number
   (e) Certificate’s face value
(f) Encumbrance, if any
(g) Acquisition cost
(h) Interest rate
(i) Book Value

2. Documents supporting bonds should be presented for actual physical count.

Ex. Bureau of the Treasury (BTR) Statement of Securities Account, Statement of Holdings

If on hand – original bond certificates, agreements, custodianship receipt

If purchased during the year – confirmation of sale

If rolled over – roll over documents

If matured and not rolled over – official receipts, bank statements, and bank-validated deposit slips

If foreign denominated bonds- certification from the custodian bank

3. Any difference resulting from physical count against schedule presented should be reconciled and adequately explained.

D. Stocks

1. The schedule of stocks should be presented to Insurance Commission containing the following information. (Ref: Schedule of Annual Statement)

(a) Description of securities
(b) Certificate number
(c) Date acquired
(d) How acquired - whether purchased, stock dividend or foreclosed with corresponding shares
(e) Encumbrance, if any
(f) Where kept
(g) Number of shares
(h) Par value
(i) Rate used to obtain market value
(j) Market value
(k) Book value
(l) Acquisition cost
(m) Dividend
2. Certificate of stocks should be presented for actual physical count.

(a) Check details of certificates being counted against schedule;

(b) Check if the stock certificate is in the name of the company, or if registered in the name of the nominees, check if there is an endorsement in favor of the company;

(c) If unissued, ask for the confirmation of purchase, vouchers and paid checks;

(d) If sold, ask for the confirmation of sale, official receipt, bank statements/passbook and bank-validated deposit slip;

(e) For scriptless stock certificates, ask for certification from Philippine Depository & Trust Corp. (PDTC) as of examination date registered in the name of the company; and

(f) If certificates are held by a broker, ask for certification from PDTC as of examination date under the name of the broker but with sub account in the name of the company.

3. Any difference between physical count against schedule presented should be reconciled and adequately explained.

E. Treasury Bills

1. The schedule of Treasury Bills should be presented to Insurance Commission containing the following information, (Ref: Schedule of Annual Statement)

(a) Category
(b) Date acquired/issued
(c) Date of maturity
(d) Certificate's face value
(e) Certificate's serial number
(f) Purchased from
(g) Acquisition cost
(h) Book value
(i) Interest (Discount)
(j) Encumbrance, if any
2. Documents supporting treasury bills should be presented for actual physical count.

   If on hand - original certificate of treasury bills and confirmation of sale from the seller, custodianship receipt or certified true copy of withdrawal request of dealers from the BSP and BSP's debit memo.

   If not on hand - (Under custodianship agreement with BSP) BSP's custodianship receipt or certified true copy of withdrawal request of dealers and BSP's debit memo.

   If rolled over - roll over documents

   If matured and not rolled over – official receipts, bank statements, and bank-validated deposit slips

   If foreign denominated bonds- certification from the custodian bank

3. Documents supporting government securities/treasury bills acquired under the Book Entry System (BES) of the BSP.

   (a) Memorandum of Agreement with the BSP

   (b) BSP's Weekly Securities Account Confirmation Statement

   (c) If acquired through primary purchases certified copies of:

       - BSP's acceptance of Bill tender
       - BSP's Securities Account Credit Memo
       - BSP's Debit Advice (Demand Draft Account)

4. If acquired through Secondary Trading (with BES Participants) certified copies of:

   (a) Confirmation of Purchase from buyer
   (b) Confirmation of Sale from seller
   (c) BSP's Securities account Debit Memo to the seller
   (d) BSP's securities account Credit Memo to the buyer
   (e) Redemption

       - BSP's Securities Account Debit Memo
       - BSP's Credit Advice (Demand Deposit Account)

5. Any difference resulting from physical count against schedule presented should be reconciled and adequately explained
F. Real Estate

1. The schedule of real estate owned should be presented to Insurance Commission containing the following information. (Ref: Schedule of Annual Statement)

   (a) Title number, city/province
   (b) Encumbrance, if any
   (c) Where kept
   (d) Lot no., area & location of land; size, description of buildings
   (e) Date acquired
   (f) Name of vendor
   (g) Actual cost
   (h) Book value
   (i) Market value
   (j) Rental earned
   (k) Income received
   (l) Amount of insurance of building

2. Documents supporting ownership by the company should be presented for actual physical count.

   (a) Original transfer certificate of title (TCT) duly annotated, mortgage agreements, appraisal/reappraisal report if any etc.
   (b) For newly acquired property - deed of sale; proof of payment (cancelled checks, official receipts, cash vouchers)
   (c) For installment sales - installment receivable, (purchase- money mortgages) collateralized asset
   (d) In case of condominium projects - Condominium Certificate of Title (CCT). If none is available, the pertinent contract/agreement.
(e) In case of foreclosed properties - court receipt; loan balance including capitalized interest and penalties

(f) If title is with the Register of Deeds - application for registration duly acknowledged by the Office of the Register of Deeds and the official receipt for filing fee.

3. Discrepancies/exceptions should be reconciled and adequately explained.

G. Real Estate Mortgage Loan

1. The schedule for real estate mortgage loan should be presented to Insurance Commission containing the following information. (Ref: Schedule E of the Annual Statement)

(a) Name and address of mortgagor;

(b) Title number, location and description of property mortgaged

(c) Record of Mortgage registry number; entry number of Inscription/instrument, amount of loan granted

(d) Where kept

(e) Term - date given, date due

(f) Amount of original loan

(g) Market value of land mortgaged

(h) Sound value of building

(i) Amount of fire insurance held by company

(j) Balance

(k) Principal

(l) Interest

2. Documents evidencing loans should be presented for physical count

(a) For real estate mortgage (REM) - original TCT, or CCT duly annotated by the Registry of Deeds (RD) with the following information entry number, date of inscriptions/instrument, amount of loan and the annotation should be in the name of the company and mortgage loan agreement if there any.

(b) Annotated Special power of attorney for those borrowers' whose TCT/CCT not in their name;
(c) If the amount of loan is still outstanding as of the year end and are fully paid before
the inventory date the company may submit copy of certification of release of loans
and official receipts for payments received;

(d) If the TCT/CCT is in process for annotation at the RD, submit copy of the transmittal
letter duly received by them.

3. Discrepancies/differences should be reconciled and adequately explained.

H. Collateral Loan

1. The schedule for collateral loans should be presented to Insurance Commission
containing the following information. (Ref: Schedule of Annual Statement)

(a) Name and address of borrower

(b) Term of loan - date of loan, date of maturity

(c) Amount of original loan

(d) Description of securities held as collateral

(e) Principal

(f) Interest

2. Documents evidencing loans should be presented for physical count

(a) Original copy of security held as collateral such as (stock/bonds/TCTs/CCTs/policy
contract)

(b) Certificate of the Corporate Secretary of the Issuer that the securities are pledged
as collateral

(c) Promissory Note

3. Discrepancies/Differences should be reconciled and adequately explained.

I. Guaranteed Loans

1. The Schedule of Guaranteed Loans should be presented to Insurance Commission
containing the following Information. (Ref: Schedule of Annual Statement)

(a) Name and address of borrower

(b) Guaranteeing entity

(c) Term of loan – date of loan, date of maturity

(d) Amount of original loan
(e) Principal
(f) Interest

2. Guaranteed loans require prior approval from Insurance Commission and
document/s evidencing the approval should be presented during actual physical count.

4. Differences resulting from physical count against schedule should be reconciled
   and adequately explained.

J. Car Loans to Company Officers
1. The Schedule of Car Loans should be presented to Insurance Commission
   containing the following Information. (Ref: Schedule of Annual Statement)
   (a) Name and address of borrower
   (b) Term of loan – date of loan, date of maturity
   (c) Amount of original loan
   (d) Insurance coverage – amount and period
   (e) Principal
   (f) Interest
2. Document supporting the loan should be presented
   (a) Board resolution embodying the financial assistance program
   (b) Promissory Notes, Chattel Mortgage, Car Registration / Updated Official Receipt
   (c) Insurance Coverage to extent of loan balance.
3. Differences resulting from physical count against schedule presented should be
   reconciled and adequately explained.

K. Electronic Data Processing Machine
1. The Schedule of Electronic Data Processing (EDP) Machine and Generator Set
   should be presented to Insurance Commission containing the following information.
   (Ref.: Schedule of Annual Statement).
   (a) Particulars/description
   (b) Date of purchase
(c) Accumulated depreciation
(d) Net book value
(e) Asset not admitted
(f) Admitted assets
(g) Remarks

2. Documents evidencing purchases should be presented for physical count.
(a) Cash voucher
(b) Invoices
(c) Official receipts
(d) Delivery receipts.

3. Any difference resulting from physical count against schedule presented should be reconciled and adequately explained.
B.2 Assets

B.2.1 Investment in Stocks

Audit Objectives:

To prove existence of the investment in stocks and ownership of the Company and ensure that the investments are fairly presented in the Annual Statement. This account may take the form of the following:

1. Preferred stock - cumulative, noncumulative, participating, nonparticipating
2. Common stock
3. Guaranteed stock
4. Par value stock
5. No-par value stock
6. Debenture stock
7. Escrow stock
8. Bonus
9. Scrip Stock
10. Over issued stock
11. Deferred stock
12. Others - founder's shares, redeemable shares, treasury shares, watered stock

Audit Procedures:

A. **Prove Existence**

   Conduct Physical Inventory

B. **Ownership**

   1. Agree on the details of the stocks counted.

      Ensure that all the stocks are under the name of the company, or, if registered in the name of the nominees, they are properly endorsed in favor of the company, or accompanied by a power of attorney.

   2. For stock certificates which are not available or not presented during the physical count, present confirmation of purchase or confirm with the stock transfer agent.

      If sold between count date and review date, verify transactions and present documents.
If partially sold, verify transactions, present documents and confirm on the balance retained with the stock broker or stock transfer agent.

If under subscription agreement and only partially paid, verify purchase documents, official receipts of payments, confirmation from the issuing companies or broker, cash vouchers and paid checks.

3. Stock Dividends

Documents evidencing stock dividends declared must be received and accounted for. Documents may take the form of the actual certificate itself, notice of dividend declaration, certification of corporate secretary and board resolutions.

Admissibility:

Any investment in preferred, common or guaranteed stocks of any solvent corporation or institution created or existing under Philippine laws shall be admitted provided

a. Regular dividends shall have been paid for the past three years next preceding the acquisition of such stock;

   Investment in a corporation which has not paid regular dividends shall have prior approval from the commission.

b. If the stocks are guaranteed, the amount should not be in excess of fifty percent of the total amount of preferred or common stock of the guaranteeing corporation.

c. Investments in any one corporation in excess of 10% of the total admitted assets as of December 31st preceding the date of such investment, shall have special approval from the commission.

d. Other investment in stocks not included in the above paragraph shall have prior approval from IC.

e. For partially paid stocks, the amount up to the extent of the paid subscription, is admitted. If the liability portion was recorded, the whole amount can be admitted.
Valuation:

The stock of an insurance company shall be valued based on Section 214 (c ) (d) (h).

As follows:

a. Stocks shall be valued at cost if not quoted or traded. However if the company wishes to value the stocks at book value, the company should do the following:

a.1. Submit audited financial statements for the last 3 years.

a.2. Submit proof of receipts of dividends for the last 3 years.

b. Stocks shall be valued at market value if quoted or traded, using the value at last transaction date.

Applicable provision of the amended insurance code and circular letter:

Section 206 (b) (5) (6)
Section 214 (c) (d) (h)

CL 2014-21
CL 2014-17
CL 2014-19
B.2.2 Investment in Government Securities (Bonds/Treasury Bills)

Audit Objectives:

To prove existence of the investment in bonds and ownership of the Company and to ensure that the investments are fairly presented in the Annual Statement.

Audit Procedures:

A. Prove Existence

   Conduct physical inventory. Refer to the guidelines on Physical Inventory.

B. Ownership

   1. If certificates are not available or not presented during the physical count, verify transactions and supporting documents and confirm with the issuing company.

   2. Examine documents to support collection of interest.

Admissibility:

An insurance company may purchase, hold, own and convey:

   a. Bonds or other evidence of debt of the Government of the Philippines or its political subdivisions authorized by law to issue bonds.

   b. Bonds or other evidences of debt of government-owned or controlled corporations and entities, including the Central Bank.

   c. Bonds, debentures or other evidences of indebtedness of any solvent corporation or institution created or existing under the laws of the Philippines, in accordance with the provisions of Section 206 (b) (4) of the Amended Insurance Code.

   d. Foreign-denominated bonds.

Valuation:

Bonds shall be measured as follows:

a. If designated as HTM- at amortized cost

   a.1 If purchased at premium, recognize the bonds at face value and amortize the premium throughout the life of the bond.

   a.2 If purchased at a discount, at face value. A liability account shall be set up for the unamortized discount.
a.3 If purchased at par, par value.
b. If designated as FVPL (upon initial recognition) or AFS, at fair value.
   b.1 If purchased at par, at par value;
   b.2 If purchased at premium, recognize the bonds at face value and amortize the premium throughout the life of the bond.
   b.3 If purchased at a discount, at face value. A liability account shall be set up for the unamortized discount.

Applicable Provision of the Amended Insurance Code and Circular Letters
Section 206 (b) (2) (3) (4)
CL 2014-21
CL 2014-17
CL 2014-19
CL 2015-25
B.2.3 Other Investments

Audit Objectives:
To prove existence and ownership of investment made

Audit Procedures:
A. Prove Existence
   Conduct physical count. Refer to the guidelines on Physical Inventory.
B. Ownership
   a. Ensure that all stocks are in the name of the company, or, if registered in the
      name of the nominees, they are properly endorsed in favor of the company or
      accompanied by a power of attorney.
   b. For stock certificates which are not available or not presented during the
      physical count, present confirmation of purchase and confirm with the issuing
      company.

Admissibility:
Maximum of two (2) shares per class.

Valuation:
Investment in stocks of sports clubs and other proprietary shares shall be valued at
cost or market value if quoted or traded.

Applicable Provision of the Amended Insurance Code and Circular Letters:
Section 200 (J)
CL 2014-17
CL 2014-21
B.2.4 Property and Equipment

Audit Objectives:

To prove the existence and ownership of the IT equipment and to establish proper valuation of the asset.

Audit Procedures:

a. Examine documents evidencing the acquisitions of the assets such as cash vouchers, paid checks, Purchase Orders (PO), Delivery Receipts, Invoices, etc., during the year under examination. For development costs, trace the costs capitalized to source documents.

b. Verify propriety of changes to the asset account.

c. Ascertain the consistency in the application of the company's capitalization and depreciation policy.

d. Test check the computation of depreciation expenses during the year under examination.

Admissibility:

Except for IT Equipment, property and equipment are non-admitted assets. Property and equipment includes the following:

a. Leasehold Improvements

b. Transportation Equipment

c. Office Furniture, Fixtures and Equipment

d. Property and Equipment under Finance Lease

e. Revaluation Increment

f. Accumulated Impairment Losses

Valuation:

The assets shall be valued at net book value or acquisition cost plus incidental cost and/or development costs, as applicable, less allowance for depreciation or amortized cost for leasehold improvement, software and/or development cost.

Applicable Provision of the Amended Insurance Code and Circular Letters:

CL 2014-17, CL 2014-18
B.2.5 Property and Equipment – Land and Building

Audit Objectives:
To prove existence and ownership of real estate property and to establish proper valuation thereof.

Audit Procedures:
A. Prove Existence
   a. Conduct physical count. Refer to the guidelines on Physical Inventory.
   
   b. In case of additions or capital improvements, verify all related supporting documents.

B. Ownership
   a. If acquired by purchase, check original purchase contract or deed of sale, evidence of payments, Transfer Certificates of Title (TCT), Condominiums Certificate of Title (CCT). Verify Certificate Authorizing Registration (CAR) or application with the Register of Deeds in the absence of the TCT or CCT.
   
   b. If acquired through foreclosures or in satisfaction of a mortgage debt, examine records and documents and verify if foreclosures have been consummated.

Admissibility:
   a. If acquired through purchase for office use – no limit.
   
   b. If acquired for housing projects- no prior approval from Insurance Commission but subject to 25% of the total admitted assets as of December 31st preceding date of such investment.
   
   c. If acquired for investment purposes-25% of admitted assets
   
   d. If acquired through foreclosure the admitted amount is up to the extent of the loan balance at date of foreclosure.

Valuation:
   a. Real estate shall be valued at net book value or Insurance Commission accepted appraised value.
   
   b. Net book value shall refer to cost including capitalized and incidental costs, less allowance for depreciation.
c. Capitalized cost shall be limited to:

  c.1. Construction cost
  c.2. Demolition cost
  c.3. Air-conditioning and generator set as approved by the commission (if attached to the building)
  c.4. Generator set as approved by the Insurance Commission
  c.5. Borrowing cost relating to construction
  c.6. All other cost approved by Insurance Commission.

Applicable Provision of the Amended Insurance Code and Circular Letters:

Section 200 (1);(2)(a)
Section 202(a);(b)
Section 204
Section 208 (4)
CL 2014-17
CL 2016-16
B.2.6 Mortgage and Collateral Loans

Audit Objectives:
To prove existence of loan granted, accuracy of loan balance and corresponding interest thereon and to determine the propriety of loans and sufficiency of collateral. This account may take the form of the following:
1. Real Estate Mortgage (REM)
2. Syndicated Loans
3. Mortgage Trust Indentures/Joint Venture

Audit Procedures:
A. Prove Existence
   Conduct physical count. Refer to the guidelines on Physical Inventory.
B. Prove accuracy of the loan balance and interest thereon
   1. Analyze the account
   2. Reconcile unpaid principal balance and interest shown in the balance sheet and schedule in the Annual Statement (A/S) with the general and subsidiary ledgers.
   3. Reconcile current schedule and Balance Sheet Account with the A/S last examined.
C. Determine sufficiency of the real estate collateral
   Examine the latest appraisal report on the property mortgaged or other independent proof of market value of the property.

Admissibility:
These investments do not require the approval of the Insurance Commissioner, provided that the amounts shall not be in excess of the conditions/limitations and other fundamental requirements set forth under paragraph 2 (a) (b) (c) and paragraph 3 (1-2) of Section 204 of the Amended Insurance Code.
Valuation:

a. Loan value should not be more than 70% appraised/market value of commercial/industrial/residential properties; and not more than 40% of market value of agricultural properties in case of real estate mortgage loans

b. Loan value should not be more than the following in case of collateral loans:
   b.1. 70% of market value of equipment
   b.2. 50% of market value of allowable stocks

Applicable Provision of the Amended Insurance Code and Circular Letters:

CL 2014-17
CL 2014-22
B.2.7 Guaranteed Loans

Audit Objectives:
To check the existence and accuracy of the balance per company.

Audit Procedures:
a. Check approval from ISD on granting loans to borrowers.
b. Examine and analyze the existence of the loan agreement

Admissibility:
Based on ISD approved amount.

Valuation:
Original amount extended less payments made.

Applicable Provision of the Amended Insurance Code and Circular Letters:
CL 2016-65
B.2.8 Other Loans

Audit Objectives:

To prove existence of loan granted, to check accuracy of loan balances, allowable limits and interests thereon and to determine propriety of loans.

1. Car loans/lease-purchase plans for officers, employees and sales associates subject to a maximum availment per borrower;

2. Financial assistance/emergency loans to officers, employees and sales associates;

3. Loans to officers, employees and sales associates for the purchase of computers and office equipment, secured by chattel mortgage over such equipment; and

4. Salary loans up to a maximum of six (6) month salary

Audit Procedures:

A. Prove Existence

Conduct physical count. Refer to the guidelines on Physical Inventory.

B. Prove Ownership

Ensure that all documents pertaining to the loan are executed in favor of the company.

Admissibility:

a. The benefits should be under a written employee benefit programs/sales associates benefit programs duly approved by the Board of Directors and copy furnished the Insurance Commission.

b. The loans should be adequately documented as to assignments of cars and/or other benefits;

c. The loans should be repaid regularly under the terms and conditions of such loans and are not in default;

d. The aggregate amount of these loans should not exceed six percent (6%) of the net worth of the company as shown in its latest audited financial statement; and

e. These shall be considered surplus investment.
Valuation:

Amount of the loan shall not exceed the ceiling specified in the written benefit programs duly approved by the Board of Directors and furnished the Insurance Commission, and the 6% of net worth in the aggregate limitation. Any excess shall be considered as non-admitted assets.

Applicable Provision of the Amended Insurance Code and Circular Letters:

CL 2014-20
B.2.9 Due from Ceding Companies

Audit Objectives:

a. To determine that the recorded receivable represents valid amounts due to the company and no material receivables were unrecorded at balance sheet date.

b. To determine if reinsurance transactions are valid, properly computed and recorded.

Audit Procedures:

a. Obtain Schedules of Due from ceding companies as of year-end.

b. Check footings of the schedule and compare totals with the balances in the General Ledger.

c. Trace balances of selected accounts per schedule to the Subsidiary Ledger and Statement of Account. Cross refer to the figures reported in the Annual Statement of the corresponding reinsurers. Any material differences should be reconciled by the company.

d. Check if unauthorized foreign reinsurer has resident agent with the Licensing Division or Reinsurance Division.

e. Verify the confirmed statement of account from the reinsurers.

f. Treaty Reinsurance
   e.1. Obtain treaty agreements to confirm company's share and if it is with prior approval by Insurance Commission.
   e.2. Test vouch selected entries in the Subsidiary Ledger to the statements of account received from ceding companies or settlements to the official receipts and supporting documents.

Admissibility:

Receivables net of liabilities from companies under cases and desist order (CDO) receivership or liquidation are considered non-admitted assets.

Valuation:

Due from ceding companies shall be valued at the actual balance that may be established by the above mentioned procedures.

Applicable Provision of the Amended Insurance Code and Circular Letters:

Section 198, Section 216
B.2.10 Loans Receivable

Audit Objectives:

a. To establish the validity and accuracy of the aggregate loans amount

b. To establish consistency between the loans schedule, the Books and its supporting records.

Audit Procedures:

a. Establish consistency between the loans schedule and the supporting records.

b. Determine the population size of the loans account. The examination procedure may be based on a random sample or the entire population of the account depending on its size.

c. Determine the accuracy of information reflected in the schedule. The loans schedule shall contain at least the following information:
   c.1. Membership Certificate Number
   c.2. Issue/Effectivity Date
   c.3. Issue Age
   c.4. Amount of Basic Benefit
   c.5 Unpaid Loan Balance as of Valuation Date
   c.6. Interest (Advance/ Due and Accrued)
   c.7 Event Value

d. Reconcile the loans with supporting records:
   d.1. Trace the membership certificate to the valuation or inforce file to determine if the certificate is inforce.
   d.2. Trace the loan amount to the loan documents/records. Check the loan application, Implementing Rules & Regulations, By-laws, membership certificate, etc to ensure that financial assistance loan provision is operative and with prior IC approval

e. Establish consistency between the loan schedule and the Books.
   e.1. Reconcile the total outstanding loan balance reflected in the schedule with that in the Books and the Annual Statement and the certification of comptroller or any responsible officer with rank of at least Vice President

f. Establish the accuracy of the aggregate loan amount.
g. Verify the accuracy of the loan outstanding balances:
   g.1. Select a sample loan payments from the cash receipt book.
   g.2. Verify if repayments had been properly recorded.
   g.3. Verify the balance reflected in the schedule if repayments had been considered in determining the outstanding balances as of financial statement date.

h. Recompute the loans in accordance with company's method. Compare the same with outstanding loan balance in the schedule.

Admissibility:

a. Status of membership certificates with loan which are not included in the reserves valuation shall be determined and corresponding action would be taken (i.e. Set corresponding equity value and reserve for in-force certificates or non-admit the outstanding loan balance if certificate is considered lapsed).

b. Any discrepancies between the aggregate loan amount in the schedule and the supporting records are either considered non-admitted or non-ledger asset.
B.2.11 Policy Loans

Audit Objectives:

- a. To establish consistency between the policy loans schedule, the Books and its supporting records.
- b. To establish the accuracy of the aggregate policy loans amount.

Audit Procedures:

a. Establish Consistency between the Policy Loans schedule and the supporting records.

b. Determine the population size of the policy loans account. The examination procedure may be based on a random sample or the entire population of the account depending on its size.

c. Determine the accuracy of information reflected in the schedule. The policy loans schedule shall contain at least the following information:
   - c.1. Policy Number
   - c.2. Issue/Effectivity Date
   - c.3. Issue Age
   - c.4. Plan of Insurance
   - c.5. Face amount of Insurance
   - c.6. Unpaid Loan Balance as of Valuation Date
   - c.7. Interest (Advance/Due and Accrued)
   - c.8. Cash Value

d. Reconcile the policy loans with supporting records:
   - d.1. Trace the policy to the valuation or in-force file to determine if the policy is in-force.
   - d.2. Trace the loan amount to the loan documents/records. If the loan is an automatic premium loan (APL), check the policy application or policy contract to ensure that APL provision is operative.
   - d.3. Compare the outstanding loan balance to the record of the Cash Surrender Value (CSV) to verify collateral.

e. Establish consistency between the policy loan schedule and the Books
e.1. Reconcile the total outstanding policy loan balance reflected in the schedule with that in the Books and the Annual Statement and the actuary's Statement of Opinion.

e.2. Check if the actuary's Statement of Opinion regarding the policy loans account is in accordance with the IC CL of January 14, 1987.

f. Establish the Accuracy of the Aggregate Policy Loan Amount.

g. Verify the accuracy of the outstanding balances:

   g.1. Select a sample loan payments from the cash receipt book.

   g.2. Verify if repayments had been properly recorded/applied in the corresponding policy loan records.

   g.3. Verify the balance reflected in the schedule if repayments had been considered in determining the outstanding balances as of financial statement date.

h. Recompute policy loans in accordance with company's method. Compare the same with outstanding loan balance in the schedule.

Admissibility:

c. Status of policies with loan which are not included in the reserves valuation shall be determined and corresponding action would be taken (i.e. Set corresponding reserve for in-force policies or non-admit the outstanding loan balance if policy is considered lapsed).

d. The excess of the loan balance over the CSV is a non-admitted asset.

e. Loan balance over the corresponding reserve set is considered as non-admitted asset. Write-off corresponding reserves.

f. Any discrepancies between the aggregate policy loan amount in the schedule and the supporting records are either considered non-admitted or non-ledger asset.

Applicable provision of the Amended Insurance Code and Circular Letters:

Section 196 (4)
Section 198
Section 227 (g)
CL dated 01-14-87
B.2.12 Membership Certificate Loans

Audit Objectives:

a. To establish consistency between the membership certificate loans schedule, the Books and its supporting records.
b. To establish the accuracy of the aggregate membership certificate loans amount.

Audit Procedures:

a. Establish consistency between the membership certificate loans schedule and the supporting records.
b. Determine the population size of the membership certificate loans account. The examination procedure may be based on a random sample or the entire population of the account depending on its size.
c. Determine the accuracy of information reflected in the schedule. The policy loans schedule shall contain at least the following information:
   c.1. Membership Certificate Number
   c.2. Issue/Effectivity Date
   c.3. Issue Age
   c.4. Amount of Basic Benefit
   c.5 Unpaid Loan Balance as of Valuation Date
   c.6. Interest (Advance/ Due and Accrued)
   c.7 Equity Value
d. Reconcile the membership certificate loans with supporting records:
   d.1. Trace the membership certificate to the valuation or in-force file to determine if the certificate is in-force.
   d.2. Trace the loan amount to the loan documents/records. If the loan is an automatic premium loan (APL), check the membership application or membership certificate to ensure that APL provision is operative.
   d.3. Compare the outstanding loan balance to the record of the equity value to verify collateral.
e. Establish consistency between the membership certificate loan schedule and the Books.
   e.1. Reconcile the total outstanding loan balance reflected in the schedule with that in the Books and the Annual Statement and the actuary’s Statement of
Opinion and/or certification of comptroller or any responsible officer with rank of at least Vice President

e.2. Check if the actuary's Statement of Opinion regarding the membership certificate loans account is in accordance with the IC CL of January 14, 1987.

f. Establish the accuracy of the aggregate membership certificate Loan Amount.

g. Verify the accuracy of the outstanding balances:

  g.1. Select a sample loan payments from the cash receipt book.

  g.2. Verify if repayments had been properly recorded/applied in the corresponding membership certificate loan records.

  g.3. Verify the balance reflected in the schedule if repayments had been considered in determining the outstanding balances as of financial statement date.

h. Recompute membership certificate loans in accordance with company's method. Compare the same with outstanding loan balance in the schedule.

**Admissibility:**

a. Status of membership certificates with loan which are not included in the reserves valuation shall be determined and corresponding action would be taken (i.e. Set corresponding equity value and reserve for in-force certificates or non-admit the outstanding loan balance if certificate is considered lapsed).

b. The excess of the loan balance over the equity value is a non-admitted asset.

c. Any discrepancies between the aggregate membership certificate loan amount in the schedule and the supporting records are either considered non-admitted or non-ledger asset.
B.2.13 Members' Contributions Due & Uncollected

Audit Objectives:

To establish the accuracy of the members' contributions due and uncollected and the aggregate amount.

Audit Procedures:

a. Determine the population size of the members' contributions due and uncollected account. The examination procedures may be based on a random sample or the entire population of the account depending on its size.

b. Determine the accuracy of information reflected in the schedule. It shall include for each certificate at least the following information:
   b.1. Membership Certificate Number
   b.3. Amount of Basic Benefit
   b.4 Issue Age
   b.5 Issue/Effectivity Date
   b.6 Mode of Contribution Payment
   b.7 Due Date of contribution
   b.7 Members' contribution Due and Uncollected

c. Trace the certificates from the schedule of members' contributions due and uncollected to the inforce file used for reserves valuation or valuation file.

e. Establish consistency between the members' contributions due and uncollected schedule and the Books.
   e.1. Reconcile the balance reflected in the schedule with that in the Books and the Annual Statement and the accredited actuary's certification and/or certification of comptroller or any responsible officer with the rank of at least Vice President.
   e.2. Check if the accredited actuary's certification regarding the net premiums due and uncollected account is in accordance with the IC CL of January 14, 1987.

d. Select from the Cash Receipts Book a sample of contribution payments made prior to the balance sheet date. Verify if these contributions do not appear anymore on the schedule of members' contributions due and uncollected.

e. Select from the Cash Receipts Book a sample of contribution payments made after the balance sheet date but which were due on or before the balance sheet date.
Verify if these contributions appear on the schedule of members’ contribution due and uncollected.

f. Check if members’ contributions due and uncollected are correctly calculated in the schedule.

f.1 Recalculate the members’ contributions due and uncollected.

f.2. Compare the recalculated members’ contributions due and uncollected with those appearing in the schedule.

g. Trace the aggregate amount of members’ contributions due and uncollected to the Annual Statement/books.

Admissibility:

a. All contributions due and uncollected at the end of the year are brought into the balance sheet as assets on a gross contributions basis.

b. Contributions included in the schedule shall be considered non-admitted asset if contribution payments have been made prior to the balance sheet date.

c. Contributions not included in the schedule shall be considered non-ledger asset if contribution payments which pertain to the contributions due on or before the balance sheet date were made after the balance sheet date.

d. Any difference between the amounts of recalculated members’ contributions due and uncollected and those reflected in the schedule shall be considered as either non-admitted asset or non-ledger asset as the case may be.

e. Members’ contributions due and uncollected on policies not included in the reserves valuation shall be considered non-admitted asset. However, if these certificates are found to be in force, the corresponding equity value/reserves shall be set up.
B.2.14 Unremitted Members’ Contributions, Dues & Fees/Unremitted Premiums

Audit Objectives:

To establish the accuracy of the unremitted members’ contributions/premiums due and uncollected and the aggregate amount.

Audit Procedures:

a. Determine the population size of the unremitted members’ contributions, dues & fees /premiums account. The examination procedures may be based on a random sample or the entire population of the account depending on its size.

b. Determine the accuracy of information reflected in the schedule. It shall include for each certificate/policy at least the following information:
   b.1. Membership Certificate/Policy Number
   b.3. Amount of Basic Benefit/Insurance
   b.4 Issue Age
   b.5 Issue/Effectivity Date
   b.6 Mode of Contribution/Premium Payment
   b.7 Unremitted Members’ contributions, dues & fees/premiums

c. Trace the certificates/policies from the schedule of unremitted members’ contributions, dues & fees /premiums to the inforce file used for reserves valuation or valuation file.

d. Establish consistency between the unremitted members’ contributions, dues & fees/ premiums schedule and the Books.

e. Reconcile the balance reflected in the schedule with that in the Books and the Annual Statement and certification of comptroller or any responsible officer with the rank of at least Vice President.

f. Select from the Cash Receipts Book a sample of unremitted contribution, dues & fees/premiums remittance made prior to the balance sheet date. Verify if these contributions/premiums do not appear anymore on the schedule.

g. Select from the Cash Receipts Book a sample of unremitted contribution, dues & fees/premiums payments made after the balance sheet date but which were remitted on or before the balance sheet date. Verify if these contributions appear on the schedule.

h. Check if unremitted members’ contributions, dues & fees/premiums are correctly calculated in the schedule.
h.1 Recalculate the unremittd members' contributions, dues & fees/premiums

h.2. Compare the recalculated members' contributions, dues & fees/premiums with those appearing in the schedule.

i. Trace the aggregate amount of unremitted members' contributions, dues & fees /premiums to the Annual Statement/books.

Admissibility:

a. All unremitted contributions, dues & fees /premium at the end of the year are brought into the balance sheet as assets on a gross contributions/net premium basis.

b. Unremitted contributions/premiums included in the schedule shall be considered non-admitted asset if contribution, dues & fees/premium remittance have been made prior to the balance sheet date.

c. Unremitted contributions, dues & fees/premiums not included in the schedule shall be considered non-ledger asset if contribution/premium remittance which pertain to the contributions/premiums due on or before the balance sheet date were made after the balance sheet date.

d. Any difference between the amounts of recalculated unremitted members' contributions, dues & fees/premiums and those reflected in the schedule shall be considered as either non-admitted asset or non-ledger asset as the case may be.

e. Unremitted members' contributions, dues & fees/premiums on certificates/policies not included in the reserves valuation shall be considered non-admitted asset. However, if these certificates/policies are found to be in force, the corresponding equity/cash value/ reserves shall be set up.
B.2.15 Net Premiums Due and Uncollected

Audit Objectives:

To establish the accuracy of the net premiums due and uncollected and the aggregate amount.

Audit Procedures:

b. Determine the population size of the net premiums due and uncollected account. The examination procedures may be based on a random sample or the entire population of the account depending on its size.

b. Determine the accuracy of information reflected in the schedule. It shall include for each policy at least the following information:

b.1. Policy Number
b.2. Plan of Insurance
b.3. Amount of Insurance
b.4 Issue Age
b.5 Issue Date
b.6 Mode of Premium Payment
b.7 Due date of Premium
b.8 Net Premium Due and Uncollected

c. Trace the policies from the schedule of net premiums due and uncollected to the inforce file used for reserves valuation or valuation file.

d. Establish consistency between the net premiums due and uncollected schedule and the Books.

d.1. Reconcile the balance reflected in the schedule with that in the Books and the Annual Statement and the accredited actuary's certification.

d.2. Check if the accredited actuary's certification regarding the net premiums due and uncollected account is in accordance with the ICCL of January 14, 1987.

e. Select from the Cash Receipts Book a sample of premium payments made prior to the balance sheet date. Verify if these premiums do not appear anymore on the schedule of net premiums due and uncollected

f. Select from the Cash Receipts Book a sample of premium payments made after the balance sheet date but which were due on or before the balance sheet date. Verify if these premiums appear on the schedule of net premiums due and uncollected.
g. Check if net premiums due and uncollected are correctly calculated in the schedule.

   g.1 Recalculate the net premium due and uncollected.

   g.2. Compare the recalculated net premiums due and uncollected with those appearing in the schedule.

h. Trace the aggregate amount of net premiums due and uncollected to the Annual Statement/books.

'Admissibility:

f. All premiums due and uncollected at the end of the year are brought into the balance sheet as assets on a net premium basis.

g. Premiums included in the schedule shall be considered non-admitted asset if premium payments have been made prior to the balance sheet date.

h. Premiums not included in the schedule shall be considered non-ledger asset if premium payments which pertain to the premiums due on or before the balance sheet date were made after the balance sheet date.

i. Any difference between the amounts of recalculated net premiums due and uncollected and those reflected in the schedule shall be considered as either non-admitted asset or non-ledger asset as the case may be.

j. Premiums that remain unpaid beyond the allowable period per IC CL No.11/91 dated May 28, 1991 shall be considered non-admitted asset.

k. Premiums due and uncollected on policies not included in the reserves valuation shall be considered non-admitted asset. However, if these policies are found to be inforce, the corresponding reserves shall be set up.

Applicable provisions of the Amended Insurance Code and Circular Letters:

Section 196 (5)

CL dated 01/14/87

CL dated 05/28/91
B.2.16 Unremitted Premiums

Audit Objectives:
To establish the accuracy of the net deferred premiums and the aggregate amount.

Audit Procedures:

a. Determine the population size of the net deferred premiums account. The examination procedures may be based on a random sample or the entire population of the account depending on its size.

b. Determine the accuracy of information reflected in the schedule. It shall include for each policy at least the following information:
   
   b.1. Policy Number
   b.2. Plan of Insurance
   b.3. Amount of Insurance
   b.4. Issue Age
   b.5. Issue Date
   b.6 Mode of Premium Payment
   b.7 Net Deferred Premiums

c. Trace the policies from the schedule of net deferred premiums to the enforce file used for reserve valuation or valuation file.

d. Verify that net deferred premiums reflected in the schedule are correctly computed.
   
   d.1. Recalculate the net deferred premiums on the schedule.
   d.2. Compare the recalculated net deferred premiums with those appearing in the schedule.

e. Trace the aggregate amount of net deferred premiums from the schedule to the Annual Statement/Books.

Admissibility:

Any adjustment to be made on this account shall be reflected in the Legal Policy Reserves account.

Applicable Provision of the Amended Insurance Code and Circular Letters:

CL dated 1/4/87
B.3 Liabilities

B.3.1 Amount due to Reinsurers

Audit Objectives:

a. To determine the recorded payables representing valid amounts due to reinsurers and no material reinsurance transactions were unrecorded at the balance sheet date.

b. To determine that reinsurance transaction during the period are valid transactions, properly computed and recorded.

Audit Procedures:

a. Obtain schedules of Due to Reinsurers as of year-end.

b. Check footing of the schedules and compare totals with General Ledger balances.

c. Trace balance of selected accounts per schedule to the Subsidiary Ledger and Statement of Accounts. Cross refer to the figures reported in the Annual Statement of the corresponding reinsurers. Any material differences should be reconciled by the company.

d. Facultative Reinsurance
   d.1. Trace selected entries in the Subsidiary Ledger to premium register.
   d.2. Test/vouch said selected entries to the Statement of Accounts, binders or check vouchers.

e. Treaty Reinsurance
   e.1. Obtain treaty agreements and test check accuracy of reinsurer’s share.
   e.2. Trace selected entries in the Subsidiary Ledger to the premium register.
   e.3. Test/vouch said selected entries to the statement of account or check vouchers.

Valuation:

Based on actual amount of liability.

Applicable Provisions of the Amended Insurance Code and Insurance Commission Circular Letter:

Section 221          Section 223          Section 225
Section 222          Section 224
B.3.2 Taxes Payable

Audit Objectives:

To verify the validity and adequacy of tax liabilities.

Audit Procedures:

a. Determine the tax base. Multiply it by the applicable rate to arrive at the tax due for the year.

b. Add the tax due for the year to the beginning balance of taxes payable.

c. Deduct payments and any compromise tax settlement made during the year to arrive at next taxes payables as at end of the year.

d. Compare figure with the reported balance balance in the Annual Statement. Any material differences should be explained and adjusted accordingly.

e. Request for certification issued by the BIR Large Taxpayers Services Collection Enforcement Division to prove that the company has no delinquent account/obligation.

Valuation:

Valuation of tax liabilities should be in accordance with the provisions, revenue regulations of BIR and other related rulings of the local government as a result of the examination.

Applicable Provisions of the Amended Insurance Code and Insurance Commission Circular Letter:

Section 220

CL dated July 29, 1981 (unnumbered)-on FST

CL-3-90 dated 02/19/90 (Value Added Tax)

CL-7-93 dated 03/10/93 (Premium Tax)

RA 7660 dated 01/13/94 (Documentary Stamp Tax)
B.3.3 Accrued Expense and Other Liabilities

Audit Objectives:

To determine validity and adequacy of the liabilities recorded.

Audit Procedures:

a. Obtain schedule/details of accrued expenses and other payables.

b. For dividends payable, verify declaration of cash dividends against minutes of meeting and board resolution.

c. For notes payable, verify if the liability and collaterals have been properly approved by the Board of Directors. Examine board resolution and collateral offered, if any.

Valuation:

Accrued expenses and other liabilities shall be valued at amount that maybe established by the above mentioned procedures.

Applicable Provisions of the Amended Insurance Code and Insurance Commission Circular Letter:

Section 220
B.3.4 Basic Contingent Benefit Reserve/Optional Benefit Reserve

Audit Objectives:

To establish the completeness of the in-force or valuation file and the accuracy of the policy reserves and the aggregate amount.

Audit Procedures:

a. Establish the completeness of in force or valuation file.

   a.1. Draw a random sample from the master policy file using a sampling method. The listing of selected policies shall include for each policy at least the following information:

   a.1.1 Policy number
   a.1.2 Policyholder/Name Insured
   a.1.3 Plan of Insurance
   a.1.4 Amount of Insurance
   a.1.5 Issue Age
   a.1.6 Issue Date/Date of Effectivity
   a.1.7 Maturity Date
   a.1.8 Status of the Policy
   a.1.9 Cash Value
   a.1.10 Amount of Reserves

   a.2 Trace all active policies in the sample to the sample valuation file or in-force file used for reserves valuation. If the policies in the valuation file are sorted or grouped according to say, issue year, plan, and issue age, the examiner shall request the company to provide the listing of individual policies comprising the policy cells or groups to which the selected active policies belong. The listing shall include at least the following:

   a.2.1 Policy number
   a.2.2 Policyholder/Name Insured
   a.2.3 Plan of Insurance
   a.2.4 Amount of Insurance
   a.2.5 Issue Age
   a.2.6 Issue Date/Date of Effectivity
   a.2.7 Maturity Date
   a.2.8 Status of the Policy
   a.2.9 Cash Value
   a.2.10 Amount of Reserves
Any in-force policy in the sample that is not included in the valuation or in-force file is considered an error in the company’s procedures in the reserves valuation.

b. Establish the accuracy of reserve and the aggregate amount

b.1 Calculate the reserves of the active policies in the sample in accordance with the reserve basis (mortality, interest and valuation method) approved by the Insurance Commission, plan of insurance, amount of insurance, issue year and issue age.

b.2 Compare the calculated reserves with those in the valuation file.

b.3 Trace the aggregate amount of the reserves from the valuation file to the Annual Statements/Books.

b.3.1. Reconcile the balance reflected in the valuation with that in the Books and the Annual Statement and the accredited actuary’s certification.

b.3.2. Check if the accredited actuary’s certification regarding the aggregate legal policy reserves in accordance with the IC CL of January 14, 1987.

b.4 Verify that the reinsurance reserves reductions are not included in the valuation file.

b.5 Trace the reinsurance reserve reductions to the Annual Statement.

Admissibility:

a. Reserves shall be set-up for any in-force policies not included in reserves valuation.

b. Adjustments in the Deferred Premium accounts, if any, shall be effected under this account.

Applicable Provisions of the Amended Insurance Code and Insurance Commission Circular Letter:

Section 216,217 and 220
CL dated 01/14/87
CL 2016-66
B.3.5 Liability on Individual Equity Valué

Audit Objectives:

To establish the completeness of the in-force or valuation file and the accuracy and the aggregate amount of equity value and reserves

Audit Procedures:

a. Establish the completeness of in force or valuation file.

   a.1. Draw a random sample from the master policy file using a sampling method. The listing of selected policies shall include for each policy at least the following information:

      a.1.1 Membership Certificate number
      a.1.2 Name of member
      a.1.3 Amount of Basic Benefit/Optional Benefit
      a.1.4 Issue Age
      a.1.5 Issue Date/Date of Effectivity
      a.1.6 Amount of contribution
      a.1.7 Total Accumulated contribution
      a.1.8 Amount of equity value
      a.1.9 Amount of Reserves
      a.1.10 Status of the certificate

   a.2 Trace all active membership certificates in the sample to the sample valuation file or in-force file used for reserves valuation. If the certificates in the valuation file are sorted or grouped according to say, issue year, plan, and issue age, the examiner shall request the company to provide the listing of individual certificates comprising the certificates cells or groups to which the selected active certificates belong. The listing shall include at least the following:

      a.2.1 Membership Certificate number
      a.2.2 Name of member
      a.2.4 Amount of Basic Benefit/Optional Benefit
      a.2.5 Issue Age
      a.2.6 Issue Date/Date of Effectivity
      a.2.7 Amount of contribution
      a.2.8 Total Accumulated contribution
      a.2.7 Amount of equity value
      a.2.8 Amount of Reserves
      a.2.7 Status of the certificate
Any in-force certificate in the sample that is not included in the valuation or in-force file is considered an error in the company’s procedures in the reserves valuation.

c. Establish the accuracy of equity value/reserve and the aggregate amount

   c.1 Calculate the equity value/reserve of the active certificates/policies in the sample in accordance with the reserve basis (mortality, interest and valuation method) approved by the Insurance Commission, plan of insurance, amount of insurance, issue year and issue age.

   c.2 Compare the calculated equity value/reserves with those in the valuation file.

   c.3 Trace the aggregate amount of the equity value/reserves from the valuation file to the Annual Statements/Books.

      c.3.1. Reconcile the balance reflected in the valuation with that in the Books and the Annual Statement and the accredited actuary’s certification.

      c.3.2 Check if the accredited actuary’s certification regarding the aggregate legal policy reserves in accordance with the IC CL of January 14, 1987.

Admissibility:

b. Equity value/reserves shall be set-up for any in-force certificates/policies not included in reserves valuation.

Applicable Provisions of the Amended Insurance Code and Insurance Commission Circular Letter:

Section 210,211 and 214
IC CL 2016-66
IC CL dated 01/14/87
B.3.6 Policy Contracts and Claims

Audit Objectives:

To establish the completeness/ accuracy of the schedules or reported outstanding claims (includes due and unpaid, in course of settlement and resisted) and the adequacy of the IBNR claims.

Audit Procedures:

a. Determine the accuracy of the information reflected in the schedule. It shall include for each reported outstanding claim at least the following:

   a.1. Claim Number  
   a.2. Policy Number  
   a.3. Insured/Claimant  
   a.4. Plan  
   a.5. Date Claim is Filed/Received  
   a.6. Date of Loss (e.g. Death/Maturity)  
   a.7. Amount of Claim/Insurance  
   a.8. Amount of deduction, if any  
   a.9. Amount Paid/Outstanding balance  
   a.10 Date Paid

b. Verify that the schedule includes all reported outstanding claims and that claimants are being treated fairly.

   b.1 Trace the unpaid claims from the claims register to the schedule.  
   b.2 Scan the schedule and verify that the length of time required to settle claims is reasonable and fair.  
   b.3 Examine the listing of resisted claims and claims closed without payment.  
      b.3.1 Trace a sample of closed payment claims to closed claims files and applications.  
      b.3.2 Verify the grounds for resisting claims by examining application and claims files.  
   b.4 Select a sample of claims payment from the claims register and/or closed claims files and trace the amount to cash disbursement book and cancelled checks.
c. Verify that the amount set up for reported claims is sufficient.

   c.1 Trace a sample of unpaid claims from the schedule to the application and claim files and verify that they are sufficient to cover the face amount and other contract liabilities.

   c.2 Trace the total reported claims from the schedule to the Annual Statement.

       c.2.1 Reconcile the balance reflected in the schedule with that in the Books and the Annual Statement and the accredited actuary’s certification.

       c.2.1 Check if the accredited actuary’s certification regarding the policy & contract claims account is in accordance with the IC CL of January 14, 1987.


d. Establish the adequacy of the IBNR claims.

   d.1 Obtain certification of the company’s actuary on IBNR claims and the basis/method of the computation thereof.

   d.2 Evaluate/determine the adequacy of the IBNR amount. The examiner may estimate it on the basis of the company’s past experience and/or actual claims less reserves set up on these claims and reinsurance recoverable, if any. These actual claims are those reported during the first quarter immediately following the balance sheet date, whether paid or unpaid, but wherein the date of loss occurred on or before the balance sheet date.

   d.3 Trace the IBNR amount from the certification of the company’s actuary to the Annual Statement.

Admissibility:

a. The liability for policy and contract claims is derived at the end of each year by subtracting the amount recoverable on unpaid losses for reinsurance ceded on reported claims from the sum of all claim amounts due and unpaid, in course of settlement, resisted and incurred but not reported.

b. All outstanding unpaid claims as of year-end not included in the schedule of claims shall be set up as non-ledger liability under the Policy and Contract Claims account.

Applicable Provisions of the Amended Insurance Code and Insurance Commission Circular Letter:

Section 247-251, CL dated 6/6/83, CL dated 1/14/87
B.3.7 Claims payable on Basic Contingent/Optional Benefit

Audit Objectives:

To establish the completeness/accuracy of the schedules or reported outstanding claims (includes due and unpaid, in course of settlement and resisted) and the adequacy of the IBNR claims.

Audit Procedures:

a. Determine the accuracy of the information reflected in the schedule. It shall include for each reported outstanding benefit/claim at least the following:

   a.1. Benefit/Claim Number
   a.2. Membership/Policy Number
   a.3. Name of member/insured
   a.4. Plan
   a.5. Date Claim is Filed/Received
   a.6. Date of Loss (e.g. Death/Maturity)
   a.7. Amount of Benefit/Claim
   a.8. Amount of deductions, if any
   a.9. Amount Paid/Outstanding balance
   a.10. Date Paid

b. Verify that the schedule includes all reported outstanding benefits/claims and that claimants are being treated fairly.

   b.1 Trace the unpaid benefit/claims from the claims register to the schedule.

   b.2 Scan the schedule and verify that the length of time required to settle benefits/claims is reasonable and fair.

   b.3 Examine the listing of resisted benefit/claims and benefits/claims closed without payment.

      b.3.1 Trace a sample of closed payment claims to closed benefits/claims files and applications

      b.3.2 Verify the grounds for resisting benefits/claims by examining application and benefits/claims files.

   b.4 Select a sample of benefits/claims payment from the claims register and/or closed benefits/claims files and trace the amount to cash disbursement book and cancelled checks.

c. Verify that the amount set up for reported benefits/claims is sufficient.
c. 1 Trace a sample of unpaid benefits/claims from the schedule to the application and claim files and verify that they are sufficient to cover the benefit/face amount and other contract liabilities.

c. 2 Trace the total reported benefits/claims from the schedule to the Annual Statement.

e. 1. Reconcile the balance reflected in the schedule with that in the Books and the Annual Statement and the accredited actuary’s certification and/or certification of the comptroller or any responsible officer with the rank of at least Vice President.

e. 2. Check if the accredited actuary’s certification regarding the claims payable on basic contingent/optional benefits account is in accordance with the IC CL of January 14, 1987.

d. Establish the adequacy of the IBNR benefits/claims.

d. 1 Obtain certification of the company’s actuary on IBNR benefits/claims and the basis/method of the computation thereof.

d. 2 Evaluate/determine the adequacy of the IBNR amount. The examiner may estimate it on the basis of the company’s past experience and/or actual benefits/claims less reserves set up on these benefits/claims and reinsurance recoverable, if any. These actual benefits/claims are those reported during the first quarter immediately following the balance sheet date, whether paid or unpaid, but wherein the date of loss occurred on or before the balance sheet date.

d. 3 Trace the IBNR amount from the certification of the company’s actuary to the Annual Statement.

Admissibility:

a. The liability for benefits/claims is derived at the end of each year by subtracting the amount recoverable on unpaid losses for reinsurance ceded on reported benefits/claims from the sum of all benefit/claim amounts due and unpaid, in course of settlement, resisted and incurred but not reported.

b. All outstanding unpaid benefits/claims as of year-end not included in the schedule of claims shall be set up as non-ledger liability under the account.

Applicable Provisions of the Amended Insurance Code and Insurance Commission Circular Letter:
B.3.8 Premium Deposit Fund

Audit objective:
To ensure that liabilities arising from the premium deposit or any similar funds agreements/contract are accurately set up in the period under audit.

Audit procedures:

a. Determine if the company has premium deposit or any similar funds agreement/contract that give rise to liabilities.

b. Familiarize with the company's premium deposit or any similar fund agreement made available to the policyholders.

Audit Procedures:

e. Determine the accuracy of the information reflected in the schedule. It shall include at least the following:

   a.1.1 Policy number
   a.1.2 Policyholder/Name of Insured
   a.1.3 Plan
   a.1.4 Amount of Insurance
   a.1.5 Issue Age
   a.1.6 Issue Date/ Date of Effectivity
   a.1.7 Maturity Date
   a.1.8 Status of the Policy
   a.1.9 Interest earned , if any
   a.1.9 Outstanding Balance (actual premium balance)

c. Trace the policies from the schedule to the inforce file used for reserve valuation or valuation file.

d. Verify that premium deposit fund or any similar funds reflected in the schedule are not in excess of the combined amount of the total future premiums and the amount of insurance or pure endowment, as the case maybe

e. Trace the aggregate amount from the schedule to the Annual Statement/Books.

   e.1. Reconcile the balance reflected in the schedule with that in the Books and the Annual Statement and the certification of comptroller or any responsible officer with the rank of at least Vice President

   e.2. Check if the certification of comptroller or any responsible officer with the rank of at least Vice President regarding the premium deposit fund account is in accordance with the IC CL of January 14, 1987.
Admissibility:

c. The liability for premium deposit fund or any similar funds shall be set up.

Applicable Provisions of the Amended Insurance Code and Insurance Commission Circular Letter:

IC CL 2014-27
B.4 Fund balance

Audit Objectives:
To prove the existence and accuracy of the Fund balance accounts.

Audit procedures:

a. Free and Unassigned Fund Balance

  a.1. Check if the Free and Unassigned Fund Balance not exceed in 20% of the total liabilities.

  a.2 If the free and unassigned fund balance is 20% or less of the total liabilities, the same shall not be available for distribution to its member.

  a.3 If the free and unassigned fund balance is more than 20% of the total liabilities, the association shall select from the following rules:

    a.3.1 Return the amount in excess of the 20% ceiling to its member.

    a.3.2 May allocate the amount in excess of the 20% ceiling to the Assigned Fund balance with prior approval of the Insurance Commissioner.

    a.3.3 Submit a certified true copy of the duly notarized Board Resolution authorizing such contributions.

Applicable Provision of the Amended Insurance Code and Circular Letters:

Section 408
IC 2015-46
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