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TO : ALL NON-LIFE INSURANCE COMPANIES AND PROFESSIONAL REINSURANCE COMPANIES DOING BUSINESS IN THE PHILIPPINES


Pursuant to Section 253 and 189 of the Amended Insurance Code (R.A. 10607) providing the conduct of examination and adaptation of the New Financial Reporting Framework, a Manual on Examination of Non-Life Insurance Companies and Professional Reinsurance Companies – 2017 Edition is hereby adopted by the Commission for the guidance of all its examiners in conducting examination/verification of the annual statement of insurance companies, hereto attached as Annex “A”.

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MANUAL ON EXAMINATION OF NON-LIFE INSURANCE COMPANIES AND PROFESSIONAL REINSURANCE COMPANIES

2017 Edition
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I. FOREWORD

The Insurance Commission or the Commission is the national government regulatory agency charged with supervision over the insurance, pre-need, and HMO industries in accordance with the provisions of the Insurance Code, as amended, Pre-Need Code of the Philippines, and Executive Order No. 192 (s. 2015). One of the most important manifold duties of the Commission is the examination/verification of the financial condition and methods of doing business of entities engaged in insurance business, pre-need, mutual benefit associations, trusts for charitable uses, and HMO companies. It is through this medium that the Commission functions in regulating the insurance companies and protecting the interest of the policyholders, the general public and the companies themselves.

Section 253 of the 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."

Examinations or verifications are made for the purpose of determining the solvency or insolvency of the companies at specified dates; that regulatory statutes are being and have been complied with; that the company is fair and expeditious in its treatment of the policyholders; that its reserves are wisely and conservatively invested, and that its assets are preserved in such a manner as to enable the company to discharge all of its public obligations and that no discriminatory practices are indulged in.

This Manual of Examination for Non-Life insurance companies is intended as a guide for examiners as well as those who might find need therefor in conducting examination or verification of the annual statement of insurance companies in accordance with the new financial reporting framework, valuation of insurance policy reserves and risk-based capital 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.
II. CHART OF ACCOUNTS

A. STATEMENT OF FINANCIAL POSITION

ASSETS

1. CASH ON HAND

Cash in the possession of the company or in transit under its control are generally classified as cash on hand. This represents the total amount of undeposited collections and the different types of working funds in the custody of the cashier and/or fund custodian at the company's head office and branches. This may consist of:

1.1 UNDEPOSITED COLLECTIONS

This represents Philippine currency notes and coins, checks, bank drafts, and other cash items in favor of the company to be deposited in the bank on the following banking day. This does not include postdated checks and returned checks which have been dishonored by the bank due to insufficient funds.

1.2 PETTY CASH FUND

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

1.3 COMMISSION FUND

This represents fund established for the purpose of paying commission to agents where the amounts are less than the minimum amount prescribed for check payments. This fund shall be maintained under an imprest system.

1.4 DOCUMENTARY STAMPS FUND

This represents fund set up for documentary stamps for affixture to policy loan agreements, promissory notes, certificates of authority and other legal documents. This fund shall be maintained under an imprest system.

1.5 CLAIMS FUND

This represents fund set up for the payment of claims where the amount are less than minimum amount prescribed for check payments. This fund shall be maintained under an imprest system.
1.6 REVOLVING FUND

This represents fund set up for specified purposes with the provision that repayments to the fund will be used again for the same purposes. This fund shall be maintained under an imprest system.

1.7. OTHER FUNDS

This represents all other funds which cannot be classified under any of the foregoing accounts.

2. CASH IN BANKS

This represents non-interest and interest bearing account balances maintained in various banks by the company’s head office and branches.

1.1. CASH IN BANKS – CURRENT

This represents checking account balances in banks maintained by the company’s head office and branches.

1.2. CASH IN BANKS – SAVINGS

This represents savings deposit account balances in banks maintained by the company’s head office and branches.

3. TIME DEPOSITS

This represents interest yielding bank account balances evidenced by a Time Deposit Certificate and available upon maturity.

4. PREMIUMS RECEIVABLE

This represents uncollected premiums on direct business including those by general agents and insurance brokers including taxes and other charges, provided these are properly segregated and the corresponding liabilities are set up.

4.1. ALLOWANCE FOR IMPAIRMENT LOSSES

This represents the amount set up to provide for losses which may arise from non-collection of the premiums receivable.
5. DUE FROM CEDING COMPANY

This shall comprise of the following sub-accounts:

5.1. PREMIUMS DUE FROM CEDING COMPANIES – TREATY

This represents balances due to the Company as a result of treaty acceptances from ceding companies.

5.2. PREMIUMS DUE FROM CEDING COMPANIES – FACULTATIVE

This represents balances due to the Company as a result of facultative acceptances from ceding companies.

6. FUNDS HELD BY CEDING COMPANIES

This represents amounts pertaining to a certain percentage of the total reinsurance premiums due within one year from date of retention being held by ceding companies.

7. LOSS RESERVE WITHHELD BY CEDING COMPANIES

This shall comprise of the following sub-accounts:

7.1. LOSS RESERVE WITHHELD BY CEDING COMPANIES – TREATY

This pertains to a portion of the reinsurance premium withheld by ceding companies under treaty agreements as reserve for losses.

7.2. LOSS RESERVE WITHHELD BY CEDING COMPANIES – FACULTATIVE

This pertains to a portion of reinsurance premiums withheld by the ceding companies under facultative reinsurances as reserve for losses.

8. AMOUNTS RECOVERABLE FROM REINSURERS

This shall comprise of the following sub-accounts:

8.1. REINSURANCE RECOVERABLE ON PAID LOSSES – TREATY

This represents the amount recoverable from reinsurers under treaty agreements as their share in paid losses and loss adjustment expenses net of salvage of recoveries.

8.2. REINSURANCE RECOVERABLE ON PAID LOSSES – FACULTATIVE

This represents the amount recoverable from reinsurers under facultative reinsurances as their share in paid losses and loss adjustments expenses net of salvage or recoveries.
8.3. REINSURANCE RECOVERABLE ON UNPAID LOSSES – TREATY

This represents the amount recoverable from reinsurers under treaty agreements as their share on unpaid losses and loss adjustment expense net of salvage or recoveries.

8.4. REINSURANCE RECOVERABLE ON UNPAID LOSSES – FACULTATIVE

This represents the amount recoverable from reinsurers under facultative reinsurances as their share on unpaid losses and loss adjustment expense net of salvage or recoveries.

8.5. RI SHARE ON IBNR

This represents the amount recoverable from ceding companies as their share on claims in respect of claim events that have occurred but have not been reported to the company as of the valuation date.

8.6. ALLOWANCE FOR IMPAIRMENT LOSSES

This represents the amount set up to provide for losses which may arise from non-collection of the amounts recoverable from reinsurers.

9. OTHER REINSURANCE ACCOUNTS RECEIVABLE

This represents all other reinsurance accounts receivable not classified under any of the foregoing reinsurance accounts receivable.

10. SURETY LOSSES RECOVERABLE

This represents the estimated recoveries the company may have from losses on surety policies issued.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

A financial at fair value through profit or loss is a financial asset or financial liability that meets either of the following conditions.

(A) It is classified as held for trading. A financial asset or financial liability is classified as held for trading if:

(A.1) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;

(A.2) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

(A.3) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).
(B) Upon initial recognition it is designated by the entity as at fair value through profit or loss. An entity may use this designation only when permitted, or when doing so results in more relevant information, because either:

(B.1) it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases; or

(B.2) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel, for example the entity's board of directors and chief executive officer.

11.1. SECURITIES HELD FOR TRADING

This represents debt and equity securities that are:

(A) acquired principally for the purpose of selling or repurchasing it in the near term; or

(B) part of a portfolio of identified securities that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. This shall comprise of the following sub-accounts based on the types of securities held:

11.1.1. TRADING DEBT SECURITIES - GOVERNMENT

This represents debt instruments issued by the government and its instrumentalities (government agencies, local governments, government owned and controlled corporations). This includes treasury bills, treasury notes and ROP bonds.

11.1.2. TRADING DEBT SECURITIES – PRIVATE

This represents debt instruments issued by private corporations, whether domestic or foreign, such as commercial papers, notes and bonds.

11.1.3. TRADING EQUITY SECURITIES

This represents common and preferred shares of stock of companies other than those of subsidiaries, associates and joint ventures.

11.1.4. MUTUAL, UNIT INVESTMENT TRUST, REAL ESTATE INVESTMENT TRUSTS AND OTHER FUNDS

This represents units held in mutual funds and such other similar types which are generally redeemable any time and where the values are determined based on the daily net asset value per share or unit.
11.2. **FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVPL)**

This represents financial assets which the company, upon initial recognition, has designated at fair value through profit or loss.

This shall comprise of the following sub-accounts based on the types of securities held:

- **11.2.1. DEBT SECURITIES – GOVERNMENT**
- **11.2.2. DEBT SECURITIES – PRIVATE**
- **11.2.3. EQUITY SECURITIES**
- **11.2.4. MUTUAL FUNDS AND UNIT INVESTMENT TRUSTS**
- **11.2.5. REAL ESTATE INVESTMENT TRUSTS**
- **11.2.6. OTHERS**

11.3. **DERIVATIVE ASSETS**

This represents the positive fair value of the company's derivatives which are not designated and considered effective hedging instruments. **Derivative** is a financial instrument or other contract with all three (3) of the following characteristics:

- (A) its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying');
- (B) it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and
- (C) it is settled at a future date.

12. **HELD TO MATURITY (HTM) INVESTMENT**

This represents quoted debt securities with fixed or determinable payments and fixed maturity that the company has the positive intention and ability to hold to maturity other than:

- (A) those that the company upon initial recognition designates as at FVPL;
- (B) those that the company designates as AFS; and
- (C) those that meet the definition of loans and receivables.

12.1. **HTM DEBT SECURITIES – GOVERNMENT**

12.1.1. **UNAMORTIZED DISCOUNT/PREMIUM**

This represents the unamortized discount / premium on HTM government debt securities which shall be debited/credited monthly to this account. Amortization of premium/discount is based on the effective interest rate method.

12.2. **HTM DEBT SECURITIES – PRIVATE**

12.2.2 **UNAMORTIZED DISCOUNT/PREMIUM**
12.3. ALLOWANCE FOR IMPAIRMENT LOSSES

This represents the amount of impairment loss incurred on the HTM securities.

13. LOANS AND RECEIVABLES

This represents non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than:

(A) those that the company intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the company upon initial recognition designates as at fair value through profit or loss;

(B) those that the company upon initial recognition designates as available for sale; or.

(C) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available-for-sale.

(D) Loans and Receivables shall be comprised of the following sub-accounts:

13.1. REAL ESTATE MORTGAGE LOANS

This represents the outstanding balances of loans secured by first mortgage on real estate properties.

13.2. COLLATERAL LOANS

This represents the outstanding balances of loans granted to companies or individuals secured by pledges of shares of stock, bonds and/or other securities.

13.3. GUARANTEED LOANS

This represents the outstanding balances of loans granted to companies or individuals which are covered by guarantees from other entities or individuals.

13.4. CHATTEL MORTGAGE LOANS

This represents the outstanding balances of loans secured by mortgage of chattels or personal properties (i.e. car plan).

13.5. NOTES RECEIVABLE

This represents interest bearing loans granted by the company and evidenced by duly approved and notarized Promissory Notes.

13.6. HOUSING LOANS

This represents outstanding balances of loans granted to employees secured by a mortgage covering their house and lot.
13.7. CAR LOANS

This represents outstanding balances of loans granted to employees secured by a mortgage covering their cars.

13.8. PURCHASE MONEY MORTGAGES

This represents the note secured by a mortgage or deed of trust given by a buyer, as borrower, to a seller, as lender as part of the purchase price of the disposed real property held or otherwise held.

13.9. SALES CONTRACT RECEIVABLES

This represents the uncollected portion of the consideration on the sale of real estate owned by the company, whereby title to the property sold has been transferred to the buyer, and subject of a deed of sale with mortgage.

13.10. UNQUOTED DEBT SECURITIES

This represents unquoted debt securities with fixed or determinable payments and fixed maturity.

13.11. SALARY LOANS

This represents loans secured by salaries of the borrower and, as approved by the Commission.

13.12. OTHERS LOANS RECEIVABLE

This represents all other loans which cannot be classified under any of the foregoing loan accounts.

13.13. ALLOWANCE FOR IMPAIRMENT LOSSES

This represents the amount set up to provide for losses which may arise from non-collection of receivables.

14. AVAILABLE-FOR-SALE (AFS) FINANCIAL ASSETS

These represent non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held to maturity or financial assets at fair value through profit or loss.

14.1. AFS DEBT SECURITIES – GOVERNMENT

14.1.1. UNAMORTIZED DISCOUNT/PREMIUM

This represents the unamortized discount / premium on AFS government debt securities which shall be debited/credited monthly to this account. Amortization of premium/discount is based on the effective interest rate method.
14.2. AFS DEBT SECURITIES – PRIVATE
  14.2.1. UNAMORTIZED DISCOUNT/PREMIUM

14.3. AFS EQUITY SECURITIES

14.4. ALLOWANCE FOR IMPAIRMENT LOSSES

This represents the amount of impairment loss incurred on the AFS securities.

14.5. MUTUAL FUNDS AND UNIT INVESTMENT TRUSTS

14.6. REAL ESTATE INVESTMENT TRUSTS

14.7. OTHERS FUNDS

15. INVESTMENTS INCOME DUE AND ACCRUED

This represents income earned but not yet received as of the end of the accounting period. This account consists of the following sub-accounts:

15.1. ACCRUED INTEREST INCOME - CASH IN BANKS

15.2. ACCRUED INTEREST INCOME – TIME DEPOSITS

15.3. ACCRUED INTEREST INCOME - FINANCIAL ASSETS AT FVPL
  15.3.1. SECURITIES HELD FOR TRADING
    15.3.1.A DEBT SECURITIES - GOVERNMENT
    15.3.1.B DEBT SECURITIES - PRIVATE
  15.3.2. FINANCIAL ASSETS DESIGNATED AT FVPL
    15.3.2.A DEBT SECURITIES - GOVERNMENT
    15.3.2.B. DEBT SECURITIES - PRIVATE

15.4. ACCRUED INTEREST INCOME - AFS FINANCIAL ASSETS
  15.4.1. AFS DEBT SECURITIES - GOVERNMENT
  15.4.2. AFS DEBT SECURITIES - PRIVATE

15.5. ACCRUED INTEREST INCOME - HTM INVESTMENTS
  15.5.1. HTM DEBT SECURITIES - GOVERNMENT
  15.5.2. HTM DEBT SECURITIES - PRIVATE

15.6. ACCRUED INTEREST INCOME - LOANS AND RECEIVABLES
  15.6.1. REAL ESTATE MORTGAGE LOANS
  15.6.2. COLLATERAL LOANS
  15.6.3. GUARANTEED LOANS
  15.6.4. CHATTEL MORTGAGE LOANS
  15.6.5. NOTES RECEIVABLE
  15.6.6. HOUSING LOANS
  15.6.7. CAR LOANS
  15.6.8. SALES CONTRACT RECEIVABLE
  15.6.9. UNQUOTED DEBT SECURITIES
  15.6.10. SALARY LOANS
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15.6.12.A. FVPL EQUITY SECURITIES
15.6.12.B. DVPL EQUITY SECURITIES
15.6.12.C. AFS EQUITY SECURITIES

16. ACCOUNTS RECEIVABLE

This represents receivable from non-insurance transactions of the company. It may comprise of the following accounts:

16.1. ADVANCES TO AGENTS (AGENTS ACCOUNTS)

This represents advances to insurance agents granted by the company to be liquidated thru regular deductions from commissions and salaries, respectively.

16.2. OPERATING LEASE RECEIVABLES

This represents the amount of rent receivables arising from operating lease contracts. Lease income should be recognized on a straight-line basis.

16.3. ALLOWANCE FOR IMPAIRMENT LOSSES

This represents the total amount set up to provide for losses that may arise from non-collection of accounts receivable.

17. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

This shall comprise of the following accounts:

17.1. INVESTMENT IN SUBSIDIARIES

This represents the amount of the Company's investments in the shares of stock of its subsidiaries. A subsidiary is an entity that is controlled by another entity (known as the parent). An insurance or reinsurance company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

17.2. INVESTMENT IN ASSOCIATES

This represents the cost of the company's investments in the shares of stock of its associates. An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.
17.3. INVESTMENTS IN JOINT VENTURES

This represents the cost of the company’s investments in joint ventures. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

18. PROPERTY AND EQUIPMENT

This account represents tangible items that:
(A) are held for use in the company’s business operations or for administrative purposes; and
(B) are expected to be used for more than one period. This account shall have sub-accounts as follows based on the nature of the fixed assets:

18.1. LAND – AT COST

This represents the acquisition cost of the land. Acquisition cost shall consist of the purchase price and all expenditures incurred directly attributable to acquisition.

18.2. BUILDING AND BUILDING IMPROVEMENTS – AT COST

This represents acquisition / construction cost of the building and improvements, including costs incurred subsequent to initial recognition which meet the recognition criteria.

18.2.1. ACCUMULATED DEPRECIATION – BUILDING AND BUILDING IMPROVEMENTS

This represents the aggregate of the depreciation on the building and building improvements charged by the company against current operations.

18.3. LEASEHOLD IMPROVEMENTS – AT COST

This represents the cost of additions, improvements and /or alterations on the company’s leased office premises which are incurred in making the property ready for use and occupancy. This should include the initial estimate of the costs of dismantling and removing the improvements and restoring the site, the obligation for which the company incurs when the property is leased.

18.3.1. ACCUMULATED DEPRECIATION – LEASEHOLD IMPROVEMENTS

18.4. IT EQUIPMENT - AT COST

This represents the cost of the information processing systems of the company including the computer hardware, customized software, and peripherals.

18.4.1. ACCUMULATED DEPRECIATION – IT EQUIPMENT
18.5. TRANSPORTATION EQUIPMENT – AT COST

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

18.5.1. ACCUMULATED DEPRECIATION - TRANSPORTATION EQUIPMENT

18.6. OFFICE FURNITURE, FIXTURES AND EQUIPMENT – AT COST

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

18.6.1. ACCUMULATED DEPRECIATION - OFFICE FURNITURE, FIXTURES AND EQUIPMENT

18.7. PROPERTY AND EQUIPMENT UNDER FINANCE LEASE

This represents the cost of the property and equipment leased by the company under a lease agreement which qualifies as a finance lease.

18.7.1. ACCUMULATED DEPRECIATION – P&E UNDER FINANCE LEASE

18.8. REVALUATION INCREMENT

This represents the revaluation increase in the carrying amount of the company’s property and equipment under the revaluation model.

18.8.1. ACCUMULATED DEPRECIATION – REVALUATION INCREMENT

18.9. ACCUMULATED IMPAIRMENT LOSSES

This represents the cumulative amount of impairment loss incurred on property and equipment.

19. INVESTMENT PROPERTY

This represents property (land or 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, rather than for:

(A) use in the company’s business operations or for administrative purposes; or
(B) sale in the ordinary course of business.

This account shall be classified as follows:

(A) Land – at cost
(B) Building and Building Improvements – at cost
(C) Accumulated Depreciation – Building and Building Improvements
(D) Accumulated Impairment Loss
(E) Land – at fair value
(F) Building and Building Improvements – at fair value
(G) Foreclosed Properties - This represents real properties acquired by company in settlement of loans through foreclosure of mortgage loan arrangements.

20. NON-CURRENT ASSETS HELD FOR SALE

This represents assets available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable. This generally pertains to non-current assets such as land, building and equipment, whose carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This account shall be measured at the lower of its carrying amount and fair value less costs to sell.

21. SUBSCRIPTION RECEIVABLE

This represents amounts receivable from stockholders who signified their intention to subscribe to the capital stock of the company and duly covered by a subscription agreement.

22. SECURITY FUND CONTRIBUTION

This refers to contribution of the company to the Security Fund - Non-Life Account as required by the Insurance Commission on all insurance companies authorized to do business in the Philippines.

23. PENSION ASSET

The net pension asset is the aggregate of the fair value of plan assets reduced by the present value of the defined benefit obligation at the end of the reporting period, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

24. DERIVATIVE ASSETS HELD FOR HEDGING

This represents the positive fair value of derivatives that are designated and considered effective hedging instruments.

24.1. FAIR VALUE HEDGE

This represents the positive fair value of derivatives that are designated and considered effective fair value hedging instruments. Fair value hedge is a hedge of the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. Any fair value changes are recognized in profit or loss.
24.2. CASH FLOW HEDGE

This represents the positive fair value of derivatives that are designated and considered effective cash flow hedging instruments. Cash flow hedge is a hedge of the exposure to variability in cash flows that (i) is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and (ii) could affect profit or loss. Any fair value changes are recognized as equity under Cumulative Foreign Currency Translation.

24.3. HEDGES OF A NET INVESTMENT IN FOREIGN OPERATION

This represents the positive fair value of derivatives that are designated and considered to effective hedging instruments for hedges of a net investment in foreign operation. Any fair value changes are recognized as equity under Reserve for Hedge of a Net Investment in Foreign Operation.

25. DEFERRED ACQUISITION COSTS

This represents the unexpired portion of commission expense from premiums written by non-life insurance companies as at report date.

26. DEFERRED REINSURANCE PREMIUMS

This represents the unearned portion of premiums ceded to reinsurers by non-life insurance companies from policies in force as at report date.

27. OTHER ASSETS

This represents other assets which cannot be classified in any of the foregoing accounts.
LIABILITIES

28. CLAIMS LIABILITIES

This represents claims incurred but not yet paid as at report date, for both the company's direct and assumed reinsurance business, whether treaty or facultative. It includes claims due and unpaid, claims in the course of settlement, resisted claims and those which are incurred but not reported at a designated level of confidence, as well as direct and indirect expenses related to settling all outstanding claims, whether reported or unreported, as at valuation date.

It is divided into the following categories:

28.1. OUTSTANDING CLAIMS RESERVE

This account refers to the estimated amount of reported claims that have not yet been settled as at valuation date.

28.2. CLAIMS HANDLING EXPENSE

This account refers to estimated amount of expenses for settling all claims, whether reported or unreported, outstanding as of valuation date applicable to both direct business and assumed treaty and facultative reinsurance businesses.

28.3. IBNR RESERVES

This account refers to the amount provided for claims in respect of claim events that have occurred but have not been reported to the company as of the valuation date.

29. PREMIUM LIABILITIES

This represents all future claim payments and related expenses for policy maintenance and claims settlement, to be made after the valuation date, arising from future events for which the company is liable under its insurance contracts, and is computed as the higher of the Unearned Premium Reserve (UPR) and Unexpired Risk Reserve (URR) at a designated level of confidence, on a gross reinsurance basis.

30. DUE TO REINSURERS

This shall comprise of the following sub-accounts:

30.1. PREMIUMS DUE TO REINSURERS – TREATY

This represents reinsurance premiums payable by the company to all its treaty reinsurers.
30.2. PREMIUMS DUE TO REINSURERS – FACULTATIVE

This represents reinsurance premiums payable by the company to all its facultative reinsurers.

31. FUNDS HELD FOR REINSURERS

This shall comprise of the following sub-accounts:

31.1. PREMIUM RESERVE WITHHELD FOR REINSURERS – TREATY

This represents a portion of the reinsurance premium ceded to reinsurers which was withheld by the insurance or reinsurance company in accordance with treaty agreements and/or laws, rules and regulations.

31.2. PREMIUM RESERVE WITHHELD FOR REINSURERS – FACULTATIVE

This represents a portion of the reinsurance premium ceded to reinsurers which was withheld by the insurance or reinsurance company in accordance with facultative agreements and/or laws, rules and regulations.

32. COMMISSIONS PAYABLE

This represents unpaid commissions on the company’s direct business, payable to ordinary agents, general agents and insurance brokers.

33. DEFERRED REINSURANCE COMMISSIONS

This represents the unearned portion of commission income from reinsurance premiums ceded by non-life insurance companies as at report date.

34. RETURN PREMIUMS PAYABLE

This represents the aggregate premiums to be refunded to the insured due to endorsements or cancellation of the policies.

35. TAXES PAYABLE

This shall be comprised of the following sub-accounts:

35.1. PREMIUM TAX PAYABLE

This represents premium tax due and collected but not remitted.

35.2. DOCUMENTARY STAMPS TAX PAYABLE

This represents documentary stamps due as at report date. This represents the unpaid balance of documentary stamps tax liability.
35.3. VALUE-ADDED TAX (VAT) PAYABLE

This represents the tax due on sale of insurance policies and other goods or services based on cash received, net of input VAT paid by the company in the course of the company's purchases of goods or services.

35.4. DEFERRED OUTPUT VAT

This represents the tax due on sale of insurance policies and other goods or services based on amounts still to be collected from counterparties. Such amount is still not due for remittance to the BIR until the receivables are collected.

35.5. INCOME TAX PAYABLE

This represents income taxes due and payable to the government net of creditable taxes.

35.6. WITHHOLDING TAX PAYABLE

This represents income taxes withheld from the salaries of employees and creditable taxes withheld from source under the expanded withholding tax system from the remunerations of agents, brokers, general agents, medical examiners and other agencies/corporations for services rendered.

35.7. FIRE SERVICE TAX PAYABLE

This represents the unpaid balance of the Fire Service Tax liability.

35.8. OTHER TAXES & LICENSES PAYABLE

This represents all unpaid taxes and licenses other than the taxes enumerated above due to the government.

36. DEPOSIT FOR REAL ESTATE UNDER CONTRACT TO SELL

This represents the installment payments received by the company on real estate sold under contract to sell, titles to which is still in the name of the company.

37. CASH COLLATERALS

This represents the amount of cash collaterals received by the company in relation to suretyship contracts.

38. ACCOUNTS PAYABLE

This represents obligations of the company as a result of indebtedness due to any corporations, individuals or suppliers which are non-insurance/reinsurance related. This may include the following accounts:
38.1. **SSS PREMIUMS PAYABLE**

This represents the unremitted SSS premiums/contributions withheld from the salaries of officers and employees.

38.2. **SSS LOANS PAYABLE**

This represents the unremitted SSS salary loan amortizations deducted from the salaries of officers and employees.

38.3. **PAG-IBIG PREMIUMS PAYABLE**

This represents the unremitted contributions to the Home Development Mutual Fund (HDMF Pag-ibig) deducted from the salaries of officers and employees.

38.4. **PAG-IBIG LOANS PAYABLE**

This represents the unremitted Pag-ibig loan amortizations deducted from the salaries of officers and employees.

38.5. **PHILHEALTH PREMIUMS PAYABLE**

This represents the unremitted Philhealth premiums/contributions withheld from the salaries of officers and employees.

38.6. **OPERATING LEASE LIABILITY**

This represents the amounts payable arising from lease contract which is classified as an operating lease. Lease payments shall be recognized as an expense on a straight-line basis over the term of the lease.

38.7. **OTHER ACCOUNTS PAYABLE**

This represents all other unpaid non-insurance/reinsurance related obligations.

39. **DIVIDENDS PAYABLE**

This represents cash and other dividends, except stock dividends, already declared but still unpaid and due to the stockholders of the company.

40. **FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS**

This represents financial liabilities which are carried at fair value through profit and loss.

40.1. **FINANCIAL LIABILITIES HELD FOR TRADING**

This represents financial liabilities that are:
(A) acquired principally for the purpose of selling or repurchasing it in the near term; or
(B) part of a portfolio of identified securities that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

40.2. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

This represents financial liabilities which the company, upon initial recognition, has designated at fair value through profit or loss.

40.3. DERIVATIVE LIABILITIES

This represents the negative fair value of the company's derivatives which are not designated and effective hedging instruments.

41. NOTES PAYABLE

This represents long-term and short-term notes payable or any kind of indebtedness duly covered by promissory notes and which are interest-bearing. Payment of interest and principal is based on predetermined amortization schedule on due dates duly agreed upon in the loan agreement.

42. FINANCE LEASE LIABILITY

This represents the company's future minimum lease payments relating to finance leases.

43. PENSION OBLIGATION

This represents the company's obligation with respect to the retirement and other post-employment benefits granted to employees. This is calculated as the net total of the following amounts:

(A) the present value of the defined benefit obligation at the reporting date;
(B) minus the fair value of the plan assets at the reporting date.

44. ACCRUAL FOR OTHER LONG-TERM EMPLOYEE BENEFITS

This represents accruals for the obligation for other types of long-term benefits provided to its employees other than those arising from post-employment benefits.

45. DEFERRED TAX LIABILITY

This represents the total amount of deferred tax on taxable temporary differences.
46. PROVISIONS

This represents the amount recognized for a liability which is uncertain in amount or timing.

A provision shall be recognized when:

(A) the company has a present obligation (legal or constructive) as a result of a past event;
(B) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
(C) a reliable estimate can be made of the amount of the obligation.

47. CASH-SETTLED SHARE-BASED PAYMENT

This represents liability arising from cash-settled share based payments.

48. ACCRUED EXPENSES

This represents expenses incurred for the period and shall be accrued by the company. This shall be further comprised of the following sub-accounts:

48.1. ACCRUED UTILITIES

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

48.2. ACCRUED SERVICES

This represents accruals for services rendered to the company such as janitorial, security, professional fees and others.

48.3. ACCRUAL FOR UNUSED COMPENSATED ABSENCES

This represents the company's liability relating to unused compensated absences, incurred when the employees render service.

49. OTHER LIABILITIES

This represents other liabilities which cannot be appropriately classified under the foregoing liability accounts. This may comprise of the following accounts:

49.1. DEFERRED INCOME

This represents income received during the accounting period but not yet earned.
49.2. OTHERS

This represents all other liabilities not classified under the foregoing liability accounts.

50. DERIVATIVE LIABILITIES HELD FOR HEDGING

This represents the negative fair value of derivatives that are designated and considered effective hedging instruments.

50.1. FAIR VALUE HEDGE

This represents the negative fair value of derivatives that are designated and considered effective fair value hedging instruments. Fair value hedge is a hedge of the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

50.2. CASH FLOW HEDGE

This represents the negative fair value of derivatives that are designated and effective cash flow hedging instruments. Cash flow hedge is a hedge of the exposure to variability in cash flows that (i) is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and (ii) could affect profit or loss. Any fair value changes are recognized as equity under Cumulative Foreign Currency Translation.

50.3. HEDGES OF A NET INVESTMENT IN FOREIGN OPERATION

This represents the negative fair value of derivatives that are designated and considered effective hedging instruments for hedges of a net investment in foreign operation. Any fair value changes are recognized as equity under Cumulative Foreign Currency Translation.
EQUITY

51. CAPITAL STOCK

This represents ownership of the stockholders in the company composed of capital stocks issued and outstanding as at report date. This shall be classified as follows:

51.1. PREFERRED STOCK

This represents shares of stock which provide the stockholders preference as to dividends and upon liquidation. The features of the preferred stocks are varying and should be carefully analyzed whether these qualify as capital stock or creates an obligation on the part of the company. In the latter case, the preferred stocks issued should be classified as part of liabilities.

51.2. COMMON STOCK

This represents shares of stock issued to stockholders which have the residual equity interest in the Company.

52. STATUTORY DEPOSIT

This represents the initial and subsequent inward remittances of the Home Office to the Philippine branch to comply with the statutory requirement.

53. CAPITAL STOCK SUBSCRIBED

This represents the par value of the total number of shares of capital stock subscribed by the stockholders of the company and duly covered by subscriptions agreements.

54. CONTRIBUTED SURPLUS

This represents original contributions of the stockholders as provided under the Amended Insurance Code.

55. CONTINGENCY SURPLUS / HOME OFFICE INWARD REMITTANCES

This represents contributions of the stockholders to cover any impairment in Net Worth as required under the Amended Insurance Code. For foreign companies, the equivalent account for Contingency Surplus is Home Office Inward Remittances.

56. CAPITAL PAID IN EXCESS OF PAR

This represents payment for the shares of stock of the company bought or paid for in excess of its par value.
57. RETAINED EARNINGS / HOME OFFICE ACCOUNT

This represents the accumulated earnings of the company reduced by any losses the company may incur during a certain accounting period or by dividend declarations. For foreign companies, the equivalent account for Retained Earnings is Home Office account.

58. COST OF SHARE-BASED PAYMENT

This represents the cumulative amount of expenses recognized by the company arising from equity-settled share-based payment transactions. This account shall be measured at historical fair value at the time of initial recognition.

59. RESERVE ACCOUNTS

59.1. RESERVE FOR AFS SECURITIES

This represents gains or losses arising from fair value changes of available for sale securities.

59.2. RESERVE FOR CASH FLOW HEDGE

This represents gains or losses arising from fair value changes of hedging instruments in a cash flow hedge.

59.3. RESERVE FOR HEDGE OF A NET INVESTMENT IN FOREIGN OPERATIONS

This represents gains or losses arising from change in fair value of hedging instruments in a hedge of a net investment in foreign operations.

59.4. CUMULATIVE FOREIGN CURRENCY TRANSLATION

This represents gains or losses arising from foreign currency translations on the following:
59.4.1. foreign currency denominated non-monetary items, where such gains or losses are recognized directly in equity, and,
59.4.2. translation of foreign operations with different functional currency.

60. RESERVE FOR APPRAISAL INCREMENT – PROPERTY AND EQUIPMENT

This represents the appraisal increment on property and equipment when the company applies the revaluation model. This is calculated as a difference between the property and equipment’s carrying amount and its revalued amount.
61. REMEASUREMENT GAINS (LOSSES) ON RETIREMENT PENSION ASSET (OBLIGATION)

This represents the accumulated balance of remeasurement gains or losses of a net define benefit liability or asset.

62. TREASURY STOCK

This represents stocks already issued but reacquired by the company. This account shall be measured at cost.
B. STATEMENT OF COMPREHENSIVE INCOME

INCOME

63. GROSS PREMIUMS – DIRECT BUSINESS

This represents the aggregate premiums arising from direct business for the period being reported.

64. REINSURANCE PREMIUMS ASSUMED - TREATY

This represents the aggregate premiums assumed from ceding companies under treaty agreements.

65. REINSURANCE PREMIUMS ASSUMED - FACULTATIVE

This represents the aggregate premiums assumed from ceding companies under facultative agreements.

66. RETURNS AND CANCELLATIONS

This represents premiums on policies cancelled or partially modified.

67. REINSURANCE PREMIUMS CEDED - TREATY

This represents premium on outward cessions under treaty agreements with reinsurers.

68. REINSURANCE PREMIUMS CEDED - FACULTATIVE

This represents premium on outward cessions under facultative agreements with reinsurers.

69. REINSTATEMENT PREMIUMS

This represents additional reinsurance premiums other than the minimum deposits from excess of loss treaty agreements when losses are recovered from such agreement.

70. INCREASE/DECREASE IN PREMIUM LIABILITIES

This represents the change in premium liabilities from the previous reporting period net of the change in deferred reinsurance premiums.

71. COMMISSION INCOME - TREATY

This represents commissions due to the company for its outward cessions under treaty agreements.
72. COMMISSION INCOME - FACULTATIVE

This represents commissions due to the company for its outward cessions under facultative agreements.

73. OTHER UNDERWRITING INCOME

This represents underwriting income not classified under any of the foregoing underwriting income accounts.

74. INTEREST INCOME

This represents interest income due and accrued which is earned by the company from its various investments. This shall be comprised of the following sub-accounts:

74.1. INTEREST INCOME - CASH IN BANKS

This represents interest income earned from savings accounts and time deposits.

74.2. INTEREST INCOME - FINANCIAL ASSETS AT FVPL

74.2.1. SECURITIES HELD FOR TRADING

74.2.1.1. DEBT SECURITIES – GOVERNMENT
74.2.1.2. DEBT SECURITIES - PRIVATE

74.2.2. FINANCIAL ASSETS DESIGNATED AT FVPL

74.2.2.1. DEBT SECURITIES – GOVERNMENT
74.2.2.2. DEBT SECURITIES – PRIVATE

74.3. INTEREST INCOME - AVAILABLE FOR SALE FINANCIAL ASSETS

74.3.1. AFS DEBT SECURITIES – GOVERNMENT

This account represents interest received and/or accrued arising from investments in government securities (such as Treasury Bills, Treasury Notes, government bonds). These shall be classified into two: Non-taxable (NT) and those subject to Final tax (FT).

74.3.2. AFS DEBT SECURITIES – PRIVATE

This represents interest income received and/or accrued arising from investments in debt instruments issued by the private sector such as commercial papers, corporate notes and bonds.

74.4. INTEREST INCOME - HELD-TO-MATURITY INVESTMENTS

74.4.1. HTM DEBT SECURITIES – GOVERNMENT
74.4.2. HTM DEBT SECURITIES – PRIVATE

74.5. INTEREST INCOME - LOANS AND RECEIVABLES

74.5.1. REAL ESTATE MORTGAGE LOANS

This represents interest earned during the period from real estate mortgage loans.

74.5.2. COLLATERAL LOANS

This represents interest earned during the period from collateral loans.
74.5.3. GUARANTEED LOANS
This represents interest earned during the period from guaranteed loans.

74.5.4. CHATTEL MORTGAGE LOANS
This represents interest earned during the period pertaining to interest bearing loans duly secured by a mortgage on chattels, such as cars or motor vehicles.

74.5.5. NOTES RECEIVABLE
This represents interest earned during the period derived from interest bearing promissory notes.

74.5.6. HOUSING LOANS
This represents interest earned during the period derived from housing loans.

74.5.7. CAR LOANS
This represents interest earned during the period derived from car loans.

74.5.8. SALES CONTRACTS RECEIVABLES
This represents interest earned on purchase money mortgages.

74.5.9. SALARY LOANS
This represents interest earned on salary loans.

74.5.10. UNQUOTED DEBT SECURITIES
This represents interest earned on unquoted debt securities which are classified as loans and receivables.

74.5.11. OTHERS
This represents interest income earned which are not otherwise classified under any of the other accounts. Included in this account are the interest earned from the Security Deposit Fund held by the Insurance Commission; special loans; etc.

75. DIVIDEND INCOME
This represents income derived from cash dividend declaration on stock investments, including those accrued or earned but not yet received.

76. GAIN/LOSS ON SALE OF INVESTMENTS
This represents gains/losses realized on sale of the company's investments. This shall be composed of the following sub-accounts:

76.1. FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

76.2. FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS
76.3. AVAILABLE FOR SALE FINANCIAL ASSETS

76.4. INVESTMENT PROPERTY

76.5. OTHERS

This represents gains derived from the disposal or sale of assets other than those classified above.

77. GAIN ON SALE OF PROPERTY AND EQUIPMENT

This represents gain realized on sale of property and equipment.

78. UNREALIZED GAIN ON INVESTMENTS

This represents unrealized gains or losses arising from fair value changes of assets which are carried at fair values.

This shall be comprised of the following sub-accounts:

78.1. FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

78.2. FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS

78.3. DERIVATIVE ASSETS/LIABILITIES

78.4. INVESTMENT PROPERTY

79. RENTAL INCOME

This represents income generated from the rental of investment property. Rent income shall be recognized on a straight-line basis over the lease term.

80. MISCELLANEOUS INCOME

This represents income received or earned from various sources which cannot be properly classified under any of the income accounts. It includes, among other things, income derived from SSS collection fee, proceeds from sale of old newspapers, recoveries from accounts receivables, and other collections.
UNDERWRITING EXPENSE

81. LOSSES - DIRECT BUSINESS

This represents the aggregate losses and claims the nonlife insurance company has incurred on its direct business.

82. LOSSES ON REINSURANCE ASSUMED - TREATY

This represents the aggregate losses and claims the nonlife insurance company has incurred on its acceptances under treaty agreements.

83. LOSSES ON REINSURANCES ASSUMED - FACULTATIVE

This represents the aggregate losses and claims the nonlife insurance or company has incurred on its acceptances under facultative reinsurances.

84. SALVAGE RECOVERIES / LOSS RECOVERIES ON DIRECT BUSINESS

This represents the aggregate net amount recovered or recoverable on account of losses on direct business of a nonlife insurance company.

85. LOSS ADJUSTMENT EXPENSES – DIRECT

This represents the gross expenses for the adjustment of claims and losses against the nonlife insurance company arising out of direct business.

86. LOSS ADJUSTMENT EXPENSES ON REINSURANCE ASSUMED – TREATY

This represents the expenses for the adjustment of claims and losses arising out of the nonlife insurance company’s share on reinsurance acceptances under treaty agreements.

87. LOSS ADJUSTMENT EXPENSES ON REINSURANCE ASSUMED – FACULTATIVE

This represents the expenses for the adjustment of claims and losses arising out of the nonlife insurance company’s share on reinsurance acceptances under facultative reinsurances.

88. LOSS RECOVERIES ON REINSURANCE Ceded – TREATY

This represents the aggregate share of the reinsurers on the claims and losses and adjustment expenses of the company on business ceded under treaty agreements of a nonlife insurance company.
89. LOSS RECOVERIES ON REINSURANCE Ceded – FACULTATIVE

This represents the aggregate share of the reinsurers on the claims and losses and adjustments expenses of the company on business ceded under facultative re insurances of a nonlife insurance company.

90. RETROCESSION COMMISSION

This represents commissions paid to the reinsurers on their acceptance of the reinsurance business.

91. COMMISSION EXPENSE - DIRECT

This represents the commissions given to insurance intermediaries for direct business solicited by the nonlife insurance company.

92. COMMISSION EXPENSES ON REINSURANCE ASSUMED – TREATY

This represents commissions given to ceding companies under treaty agreements.

93. COMMISSION EXPENSES ON REINSURANCE ASSUMED – FACULTATIVE

This represents commissions given to ceding companies under facultative reinsurances.

94. OTHER UNDERWRITING EXPENSES

This represents underwriting expenses not classified under any of the foregoing underwriting expense accounts.

95. OTHER TAX EXPENSE

This represents taxes not classified under any of the foregoing tax expense accounts.

96. AGENCY EXPENSE

This represents expenses incurred by an agency such as cost of training and retirement, office supplies, allowances and other operating expenses of the agency which are shouldered by the company.
ADMINISTRATIVE EXPENSE

97. SALARIES AND WAGES
This represents basic salaries, wages and allowances, including bonuses and 13th month pay of all company officers and staff.

98. SSS CONTRIBUTIONS
This represents the company's share in the contribution to the SSS for the benefit of the officers and staff of the company.

99. PHILHEALTH CONTRIBUTIONS
This represents the company's share in the contribution for the Philhealth benefits of officers and staff.

100. PAG-IBIG CONTRIBUTION
This represents the company's share in the contribution for the Pag-ibig Fund or the Home Development Mutual Fund for the benefit of the employees of the company.

101. EMPLOYEES COMPENSATION AND MATERNITY CONTRIBUTIONS
This represents the company's share in the contribution to the SSS for the maternity, sickness and disability benefits of all company employees.

102. HOSPITALIZATION CONTRIBUTION
This represents the company's contribution for the employee's hospitalization benefits under the group insurance coverage.

103. MEDICAL SUPPLIES
This represents expenses incurred by the company for the purchase of medicines and other medical supplies for the use of or issuance to the employees.

104. EMPLOYEE'S WELFARE
This represents other benefits given to the employees by the company including uniform, service awards, annual excursion expenses, Christmas party benefits, expenses incurred during company meetings, and others not specifically classified under any of the other foregoing accounts.
105. EMPLOYEE BENEFITS

This represents other employee benefits granted to employees such as compensated absences (sick leaves, vacation leaves, emergency leaves), cost of share based payment transactions and other long-term employee benefits other than post-employment benefits.

106. POST-EMPLOYMENT BENEFIT COST

This represents the retirement benefits of the company's employees for services rendered. It shall comprise of the following items:

(A) Current service cost;
(B) Interest expense;
(C) Interest income; and
(D) Effect of any curtailment or adjustment.

107. PROFESSIONAL AND TECHNICAL DEVELOPMENT

This represents the expenses in developing the professional and technical capabilities of the officers and staff of the Company.

108. REPRESENTATION AND ENTERTAINMENT

This represents the cost of representation and entertainment incurred by the officers and staff for the promotion of the business of the Company.

109. TRANSPORTATION AND TRAVEL EXPENSES

This represents expenses for travel and transportation of the directors, officers, employees in connection with the business operations.

110. INVESTMENT MANAGEMENT FEES

This represents fees paid to investment management consultants for the handling of the Company's investment portfolio and other special projects.

111. DIRECTOR'S FEES AND ALLOWANCES

This represents fees and allowance granted to the members of the Board of Directors for their attendance in the monthly and annual meetings or whatever special meetings that the Board may have.

112. CORPORATE SECRETARY'S FEES

This represents fees granted to the corporate secretary for services rendered during the monthly Board of Directors' meetings, annual stockholders' meetings or any other special meetings that the Board of Directors or the stockholders may hold.
113. **AUDITORS' FEES**

This represents professional fees paid to the external auditors for the year-end audit/examination of the company's books of accounts. It also includes the monthly retainers fees, charges for the auditors' out of pocket expenses and fees for any special audit examination or consultations, including any audit and tax consultations which may be required by the company from time to time.

114. **ACTUARIAL FEES**

This represents professional fees paid to the external actuaries for whatever actuarial services that they may render for the company.

115. **SERVICE FEES**

This represents fees paid to certain authorized individuals for services rendered to the company on a contractual or temporary basis.

116. **LEGAL FEES**

This represents retainer fees and other professional fees paid to external lawyers and the company's legal counsel for whatever legal services that they may render. It includes fees for the legal assistance that they may extend in handling court cases, court settlements, notarial fees, consultancy fees, and other legal matters.

117. **ASSOCIATION DUES**

This represents membership and monthly dues and fees paid to various professional organizations/association such as PIRA, Personal Management Association of the Philippines, Insurance Institute of Asia and the Pacific, Actuarial Society of the Philippines, Philippine Insurance Institute, Business Club, MIB, Philippine Institute of Certified Public Accountants, etc.

118. **LIGHT AND WATER**

This represents the cost of power and water consumption of the Company's Head Office and its branches.

119. **COMMUNICATION AND POSTAGE**

This represents the cost of telephone and cellphone services both local and long distance toll charges; telegrams and mailing expenses, including postages and freight charges for the delivery of mails or cargoes sent to or received from the branches.
120. PRINTING, STATIONERY AND SUPPLIES

This represents expenses incurred by the company for the printed forms/materials, stationery and office supplies used in the business operations.

121. BOOKS AND PERIODICALS

This represents the cost of books and reference materials for office use and subscriptions to newspapers, magazines, etc.

122. ADVERTISING AND PROMOTIONS

This represents expenses for advertising and publicity to promote the business of the company including introduction of new plans and publication of the synopsis of the company’s annual report.

123. CONTRIBUTIONS AND DONATIONS

This represents donations given to civic associations, government agencies and contributions to charitable institutions and fund raising drives.

124. RENTAL EXPENSE

This represents rental expense incurred on leased properties. Rental expense shall be recognized on a straight-line basis over the lease term.

125. INSURANCE EXPENSES

This represents premiums paid on insurance coverage of office furniture, fixtures and equipment, IT equipment, company cars and others. It also includes premium charges on the guarantee or fidelity bond of accountable officers and staff as may be required by the Insurance Commission.

126. TAXES AND LICENSES

This represents taxes which are allowable deductions or expenses for income tax computation such as payment of business license, mayor’s permit, etc. It does not include taxes not deductible for income tax purposes, such as income tax assessments and penalty charges and renewal of the agent’s certificates of authority.

127. BANK CHARGES

This represents the cost of checkbooks and charges imposed by the banks for overdrafts and bounced checks, payment of safety deposit box (if any), charges for the regional clearing of provincial checks and other such charges.
128. INTEREST EXPENSES

This represents interest expense incurred by the Company.

129. REPAIRS AND MAINTENANCE - MATERIALS

This represents the cost of materials used in the repair and maintenance of company assets.

130. REPAIRS AND MAINTENANCE - LABOR

This represents the cost of labor pertaining to the repairs and maintenance of company assets.

131. DEPRECIATION AND AMORTIZATION

This represents the periodic depreciation and amortization of the asset cost of the company's depreciable fixed assets. It represents an estimate of the decline in service potential of the asset occurring during the period.

132. SHARE IN PROFIT/LOSS OF ASSOCIATES AND JOINT VENTURES

This represents the company's share in the profit or loss of its associates or joint ventures under the equity method of accounting.

133. PROVISION FOR IMPAIRMENT LOSSES

This represents provisions for losses that may arise from loans and receivables, accounts receivables, and other financial and non-financial assets. This shall be comprised of the following sub-accounts:

133.1. DUE FROM CEDING COMPANIES

133.2. AMOUNTS RECOVERABLE FROM CEDING COMPANIES

133.3. AFS FINANCIAL ASSETS

133.4. HTM INVESTMENTS

133.5. LOANS AND RECEIVABLES

133.6. ACCOUNTS RECEIVABLES

133.7. PROPERTY AND EQUIPMENT

133.8. INVESTMENT PROPERTY

133.9. INTANGIBLE ASSETS

133.10. OTHERS
134. MISCELLANEOUS EXPENSE

This represents other operating or administrative expenses which cannot be specifically classified under any of the other expense accounts.

135. SUSPENSE

This represents a temporary classification of nominal accounts pending clarification of certain aspects of the transaction or compliance of certain requirements, documentation or otherwise. This account could be either a debit or a credit and needs to be reclassified subsequently as to their proper accounts. All transactions under this classification must be properly cleared out and reclassified every end of the accounting period.

136. PROVISION FOR INCOME TAX

136.1. PROVISION FOR INCOME TAX – FINAL

This represents final taxes withheld from sale of shares of stock and from interest earned during the year on investments in government securities and savings deposits.

136.2. PROVISION FOR INCOME TAX – CURRENT

This represents the corporate income tax of the company for the period based on its taxable income.

136.3. PROVISION FOR INCOME TAX - DEFERRED

This represents provision for deferred tax assets and liabilities.
II. EXAMINATION CYCLE

A. OFF SITE EXAMINATION (VERIFICATION OF ANNUAL STATEMENT)

1. Assignment of Companies

The Division Manager shall assign the examination/verification of the annual statements of insurance companies to the examiners. Whether or not said company is subject to an on-site or off-site examination shall depend on the previous findings and financial performance of the insurance company.

2. Cash Count and Physical Inventory of Investments and Properties

Sometime in January or February of every year, the examiners visit the insurance companies assigned to them to conduct cash count and physical inventory of investments and properties of such companies. The inventory shall be used as reference in the examination or verification of the annual statements. *(Exhibit A - Sample of Designation Letter to conduct cash count and physical inventory of investments and Properties and Annex A - Physical Inventory Count Procedure).*

Once the cash count and physical inventory is completed, the examiner prepares the report summarizing all the company's funds, securities and properties counted/inventoried to be signed by the Division Manager for transmittal to the company. *(Exhibit B - Sample Transmittal Letter of Cash Count and Physical Inventory of Investments and Properties).*

3. Filing and Acceptance

Section 229 of the Amended Insurance Code states 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."

Any 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 419."

Under Section 417 (2), the filing fee is forty thousand pesos (₱40,000.00). A fine of five thousand pesos (₱5,000.00) is imposed for each day of delay, in the filing of the annual statement.

The Annual Statement is presented to the Insurance Specialists find out if upon filing, all the required documents are attached and the statements properly and completely accomplished. The Specialists are guided by a checklist of requirements. If the Annual Statement and documents are found in order, the Insurance Specialist places "Okay for Payment" on the front cover of the Annual
4. Statement and initials it. He/she then prepares the order of payment indicating the filing fee and/or penalty for late filing.

The documents accompanying the Annual Statement, once accepted shall become the responsibility of the insurance specialist who ensures that the documents are safe from loss, destruction or misuse. While the Annual Statement once stamped “RECEIVED” is turned over to the Non-Life Division Staff who shall then forward the same to the Division Manager for assignment.

4. Verification and Analysis of Accounts

4.1 Minimum Verification Procedure:

a. Check figures in the annual statement against the figures in the adjusted trial balance and audited financial statements. Any difference should be reconciled;

b. Read the External Auditor’s Report for possible audit exceptions which may affect the company’s financial statements. Read also the Notes to Financial Statement for disclosures made by the auditors regarding the assets, liabilities and net worth accounts. These may necessitate adjustments. Examples are assets pledged to secure:

a. Company Obligations -
   1) If obligation is shown as a liability, then there is no need for adjustment.
   2) If not, take it up as additional liability. In case of discounting line still unused, no adjustment is necessary.

b. Sister/Affiliated or Third-Party Obligations - The assets pledged should be disallowed.

c. Refer to latest examination report and/or approved annual statement for requirements not complied. Always compare treatment of accounts with the latest examination report and approved annual statement. Any variation must be explained.

Know the basis of disallowance or allowance of an asset account. Its being admitted or non-admitted in previous years without knowing why, is not enough basis. Make it a point to analyse documents submitted by the company.

d. Review briefly all the accounts, paying particular attention to Investments and Cash on Hand and in Banks.

e. Proceed with the regular verification. List down documents, findings and recommendations for each account, if any.

f. Prepare a working balance sheet with comparative figures for prior and current years’. Note any significant or material account movements for further analysis of the accounts.
4.2 Verification Procedures, Valuation and References of Accounts
(ANNEX B – Verification, Valuation and References - ASSETS, LIABILITIES AND EQUITY)

5. Transmittal of Result of Verification

The transmittal letter is prepared addressed to the Board of Directors advising them of the results of the verification enclosing therewith a Computation of compliance with the Net Worth and RBC ratio requirements and summary of non-ledger assets, non-admitted assets and non-ledger liabilities as of year-end.

The company is given ten (10) working days from receipt of the transmittal letter within which to comply with the requirements stated in the letter (i.e. cover up net worth deficiency and other findings). Company’s request for reconsiderations and extensions shall be limited to the no. of times indicated in the Commission’s Quality Management System. (Exhibit C - Sample Transmittal Letter on Results of Verification)

6. Approval of Annual Statement

After the company has fully covered up the net worth deficiency, complied with the other findings, or if no net worth deficiency or findings are noted, the Annual Statement is approved and the synopsis of the annual statement is transmitted to the company for publication in newspapers of general circulation in the City of Manila, pursuant with section 231 of the Amended Insurance Code. (Exhibit D - Sample letter of Approval of Synopsis of the Annual Statement)

7. Publication of the Synopsis

Pursuant to Section 231 of the Amended Insurance Code, the Company is required to furnish the Insurance Commission with the pertinent newspaper clippings of the published synopsis within thirty (30) days from receipt of the approval letter.

8. Acknowledgement of the Newspaper Clipping of the Published Synopsis

The examiner shall then checked the accounts and figures of the published synopsis and if the company has complied with the requirements for publication as provided under Circular Letter No. 2016-34 dated 21 June 2016, otherwise, the company shall be required to republish the same.

If publication is found in order, an Acknowledgment letter duly signed by the Division Manager shall be transmitted to the company. (Exhibit E - Sample letter on Acknowledgement of Publication of the Synopsis for the Annual Statement)
B. ON-SITE EXAMINATION (FIELD EXAMINATION)

1. Assignment of Companies

*Same procedure on Assignment of Companies under Off-Site Examination (Refer to item II. A.1, page 40)*

2. Cash Count of Funds & Inventory of Investments and Properties

*Same procedure on Inventory under Off-Site Examination (Refer to item II. A.2, page 40 and Annex A – Physical Inventory Count Procedure)*

3. Filing and Acceptance

*Same procedure on Filing and Acceptance under Off-Site Examination. (Refer to item II. A.3, page 40)*

4. Minimum Verification Procedures

*Same procedure on Minimum Verification Procedures under Office-Site Examination. (Refer to item II. A-4, 4.1 page 40)*

5. Preparation

a. On the first day of the on-site examination, the examiner presents the designation letter authorizing the conduct the said examination to the President of the company. The examiners shall be endorsed to Chief Accountant who will be assisting the examiner throughout the examination. *(Exhibit F – Sample Designation Letter for on-site examination)*

b. A letter which enumerates the list of requirements (i.e., books, records, documents, etc.) that will be used in the examination shall be given to and received by the Chief Accountant. *(Exhibit G - Sample Letter of List of On-Site Examination Requirements)*

6. Test of Controls and Substantive Testing

After the minimum verification procedures are done, the examiner determines the adequate tests to be done per account. *(Annex C - Account Examination Procedure for Test of Details)*

7. Transmittal of Examination Report

The transmittal letter is prepared addressed to the Board of Directors advising them of the results of the examination enclosing therewith a Computation of compliance with the Net Worth and RBC ratio requirements and summary of non-ledger assets, non-admitted assets and non-ledger liabilities as of year-end.

The company is given ten (10) working days from receipt of the transmittal letter within which to comply with the requirements stated in the letter (i.e. cover up net worth deficiency and other findings). Company’s request for
reconsiderations and extensions shall be limited to the no. of times indicated in the Commission’s Quality Management System. *(Exhibit H - Sample transmittal letter on the Results of Examination)*

8. Post-examination

Subsequent to the transmittal of the results of the examination to the company, the examiner shall review the reply and compliance of the company to the findings raised by the examiner and supervisor. Then, when the insurer has complied with all the necessary findings, the examiner shall provide the approved synopsis of the Annual Statement of the insurer for publication.

9. Approval of Annual Statement

*Same procedure on Approval of Annual Statement under Off-Site Examination.* *(Refer to item II. A.6, page 42)*

10. Publication of the Synopsis

*Same procedure on Publication of Synopsis under Off-Site Examination.* *(Refer to item II. A.7, page 42)*

11. Acknowledgement of the Newspaper Clipping of the Published Synopsis

*Same procedure on Acknowledgment of the Newspaper Clipping of the Published Synopsis under Off-Site Examination.* *(Refer to item II. A.8, page 42)*
IV. EXHIBITS

Exhibit A - Sample of Designation Letter to conduct Cash Count and Physical Inventory of Investments and Properties

Republic of the Philippines
Department of Finance
INSURANCE COMMISSION

(dd month yyyy)

(COMPANY REPRESENTATIVES NAME)
(Designation)
(Insurance Company)
(Address)

Dear Mr./Ms. ______________:

This letter will be presented to you by _____ (NAME) _____, Supervising Insurance Specialist and _____ (NAME) _____, (Designation - Insurance Specialist I, Insurance Specialist II, Senior Insurance Specialist) of this Commission, whom I have designated as my representatives to conduct a cash count and physical inventory of Certificate of Time Deposits, Investment in Bonds, Stocks, Real Estate, Mortgage Loans, Collateral Loans, Short-Term Debt Instruments/Money Market Placements and such other investments of _____ (Insurance Company) _____ as of December 31, (year) pursuant to Section 253 of the Amended Insurance Code (R.A. 10607).

Please extend to them your assistance and cooperation to complete the cash count and physical inventory soonest.

Very truly yours,

(NAME OF INSURANCE COMMISSIONER)
Insurance Commissioner
MR. JUAN DELA CRUZ  
(Designation)  
Insurance Company  
Address  

SUBJECT: Cash Count of Fund and Physical Inventory of Securities and Properties as of 31 December (year)  

Dear Mr. Dela Cruz:  

Relative to the cash count of funds and physical inventory of securities of (Insurance Company) as of 31 December (year) conducted on (dd month yyyy), please be informed that the following were duly accounted for:  

(SUMMARY OF INVENTORIED ASSETS)  

It is requested that the company present/account for all its other cash funds and investments as of 31 December (year), together with the schedules and supporting documents, aside from those stated above, otherwise, the same shall be considered as non-admitted assets in the examination/verification of the company's Annual Statement as of 31 December (year).  

Very truly yours,  

(NAME OF DIVISION MANAGER)  
IC Division Manager
EXHIBIT C – Sample of Transmittal Letter on the Results of Verification

Republic of the Philippines
Department of Finance
INSURANCE COMMISSION

(dd month yyyy)

THE BOARD OF DIRECTORS
INSURANCE COMPANY
Address

ATTENTION: MR. JUAN DELA CRUZ
(Designation)

SUBJECT: Verification of (year) Annual Statement

Gentlemen:

Verification of the company's (year) Annual Statement disclosed the following:

1. Financial Condition

<table>
<thead>
<tr>
<th></th>
<th>XXX.XX</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Admitted Assets</td>
<td></td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>XXX.XX</td>
</tr>
<tr>
<td>Total Stockholder's Equity</td>
<td>XXX.XX</td>
</tr>
<tr>
<td>Consisting of:</td>
<td></td>
</tr>
<tr>
<td>(Account Name)</td>
<td>XXX.XX</td>
</tr>
<tr>
<td>(Account Name)</td>
<td>XXX.XX</td>
</tr>
<tr>
<td>(Account Name)</td>
<td>XXX.XX</td>
</tr>
</tbody>
</table>

The above net worth of XXX.XX is compliant with the PXXX.XX Million Net Worth Requirement as of 31 December (year). Likewise, the RBC of X% is compliant with the minimum RBC ratio as of 31 December (year).

Attached herewith are the copies of the RBC2 ratio computation analysis, working balance sheet, computation of net worth, the summary on non-ledger assets, non-admitted assets and non-ledger liabilities as of year-end (year).

The company is given ten (10) working days from receipt of this letter within which submit its comments and observations on the attached working balance sheet otherwise, the figures therein shall be the basis in the preparation of the synopsis of the (year) Annual Statement.

Very truly yours,

(NAME OF INSURANCE COMMISSIONER)
Insurance Commissioner
EXHIBIT D – Sample Letter of Approval of Synopsis of the Annual Statement

Republic of the Philippines
Department of Finance
INSURANCE COMMISSION

(dd month yyyy)

MR. JUAN DELA CRUZ
(Designation)
Insurance Company
Address

SUBJECT: Approval of (year) Annual Statement

Dear Mr. DELA CRUZ:

The (year) Annual Statement of Insurance Company adjusted in accordance with the examination made by this Commission is hereby approved.

Enclosed is the synopsis of the (year) Annual Statement for publication in a newspaper of general circulation, in compliance with the provision of Section 231 of the Insurance Code and Circular Letter No. 2016-34 dated (dd month yyyy). Please make the publication within thirty (30) days from receipt hereof and furnish this Commission with pertinent newspaper clippings.

Very truly yours,

(NAME OF INSURANCE COMMISSIONER)
Insurance Commissioner
MR. JUAN DELA CRUZ  
(Designation)  
Insurance Company  
Address

SUBJECT: Approval of (year) Annual Statement

Dear Mr. Dela Cruz:

This is to acknowledge receipt of your letter dated (dd month yyyy) enclosing therewith newspaper clippings of the publication of the synopsis of the company's approved (year) Annual Statement.

Thank you.

Very truly yours,

(NAME OF DIVISION MANAGER)  
IC Division Manager
EXHIBIT F – Sample of Designation Letter for On-site Examination

Republic of the Philippines
Department of Finance
INSURANCE COMMISSION

(/dd month yyyyy)

MR. JUAN DELA CRUZ
(Designation)
Insurance Company
Address

SUBJECT: Examination of Annual Statement as of (dd month yyyyy)

Dear Mr. Dela Cruz:

This letter will be presented to you by ____ (NAME)____, Supervising Insurance Specialist and ____ (NAME)____, (Designation - Insurance Specialist I, Insurance Specialist II, Senior Insurance Specialist) of this Commission, whom I have designated as my representatives to make an examination on the financial condition, affairs and methods of doing business of ____ (Insurance Company) ____ as of December 31, (year) pursuant to Section 253 of the Amended Insurance Code (R.A. 10607).

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

Very truly yours,

(NAME OF INSURANCE COMMISSIONER)
Insurance Commissioner
THE CHIEF ACCOUNTANT
AND OTHER OFFICIALS CONCERNED

SUBJECT: Examination of Annual Statement as of (dd month yyyy)

Gentlemen:

In connection with the examination made into the affairs, financial condition and methods of doing business of the (Insurance Company) as of (dd month yyyy), please present and/or submit to the examiners the following:

a. 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 of Directors' Meetings;
   d. Articles of Incorporation, By-Laws and Amendments thereto, if any;
   e. General Agency Agreements;
   f. Other Agreements such as Custodianship Agreement, Management Agreement, etc;
   g. Manual of Operating Procedures, if any;
   h. Fidelity and Surety Bond for Cashier and other Accountable Officers;
   i. Surety Bond for General Agents.
   j. Reinsurance Agreement

2. For Submission:
   a. Particulars of Reinsurance Treaties;
   b. List of all books of account currently being used;
   c. List of stockholders as of 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 directors and chairman of the Board of 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/expiry and their addresses;
   f. List of branches and regional/service offices;
   g. List of adjusters and their addresses, certificate of authority, number and date of issuance.
b. Financial Records/Documents

1. Adjusted Trial Balance as of cutoff date of examination;

2. Audited Financial Statement as of (dd month yyyy), with Auditor's adjustment;

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/Return Checks
   d. Claim Folders
   e. Policy/Bond Forms
   f. Control of Accountable Forms
   g. Bank Reconciliation Statements for all deposits in Current Accounts

6. Xerox copies 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; and

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

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

Thank you.

Very truly yours,

(NAME OF SUPERVISING INSURANCE SPECIALIST)
Supervising Insurance Specialist

Received:
Signature:
Title:
Date Received:
EXHIBIT H - Sample transmittal letter on the Results of Examination

Republic of the Philippines
Department of Finance
INSURANCE COMMISSION

(dd month yyyy)

THE BOARD OF DIRECTORS
INSURANCE COMPANY
Address

ATTENTION: MR. JUAN DELA CRUZ
(Designation)

SUBJECT: Examination as of 31 December (year)

Gentlemen:

Please find the attached report on the examination made into the affairs, financial condition and methods of doing business of (Company Name) as of 31 December (year), together with the findings and requirements for your comments, explanation and/or compliance within ten (10) days from receipt hereof.

Further, please consider the findings and corresponding requirements contained in the said report at your next Board meeting and furnish us a copy of the minutes covering said findings and a record of the actions taken thereon, within ten (10) days from said meeting.

Very truly yours,

(NAME OF INSURANCE COMMISSIONER)
Insurance Commissioner
The examination made into the affairs, financial condition and methods of doing business of *(Company Name)* as of 31 December (year) disclosed the following findings for comments, explanation and/or compliance.

1. FINANCIAL CONDITION

As of 31 December (year), *(Company Name)* had -

<table>
<thead>
<tr>
<th>Total Admitted Assets</th>
<th>P XXX.XX</th>
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<tbody>
<tr>
<td>Total Liabilities</td>
<td>XXX.XX</td>
</tr>
<tr>
<td>Total Stockholder's Equity</td>
<td>XXX.XX</td>
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<tr>
<td>Consisting of:</td>
<td></td>
</tr>
<tr>
<td>(Account Name)</td>
<td>P XXX.XX</td>
</tr>
<tr>
<td>(Account Name)</td>
<td>XXX.XX</td>
</tr>
<tr>
<td>(Account Name)</td>
<td>XXX.XX</td>
</tr>
</tbody>
</table>

The company is compliant with the Net Worth and RBC requirements. The above net worth of Pxxx.xx is compliant with the PXXXMillion Net Worth Requirement as of 31 December (year). Likewise, the RBC of X% is compliant with the minimum RBC ratio as of 31 December (year).

2. OTHER FINDINGS AND REQUIREMENTS

A. Risk-Based Capital (RBC)

(Comments)

B. *(Account Name)*

(Comments)

*Requirement:*

*The company is required to....*
### V. APPLICABLE CIRCULAR LETTERS (CL) / DEPARTMENT ORDER (DO)/
INSURANCE MEMORANDA (IMC) FOR EXAMINATION OF NON-LIFE
INSURANCE COMPANIES

<table>
<thead>
<tr>
<th>CL/DO/IMC REF. NO.</th>
<th>DATE</th>
<th>TITLE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capitalization Requirements</strong></td>
<td></td>
<td></td>
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<tr>
<td>CL 2015-02A</td>
<td>13 Jan 2015</td>
<td>Minimum Capitalization Requirements Under Sections 194, 197, 200 And 289 of Republic Act 10607</td>
</tr>
<tr>
<td>DO 2011-59</td>
<td>16 Sep 2011</td>
<td>Minimum Paid-Up Capital and Other Requirements for Companies Seeking Rehabilitation</td>
</tr>
<tr>
<td>DO 2006-19</td>
<td>15 May 2006</td>
<td>Minimum Capitalization Requirements for New Life, Non-Life and Reinsurance Companies and those Rehabilitated</td>
</tr>
<tr>
<td><strong>Actuaries</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CL 2016-19</td>
<td>04 Apr 2016</td>
<td>Application Fees for New and Renewal Accreditation of Actuaries for Insurance/Reinsurance and Pre-Need Companies</td>
</tr>
<tr>
<td>CL 2015-33</td>
<td>18 Jun 2015</td>
<td>Accreditation of Non-life Actuaries</td>
</tr>
<tr>
<td><strong>External Auditor</strong></td>
<td></td>
<td></td>
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<tr>
<td>CL 2016-46</td>
<td>18 Aug 2016</td>
<td>Engagement of External Auditors</td>
</tr>
<tr>
<td>CL 2015-40</td>
<td>29 Jul 2015</td>
<td>Revised Guidelines on Accreditation of Auditing Firms and External Auditors</td>
</tr>
<tr>
<td>CL 2009-29</td>
<td>10 Nov 2009</td>
<td><strong>Fees and Charges</strong></td>
</tr>
<tr>
<td>CL 2015-39</td>
<td>27 Jul 2015</td>
<td>Fees Relative To: (1) The Applications for Grant of Authority to Private Insurance and Surety Companies to Act as Sureties in Government Transactions; and (2) Holders of Existing Administrative Orders Issued by the President of the Republic of the Philippines for Insurance and Surety Companies to Act as Sureties in Government Transactions</td>
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<tr>
<td>CL 2015-34</td>
<td>13 Jul 2015</td>
<td>Imposition of Fine as Penalty in Administrative Cases Filed Before the Regulation, Enforcement and Prosecution Division</td>
</tr>
<tr>
<td>CL 2014-15</td>
<td>15 May 2014</td>
<td><strong>Annual Statement</strong></td>
</tr>
<tr>
<td>CL 2017-18</td>
<td>29 Mar 2017</td>
<td>* Filing of 2016 Annual Statement and Pro Forma Template of Annual Statement</td>
</tr>
<tr>
<td>CL 2015-19</td>
<td>17 Apr 2015</td>
<td>Statement of Full Names and Addresses of the Directors and Officers of Insurance Corporations in the Annual Statement</td>
</tr>
<tr>
<td><strong>New Regulatory Framework (FRF, RBC2, Valuation Report)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CL 2017-51</td>
<td>17 Nov 2017</td>
<td>* Discount Rates for Non-Life Insurance Policy Reserves as of 30 September 2017</td>
</tr>
<tr>
<td>CL 2017-37</td>
<td>11 Jul 2017</td>
<td>* Discount Rates for Non-Life Insurance Policy Reserves as of 30 June 2017</td>
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<tr>
<td>CL/DO/IMC REF. NO.</td>
<td>DATE</td>
<td>TITLE</td>
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</tr>
<tr>
<td>CL 2015-38</td>
<td>27 Jul 2015</td>
<td>Admissions and Non-Admitted Asseral (RA 10607)</td>
</tr>
<tr>
<td>CL 2015-35</td>
<td>13 Jul 2015</td>
<td>EDP Equipment</td>
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<tr>
<td>CL 2015-31</td>
<td>10 Jul 2015</td>
<td>Investment in Income Producing Real Properties</td>
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<tr>
<td>CL 2014-18</td>
<td>15 May 2014</td>
<td>Regulations Governing Investments in Derivatives and Limiting the Same to Contracts in the Form of Forwards and Swaps Investments under Investment Management Agreement (IMA) Investments in Mutual Funds and Unit Investment Trust Funds</td>
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<tr>
<td>CL 2017-43</td>
<td>22 Aug 2017</td>
<td>Loan</td>
</tr>
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<td>CL 2015-56</td>
<td>01 Dec 2015</td>
<td>Premium Receivable</td>
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<tr>
<td>CL 2015-55</td>
<td>06 Nov 2015</td>
<td>Premiums Receivable</td>
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<tr>
<td>Security Fund</td>
<td></td>
<td>* Interest Income due the Contributions to the Security Fund Life and Non-Life Accounts</td>
</tr>
<tr>
<td>CL 2014-22</td>
<td>15 May 2014</td>
<td>Investments</td>
</tr>
<tr>
<td>CL 2014-20</td>
<td>15 May 2014</td>
<td>Investments</td>
</tr>
<tr>
<td>CL 2017-03</td>
<td>17 Jan 2017</td>
<td>Recommendations Value of Selected Stocks as of Year End 2016</td>
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<tr>
<td>CL 2016-44</td>
<td>12 Aug 2016</td>
<td>Amendments to Guidelines on the Issuance of Certifications under R.A. No. 9184, Otherwise known as the &quot;Government Procurement Reform Act&quot;</td>
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<td>CL 2016-32</td>
<td>30 May 2016</td>
<td>Guidelines on the Issuance of Certifications under R.A. No. 9184, Otherwise known as the &quot;Government Procurement Reform Act&quot;</td>
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<td>CL 2015-56</td>
<td>01 Dec 2015</td>
<td>Regulation Governing Investments in Derivatives and Limiting the same to Contracts in the form of forwards and swaps</td>
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<td>CL 2015-08</td>
<td>06 Mar 2015</td>
<td>Guidelines for the Valuation of Equity Investments as of Year-end 2014</td>
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<td>CL/DO/IMC REF. NO.</td>
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<tr>
<td>CL 2014-50</td>
<td>11 Dec 2014</td>
<td>Investment in Mutual Funds and Unit Investment Trust Funds</td>
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<tr>
<td>CL 2014-31</td>
<td>08 Jul 2014</td>
<td>Guidelines for Securities Borrowing and Lending</td>
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<td>CL 2014-30</td>
<td>08 Jul 2014</td>
<td>Guidelines for Investing in Exchange Traded Funds</td>
</tr>
<tr>
<td>CL 2014-23</td>
<td>15 May 2014</td>
<td>Submission of Monthly Report of Investments Made and Sold or Disposed of</td>
</tr>
<tr>
<td>CL 2014-21</td>
<td>15 May 2014</td>
<td>Investments under the Amended Insurance Code</td>
</tr>
<tr>
<td>CL 2014-17</td>
<td>15 May 2014</td>
<td>Admitted Assets under the Amended Insurance Code (RA 10607)</td>
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<tr>
<td>CL 2013-23</td>
<td>04 Sep 2013</td>
<td>Guidelines for the Approval of Personal Equity Retirement Account (PERA) Investment Products</td>
</tr>
</tbody>
</table>

**Premiums Receivable**

| CL 2014-17        | 05 May 2014| Admitted Assets under The Amended Insurance Code (RA 10607)          |

**Real Estate**

| CL 2017-43        | 22 Aug 2017| Investment in Income Producing Real Estate Properties                |
| CL 2016-16        | 23 Mar 2016| Guidelines for Approval of Appraised Value of Real Estate Properties |

**Loans**

| CL 2017-42        | 22 Aug 2017| Salary Loans Extended to Department of Education (DepEd) Teachers    |
| CL 2014-22        | 15 May 2014| Collateral Loans                                                    |
| CL 2011-31        | 05 Oct 2011| Updated Rules Implementing the Truth in Lending Act                 |

**Catastrophe Loss Reserve**

| CL 2009-22        | 18 Aug 2009| Catastrophe Excess of Loss Cover                                   |

**Corporate Governance**

| CL 2016-52        | 06 Sep 2016| Guidelines in the Development of Anti-Fraud Plan for Insurance Companies |
| CL 2015-22        | 06 May 2015| Negative List of Officers and Employees                            |
| CL 2014-49        | 11 Dec 2014| Term Limits for Independent Directors                             |
| CL 2009-21        | 12 Aug 2009| Corporate Governance Scorecard                                    |
| CL 2008-16        | 13 Mar 2008| Independent Director                                               |
| CL 2006-07        | 24 Jan 2006| Compliance to IC Requirements                                     |
| CL 2005-31        | 26 Sep 2005| Corporate Governance Principles and Leading Practices              |
| CL 2004-03        | 04 Mar 2004| General Disclosure of Corporate Governance                         |

**Reinsurance**

| CL 2014-42        | 30 Sep 2014| Rules and Regulations on Reinsurance Transactions                  |
| CL 2014-07        | 03 Mar 2014| Approval of Facultative Reinsurance Placements Abroad              |
| CL 2009-11        | 10 Mar 2009| Foreign Exchange Remittances Abroad Relative to Reinsurance Transactions |
| CL 2008-14        | 13 Mar 2008| Approval of Reinsurance Treaties                                   |

**AMLA**

<p>| CL 2015-05        | 05 Feb 2015| Submission of the Names and Contact Details of AMLA Compliance and Alternate Compliance Officers |
| CL 2008-28        | 19 Aug 2008| Applicability of IC AML Circulars to foreign branches and subsidiaries |</p>
<table>
<thead>
<tr>
<th>CL/DO/IMC REF. NO.</th>
<th>DATE</th>
<th>TITLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>CL 2005-24B</td>
<td>02 Sep 2005</td>
<td>Anti-Money Laundering Rules on Capital/Asset Infusion; Waiver of Bank Secrecy Law</td>
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<tr>
<td>CL 2005-24A</td>
<td>02 Sep 2005</td>
<td>Rules on Cash Infusion to cover up Margin of Solvency Deficiency, Capital Impairment; Equity Conversion: Preferred Shares</td>
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**Motor Vehicles**

| CL 2017-33        | 29 May 2017 | Formalization of Premium Rates and Benefits for Passenger Personal Accident Insurance (PPAI) for Public Utility Vehicles |
| CL 2006-09        | 25 Jan 2006 | 3 Year CTPL Policies |

**Migrant Workers (OFW)**

| CL 2015-06        | 02 Feb 2015 | New Reserves Computation for the Compulsory Insurance Coverage for Migrant Workers |
| CL 2010-36        | 08 Dec 2010 | Undertaking to Assign Company Representative Overseas |

**Microinsurance**

| CL 2011-39        | 24 Nov 2011 | Re-Approval of Microinsurance Products |
| IMC 2010-01       | 29 Jan 2010 | Regulation for the Provision of Microinsurance Product and Services |
| IMC 2006-09       | 25 Oct 2006 | Microinsurance Regulation and Declaration of Policy |

**General Application**

<p>| CL 2017-57        | 12 Dec 2017 | Guidelines on Group Insurance of Both Life and Non-Life Insurance Companies |
| CL 2017-52        | 17 Nov 2017 | Penalty for Payment of Commissions to Persons acting as Insurance Agents without the required License |
| CL 2017-42        | 22 Aug 2017 | Salary Loans Extended to Department of Education (DepEd) Teachers |
| CL 2017-29        | 02 May 2017 | Guidelines on Related Party Transactions for insurance Commission (IC) Covered Institutions |
| CL 2016-61        | 16 Nov 2016 | Guidelines Defining the Engagement of Telemarketing Services by Insurance Companies, Insurance Brokers and General Agencies, as well as Enumerating the Requirements Therefor |
| CL 2016-34        | 21 June 2016 | Newspaper Publication Requirement |
| CL 2016-07        | 05 Feb 2016 | Establishment of a Branch Outside the Philippines |</p>
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<tr>
<th>CL/DO/IMC REF. NO.</th>
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<tbody>
<tr>
<td>CL 2015-15</td>
<td>25 Mar 2015</td>
<td>Clarifying the Procedure Under Sections 298-301 of Republic Act No. 10607, Otherwise Known As &quot;The Amended Insurance Code&quot;</td>
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<td>CL 2015-14</td>
<td>25 Mar 2015</td>
<td>Promulgating the Guidelines on Submission and of Approval of Non-life Insurance Products/Policies by Insurance Companies and Insurance Industry Association</td>
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<td>Rules and Guidelines in Application of Authority of the Insurance Commissioner to Grant Authority to Private Insurance Companies to Act as Sureties in Government Transactions</td>
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<td>CL 2014-24</td>
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<td>Authority of the Insurance Commissioner to Grant Authority to Private Insurance Companies to Act as Sureties in Government Transactions</td>
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<td>20 Aug 2009</td>
<td>Corporate Governance Principles and Leading Practices</td>
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*To be issued on a yearly basis.*
ANNEX A

PHYSICAL INVENTORY COUNT PROCEDURES

A. CASH ON HAND

1) Funds should be presented for actual physical count – petty cash fund, commission fund, documentary stamps fund, postage stamps fund, change fund, undeposited collections, revolving funds, etc.

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

3) The schedule of Cash in company's office should be presented to IC examiner containing the following information:
   a) Nature of cash in company's office
   b) Encumbrance
   c) Monthly balances
   d) Differences and/or unaccounted items arising from reconciliation should be adequately explained.

4) Funds held by branches should be supported by a certificate of the custodian as to the existence and amount.

B. CASH IN BANK

1. The schedule of Cash should be presented to IC examiner with the following information:
   a) Name and location of bank or trust company
   b) Encumbrance, if any
   c) Monthly balances
   d) Interests

2. Bank statements/passbooks/deposit slips, debit/credit memos, and certificates should be available for inspection. In case of late bank statements/passbooks, debit/credit memos - amount directly confirmed by bank with the IC may be used subject to reconciliation with balance per book.

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

4. Specialized/new products should be supported by Certification from Central bank that the same is allowable or approved for sale through banks and other authorized dealers.
C. BONDS

1) The schedule of Bonds should be presented to IC examiner with the following information:
   a) Description - domestic issues, foreign issues
   b) Date acquired/issued
   c) Date of maturity
   d) Certificate's serial number
   e) Certificate's face value
   f) Encumbrance, if any
   g) Where kept
   h) Underwriting discount
   i) Acquisition cost
   j) Interest rate
   k) Amortization

2) Documents supporting bonds should be presented for actual physical count.
   • If on hand - original bond certificates, agreements, custodianship receipt
   • If sold - confirmation of purchase, official receipt, bank validated deposit slips, bank statement/passbooks
   • If rolled over - roll over documents
   • If matured - official receipts, bank statements, and bank validated deposit slips

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

D. TREASURY BILLS

1) The Schedule of Treasury Bills should be presented to IC examiner with the following information:
   a) Description - as to type, name of issuer, serial no., etc.
   b) Where kept
   c) Date acquired
   d) Date of maturity
   e) Purchased from
   f) Acquisition cost
   g) Discount

2) Documents supporting treasury bills should be presented for actual physical count.
   • If on hand - original certificate of treasury bills and confirmation of sale, custodianship receipt or certified true copy of withdrawal request of dealers from BSP
   • 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 sold - confirmation of purchase, bank statements/passbooks, official receipt, bank validated deposit slips.
   • If rolled over - roll over documents.
   • If matured - bank statements and bank validated deposit slip, official receipt.
Any difference resulting from physical count against schedule presented should be reconciled and adequately explained.

E. STOCKS

1) The schedule of stocks should be presented to IC examiner with the following information:
   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 mv/bv
   j) Market value/book value (MV/BV)
   k) Acquisition cost
   l) Dividend

2) Certificate of stocks should be presented for actual physical count.
   • **If unissued** - confirmation of purchase, paid checks
   • **If sold** - confirmation of sale, official receipt, bank statements/passbooks and bank validated deposit slip

3) Any difference between 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 IC examiner containing the following information
   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 accrued
   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 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

g) Real estate tax receipt

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 IC examiner with the following information:
   a) Name and address of mortgagor
   b) Record of mortgage - registry number, entry number city/province, amount of notation
   c) Where kept
   d) Term - date given, date due
   e) Amount of original loan
   f) Market value of land mortgaged
   g) Sound value of building
   h) Amount of fire insurance held by company
   i) Title number, location and description of property mortgaged
   j) Balance of principal & interest

2) Documents evidencing loans should be presented for physical count.
   a) For real estate mortgaged (REM) - transfer certificate of title, mortgage loan agreement

   b) For syndicated loans, mortgage trust indentures/joint venture:
      • list of participants and amount of participation (loanable value)
      • IC approval
      • Collateral is specific and clearly identified
      • TCT of collateral duly annotated

      Note: In case of change of collateral, approval of IC should be presented.

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

H. COLLATERAL LOANS

1) The schedule for collateral loans should be presented to IC examiner with the following information:

   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 Certificate of Stocks/Bonds
b) Certificate of the Corporate Secretary of the Issuer that the shares are
   pledged as collateral

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

I. GUARANTEED LOANS

1) The Schedule of Guaranteed Loans should be presented to IC examiner
   with the following information:
   
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 IC and document's
   evidencing the approval should be presented during actual physical
   count.

3) Differences resulting from physical count against schedule presented
   should be reconciled and adequately explained.

J. CAR LOANS TO COMPANY OFFICERS

1) The Schedule of Car Loans should be presented to IC examiner with the
   following information:
   
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) The following documents should also be presented:
   
a) Board resolution embodying the financial assistance program.
b) Promissory Notes, Chattel Mortgage, Car Registration
c) Insurance Coverage to extent of loan balance

3) Differences resulting from physical count against schedule presented
   should be reconciled and adequately explained.
# Verification Procedures, Admissibility & Valuation - Asset Accounts

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<tr>
<th>Objectives</th>
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<th>Requirement for Admissibility</th>
<th>Valuation</th>
<th>Reference(s)</th>
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<tbody>
<tr>
<td>1. Cash on Hand</td>
<td>1. Prepare a schedule of the cash on hand accounts based on the Annual Statement and reconcile with the inventory conducted. Any difference resulting from physical count against schedule presented should be reconciled and adequately explained. 2. Reconcile/tally accounts with the adjusted trial balance. 3. For foreign currencies, check the prescribed foreign currency conversion rate used.</td>
<td>• Cash in the possession of the insurance company or in transit under its control are admitted asset. • Cash on hand should be physically counted and none presentation should be supported with documents (e.g., Original receipt and/or check voucher from unreimbursed petty cash). • Funds held by branches should be supported by an original Certificate of the custodian as to existence and amount.</td>
<td>This shall be measured at amortized cost, which is generally equivalent to its face amount</td>
<td>Sec. 202 (a) of Amended Insurance Code; and CL issued by ISD on a yearly basis for Dollar conversion rate and valuation of stocks.</td>
</tr>
<tr>
<td>2. Cash in Bank</td>
<td>1. Prepare a schedule of the cash in bank accounts based on the Annual Statement and reconcile with the inventory conducted. 2. Examine the company's bank reconciliations statements, as of the cut-off date. Any difference between the bank reconciliation and the company's balances are treated as non-admitted asset. 3. For foreign currencies, check the prescribed foreign currency conversion rate used.</td>
<td>• Deposits in banks should be true and duly verified adjusted bank balance as of cut-off date in a financially sound bank or duly authorized by Bangko Sentral ng Pilipinas (BSP) and supporting documents (bank statements/ passbook/ deposits slips, debit/credit memos, and certificates) should be in the name of the insurance company. • Cash in banks deposited in regional branches with material amount should be duly confirmed by bank. • Cash and cash equivalent deposits maintained with thrift banks, rural banks, and cooperative banks may be considered admissible assets. Provided, that: • the exposure should not exceed the maximum deposit insurance limit of the Philippine Deposit Insurance Corporation.¹</td>
<td>This shall be measured at amortized cost, which is generally equivalent to its face amount</td>
<td>Section 202 (a) (j) of Amended Insurance Code; CL 2014-17</td>
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¹ Effective June 1, 2009, the maximum deposit insurance coverage is ₱500,000 per depositor.
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<td><strong>3. TIME DEPOSITS</strong></td>
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<tr>
<td><em>Same Audit Objective as to Cash in bank</em></td>
<td><em>Same Audit Procedure as to Cash in bank</em></td>
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</table>
|  |  | • Certificate of Time Deposits as of year-end should be presented and in the name of the company.  
• If rolled over - Roll over documents should be presented. | This shall be measured at amortized cost, which is generally equivalent to its face amount | Section 202 (a) (i) of Amended Insurance Code  
CL 2014-17 |
| **4. PREMIUM RECEIVABLE** |  |  |  |  |
|  | The scope of procedures to be performed shall be limited to the Premium Receivable balances within 90 days and/or receivables presented as admitted by the insurance company. The latter are those receivables due from the government and on marine hull business.  
For premium receivables on marine hull business, check that the policy is covered by Deferred Premiums Clause “B”.  
For premium receivables due from the following, the insurance company shall submit proof that such premiums are held by such entity as trustee of the said insured:  
  a. The Government of the Philippines; or  
  b. Its political subdivisions and instrumentalities; or Government owned or controlled corporations, whether as insured, general agents, insurance broker, mortgages or trustee as of cut-off date. | Premiums receivable may be admitted as assets if:  
• Due from the government of the Philippines - any of entity assume the role of a trustee, the insurance company, shall present original certificate from government that such premiums are held by such entity as trustee of the said company.  
• Due from Insured, and duly licensed agents and Insurance brokers covering policies within 90 days from inception as of the cutoff date provided that these receivables are supported by an aging schedule showing details per policy; and copies of policies and other pertinent documents are made available; otherwise unverified accounts will be disallowed.  
• Jumbo Risks 2 however, in case of default in any instalment due, all remaining unpaid installments shall be treated as non-admitted asset. These receivable shall be supported by an aging schedule showing details per policy and copies of policy and other pertinent documents shall be verified.  
• For Marine Hull premiums - attached to the policy and payable in four quarterly instalments provided that the installments | • Uncollected premiums on direct business including those by agents, general agents and insurance brokers 2 including taxes and other charges, provided these are properly segregated and the corresponding liabilities are set up subject to any impairment loss.  
• Additional line item is provided for Allowance for Impairment Losses 3 to be deducted at the account balances. | Section 77 of the Amended Insurance Code;  
CL 2014-17 |

2 Jumbo Risks - where annual premium on any one policy exceeds ₱500,000, in which case premium may be paid in four (4) quarterly equal installments provided that first installment shall include all taxes due and other charges.

3 Premium receivable due from agents, general agents and insurance brokers shall be valued at gross amounts due less commissions due.

4 Allowance for Impairment Losses - This represents the amount set up to provide for losses which may arise from non-collection of the premiums receivable.
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<tr>
<td>4. PREMIUM RECEIVABLE</td>
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<td>- to be considered as admitted assets are only the installments due within 90 days as of cutoff date including all installments not yet due and provided further that these receivable are supported by aging schedule showing details per policy and copies of policies and other pertinent documents shall be made available for verification, otherwise those accounts not verified will be disallowed. &lt;br&gt; - Premiums Receivable Accounts covering policies beyond ninety (90) days from inception which are outstanding and collected the following cut-off date the same shall be considered as after-date transactions, subject to the following conditions: &lt;br&gt;  - Schedule of Premiums Receivable, with the full details of the insurance policies over ninety (90) days due must be submitted simultaneously with, and during the submission period for, the Annual Statement. &lt;br&gt;  - Collections should be duly supported by official receipts and validated deposit slips and bank statements.</td>
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<td>OBJECTIVES</td>
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<tr>
<td>5. DUE FROM CEDING COMPANY</td>
<td>To determine that the recorded receivable represents valid amounts due from the ceding company and no material receivables were unrecorded and to determine if reinsurance transactions are valid, properly computed and recorded.</td>
<td>1. Obtain Schedules of Due from ceding companies 2. Prepare as schedule of reinsurance and reconcile to the annual statement schedule made by the company. 3. Check footings of the schedule and compare totals with the balances in the adjusted trial balance. 4. Counter check big amounts with AS of other insurance company and reconcile any differences. 5. Check if certification from insurance pools and other government agencies are submitted and reconcile amount with AS. 6. Verify IC approval of Facultative and Treaty Placements.</td>
<td>Reinsurance premium collectible from the ceding insurer should be from an insurer authorized to transact business in this country the full amount thereof. Receivables, net of liabilities, from suspended/unauthorized companies and government accts. w/o certification are considered non-admitted assets. Unreconciled amounts with the other AS shall be considered non-admitted asset. Unreconciled amount with the Certificate shall also be considered non-admitted asset.</td>
<td>• This shall be valued at the actual balance that may be established by the mentioned procedures but generally shall be measured at amortized cost subject to any impairment loss. • Additional line item is provided for Allowance for Impairment Losses to be deducted at the account balances.</td>
</tr>
<tr>
<td>6. FUNDS HELD BY CEDING COMPANIES</td>
<td>To determine the existence, validity and correctness of recorded receivables.</td>
<td>1. Obtain Schedules of Funds Held as of cut-off date 2. Prepare as schedule of reinsurance and reconcile to the annual statement schedule made by the company. 3. Check footings of the schedule and compare totals with the balances in the adjusted trial balance. 4. Counter check big amounts with AS of other insurance company and reconcile any differences. 5. Check if certification from insurance pools and other government agencies are submitted and reconcile amount with AS.</td>
<td>Funds held by a ceding insurer is admitted when under a reinsurance treaty, provided reserves for unpaid losses and unearned premiums are adequately provided. Reinsurance funds held by the ceding insurer should be from an insurer authorized to transact business in this country the full amount thereof. Receivables, net of liabilities, from suspended/unauthorized companies and government accts. w/o certification are considered non-admitted assets. Unreconciled amounts with the other AS shall be considered non-admitted asset. Unreconciled amount with the Certificate shall also be considered non-admitted asset.</td>
<td>• Same Valuation as to Due from Ceding Company</td>
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<tr>
<td>7. LOSS RESERVE WITHHELD BY CEDING COMPANIES</td>
<td>To determine the existence, validity and correctness of recorded reserves.</td>
<td>1. Obtain Schedules of Funds Held as of cut-off date 2. Prepare as schedule of reinsurance and reconcile to the annual statement schedule made by the company. 3. Check footings of the schedule and compare totals with the balances in the adjusted trial balance. 4. Counter check big amounts with AS of other insurance company and reconcile any differences. 5. Check if certification from insurance pools and other government agencies are submitted and reconcile amount with AS.</td>
<td>Loss reserve withheld by the ceding insurer should be from an insurer authorized to transact business in this country the full amount thereof. Receivables, net of liabilities, from suspended/unauthorized companies and government accts. w/o certification are considered non-admitted assets. Unreconciled amounts with the other AS shall be considered non-admitted asset. Unreconciled amount with the Certificate shall also be considered non-admitted asset.</td>
<td>*Same Valuation as to Due from Ceding Company</td>
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</table>

<p>| 8. AMOUNTS RECOVERABLE FROM REINSURERS | To establish accuracy and validity of recoverable on paid and unpaid losses. | Reinsurance Recoverable on Unpaid and Paid Losses 1. Obtain schedule of recoverable on unpaid and paid losses. Foot schedule. 2. Check footings of the schedule and compare totals with the balances in the adjusted trial balance. 3. Counter check big amounts with AS of other insurance company and reconcile any differences. 4. Check if certification from insurance pools and other government agencies are submitted and reconcile amount with AS. | Reinsurance recoverable from the reinsurer should be with companies authorized to transact business in this country, the full amount thereof. Receivables, net of liabilities, from suspended/unauthorized companies and government accts. w/o certification are considered non-admitted assets. Unreconciled amounts with the other AS shall be considered non-admitted asset. Unreconciled amount with the Certificate shall also be considered non-admitted asset. | Generally shall be measured at amortized cost subject to any impairment loss however for: Reinsurance Recoverable on Paid - Actual Reinsurers' share of cash settlement made by the company Reinsurance Recoverable on Unpaid Losses - Actual reinsurers' share on outstanding losses. Additional line item is provided for Allowance for Impairment Losses to be deducted at the account balances. | Section 196 Section 202 (g) Section 222-227 (b) of the Amended Insurance Code CL 2014-42 CL 2014-17 |</p>
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<tr>
<td><strong>9. OTHER REINSURANCE ACCOUNTS RECEIVABLE</strong></td>
<td><strong>To determine the existence, validity and correctness of recorded receivables.</strong></td>
<td>1. Obtain Schedules of Funds Held as of cut-off date 2. Prepare a schedule of reinsurance and reconcile to the annual statement schedule made by the company. 3. Check footings of the schedule and compare totals with the balances in the adjusted trial balance. 4. Counter check big amounts with AS of other insurance company and reconcile any differences. 5. Check if certification from insurance pools and other government agencies are submitted and reconcile amount with AS.</td>
<td>Other reinsurance accounts receivable from the reinsurer should be with companies authorized to transact business in this country, the full amount thereof. Receivables, net of liabilities, from suspended/unauthorized companies and government accts. w/o certification are considered non-admitted assets.</td>
<td><em>Same Valuation as to Due from Ceding Company</em></td>
</tr>
<tr>
<td><strong>10. SURETY LOSSES RECOVERABLE</strong></td>
<td><strong>To prove the existence and to establish proper valuation of the account.</strong></td>
<td>1. Conduct inventory of collaterals on issued surety bonds such as TCTs, stocks, bonds, or Certificates of Time Deposits. 2. For TCTs, verify these are properly annotated in favor of the company. 3. For other securities/collaterals, examine the corresponding Deed of Assignment in favor of the company.</td>
<td><strong>Admitted Asset if with collateral/securities</strong></td>
<td><strong>This shall be measured at amortized cost, which is generally equivalent to its face amount subject to any impairment loss.</strong>  <strong>Additional line item is provided for Allowance for Impairment Losses to be deducted at the account balances.</strong></td>
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<tr>
<td><strong>11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (FVPL)</strong></td>
<td><strong>DEBT SECURITIES (BONDS)</strong></td>
<td><strong>No bonds of any single entity (other than government securities) shall in the aggregate exceed 20% of the net worth of the insurance company as shown in its latest synopsis or 20% of the paid-up capital of the issuing company whichever is lesser, unless otherwise approved by the Commissioner</strong></td>
<td><strong>These financial assets shall be measured at fair value wherein changes in fair value are recognized in profit or loss.</strong></td>
<td><strong>Section 199</strong>&lt;br&gt;Section 202 (b)&lt;br&gt;Section 204 (d)&lt;br&gt;Section 206 (b) (2) to (4)&lt;br&gt;Section 211&lt;br&gt;CL 2015-25&lt;br&gt;CL 2014-17**</td>
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<tr>
<td></td>
<td>1. Conduct physical inventory. Refer to guidelines on Physical Inventory. If certificates are not available or not presented during the physical count, verify transactions and supporting documents and confirm with the issuing company. 2. Prepare a schedule and reconcile to the annual statement schedule made by the company. 3. Check footings of the schedules and compare totals with adjusted trial balance. 4. Check BTr and PDTC statements as of cut-off date and reconcile with schedule.</td>
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<td><strong>Investment in foreign currency denominated bonds</strong>&lt;br&gt;May be admitted only when the aggregate foreign currency denominated investments made are in items 1 and 2.1.2 to 2.1.7 of Circular Letter No. 2014-19. Aggregate investments made for items 2.1.2 to 2.1.7 shall not exceed 20% of the net worth from latest approved synopsis. Obligations issued/guaranteed by foreign banks or corporations with total net worth of at least US$ 150,000,000.00 or as prescribed by IC requires prior approval by the Commissioner</td>
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5 Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.
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<tr>
<td><strong>EQUITY SECURITIES (STOCKS)</strong></td>
<td>To prove existence of the investment in stocks and ownership of the Company and to ensure that the investments are fairly presented in the Annual Statement.</td>
<td>1. Conduct physical count. Refer to guidelines on Physical Inventory. 2. Prepare a schedule and reconcile to the annual statement schedule made by the company. 3. Check footings of the schedules and compare totals with the adjusted trial balance. 4. Check PDTC statements under the company’s name as of cut-off date and reconcile with schedule. 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 purchase during the current year. If sold between count date and review date, verify transactions and supporting documents. If partially sold, verify transactions, supporting 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</td>
<td>• Any investment in preferred, common or guaranteed stocks of any solvent corporation or institution created or existing under Philippine laws shall be admitted provided:  • 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 IC.  • If the stocks are guaranteed, the amount should not be in excess of 50% of the total amount of preferred or common stock of the guaranteeing corporation.  • Other investment in stocks not included in the preceding paragraph shall have prior approval from IC.  • 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.  • The total Securities issued by a registered enterprise⁶, as defined in Executive Order (EO) No. 226</td>
<td>These financial assets shall be measured at fair value wherein changes in fair value are recognized in profit or loss.</td>
</tr>
</tbody>
</table>

⁶ "Registered Enterprises" shall mean any individual, partnership, cooperative, corporation or other entity incorporated and/or organized and existing under Philippine laws; and registered with the Board in accordance with this Book. Provided, however, That the term "registered enterprise" shall not include commercial banks, savings and mortgage banks, rural banks, savings and loan associations, building and loan associations, developmental banks, trust companies, investment banks, finance companies, brokers and
<table>
<thead>
<tr>
<th>OBJECTIVES</th>
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<th>REQUIREMENT FOR ADMISSIBILITY</th>
<th>VALUATION</th>
<th>REFERENCE(S)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EQUITY SECURITIES (STOCKS)</td>
<td>of payments, confirmation from the issuing companies or broker, rash vouchers and paid checks. 5. 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.</td>
<td>• shall not exceed 20% of the net worth as shown in latest synopsis nor 20% of the paid-up capital of the registered enterprise excluding the intended investments, unless previously authorized by the Commissioner. • No stocks of any single entity (other than government securities) shall in the aggregate, exceed 20% of the net worth of the insurance company as shown in its latest synopsis or 20% of the paid-up capital of the issuing company, whichever is lesser, unless otherwise approved by the Commissioner. • Shares of stock of such insurance company, owned by it (treasury shares), or any equity therein shall be non-admitted asset • Investment in foreign currency denominated bonds will be the same as to indicated as to bonds.</td>
<td>These financial assets shall be measured at fair value wherein changes in fair value are recognized in profit or loss.</td>
<td></td>
</tr>
</tbody>
</table>

*Dealers in securities, consumers cooperatives and credit unions, and other business organizations whose principal purpose or principal source of income is to receive deposits, lend or borrow money, buy and sell or otherwise deal, trade or invest in common or preferred stocks, debentures, bonds or other marketable instruments generally recognized as securities, or discharge other similar intermediary, trust of fiduciary functions. (Article 11 of E.O. 226)*
<table>
<thead>
<tr>
<th>OBJECTIVES</th>
<th>VERIFICATION PROCEDURES</th>
<th>REQUIREMENT FOR ADMISSIONILITY</th>
<th>VALUATION</th>
<th>REFERENCE(S)</th>
</tr>
</thead>
<tbody>
<tr>
<td>MUTUAL FUNDS, UNIT INVESTMENT TRUST FUNDS (UITF), REAL ESTATE INVESTMENT TRUSTS (REIT) AND OTHER FUNDS (OTHER INVESTMENTS)</td>
<td>To prove existence and ownership of investment made.</td>
<td>Shall be admitted asset provided:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Conduct physical count. Refer to guidelines on Physical Inventory.</td>
<td>- This is subject to prior approval by the IC.</td>
<td>Section 202 (b)(j)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. 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.</td>
<td>- The Mutual Fund had the prior approval by the Securities and Exchange Commission;</td>
<td></td>
<td>Section 206 (b)(8)(9)</td>
<td></td>
</tr>
<tr>
<td>3. For stock certificates which are not available or not presented during the physical count, present confirmation of purchase and confirm with the issuing company. Prepare a schedule and reconcile to the annual statement schedule made by the company.</td>
<td>- The UITF had the prior approval by the Bangko sentral ng pilipinas;</td>
<td></td>
<td>CL 2014-50</td>
<td></td>
</tr>
<tr>
<td>4. Check footings of the schedules and compare totals with the adjusted trial balance.</td>
<td>- The said Funds are placed in any of the following instruments:</td>
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<td>CL 2014-70</td>
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<td></td>
<td>- Fixed income Securities</td>
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<td></td>
<td>- Equities</td>
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<tr>
<td></td>
<td>- Combination of fixed income securities and equities</td>
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<td></td>
<td>- The aggregate placements in each fund (mutual fund or UITF) based on the company’s latest synopsis, do not exceed 20% of Net Worth as per latest synopsis.</td>
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<td></td>
<td>- Investment in foreign currency denominated investments will be the same as to indicated as to bonds.</td>
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</tbody>
</table>
### OBJECTIVES

**DERIVATIVE ASSETS**

To ensure that all derivatives recorded in the financial statements exist, and that there are no unrecorded derivatives at the balance sheet date, that the derivatives recorded in the financial statements are properly valued, and presented, and that all relevant disclosures are made in the financial statements.

<table>
<thead>
<tr>
<th>OBJECTIVES</th>
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<th>REQUIREMENT FOR ADMISSIBILITY</th>
<th>VALUATION</th>
<th>REFERENCE(S)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1. Conduct physical count. Refer to guidelines on Physical Inventory.</td>
<td>This is subject to prior approval by the IC.</td>
<td>These financial assets shall be measured at fair value of the company's derivatives which are not designated and considered effective hedging instruments wherein changes in fair value are recognized in profit or loss.</td>
<td>Section 202 (k) CL 2015-56</td>
</tr>
<tr>
<td></td>
<td>2. Determine the fair values of derivatives and securities, including the appropriateness of various types of valuation models and the reasonableness of key factors and assumptions.</td>
<td>The aggregate placements in derivatives does not exceed 10% of the total admitted assets of the life insurance company or 20% of net worth of a non-life insurance/reinsurance company.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3. Check footings of the schedule and compare totals with the balances in the adjusted trial balance.</td>
<td>Investment in foreign currency denominated bonds will be the same as to indicated as to bonds.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 12. HELD TO MATURITY (HTM) INVESTMENT

*Same as to Audit Objective in FVPL – Debt Securities*

*Same as to Audit Procedure in FVPL – Debt Securities*

*Same as to Requirement for Admissibility in FVPL – Debt Securities*

*This account shall be measured at amortized cost using the effective interest method of amortization subject to any impairment loss. Additional line item is provided for Allowance for Impairment Losses' to be deducted at the account balances.*

| *Same as to Audit Objective in FVPL – Debt Securities* | *Same as to Audit Procedure in FVPL – Debt Securities* | *Same as to Requirement for Admissibility in FVPL – Debt Securities* | | |
|-----------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------| | |
| Section 202 (b) Section 206 (b) (2) to (4) CL related to Bonds | Section 202 (b) Section 206 (b) (2) to (4) CL related to Bonds | Section 202 (b) Section 206 (b) (2) to (4) CL related to Bonds | | |

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7 If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in profit or loss.
### 13. LOANS AND RECEIVABLES

<table>
<thead>
<tr>
<th>OBJECTIVES</th>
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<th>REQUIREMENT FOR ADMISSIBILITY</th>
<th>VALUATION</th>
<th>REFERENCE(S)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>13.1 REAL ESTATE MORTGAGE LOANS</strong></td>
<td></td>
<td></td>
<td></td>
<td>Section 202 (b) (c)</td>
</tr>
<tr>
<td><strong>13.2 COLLATERAL LOANS</strong></td>
<td></td>
<td></td>
<td></td>
<td>Section 203 (d)</td>
</tr>
<tr>
<td><strong>13.3 GUARANTEED LOANS</strong></td>
<td>To prove the existence of loan granted, accuracy of loan balance and corresponding interest thereon and to determine the propriety of loans and sufficiency of collateral.</td>
<td>• To the extent of that portion thereof adequately secured by non-speculative assets with readily realizable values</td>
<td></td>
<td>Section 205</td>
</tr>
<tr>
<td></td>
<td>1. Conduct physical inventory. Refer to guidelines on Physical Inventory. Ensure that all documents pertaining to the loan are executed in favor of the company.</td>
<td>• Mortgage Loan</td>
<td></td>
<td>Section 206</td>
</tr>
<tr>
<td></td>
<td>2. Prove accuracy of loan balance</td>
<td>• Loan value should not be more than 70% market value of commercial/industrial/residential properties; and not more than 40% of agricultural properties in case of real estate mortgage loans</td>
<td></td>
<td>Section 299</td>
</tr>
<tr>
<td></td>
<td>a. Analyze the account</td>
<td>• Mortgage should be properly annotated on the certificate of title.</td>
<td></td>
<td>Section 300 (a)</td>
</tr>
<tr>
<td></td>
<td>b. Reconcile unpaid principal balance schedule in the Annual Statement (A/S) with the amortization schedule</td>
<td>• No loan on the security of real estate shall be made unless the title to such real estate shall have first been registered in accordance with the existing Land Registration Act, or shall have been previously registered under the provisions of the existing Mortgage Law and the lien or interest of the insurance company as mortgagee has been registered.</td>
<td></td>
<td>CL 2014-22</td>
</tr>
<tr>
<td></td>
<td>c. Reconcile current schedule and Balance Sheet Account with the A/S last examined.</td>
<td>• Collateral Loan value should not be more than the following in case of collateral loans:</td>
<td></td>
<td>CL 2011-31</td>
</tr>
<tr>
<td></td>
<td>3. Determine sufficiency of the real estate collateral</td>
<td>• 100% of market value of government securities</td>
<td></td>
<td>CL 2014-13</td>
</tr>
<tr>
<td></td>
<td>a. Examine the latest appraisal report on the property mortgaged or other independent proof of market value of the property.</td>
<td>• 90% of market value of allowable private bonds</td>
<td></td>
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</tr>
<tr>
<td>OBJECTIVES</td>
<td>VERIFICATION PROCEDURES</td>
<td>REQUIREMENT FOR ADMISSIBILITY</td>
<td>VALUATION</td>
<td>REFERENCE(S)</td>
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</tr>
<tr>
<td><strong>13.4 CHATTEL MORTGAGE LOANS</strong></td>
<td><strong>1. Conduct physical count. Refer to guidelines on Physical Inventory.</strong></td>
<td><strong>13.8 PURCHASE MONEY MORTGAGE</strong></td>
<td><strong>-</strong></td>
<td><strong>Section 202 (c)(i)</strong></td>
</tr>
<tr>
<td><strong>13.6 HOUSING LOANS</strong></td>
<td><strong>2. Ensure that all documents pertaining to the loan are executed in favor of the company.</strong></td>
<td><strong>13.10 UNQUOTED DEBT SECURITIES</strong></td>
<td><strong>-</strong></td>
<td><strong>Section 300 (a)</strong></td>
</tr>
<tr>
<td><strong>13.7 CAR LOANS</strong></td>
<td><strong>3. Prepare a schedule and reconcile to the annual statement schedule made by the company.</strong></td>
<td><strong>13.11 SALARY LOANS</strong></td>
<td><strong>-</strong></td>
<td><strong>CL 2014-20</strong></td>
</tr>
<tr>
<td><strong>To prove existence of loans granted, to check accuracy of loan balances, allowable limits and interests thereon and to determine propriety of loans.</strong></td>
<td><strong>4. Check footings of the schedules and compare totals with the adjusted trial balance.</strong></td>
<td></td>
<td></td>
<td><strong>CL 2011-31</strong></td>
</tr>
</tbody>
</table>

- 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.
- The loans should be adequately documented as to assignments of cars and/or other benefits;
- The loans should be repaid regularly under the terms and conditions of such loans and are not in default;
- Amount of loans shall not exceed the ceiling specified in the written benefit programs duly approved by the Board of Directors and furnished the IC, and the 5% of net worth in the aggregate limitation. Any excess shall be considered as non-admitted assets.
- These shall be considered surplus investment.
- Salary loans up to a maximum of 6 months salary is admitted asset.
- Purchase money mortgages received on disposition of real property otherwise held shall be valued in an amount not exceeding 90% of the value of such real property as determined by an appraisal made by an appraiser at or about the time of disposition of such real property.
- Except for purchase money mortgages, this account shall be measured at amortized cost using the effective interest method of amortization subject to any impairment loss.
- Additional line item is provided for Allowance for Impairment Losses to be deducted at the account balances.
- For purchase money mortgage received on dispositions of real property held, this shall be valued in an amount equivalent to ninety percent (90%) of the value of such real property. For purchase money mortgage received on dispositions of real property otherwise held, shall be valued in an amount not exceeding ninety percent (90%) of the value of such real property as determined by an appraisal made by an appraiser at or about the time of disposition of such real property.
<table>
<thead>
<tr>
<th>OBJECTIVES</th>
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<th>REQUIREMENT FOR ADMISSIONS</th>
<th>VALUATION</th>
<th>REFERENCE(S)</th>
</tr>
</thead>
<tbody>
<tr>
<td>13.5 NOTES RECEIVABLE</td>
<td>To substantiate the existence of receivables and the occurrence of revenue transactions.</td>
<td>Generally non-admitted asset unless with IC approval</td>
<td>This account shall be measured at amortized cost using the effective interest method of amortization subject to any impairment loss.</td>
<td>Section 203 (c)</td>
</tr>
<tr>
<td>13.9 SALES CONTRACT RECEIVABLE</td>
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<tr>
<td>13.12 OTHER LOANS RECEIVABLE</td>
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</tbody>
</table>

**14. AVAILABLE FOR SALE (AFS) FINANCIAL ASSET**

<table>
<thead>
<tr>
<th>*Same as to Audit Objective in FVPL – Debt Securities, Equity Securities and Other Investments</th>
<th>*Same as to Audit Procedure in FVPL – Debt Securities, Equity Securities and Other Investments</th>
<th>*Same as to Requirement for Admissibility in FVPL – Debt Securities, Equity Securities and Other Investments</th>
<th>*Same as to Provisions in FVPL – Debt Securities, Equity Securities and Other Investments</th>
</tr>
</thead>
</table>

8 In case of equity investments classified as AFS, impairment indicators would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of reserve for AFS securities is removed from reserve for AFS securities and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in reserve for AFS securities.

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment losses. Such accrual is recorded as part of "Interest income" in profit or loss. If, in subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.
<table>
<thead>
<tr>
<th>OBJECTIVES</th>
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<th>VALUATION</th>
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<tbody>
<tr>
<td><strong>16. INVESTMENTS INCOME DUE AND ACCRUED</strong></td>
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<tr>
<td>• Existence and Accuracy - To prove the existence and accuracy of corresponding income on the investment of the company.</td>
<td>1. Prepare a schedule based on the annual statement schedule made by the company.</td>
<td>Generally admitted Asset</td>
<td>Income earned but not yet received as of the end of the accounting period except for accrued dividends receivable where the asset is recognized when the stockholder’s right to receive payment has been established.</td>
<td>Section 202 (b) Section 203 (d) CL issued by ISD on a yearly basis for interest rates of non-life insurance companies.</td>
</tr>
<tr>
<td>• Completeness - All income and corresponding payment have been recorded.</td>
<td>2. Check footings of the schedules and compare totals with the adjusted trial balance.</td>
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<tr>
<td>• Valuation, and Presentation and Disclosure - Dividend and interest income, has been accurately calculated, completely recorded and appropriately disclosed.</td>
<td>3. Check balance with the asset account</td>
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<td>4. Interest on Security Fund – Check interest rate based on CL issued by ISD.</td>
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<td>5. Reconcile income shown in the adjusted trial balance.</td>
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<tr>
<td><strong>16. ACCOUNTS RECEIVABLE</strong></td>
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</tr>
<tr>
<td>To substantiate the existence of receivables and the occurrence of revenue transactions.</td>
<td>Since this accounts are generally non-admitted assets, no audit procedures are proposed to be performed.</td>
<td>Generally non-admitted asset</td>
<td></td>
<td>Section 203 (c)</td>
</tr>
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<td></td>
<td>However, it is advised for the auditor to determine the nature of the accounts or does it need to be reclassified to other accounts.</td>
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### 17. Investment in Subsidiaries, Associates and Joint Ventures

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<th>REQUIREMENT FOR ADMISSIONBILITY</th>
<th>VALUATION</th>
<th>REFERENCE(S)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existence, Valuation and Completeness</td>
<td>1. Conduct physical inventory. Refer to guidelines on Physical Inventory. 2. If certificates are not available or not presented during the physical count, verify transactions and other supporting documents. 3. Compare current year balances and with last year amounts and ensure that any significant variation should be properly and logically reasoned.</td>
<td>IC may require insurer to furnish audited financial statements and cause an examination as appropriate to specific investments as provided in appropriate circulars issued by the Commissioner to any subsidiaries, associate, and joint venture of the company.</td>
<td>The stock of a subsidiary of an insurer shall be valued on the basis of the greater of: 1. The value of only such of the assets of such subsidiary as would constitute lawful investments for the insurer if acquired or held directly by the insurer; or 2. Such other value determined pursuant to standards and cumulative limitations, contained in a regulation to be promulgated by the Commissioner.</td>
<td>Section 214 (c)(3) (g) CL 2015-38</td>
</tr>
</tbody>
</table>

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9 Subsidiary – an entity including unincorporated entity such as a partnership that is controlled by another entity (known as parent) [IAS 28]

10 Associates- an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture [IAS 28]

11 Joint Venture – Joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of arrangement [IAS 28]
<table>
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<tr>
<th>OBJECTIVES</th>
<th>VERIFICATION PROCEDURES</th>
<th>REQUIREMENT FOR ADMISSION</th>
<th>VALUATION</th>
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<tr>
<td><strong>18. PROPERTY AND EQUIPMENT</strong></td>
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<tr>
<td>18.1 LAND</td>
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<tr>
<td>18.2 BUILDING AND BUILDING IMPROVEMENTS</td>
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<td></td>
</tr>
</tbody>
</table>
| To prove existence and ownership of real estate property and to establish proper valuation thereof. | 1. Conduct physical count. Refer to guidelines on Physical Inventory. | - If acquired through purchase for office use  
  - no limit but aggregate amount shall not exceed twenty percent (20%) of the company’s net worth as shown by its latest synopsis. | - This shall be valued at net book value or cost  
  - Net book value shall refer to cost including capitalized and incidental costs, less allowance for depreciation. | Section 202 (b)  
(b)(1)  
Section 210 (a)  
Section 214 (e)  
CL 2016-16 |
|                             |                         | - If acquired through foreclosure  
  - shall not be valued at an amount greater than the unpaid principal of the defaulted loan at the date of such foreclosure or deed, together with any taxes and expenses and improvements paid or incurred by such the insurer.  
  - should be sold by the company within twenty (20) years after the title thereto has been vested in it  
  - Building improvements without prior approval from the Insurance Commissioner shall be non-admitted asset. |   |   |                              |
|                             |                         | - Capitalized costs shall be limited to:  
  - Construction cost  
  - Demolition cost  
  - Air-conditioning and generator set as approved by the IC (if permanently attached to the building)  
  - Interests relating to construction  
  - All other costs approved by IC |   |   |                              |
<table>
<thead>
<tr>
<th>OBJECTIVES</th>
<th>VERIFICATION PROCEDURES</th>
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<th>VALUATION</th>
<th>REFERENCE(S)</th>
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</thead>
<tbody>
<tr>
<td>18.3 LEASEHOLD IMPROVEMENTS</td>
<td>18.4 IT EQUIPMENT</td>
<td>18.5 TRANSPORTATION EQUIPMENT</td>
<td>18.6 OFFICE FURNITURE, FIXTURE AND EQUIPMENT</td>
<td></td>
</tr>
<tr>
<td>To prove the existence and ownership of the asset and to establish proper valuation of the asset.</td>
<td>1. For EDP Equipment, Conduct physical count. Refer to guidelines on Physical Inventory. 2. Examine documents evidencing the acquisition of the assets such as cash vouchers, paid checks, Purchase Orders, Delivery Receipts, Invoices, etc., during the year under verification. 3. Ascertain the consistency in the application of the company's capitalization and depreciation policy. 4. Test check the computation of depreciation expenses during the year under verification.</td>
<td>Except for IT equipment, property &amp; equipment are non-admitted assets. - Acquisition of EDP equipment is hereby authorized, provided that: - The documents relative to the acquisition shall be made available to the Commission for verification whenever required. - The acquisition cost shall be amortized in equal annual amounts within a period of five (5) years from date of acquisition/purchase thereof; - Total cost shall not exceed five percent (5%) of the company's total admitted assets based on the latest approved synopsis. Acquisitions in excess of the 5% limit shall be subject to prior approval of the Commissioner.</td>
<td>- The assets shall be valued at Net Book Value or acquisition cost plus incidental costs and/or development costs, as applicable, less allowance for depreciation or amortized cost for leasehold improvement, software and/or development costs. - Additional line item is provided for Allowance for Impairment Losses to be deducted at the account balances.</td>
<td>Section 202 (i) Section 203 (e) CL 2014-18</td>
</tr>
<tr>
<td>OBJECTIVES</td>
<td>VERIFICATION PROCEDURES</td>
<td>REQUIREMENT FOR ADMISSIBILITY</td>
<td>VALUATION</td>
<td>REFERENCE(S)</td>
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<tr>
<td>18.7 PROPERTY EQUIPMENT UNDER FINANCE LEASE</td>
<td></td>
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<td>Section 206 (b)(4)</td>
</tr>
<tr>
<td>• Determine that all finance leases are recorded in the balance sheet with appropriate classification of the leased asset and the obligation</td>
<td>1. Conduct physical count. Refer to guidelines on Physical Inventory.</td>
<td>This shall be valued at the cost of property and equipment leased by the company under a lease agreement which qualifies as a finance lease.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Ascertain that depreciation expenses and interest expense relating to finance leases and rent expense on operating leases have been calculated and reported properly in the income statement</td>
<td>2. Obtain account schedule and reconcile to Adjusted TB.</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>• Ascertain that footnote of finance lease are adequate</td>
<td>3. Check accuracy by footing the supporting schedule with the Adjusted TB.</td>
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<tr>
<td></td>
<td>4. Examine lease agreements and prepare a summary of key terms and pertinent data for the permanent file</td>
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<td></td>
<td>5. Determine that leases have been properly classified as either finance leases or operating leases.</td>
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<tr>
<td></td>
<td>6. Determine that lease payments and expenses included in the accounts are in agreement with the provisions of the lease contracts</td>
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<tr>
<td></td>
<td>7. Determine that executory costs to be paid by the lessee (property taxes, insurance, etc.) have been properly accrued and included in expenses</td>
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<tr>
<td></td>
<td>8. Determine that any additional contingent rents payable have been accrued (such contingent rents may result from escalation clauses, gross receipts, provisions, etc.)</td>
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<tr>
<td></td>
<td>9. Ascertain that footnote and balance sheet disclosures</td>
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</tbody>
</table>

---

12 A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.
### 18.8 REVALUATION INCREMENT

To ensure that all fixed assets are recorded in the books, at the correct valuation, and are adequately secured and properly maintained disposals are properly

<table>
<thead>
<tr>
<th>OBJECTIVES</th>
<th>VERIFICATION PROCEDURES</th>
<th>REQUIREMENT FOR ADMISSIBILITY</th>
<th>VALUATION</th>
<th>REFERENCE(S)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Examiners can obtain the approved revaluation on the ISD.</td>
<td>• The property being requested for appraisal shall be duly registered in the company's name and free from any lien or encumbrance.</td>
<td>Shall be the revaluation increase in the carrying amount of the company's property and equipment under the revaluation model.</td>
<td>CL 2016-16</td>
<td></td>
</tr>
<tr>
<td>2. Obtain account schedule and reconcile to Adjusted TB.</td>
<td>• The limitations and conditions set forth in the Amended Insurance Code for properties shall be strictly observed.</td>
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<tr>
<td>3. Check accuracy by footing the supporting schedule with the Adjusted TB.</td>
<td>• For foreclosed properties, the same shall be disposed of within 20 years after the title thereto has been vested in it</td>
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<tr>
<td>4. For the computation, revaluation increment shall be lessen by any subsequent accumulated amortization and subsequent accumulated impairment loss.</td>
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### 19. INVESTMENT PROPERTY

- Valuation - Confirming that the value is appropriate as stated in AS.
- Presentation and Disclosure - Completeness of disclosure requirements

<table>
<thead>
<tr>
<th>OBJECTIVES</th>
<th>VERIFICATION PROCEDURES</th>
<th>REQUIREMENT FOR ADMISSIBILITY</th>
<th>VALUATION</th>
<th>REFERENCE(S)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Conduct physical count. Refer to guidelines on Physical Inventory.</td>
<td>• Only those non-life insurance companies with a minimum net worth of five hundred fifty million pesos (₱550,000,000.00) and have complied with the liquidity requirements may invest in income producing real properties. A company should adopt a comprehensive liquidity risk management framework that requires maintaining sufficient liquidity to withstand a range of stress events. The said framework shall be duly approved by the Board of Directors.</td>
<td>• An investment property shall be measured initially at its cost. Transaction costs shall be included in the initial measurement.</td>
<td>Section 202 (b)(k) CL 2017-43</td>
<td></td>
</tr>
<tr>
<td>2. Obtain account schedule and reconcile to Adjusted TB.</td>
<td>• The aggregate book value of the investments in any income producing real property including the cost of improvement or development thereof shall not exceed twenty percent (20%) of the net worth of the non-life insurance company as shown in its latest financial statement approved by the Commissioner.</td>
<td>• Subsequent to initial recognition, an entity may choose either the cost model(^{13}) or the fair value model(^{14}) for all of its investment property.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Check accuracy by footing the supporting schedule with the Adjusted TB.</td>
<td>• Subject for approval by the Investment Services Division.</td>
<td>• This shall be considered as reserve investment.</td>
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<tr>
<td>4. In case of additions or capital improvements, verify all related supporting documents.</td>
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<tr>
<td>5. Prove ownership</td>
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</tr>
<tr>
<td>a. If acquired by purchase, check original purchase contract or deed of sale, evidence of payments, TCT or CCT.</td>
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<tr>
<td>b. In absence of TCT or CCT, verify CAR or application with the Register of Deeds</td>
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<tr>
<td>c. If acquired through foreclosures or in satisfaction of a mortgage debt, examine records and documents and verify if foreclosures have been consummated.</td>
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</table>

\(^{13}\) An entity that chooses the cost model shall measure all of its investment properties at its cost less any accumulated depreciation and any accumulated impairment losses.

\(^{14}\) In the fair value model, a gain or loss arising from a change in the fair value of investment property shall be recognized in profit or loss for the period in which it arises.
<table>
<thead>
<tr>
<th>OBJECTIVES</th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>20. NON-CURRENT ASSETS HELD FOR SALE</strong></td>
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<tr>
<td>&quot;Same as to Property&quot;</td>
<td>&quot;Same as to Property&quot;</td>
<td>&quot;Same as to Property&quot;</td>
<td>This account shall be measured at the lower of its carrying amount and fair value less costs to sell.</td>
<td>&quot;Same as to Property&quot;</td>
</tr>
<tr>
<td><strong>21. SUBSCRIPTION RECEIVABLE</strong></td>
<td></td>
<td></td>
<td></td>
<td>Section 202 (k)</td>
</tr>
<tr>
<td>To ensure that the account for a stock subscription valued at the full amount expected to be paid, with an offsetting credit to a stock subscription account.</td>
<td>1. Check board resolution and if there an available authorized capital, board approval, sec, board approval. 2. Obtain account schedule and reconcile to Adjusted TB. 3. Check accuracy by footing the supporting schedule with the Adjusted TB.</td>
<td>Admitted Asset</td>
<td>This account shall be measured at amortized cost, which is generally equivalent to its face amount.</td>
<td></td>
</tr>
<tr>
<td><strong>22. SECURITY FUND CONTRIBUTION</strong></td>
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<td>Sec. 378 to 385</td>
</tr>
<tr>
<td>To determine the existence, validity and correctness of recorded security fund</td>
<td>1. Verify the amount and date of contribution to the fund on the Investment Services Division (ISD). 2. Verify amount per AS vs. Adjusted trial balance. 3. The interest for Security Fund is accounted for separately under the Accrued Investment Income account.</td>
<td>Admitted Asset</td>
<td>Security fund shall be valued at the amounts actually deposited plus increments thereon for interests and other earnings which have not been paid to the company.</td>
<td></td>
</tr>
<tr>
<td>OBJECTIVES</td>
<td>VERIFICATION PROCEDURES</td>
<td>REQUIREMENT FOR ADMISSIBILITY</td>
<td>VALUATION</td>
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</table>
| 23. PENSION ASSET | To determine the existence, validity and correctness of recorded pension asset | 1. Check footings of the schedules and compare totals with the adjusted trial balance. | An entity shall recognize the components of defined benefit cost as follows:  
- Service cost in profit or loss;  
- Net interest on the net defined benefit liability or asset in profit or loss; and  
- Remeasurements of net defined benefit liability or asset in reserve for appraisal increment - property and equipment. | The company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.  
- the present value of the defined benefit obligation at the reporting date;  
- minus the fair value of the plan assets at the reporting date of the plan. | CL 2016-65 |
|            |                          |                               | When an entity has a surplus in a defined benefit plan, it shall measure the net defined benefit asset at the lower of:  
- the surplus in the defined benefit plan; and  
- the asset ceiling. |
<table>
<thead>
<tr>
<th>OBJECTIVES</th>
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<th>VALUATION</th>
<th>REFERENCE(S)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>25. DEFERRED ACQUISITION COST</strong></td>
<td>To determine the existence, validity and correctness of recorded deferred acquisition cost.</td>
<td>1. Check footings of the schedules and compare totals with the adjusted trial balance. 2. Trace balances of selected accounts per schedule to the Subsidiary Ledger. Cross refer to the figures reported in the Annual Statement of the corresponding reinsurers. Any material differences should be reconciled by the company.</td>
<td>Calculated based on the 24th method for all classes of business except for OFW where reserves are based on IC Circular Letter No. 2015-06</td>
<td>Unexpired portion of commission expense from premiums written by non-life insurance companies as at report date</td>
</tr>
<tr>
<td><strong>26. DEFERRED REINSURANCE PREMIUM</strong></td>
<td>To determine the existence, validity and correctness of recorded deferred reinsurance premium.</td>
<td>2. Check footings of the schedules and compare totals with the adjusted trial balance. 3. Trace balances of selected accounts per schedule to the Subsidiary Ledger. Cross refer to the figures reported in the Annual Statement of the corresponding reinsurers. Any material differences should be reconciled by the company.</td>
<td>Based on the new valuation standards for nonlife insurance policy reserves issued by the Insurance Commission</td>
<td>Unearned portion of premiums ceded to reinsurers by nonlife insurance companies from policies in force as at report date due to the recognition of reinsurance liabilities at gross.</td>
</tr>
<tr>
<td><strong>27. OTHER ASSETS</strong></td>
<td>To prove the existence and to establish proper valuation of the account.</td>
<td>1. Prepare schedule of the account based on the AS. 2. Reconcile with the adjusted trial balance. 3. Check nature of the accounts and reclassify accounts to its proper classification, if there is any. 4. Check accounts with material balances and require immediate collection.</td>
<td>Generally non-admitted asset.</td>
<td>This account shall be measured at amortized cost, which is generally equivalent to its face amount.</td>
</tr>
</tbody>
</table>
# ANNEX B – LIABILITY ACCOUNTS

## Verification Procedures, Valuation and References of Accounts

<table>
<thead>
<tr>
<th>AUDIT OBJECTIVES</th>
<th>AUDIT PROCEDURES</th>
<th>VALUATION</th>
<th>REFERENCES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>28. CLAIMS LIABILITIES</strong></td>
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</tbody>
</table>
| To prove existence, establish validity on the sufficiency of reserves for claims liabilities at a designated level of confidence, as well as direct and indirect expenses related thereto as at valuation date. | Verify the amounts set up using best estimate assumptions, with an appropriate Margin for Adverse Deviation (MiAD) for expected future experience in the actuarial valuation report duly certified by an Actuary. | This account shall be valued based on the new valuation standards as provided in the circular letter issued by IC. | Section 220  
CL 2016-65  
CL 2016-67 |
| **29. PREMIUM LIABILITIES** | | | |
| To prove existence, establish validity on the sufficiency of reserves for premium liabilities. | 1. UPR shall be calculated based on the 24th method for all classes of business, on a gross of reinsurance basis.  
2. URR shall be calculated as the best estimate of future claims, commission and expenses for all classes of business, with MiAD. | The higher of UPR vs. URR | Section 219  
CL 2016-65  
CL 2016-67 |
| **30. DUE TO REINSURERS** | | | |
| 1. To determine the recorded payables representing valid amounts due to reinsurers and not material reinsurance transactions were unrecorded at the balance sheet date.  
2. To determine that reinsurance transactions during the period are valid transactions, properly computed and recorded. | 1. Obtain schedules of Due to Reinsurers as of yeo-end cut-off date.  
2. Check footings of the schedules and compare totals with Adjusted Trial Balance.  
3. Trace balances of selected accounts per schedules 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. | Account shall be measured at amortized cost, which is generally equivalent to its account balance for those expected to be settled within one year or less. | Section 221-228  
CL 2016-65  
CL 2014-42 |
<table>
<thead>
<tr>
<th>AUDIT OBJECTIVES</th>
<th>AUDIT PROCEDURES</th>
<th>VALUATION</th>
<th>REFERENCES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Funds Held for Reinsurers</strong></td>
<td>1. Obtain schedules of Funds Held for Reinsurers as of yeo-end cut-off date.  2. Check footings of the schedules and compare totals with Adjusted Trial Balance.  3. Trace balances of selected accounts per schedules 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  4. Obtain treaty agreements to confirm and check reinsurer's share and provision on premium reserve.</td>
<td>This account shall be measured at amortized cost, which is generally equivalent to its face amount.</td>
<td>Section 221-228  CL 2016-65  CL 2014-42</td>
</tr>
<tr>
<td><strong>Commissions Payable</strong></td>
<td>1. Obtain schedules of Commissions Payable as of yeo-end cut-off date.  2. Check footings of the schedules and compare totals with Adjusted Trial balance. Any differences should be reconciled.  3. Verify if the total amount per schedule tallies with the amount recorded by the company. Any differences should be reconciled.</td>
<td>Account shall be measured at amortized cost, which is generally equivalent to its face amount.</td>
<td>Section 358 (d)  CL 2016-65  CL 2014-15</td>
</tr>
<tr>
<td><strong>Referred Reinsurance Commissions</strong></td>
<td>A. Obtain schedules/details commission income for the year.  B. Verify if the total amount per schedule tallies with Adjusted Trial Balance. Any differences should be reconciled</td>
<td>This shall be calculated based on the 24th method for all classes of business except for OFW where reserves are based on IC Circular Letter No. 2015-06.</td>
<td>CL 2016-65</td>
</tr>
<tr>
<td><strong>AUDIT OBJECTIVES</strong></td>
<td><strong>AUDIT PROCEDURES</strong></td>
<td><strong>VALUATION</strong></td>
<td><strong>REFERENCES</strong></td>
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</table>
| **PREMIUMS PAYABLE** | 1. Obtain schedules of the account as of year-end cut-off date.  
2. Check footings of the schedules and compare totals with Adjusted Trial balance. Any differences should be reconciled.  
3. Verify if the total amount per schedule tallies with the amount recorded by the company. Any differences should be reconciled.  
4. Obtain schedules/details cancelled policies for the year.  
5. Verify if cancelled policies' still form part of the Premiums Receivable as of year-end. | This account shall be measured at amortized cost, which is generally equivalent to its face amount. | CL 2016-65 |
| **TAXES PAYABLE**   | 1. Obtain schedules of the account as of year-end cut-off date.  
2. Determine the tax base. Multiply it by the applicable tax rate to arrive at the tax due for the year.  
3. Add the tax due for the year to the beginning balance of taxes.  
4. Deduct payments and any compromise tax settlements made during the year to arrive at net taxes payable as at end of the year.  
5. Compare figure with the reported balance in the Annual Statement. Any material differences should be explained and adjusted accordingly. | 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 verification. | 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) |
<table>
<thead>
<tr>
<th>AUDIT OBJECTIVES</th>
<th>AUDIT PROCEDURES</th>
<th>VALUATION</th>
<th>REFERENCES</th>
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</thead>
</table>
| **36. DEPOSIT FOR REAL ESTATE UNDER CONTRACT TO SELL** | To determine the validity and adequacy of recorded liabilities. | 1. Obtain schedules of the account as of yeo-end cut-off date.  
2. Obtain supporting documents for the sale of real properties.  
3. Verify if the documents are complete and valid—deed of contract to sell, amortization schedules, official receipts for down payments and instalment payments already made. | This account shall be measured at amortized cost, which is generally equivalent to its face amount. | CL 2016-65 |
| **37. CASH COLLATERAL** | To determine the validity and adequacy of recorded liabilities. | 1. Obtain schedules of the account as of yeo-end cut-off date.  
2. Obtain supporting documents for the suretyship agreement.  
3. Verify if the documents are complete and valid. | This account shall be measured at amortized cost, which is generally equivalent to its face amount. | CL 2016-65 |
| **38. ACCOUNTS PAYABLE** | To determine the validity and adequacy of recorded liabilities. | 1. Obtain schedules/details of accounts payable as of yeo-end cut-off date.  
2. Check footings of the schedules and compare totals with Adjusted Trial balance. Any differences should be reconciled.  
3. Verify if the total amount per schedule tallies with the amount recorded by the company. Any differences should be reconciled. | These accounts shall be measured at amortized cost, which is generally equivalent to face amount. | CL 2016-65 |
| **39. DIVIDENDS PAYABLE** | To determine the validity and adequacy of recorded liabilities. | 1. Obtain schedules/details of the account.  
2. Verify declaration of dividends in the company’s Minutes of Meeting and Board Resolution and if the same has been reported to IC. | This account shall be measured based on the amount of dividends declared | CL 2016-65 |
<table>
<thead>
<tr>
<th>AUDIT OBJECTIVES</th>
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<tbody>
<tr>
<td>To determine the validity and adequacy of recorded liabilities.</td>
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<table>
<thead>
<tr>
<th>AUDIT PROCEDURES</th>
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</thead>
<tbody>
<tr>
<td>1. Obtain schedule of Bond Investment for the year end cut-off date.</td>
</tr>
<tr>
<td>2. Check footings of the schedules and compare totals with Adjusted Trial balance. Any differences should be reconciled.</td>
</tr>
<tr>
<td>3. Verify if the total amount per schedule tallies with the amount recorded by the company. Any differences should be reconciled.</td>
</tr>
<tr>
<td>4. Compare market value vs. book value as recorded by the company, any difference shall be closed in the account.</td>
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<tr>
<th>VALUATION</th>
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<tbody>
<tr>
<td>This shall be measured at fair value wherein changes in fair value are recognized in profit or loss.</td>
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</table>

<table>
<thead>
<tr>
<th>REFERENCES</th>
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<tbody>
<tr>
<td>CL 2016-65</td>
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<td>To determine the validity and adequacy of recorded liabilities.</td>
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<thead>
<tr>
<th>AUDIT PROCEDURES</th>
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</thead>
<tbody>
<tr>
<td>1. Obtain a schedule of notes showing beginning and ending balances and borrowings and repayments during the year.</td>
</tr>
<tr>
<td>2. Check footings of the schedules and compare totals with Adjusted Trial balance. Any differences should be reconciled.</td>
</tr>
<tr>
<td>3. Verify if the total amount per schedule tallies with the amount recorded by the company. Any differences should be reconciled.</td>
</tr>
<tr>
<td>4. Test the summarization and trace the ending balances per schedule to the adjusted trial balance. Any differences should be reconciled.</td>
</tr>
<tr>
<td>5. Verify if collaterals and liabilities have been properly approved by the Board of Directors. Examine Board Resolution and validity of documents for the collateral offered, if any.</td>
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<tr>
<th>VALUATION</th>
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<tbody>
<tr>
<td>This shall be carried at amortized cost using the effective interest rate method.</td>
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<th>REFERENCES</th>
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<tbody>
<tr>
<td>CL 2016-65</td>
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<tr>
<td>AUDIT OBJECTIVES</td>
</tr>
<tr>
<td>------------------</td>
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</tbody>
</table>
| **FINANCE LEASE LIABILITY** | To determine the validity and adequacy of recorded liabilities. | 1. Obtain schedules/details of the account.  
2. Obtain supporting documents for the finance lease agreement.  
3. Verify if the documents are complete and valid—lease agreement, amortization schedules, official receipts payments already made. | This shall be carried at amortized cost using the effective interest rate method. | CL 2016-65 |

| **PENSION OBLIGATION** | To determine the validity and adequacy of recorded liabilities. | 1. Obtain schedules/details of the account as of year-end cut-off date.  
2. Check footings of the schedules and compare totals with Adjusted Trial balance. Any differences should be reconciled.  
3. Verify if the total amount per schedule tallies with the amount recorded by the company. Any differences should be reconciled.  
4. Obtain the employee benefits policy of the company.  
5. Make an independent computation of the PV of the defined benefit obligation, deduct the result to the FV of plan assets as of the year end cut-off date.  
6. Compare the amount as recorded by the company vs the results of the independent computation, any difference shall be reconciled. | Net amount of:  
- the present value of the defined benefit obligation at the reporting date  
- minus the fair value of the plan assets at the reporting date. | CL 2016-65 |
<table>
<thead>
<tr>
<th>AUDIT OBJECTIVES</th>
<th>AUDIT PROCEDURES</th>
<th>VALUATION</th>
<th>REFERENCES</th>
</tr>
</thead>
</table>
| 7A. ACCRUAL FOR OTHER LONG-TERM EMPLOYEE BENEFITS | To determine the validity and adequacy of recorded liabilities. | 1. Obtain schedules/details of the account as of year-end cut-off date.  
2. Check footings of the schedules and compare totals with Adjusted Trial Balance. Any difference shall be reconciled.  
3. Obtain the employee benefits policy of the company.  
4. Verify any related disclosures in the audited financial statements relative to the account. If question arises, consult the same with the external auditor of the company. | This shall be carried at amortized cost using the effective interest rate method. | CL 2016-65 |
| 45. DEFERRED TAX LIABILITY | To determine the validity and adequacy of recorded liabilities. | 1. Obtain schedules/details of the account as of year-end cut-off date.  
2. Check footings of the schedules and compare totals with Adjusted Trial Balance. Any difference shall be reconciled.  
3. Verify if the total amount per schedule tallies with the amount recorded by the company. Any differences should be reconciled.  
4. Obtain supporting documents to validate the existence of the amount recorded by the company. | These are measured at the tax rates that are applicable to the period when the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period. | CL 2016-65 |
<table>
<thead>
<tr>
<th>AUDIT OBJECTIVES</th>
<th>AUDIT PROCEDURES</th>
<th>VALUATION</th>
<th>REFERENCES</th>
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<tr>
<td><strong>PROVISIONS</strong></td>
<td></td>
<td></td>
<td>CL 2016-65</td>
</tr>
</tbody>
</table>
| To determine the validity and adequacy of recorded liabilities. | 1. Obtain schedules/details of the account as of year-end cut-off date.  
2. Check footings of the schedules and compare totals with adjusted trial balance. Any difference shall be reconciled.  
3. Obtain supporting documents to validate the liability set up.  
4. Verify any related disclosures in the audited financial statements relative to the account. If question arises, consult the same with the external auditor of the company | A provision shall be recognized when:  
(a) the company has a present obligation (legal or constructive) as a result of a past event;  
(b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and  
(c) a reliable estimate can be made of the amount of the obligation. | |
| **POST-SETTLED SHARE-BASED PAYMENTS** |                  |           | CL 2016-65 |
| To determine the validity and adequacy of recorded liabilities. | 1. Obtain schedules/details of the account as of year-end cut-off date.  
2. Check footings of the schedules and compare totals with adjusted trial balance. Any difference shall be reconciled.  
3. Verify if the total amount per schedule tallies with the amount recorded by the company. Any differences should be reconciled.  
4. Obtain any supporting documents to verify the validity of the liability | Until the liability is settled, the company shall re-measure the fair value of the liability at each reporting date and at the date of settlement, with any changes in fair value recognized in the income statement for the period. | |
<table>
<thead>
<tr>
<th>AUDIT OBJECTIVES</th>
<th>AUDIT PROCEDURES</th>
<th>VALUATION</th>
<th>REFERENCES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FUEL EXPENSES</strong></td>
<td>To determine the validity and adequacy of recorded liabilities.</td>
<td>1. Obtain schedules/details of the account as of year-end cut-off date. 2. Check footings of the schedules and compare totals with adjusted trial balance. Any difference shall be reconciled. 3. Verify if the total amount per schedule tallies with the amount recorded by the company. Any differences should be reconciled. 4. Obtain any supporting documents to verify the validity of the liability.</td>
<td>This account shall be measured at amortized cost, which is generally equivalent to its face amount.</td>
</tr>
<tr>
<td><strong>OTHER LIABILITIES</strong></td>
<td>To determine the validity and adequacy of recorded liabilities.</td>
<td>1. Obtain schedules/details of the account as of year-end cut-off date. 2. Check footings of the schedules and compare totals with adjusted trial balance. Any difference shall be reconciled. 3. Verify if the total amount per schedule tallies with the amount recorded by the company. Any differences should be reconciled.</td>
<td>This account shall be measured at amortized cost, which is generally equivalent to its face amount.</td>
</tr>
<tr>
<td><strong>DERIVATIVES</strong></td>
<td>To determine the following: 1. all derivatives recorded in the financial statements exist; 2. there are no unrecorded derivatives at the balance sheet date; 3. all derivatives recorded in the financial statements are properly valued, and presented 4. all relevant disclosures are made in the financial statements.</td>
<td>1. Obtain schedules/details of the account as of year-end cut-off date. 2. Check footings of the schedules and compare totals with adjusted trial balance. Any difference shall be reconciled. 3. Verify if the total amount per schedule tallies with the amount recorded by the company. Any differences should be reconciled. 4. Determine the fair values of derivatives and securities, including the appropriateness of various types of valuation models and the reasonableness of key factors and assumptions.</td>
<td>At Fair Value.</td>
</tr>
</tbody>
</table>
## ANNEX C – VERIFICATION PROCEDURES AND VALUATION - EQUITY ACCOUNTS

<table>
<thead>
<tr>
<th>OBJECTIVES</th>
<th>VERIFICATION PROCEDURES</th>
<th>VALUATION</th>
</tr>
</thead>
</table>
| **51. CAPITAL STOCK** | **Existence, Rights & Obligations, Accuracy & Completeness of Records** | 1. Obtain schedule of preferred stock and common stock account in the Annual Statement and reconcile to the Adjusted Trial Balance.  
2. Establish accuracy of Annual Statement schedule by footing the schedules and reconciling the data on the schedules to the Adjusted TB. | No. of shares x par value/share |
| **52. STATUTORY DEPOSIT** | **Existence, Accuracy & Completeness** | 1. Obtain schedule of Statutory Deposit account in the Annual Statement and reconcile to Adjusted TB.  
2. Establish accuracy of Annual Statement schedule by footing the schedules and reconciling the data on the schedules to the Adjusted TB balances. | |
| **53. CAPITAL STOCK SUBSCRIBED** | **Rights & Obligations, Accuracy & Completeness** | 1. Obtain schedule of capital stock subscribed account in the Annual Statement and reconcile to Adjusted TB.  
2. Establish accuracy of Annual Statement schedule by footing the schedules and reconciling the data on the schedules to the Adjusted TB balances. | Face value of consideration. |
| **55. CONTINGENCY SURPLUS / HOME OFFICE INWARD REMITTANCES** | **Rights & Obligations, Accuracy, Valuation** | 1. Obtain schedule of shareholder’s equity accounts in the Annual Statement and reconcile to Adjusted TB.  
2. Establish accuracy of Annual Statement schedule by footing the schedules and reconciling the data on the schedules to the Adjusted TB. | Face Value of infusion |
<table>
<thead>
<tr>
<th>OBJECTIVES</th>
<th>VERIFICATION PROCEDURES</th>
<th>VALUATION</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>56. CAPITAL PAID IN EXCESS OF PAR</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| Rights & Obligations, Accuracy, Valuation, Completeness | 1. Obtain schedule of shareholder’s equity accounts in the Annual Statement and reconcile to Adjusted TB.  
2. Establish accuracy of Annual Statement schedule by footing the schedules and reconciling the data on the schedules to the Adjusted TB. | Face value of consideration received less par value of shares of stock issued |
| **57. RETAINED EARNINGS / HOME OFFICE ACCOUNT** | | |
| Completeness, Accuracy, Valuation | 1. Obtain schedule of shareholder’s equity accounts in the Annual Statement and reconcile to Adjusted TB.  
2. Establish accuracy of Annual Statement schedule by footing the schedules and reconciling the data on the schedules to the Adjusted TB.  
3. Confirm balance by adding the beginning balance of the retained earnings with the income earned during the year less any other changes in retained earnings due to prior period adjustments/restatements. | Actual balance as of year-end |
| **68. COST OF SHARE-BASED PAYMENT** | | |
| Rights & Obligations, Accuracy, Valuation | 1. Obtain schedule of shareholder’s equity accounts in the Annual Statement and reconcile to Adjusted TB.  
2. Establish accuracy of Annual Statement schedule by footing the schedules and reconciling the data on the schedules to the Adjusted TB. | Fair Value of consideration received by the insurance company (if undetermined, fair value of the shares) |
### 69. RESERVE ACCOUNTS

#### 69.1 RESERVE FOR AFS SECURITIES

<table>
<thead>
<tr>
<th>Rights &amp; Obligations, Accuracy, Valuation</th>
<th>VERIFICATION PROCEDURES</th>
<th>VALUATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Obtain schedule of Reserve for AFS Securities account in the Annual Statement and reconcile to Adjusted TB.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Establish accuracy of Annual Statement schedule by footing the schedules and reconciling the data on the schedules to the Adjusted TB.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Confirm account balance by adding the beginning balance of the Reserve for AFS Securities to any change in Fair Market Value of AFS Securities during the period.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### 69.2 RESERVE FOR CASH FLOW HEDGE

#### 69.3 RESERVE FOR HEDGE OF A NET INVESTMENT IN FOREIGN OPERATIONS

<table>
<thead>
<tr>
<th>Rights &amp; Obligations, Accuracy, Valuation</th>
<th>VERIFICATION PROCEDURES</th>
<th>VALUATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Obtain schedule of Reserve for Cash Flow Hedge and Reserve for Hedge of a Net Investment in Foreign Operations account in the Annual Statement and reconcile to Adjusted TB.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Establish accuracy of Annual Statement schedule by footing the schedules and reconciling the data on the schedules to the Adjusted TB.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Confirm account balance by adding the beginning balance of the reserve accounts to any change in Fair Market Value of the Cash Flow Hedge and hedge of a net investment in foreign operations during the period.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OBJECTIVES</td>
<td>VERIFICATION PROCEDURES</td>
<td>VALUATION</td>
</tr>
<tr>
<td>------------</td>
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</tr>
<tr>
<td><strong>59.4 CUMULATIVE FOREIGN CURRENCY TRANSLATION</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| Rights & Obligations, Accuracy, Valuation | 1. Obtain schedule of Cumulative Foreign Currency Translation account in the Annual Statement and reconcile to Adjusted TB.  
2. Establish accuracy of Annual Statement schedule by footing the schedules and reconciling the data on the schedules to the Adjusted TB.  
3. Confirm account balance by adding the beginning balance of the reserve account to any change in Foreign Currency Translation during the period. | |
| **60. RESERVE FOR APPRAISAL INCREMENT – PROPERTY AND EQUIPMENT** | | |
| **61. REMEASUREMENT GAINS (LOSES) ON RETIREMENT PENSION ASSET (OBLIGATION)** | | |
| Accuracy & Valuation, Completeness | 1. Check accuracy of balance by footing supporting schedule with the balance in the Adjusted TB.  
2. Confirm account balance by adding the beginning balance of the account with any change in retirement pension asset during the period. | |
| **62. TREASURY STOCK** | | |
| Accuracy | 1. Check accuracy of balance by footing supporting schedule with the balance in the Adjusted TB. | |
### ANNEX C - ACCOUNT EXAMINATION PROCEDURE FOR TEST OF DETAILS – ASSET ACCOUNTS

<table>
<thead>
<tr>
<th>Assertions</th>
<th>Examination Procedures</th>
<th>Files</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash in Banks and Time Deposits</strong></td>
<td><strong>Bank Confirmation</strong></td>
<td><strong>Files</strong></td>
</tr>
</tbody>
</table>
| - Existence  
- Valuation  
- Rights and Obligation  
- Presentation and Disclosure | 1. Discuss with the entity, appropriate aspects of the planned confirmation procedures, such as the timing and information required from the entity, prior to performing the confirmation and before the date that the account balances are to be confirmed;  
2. Check that the recipient is the appropriate confirming party, and the confirmation request is signed by appropriate management personnel to authorize the recipient to provide us with the information requested.  
3. Check any other details on the confirmation request and re-confirm them with the entity;  
4. Send the bank confirmation through Records Division sealed in IC envelope, including letter as topsheet for the bank.  
5. If we identify factors that raise doubts about the reliability of responses received, we obtain further evidence to address these doubts.  
6. If we determine that a response to a confirmation is not reliable, we evaluate the implications on our CRA, the risk of material misstatement due to fraud and the nature, timing and extent of our audit procedures.  
7. If confirmation replies are returned undelivered, we investigate the reasons for the non-delivery. Where applicable, we resend confirmation request to the correct address. But where the correct address cannot be determined (or the reasons for non-delivery are otherwise unsatisfactory), we consider the validity of the account balance and perform alternative procedures.  
8. Second requests are normally sent to banks who do not reply after a reasonable time. If replies to the second requests are not received, contact major banks by telephone to understand their reasons for not replying. The follow up of non-replies and explanations should also be documented.  
9. We exercise professional skepticism when dealing with unusual or unexpected responses to confirmation requests or a non-response when a response would be expected. These circumstances may indicate previously unidentified risks of material misstatement due to fraud. | 1. Complete population/list of bank accounts  
2. Bank Confirmation Request signed by the management  
3. Received Confirmation Replies |

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### Cash in Banks and Time Deposits

#### Cash Cut-off
- **Existence**
- **Completeness**

1. Identify all interbank transfers at the period-end.
2. Examine the cash entries posted before and after the period end and pay particular attention to cash movements to interbank accounts pre and post period end. Select items greater than [amount] or ____% of Total Asset (or exceeding the established testing threshold) and examine the corresponding bank statement to determine whether amounts are recorded in the correct period.
3. Investigate any differences or unusual transfers.
4. When substantive procedures are performed at an interim date, repeat tests above at the period-end, and compare the amount and types of items between the interim date and the period-end.

#### Analytics
- **Existence**
- **Valuation**
- **Completeness**
- **Presentation and Disclosure**

1. Compare the listing of cash accounts with those of prior periods and investigate any unexpected changes (e.g., credit balances, unusual large balances, new accounts, closed accounts) or the absence of expected changes.
2. Review interest received and/or paid in relation to the average cash balances and/or bank overdrafts.

#### Files
- Bank reconciliations
- Bank statements
- Support and explanation on significant reconciling items

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**PREMIUM RECEIVABLE**

<table>
<thead>
<tr>
<th>ASSERTIONS</th>
<th>EXAMINATION PROCEDURES</th>
<th>FILES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vouching of Receivables</td>
<td>1. Obtain an understanding of the substance of the entity's arrangements and transactions with its policyholder in order to determine the appropriate information to design substantive procedures.</td>
<td>1. Complete population of premium receivable</td>
</tr>
<tr>
<td></td>
<td>2. Perform audit procedures to obtain evidence that the relevant population from which the sample items are drawn is complete. Audit procedure could be comparison of the total receivable than that of the schedule of provided by the insurer. Any difference should be asked and documented.</td>
<td>2. Detailed receivable listing from the entity</td>
</tr>
<tr>
<td></td>
<td>3. From the population, consider using a valid statistical sampling technique. Consider using the audit risk to determine the extent of the sample.</td>
<td>3. Copy of policy with corresponding invoice for payment.</td>
</tr>
<tr>
<td></td>
<td>Select key items for confirmation from the population by identifying transactions or balances that:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>a. Are above a testing threshold and therefore individually important because of their size</td>
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<td></td>
<td>b. Meet a qualitative criteria that indicates that they are more likely to contain material misstatements (either individually or in the aggregate). This could include items with the following characteristics:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>a) Old accounts</td>
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<tr>
<td></td>
<td>b) Closed accounts</td>
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</tr>
<tr>
<td></td>
<td>c) Accounts with credit balances</td>
<td></td>
</tr>
<tr>
<td></td>
<td>d) Accounts with unexpected nil balances</td>
<td></td>
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<tr>
<td></td>
<td>e) Significant accounts written off by the entity during the period under review</td>
<td></td>
</tr>
<tr>
<td></td>
<td>f) Accounts for entities that would not be expected to be customers of the company</td>
<td></td>
</tr>
<tr>
<td></td>
<td>g) Increases in accounts receivable balances greater than increases in sales, or day-sales-in receivable much higher that what would be expected for the industry.</td>
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<tr>
<td></td>
<td>Other than what is indicated above, sample should be randomly obtain.</td>
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</tr>
<tr>
<td></td>
<td>4. The samples selected for vouching should be documented in the workpapers. The data details coming from the schedule provided by the insurer in the submission of the Annual Statement includes:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>a. Name of the policyholder</td>
<td></td>
</tr>
<tr>
<td></td>
<td>b. Detailed address</td>
<td></td>
</tr>
<tr>
<td></td>
<td>c. Contact information (Contact person, Electronic mail address or contact number)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>d. Accounts to be confirmed</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5. Consecutively, request to the insurer the copy of the supporting documents (e.g. policy</td>
<td></td>
</tr>
<tr>
<td>ASSERTIONS</td>
<td>EXAMINATION PROCEDURES</td>
<td>FILES</td>
</tr>
<tr>
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</tr>
<tr>
<td><strong>PREMIUM RECEIVABLE</strong></td>
<td>with corresponding invoice on the payments) of the selected sample and compare the details on the prepared schedule. 6. Check the details including the signatories of the supporting documents. Evaluate the supporting documents and investigate exceptions to determine whether they indicate misstatements/potential misstatements (e.g. fraud, internal control deficiency) or do not represent misstatements (e.g. differences due to timing or measurement). Any discrepancy should be confirmed and documented. 7. If still needed, examiner may send confirmation request with the entity.</td>
<td>(INFO. TO BE OBTAINED/EVIDENCE TO BE GATHERED)</td>
</tr>
<tr>
<td><strong>PROPERTY AND EQUIPMENT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>OCULAR INSPECTION AND INSPECTION OF RELEVANT DOCUMENTS</strong></td>
<td>1. Consider the need to physically inspect important assets and significant additions if controls over PPE are ineffective or if we have reason to doubt the existence of assets reflected in the property accounts. Give attention to significant amounts of capital assets that are readily portable, such as cars, trucks and other vehicles. Alternatively, inspect assets at the time of our observation of the physical inventory count. 2. Some entities that maintain detailed records of PPE take periodic physical inventories of the assets for comparison with such records. If this is done, we consider the benefits to be derived from observing the count of the physical inventories or reviewing the results. 3. Check the proof of ownership of important assets and significant additions, for example, the title deeds of property (real estate) or vehicle registration documents. If necessary, we obtain direct confirmation of ownership if the deeds are held by a custodian. Based on our work examining bank confirmations and confirmations of loans, and our search for unrecorded liabilities, we consider whether the assets are encumbered, for example, by mortgages or liens, or are otherwise held as security by creditors.</td>
<td></td>
</tr>
</tbody>
</table>

1 In preparing financial statements, management is making implicit or explicit claims (i.e. assertions) regarding the recognition, measurement and presentation of assets, liabilities, equity, income, expenses and disclosures in accordance with the applicable financial reporting framework.
# ANNEX C – ACCOUNT EXAMINATION PROCEDURE AND TEST OF DETAILS - LIABILITY ACCOUNTS

<table>
<thead>
<tr>
<th>ASSERTION</th>
<th>EXAMINATION PROCEDURES</th>
<th>FILES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LOANS AND CLAIMS LIABILITIES</strong></td>
<td></td>
<td>(INFO. TO BE OBTAINED/ EVIDENCE TO BE GATHERED)</td>
</tr>
</tbody>
</table>
| • Existence  
• Adequacy | 1. Obtain schedules of Losses & Claims Payable as of year-end cut-off date and Losses Paid for the 1st Quarter of the succeeding year.  
2. Check footings of the schedules and compare totals with General Ledger balances. | 1. Losses & Claims Payable Schedule  
2. Losses Paid for the 1st Quarter of the succeeding year |
| **REINSURANCE LIABILITIES** | | |
| • Existence  
• Accuracy  
• Completeness | 1. Obtain schedules of Reinsurance Accounts as of year-end cut-off date  
2. Check footings of the schedules and compare totals with General Ledger balances.  
3. Balances shall be cross referred to the figures reported in the Annual Statement of the corresponding reinsurance company/ies where the premiums were ceded. Any material differences should be reconciled by the company. If not reconciled, this shall be considered as an unfavorable adjustment to the company under examination and the company will be required to explain why the balances remain unreconciled.  
3. Check footings of the schedules and compare totals with Subsidiary Ledger balances. | 1. Schedule of Reinsurance Accounts  
2. Schedule of Reinsurance Accounts of the Reinsurance Company where reinsurance was made  
3. Subsidiary ledgers of Reinsurance Accounts  
4. Reinsurance Binders |
| **TAXES LIABILITIES** | | |
| • Accuracy  
• Completeness | 1. Determine the tax base. Multiply the same by the applicable tax rate to arrive at the tax due for the year.  
2. Add the computed tax due to the beginning balance of taxes payable to arrive at the total outstanding taxes payable for the year under audit  
3. Deduct payments and/or tax settlements made in the year under examination to arrive at the net taxes payable as of cut-off date. Payments made shall be duly supported by tax returns, payments confirmations and other documents applicable support payments made.  
4. Compare the net taxes payable to the taxes payable set-up by the company. Should the net taxes payable computed by the examiner resulted to a higher amount, difference shall be treated as non-ledger liability. | 1. Tax Returns and other applicable documents showing proof of payment by the company |
## ANNEX C – ACCOUNT EXAMINATION PROCEDURE AND TEST OF DETAILS - EQUITY ACCOUNTS

<table>
<thead>
<tr>
<th>ASSERTION</th>
<th>EXAMINATION PROCEDURES</th>
<th>FILES (INFO. TO BE OBTAINED/ EVIDENCE TO BE GATHERED)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CAPITAL STOCK</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Occurrence</td>
<td>1. Obtain schedule of preferred stock and common stock account in the Annual Statement and reconcile to general ledger balances. Establish accuracy of the Annual Statement schedule by footing the schedules and reconciling the data on the schedules to the ledger balances.</td>
<td>1. Minutes of the Directors’ Meetings</td>
</tr>
<tr>
<td></td>
<td>2. Review authorizations and terms of share issues by reviewing the minutes of the directors’ meetings to obtain evidence of authorization of shareholder’s equity transactions Confirm with the registrar the total shares authorized, issued and outstanding as at balance sheet date, likewise confirm the shares held by each shareholder.</td>
<td>2. Share Certificate Book</td>
</tr>
<tr>
<td>• Completeness,</td>
<td>3. Examine share certificate book:</td>
<td>3. Stock &amp; Transfer Book/ Shareholders’ Subsidiary ledger</td>
</tr>
<tr>
<td>• Accuracy</td>
<td>a. Cancelled certificates should be attached to the original stubs and all unissued certificates are accounted for.</td>
<td>4. Certificates of Shares Held in Treasury</td>
</tr>
<tr>
<td>• Valuation</td>
<td>b. Ascertain that the changes during the year have been correctly recorded in shareholders’ subsidiary ledger.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>c. Reconcile the total shares issued and outstanding per share certificate book with total shares reported in the shareholders’ ledger and share capital account schedule.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2. Vouch issuance of share capital and sale of treasury shares by examining receipt of cash remittance and trace to cash receipt records and paid-up capital schedule.</td>
<td></td>
</tr>
</tbody>
</table>

<p>| <strong>STATUTORY DEPOSITS</strong>  |                         |                                                       |
| • Occurrence            | 1. Obtain schedule of Statutory Deposit account in the Annual Statement and reconcile to general ledger balances. Establish accuracy of Annual Statement schedule by footing the schedules and reconciling the data on the schedules to the ledger balances. | |
| • Completeness,         | 2. Changes in this account should be properly recorded with proper documentation and authorization acquired from the head office. | |</p>
<table>
<thead>
<tr>
<th>ASSERTION</th>
<th>EXAMINATION PROCEDURES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CAPITAL STOCK SUBSCRIBED</strong></td>
<td></td>
</tr>
<tr>
<td>Occurrence</td>
<td>Obtain schedule of capital stock subscribed account in the Annual Statement and reconcile to general ledger balances. Establish accuracy of Annual Statement schedule by footing the schedules and reconciling the data on the schedules to the ledger balances.</td>
</tr>
<tr>
<td>Completeness, Accuracy, Valuation</td>
<td></td>
</tr>
</tbody>
</table>

| **CONTINGENCY SURPLUS / HOME OFFICE INWARD REMITTANCES** |  |
| Occurrence | Obtain schedule of shareholders’ equity accounts in the Annual Statement and reconcile to general ledger balances. Establish accuracy of Annual Statement schedule by footing the schedules and reconciling the data in the schedules to the ledger balances. |
| Completeness, Accuracy, Valuation |  |

| **CAPITAL PAID IN EXCESS OF PAR** |  |
| Occurrence | 1. Obtain schedule of shareholder’s equity accounts in the Annual Statement and reconcile to general ledger balances. Establish accuracy of Annual Statement schedule by footing the schedules and reconciling the data on the schedules to the ledger balances.  
2. Review authorizations and terms of share issuances by reviewing the minutes of the directors’ meetings to obtain evidence of authorization of shareholders’ equity transactions. |
| Completeness, Accuracy, Valuation |  |

| **RETAINED EARNINGS / HOME OFFICE ACCOUNT** |  |
| Occurrence | 1. Obtain schedule of shareholders’ equity accounts in the Annual Statement and reconcile to general ledger balances. Establish accuracy of Annual Statement schedule by footing the schedules and reconciling the data on the schedules to the ledger balances.  
2. Verify the balance of retained earnings by using the prior period retained earning balance as opening balance, then verify closing entries to retained earnings and the prior-period adjustments to determine the per company balance of the retained earnings at year-end. |
<p>| Completeness, Accuracy, Valuation |  |</p>
<table>
<thead>
<tr>
<th>ASSERTION</th>
<th>EXAMINATION PROCEDURES</th>
</tr>
</thead>
<tbody>
<tr>
<td>TREASURY STOCK AND DIVIDEND DECLARATION</td>
<td>FILE$ (INFO. TO BE OBTAINED/ EVIDENCE TO BE GATHERED)</td>
</tr>
<tr>
<td>• Occurrence</td>
<td>• Completeness,</td>
</tr>
<tr>
<td>• Accuracy</td>
<td>• Valuation</td>
</tr>
<tr>
<td>1. If there are shares held in treasury, inspect certificates of shares held in treasury at the same time other securities are counted. The examiner should note in the working paper the number of shares acquired during the year for subsequent tracing to cash records.</td>
<td></td>
</tr>
<tr>
<td>2. For purchase of treasury shares and payment of dividends, the examiner should review authorizations in the minutes, trace disbursement vouchers, cancelled checks and cash disbursement books.</td>
<td></td>
</tr>
<tr>
<td>3. Vouch the reissuance of treasury shares by examining receipts of cash remittances and trace to cash receipts records and paid-up capital.</td>
<td></td>
</tr>
<tr>
<td>4. For purchase of treasury shares and payment of dividends, the examiner should review authorizations in the minutes, trace disbursement vouchers, cancelled checks and cash disbursement books.</td>
<td></td>
</tr>
</tbody>
</table>