1. Reporting Entity

TSPI Mutual Benefit Association, Inc. (the Association) was registered with the Philippine Securities and Exchange Commission and was given license to operate as a mutual benefit association by the Insurance Commission (IC) on May 12, 2006 and December 22, 2006, respectively. The Association was organized primarily to extend financial assistance to the members and immediate members of their families in the form of death benefits, medical reimbursement, pension, loan redemption assistance, disability benefit and other services for the benefit of the members.

On January 1, 2019, the IC renewed the Association’s license as a mutual benefit association until December 31, 2021.

As provided in Section 30 (e) of the National Internal Revenue Code, the Association is exempt from the payment of income tax with respect to income it receives as a nonstock, nonprofit organization.

The Association’s registered address is at 3rd Floor, Tulay sa Pag-unlad Inc. (TSPI) Building, 2363 Antipolo St. Guadalupe Nuevo, Makati City.

2. Basis of Preparation

Statement of Compliance
These financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). PFRS which are issued by the Philippine Financial Reporting Standards Council, consist of PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations.

Basis of Measurement
These financial statements have been prepared on the historical cost basis except for the following items, which are measured on another basis at each reporting date.

<table>
<thead>
<tr>
<th>Items</th>
<th>Measurement Bases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Available-for-sale (AFS) financial assets</td>
<td>Fair value</td>
</tr>
<tr>
<td>Retirement asset</td>
<td>Fair value of plan assets (FVPA) less the present value of the defined benefit obligation (DBO)</td>
</tr>
</tbody>
</table>

Functional and Presentation Currency
The financial statements of the Association are presented in Philippine Peso, which is also the Association's functional currency. All financial information presented in Philippine peso has been rounded off to the nearest peso, except when otherwise indicated.
Approval for Issuance of Financial Statements
The financial statements as at and for the year ended December 31, 2018 were approved by the Executive Committee as authorized by the Board of Trustees (BOT) on April 8, 2019.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all the years presented in the financial statements, except for the changes in accounting policies as explained below.

Certain comparative accounts in the statements of comprehensive income have been reclassified or re-presented as a result of changes in the presentation and classification of certain items (see Note 25).

Adoption of New or Revised Standards, Amendments to Standards
The Association has adopted the following new standards and amendments to standards starting January 1, 2018 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption did not have any significant impact on the Association’s financial statements.

- Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts (Amendments to PFRS 4). The amendments provide a temporary exemption from PFRS 9, where an entity is permitted to defer application of PFRS 9 in 2018 and continue to apply PAS 39, Financial Instruments: Recognition and Measurement if it has not applied PFRS 9 before and its activities are predominantly connected with insurance. A qualified entity is permitted to apply the temporary exemption for annual reporting periods beginning before January 1, 2022.

The amendments also provide an overlay approach to presentation when applying PFRS 9 where an entity is permitted to reclassify between profit or loss and other comprehensive income the difference between the amounts recognized in profit or loss under PFRS 9 and those that would have been reported under PAS 39, for designated financial assets. A financial asset is eligible for designation if it is not held for an activity that is unconnected with contracts in the scope of PFRS 4, and if it is measured at fair value through profit or loss under PFRS 9, but would not have been under PAS 39. An entity is generally permitted to start applying the overlay approach only when it first applies PFRS 9, including after previously applying the temporary exemption.

As permitted by the standard, the Association availed of the temporary exemption and deferred application of PFRS 9.

- PFRS 15, Revenue from Contracts with Customers replaces PAS 11, Construction Contracts, PAS 18, Revenue, International Financial Reporting Interpretations Committee (IFRIC) 13, Customer Loyalty Programmes, IFRIC 18, Transfer of Assets from Customers and Standard Interpretations Committee-31, Revenue - Barter Transactions Involving Advertising Services. The new standard introduces a new and more comprehensive revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled.
PFRS 15 requires a contract with a customer to be legally enforceable and to meet certain criteria to be within the scope of the standard and for the general model to apply. It introduces detailed guidance on identifying performance obligations which requires entities to determine whether promised goods or services are distinct. It also introduces detailed guidance on determining transaction price, including guidance on variable consideration and consideration payable to customers. The transaction price will then be generally allocated to each performance obligation in proportion to its stand-alone selling price. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the entity's performance, or at a point in time, when control of the goods or services is transferred to the customer.

The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRS. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another PFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

The adoption of PFRS 15 did not result to any changes in the performance obligation and the timing of revenue recognition of the Association's non-revenue streams. Thus, the impact of the adoption to the financial statements of the Association is immaterial.

**Transfers of Investment Property (Amendments to PAS 40, Investment Property)**

amends the requirements on when an entity should transfer a property asset to, or from, investment property. A transfer is made when and only when there is an actual change in use - i.e. an asset meets or ceases to meet the definition of investment property and there is evidence of the change in use. A change in management intention alone does not support a transfer.

**Classification of Insurance and Investment Contracts**

Insurance contracts are defined as those contracts under which the Association (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholder. Such risk includes the possibility of having to pay benefits on the occurrence of an insured event such as death, accident or disability.

The Association may also transfer insurance risk in insurance contracts through its reinsurance arrangement to hedge a greater possibility of claims occurring than expected. As a general guideline, the Association defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that is more than the benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Investment contracts are those contracts that transfer significant financial risk, but not significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price 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.
Once a contract has been classified as an insurance contract, it remains as an insurance contract for the remainder of its life, even if the insurance risk reduces significantly during the period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if the insurance risk becomes significant.

In 2018 and 2017, the Association did not enter into any investment contracts.

**Insurance Contracts**

The Association issues membership certificates, governing rules and regulations, and application forms that transfer insurance risk.

**Conventional Annual Insurance Contracts**

These contracts insure events associated with human life (death or survival) over an annual duration. Members' contributions and premiums are recognized as revenue when paid by the certificate holder. Benefits are recognized as an expense when they are incurred.

A liability for contractual benefits that is expected to be incurred in the future is recognized for policies that are in-force as at the reporting dates. The proportion of written members' contribution and premium attributable to subsequent periods or to risks that have not yet expired is deferred as "Aggregate reserves" in the statements of assets, liabilities and fund balance. The change in the provision for unearned members' contribution and premium is taken to profit or loss in the order that revenue is recognized over the period of risk. When the anticipated losses, loss adjustment expenses, incentives and other acquisition costs, and maintenance costs exceed the recorded aggregate reserves, and any future installment members' contributions and premiums on existing policies, a deficiency reserve shall be recognized by recording an additional liability for the deficiency, with a corresponding charge to profit or loss.

**Reinsurance Contracts Held**

Contracts entered into by the Association with reinsurer which compensates the Association for losses on one or more contracts issued by the Association and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets.

The benefits recoverable to which the Association is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consist of amounts due from reinsurers classified within insurance receivables. Reinsurance liabilities are primarily members' contributions and premiums payable for reinsurance contracts and are recognized as expense when due. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with terms of each reinsurance contract.

The Association assesses its reinsurance assets for impairment at least annually. If there is objective evidence that the reinsurance asset is impaired, the Association reduces the carrying amount of the reinsurance assets to its recoverable amount and recognizes that impairment loss in profit or loss. The Association gathers the objective evidence that a reinsurance asset is impaired using the same process for financial assets.
Financial Instruments
Date of Recognition
Financial instruments are recognized in the statements of assets, liabilities and fund balance when the Association becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the timeframe established by regulation or convention in the marketplace are recognized on the settlement date. Settlement date accounting refers to: (a) the recognition of an asset on the day it is received by the Association, and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that it is delivered by the Association.

Initial Recognition
Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability). Except for financial instruments at fair value through profit or loss (FVPL), the initial measurement of financial instruments includes transaction costs. The Association classifies its financial assets into the following categories: financial assets at FVPL, available-for-sale (AFS) financial assets, held-to-maturity (HTM) investments, and loans and receivables. The Association classifies its financial liabilities either as financial liabilities at FVPL or other financial liabilities.

The classification depends on the purpose for which the instruments were acquired or incurred and whether these are quoted in an active market. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As at December 31, 2018 and 2017, the Association has no financial assets and liabilities at FVPL.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not held for trading.

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment loss. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization, if any, is included as part of “interest income” in profit or loss.

As at December 31, 2018 and 2017, the Association’s cash and cash equivalents, short-term investments, receivables, due from related party and cash held by investment manager/custodian under “Other assets” are classified under this category.

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and are subject to an insignificant risk of change in value.
Held-to-Maturity (HTM) Investments

HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which management has the positive intention and ability to hold to maturity. Where the Association sells or reclassifies other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified at fair value as AFS financial assets. After initial measurement, these investments are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization, if any, is included as part of “Interest income” in profit or loss.

As at December 31, 2018 and 2017, the Association’s HTM investments amounted to P183.99 million and P184.52 million, respectively (see Notes 11 and 18).

Available-for-Sale (AFS) Financial Assets

AFS financial assets are financial assets which are designated as such, or do not qualify to be classified or have not been classified under any other financial asset category. They are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions.

After initial recognition, AFS financial assets are subsequently measured at fair value, with unrealized gains or losses recognized in other comprehensive income in the “Fair value reserve on AFS financial assets” in fund balance until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss, or until the investment is determined to be impaired, where the cumulative loss is reclassified to profit or loss.

When the fair value of AFS financial assets cannot be measured reliably because of lack of reliable estimates of unobservable inputs such as in the case of unquoted equity instruments, these financial assets are allowed to be carried at cost less impairment, if any.

As at December 31, 2018 and 2017, the Association’s AFS financial assets amounted to P796.72 million and P751.17 million, respectively (see Note 10).

Reclassification of AFS Financial Assets to HTM Investments

For a financial asset reclassified out of the AFS financial assets category to HTM investments, it shall reclassify the financial asset at its fair value on the date of reclassification which becomes its new amortized cost. Any previous gain or loss on that asset that has been recognized in other comprehensive income and any difference between the new amortized cost and maturity amount is amortized in profit or loss over the remaining life of the investments using the effective interest method similar to the amortization of a premium and a discount. If the financial asset is subsequently impaired, any gain or loss that has been recognized in other comprehensive income is reclassified from fund balance to profit or loss.

Financial Liabilities

Other Financial Liabilities

Issued financial instruments or their component, which are not classified as at FVPL are classified as other financial liabilities where the substance of the contractual arrangement results in the Association having an obligation either to deliver cash or another financial asset to the holder or lender.
After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR. The amortization is included as part of "Interest expense" in profit or loss.

As at December 31, 2018 and 2017, this category includes the Association’s claims payable, equity value reserves, accrued expenses and other liabilities (excluding amounts payable to government agencies) and due to related party.

**Fair Value Measurements**

* Determination of Fair Values*

The fair values of financial instruments traded in active markets at reporting date are based on their quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair values are determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flows method, price comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

**Fair Value Hierarchy**

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- **Level 1**: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- **Level 2**: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices); and
- **Level 3**: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Association determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For purposes of the fair value disclosure, the Association has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.
"Day 1" Profit
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Association recognizes the difference between the transaction price and fair value (a "Day 1" profit) in profit or loss, unless it qualifies for recognition as some other type of asset. In cases where data used as inputs in a valuation model are not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Association determines the appropriate method of recognizing the "Day 1" profit.

Impairment of Financial Assets
The Association assesses at each reporting date whether a financial asset or a group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults.

Loans and Receivables and HTM Investments
The Association first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Association determines that no objective evidence of impairment exists for individually assessed accounts, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in the collective assessment for impairment. For the purpose of a collective evaluation of impairment, loans and receivables are grouped on the basis of credit risk characteristics such as type of borrower, payment status and term.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the excess of loan's carrying amount over its net realizable value, based on the present value of the estimated future cash flows from the asset. The present value of the estimated future cash flows is discounted at the loan's original EIR. Time value is generally not considered when the effect of discounting is not material. The carrying amount of an impaired loan is reduced to its net realizable value through the use of an allowance account and the accrual of interest is discontinued. If, in a subsequent period, the amount of the allowance for impairment loss decreases because of an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed to profit or loss to the extent that the resulting carrying amount of the asset does not exceed its amortized cost had no impairment loss been recognized.
The Association performs a regular review of the age and status of these accounts, designed to identify accounts with objective evidence of impairment and provide the appropriate allowance for impairment loss. The Association writes off its long outstanding receivable accounts from deceased, unlocated, or migrated debtors, where they have exhausted all efforts to collect.

**AFS Financial Assets Carried at Fair Value**

In case of quoted equity securities classified as AFS financial assets, impairment indicators would include a significant or prolonged decline in the fair value of the investments below cost. A decline in excess of twenty percent (20%) should generally be regarded as significant while a decline in a quoted market price that persists for nine (9) months should generally be considered to be prolonged.

Where there is objective evidence of impairment, the cumulative loss in equity, measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognized, is recorded in profit or loss. Subsequent increase in the fair value of an impaired AFS equity security is recognized in other comprehensive income.

**Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statements of assets, liabilities and fund balance if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is generally not the case with master netting agreements, thus, the related assets and liabilities are presented on a gross basis in the statements of assets, liabilities and fund balance. Income and expenses are presented on a net basis only when permitted under PFRS, such as in the case of any realized gains or losses arising from the Association’s trading activities.

**Derecognition of Financial Assets and Liabilities**

**Financial Assets**

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

- the right to receive cash flows from the asset have expired;
- the Association retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass-through’ arrangement; or
- the Association has transferred its right to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Association has transferred its rights to receive cash flows from an asset or has entered into a ‘pass-through’ arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor is transferred control of the asset, the asset recognized to the extent of the Association’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Association could be required to pay.
Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation, and impairment loss, if any.

The initial cost of property and equipment comprises its purchase price, including import duties, taxes, any directly attributable costs in bringing the asset to its working condition and location for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of replacing part of an item of property and equipment is recognized in the carrying value of the item if it is probable that the future economic benefits embodied within the part will flow to the Association and its cost can be measured reliably.

The costs of the day-to-day servicing of property and equipment are recognized as expense in the period in which they are incurred. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of the assets.

The estimated useful lives of property and equipment are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Number of Years</th>
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<tbody>
<tr>
<td>Office furniture and fixtures</td>
<td>5</td>
</tr>
<tr>
<td>Transportation and equipment</td>
<td>5</td>
</tr>
<tr>
<td>Office equipment</td>
<td>3 - 5</td>
</tr>
<tr>
<td>Building and improvements</td>
<td>5</td>
</tr>
</tbody>
</table>

The estimated useful lives, depreciation method, and residual values are reviewed periodically and adjusted, if appropriate, to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment. Changes in the estimated useful lives, depreciation method, and residual values of property and equipment are accounted for by changing the depreciation method, as appropriate, and treated as changes in accounting estimates.

When an asset is disposed of, or is permanently withdrawn from use or no future economic benefits are expected from its disposal, the cost and the related accumulated depreciation and impairment loss, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in profit or loss.

Computer Software
Computer software is initially measured at cost which is comprised of costs incurred to acquire the computer software (not an integral part of its related hardware) and bring it to its intended use. All other costs of developing and maintaining computer software are recognized as expense when incurred.

Subsequently, computer software is measured at cost less amortization and impairment, if any. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of the computer software, from the date that they are available for use, not to exceed three (3) years.
Gains or losses arising from the derecognition of the computer software are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss.

**Investment Properties**

Investment properties are properties held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business or for administrative purposes.

Investment properties, except land, are measured at cost, less accumulated depreciation and any impairment in value. Land is stated at cost less any impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged to income in the period in which the costs are incurred.

Depreciation is computed using the straight-line method over the EUL of ten (10) years. The estimated useful life and depreciated method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of investments property.

The EUL and the depreciation methods are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of investment properties.

Investment property is derecognized when either this has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the ending of owner-occupation, commencement of an operating lease to another party or ending of the construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by the commencement of owner occupation or commencement of development with a view to sell.

**Impairment of Non-financial Assets**

At each reporting date, the Association assesses whether there is any indication that its non-financial assets such as investment property, property and equipment and computer software may be impaired. When an indicator of impairment exists, the Association estimates the recoverable amount of the impaired assets. The recoverable amount is the higher of the fair value less costs of disposal and value in use. Fair value less costs of disposal is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable and willing parties less costs of disposal while value in use is the present value of future cash flows expected to be derived from an asset.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.
Where the carrying amount of an asset exceeds its recoverable amount, the impaired asset is written down to its recoverable amount. An impairment loss is recognized in profit or loss in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment loss may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The reversal can be made only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization is adjusted in future years to allocate the asset’s revised carrying amount, less any residual value, on a systematic basis over its remaining life.

**Insurance Contract Liabilities**

**Aggregate Reserves**

Aggregate reserves represent the accumulated total liability for policies in-force as at the reporting date. Such reserves are established at amount adequate to meet the estimated future obligations to all members with in-force policy. The reserves are calculated using the actuarial methods and assumptions in accordance with statutory requirements and as approved by the IC.

The corresponding change in aggregate reserves is presented as “Increase (decrease) in aggregate reserves” in profit or loss.

**Equity Value Reserves**

Equity value reserves represent the accumulated reserve for remittance to members. In accordance with Section 409 of the Insurance Code, as Amended (the Insurance Code), equity value reserves are established at fifty percent (50%) of the total mandatory membership contributions collected from every outstanding membership certificates. The increase in equity value reserves as a result of the collection of membership contribution is presented as “Increase in equity value reserves” in profit or loss.

Effective December 1, 2014, the twenty percent (20%) surrender charge was no longer imposed on equity value for certificates paid for less than three (3) continuous years. Upon death or withdrawal of the member, equity value reserves contributed and interest thereon are refunded to its members. Effective February 1, 2016, interest rate on equity value reserve was reduced from 2.00% to 0.50% as approved by the BOT.

On October 10, 2016, the IC approved the transfer of equity value reserves in the fund balance based on its letter to the Microinsurance Mutual Benefit Association of the Philippines and accounted as follows:

- equity value reserves for delinquent members beyond the prescribed three (3) years reinstatement period should be transferred to assigned surplus for the benefit of the members provided that the Association initiate at least two (2) actions to locate and inform the delinquent members. However, the Association should maintain a schedule in case any of the members will make a claim in the future.