



# **OPERATIONS MANUAL**



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## History and Institutional Background

KGI started in Kalookan, Zambales and Malate by lending only to families wishing to improve their lives by building their business to source their daily needs. While multiplying the members, one of the problems facing the institution is the death of the member while it still has a loan. The management then started to sought on how to provide risk protection to its members and their dependents. Thus, the KGI implemented MMF or the Members Mutual Fund. The MMF became the response to cover the remaining loan balance of the members and no need to pay more by his family.

Over the years, KGI continually enhanced and increased the benefits of the members in MMF. Until not only the debt left by members of the MMF were answered but also a small amount were given to his family members to bury him/her properly. Further, a portion of their hospitalization were also covered by their contribution to MMF.

In 2008, KGI began to study about Mutual Benefit Association, a more stable institution that can provide the members and their legal dependents a benefit in case an unforeseen event come to their lives. An institution that is guided by the Insurance Commission (IC) and the Securities and Exchange Commission (SEC) and ensures that the institution meets the benefits promised to its members.

Due to Joint IC-CDA-SEC Memorandum Circular No. 01-2011 of the Insurance Commission, the management and Board of Trustees of KGI decided to establish its own MBA through the help of RIMANSI, a Non—Government Organization who helps microfinance institutions to have their own MBA, in preparing the documents and doing assessment for KGI to be able to register KGI’s MBA to SEC and have the license to operate to the Insurance Commission. In 2010, RIMANSI and KGI had the Memorandum of Agreement and completed the required documents to become a full MBA.

In September 23, 2011, KGI Mutual Benefit Association, Inc. was registered to the Securities and Exchange Commission with certification number CN201117039, and also received its license from the Insurance Commission granted on the 14th of February, 2012 with license number 2012-2-0.

With the help of a thorough study of the actuary for providing proper benefits for members and staff, the management is searching for other benefits to increase service and to meet their other insurance needs that will match in times of crisis.

At this time, KGI and KGI MBA is committed to its mission and its true concern for the poor family. The program continues to grow and continuing serving the poor people through micro-financing and micro-insurance program.

## Chapter II

### Vision, Mission, Goals, Core Values

#### **Vision:**

By year 2028, KGI-MBA is one of the 5 leading Mi-MBA's in Luzon.

#### **Mission:**

Protect low-income Filipino households from life-cycle risks.

#### **Goals & Objectives:**

That the purpose for which such association is formed is to advance the interests and promote the welfare of the poor in particular and the interest and welfare of the Philippines in general. Specifically the association shall seek:

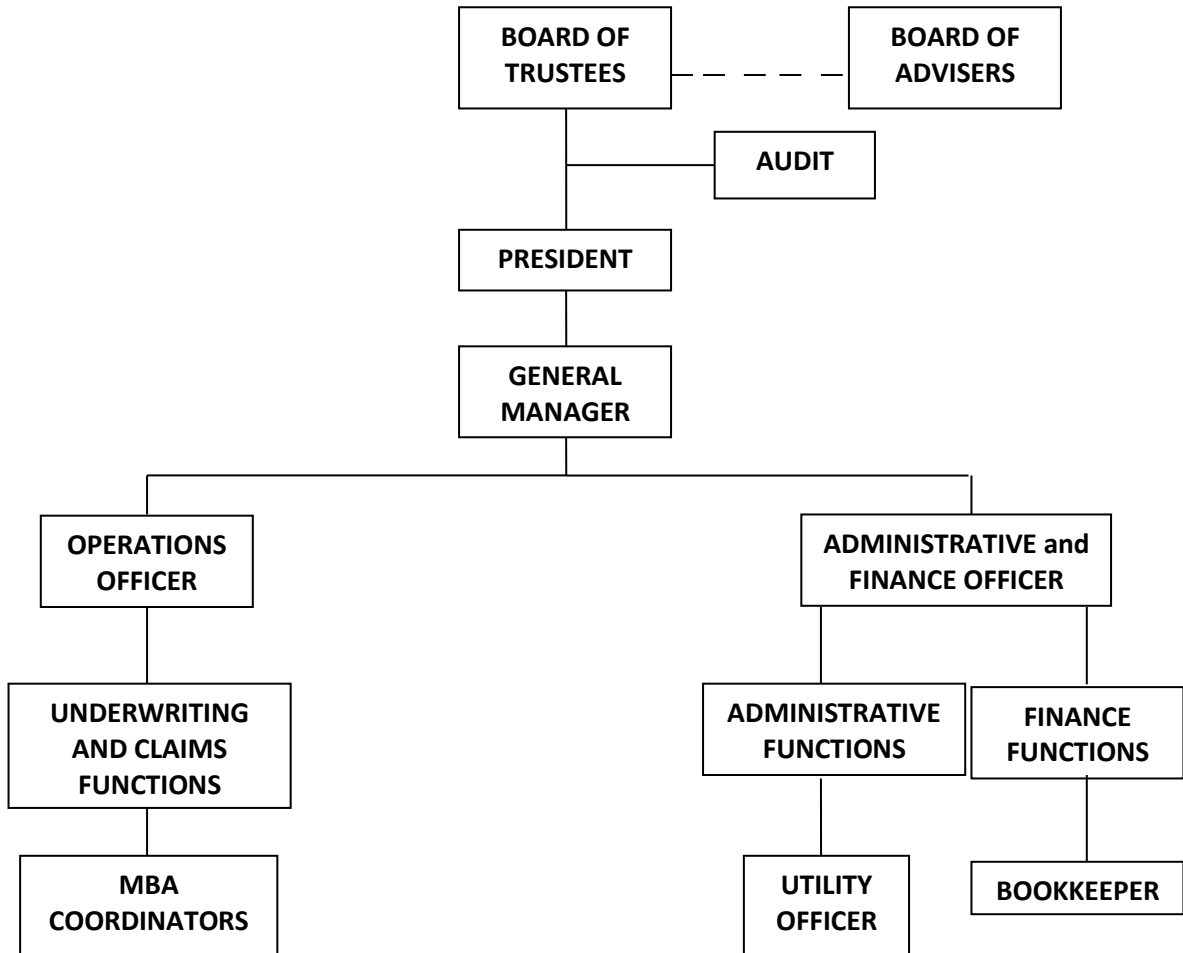
1. To extend financial assistance to its members, spouse, children and parents in the form of death benefits, sickness benefits, provident savings and loan redemption assistance;
2. To ensure continued access to benefits/ resources by actively involving the members in the management of the association that will include implementation of policies and procedures geared towards sustainability and improved services

#### **Core Values:**

Love  
Teamwork  
Respect  
Integrity  
Service  
Excellence

# Chapter III

## Organizational Structure



## **ORGANIZATIONAL CHART:**

### **1. Board of Trustees**

The Board of Trustees is the main strategic policy making body of MBA. Tasks of the Board includes policymaking, approval of general directions of development and operations, approval of annual financial projections and operating plans, and the maintenance of contact with member base.

The MBA's Board of Trustees has very little governance expertise, but they have a strong sense of Commitment to both KGI and its members. The board receives some training on governance matters, and since board members have all been coordinators, they understand the product and the market. They also learn on the job with guidance from the advisory committee, which is critical to the successful oversight of the institution

### **2. Board of Advisers**

The Board of Advisers is a three but not more than five members whose main task is to assure policy and operating coordination between KGI MBA and KGI. The board consists of the officers of KGI. This board has informal yet important day-to-day contact with KGI MBA management, and frequent interaction with the MBA President. The Board of Advisers also provides significant formal oversight of the MBA and the Trustees in terms of management, policies, regulatory compliance and governance.

### **3. MBA President**

The MBA President, elected for a two-year term, is the head of Trustees. The president supervises and coordinates the activities of the Board of Trustees and often represents the MBA on official business, and is frequently in the head office to approve actions, review activities, and attend meetings.

### **4. General Manager**

The General Manager is responsible for all day-to-day operations of the MBA including premium collection, claims payment, administration, and operation of branch offices. His job also includes liaising with membership structures and supervising MBA Coordinators.

### **5. Underwriting and Claims**

Underwriting functions are limited to membership issues, as the only requirement for insurance is to be a member of KGI.



The claims function at the head office is limited to reviewing and accounting for claims paid, as the claim payment function has been decentralised and is handled by MBA Coordinators at the branch level. Claims documentation is delivered to the head office after payment for review and recordkeeping.

## **6. Administration and Finance**

Administration and finance are responsible for ensuring smooth internal functioning of the MBA structure as well as internal recordkeeping, bookkeeping, and preparation of external reporting for supervisory authorities.

## **7. MBA Coordinator**

The Coordinators are the MBA's representatives in the field and may be characterised as member service representatives. Their activities includes: factual verification of claim documentation, claim payment, educating current and potential clients, and addressing questions from KGI's staff or clients.

They also work with branch managers to ensure appropriate and timely collection and transfer of premiums as well as document compliance. Finally, they are charged with MBA information dissemination among members.

# Chapter IV

## Product Features

### 1. MEMBERSHIP

1. Applicants must be at least eighteen (18) years old but not more than fifty five (55) years old as of the enrolment date.
2. He/she must be an active member of KAZAMA Grameen, Inc. (KGI) or employee of KGI or KGI-MBA or other organized groups accredited.
3. Only those applicants who can meet all of the requirements stated in the prescribed application form shall be eligible for membership, provided the dues and charges as herein specified are paid and application for membership in KGI-MBA is filed in the prescribed form.
4. Members rolling over from the prior insurance program shall have their length of membership therein count towards meeting the requirement for full benefits as shown in the Table of Benefits. However, in the case of member's equity, all members, including those rolling over from the prior insurance program, shall start with no equity value whatsoever.

### 2. EFFECTIVITY OF MEMBERSHIP

1. Effectivity of Membership in KGI-MBA shall take effect upon payment of the first contribution and approval of the application for membership by the Board of Trustees or the official so designated by the Board.
2. A Certificate of Membership containing the date of effectivity of membership, a summary of benefits and excerpts of the Implementing Rules and Regulations of KGI-MBA shall be issued to each and every member of KGI-MBA upon approval of the application for membership. A manual of the Implementing Rules and Regulations shall be issued to each Center or group of members.

### 3. MEMBER'S LEGAL DEPENDENTS

The member's legal dependents shall be defined as follows.

1. If a member is married, his/her legal dependents are:
  - a. the legal spouse
  - b. all single biological and/or legally adopted children, two (2) weeks old but not more than eighteen (18) years old
  - c. all biological children over 18 years old, single, disabled and incapacitated to work.

If a member is single (unmarried) but with children, only those enumerated under 6.1b and 6.1c shall be considered as his/her legal dependents

#### **4. MEMBER'S BENEFICIARY**

The right to change the beneficiaries is reserved to every member of KGI-MBA , who may, at anytime, designate a new beneficiary/ies, must be in writing signed by the member and submitted to KGI – MBA office or designated authorized collection center.

Only those names listed as beneficiaries on the membership application form have the right to receive benefits. However, when a member dies without any designated beneficiaries, the benefits shall be awarded to the legal heirs according to existing laws.

#### **5. CONTRIBUTIONS AND IDENTIFIABLE CHARGES**

1. Members shall be charged FIFTY PESOS (PhP50.00) weekly contribution for the benefits described in Section 1 above.
2. The contributions and charges may be adjusted by the Board of Trustees as may be necessary to maintain the funds of KGI-MBA at a level adequate to meet its benefit obligations or commitments under the Certificate of Membership. Any change in the contribution or charges is subject for approval by the Insurance Commission.

#### **6. BENEFITS**

##### **1. Pre-existing Condition**

Pre-existing condition is a condition for which the member received medical treatment or has consulted a physician for medical treatment or has been taking medications during the twelve (12) months prior to the effective date of membership or twelve (12) months prior to the date of last reinstatement

- a. **Pre-existing condition of member:** To maintain low contribution rates and to safeguard the funds of KGI-MBA, KGI-MBA is not liable to any loss (death, total and permanent disability) occurring in less than one year of membership or within twelve (12) months prior to the date of last reinstatement except if caused by accident and/or diseases acquired within that period as certified by a competent

physician other than TWO THOUSAND PESOS (Php2,000) gratuity for loss occurring less than twelve (12) months from effectivity date of insurance coverage in case of member's death or total and permanent disability.

- b. Pre-existing condition of legal dependents:** To maintain low contribution rates and to safeguard the funds of the KGI-MBA, KGI-MBA is not liable to any loss (death or TPD) occurring in less than one (1) year of membership except if caused by accident in case of a legal dependent's death.

## **2. Natural or Non-accidental Death**

### **a. Natural or Non-accidental Death of Member**

Upon the death of the member due to natural or non-accidental causes, KGI-MBA shall indemnify the beneficiary/ies the amount of: THIRTY THOUSAND PESOS (Php 30,000) should the death occur in less than one (1) year of membership or from the date of last reinstatement, or SIXTY THOUSAND PESOS (Php 60,000), if otherwise.

### **b. Natural or Non-accidental Death of Legal Dependents**

To maintain low contribution rates and to safeguard the funds of KGI-MBA, KGI-MBA is not liable to any death claim due to natural death of legal dependents occurring in less than one year of membership or within twelve (12) months prior to the date of last reinstatement.

However, those with membership of one (1) year and above will receive the benefit amounting to TEN THOUSAND PESOS (Php 10,000) and FIVE THOUSAND PESOS (Php 5,000) for death of legal spouse and child respectively.

## **3. Accidental Death**

Accidental death is defined as loss of life resulting directly, independently and exclusively of all other causes, of bodily injury effected solely by external, violent and accidental means, except in the case of drowning or if internal injury revealed by an autopsy, there is evidence of a visible contusion or wound on the exterior of the body occurring within one hundred eighty (180) days from date of such injury.

### **a. Accidental death of member**

Upon death of the member due to accident, the beneficiary/ies will be indemnified an amount equal to ONE HUNDRED TWENTY THOUSAND PESOS (Php 120,000).

**b. Accidental death of legal dependents**

Upon death of the member's legal spouse due to accident, KGI-MBA shall indemnify the member an amount equal to TWENTY THOUSAND PESOS (Php 20,000).

Upon death of the member's child due to accident, KGI-MBA shall indemnify the member an amount equal to TEN THOUSAND PESOS (Php 10,000).

**4. Total and Permanent Disability**

Total and permanent disability (TPD) shall mean disability caused by bodily injury or disease which prevents the member from engaging in any gainful activity and must continue uninterrupted for at least six (6) months.

There are two types of TPD coverage:

**i. Disability with dismemberment**

The loss of both arms, or both legs, of one arm and one leg, or of both eyes, shall be considered total and permanent disability. Loss of both arms and both legs shall mean dismemberment by amputation of the entire hand or foot; with respect to eyes, entire and irrecoverable loss of sight. This type of TPD can be settled immediately upon submission of complete claims documents.

**ii. Disability without dismemberment**

If a member or his/her spouse becomes sick or met an accident resulting to complete inability to engage in any gainful employment and becomes bedridden, he/she can be considered as total and permanent disabled if after six (6) months the health condition has not improved. After such confirmation of a competent physician, the member or his/her spouse will receive the full amount for TPD according to the Table of Benefits for TPD.

**a. TPD benefit of member**

If the member becomes totally and permanently disabled as confirmed by a competent physician, KGI-MBA shall indemnify the member an amount equal to FIFTEEN THOUSAND PESOS (Php 15,000) should the disability occur in less than one year of membership or from the date of last reinstatement, or THIRTY THOUSAND PESOS (Php 30,000), if otherwise.

It is understood that upon full payment of the member's total and permanent disability benefit, his/her certificate of membership is automatically terminated.

**b. TPD benefit of legal dependents**

To maintain low contribution rates and to safeguard the funds of KGI-MBA, KGI-MBA is not liable to any disability of the legal dependents occurring in less than one year of membership or within twelve (12) months from the date of last reinstatement.

However, if the disability of the member's spouse occurs on the first year or onwards, KGI-MBA shall indemnify the member an amount equal to FIVE THOUSAND PESOS (Php 5,000) but KGI-MBA is not liable for the disability of the member's child.

**5. Hospital Bill Reimbursement Benefit (HBRB)**

In case a member or his/her member's legal dependents is hospitalized due to sickness or accident occurring after the date of membership and resulting in confinement for not less than 24 hours for treatment by a competent physician, KGI-MBA will reimburse the amount up to a maximum benefit of:

- a. ONE THOUSAND FIVE HUNDRED PESOS (Php 1,500.00) for member per annum
- b. SIX HUNDRED PESOS (Php 600.00) for the member's spouse per annum
- c. THREE HUNDRED PESOS (Php 300.00) for the member's child for a maximum of three children per annum

**7. SUICIDE**

KGI-MBA will not be liable if the member and/or any of his/her legal dependent dies by suicide within one (1) year from the certificate of membership effective date or date of last reinstatement. However, suicide committed in the state of insanity will be compensable regardless of the date of commission. Where suicide is not compensable, the liability of KGI-MBA will be limited to the return of all contributions paid by the said member without interest.

**8. Member's Equity Value**

- a. A member shall be entitled to an equity value equivalent to at least FIFTY PER CENTUM (50%) of his/her total gross contributions paid, interest shall be credited to the Equity Value annually at a rate to be determined by the Board of Trustees but in no case less than the prevailing savings rate of the commercial bank. This equity value, inclusive of interest thereon, is payable upon termination of his/her membership from KGI-MBA including death and TPD.
- b. A surrender charge equal to THIRTY PER CENTUM (30%) of the Equity Value may however be imposed by KGI-MBA for member's termination, occurring in the first three (3) years of membership including death and TPD.

- c. Upon reaching the termination age of sixty five (65) years old or seventy (70) years old for those who are at least (65) years old at the time of the effectivity of the Insurance Plan, the member shall be entitled to payment of the member's Equity Value.

## **9. GRACE PERIOD**

Any member who fails to pay his/her weekly contribution shall be given a grace period of forty five (45) days within which to remit the contributions.

1. In case of death, total and permanent disability, or hospital confinement of the member or his/her legal dependent during the grace period, the balance of the contribution in arrears shall automatically be deducted from the benefits payable.
2. If after the 45-day grace period and no payment is received, the membership shall lapse and in the event of subsequent death, total and permanent disability or hospitalization of member or his/her legal dependents, no benefit accrues to the member or to the beneficiaries of the deceased member other than the member's Equity Value.

## **10. TERMINATION OF COVERAGE/MEMBERSHIP**

The insurance coverage under the Certificate of Membership shall automatically terminate under the following conditions whichever comes first:

1. Upon death or total and permanent disability of the member;
2. Upon resignation from KGI-MBA ;
3. Upon reaching the exit age of sixty five (65);
4. Upon reaching the exit age of seventy (70) for those who are at least (sixty five) 65 years old at the time of the effectivity of the Insurance Plan;
5. Upon expiration of the grace period if no payment is received by then;
6. Upon withdrawal of the Equity Value on the membership certificate;
7. If membership is terminated with cause by KGI-MBA

## **11. REINSTATEMENT**

1. Membership may be reactivated provided the member will pay all unpaid contributions plus penalty of five percent (5%) per year.
2. If the member cannot afford to pay all the contributions in arrears, she/he may pay only one week contribution and his/her membership will be reactivated but the

number of days she/he was in arrears will be deducted in computing the effective number of years of his/her membership.

3. Reinstatement can only be performed within a period of three (3) years from the date of lapse. After the three year period and no reinstatement is made, the membership is cancelled.

## **12. MISSTATEMENT OF AGE**

Any wilful misstatement in the application that would render a person eligible for insurance when he/she would otherwise be ineligible shall be sufficient cause for the cancellation of one's membership in KGI-MBA at any time such misstatement is known. KGI-MBA will only refund all contributions paid by the said member without interest.

## **13. BENEFITS REVIEW COMMITTEE**

A Benefit Review Committee composed of five (5) members shall be the body to decide the approval or disapproval of payments of benefits. No action of the Committee shall be valid unless it is a decision of the majority. A majority constitutes at least three (3) members of the Benefits Review Committee. The Benefits Review Committee shall likewise authorize the release of the benefit and furthermore cause the remittance to the beneficiaries upon approval.

In case of indecision, the result of the evaluation of claims and its recommendation must be submitted to KGI-MBA Head Office for the decision of KGI-MBA General Manager. If, however, the MBA General Manager cannot make decision and recommendation, the case shall be referred to the Board of Trustees for final decision.

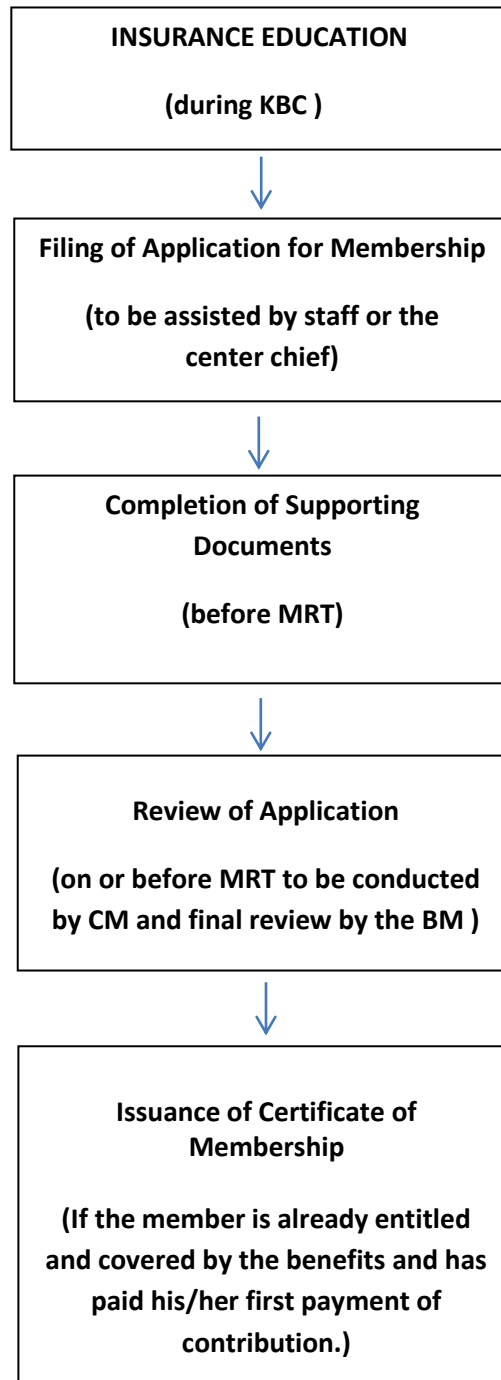


# Chapter V

## OPERATING POLICIES AND PROCEDURES

### Section 1. MEMBER MOBILIZATION

#### HOW TO BECOME AN MBA MEMBER:



Key Steps	Policy/ Procedure	Forms, Documents & Materials	Responsible	
			MBA	MFI/Coop
Program implementation and pre-member insurance education	<p>For Old Members:</p> <p>Series of meetings will be conducted and step by step procedure will be imparted to the BM, Branch Level (staff), Center Chief meeting, then per Centers.</p> <p>There will be videos about MBA Programs, new policies that will be presented to the members.</p> <p>For Old Members:</p> <p>They will undergo Insurance Education through KBC with pamphlets, handouts and other instructional materials to be used at this stage.</p>	<p>There will be power point and visual aids that will be used and presented during the information campaign to the members.</p> <p>KBC Manual, handouts, pamphlets and other instructional materials</p>	General Manager, MBA Staff.	Area Managers       CM
Filing of application forms and provision of required information	During this phase, information dissemination will be explained to the members with emphasis on the forms and documents requirements.	The advantage and importance of accuracy in completing the information will be highlighted to the members.		Staff and BM

<p>Collection of information and documents supporting the application</p>	<p>The policy that will be implemented are categorized as follows:</p> <p><b>For the new members-</b> the members are assumed to be compliant and submitted the complete requirements before they undergo the MRT procedure.</p> <p><b>For the existing and old members-</b> there are 15 workings days imposed for the branches to complete the documents needed.</p> <p>There will be checklist that will be issued and given by the MBA Office to the branches to identify the members who complied on the documents and for verification purposes.</p>	<p>Checklist and forms from MBA Office and branches.</p> <p>Marriage Contract, Birth Certificate, and Specimen Signatures, pictures.</p>	<p>MBA Staff</p>	<p>MFI Staff</p>
<p>Review and approval of applications</p>	<p>This task is primarily delegated for the Branch Manager and start from the filing of forms by the members that will be reviewed by the staff before the conduction of MRT. The BM, then will finalized the review and check the documents before the actual conduction of MRT.</p>			<p>Staff and Branch Manager</p>
<p>Issuance of certificate of membership</p>	<p>Upon completion of the documents there is one month period to be given for the issuance of Certificate of Membership</p>		<p>MBA</p>	

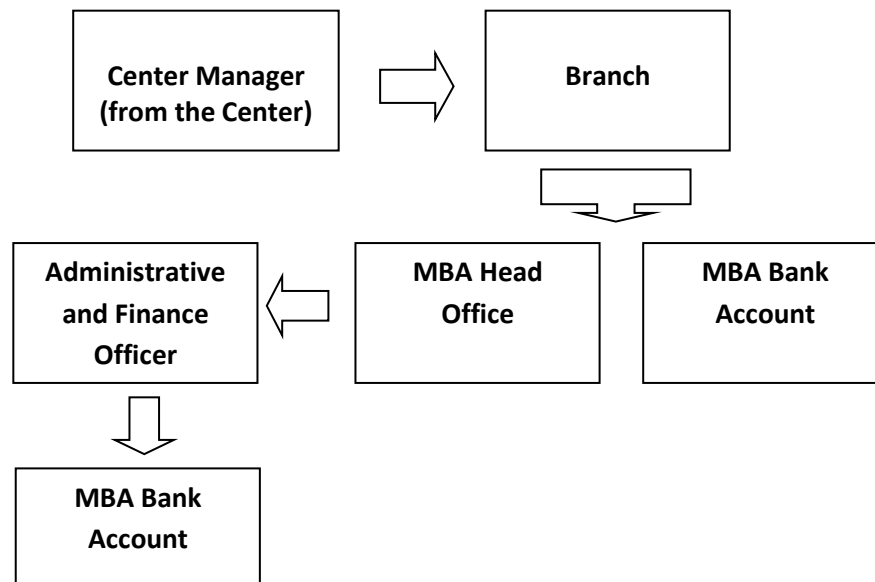
## Section 2. COLLECTION

MBA contributions are collected together with the member's payment of their loans and savings by the Center Manager of the branch of KGI. MBA collections stayed in the branch and are remitted every first week of the next month. Claims, expenses incurred in collection, and Coordinator's expenses are deducted prior to remittance of collection to the MBA office. A copy of validated deposit slip of the branch is then submitted to the MBA head office for verification of deposits. **(See Branch Operations and Accounting Procedures Manual)**

After validating the deposits :

1. The Administrative and Finance Officer issues official receipt of the amount deposited for the branch.
2. If the branch directly paid the remittance to the MBA Head Office whether in cash or through check, the Administrative and Finance officer will receive the remittance and prepare the deposit slip and deposit the whole amount of collection to the bank.
3. The remittance should tally with the monthly remittance schedule prepared by the branch. If not, the branch should pay the balance through check or cash and the Administrative and Finance officer will issue another receipt for the paid amount.

Process flow of Collection:



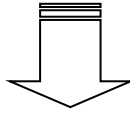
## **Section 3. CLAIMS VALIDATION AND PAYMENT**

### **3.1. Death/TPD**

- 1.** The member or his/her family should inform their Center Chief or Center Manager about the incident and then, the Center Manager will inform it to the Branch Manager, then the Branch Manager will inform the MBA Coordinator and to the MBA Office.
- 2.** The member or his/her family should fill up MBA Form No. 9, 10 or 11 (Abiso ng Pagkamatay/Pagkabaldado) and send it to the center to discuss the benefits that he/she may receive.
- 3.** The MBA Coordinator should immediately verify about the reported incident along with the staff and Branch Manager using the MBA Form No. 9, 10 or 11: If the case is disability, the MBA Coordinator should visit the member or relatives along with the staff and Branch Manager to see the condition of the member or his/her spouse. (There is a 6 mos. contestability period for this case. To say that the member or his/her spouse is Totally and Permanently disabled, a Certificate of TPD from a doctor should be submitted);
- 4.** If the reported death or TPD is a family of the member, the Center Manager should check if they have been declared as dependents of the member to the Member's Application Form.
- 5.** If the member dies and does not know yet the cause of death, the branch office should give first the 20% of his/her total benefit and then give the rest of the benefits after validation. If one of the dependents of the member dies, there should be no amount given unless the office is sure of the cause of death of the member's dependent.
- 6.** All the documents should be completed before giving the remaining amount of benefits to the member.
- 7.** Members and their dependents should be informed that they should complete all the necessary documents for them to receive the benefits intended for them.
- 8.** The Branch should inform MBA office of the claims and send the documents through fax or email for verification before giving the benefits of the member or his/her dependents.
- 9.** Only those who were listed as beneficiaries are entitled to get the benefits of a member.

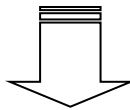
## STEPS IN GIVING BENEFITS WITHIN 24-HOURS

Informing the death of the member or legal dependents by phone or in person at the office of KGI and MBA office.



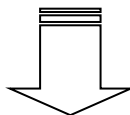
If the cause of death is already known, before the staff and MBA Coordinator go to the deceased member or legal dependent, the branch should check first the following:

- The years of membership of the member?
- Is he/she updated in his/her payment?
- Is the person declared to the Membership Application or Notice of Registration of New Dependents? (if the deceased is a legal dependent)
- What is the cause of death?
  - If the member dies and does not know yet the cause of death, the branch office should give first the 20% of his/her total benefit and then give the rest of the benefits after validation and completion of documents;
  - If one of the dependents of the member dies, there should be no amount given unless the office is sure of the cause of death of the member's dependent and after completion of documents.



The MBA Coordinator should immediately verify about the reported incident along with the staff and Branch Manager using the following forms:

- MBA Form No. 9 – if the branch has no MBA Coordinator;
- MBA Form No. 10 – if the branch has MBA Coordinator;
- MBA Form No. 11 – if the body can still be seen



The Branch should inform MBA office before giving the benefits of the member as the approving body of benefits.

### **3.2. HBRB (Hospital Bill Reimbursement Benefit)**

1. The member or his/her family should inform their Center Chief or Center Manager about the incident and then, the Center Manager will inform it to the Branch Manager, then the Branch Manager will inform the MBA Coordinator and to the MBA Office.
2. The Center manager should ensure that the member is updated and has no default in his/her contribution.
3. The MBA Coordinator should go to the hospital where the member or his/her dependent were confined as part of verification of hospitalization carrying with her the MBA Form No. 8 (Abiso ng Pagpapa-Ospital)
4. The MBA Coordinator should inform the member of the documents needed in claiming the benefits for hospitalization like Hospital Bill Statements, official receipts etc.
5. If a member or his/her dependent is hospitalized elsewhere (e.g. was hospitalized in Manila but living in the province or vice versa, or in hospitals abroad) he/she should notify the branch of KGI near the area so that the MBA Coordinator of the said branch can verify the hospitalization, but the benefits should be disbursed by the branch in which the member is assigned.
6. If the hospitalization of one member or his/her dependents were not validated due to the absence of a branch in the said area where they were confined, they are ought to get a Medical Certificate showing the date and time of their confinement and discharge.
7. All the documents needed in claiming benefits should be submitted in the branch office within ten (10) days after discharge in the hospital.
8. The Branch should inform MBA office before giving the benefits of the member as the approving body of benefits.

Claims documents should be regularly forwarded to KGI MBA. This will enable the MBA to verify the completeness of the documents previously submitted through fax or email.

### 3.3 Amount of Claims Approval

The following will be the guidelines in approving the amount of claims:

Amount	Approving Body
P 1.00 – 20,000.00	Operations Officer
P 20,001.00 – 120,000.00	General Manager, President

In the absence of the Operations Officer, The General Manager or the President has the right to approve the claim being the top approving body of all claims.

## Section 4. ACCOUNTING

### 4.1. ACCOUNTING STRUCTURE

#### 4.1.1 Standard Chart of Accounts

The chart of accounts listed below is the Standard Chart of Accounts for MBA's to be used for monthly, quarterly, and annual financial statements presentation. All financial account that will be used in all KGI-MBA transactions will be based on this chart and no other account title will be accepted or inserted in the financial statement unless revised and approved by the Insurance Commission.

Account Code	Account Title/Account Description	Normal Balance
<b>100000</b>	<p><b>ASSETS</b></p> <p><b>Economic Resources of Mutual Benefit MBAs that are recognized and measured in conformity with Philippine Financial Reporting Standards (PFRSs) taking into consideration insurance laws, principles and practices in the Philippines.</b></p> <p><b>This represents resources controlled by the MBA (entity) as a result of past events and which future economic benefits are expected to flow to the MBA (Framework for the Preparation and Presentation of Financial Statements, PFRSs).</b></p>	<b>DR</b>
<b>110000</b>	<p><b>CURRENT ASSETS</b></p> <p>Cash and other assets that are reasonably expected to be realized in cash or intended for sale or consummation within twelve months after the balance sheet date, or the normal operating cycle of the business, unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date. (PAS 1)</p>	<b>DR</b>



Account Code	Account Title/Account Description	Normal Balance
<b><u>111000</u></b>	<p><b><u>Cash and Cash Equivalents</u></b></p> <p>Cash includes money and any other negotiable instrument that is payable in money and acceptable by the bank for deposit and immediate credit. (PAS 1)</p> <p>Cash equivalents are short-term, highly liquid investments that are readily convertible into cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Only highly liquid investments that are acquired three (3) months before maturity can qualify as cash equivalents. (PAS 7, paragraph 6).</p>	<b><u>DR</u></b>
111010	<p><b>Cash on Hand</b></p> <p>This represents the total amount of undeposited collections in the custody of the cashier. This represents Philippine currency notes and coins, checks, bank drafts, Postal Money Orders, and other cash items in favor of the MBA that is awaiting deposit within the day or the following banking day. This does not include postdated checks and returned checks which have been dishonored by the bank due to insufficient funds.</p>	DR
111020	<p><b>Petty Cash Fund</b></p> <p>This represents fund that is established to defray immediate minimal disbursements which are evidenced by duly accomplished and approved petty cash vouchers with the corresponding supporting receipts and/or other supporting documents. This fund shall be maintained under an imprest system.</p>	DR
111030	<p><b>Cash in Bank</b></p> <p>This account refers to money deposited in the bank under the name of the MBA i.e. savings, current, time deposits, and combo-account which are unrestricted and available for use in the current operations. A subsidiary ledger shall be maintained for each bank account.</p> <p>Time deposits maturing beyond three months are presented under Short-term Financial Assets.</p>	DR
111040	<p><b>Cash Equivalents</b></p> <p>As defined under PAS 7, paragraph 6, this account refers to short-term, highly liquid investments that are readily convertible into known amount of cash and which are subject to an insignificant risk of changes in value. Only highly liquid investments that are acquired three (3) months or less before maturity can qualify as cash equivalents (e.g. three-month debt</p>	DR

	securities, debt securities purchased three (3) months before maturity).	
<b>Account Code</b>	<b>Account Title/Account Description</b>	<b>Normal Balance</b>
112010	<p><b>Short-term Financial Assets at Fair Value</b></p> <p>This represents financial assets that are (a) designated on initial recognition as at fair value through profit or loss, and (b) all other investments in quoted equity instruments and which are intended to be sold within one year (PFRS 9).</p> <p>Financial instruments which are intended to be sold within three (3) months are classified under Cash and Cash equivalents while financial instruments that are intended to be sold beyond one year are classified under long-term investments.</p>	DR
112110	<p><b>Short-term Financial Assets at Amortized Cost (FAAC)</b></p> <p>This account refers to debt securities which are held in order to collect contractual cash flows, comprising solely of payments of principal and interest, on specified dates (PFRS 9).</p> <p>Debt securities purchased three (3) months before maturity are classified under Cash and Cash Equivalents. Debt securities maturing beyond one (1) year shall be classified under long-term investments.</p>	DR
<b><u>113000</u></b>	<p><b><u>Loans and Receivables</u></b></p> <p>This refers to financial assets with fixed or determinable payments that are not quoted in an active market (PAS 39).</p>	<b><u>DR</u></b>
113010	<p><b>Members' Fees &amp; Dues Receivable</b></p> <p>This represents membership fees and dues which remain to be uncollected as of the end of the accounting period.</p>	DR
113020	<p><b>Members' Contributions Due and Uncollected</b></p> <p>This represents contributions due and uncollected at the end of the accounting period on all membership certificates which are classified as in force on the MBA's valuation records. These are contributions that are due and uncollected within the grace period.</p>	DR
113030	<p><b>Net Premiums Due and Uncollected</b></p> <p>This represents net premiums due and uncollected at the end of the accounting period on all optional policies which are classified as in force on the MBA's valuation records. These are net premiums that are due and uncollected within the grace period.</p>	DR

<b>Account Code</b>	<b>Account Title/Account Description</b>	<b>Normal Balance</b>
113040	<b>Unremitted Members' Contributions, Dues and Fees</b> This represents members' contributions, fees and dues collected by partner individuals/institutions on membership certificates but which have not been remitted as of the end of the accounting period.	DR
113050	<b>Unremitted Premiums</b> This represents gross premiums collected by partner individuals/institutions on all optional policies but which have not been remitted as of the end of the accounting period.	DR
113110	<b>Amounts Recoverable from Reinsurers</b> This represents amount recoverable from reinsurers arising from paid and unpaid claims.	DR
113111	<b>Allowance for Probable Losses – Reinsurers</b> This represents the total amount set up to provide for losses which may arise from non-collection of the amounts recoverable from reinsurers.	CR
113210	<b>Members' Assessment Receivable</b> This includes assessment on members arising from any impairment on the reserves as may be determined by the Insurance Commission that remains to be unpaid as of valuation date.	DR
113211	<b>Allowance for Probable Losses- Members' Assessment</b> This represents the amount set up to provide for losses which may arise from non-collection of the amounts recoverable from members.	CR
<b><u>113300</u></b>	<b><u>Loans Receivable</u></b> Loans receivables are credit accommodations to members on the security of a pledge or chattel mortgage of personal properties of the borrowers, or in the absence thereof, on the security of the membership certificate of the borrowing members, in which event such loan shall become a first lien on the proceed thereof. (Section 398, Insurance Code)	<b><u>DR</u></b>
113310	<b>Membership Certificate Loans</b> This represents the outstanding balances of loans granted to members at prescribed interest rates, fully secured by the members' equity value of the certificate. These may be in the form of a cash loan applied for by the members or Automatic Certificate Loan applied by the MBA to cover	DR

	contribution(s) due on the certificate still unpaid after the grace period.	
<b>Account Code</b>	<b>Account Title/Account Description</b>	<b>Normal Balance</b>
113320	<p><b>Policy Loans</b></p> <p>This represents the outstanding balances of loans granted to members at prescribed interest rates, fully secured by the cash surrender value of the underlying insurance policy. These may be in the form of a cash loan applied for the policyholder or Automatic Premium Loan applied by the MBA to cover premium(s) due on the policy still unpaid after the grace period.</p>	DR
113380	<p><b>Other Loans Receivable</b></p> <p>This represents all other loans which cannot be classified under any of the foregoing loan accounts (e.g. real estate mortgaged loan, financial assistance loans, etc.).</p>	DR
113301	<p><b>Allowance for Probable Losses – Loans Receivable</b></p> <p>This represents the amount set up to provide for losses which may arise from non-collection of the foregoing loans receivables.</p>	CR
<b><u>113400</u></b>	<p><b><u>Accrued Income</u></b></p> <p>This represents income earned but not yet received as of the end of the accounting period.</p>	<b><u>DR</u></b>
113410	<p><b>Accrued Interest Income</b></p> <p>This represents interest income earned from time deposits, investments and loans receivable but not yet received as of the end of the accounting period.</p>	DR
113420	<p><b>Accrued Dividend Income</b></p> <p>This represents dividend income earned from investments but not yet received as of the end of the accounting period.</p>	DR
113430	<p><b>Other Accrued Income</b></p> <p>This represents other income earned but not yet received as of the end of the accounting period.</p>	DR
<b><u>113500</u></b>	<p><b><u>Other Receivables</u></b></p> <p>This includes accounts or those not supported by promissory notes which arise from the normal operations but are not classified under any of the foregoing accounts.</p>	<b><u>DR</u></b>

<b>Account Code</b>	<b>Account Title/Account Description</b>	<b>Normal Balance</b>
113510	<b>Advances to Officers and Employees</b> This account refers to duly approved cash advances for official business to officers and employees, subject to liquidation in accordance with the policy of the MBA.	DR
113520	<b>Due from Officers and Employees</b> This account refers to total collectibles due from officers and employees arising from credit accommodations, shortages, losses and un-liquidated cash advances beyond the prescribed period, that are subject to immediate settlement.	DR
113530	<b>Lease Receivables</b> This represents receivables arising from lease contracts.	DR
113540	<b>Receivables – Others</b> This represents all other receivables which cannot be classified under any of the foregoing receivables.	DR
113501	<b>Allowance for Impairment Losses – Other Current Receivables</b> This represents the amount set up to provide for losses which may arise from non-collection of the foregoing loans receivables.	CR
113010	<b>Due to/from Other Funds</b> This represents inter-fund (e.g. General Fund, Basic Benefit Fund, Optional Fund) receivables and/or payables. This should always be equal to “zero” during consolidation.	DR
<b><u>114000</u></b>	<b><u>Prepayments and Other Current Assets</u></b> This account refers to payments (e.g. insurance, interest, rentals, etc.) made in advance and other assets which are expected to be realized, consumed or used within the year or one operating cycle (PAS 1).	<b><u>DR</u></b>
114010	<b>Prepaid Expenses</b> This account represents unamortized portion of advance payments which is expected to be incurred within one year or one operating cycle.	DR
114020	<b>Unused Stationery and Supplies</b> This account represents unused accountable forms, stationery and other supplies.	DR

<b>Account Code</b>	<b>Account Title/Account Description</b>	<b>Normal Balance</b>
114090	<p><b>Other Current Assets</b></p> <p>This account represents other assets which are expected to be realized, consumed within one year or one operating cycle.</p>	DR
<b>120000 - 150000</b>	<p><b>NON-CURRENT ASSETS</b></p> <p>All assets not classified as current are classified as noncurrent assets (PAS 1, paragraph 69).</p>	
<b>120000</b>	<p><b>INVESTMENTS</b></p> <p>This comprises of assets held by the MBA for the creation of wealth through distribution such as interest, royalties, dividends and rentals, for capital appreciation or for other benefits to the investing activity such as those obtained through its insurance activities. (IASB).</p>	
121010	<p><b>Financial Assets at Amortized Cost (FAAC)</b></p> <p>This account refers to debt securities which are held in order to collect contractual cash flows, comprising solely of payments of principal and interest, on specified dates (PFRS 9).</p> <p>Debt securities purchased three (3) months before maturity are classified under Cash and Cash Equivalents.</p>	DR
122010	<p><b>Financial Assets at Fair Value (FAFV)</b></p> <p>This represents financial assets that are (a) designated on initial recognition as at fair value through profit or loss, and (b) all other investments in quoted equity instruments and which are intended to be sold beyond one year (PFRS 9).</p> <p>Financial Asset at Fair Value, which are intended to be sold within one (1) year are classified under current assets. Financial instruments which are intended to be sold within three (3) months and debt securities purchased three (3) months before maturity are classified under Cash and Cash equivalents.</p>	DR
123010	<p><b>Investment in Non-Marketable Equity Securities (INMES)</b></p> <p>This account refers to equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, but which shall be measured at cost.</p>	DR

Account Code	Account Title/Account Description	Normal Balance
124010	<p><b>Investments in Associates</b></p> <p>This represents the amount of the MBA’s investments in an entity, including unincorporated entity such as partnership, over which the MBA has significant influence and that is neither a subsidiary nor an interest in a joint venture (PAS 28). This investment shall be measured at fair value in accordance with IAS 39, with changes in fair value recognized in profit or loss in the period of change.</p>	DR
125010	<p><b>Investments in Subsidiaries</b></p> <p>This represents the amount of the MBA’s investments in an entity, including unincorporated entity such as partnership that is controlled by another entity (known as the parent) (PAS 27).</p> <p>This represents the amount of the MBA’s investments in the shares of stock for the purpose of accruing income through dividends and increase in market value or controlling another entity.</p>	DR
126010	<p><b>Investment in Joint Venture</b></p> <p>This represents the cost of the MBA’s investments in joint ventures. A joint venture is a contractual arrangement whereby the MBA and one or more other parties undertake an economic activity that is subject to joint control (PAS 31).</p>	DR
<u>127000</u>	<p><b><u>Investment in Property</u></b></p> <p>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 (PAS 40), rather than for: (a) use in the MBA’s business operations or for administrative purposes; or (b) sale in the ordinary course of business. This account shall be classified as follows:</p>	DR
127010	<p><b>Investment in Property – Land</b></p> <p>This represents land held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both (PAS 40), rather than for: (a) use in the MBA’s business operations or for administrative purposes; or (b) sale in the ordinary course of business. This may include the following:</p> <ul style="list-style-type: none"> <li>(a) Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of business.</li> <li>(b) Land held for a currently undetermined future use.</li> </ul>	DR

Account Code	Account Title/Account Description	Normal Balance
127020	<p><b>Investment in Property – Building and Building Improvements</b></p> <p>This represents building, or part of a building, or both held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both (PAS 40), rather than for: (a) use in the MBA’s business operations or for administrative purposes; or (b) sale in the ordinary course of business. This may include the following:</p> <ul style="list-style-type: none"> <li>(a) Building owned by the MBA and leased out under one or more operating leases.</li> <li>(b) Building that is vacant but is held to be leased out under one or more operating leases.</li> </ul>	DR
127021	<p><b>Accumulated Depreciation – Investment in Property-Building and Building Improvements</b></p> <p>This account refers to the total amount of depreciation and impairment on Investment Property – Building that are set up periodically and charged against the current operations.</p>	DR
130000	<p><b>PROPERTY AND EQUIPMENT</b></p> <p>These are tangible items that:</p> <ul style="list-style-type: none"> <li>(a) are held for use in the MBA’s business operations or for administrative purposes; and (b) are expected to be used during more than one accounting period. (PAS 16, p.602))</li> </ul>	DR
131010	<p><b>Land</b></p> <p>This represents the acquisition cost of the land. Acquisition cost shall consist of the purchase price and all expenditures incurred directly attributable to acquisition.</p>	DR
131020	<p><b>Building and Building Improvements</b></p> <p>This represents acquisition/construction cost of the building and improvements, including costs incurred subsequent to initial recognition which meet the recognition criteria.</p>	DR
131030	<p><b>Leasehold Improvements</b></p> <p>This represents the cost of additions, improvements and /or alterations on the MBA’s leased office premises which are incurred in making the property ready for use and occupancy. This should include the initial estimate of the costs of dismantling and removing the improvements and restoring the site, the obligation for which the MBA incurs when the property is leased.</p>	DR



Account Code	Account Title/Account Description	Normal Balance
131040	<p><b>IT Equipment</b></p> <p>This represents the cost of the information processing systems of the MBA including the computer hardware, customized software, and peripherals.</p>	DR
131050	<p><b>Transportation Equipment</b></p> <p>This represents the cost of motor vehicle and other transportation equipment owned, operated, used, or to be used by the MBA in carrying out its business and/or insurance operations and as service vehicle of its officers and employees.</p>	DR
127020	<p><b>Investment in Property – Building and Building Improvements</b></p> <p>This represents building, or part of a building, or both held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both (PAS 40), rather than for: (a) use in the MBA’s business operations or for administrative purposes; or (b) sale in the ordinary course of business. This may include the following:</p> <ul style="list-style-type: none"> <li>(a) Building owned by the MBA and leased out under one or more operating leases.</li> <li>(b) Building that is vacant but is held to be leased out under one or more operating leases.</li> </ul>	DR
131060	<p><b>Office Furniture, Fixtures and Equipment</b></p> <p>This represents the costs of office machines, equipment, furniture and fixtures.</p>	DR
131090	<p><b>Other equipment</b></p> <p>This account includes other equipment otherwise not chargeable to the foregoing property and equipment.</p>	DR
<b><u>132000</u></b>	<p><b><u>Accumulated Depreciation - Property and Equipment</u></b></p> <p>This represents that portion of the property cost, which was already allocated or charged to operations. This is a “contra property and equipment” account.</p>	CR
132020	<p><b>Accumulated Depreciation-Building and Building Improvements</b></p> <p>Accumulated depreciation - building represents that portion of the cost of building and building improvements, which was already allocated or charged to operations. This is a “contra building and building</p>	CR

	improvements ” account.	
<b>Account Code</b>	<b>Account Title/Account Description</b>	<b>Normal Balance</b>
132030	<p><b>Accumulated Depreciation-Leasehold Improvements</b></p> <p>This account represents that portion of the leasehold improvement costs, which was already allocated or charged to operations. This is a “contra leasehold improvement” account.</p>	CR
132040	<p><b>Accumulated Depreciation-IT Equipment</b></p> <p>This account represents that portion of the IT equipment cost, which was already allocated or charged to operations. This is a “contra transportation equipment” account”.</p>	CR
132050	<p><b>Accumulated Depreciation-Transportation Equipment</b></p> <p>This account represents that portion of the transportation equipment cost, which was already allocated or charged to operations. This is a “contra transportation equipment” account”.</p>	CR
132060	<p><b>Accumulated Depreciation- Office Furniture, Fixtures &amp; Equipment</b></p> <p>This account represents that portion of the office furniture, fixtures and equipment cost, which was already allocated or charged to operations. This is a “contra office furniture and fixture” account</p>	CR
132090	<p><b>Accumulated Depreciation-Other equipment</b></p> <p>This account represents that portion of the other equipment cost, which was already allocated or charged to operations. This is a “contra fixed asset” account.</p>	CR
<b>150000</b>	<p><b>OTHER NON-CURRENT ASSETS</b></p> <p>Include tangible, intangible and financial assets of long-term nature and are not classified under any of the foregoing accounts (e.g. long-term investments, property and equipment).</p>	<b>DR</b>
151010	<p><b>Other Funds and Deposits</b></p> <p>This account refers to restricted funds set aside for funding of Statutory and other reserves such as Retirement, Members' Benefit and Other Funds. This may be in the form of time deposit or other securities which may be convertible to cash when needed.</p>	<b>DR</b>
151020	<p><b>Rental Deposit</b></p> <p>This represents rental deposits on leased properties beyond one year which may be applied on the last period of occupancy or may be refunded upon termination of the lease contract.</p>	DR

<b>Account Code</b>	<b>Account Title/Account Description</b>	<b>Normal Balance</b>
151030	<b>Foreclosed Properties</b> This represents real and other properties acquired by the MBA in settlement of loans or any obligations such as foreclosure of mortgage loan arrangements.	DR
151031	<b>Allowance for Probable Losses – Foreclosed Properties</b> This account refers to the cumulative amount of impairment loss incurred on ROPA, which shall be accounted for in accordance with PAS 36.	CR
152010	<b>Prepaid Post-Employment Benefit Cost</b> This represents excess of the MBA’s contribution to the benefit fund over the projected benefit obligation (PBO) with respect to post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care (PAS 19). This account arises when there is overfunding in the post-employment benefit fund.	DR
153010	<b>Miscellaneous non-current assets</b> This account refers to assets not falling in any of the forgoing categories.	
<b>200000</b>	<b>LIABILITIES</b> <b>Economic Obligations that are recognized and measured in conformity with Philippine Financial Reporting Standards (PFRSs) taking into consideration insurance laws, principles and practices in the Philippines. This represents the present obligation of the MBA (entity) arising from past events, the settlement of which is expected to result in an outflow from the MBA (entity) of resources embodying economic benefits. (Framework for the Preparation and Presentation of Financial Statements, PFRSs, p.18)</b>	<b>DR</b>
<b>210000</b>	<b>CURRENT LIABILITIES</b> Obligations reasonably expected to be settled within the normal business operating cycle, that: (a) is due within 12 months after balance sheet date; (b) is held primarily for the purpose of being traded; (c) does not have an unconditional right to defer settlement of the liability for at least 12 months after balance sheet date. (PAS 1, PFRSs p. 397)	<b>CR</b>
211010	<b>Liability on Individual Equity Value</b> This represents the total amount of obligations set-up by the MBA on membership certificates pertaining to the 50% equity value, as required under Sec. 396 of the Insurance Code, and any incremental amount declared by the MBA.	CR

Account Code	Account Title/Account Description	Normal Balance
212010	<p><b>Basic Contingent Benefit Reserve</b></p> <p>This represents the total actuarial reserve set-up by the MBA pertaining to the basic life benefit that is in force as at the end of the accounting period. It refers to the amount of liability which the MBA establishes for a certificate to meet the contractual obligation as it falls due.</p>	CR
212020	<p><b>Optional Benefit Reserve</b></p> <p>This represents the total actuarial reserve set up by the MBA pertaining to the policies under optional benefit that is in force as at the end of the accounting period. It refers to the amount of liability which the MBA establishes for an optional policy to meet the contractual obligation as it falls due.</p>	CR
<b><u>213000</u></b>	<p><b><u>Claims Payable on Basic Contingent Benefit</u></b></p> <p>This represents benefit claims on membership certificates filed or reported to the MBA but not yet paid as of the end of the accounting period. It includes claims due and unpaid, claims in the course of settlement, resisted claims and those which are incurred but not reported.</p>	CR
213010	<p><b>Claims Payable on Basic Contingent Benefit - Due and Unpaid</b></p> <p>This represents the sum of the individual claims on membership certificates that are due and have already been approved for payment but, for one reason or another, have not actually been paid. This includes checks already issued to beneficiaries but not yet released as of end of the accounting period.</p>	CR
213020	<p><b>Claims Payable on Basic Contingent Benefit – In Course of Settlement</b></p> <p>This represents the sum of the individual claims on membership certificates on which the MBA has already received notice of claim but on which, for one reason or another, final action has not been taken either approving the claims for payment in full or rejecting it in part or in full.</p>	CR
213030	<p><b>Claims Payable on Basic Contingent Benefit - Claims Resisted</b></p> <p>This represents the sum of the individual amounts claimed on membership certificates which the MBA has been notified that its decision to deny liability, either in whole or in part, is being challenged and on which the contest has not yet been resolved.</p>	CR

Account Code	Account Title/Account Description	Normal Balance
213040	<p><b>Claims Payable on Basic Contingent Benefit - Incurred but not yet Reported (IBNR)</b></p> <p>This represents the sum of the individual claims on membership certificates that have already occurred but on which notice has not yet been received by the MBA. This estimate takes into account any policy reserve liability set up by the MBA and any amount recoverable from reinsurers.</p>	CR
<b><u>213100</u></b>	<p><b><u>Claims Payable on Optional Benefits</u></b></p> <p>This represents benefit claims on optional benefit filed or reported to the MBA but not yet paid as of the end of the accounting period. It includes claims due and unpaid, claims in the course of settlement, resisted claims and those which are incurred but not reported. This shall include the following accounts:</p>	CR
213110	<p><b>Claims Payable on Optional Benefit-Due and Unpaid</b></p> <p>This represents the sum of the individual claims on optional policies that are due and have already been approved for payment but, for one reason or another, have not actually been paid. This includes checks already issued to beneficiaries but not yet released as of end of the accounting period.</p>	CR
213120	<p><b>Claims Payable on Optional Benefit - In Course of Settlement</b></p> <p>This represents the sum of the individual claims on optional policies on which the MBA has already received notice of claim but on which, for one reason or another, final action has not been taken either approving the claims for payment in full or rejecting it in part or in full.</p>	CR
213130	<p><b>Claims Payable on Optional Benefit - Claims Resisted</b></p> <p>This represents the sum of the individual amounts claimed on optional policies which the MBA has been notified that its decision to deny liability, either in whole or in part, is being challenged and on which the contest has not yet been resolved.</p>	CR
213140	<p><b>Claims Payable on Optional Benefit-Incurred but not yet Reported (IBNR)</b></p> <p>This represents the sum of the individual claims on optional policies that have already occurred but on which notice has not yet been received by the MBA. This estimate takes into account any policy reserve liability set up by the MBA and any amount recoverable from reinsurers.</p>	CR

<b>Account Code</b>	<b>Account Title/Account Description</b>	<b>Normal Balance</b>
214010	<p><b>Members' Contributions Received in Advance</b></p> <p>This represents member contributions received but not yet due as of the end of the accounting period and which is expected to become due within one year.</p>	CR
214020	<p><b>Premiums Received in Advance</b></p> <p>This represents premium on optional benefits received but not yet due as of the end of the accounting period and which is expected to become due within one year.</p>	CR
214030	<p><b>Unearned Income</b></p> <p>This account pertains to income received but not yet earned, such as rent received in advance or other income received in advance not falling in any of the forgoing categories.</p>	CR
215010	<p><b>Amount Due to Reinsurers</b></p> <p>This represents reinsurance premiums due and payable by the MBA to all its reinsurers.</p>	CR
216010	<p><b>Loans Payable – Current</b></p> <p>This account refers to the indebtedness to financial institutions or individuals payable within the accounting period and the current portion of the Long Term Loans Payable.</p>	CR
<b><u>217000</u></b>	<p><b><u>Accounts Payable</u></b></p> <p>Accounts payable represents liabilities of the MBA as a result of indebtedness due to any institution, individual or supplier.</p>	<b><u>CR</u></b>
217010	<p><b>Accounts Payable – Minor Beneficiary</b></p> <p>This refers to amounts due to beneficiaries, classified as minor, which shall be released to the beneficiary or his/her guardian in accordance with existing laws, rules and regulations.</p>	CR
217110	<p><b>Withholding Taxes Payable</b></p> <p>This account represents the amount due to the Bureau of Internal Revenue (BIR) for liabilities arising from taxes withheld from employee compensation or fees for other services provided to the MBA.</p>	CR
217120	<p><b>SSS/ECC/Pag-ibig/Philheath Contributions Payable</b></p> <p>This account refers to amounts withheld from the compensation income of employees representing their premium contributions to SSS, Pag-ibig</p>	CR

	(HDMF) and Philhealth agencies and the corresponding share of the MBA as employer. (Note: The MBA may have subsidiary ledgers for each agency.)	
<b>Account Code</b>	<b>Account Title/Account Description</b>	<b>Normal Balance</b>
217130	<b>SSS/Pag-ibig Loans Payable</b> This account refers to the amount due to SSS, representing amounts withheld from the compensation income of employees representing their payment of loans to SSS and Pag-ibig (HDMF) agencies. (Note: The MBA may have subsidiary ledgers for each agency.)	CR
217190	<b>Other Accounts Payable</b> Includes other current liabilities that cannot be classified under foregoing accounts.	CR
<b><u>218000</u></b>	<b><u>Accrued Expenses</u></b> This represents expenses incurred for the period but not yet paid as of the end of the accounting period.	<b><u>CR</u></b>
218010	<b>Accrued Utilities</b> This represents accruals for utilities consumed by the MBA during the reporting period which have not yet been paid. This includes accruals for electricity, water and communications.	CR
218020	<b>Accrued Services</b> This represents accruals for services rendered to the MBA such as janitorial, security, professional fees and others.	CR
218030	<b>Accrual for Unused Compensated Absences</b> This represents the MBA's liability relating to unused compensated absences, incurred when the employees render service.	CR
218040	<b>Accrued Interest Expense</b> Includes interest expense incurred but not yet paid as of end of accounting period.	CR
218090	<b>Other Accrued Expenses</b> Includes other expenses incurred but not yet paid as of end of the accounting period.	CR
<b>220000</b>	<b>NON-CURRENT LIABILITIES</b> All liabilities not classified as current are classified as noncurrent liabilities	<b>CR</b>

	(PAS 1, paragraph 69).	
<b>Account Code</b>	<b>Account Title/Account Description</b>	<b>Normal Balance</b>
221010	<p><b>Deferred Members' Contribution</b></p> <p>This represents members' contribution received during the accounting period but not yet earned for which recognition as income exceeds one year.</p>	CR
221020	<p><b>Deferred Premium</b></p> <p>This represents premium income received during the accounting period but not yet earned for which recognition as income exceeds one year.</p>	CR
222010	<p><b>Accrued Post-Employment Benefit Cost</b></p> <p>This represents excess of the MBA's projected benefit obligation (PBO) over the benefit fund over with respect to post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care (PAS 19). This liability arises when there is underfunding in the post-employment benefit fund.</p>	CR
223010	<p><b>Long-term Loans Payable</b></p> <p>This account refers to the indebtedness to financial institutions or individuals payable within the accounting period and the current portion of the Long Term Loans Payable.</p>	CR
300000	<p><b>FUND BALANCE</b></p> <p><b>Refers to the residual interest in the assets of the MBA after deducting all its liabilities (PAS 1/Framework for the Preparation and Presentation of Financial Statements, PFRSs).</b></p> <p><b>This represents the accumulated earnings of the MBA reduced by whatever losses the MBA may incur during a certain accounting period.</b></p>	CR
310000	<p><b>Unrestricted Fund Balance</b></p> <p>This represents portion of the fund balance that is not restricted.</p>	CR
<u>320000</u>	<p><b><u>Restricted Fund Balance</u></b></p> <p>This includes portion of the fund balance which has been earmarked for special purposes. This may include the following:</p>	<u>CR</u>



<b>Account Code</b>	<b>Account Title/Account Description</b>	<b>Normal Balance</b>
321010	<b>Restricted Funds - Guaranty Fund</b> This represents portion of the fund balance that is restricted as guaranty fund.	CR
321020	<b>Restricted Funds - Allocation for Members' Benefits</b> This represents portion of the fund balance that shall be used to provide benefits to members.	CR
321021	<b>Incremental Benefit for Individual Equity Value</b> This account refers to a portion of the net surplus set aside by the MBA as additional benefits to its members computed proportionately on their Individual Equity Value.	CR
321022	<b>Education and Training Fund</b> This account refers to the amount allocated by the MBA for education and training of its members, officers and staff of the MBA.	CR
323000	<b>Community Development Fund</b> This account refers to the fund set aside from the net surplus which should not be more than ___% for projects and/or activities that will benefit the community where the MBA operates.	CR
330010	<b>Revaluation Increment</b> This refers to the amount of increase in the asset's carrying amount as a result of revaluation less the amount recognized in profit or loss (PAS16).	CR
<b>400000</b>	<b>REVENUES</b> <b>Increases in economic benefits during the accounting period of the MBA in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in the fund balance. (Framework for the Preparation and Presentation of Financial Statements, PFRSs).</b>	<b>CR</b>
411010	<b>Members' Fees/Dues</b> Represents fees and dues collected from individuals to maintain their membership in the MBA.	CR
411020	<b>Members' Contributions</b> This represents considerations given by the member in exchange for the promises of the MBA to pay a stipulated sum in the event of a loss covered under the basic benefits indicated in the Internal Rules and Regulations (IRR) of the MBA and/or membership certificates.	CR

<b>Account Code</b>	<b>Account Title/Account Description</b>	<b>Normal Balance</b>
411030	<b>Premiums</b> This represents considerations given by the insured in exchange for the promises of the MBA to pay a stipulated sum in the event of a loss covered under the optional insurance contract of the MBA.	CR
412010	<b>Reinsurance Commissions</b> This represents commissions derived from ceded business.	CR
412020	<b>Experience Refund</b> This represents the refund received from the reinsurers arising from favorable claims experience over a given period.	CR
413010	<b>Penalties and Surcharges</b> This represents the amount of penalties and surcharges imposed upon members/policyholders due to late payments of contributions and/or premiums.	CR
421010	<b>Interest Income</b> This represents interest earned by the MBA from its bank deposits, investments and loans receivable.	CR
422010	<b>Dividend Income</b> This represents income derived from cash dividend declaration on stock investments, including those accrued or earned but not yet received.	CR
431010	<b>Donations and Contributions Received</b> This represents donations and contributions received by the MBA.	CR
441010	<b>Gain on Sale of Investments</b> This represents gains realized on sale of the MBA's investments.	CR
441020	<b>Gain On Sale of Property and Equipment</b> This represents gains realized on sale of property and equipment.	CR
449999	<b>Miscellaneous Income</b> This represents income received or earned from various sources which cannot be properly classified under any of the revenue accounts.	CR

<b>Account Code</b>	<b>Account Title/Account Description</b>	<b>Normal Balance</b>
<b>500000</b>	<b>EXPENSES</b>  This refers to decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incidences of liabilities that result in decreases in fund balance (Framework for the Preparation and Presentation of Financial Statements, PFRSs).	<b>DR</b>
<b>510000</b>	<b><i>BENEFIT EXPENSES</i></b>  This refers to all costs incurred that are directly related to the provision of insurance services to its members.	<b><i>DR</i></b>
511010	<b>Benefits/Claims Expense</b>  This represents the aggregate losses and claims against the MBA arising from the certificates and/or insurance contracts issued to members.	DR
512010	<b>Allocation for Liability on Individual Equity Value</b>  This represents the net change in the liability on individual equity value for the current period.	DR
512020	<b>Increase/(Decrease) in Reserve for Basic Contingent Benefit</b>  This represents the net change in the reserve for basic benefit for the current period.	DR
512030	<b>Increase/(Decrease) in Reserve for Optional Benefit</b>  This represents the net change in the reserves for optional benefit for the current period.	DR
513010	<b>Reinsurance Premium Expense</b>  Includes cost of premiums on ceded business.	DR
<b>520000</b>	<b><i>OPERATING EXPENSES</i></b>  Expenses incurred related to general administration, management and operations of the MBA.	<b><i>DR</i></b>
<b><u>521000</u></b>	<b><u>Salaries, Wages and Benefits</u></b>  This represents all types of remuneration paid to the officers and staff of the MBA.	DR

<b>Account Code</b>	<b>Account Title/Account Description</b>	<b>Normal Balance</b>
521010	<p><b>Salaries and Wages</b></p> <p>This represents basic salaries, wages and allowances paid to the officers and staff of the MBA.</p>	DR
521020	<p><b>13<sup>th</sup> month/Bonuses/Incentives</b></p> <p>This account refers to 13<sup>th</sup> month pay, bonuses, incentives and awards given to employees of the MBA.</p>	DR
521030	<p><b>SSS/EC/Pag-ibig/Philhealth Contributions</b></p> <p>This account refers to employer's contribution in the SSS/EC premium (Republic Act No. 1161 as amended by RA No.8282), Philhealth (RA No.7875) and Pag-ibig Fund.</p>	DR
521040	<p><b>Post-Employment Benefit Cost</b></p> <p>This represents the cost of the MBA's employee retirement plan as required under PAS 19.</p>	DR
521050	<p><b>Other Employee Welfare and Benefits</b></p> <p>This represents other benefits given to the employees including rice subsidy/allowances, service awards, annual excursion expenses, Christmas party benefits, expenses incurred during MBA meetings, and others not specifically classified under any of the other foregoing accounts.</p>	DR
522010	<p><b>Professional and Technical Development</b></p> <p>This represents expenses in developing the professional and technical capabilities of the officers and staff of the MBA.</p>	DR
522110	<p><b>Annual General Assembly</b></p> <p>This account includes expenses incurred in relation to the conduct of annual general assembly and election of coordinators and board of trustees.</p>	DR
522120	<p><b>Member Benefit Expense</b></p> <p>This refers to all expenses incurred for information education, training and development of members, including conduct of special events such as anniversary, sports fest, team building, mass wedding, etc.</p>	DR

Account Code	Account Title/Account Description	Normal Balance
522130	<p><b>Meetings and Conferences</b></p> <p>This account refers to expenses incurred during management meetings, board meetings and in attending other meetings or conferences with other agencies and/or organizations (e.g. network, government institutions). Meals and/or refreshments served during management and board meetings are chargeable to this account. Registration fees, transportation expense, gasoline and oil expense, hotel accommodation and per diem of staff attending the meetings with other agencies and/or organizations are also chargeable to this account.</p>	DR
522210	<p><b>Board Honorarium, Allowances and Benefits</b></p> <p>This represents honorarium and allowance granted to the members of the Board of Trustees.</p>	DR
522220	<p><b>Representation and Travel Expenses</b></p> <p>This includes expenses related to transportation including fuel and oil consumption, expenses incurred using public transportation and other incidental expenses related to the official travel.</p>	DR
522210	<p><b>Marketing, Advertising and Promotions</b></p> <p>This represents expenses for marketing, including member mobilization, advertising and production of promotional materials among others.</p>	DR
523010	<p><b>Social and Community Service Expenses</b></p> <p>This account refers to expenses incurred by the MBA in its social community involvement including donations to social organizations, relief operations, scholarship grants, etc.</p>	DR
524010	<p><b>Technical and Professional Fees</b></p> <p>This represents fees paid to individuals/firms for external audits, actuarial, legal and other technical and professional services. It also includes other out of pocket expenses and fees related to the services rendered.</p>	DR
524020	<p><b>Collection fees</b></p> <p>This refers to fees paid to individuals and/or partner institutions for collection services.</p>	DR
524030	<p><b>Service Fees</b></p> <p>This represents fees paid to certain authorized individuals or institution for non-technical services rendered to the MBA on a contractual or temporary basis.</p>	DR

<b>Account Code</b>	<b>Account Title/Account Description</b>	<b>Normal Balance</b>
525040	<b>Research and Development Expense</b> Includes expenses related to conduct of research related to the improvement of existing products (e.g. client impact assessment and clients satisfaction survey) and development of new products.	DR
526010	<b>MBA Dues</b> This represents regular fees and dues paid to relevant organizations/associations of which the MBA is a member.	DR
526110	<b>Office Supplies</b> This represents expenses incurred by the MBA for the production of forms/materials and purchase of office supplies used in the business operations.	DR
526120	<b>Rent/Lease Expense</b> This represents expenses incurred on rented/leased properties and equipment.	DR
526130	<b>Utilities Expense</b> This represents the cost of electricity, water consumption, telephone/cellphone/internet services, postage/courier services, etc.	DR
526140	<b>Repairs and Maintenance</b> This represents the cost of materials and labor in the repair and maintenance of the MBA property and equipment.	DR
526140	<b>Insurance Expenses</b> This represents premiums paid on insurance coverage of office building, furniture, fixtures and equipment, IT equipment, vehicles and others. It also includes premium charges on the surety/fidelity bond of accountable officers and staff.	DR
<b><u>527000</u></b>	<b><u>Depreciation</u></b> This represents the periodic depreciation and amortization of the asset cost of the MBA depreciable fixed assets. It represents an estimate of the decline in service potential of the asset occurring during the period. This may include the following accounts:	<b><u>DR</u></b>
527020	<b>Depreciation-Building and Building Improvements</b>	DR
527030	<b>Depreciation-Leasehold Improvements</b>	DR

527040	<b>Depreciation-IT Equipment</b>	DR
527050	<b>Depreciation-Transportation Equipment</b>	DR
527060	<b>Depreciation- Office Furniture, Fixtures and Equipment</b>	DR
527070	<b>Depreciation- Other Equipment</b>	DR
527110	<b>Depreciation on Property Investment</b>	DR
<b>Account Code</b>	<b>Account Title/Account Description</b>	<b>Normal Balance</b>
528010	<b>Taxes, Licenses and Fees</b> This represents taxes, licenses, permits and fees paid to any government entity.	DR
528020	<b>Investment Management Fees</b> This represents fees paid to reputable and duly authorized investment fund manager for the handling of the MBA's investment portfolio.	DR
528030	<b>Bank and Other Charges</b> This represents the charges imposed by banks and other non-bank institutions on financial transactions (e.g. overdrafts, remittances, money transfers, etc.) other than financing charges.	DR
528110	<b>Interest Expense and Financing Charges</b> This represents interest expense and other charges on borrowings of the MBA.	
528120	<b>Interest on Individual Equity Value</b> This represents interest expense incurred by the MBA relative to the members' equity value at the rate provided for in the agreement.	DR
<b><u>529100</u></b>	<b><u>Provision for Probable Losses</u></b> 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:	<b><u>DR</u></b>
529110	<b>Provision for Probable Losses – Loans Receivable</b>	DR
529120	<b>Provision for Probable Losses – Accounts Receivable</b>	DR
529130	<b>Provision for Probable Losses – Foreclosed Properties</b>	DR
529210	<b>Loss on disposal of assets</b> Includes losses incurred by the MBA in relation to the disposal of its assets.	DR

<b>Account Code</b>	<b>Account Title/Account Description</b>	<b>Normal Balance</b>
599999	<b>Miscellaneous Expense</b> This represents other operating expenses which cannot be specifically classified under any of the other expense accounts.	DR
<b>600000</b>	<b>OTHER COMPREHENSIVE REVENUES</b> <b>This comprises items of income and expense (including reclassification adjustments), that are not recognized in profit or loss as required or permitted by other IFRSs (IAS/PAS 1).</b>	<b>DR (CR)</b>
610010	<b>Unrealized Gain on Financial Assets</b> Excess of fair value of investments in securities over carrying amount (PFRS 9).	CR
529010	<b>Unrealized losses on Financial Assets</b> Excess of carrying amount of investments in securities over fair value (PFRS 9).	DR

#### 4.1.2 Classification of Accounts

1. The chart of accounts are grouped according to their economic characteristics known as elements of financial statements such as:

<b>Element</b>	<b>Code</b>
• Assets	100000
• Liabilities	200000
• Fund Balance	300000
• Revenues	400000
• Expenses	500000
• Other Comprehensive Revenues	600000



2. Each element are further classified as follows:

<b>Element/Classification</b>	<b>Code</b>
• <b>Assets</b>	<b>100000</b>
○ Current Assets	110000
○ Investments	120000
○ Property and Equipment	130000
○ Other Non-Current Assets	150000
• <b>Liabilities</b>	<b>200000</b>
○ Current Liabilities	210000
○ Non-Current Liabilities	220000
• <b>Fund Balance</b>	<b>300000</b>
○ Unrestricted Fund Balance	310000
○ Restricted Fund Balance	320000
○ Revaluation Increment	330000
• <b>Revenues</b>	<b>400000</b>
○ Underwriting Revenues	410000
○ Investment Revenues	420000
○ Donations and Contributions	430000
○ Other Gains	440000
• <b>Expenses</b>	<b>500000</b>
○ Direct Expense	510000
○ Operating Expenses	520000
• <b>Other Comprehensive Revenues</b>	<b>600000</b>

### 4.1.3 Accounting Records

All documentation and books involved in the preparation of financial statement or records are relevant to audit and financial reviews. This will include records of assets and liabilities, monetary transactions, ledgers, journals, and any supporting documents such as checks and invoices.

Listed below are the accounting records which must be updated regularly in order to maintain the accuracy and reliability of all accounting data. This will be part of KG MBA internal control.

SL	Records	Updating
1	Cash Register	Daily
2	Cash Position	Daily
3	Supplies Register	Monthly
4	Prepaid Expense Subsidiary Ledger	Monthly
5	Advances to Employee Subsidiary Ledger	Weekly
6	Accounts Receivable Subsidiary Ledger	Monthly
7	Property Plant and Equipment Schedule	Monthly
8	Accrued Expense Subsidiary Ledger	Monthly
9	SSS Premium Payable Schedule	Monthly
10	Philhealth Premium Payable Schedule	Monthly
11	Pag-ibig Premium Payable Schedule	Monthly
12	Withholding Tax Payable Schedule	Monthly
13	SSS Loans Payable Schedule	Monthly
14	Pag-ibig Loans Payable Schedule	Monthly
15	Accounts Payable Subsidiary Ledger	Monthly
16	Payroll Schedule	15 <sup>th</sup> & 30 <sup>th</sup> month
17	Transportation Allowance Schedule	15 <sup>th</sup> & 30 <sup>th</sup> month

### 4.1.4 Accounting Journals

In order to keep records of transactions according to their occurrence, KGI will use the following journals.

- 4.1.4.1 **Cash Receipt Journal** – Book used to record all transactions involving the receipt of cash and cash equivalent
- 4.1.4.2 **Cash Disbursement Journal** – Book used to record all transactions involving disbursement of cash and cash equivalent.
- 4.1.4.3 **General Journal** – Book used to record non-cash transactions and adjusting entry.
- 4.1.4.4 **General Ledger** – Book used for recording transactions relating to company's assets, liabilities, equity fund, revenue and expenses.
- 4.1.4.5 **Subsidiary Ledger** – Book showing details of specific account.

#### 4.1.5 Official Documents Required in Support of KGI MBA Financial Transactions

All KGI MBA transactions should be supported by the following documents in order to be treated as official and valid.

- 4.1.5.1 Official Receipts (OR)
- 4.1.5.2 Check Vouchers (ChkV)
- 4.1.5.3 Probationary Receipt (PR)
- 4.1.5.4 Official Receipt from purchases / services done for KGI MBA.
- 4.1.5.5 Transportation Vouchers.
- 4.1.5.6 Other documents with signature of receiver.

#### 4.1.6 Financial Report

KGI MBA financial reports show its financial performance. It is the report representing the KGI MBA result of its operations both to external and internal purposes. It is important that all of these reports should be correct and timely as to presentation.

SN	Month-end	Quarter-end	Year-end
1	Balance Sheet (Financial Position)	Business Plan Assessment (Progress Report)	Business Plan Assessment (Progress Report)
2	Income Statement (Result of Operation)		Leave Register
3	Bank Reconciliation Statement		Closing Entries
4	Notes to Financial Statement (Accounts Schedule)		
5	Monthly Statement (Operation Update)		
6	Schedule of Receivables		
7	Monthly Remittance Schedule (SSS, Philhealth, Pag-ibig, W/holding Tax, Employee Retirement)		

## **4.2 ADMINISTRATIVE GUIDELINES**

### **4.2.1 DELEGATION OF AUTHORITY**

#### **4.2.1.1 Segregation of Duties**

No single person should:

- 4.2.1.1.1 record transactions and reconcile balances.
- 4.2.1.1.2 handle cash and verify deposits.
- 4.2.1.1.3 handle assets and reconcile perpetual records to physical counts.

Segregation of duties is essential to effective internal control. It reduces the risk of both erroneous and inappropriate actions. It is a deterrent to fraud. Key functions that must be adequately separated are described above. When it is extremely difficult to separate these functions, a detailed supervisory review of related activities or transactions is required as a compensating control activity. To ensure proper separation of duties, a person should never approve a transaction for which they are the payee.

#### **4.2.1.2 Approval**

Approval authority should only be given to individuals with sufficient authority and knowledge to recognize and challenge unusual transactions.

- 4.2.1.2.1 Control authority to approve with limits on both transaction amount and number of employees granted authority
- 4.2.1.2.2 Review supporting documentation
- 4.2.1.2.3 Compliance with KGI MBA policies and procedures
- 4.2.1.2.4 Question unusual items
- 4.2.1.2.5 Determine if budget exists
- 4.2.1.2.6 Determine if charges to grants are allowable
- 4.2.1.2.7 No "rubber stamps" or "blind" approvals
- 4.2.1.2.8 No sharing of passwords
- 4.2.1.2.9 No splitting of transactions to avoid higher approval levels

To ensure proper separation of duties, a person should never approve a transaction for which they are the payee.

Password security should be adjusted upon an employee's termination, transfer, or change in responsibilities.

#### 4.2.1.3 Official Check Signatories:

Below are the official signatories for check disbursement.

Bank Account	Authorized Signatories
MBA Head Office bank account	<ul style="list-style-type: none"><li>• Finance Officer</li><li>• General Manager</li><li>• Treasurer</li><li>• President</li></ul>

**Note:** Any two of the signatories

#### 4.2.1.4 Signature Authority:

The official authorized signatories of KGI MBA for disbursements and expenditures including limitation of authority as to their approval capacity.

##### 4.2.1.4.1 Cash and Cash Equivalent Disbursement:

Positions	Amount
General Manager & Finance Officer	P 1.00 to P 100,000.00
General Manager & Treasurer	P 100,001.00 to P 500,000.00
General Manager & President	P 500,001.00 and Up

#### 4.2.2 RECONCILIATION

Broadly defined, **reconciliation** is a comparison of different sets of data in order to ensure the accuracy and completeness of transactions. Integral parts of the reconciliation process include identifying and investigating differences, and taking corrective action, when necessary, to resolve differences.

To ensure proper separation of duties, the person who enters or approves transactions or handles cash receipts should not be the person who performs the related reconciliations.

Reconciliations should be performed timely, documented, and approved by management.

Examples of important reconciliations that should be performed are:

1. Reconciling the amount of cash and checks received per original records (not per receipt vouchers) to the amount actually deposited.
2. Reconciling actual payroll expenses to expected payroll expenses.

## 4.3 GENERAL AND ADMINISTRATIVE PROCEDURES

### 4.3.1 FILES AND RECORDS MANAGEMENT

#### 4.3.1.1 Filing System

4.3.1.1.1 All kinds of reports should have a separate folders.

4.3.1.1.2 There should be cabinet or filing cabinet designated for the reports:

Subject	File / Documents
1) Financial Report	<ul style="list-style-type: none"><li>• Income Statement</li><li>• Balance Sheet</li><li>• Bank Reconciliation</li><li>• Bank Statement</li><li>• Notes to Financial Statement</li><li>• Work Sheet</li><li>• Comparative Income Statement</li></ul>
2) Books of Accounts	<ul style="list-style-type: none"><li>• Cash Receipt Journal</li><li>• Cash Disbursement Journal</li><li>• General Journal</li><li>• General Ledger</li><li>• Subsidiary Ledgers</li></ul>
3) Remittances Schedule	<ul style="list-style-type: none"><li>• SSS Remittance</li><li>• Philhealth Remittance</li><li>• Pag-Ibig Remittance</li><li>• BIR Remittances</li></ul>
4) Other Registers	<ul style="list-style-type: none"><li>• Other registers which is required by the authority</li></ul>
5) Daily Transaction	<ul style="list-style-type: none"><li>• Cash book / Cash register</li><li>• OR</li><li>• Vouchers</li><li>• Weekly Report</li><li>• Vault Register</li></ul>
6) Financial Documents	<ul style="list-style-type: none"><li>• Official Receipt</li><li>• Cash Voucher</li><li>• Check Voucher</li><li>• Copy of Bank Statement</li></ul>
7) Supplies	<ul style="list-style-type: none"><li>• Supplies and Forms</li></ul>
8) Documentary requirements	<ul style="list-style-type: none"><li>• Mayor's permit</li><li>• Health and Sanitation</li><li>• Barangay Clearance</li><li>• Fire Inspection Clearance</li></ul>

- 4.3.1.1.4 File and filing shelves must be locked and with limited access for GM and Finance Officer.
- 4.3.1.1.5 There should be a request for the access of filed documents and used of forms or supplies to GM or Finance officer.

#### **4.3.1.2 Record Retention and Long-term Storage:**

- 4.3.1.2.1 All records must be stored for a minimum of 5 years in the MBA Office. Only the current year record must be in the shelves. The last 4 years records should be in a safe storage that can be retrieved anytime as required.
- 4.3.1.2.2 Storing of KGI MBA records is according to year of used, the latest year must be in a place where it can readily retrieve or available in many cases, the very old one is placed after the latest one.
- 4.3.1.2.3 Make sure that all records were intact and stored in a safe place.
- 4.3.1.2.4 The Finance and Accounting officer should know the location of all files or record for proper maintenance.

### **4.3.2 CASH OPERATION**

#### **4.3.2.1 Cash Control**

- 4.3.2.1.1 KGI MBA uses pre-numbered official receipt for cash received, cash voucher for disbursement or payment, and check voucher for cash in bank disbursement or payment.
- 4.3.2.1.2. KGI MBA should establish a Petty Cash Fund for small or petty day-to-day expenses or disbursements less than or equal to Php1,000.00.
  - 4.3.2.1.2.1 Each disbursement shall be supported by duly-approved petty cash vouchers and properly documented with receipts and/or invoices.
  - 4.3.2.1.2.2 A petty cash custodian shall be appointed to handle the fund
  - 4.3.2.1.2.3 A petty cash replenishment report shall be prepared by the petty cash custodian for replenishment of the fund.
  - 4.3.2.1.2.4 Checks, supported by duly approved check voucher and petty cash replenishment report, shall be issued to the petty cash custodian to replenish the fund.

- 4.3.2.1.2 The Bookkeeper must maintain and update the Cash Register for proper monitoring of Cash Receipts and Disbursement transactions and balance of different KGI MBA Fund accounts.
- 4.3.2.1.3 All receipt and disbursement should agree with the day end balance as accounted upon closing of all day to day transactions.

### **4.3.3 FIXED ASSETS**

#### **4.3.3.1 Acquisition:**

- 4.3.3.1.1 In acquiring or purchasing of PPE (property plant and equipment), If the amount is significant or P5,000.00 and above, the Administrative and Finance Officer will seek also the approval from the General Manager.

#### **4.3.3.2 Disposition:**

- 4.3.3.2.1 All PPE or asset of KGI MBA for disposal must be properly approved or authorized by Management. If the amount of PPE to be disposed is above P5,000.00, it must be approved by the Board.
- 4.3.3.2.2 The price of the disposed PPE will be decided by the Board if the amount of its net book value is above P5,000.00 and by General Manager if it will fall below P5,000.00.

#### **4.3.3.3 Asset Records:**

- 4.3.3.3.1 KGI MBA will required to maintained asset register and must be regularly updated by the Bookkeeper.
- 4.3.3.3.2 All assets must be in the record book or in asset register including those fully depreciated item.

#### **4.3.3.4 Capitalization:**

- 4.3.3.4.1 The capitalization will depend on the following standardize useful life;
 

Furniture and Fixtures	5 years estimated useful life
Office Equipment	3 years estimated useful life
Vault	10 years estimated useful life
Vehicles (Motors)	3 years estimated useful life
Vehicles (Cars)	5 years estimated useful life
- 4.3.3.4.2 The useful life of all other PPE of KGI MBA must be approved by the management for proper book recording.



4.3.3.4.3 All acquired assets or PPE with an amount of less than P5,000.00 must be;

4.3.3.4.3.1 Recorded as outright expense.

4.3.3.4.3.2 Included in the asset or PPE register in the fully depreciated item of the book.

4.3.3.4.4 Fixing or parts replacement that will add the useful life of the Asset or PPE. The amount used or incurred will be capitalized or included in the revised computation, based on the new useful life and added amount, depending on the approval of the management.

#### 4.3.3.5 Depreciation:

4.3.3.5.1 Straight line method will be used in computing asset depreciation unless otherwise will communicated.

4.3.3.5.2 All capitalized assets or PPE must have depreciation schedule base on the standard or approved useful life.

#### 4.3.4 TRAVEL AND TRANSPORTATION EXPENSE

4.3.4.1 The only considered travel expense which is reimbursable are the following:

Activity	Basis of Reimbursement
1. Cash Deposit	Regular fare
2. Branch Visit (Operation visit)	Regular Fare / Car Rental
3. House to Office travel and vice versa twice a month for those assigned far away from home.	Bus Ticket
4. Meetings (head office meetings)	Bus Ticket/Car Rental payment OR/voucher including OR for 1 meal and snack during travel not exceeding P 300.00
5. Seminars	Bus Ticket/Car Rental payment OR/voucher including OR for 1 meal and snack during travel not exceeding P 500.00

4.3.4.2 The KGI MBA employee is required to prepare and fill-up transportation voucher with approval of authority including attachment of required bus ticket.

4.3.4.2.1 Only those staff with approved transportation voucher can reimburse their travel expenses.

4.3.4.2.2 Expenses like meal and snacks will be included in the total transportation and travel expense if travel required meal and snacks.

#### **4.3.5 PREPAID EXPENSES**

4.3.5.1 Prepayments must be approved by General Manager and Finance Officer

4.3.5.2 All prepayments should be expense within a year unless otherwise approved by the proper authority.

#### **4.3.6 CASH OR SALARY ADVANCES**

4.3.6.1 The allowed salary advances for an employee is 50% of his/her net pay for the month.

4.3.6.2 All salary advances should be deducted in the payroll for the period of one month.

4.3.6.3 If the salary advance requested is more than the allowed percentage of net pay, there should be approval from the General Manager or Finance Officer.

4.3.6.4 Cash Advances is only allowed for operation purposes (travel and trainings or seminars, ).

4.3.6.5 Cash advances should be liquidated right away using liquidation form.

#### **4.3.7 ACCOUNT RECEIVABLE**

4.3.7.1 It should be approved by proper authority.

4.3.7.2 Must be settled right away.

#### **4.3.8 ACCRUED EXPENSES**

4.3.8.1 Approved by proper authority.

4.3.8.2 Payable within a year unless otherwise approved by authority.

#### **4.3.9 ACCOUNTS PAYABLE**

4.3.9.1 Approved by proper authority.

4.3.9.2 Paid within a year unless otherwise approved by authority.

#### 4.3.10 LOANS PAYABLE

4.3.10.1 Must be approved by EXECOM and the BOT.

#### 4.3.11 ALLOWANCES FOR MEETINGS AND SEMINARS

KGI MBA officers and other employees from time to time may be required to attend seminars and meetings within and outside KGI.

The following guidelines will be the basis for handling allowances for the attendees.

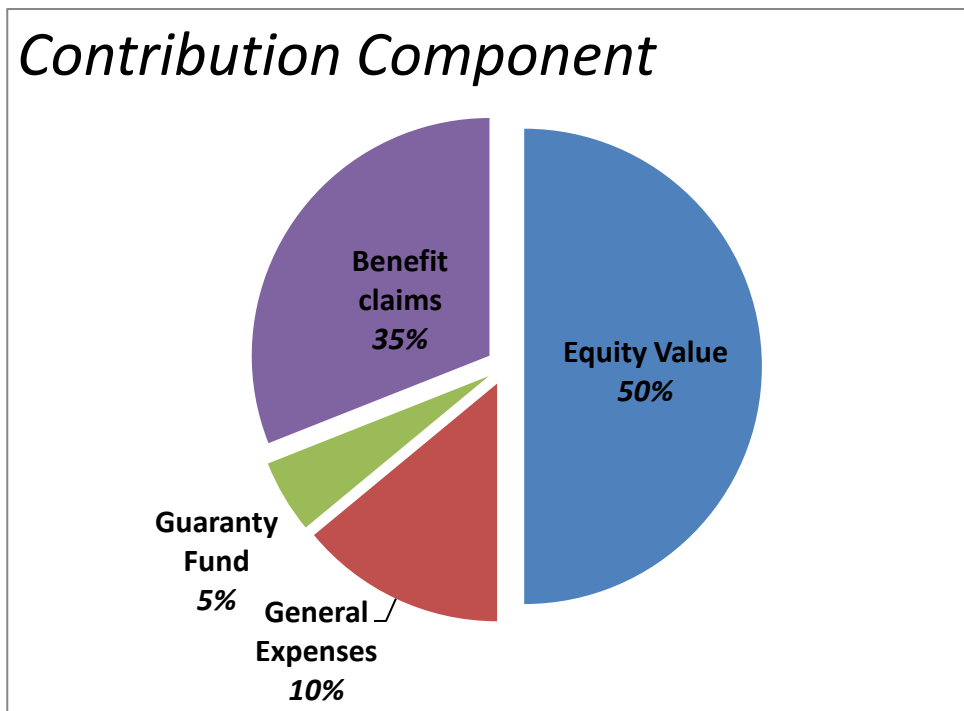
<b>Within KGI:</b>	<b>Meetings (called by HO / Other Institution)</b>	<b>Seminars</b>
1.1 General Manager	Not Applicable	Allowance of P500.00 per day
1.2 Operations Officers	Not Applicable	Allowance of P300.00 per day
1.3 Admin. & Finance Officers	Not Applicable	Allowance of P300.00 per day
1.4 MIS Personnel	Not Applicable	Allowance of P300.00 per day
<b>Outside KGI (near in distance):</b>		
1.5 General Manager	Allowance of P500.00 per day	Allowance of P500.00 per day
1.6 Operations Officers	Allowance of P300.00 per day	Allowance of P300.00 per day
1.7 Admin. & Finance Officers	Allowance of P300.00 per day	Allowance of P300.00 per day
1.8 MIS Personnel	Allowance of P300.00 per day	Allowance of P300.00 per day
<b>Outside KGI (far in distance):</b>		
1.9 General Manager	Allowance of P1,000.00/day	Allowance of P1,000.00/day
1.10 Operations Officers	Allowance of P500.00/day	Allowance of P500.00/day
1.11 Admin. & Finance Officers	Allowance of P500.00/day	Allowance of P500.00/day
1.12 MIS Personnel	Allowance of P500.00/day	Allowance of P500.00/day

## Section 5. FINANCIAL MANAGEMENT

### 5.1 Administration

- 5.1.1 The KGI–MBA, shall adopt a prudent cash management program to invest profitably all cash in excess of current disbursements.
- 5.1.2 The KGI–MBA shall set up each year sufficient reserves for the payment of claims and other obligations in accordance with actuarial procedures approved by the Insurance Commission and per the recommended calculations and procedures specified by the consulting actuary. If the reserve become impaired, the Board of Trustees shall require all members to pay KGI–MBA the amount of the member’s equitable proportion of such deficiency as ascertained by the Board of Trustees. If the payment is not made, it shall stand as an indebtedness against the members and draw interest not to exceed FIVE PER CENTUM (5%) per annum compounded annually.
- 5.1.3 The KGI–MBA shall adopt a complete statistical program to gather and analyze all information related to the insurance program. The information should be collated and submitted annually to the consulting actuary for his analysis and evaluation so he can provide sound advice to the Board on matters pertaining to the solvency of the Fund.

### 5.2 Account management



KGI–MBA shall disaggregate the contribution from the member and administer them into five separate and distinct accounts, namely: Benefit Account, Equity Value Account, Guaranty Fund Account, General Expense Account, and Investment Income Account.

**1. Benefit Account**

The Benefit Account shall not exceed thirty five (35%) of the contribution. It shall cover all the contractual benefits in the insurance plan like death and disability.

**2. Equity Value Account**

The Equity Value Account shall represent fifty percent (50%) of the contribution and shall support the member’s equity or termination value and any other promised accrued interest earnings on the Equity Value.

**3. Guaranty Fund Account**

The Guaranty Fund Account comprising five percent (5%) of the contribution shall ensure the timely and properly payment of annual contribution to the Guaranty Fund Account as mandated by the Insurance Commission. If the Guaranty Fund has been fully complied with as required by law, the allocation for the guaranty fund shall be utilized to increase the member’s benefits or reduce the contribution or may be lumped under the General Expense Account.

**4. General Expense Account**

The General Expense Account shall not exceed ten percent (10%) of the contribution. It shall finance the general and operating expenses in administering the insurance program.

**5. Investment Income Account**

The Investment Income Account shall consist of all interest income or capital gains net of investment expenses derived from prudent account management of excess of contributions over disbursements. KGI–MBA shall develop an investment plan guided by the standards for managing and investing fiduciary funds and adhering to the principles of prudent man’s rule.

The Investment Income Account may be distributed primarily to the Equity Value Account and the General Expense Account. However, the allocation must first satisfy the minimum interest that must be credited to the Equity Value Account before any allocation to the General Expense Account may be made.

# CHAPTER VI

## ALTERNATIVE DISPUTE RESOLUTION MECHANISMS FOR MICROINSURANCE (ADReM) (IC Circular Letter 16-2013)

**Scope:** The ADReM process shall only apply to disputes arising from denied claims or those not fully paid within 10 working days from receipt of complete documents.

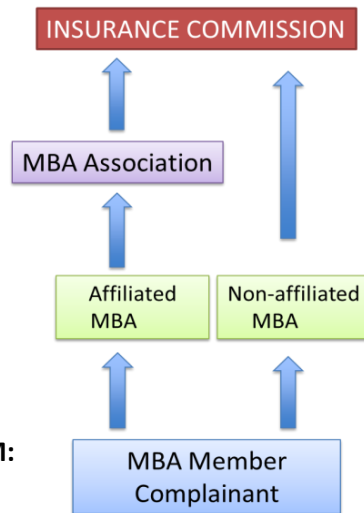
**Definition of Terms:**

**Mediation:** A process whereby the mediator facilitates the negotiation between disputing parties to reach a voluntary, mutually satisfactory outcome.

**Conciliation:** A process whereby a conciliator takes a vigorous and active role in assisting disputants formulate solutions in order to reach an amicable settlement.

**Mediator/Conciliator** – A qualified individual who provides conciliation-mediation services.

**ADReM Procedures:**



**Structural Elements of ADReM:**

Least Cost - must be affordable for all microinsurance stakeholders.

Accessible – must be convenient to all parties and based on procedures that are easily understood

Practical – must be feasible and appropriate for the microinsurance sector, taking into account the needs of diverse stakeholders, and existing systems and policies. Available resources must be maximized for sustainability.

Effective – must result in mutually acceptable agreements that are doable.

Timely – must be resolved swiftly and with the time prescribed by rules set by the regulators.

# **ANNEXES**

