



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Ave., Quezon City

ANNUAL AUDIT REPORT

on the

LBP INSURANCE BROKERAGE, INC.
(A wholly-owned subsidiary of Land Bank of the Philippines)

For the Years ended December 31, 2021 and 2020

EXECUTIVE SUMMARY

INTRODUCTION

The LBP Insurance Brokerage, Inc. (LIBI) was organized as a wholly-owned subsidiary of the Land Bank of the Philippines on October 22, 1981 under Securities and Exchange Commission Registration No. 105764. LIBI was primarily established to service the bank's insurance requirements and other government offices. It was created for the purpose of engaging in the business of general insurance brokerage management and consultancy services on insurance-related activities.

Its secondary purpose is to engage in the business of buying and selling of foreign currencies; and buying, selling, importing, exporting and/or dealing in any manner, at wholesale or retail of goods and merchandise. However, the secondary purpose particularly the business of buying and selling of foreign currencies was discontinued on 18 May 2017 per Board Resolution No. 2017-004-016.

On May 16, 1983, its Articles of Incorporation was amended increasing the number of directors of the Board from nine to 11. This was further amended on October 17, 1994, increasing the Corporation's authorized capital stock from P20,000,000 to P300,000,000.

The LIBI is currently headed by the Acting President and CEO. The policy-making body of the Corporation is its Board of Directors presently consisting of nine members appointed by the President of the Philippines. It has a total of 61 personnel complement, of which 57 are permanent and four are contractual.

SCOPE AND OBJECTIVES OF AUDIT

The audit covered the examination, on a test basis, of accounts and transactions of LIBI for the period January 1 to December 31, 2021 in accordance with International Standards of Supreme Audit Institutions to enable us to express an opinion on the fairness of presentation of the financial statements for the years ended December 31, 2021 and 2020. Also, we conducted the audit to assess compliance with pertinent laws, rules and regulations, as well as adherence to prescribed policies and procedures.

FINANCIAL HIGHLIGHTS (In Philippine Peso)

I. Comparative Financial Position

	2021	2020	Increase
Assets	1,750,384,074	1,586,741,097	163,642,977
Liabilities	438,339,384	387,996,958	50,342,246
Equity	1,312,044,690	1,198,744,139	113,300,551

II. Comparative Results of Operations

	2021	2020	Increase (Decrease)
Total Revenues	305,433,587	243,851,671	61,581,916
Personnel Services	35,237,316	34,027,615	1,209,701
Maintenance and Other Operating Expenses	23,858,972	17,159,602	6,699,370
Financial Expenses	126,190	224,781	(98,592)
Non-Cash Expenses	7,000,348	6,753,818	246,531
Total Expenses	66,222,826	58,165,816	8,057,010
Net Income Before Tax	239,210,761	185,685,855	53,524,906
Provision For Income Tax	51,060,502	40,453,382	10,607,120
Net Income After Tax	188,150,259	145,232,473	42,917,786

III. Comparative Budget and Actual Expenditures

Particulars	Budget		Utilization	
	2021	2020	2021	2020
Personnel Services	39,849,107	40,195,863	35,237,316	34,027,615
Maintenance and Other Operating Expenses/ Financial Expenses/ Non-Cash Expenses/ Other Losses	46,229,598	32,978,894	30,985,510	24,138,201
Capital Expenditures	368,500,000	30,250,000	2,205,585	8,290,733
	454,578,705	103,424,757	68,428,411	66,456,549

INDEPENDENT AUDITOR'S OPINION

The Auditor rendered an unmodified opinion on the fairness of presentation of the financial statements of LIBI for the years ended December 31, 2021 and 2020.

SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

1. The Customers Deposit Payable account amounting to P191.075 million as at December 31, 2021 include: (a) insurance premiums collected in advance from less than a year to four years amounting to P45.508 million but awaiting reconciliation with the concerned accredited insurance companies and LBP Lending Centers (LCs); (b) excess insurance premiums of P54.163 million for refund to clients aged from one year to four years; and (c) insurance premiums paid in advance by 5,344 insured amounting to P91.403 million still awaiting for the issuance of insurance policies from one month to more than one year, contrary to the provisions of the LIBI Manual and to the disadvantage of the clients.

We recommended and Management agreed to:

- a. Expedite the reconciliation of the insurance premiums received by LIBI amounting to P45,508,076.96 to determine whether these are excess payments for refund or for remittance to the insurance companies;
- b. Request insurance companies for the issuance of insurance policies for premiums already paid covering the period 2017 to 2020. In the absence of insurance policies, refund the premium payments to the insured;
- c. Refund the excess insurance premium amounting to P54,163,423.88 to the insured; and
- d. Revisit the LIBI Manual and include detailed guidelines and specific timelines on the periodic reconciliation/validation of outstanding insurance premiums received with concerned insurance companies and/or LBP LCs; monitoring of issuance of insurance policies by the insurance companies and in the refund of excess insurance premium payments to the insured.

2. The balance of Other Payables account amounting to P4.025 million as at December 31, 2021 includes collected insurance premiums without details aged one month to more than one year, but, were not yet applied to Accounts Receivables (AR) nor remitted to the insurance companies due to absence of LIBI monitoring policies on the timely disposition of insurance premiums received as well as ensuring that insurance policies are issued by the insurance companies to its clients.

We recommended that Management:

- a. Coordinate with the concerned LBP LCs and secure immediately the necessary information for premium payments received with incomplete details amounting to P4,024,652, in order to send requests for insurance coverage from and remittance of premiums to insurance companies; and
- b. Formulate guidelines on the handling and periodic monitoring of insurance premium payments to include coordination procedures with LBP LCs in order to timely apply insurance premiums recognized under Other Payables to Accounts Receivable.

3. The faithful representation of the balance of Pension Payable account amounting to P2,109,420 and the sufficiency of the Retirement Fund amounting to P21,403,128 were not established as at December 31, 2021 because of the absence of updated actuarial assumptions.

We recommended and Management agreed to engage the services of a qualified actuary to conduct a detailed valuation of the obligation in accordance with Philippine Accounting Standard 19 in order to faithfully represent the balance of the Pension Payable account and to establish the sufficiency of the Retirement Fund as at the date of the financial statements.

SUMMARY OF SUSPENSIONS, DISALLOWANCES AND CHARGES

The audit disallowances as at December 31, 2021 amounted to P1.697 million. There are no audit suspensions and charges as at year-end.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Out of the six audit recommendations embodied in the prior years' Annual Audit Reports, two were fully implemented and four were not implemented. Of the four unimplemented audit recommendations, two were reiterated with modifications in Part II of the Report, one was dropped since the audit recommendation is already overtaken by events and no longer applicable, and one is presented in Part III of the Report.

TABLE OF CONTENTS

	<u>Page</u>
PART I AUDITED FINANCIAL STATEMENTS	
Independent Auditor's Report	1
Statement of Management's Responsibility for Financial Statement	4
Statements of Financial Position	5
Statements of Comprehensive Income	6
Statements of Changes in Equity	7
Statements of Cash Flows	8
Notes to Financial Statements	9
PART II OBSERVATIONS AND RECOMMENDATIONS	49
PART III STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS	66

PART I

AUDITED FINANCIAL STATEMENTS



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Corporate Government Audit Sector
Cluster 1 – Banking and Credit

INDEPENDENT AUDITOR'S REPORT

The Board of Directors

LBP Insurance Brokerage, Inc.
12th Floor, SSHG Law Center
105 Paseo De Roxas
Legaspi Village, Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **LBP Insurance Brokerage, Inc. (LIBI)**, a wholly-owned subsidiary of Land Bank of the Philippines, which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to financial statements, including a summary of significant accounting policies.

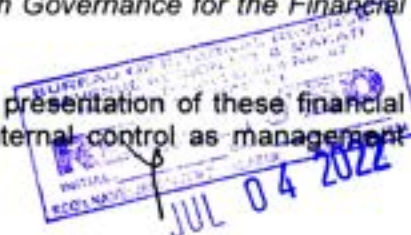
In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the LIBI as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended, in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the LIBI in accordance with the Revised Code of Conduct and Ethical Standards for Commission on Audit Officials and Employees (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with PFRSs, and for such internal control as management



determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the LIBI's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the LIBI or to cease operations, or has no realistic alternative but to do so.

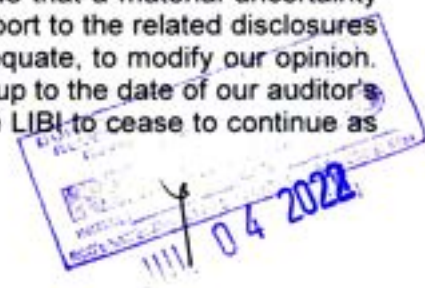
Those charged with governance are responsible for overseeing the LIBI's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the LIBI's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the LIBI's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the LIBI to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under the Revenue Regulations 15-2010 in Note 26 and the Revised Securities Regulation Code Rule 68 in Note 27 to the 2021 financial statements are presented for purposes of filing with the Bureau of Internal Revenue and the Securities and Exchange Commission, respectively, and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT


ROCHIE J. FELICES
Supervising Auditor

May 06, 2022





LBP (Land Bank of the Phil.) INSURANCE BROKERAGE, INC.

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The Management of LBP (Land Bank of the Phil.) Insurance Brokerage, Inc. is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2021 and 2020 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the LBP (Land Bank of the Phil.) Insurance Brokerage, Inc.'s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the LBP (Land Bank of the Phil.) Insurance Brokerage, Inc. or to cease operations, or has no realistic alternative to do so.


The Board of Directors is responsible for overseeing the LBP (Land Bank of the Phil.) Insurance Brokerage, Inc.'s financial reporting process.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders.

Commission on Audit has audited the financial statements of the LBP (Land Bank of the Phil.) Insurance Brokerage, Inc. in accordance with International Standards of Supreme Audit Institutions, and in their report to the stockholders, has expressed their opinion on the fairness of presentation upon completion of such audit.



ATTY. ALVIN G. DANS
Chairman of the Board/Acting President and CEO



ATTY. REYNAULD R. VILLAFUERTE
General Manager



RONNIE V. FRANCO
Corporate Treasurer

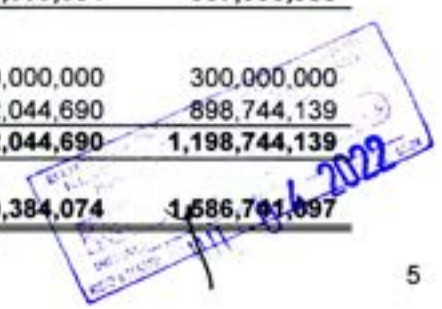
Signed this 6th day of May, 2022.



LBP INSURANCE BROKERAGE, INC.
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021 and 2020
(In Philippine Peso)

	Note	2021	2020
ASSETS			
Current Assets			
Cash and Cash Equivalents	4	300,171,912	532,385,053
Receivables, net	5	84,214,611	79,495,488
Inventories	6	229,044	105,798
Other Current Assets	7	14,646,884	7,736,085
Investments	8	453,144,195	0
Total Current Assets		852,406,646	619,722,424
Non-Current Assets			
Receivables, net	5	43,610,092	43,160,840
Investments	8	818,298,936	885,163,298
Investment Property	9	998,316	998,316
Property and Equipment, net	10	24,823,592	27,082,469
Intangible Assets	11	5,042,976	4,968,482
Deferred Tax Assets	25	4,190,505	4,078,608
Other Non-Current Assets	7	1,013,011	1,566,660
Total Non-Current Assets		897,977,428	967,018,673
Total Assets		1,750,384,074	1,586,741,097
LIABILITIES			
Current Liabilities			
Financial Liabilities	12	167,848,497	124,810,319
Inter-Agency Payables	13	16,058,304	4,187,423
Trust Liabilities	14	165,009,648	166,740,146
Provisions	15	2,470,167	2,438,403
Other Payables	16	3,935,215	6,444,742
Total Current Liabilities		355,321,831	304,621,033
Non-Current Liabilities			
Financial Liabilities	12	47,218,752	61,608,851
Trust Liabilities	14	26,292,127	12,898,662
Provisions	15	9,417,237	8,868,412
Other Payables	16	89,437	0
Total Non-Current Liabilities		83,017,553	83,375,925
Total Liabilities		438,339,384	387,996,958
EQUITY			
Share Capital	17	300,000,000	300,000,000
Retained Earnings		1,012,044,690	898,744,139
Total Equity		1,312,044,690	1,198,744,139
Total Liabilities and Equity		1,750,384,074	1,586,741,097

The Notes on pages 9 to 48 form part of these financial statements.



LBP INSURANCE BROKERAGE, INC.
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 and 2020
(In Philippine Peso)

	Note	2021	2020
Income			
Service and Business Income	19	304,861,198	242,987,182
Other Non-Operating Income	24	572,389	864,489
Total Income		305,433,587	243,851,671
Expenses			
Personnel Services	20	(35,237,316)	(34,027,615)
Maintenance and Other Operating Expenses	21	(23,858,972)	(17,159,602)
Financial Expenses	22	(126,190)	(224,781)
Non-Cash Expenses	23	(7,000,348)	(6,753,818)
Total Expenses		(66,222,826)	(58,165,816)
Net Income Before Tax		239,210,761	185,685,855
Income Tax Expense	25	(51,060,502)	(40,453,382)
Net Income for the year		188,150,259	145,232,473
Total Comprehensive Income		188,150,259	145,232,473

The Notes on pages 9 to 48 form part of these financial statements.



LBP INSURANCE BROKERAGE, INC.
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 and 2020
(In Philippine Peso)

	Share Capital (Note 17)	Retained Earnings		TOTAL
		Appropriated (Note 18)	Unappropriated	
BALANCE AT JANUARY 1, 2020	300,000,000	405,850,000	407,564,488	1,113,414,488
CHANGES IN EQUITY FOR 2020				
Add/(Deduct):				
Declaration of Cash Dividend			(62,767,419)	(62,767,419)
Other Adjustments			2,864,597	2,864,597
Net Income for the year			145,232,473	145,232,473
BALANCE AT DECEMBER 31, 2020	300,000,000	405,850,000	492,894,139	1,198,744,139
CHANGES IN EQUITY FOR 2021				
Add/(Deduct):				
Declaration of Cash Dividend			(74,842,249)	(74,842,249)
Payment of Deficiency Tax for 2018			(1,552,154)	(1,552,154)
Appropriations		290,957,008	(290,957,008)	0
Reversal of Appropriations		(174,600,000)	174,600,000	0
Other Adjustments			1,544,695	1,544,695
Net Income for the year			188,150,259	188,150,259
BALANCE AT DECEMBER 31, 2021	300,000,000	522,207,008	489,837,682	1,312,044,690

The Notes on pages 9 to 48 form part of these financial statements.



74 2022

LBP INSURANCE BROKERAGE, INC.
(A wholly-owned subsidiary of Land Bank of the Philippines)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 and 2020
(In Philippine Peso)

	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows			
Receipt of Advance Payment of Premium		1,213,962,507	947,042,250
Collection of Income/Revenue		30,253,632	10,287,961
Collection of Receivables		96,262,596	160,180,557
Total Cash Inflows		1,340,478,735	1,117,510,768
Cash Outflows			
Payment of Premiums to Insurance Companies		(1,446,064,329)	(507,196,536)
Payment of Expenses		(62,254,421)	(43,743,216)
Purchase of Inventories		(479,738)	(338,073)
Prepayments		(5,087,786)	(1,451,086)
Payments of Accounts Payable		(6,045,196)	(5,196,435)
Remittance of Personnel Benefit and Mandatory Deduction		(1,362,529)	(822,585)
Payment of Income Taxes		(45,178,349)	(42,849,861)
Total Cash Outflows		(1,566,472,348)	(601,597,792)
Net Cash (Used in)/Provided by Operating Activities		(225,993,613)	515,912,976
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Inflows			
Proceeds of Matured Investments		10,078,000,000	5,289,178,000
Receipt of Interest Earned from Investments		37,886,595	41,583,789
Total Cash Inflows		10,115,886,595	5,330,761,789
Cash Outflows			
Purchase of Property, Plant, Equipment	10	(2,205,585)	(8,162,162)
Purchase of Intangible Assets	11	(103,200)	(128,571)
Placement of Investments		(10,044,955,089)	(5,486,947,431)
Total Cash Outflows		(10,047,263,874)	(5,495,238,164)
Net Cash Provided by/(Used in) Investing Activities		68,622,721	(164,476,375)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Outflows			
Payment of Cash Dividends	18	(74,842,249)	(62,767,419)
Cash Used in Financing Activities		(74,842,249)	(62,767,419)
Net (Decrease)/Increase in Cash and Cash Equivalents		(232,213,141)	288,669,182
CASH AND CASH EQUIVALENTS, JANUARY 1		532,385,053	243,715,871
CASH AND CASH EQUIVALENTS, DECEMBER 31	4	300,171,912	532,385,053

The Notes on pages 9 to 48 form part of these financial statements.



LBP INSURANCE BROKERAGE, INC.
(A wholly-owned subsidiary of Land Bank of the Philippines)
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020
(All amounts in Philippine Peso, unless otherwise stated)

1. CORPORATE INFORMATION

1.1 Corporate Background

The LBP Insurance Brokerage, Inc. (LIBI or the "Corporation") was organized as a wholly-owned subsidiary of Land Bank of the Philippines (LBP) on October 22, 1981 under Securities and Exchange Commission (SEC) Registration No. 105764. On May 16, 1983, its Articles of Incorporation was amended increasing the number of directors of the Board from nine to 11. This was further amended on October 17, 1994 increasing the LIBI's authorized capital stock from P20,000,000 to P300,000,000 and revising its secondary purpose.

It was created primarily for the purpose of engaging in the business of general insurance brokerage management and consultancy more particularly as follows:

- To act as insurance broker for life, health, accident, motor car, casualty, surety and fidelity, marine cargo and hull, comprehensive liability insurance and other insurance coverage allied with and incident to the above-mentioned lines, and
- To engage in management and consultancy work on insurance and in this connection, to hold, own, purchase, acquire, underwrite, obtain participation in and manage the business of any corporation, partnership or equity.

The LIBI's registered and principal office of business is located at the 12th Floor SSHG Law Centre Building, 105 Paseo de Roxas St., Legaspi Village, Makati City.

1.2 Authorization for Issue of the 2021 Financial Statements

The financial statements of LIBI for the years ended December 31, 2021 and 2020 were authorized for issue by the Board of Directors on January 27, 2022 in Board Resolution No. 2022-002-012 dated January 27, 2022 and was signed by the Chairman of the Board on January 27, 2022.

2. STATEMENT OF COMPLIANCE AND BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

2.1 Statement of Compliance

The financial statements of the Corporation have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs) as prescribed by the Commission on Audit through COA Resolution No. 2014-003 dated January 24, 2014, and adopted by SEC.

2.2 Basis of Preparation of Financial Statements

The LIBI's financial statements have been prepared on the historical cost except for investments in government securities which are stated at amortized cost using effective interest method. The financial statements are prepared on the accruals basis in accordance with PFRSs.

These financial statements are presented in Philippine peso, the LIBI's functional and presentation currency, and all values are rounded to the nearest peso, except when otherwise indicated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to both years presented unless otherwise stated.

3.1 Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, Presentation of Financial Statements. The Corporation presents all items of income and expenses in a single statement of comprehensive income. The Corporation presents its statement of financial position broadly in order of liquidity. Analysis regarding recovery (asset) or settlement (liability) within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in Note 29 of the financial statements.

Current versus Noncurrent Classification

The LIBI presents assets and liabilities in the statements of financial position based on current and noncurrent classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period, or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is current when it is: (a) expected to be settled in the normal operating cycle; (b) held primarily for trading; (c) due to be settled within 12 months after the reporting period; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The LIBI classifies all other assets and liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent.

3.2 Use of judgments and estimates

The preparation of financial statements in compliance with PFRS requires the use of certain critical accounting estimates. It also requires the management to exercise judgment in the most appropriate application of the accounting policies.

3.3 Changes in accounting policies and disclosures

a. New standards and amendments issued and effective from January 1, 2021.

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Corporation adopted effective for annual periods beginning on or after January 1, 2021.

- Interest Rate Benchmark Reform – Phase 2 (Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16) - The amendments clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.
- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendments to PFRS 16) – The amendment extends, by one year, the May 20 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

The application of these amendments had no material impact on the Corporation's financial statements.

b. New and Amended PFRS Issued But Not Yet Effective

Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2021 and have not been applied in preparing the financial statements are summarized below.

- i. The following amendments are effective for the period beginning January 1, 2022:
 - Onerous Contracts – Cost of Fulfilling a Contract (Amendments to PAS 37) - The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
 - Property, Plant and Equipment: Proceeds before Intended Use (Amendments to PAS 16) - The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

- Annual Improvements to PFRS Standards 2018-2020
 - PFRS 1, First-time Adoption of Philippine Financial Reporting Standards - The amendment permits a subsidiary that applies paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to PFRSs.
 - PFRS 9, Financial Instruments - The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of PFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
 - PFRS 16, Leases - The amendment to Illustrative Example 13 accompanying PFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example
 - PAS 41, Agriculture - The amendment removes the requirement in paragraph 22 of PAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.
- References to Conceptual Framework (Amendments to PFRS 3) - The amendments update an outdated reference to the Conceptual Framework in PFRS 3 without significantly changing the requirements in the standard.

The LIBI is currently assessing the impact of these amendments.

- ii. The following is a list of other new and amended standards but which are effective in future periods.
 - PFRS 17 Insurance Contracts – Deferral of the date of initial application of PFRS 17 by two years to annual periods beginning on or after January 1, 2023.
 - PAS 1 Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current - The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current, effective for annual periods beginning on or after January 1, 2022 deferred to January 1, 2023
 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) – The amendments clarify that the initial recognition exemption does not apply to transactions in which equal

amounts of deductible and taxable temporary differences arise on initial recognition, effective for annual periods beginning on or after January 1, 2023.

- Disclosure of Accounting Policies (Amendments to PAS 1 and PFRS Practice Statement 2) The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies, effective for annual periods beginning on or after January 1, 2023.
- Definition of Accounting Estimates (Amendments to PAS 8 – The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty", effective for annual periods beginning on or after January 1, 2023.
- Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendment to IFRS 17) – The amendment permits entities that first apply PFRS 17 and PFRS 9 at the same time to present comparative information about a financial asset as if the classification and measurement requirements of PFRS 9 had been applied to the financial asset before. No effectivity date yet.

The LIBI is currently assessing the impact of these new accounting standards and amendments.

3.4 Financial Instruments

LIBI recognizes a financial asset or a financial liability in its statement of financial position when, and only when, the Corporation becomes a party to the contractual provisions of the instrument.

a. Financial Assets

Under PFRS 9, the classification and measurement of financial assets is driven by the entity's contractual cash flow characteristics of the financial assets and business model for managing the financial assets. As part of its classification process, LIBI assesses the contractual terms of financial assets to identify whether they meet the "solely payments of principal and interest" (SPPI) test. The "Principal", for the purpose of this test, is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (e.g. if there are repayments of principal or amortization of the premium or discount).

The LIBI determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The LIBI has adopted PFRS 9, the Hold-to-Collect Business Model per Board Resolution No. 2019-012-041 dated December 19, 2019.

Initial recognition and measurement

Financial assets are recognized initially at fair value, which is the fair value of the consideration given. The initial measurement of financial assets, except for those designated at fair value through profit and loss (FVPL), includes transaction cost. The LIBI determines the classification of its financial assets at initial recognition.

Classification

Financial assets are measured at amortized cost if both of the following conditions are met:

- The asset is held within the company's business model whose objective is to hold financial assets in order to collect contractual cash flows; and,
- The contractual terms of the instrument give rise, on specified dates, to cash flows that are SPPI on the principal amount outstanding.

The LIBI's financial assets at amortised cost include cash and cash equivalents and investments.

Subsequent measurement and Gains and Losses

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Held-to-Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity investments when the LIBI has the positive intention and ability to hold it to maturity.

Held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

LIBI's existing policy is to invest excess funds in government securities (GS) because the servicing and repayments are fully guaranteed by the National Government.

Investments in GS - Fixed Treasury Notes and Retail Treasury Bonds are stated at amortized cost using effective interest method.

Derecognition

The LIBI derecognizes a financial asset or, where applicable, a part of a financial asset or part of LIBI of similar financial assets when:

1. The contractual right to the cash flows from the financial asset expire; and

2. The LIBI has transferred its contractual rights to receive the cash flows of the financial asset, or retains the contractual rights to receive cash flows of the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients and either the entity has:

- Transferred substantially all the risks and rewards of ownership of the financial asset; or
- Neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has transferred the control of the financial asset.

Impairment of financial assets

The LIBI records the allowance for expected credit losses for financial assets not held at Fair Value through Profit and Loss (FVTPL), all referred to as 'financial instruments'. Equity instruments are not subject to impairment under PFRS 9.

Under the expected loss methodology, impairment is more forward looking, in that a credit event (or impairment 'trigger') no longer has to occur before credit losses are recognized. ECL represents credit losses that reflect an unbiased and probability-weighted amount, which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances will be measured at amounts equal to either:

- i. 12-month ECL
- ii. Lifetime ECL for those financial instruments that have experienced a Significant Increase in Credit Risk (SICR) since initial recognition (General approach).

The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of financial instrument.

Staging assessment

For no-credit-impaired financial instruments:

- Stage 1 is comprised of all financial instruments which have not experienced a SICR since initial recognition or is considered of low credit risk as of the reporting date. The criteria for determining whether an account should be assessed under stage 1 are as follows:
 - Past due up to 30 days
 - No significant increase in Probability of Default (PD)

The LIBI recognizes a 12-month ECL for Stage 1 financial instruments.

- Stage 2 is comprised of all financial instruments which have experienced a SICR since its initial recognition. A SICR is generally deemed present in accounts with:
 - More than 30 days up to 90 days past due, or
 - With significant increase in PD.

The LIBI recognizes a lifetime ECL for Stage 2 financial instruments.

For credit-impaired financial instruments:

- Stage 3 is comprised of financial assets that have objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or portfolio of loans. The LIBI recognizes a lifetime ECL for stage 3 financial instruments.

PFRS 9 Loss events:

- Significant financial difficulty of the issuer or borrower
- A breach of contract, such as default or past due event
- The Lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization
- The disappearance of an active market for that financial asset because of financial difficulties
- The purchase or origination of a financial asset at deep discount that reflects the incurred credit losses

ECL parameters and methodologies

ECL is a function of the Probability of Default (PD), Loss Given Default (LGD) and Exposure At Default (EAD), with the timing of loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experience credit judgement.

The PD is an estimate of the likelihood of default over 12-month horizon for Stage 1 or lifetime horizon for stage 2. The PD for each individual instrument is modelled based on historical data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

Forward Looking Information

The LIBI incorporated forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. A broad range of forward-looking information are considered as economic inputs, such as GDP growth, exchange rate, interest rate, inflation rate and other economic indicators. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

b. Financial Liabilities

Initial recognition and measurement

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

The LIBI's financial liabilities include insurance premium payable, accounts payable and other financial liabilities.

Subsequent measurement

Financial liabilities are subsequently measured at amortised cost.

Derecognition

A financial liability is derecognized when the obligation under the liability expires or is discharged or cancelled.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the profit or loss.

3.5 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash in bank, deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

3.6 Accounts Receivables

LIBI acts as an agent in placing the insurable risks of its clients with insurers and as such, is not liable as principal for amounts arising from such transactions. However, Accounts Receivables (Premium Receivables) were recognized upon issuance of the Statement of Accounts. Accrual of service fees from accredited insurers are based on premium production.

To fairly present the net realizable value of Accrued Service Fees Receivable and Other Receivables, allowances for impairment have been provided. The allowances were then determined based on the aging schedule multiplied by the rate or per cent of loss experienced by LIBI.

3.7 Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory is received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Inventories are recognized as an expense when consumed in the ordinary course of operations of the LIBI.

3.8 Investment Property

Investment property is measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment property are measured using the cost model and are depreciated over their estimated useful life.

Investment property is derecognized on disposal or when permanently withdrawn from use and no future economic benefit or service potential is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

Transfers are made to or from investment property only when there is a change in the use.

3.9 Property and Equipment

Recognition

An item is recognized as property and equipment (PE) if it meets the characteristics and recognition criteria as PE.

The characteristics of PE are as follows:

- a. Tangible items;
- b. Held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- c. Expected to be used during more than one reporting period.

An item of PE is recognized as an asset if:

- a. It is probable that future economic benefits or associated with the item will flow to the entity; and
- b. The cost or fair value of the item can be measured reliably; and cost is at as least P15,000

Measurement at initial recognition

An item recognized as property and equipment is measured at cost. A PE acquired through non-exchange transaction is measured at its fair value.

Cost includes the following:

- a. Purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- b. Expenditure that is directly attributable to the acquisition of the items; and
- c. Initial estimate of the costs of dismantling and removing the items and restoring the site of which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period for the purposes other than to produce inventories during the period.

Subsequent Measurement

After recognition, all PE are stated at cost less accumulated depreciation and impairment losses.

When significant parts of PE are required to be replaced at intervals, LIBI recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major repair/replacement is done, its cost is recognized in the carrying amount of the PE as a replacement if the recognition criteria are satisfied.

Depreciation

Each part of an item of PE with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognized as expense unless it is included in the cost of another asset.

- a. Initial recognition of depreciation

Depreciation of an asset begins when it is available for use such as when it is in the location and condition necessary for it to be capable the manner intended by management.

For simplicity and to avoid proportionate computation, the depreciation is for one month if the PE is available for use on or before the 15th of the month. However, if the PE is available for use after the 15th of the month, depreciation will start on the succeeding month.

- b. Depreciation Method

The straight-line method of depreciation is adopted.

i. Estimated useful life

The LIBI uses the life span of PE prescribed by the Commission on Audit in determining the specific estimated useful life for each asset based on its experience as follows:

	Number of Years
Building	50
Information Technology	5
Furniture, Fixtures and Equipment	5
Motor Vehicle	7

ii. Residual Value

The LIBI uses a residual value equivalent to at least five per cent of the cost of the PE.

Impairment

An asset's carrying amount is written down to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable amount or recoverable service amount.

Derecognition

The LIBI derecognizes items of PE and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss when the asset is derecognized.

3.10 Intangible Assets

Recognition and measurement

Intangible assets are recognized when the items are identifiable non-monetary assets without physical substance; it is probable that the expected future economic benefits or service potential that are attributable to the assets will flow to the entity; and the cost or fair value of the assets can be measured reliably.

Intangible assets acquired separately are initially recognized at cost.

If payment for an intangible asset is deferred beyond normal credit terms, its cost is the cash price equivalent. The difference between this amount and the total payments is recognized as interest expense over the period of credit unless it is capitalized in accordance with the capitalization treatment permitted in PAS 23, Borrowing Costs.

Recognition of an expense

Expenditure on an intangible item is recognized when it is incurred unless it forms part of the cost of an intangible asset that meets the recognition criteria of an intangible asset.

Subsequent measurement

The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets with a finite life are amortized over their useful lives.

The straight line method is adopted in the amortization of the expected pattern of consumption of the expected future economic benefits or service potential.

An intangible asset not yet available for use is assessed for impairment annually and whenever there is an indication that the assets may be impaired.

The amortization period and the amortization method, for an intangible asset with a finite useful life, are reviewed at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on an intangible asset with a finite life is recognized in the statement of comprehensive income as the expense category that is consistent with the nature of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the profit or loss when the asset is derecognized.

3.11 Provisions, Contingent Liabilities, and Contingent Assets

a. Provisions

Provisions are recognized when (1) the Corporation has a present obligation (legal or constructive) as a result of a past event; (2) it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and (3) a reliable estimate can be made of the amount of the obligation.

Where the LIBI expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense pertaining to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are reviewed at each reporting date, and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provisions are reversed.

b. Contingent Liabilities

The LIBI does not recognize a contingent liability, but discloses details of any contingencies in the notes to financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

c. Contingent Assets

The LIBI does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the LIBI in the notes to financial statements.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements on the period in which the change occurs.

3.12 Changes in Accounting Policies and Estimates

The LIBI recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

The LIBI recognizes the effects of changes in accounting estimates prospectively through the statement of comprehensive income.

The LIBI corrects material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by:

- a. Restating the comparative amounts for prior period(s) presented in which the error occurred; or
- b. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

3.13 Revenue from Contracts with Customers

The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle is that an entity recognizes revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard focuses on the identification of performance obligations and distinguishes between performance obligations that are

satisfied at a point in time and those that are satisfied over time, which is determined by the manner in which control of goods or services passes to the customer. An entity must apply the five-step model to comply with the revenue recognition standard:

- Step 1: Identify the contract(s) with customers
- Step 2: Define the performance obligations in each contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The amendments on PFRS 15, Revenue from Contracts with Customers, clarifies how entities:

- a. Identify a performance obligation—the promise to transfer a good or a service to a customer—in a contract;
- b. Determine whether a company is a principal (the provider of a good or service) or an agent responsible for arranging for the good or service to be provided; and
- c. Determine whether the revenue from granting a license should be recognized at a point in time or over time.

LIBI assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Corporation has assessed that it acts as an agent in all of its revenue sources. The LIBI's existing brokerage agreements with the accredited insurance companies of its parent, LBP, aims to provide accessible, competitively priced and responsive insurance services and to efficiently facilitate processing of insurance requirements of all LBP clients and direct individuals. Transaction price varies per line of insurance risks. The LIBI recognizes revenue as the brokering services and issuance of policies by the insurers are rendered at a point in time.

3.14 Leases

PFRS 16 requires lessees to recognize all leases on their statement of financial position except for relatively small-value assets and leases with terms of 12 months or less. This single accounting model no longer distinguishes a finance lease from an operating lease. Under its core principle, a lessee recognizes a right-of-use (ROU) asset and a lease liability on its balance sheet for most leases, including operating leases.

Leases, where the Corporation does not transfer substantially all the risks and rewards of ownership of the assets, are classified as operating leases. Rent income from operating leases is recognized as income on a straight-line basis over the lease term.

As at December 31, 2021, the existing lease agreement with Masaganang Sakahan Inc. (MSI) as Lessor still meets the definition of a lease under PFRS 16. LIBI adopted the new amendment to PFRS 16 on the practical expedient to rent concessions as a direct result of the COVID-19. MSI resumes paying its lease in January 2021.

3.15 Income Taxes

Income tax on the profit for the year comprises current tax only. Income tax is recognized in the profit or loss. Current income tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted as of the reporting date, and any adjustment to tax payable with respect to previous years.

Deferred Tax Asset refers to tax consequences attributable to differences between the financial reporting bases of assets and liabilities. It is measured using the tax rate applicable to taxable income in the year in which those temporary differences are expected to be recorded or settled. Deferred Tax Asset is recognized to the extent of the realization of the related Income Tax Benefit through future taxable income.

3.16 Employee Benefits

In compliance with the provisions of the Retirement Law [Republic Act (R.A.) No. 7641], which requires corporation to provide retirement benefits for their employees, and the National Internal Revenue Code (R.A. No. 8424), which allows tax deductibility of employer's contributions for the retirement benefits of its employees, LIBI has established a retirement fund pursuant to Board Resolution No. 2010-006-012 dated July 30, 2010. The retirement benefit plan is a defined benefit plan and is non-contributory.

The set-up of Retirement Fund Liability was approved by the Board of Directors on September 01, 2010 per Board Resolution No. 2010-007-013.

LIBI appropriated its Retained Earnings from 2000 to 2008 a total amount of P10,000,000 for retirement benefit plan. On July 18, 2011, the Retirement Fund was finally set-up by LIBI of which the LBP-Trust Banking Group (LBP-TBG) was appointed as Trustee of the fund. LIBI treated this fund as off books in accordance with PAS 26, Accounting and Reporting by Retirement Benefit Plan. The monitoring of this Fund would be done by the LIBI Administrative Head, which would be checked periodically by the Accounting Head.

The cost of defined benefit plan is determined by using actuarial valuation; hence, LIBI engaged the services of a duly certified independent actuarial firm on December 30, 2010. Revaluation of LIBI's Retirement Plan was done on January 01, 2015 and on December 31, 2017 by E. M Zalamea Actuarial Services, Inc. The same actuarial firm conducted the revaluation in CY 2020.

Below are the actuarial assumptions and valuation results as of December 31, 2020:

STATEMENT OF ACTUARIAL ASSUMPTIONS

1. Valuation Date	December 31, 2020
2. Effective Date	January 1, 2020
3. Investment Rate	4% p.a. compounded annually
4. Mortality Rate	The 2001 CSO Table Generational (Scale AA, Society of

	Actuaries)	
5. Disability Rate	The Disability Study, Period 2, Benefit 5 (Society of Actuaries)	
6. Salary Projection Rate	4% p.a. compounded annually	
7. Normal Retirement Age	Age 60	
8. Projected Retirement Benefit	22.5 days Pay per year of service in accordance with R.A. 7641	
9. Funding Method	Accrued Benefit Actuarial Cost Method (Projected Unit Credit)	
10. Manner of Payment	Lump Sum	
11. Withdrawal Rates	<u>Age</u>	<u>Rate</u>
	19 - 24	7.50%
	25 - 29	6.00%
	30 - 34	4.50%
	35 - 39	3.00%
	40 - 44	2.00%
	≥ 45	0.00%

SUMMARY OF ACTUARIAL VALUATION RESULTS
As of December 31, 2020

	12/31/2020	12/31/2017
	I=4.0%;R=4.0%	I=4.0%;R=8.0%
1. Number of Lives Covered	53	45
2. Average Age in Years	39.8	37.60
Average Years of Remaining Working Life of the Employee Group	20.2	22.4
3. Average Years of Past Service	11	9.8
4. Annual Covered Payroll (ACP)	21,576,948	16,970,772
5. Past Service Liability (PSL)	23,361,895	25,770,948
6. Annual Normal Cost (ANC)	1,607,783	2,109,420
7. ANC as percentage of ACP/Funding Rate [(6) ÷ (4)]	7.5%	12.4%
8. Total Fund Net Assets	27,260,160	9,782,183
9. Amount Overfunded (Underfunded) [(8) – (5)]	3,898,265	(15,988,765)

SUMMARY OF VESTED BENEFITS
As of December 31, 2020

	MALE	FEMALE	COMBINED
1. Number of Lives Eligible			
a. Compulsory Retirement	0	1	1
b. Optional Retirement	3	9	12
c. Voluntary Retirement	6	8	14
Total	9	18	27

	MALE	FEMALE	COMBINED
2. Vested Benefit (VB)			
a. Compulsory Retirement	0	382,163	382,163
b. Optional Retirement	2,860,677	12,451,179	15,311,856
c. Voluntary Retirement	2,805,681	1,839,474	4,645,155
Total	5,666,358	14,672,816	20,339,174
3. Total Fund Net Amount			27,260,160
4. Fund as a percentage of VB [(3) ÷ (2)]			134.0%

Eighteen employees of the 39 eligible employees availed of the Retirement Fund. Three from the 39 eligible employees retired in January 2021 and an additional three eligible employees availed of the compulsory retirement and resignations in 2021. The retirement benefits totaling P13,267,805 were withdrawn from the Retirement Fund as at December 31, 2021. The Statement of Financial Position as at December 31, 2021 prepared by LBP-TBG showed the Net Assets balance of the Retirement Fund amounting to P21,403,128. The Net Assets balance is composed of Capital, Retained Earnings, and Net Unrealized Gain amounting to P16,789,993, P4,461,897, and P151,237, respectively as at December 31, 2021.

As a result of the withdrawal from the retirement fund due to the retirement and resignation of eligible employees, the remaining balance of the Retirement Fund as at December 31, 2021 is now insufficient to pay the benefits, assuming all eligible employees will avail of their vested benefits during the valuation period. Due to the insufficiency of the retirement fund, an actuarial valuation is set to be done by 2022 due to the changes in manpower complement like the retirement, resignation, and hiring of additional personnel. Likewise, the impact of the implementation of the Compensation and Position Classification System effective January 2022.

3.17 Related Parties

The parent, LBP, regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the LIBI, or vice versa.

A member of key management is regarded as a related party such as the corporate secretary who is an employee of the parent, LBP.

Related party disclosures are shown in Note 28 of the financial statements.

4. CASH AND CASH EQUIVALENTS

This account consists of:

	2021	2020
Cash on Hand	50,000	50,000
Cash in Bank-Local Currency	300,121,912	532,335,053
Total	300,171,912	532,385,053

5. RECEIVABLES

This account consists of:

	2021			2020		
	Current	Non-Current	Total	Current	Non-Current	Total
Accounts Receivable	63,343,218	42,228,931	105,572,149	62,928,073	41,797,679	104,725,752
Accrued Service Fees Receivable	14,935,124	9,226,540	24,161,664	10,257,796	9,152,682	19,410,478
Allowance for Impairment-Accrued Service Fees Receivable	(2,438,950)	(9,226,540)	(11,665,490)	(2,142,092)	(9,152,682)	(11,294,774)
Net Value-Accrued Service Fees Receivable	12,496,174	0	12,496,174	8,115,704	0	8,115,704
Commission Receivable from Insurer	3,047,724	0	3,047,724	1,809,665	0	1,809,665
Interest Receivable	5,254,718	0	5,254,718	6,403,010	0	6,403,010
Inter-Agency Receivable Due from-SSS	32,280	18,000	50,280	224,500	0	224,500
Sub-total	84,174,114	42,246,931	126,421,045	79,480,952	41,797,679	121,278,631
Other Receivables						
Receivable-Disallowances/Charges Due from Officers and employees	23,446	0	23,446	14,536	0	14,536
Other Receivables	7,051	0	7,051	0	0	0
Sub-total	30,497	1,363,161	1,393,658	14,536	1,363,161	1,377,697
Advances to Employees	10,000	0	10,000	0	0	0
Total	84,214,611	43,610,092	127,824,703	79,495,488	43,160,840	122,656,328

Accounts Receivable and Accrued Service Fees Receivable accounts include outstanding premium receivable from the assured whose insurance policies have been issued by insurance companies that are now under liquidation. Below is the breakdown:

Insurance Company	Premium	Accrued Service Fee
Unexpired Premium from Philippine Prudential Life Ins. (PPLICI)	40,876,291	9,023,564
Long Outstanding Receivable – Easy Home Loan (EHL) PPLICI	283,214	45,516
Long Outstanding Receivable - Philippine Phoenix	638,173	129,338
Total	41,797,678	9,198,418

Relative to the termination of LIBI's insurance business with PPLICI in September 2013 which the latter did not concur, the PPLICI filed a complaint on March 7, 2016, against the LBP and LIBI to the Regional Trial Court Branch 155, Pasig City docketed as Civil Case No. 75133 for a sum of money relating to unpaid premiums by LIBI from 2013 to 2016.

On February 11, 2022, the OGCC filed a Memorandum in the Civil Case No. 75133 praying for the dismissal of the instant complaint about Accounting and Damages for lack of merit, and the ordering of the petitioner to pay LIBI Attorney's Fees and Litigation Expenses of at least P250,000.00 plus the cost of suit. All parties have already submitted their respective memorandum. Thus, the case is now submitted for Resolution/Decision of the Court.

Reconciliation of carrying amounts of Allowance for Impairment - Accrued Service Fee Receivable for CY 2021:

Particulars	2021	2020
At January 1	11,294,774	11,100,832
Provisions for the year (Note 23)	2,430,310	2,142,092
	13,725,084	13,242,924
Adjustment:		
Reversal of CY 2020 due to collections	(2,059,594)	0
Reversal of CY 2019 due to collections	0	(1,948,150)
	(2,059,594)	(1,948,150)
At December 31	11,665,490	11,294,774

6. INVENTORIES

This account consists of inventories held for consumption, namely:

	2021	2020
Office supplies inventory	142,143	55,836
Accountable forms inventory	42,288	43,177
Non-accountable forms	1,890	6,785
Semi-expendable –Information and Technology Equipment	42,723	0
	229,044	105,798

Reconciliation of carrying amounts:

	2021	2020
Carrying Amount, January 1	105,798	92,344
Additions/Acquisitions during the year	479,738	338,073
Consumption during the year	(356,492)	(324,619)
Carrying Amount, December 31	229,044	105,798

7. OTHER ASSETS

This account consists of:

	2021			2020		
	Current	Non-Current	Total	Current	Non-Current	Total
Prepayments	14,646,884	752,799	15,399,683	7,736,085	1,300,848	9,036,933
Deposits	0	260,212	260,212	0	265,812	265,812
Total	14,646,884	1,013,011	15,659,895	7,736,085	1,566,660	9,302,745

The prepayments consist of creditable withholding taxes, prepaid Insurance, input tax and other prepayments.

8. INVESTMENTS

This account consists of financial assets-held to maturity. Below is the summary of changes in this account during the year:

As at December 31, 2021

	Treasury Bills	Retail Treasury Bonds	Fixed Treasury Notes	DBP Tier II	Total
Balance, January 1, 2021, at Par Value	0	600,615,408	209,778,502	75,000,000	885,393,910
Additional investment	451,955,089	150,000,000	0	0	601,955,089
Investment sold/collected	0	(35,000,000)	(180,000,000)	0	(215,000,000)
Total Investment at Par Value	451,955,089	715,615,408	29,778,502	75,000,000	1,272,348,999
Discount on Investment	0	(1,885,183)	(165,612)	0	(1,990,795)
Premium on Investment	1,189,106	0	203,393	0	1,392,409
Allowance for Impairment, January 1	0	0	0	(230,612)	(230,612)
Impairment loss for the year	0	0	0	(76,870)	(76,870)
Allowance for Impairment, December 31	0	0	0	(307,482)	(307,482)
Balance, December 31, 2021	453,144,195	713,730,225	29,876,193	74,692,518	1,271,443,131

As at December 31, 2020

	Treasury Bills	Retail Treasury Bonds	Fixed Treasury Notes	DBP Tier II	Total
Balance, January 1, 2020, at Par Value	0	606,558,000	298,632,000	75,000,000	980,190,000
Additional investment	215,000,000	10,000,000	0	0	225,000,000
Investment sold/collected	(215,000,000)	(60,000,000)	(88,632,000)	0	(363,632,000)
Total Investment at Par Value	0	556,558,000	210,000,000	75,000,000	841,558,000
Discount on Investment	0	(12,203)	(292,279)	0	(304,482)
Premium on Investment	0	44,069,611	70,781	0	44,140,392
Allowance for Impairment, January 1	0	0	0	(153,741)	(153,741)
Impairment loss for the year	0	0	0	(76,871)	(76,871)
Allowance for Impairment, December 31	0	0	0	(230,612)	(230,612)
Balance, December 31, 2020	0	600,615,408	209,778,502	74,769,388	885,163,298

The current and non-current portion of the Investments are broken down as follows:

	2021			2020		
	Current	Non-Current	Total	Current	Non-Current	Total
Treasury Bills	453,144,195	0	453,144,195	0	0	0
Retail Treasury Bonds	0	713,730,225	713,730,225	0	600,615,408	600,615,408
Fixed Treasury Notes	0	29,876,193	29,876,193	0	209,778,502	209,778,502
DBP Tier II	0	74,692,518	74,692,518	0	74,769,388	74,769,388
Total	453,144,195	818,298,936	1,271,443,131	0	885,163,298	885,163,298

The current portion pertains to Treasury Bills. These Treasury Bills have maturity dates on May 2022.

Financial Asset - Held-to-Maturity investments of LIBI carry interest rates at December 31 as follows:

	2021	2020
Retail Treasury Bonds	6.125%, 4.625%, 3.500%, 3.250% 2.625% and 2.375%	6.125%, 4.875%, 4.625%, 3.500%, 3.250% and 2.625%
DBP-Tier II	4.875%	4.875%
Fixed Treasury Notes	5.500%	5.500% and 3.500%

Total interest earned from the investments amounts to P34,968,752 and P38,582,647 for years 2021 and 2020, respectively, as disclosed in Note 19.

Board Resolution No. 2014-009-027 dated October 29, 2014 approved the request of LBP Leasing and Finance Corporation (LLFC), for the assignment of LIBI's P500,000,000 worth of government securities – Retail Treasury Bonds as partial collateral for LLFC's existing short term loan from Land Bank of the Philippines. The Deed of Assignment (DOA) by way of security was executed on October 31, 2014 by and between LIBI and LLFC. The DOA shall be irrevocable until the Line shall have been paid in full and shall be subject to the terms and conditions of the contracts relative to the Line herein secured. Any release of the assigned Collateral or cancellation of this Assignment shall be subject to the prior consent of the Lender/Assignee.

In consideration of the assignment, LLFC shall pay LIBI a guarantee/assignment fee equivalent to 1/8 of 1 per cent or P625,000 per annum or P52,083.33 per month. The guarantee/assignment fee is being paid by LLFC on a quarterly basis. However, due to the maturity of the Retail Treasury Bonds on August 19, 2015 and March 03, 2016 totaling P82,855,000, the assignment fee was reduced to P530,638.92 per annum or P44,219.91 per month which was based on the remaining amount of P424,511,129.56 with the same guarantee/assignment fee rate. LLFC did not request for replacement of the matured assigned investment.

9. INVESTMENT PROPERTY

This account consists of assets acquired through dacion en pago from the former employee with outstanding obligation amounting to P998,316. The dacioned properties consist of two parcels of land containing a total area of 5,847 square meters located at Catbalogan, Western Samar. The appraised value of these properties amounted to P2,924,000 per appraisal report of the LBP Property Valuation and Credit Information Department dated May 22, 2017. There's a notation in the appraisal report that there is a plan to reclassify the area from "Agricultural" to "Residential" but still pending for approval by the Sangguniang Bayan of Catbalogan City. LIBI management will have the Investment Property be appraised this year to determine the current classification of the land and for the LIBI Board to decide its disposition.

10. PROPERTY AND EQUIPMENT

This account consists of the following:

As at December 31, 2021

	Office Equipment	Information and Communi- cation Technology	Furniture and Fixtures	Building	Motor Vehicles	Total
Cost, January 1	14,941,998	5,681,415	3,364,775	40,237,325	7,847,768	72,073,281
Acquisitions	1,600,438	195,089	410,058	0	0	2,205,585
Cost, December 31	16,542,436	5,876,504	3,774,833	40,237,325	7,847,768	74,278,866

	Office Equipment	Information and Communi- cation Technology	Furniture and Fixtures	Building	Motor Vehicles	Total
Accumulated Depreciation, January 1	8,477,513	1,615,935	2,330,166	29,105,412	3,461,786	44,990,812
Depreciation	2,138,436	516,128	136,072	905,298	768,528	4,464,462
Accumulated Depreciation, December 31	10,615,949	2,132,063	2,466,238	30,010,710	4,230,314	49,455,274
Net Carrying Amount, December 31	5,926,487	3,744,441	1,308,595	10,226,615	3,617,454	24,823,592

As at December 31, 2020

	Office Equipment	Information and Communi- cation Technology	Furniture and Fixtures	Building	Motor Vehicles	Total
Cost, January 1	12,601,942	5,486,326	2,727,239	38,670,505	4,425,107	63,911,119
Acquisitions	2,340,056	195,089	0	0	3,422,661	5,957,806
Construction in Progress	0	0	637,536	1,566,820	0	2,204,356
Cost, December 31	14,941,998	5,681,415	3,364,775	40,237,325	7,847,768	72,073,281
Accumulated Depreciation, January 1	6,698,241	1,167,763	2,223,104	27,302,816	3,157,762	40,549,686
Depreciation	1,844,295	448,172	107,062	1,802,596	304,024	4,506,149
Adjustments	(65,023)	0	0	0	0	(65,023)
Accumulated Depreciation, December 31	8,477,513	1,615,935	2,330,166	29,105,412	3,461,786	44,990,812
Net Carrying Amount, December 3	6,464,485	4,065,480	1,034,609	11,131,913	4,385,982	27,082,469

11. INTANGIBLE ASSETS

This account consists of the cost of computer software upgrade of the LIBI's existing Integrated Insurance Business System (IIBS) version 3.3 to 4.0 web version systems which development is in progress.

As at December 31, 2021

	Development in Progress	Computer Software	Total
Cost, January 1	4,891,933	143,529	5,035,462
Acquisitions	103,200	0	103,200
Cost, December	4,995,133	143,529	5,138,662
Accumulated Amortization, January 1	0	66,980	66,980
Amortization	0	28,706	28,706

Accumulated Amortization, December 31	0	95,686	95,686
Net Carrying Amount, December 31	4,995,133	47,843	5,042,976

As at December 31, 2020

	Development in Progress	Computer Software	Total
Cost, January 1	4,763,362	143,529	4,906,891
Acquisitions	128,571	0	128,571
Cost, December	4,891,933	143,529	5,035,462
Accumulated Amortization, January 1	0	38,274	38,274
Amortization	0	28,706	28,706
Accumulated Amortization, December 31	0	66,980	66,980
Net Carrying Amount, December 31	4,891,933	76,549	4,968,482

The total cost of the project is P6,439,219. The project duration to upgrade the LIBI IBS was extended until March 31, 2018. However, the project was extended several times due to system incident reports (SIRs) that were encountered during testing and have to be resolved before retesting again and due to the delay in the migration of data. The Insurance Brokerage System (IIBS) Version 4.0 procured from Asian Business Solutions, Incorporated went Live on September 21, 2020. The cut-off date in the old version 3.3 was on September 18, 2020. Migrated data from IIBS version 3.3 was as of August 14, 2020 transactions. Backlog transactions from August 15, 2020 to September 18, 2020 were re-encoded in IIBS Version 4.0. Validation of the migrated data on registers and reprocessing of premium remittances (not migrated transactions) are ongoing. As of December 31, 2021, the down payment amounted to P2,084,790.

The LIBI Board of Directors approved the full payment of the IIBS Ver. 4 Upgrade Project, after certification by LIBI Management that the project was completed per Board Resolution No. 2022-003-017 dated February 24, 2022.

Another intangible asset procured in CY 2018 is the Online Insurance Application system with Virtual Assistant (CHATBOT) which will help clients in facilitating their insurance queries and needs. However, it is not yet fully operational due to its dependencies on IIBS upgraded version. With the completion of IIBS Version 4 in March 31, 2022, LIBI will move toward the integration of the CHATBOT to IIBS Version 4 in 2022.

LIBI's upgraded payroll system costing P143,529 was fully operational in September 2018. Accumulated amortization amounted to P95,686 was recognized using the straight method over a useful life of five years.

12. FINANCIAL LIABILITIES

This account consists of:

	2021			2020		
	Current	Non-Current	Total	Current	Non-Current	Total
Insurance/Reinsurance						
Premium Payable	116,568,347	44,007,257	160,575,604	90,373,034	59,969,345	150,342,379
Accounts Payable	33,904,868	3,211,495	37,116,363	24,708,429	1,639,506	26,347,935
Due to Officers and Employees	28,501	0	28,501	0	0	0
Other Financial Liabilities -						
Handling Fees Payable	17,346,781	0	17,346,781	9,728,856	0	9,728,856
Total	167,848,497	47,218,752	215,067,249	124,810,319	61,608,851	186,419,170

Insurance/Reinsurance Premium Payable pertains to insurance premiums to be paid to insurance companies as of December 31, 2021.

Accounts Payable includes unreleased checks and authority to debit totaling P32,761,180 for payment of insurance premiums to various insurance companies that remain under the custody of the Cashiering Unit as at December 31, 2021 awaiting corresponding tax certificates (BIR Form 2307) from various insurance companies. This also includes accrual of expenses awaiting billing from suppliers.

Due to Officers and Employees pertains to tax refunds to officers and employees.

Other Financial Liabilities account pertains to handling fees payable to LBP units, lending centers, branches due for payment every March and September of the year.

13. INTER-AGENCY PAYABLES

This account consists of:

	2021	2020
Income Tax Payable	12,941,659	1,879,908
Value Added Tax Payable	2,768,298	1,559,497
Due to BIR	348,347	748,018
Total	16,058,304	4,187,423

Following the BIR Revenue Memorandum Circular No. 5-2021 issued on April 08, 2021, the Income Tax Payable account represents 25 per cent corporate income tax remitted to the BIR within 60 days following the close of each of the first three quarters of the taxable year and April 15 of the following year. The corporate income tax rate applied for CY 2020 is 27.50 per cent.

The Value Added Tax Payable account represents the 12 per cent output tax on the collected accrued service fees receivable for the month and remitted to the BIR every twenty 25th day following end of the month while the quarterly remittance is filed not later than the 25th day following the close of each taxable quarter.

The Due to BIR account represents five per cent government VAT withheld from suppliers of goods and services; withholding tax withheld on compensation and the one per cent or two per cent withholding tax at source. Withholding taxes withheld during the month are remitted to the BIR every 10 days and 15 days following the end of the month, respectively.

14. TRUST LIABILITIES

This account consists of:

	2021			2020		
	Current	Non-Current	Total	Current	Non-Current	Total
Customer's Deposits Payable	165,009,648	26,064,927	191,074,575	166,740,146	12,671,462	179,411,608
Guaranty/Security Deposits Payable	0	227,200	227,200	0	227,200	227,200
Total	165,009,648	26,292,127	191,301,775	166,740,146	12,898,662	179,638,808

The Customer's Deposits Payable pertains to advance payments of premiums by clients/assured awaiting issuance of insurance policies and/or matching of premium invoices. Transactions representing excess payments of premiums are also recorded under this account awaiting instruction from assured/LBP for refund or application to future renewal of policies.

15. PROVISIONS

This account consists of:

	2021			2020		
	Current	Non-Current	Total	Current	Non-Current	Total
Leave Benefits Payable	2,470,167	3,975,254	6,445,421	2,438,403	4,151,659	6,590,062
Pension Payable	0	2,109,420	2,109,420	0	2,109,420	2,109,420
Other Provisions	0	3,332,563	3,332,563	0	2,607,333	2,607,333
Total	2,470,167	9,417,237	11,887,404	2,438,403	8,868,412	11,306,815

Pension Payable pertains to the accrual of Annual Normal Cost (ANC) under the Accrual Benefit Valuation Method. No accrual of ANC was provided for CY 2021 due to the result of the actuarial valuation in CY 2020 disclosed in Note 3.15.

Other Provisions account refers to the estimated Performance-Based Bonus (PBB) of LIBI's officers and staff and the Performance-Based Incentive (PBI) of LIBI's Board of Directors. There was a revision in the computation of PBI wherein the remaining balance is estimated to be sufficient enough to cover the years 2021, 2020, and 2019.

16. OTHER PAYABLES

This account consists of Undistributed Collection, which pertains to credit advices issued by the bank as of the close of the transaction date. However, LIBI had not issued yet official receipts due to the lack of details.

	2021			2020		
	Current	Non-Current	Total	Current	Non-Current	Total
Undistributed Collection	3,935,215	89,437	4,024,652	6,444,742	0	6,444,742

17. SHARE CAPITAL

As at December 31, 2021, the total authorized, paid, issued and outstanding shares are 3,000,000 shares with par value of P100.

18. RETAINED EARNINGS

A cash dividend of P74,842,249 was declared and approved the LIBI Board on April 29, 2021, per Board Resolution No. 2021-005-030.

On June 30, 2021, the LIBI Board approved the reversal of appropriated earnings amounting to P174,600,000 per Board Resolution No. 2021-008-040.

Additional appropriations on Retained Earnings Free amounting to P290,957,008 was approved by the LIBI Board per Board Resolution No. 2021-015-072

As at December 31, 2020, total appropriations amounted to P522,207,008 detailed as follows:

Particulars	Amount
Appropriations for procurement of office space	P200,000,000
Appropriation for the additional amount for the procurement of office space to cover taxes and incidental charges	50,000,000
Appropriation for the procurement of Off-site Office for Business Continuity Plan	150,000,000
Appropriation for other contingencies	30,000,000
Appropriation improvement of office space	10,000,000
Appropriation for replacement of lighting system and replacement of office ceiling	8,000,000
Appropriation for computer peripherals	8,000,000
Appropriations for the re-arrangement and renovation of office area	6,000,000
Appropriation for furniture and fixtures for off-site office	5,000,000
Appropriation seminars/trainings	5,000,000
Appropriation for office equipment and accessories	5,000,000
Appropriation for furniture and fixtures for office space	5,000,000
Appropriation for Directors' Training on Good Governance	5,000,000
Appropriation for QMS/Surveillance Audit	5,000,000
Appropriation for PABX	3,000,000
Appropriation for replacement of carpets	2,500,000

Particulars	Amount
Appropriation for LIBI Reorganization	2,500,000
Appropriation for skills/competency training	2,000,000
Appropriation for Directors and Officers' Liability Insurance (DOLI)	2,000,000
Appropriation for system change/adjustment request for IIBS Version 4	2,000,000
Appropriation for alternate two (2) units of back-up servers	2,000,000
Appropriation for server back-up storages	2,000,000
Appropriation for website digitalization for public disclosures	2,000,000
Appropriation for structured cabling of data	1,750,000
Appropriation for IT disaster recovery back-up system	1,500,000
Appropriation for IBM Lotus Notes email	1,500,000
Appropriation for Chatbot Integration with IIBS Version 4	1,000,000
Appropriation for procurement of office equipment, furniture and fixtures	1,000,000
Appropriation for a virtual machine for remote access	1,000,000
Appropriation for the outsource of Technical writer for the Annual Report and Employee's Handbook	1,000,000
Appropriation for Time Keeping and Payroll System	957,008
Appropriation for the enhancement of Document Management System	500,000
	P 522,207,008

Other adjustments to the Retained Earnings for CY 2021 and 2020 are presented below:

CY2021

Accounts Affected	Particulars	Amount
Allowance for probable losses-Accrued Service Fee Receivable (ASFR) and Deferred Tax Asset	Reversal of allowance for probable losses and corresponding deferred tax asset due to collection and non-payment of accrued service fee in prior years	2,059,594
Deferred Tax Asset	Reversal of deferred tax asset relating to allowance for impairment on accrued service fees receivable	(514,899)
		1,544,695

CY2020

Accounts Affected	Particulars	Amount
Accumulated Depreciation-Office Equipment	Reduction of recorded accumulated depreciation as per COA's 2019 audit	65,023
Allowance for probable losses-Accrued Service Fee Receivable (ASFR) and Deferred Tax Asset	Reversal of allowance for probable losses and corresponding deferred tax asset due to collection and non-payment of accrued service fee in prior years	1,948,150
Accounts Payable - Other Provision	Reversal excess PBB and PBI for 2018 due to new computation implemented by GCG	1,435,869
Deferred Tax Asset	Reversal of deferred tax asset relating to allowance for impairment on accrued service fees receivable	(584,445)
		2,864,597

19. SERVICE AND BUSINESS INCOME

	2021	2020
Service Income		
Fees and Commission Income	296,029,144	224,960,814
Other Discounts	(26,136,698)	(20,556,279)
Net Fees and Commission Income	269,892,446	204,404,535
Business Income		
Interest Income	34,968,752	38,582,647
Total Business Income	34,968,752	38,582,647
Total	304,861,198	242,987,182

The fees and commission income were derived from the performance of services to customers/clients, while the other discounts pertain to the handling expenses /incentives given to LBP branches, groups, units, and subsidiaries for appraisal, inspection of a property to be insured, and, for the performance of other administrative matters such as the collection of payments of insured properties.

Interest income pertains to earnings from investments such as Retail Treasury Bonds, DBP-Tier II, Fixed Treasury Notes, and Treasury Bills and from depository bank accounts.

20. PERSONNEL SERVICES

	2021	2020
<i>Salaries and Wages</i>		
Salaries and Wages-Regular	21,190,007	21,260,519
Salaries and Wages-Contractual	344,099	115,803
	21,534,106	21,376,322
<i>Other Compensation</i>		
Other Bonuses and Allowances		
Mid-year Bonus	1,585,078	1,827,738
Performance Based Bonus	725,231	0
Service Recognition Incentive	542,500	522,000
Productivity Enhancement Incentive	289,500	261,500
	3,142,309	2,611,238
Year-End Bonus	1,803,576	1,835,036
Personnel Economic Relief Allowance (PERA)	1,329,632	1,232,000
Overtime and Night Pay	945,098	1,003,389
Hazard Pay	660,500	442,500
Representation Allowance	440,818	600,000
Clothing/Uniform Allowance	312,562	273,127
Transportation Allowance	278,000	384,000
Cash Gift	278,000	262,500
Honoraria	160,000	0
Longevity Pay	8,334	134,357
	6,216,520	6,166,909

	2021	2020
<i>Personnel Benefit Contributions</i>		
Employees Compensation Insurance Premium	1,284,828	980,470
PhilHealth Contributions	291,821	286,396
Pag-IBIG Contributions	67,300	62,100
	1,643,949	1,328,966
<i>Other Personnel Benefits</i>		
Other Personnel Benefits	2,700,432	2,544,180
	2,700,432	2,544,180
Total	35,237,316	34,027,615

The other personnel benefits pertain to the money value of leave credits that were earned by LIBI personnel and the ANC under Note 15 Provisions - Pension payable.

21. MAINTENANCE AND OTHER OPERATING EXPENSES

	2021	2020
Travelling Expenses	1,628,518	1,204,248
Training and Scholarship Expenses	55,304	71,196
Supplies and Materials Expenses		
Office Supplies Expenses	576,368	532,755
Accountable Forms Expenses	119,819	125,973
Other Supplies and Materials	36,046	17,933
Non-Accountable Forms	8,913	5,018
	741,146	681,679
Utility Expenses		
Electricity Expenses	786,033	817,332
Water Expenses	67,603	92,173
	853,636	909,505
Communication Expenses		
Internet Subscription Expenses	1,319,338	512,091
Telephone Expenses	332,984	523,195
Postage and Courier Services	316,158	480,507
	1,968,480	1,515,793
Professional Fees		
Auditing Services	1,095,554	777,583
Other Professional Services	180,000	516,773
Legal Services	981,025	240,000
Consultancy Services	937,786	0
	3,194,365	1,534,356
Other General Services		
Other General Services	345,981	232,937
Security Services	320,815	215,016
	666,796	447,953
Repairs and Maintenance		
Repairs and Maintenance-Machinery and Equipment	468,669	488,069
Repairs and Maintenance-Transportation Equipment	240,737	135,185
Repairs and Maintenance-Semi-Expendable		

	2021	2020
Machinery and Equipment	5,629	43,441
Repairs and Maintenance-Furniture, Fixture and Books	3,193	4,712
	718,228	671,407
Taxes, Insurance Premium and Other Fees		
Taxes, Duties and Licenses	1,923,750	1,858,801
Insurance Expenses	611,132	819,066
	2,534,882	2,677,867
Other Maintenance and Operating Services		
Directors' and Committee Members' Fees	3,784,000	2,498,000
Representation Expenses	2,379,982	836,997
Subscription Expenses	1,424,530	207,786
Rent/Lease Expenses	239,909	139,124
Advertising, Promotional and Marketing	51,467	394,473
Donation	100,000	500,000
Extraordinary and Miscellaneous Expenses	219,746	136,424
Membership Dues and Contribution to Organizations	12,000	33,500
Other maintenance and Operating Expenses	3,285,983	2,699,294
	11,497,617	7,445,598
Total	23,858,972	17,159,602

22. FINANCIAL EXPENSES

	2021	2020
Other Financial Charges	102,049	200,191
Bank Charges	24,141	24,590
Total	126,190	224,781

Other Financial Charges pertains to broker's fee and other incidental charges in placement or sale of investment securities.

23. NON-CASH EXPENSES

	2021	2020
<i>Depreciation</i>		
Depreciation-Office Equipment	2,138,436	1,844,295
Depreciation-Building	905,298	1,802,596
Depreciation-Information and Communication Technology	516,128	448,172
Depreciation-Motor Vehicles	768,528	304,024
Depreciation-Furniture and Fixtures	136,072	107,062
	4,464,462	4,506,149
<i>Amortization</i>		
Amortization-Intangible Assets (Note 11)	28,706	28,706

	2021	2020
<i>Impairment Loss</i>		
Impairment Loss-Receivables (Note 5)	2,430,310	2,142,092
Impairment Loss-investment in Bonds-Local (Note 8)	76,870	76,871
	2,507,180	2,218,963
Total	7,000,348	6,753,818

24. NON-OPERATING INCOME, GAINS OR LOSSES

	2021	2020
Other Non-Operating Income		
Rental income	33,652	270,000
Miscellaneous Income	538,737	594,489
Total	572,389	864,489

25. INCOME TAX EXPENSE

The provision for/(benefit from) income tax consists of the following:

	2021	2020
Income tax expense	51,687,297	41,063,597
Income tax benefit	(626,795)	(610,215)
	51,060,502	40,453,382

The income tax benefit is computed as follows:

	2021	2020
Impairment loss- loans and receivables	2,430,310	2,142,092
Impairment Loss-Expected Credit Loss	76,870	76,871
Total	2,507,180	2,218,963
Income tax rate	25%	27.5%
Income tax benefit	626,795	610,215

Reconciliation of Income before income tax against taxable income is as follows:

	2021	2020
Income before income tax	239,210,761	185,685,855
Non-deductible expenses		
Impairment loss-loans and receivables	2,430,310	2,142,092
Expected Credit Loss	76,870	76,871
Non-taxable income and income subjected to final tax:		
Interest income (Note 19)	(34,968,752)	(38,582,647)
	(32,461,572)	(36,363,684)
Net taxable income	206,749,189	149,322,171
Income tax rate	25.00%	27.5%

	2021	2020
Income Tax Expense	51,687,297	41,063,597

Deferred tax asset is computed as follows:

	2021	2020
Balance, beginning of year	4,078,608	4,052,838
Reversal of CY 2019 provision on accrued service fees receivable due to collection (Note 5)	0	(1,948,150)
Reversal of CY 2020 provision on accrued service fees receivable due to collection (Note 5)	(2,059,594)	0
Total reversal	(2,059,594)	(1,948,150)
Provision for probable losses recorded at year end:		
For CY 2020 (Note 5)	0	2,142,092
For CY 2021 (Note 5)	2,430,310	0
Expected Credit Loss in Investment in Bonds-Local	76,870	76,871
	447,586	270,813
Prevailing income tax rate 2021 and 2020	25%	30%
Additional deferred tax asset for the year	111,897	81,244
Adjustment due to BIR RMC-50-2021 (P2,142,092 x 2.50%)	0	(53,552)
Adjustment due to BIR RMC-50-2021 (P76,871 x 2.50%)	0	(1,922)
Deferred Tax Asset, December 31	4,190,505	4,078,608

Income tax benefits shall be deducted from the LIBI's future tax obligations to the extent of the amount of provision for accrued service fees receivable that will have no economic benefits to the Corporation.

26. SUPPLEMENTARY INFORMATION ON REVENUE REGULATIONS (RR) NO. 15-2010

In compliance with the requirements set forth in RR 15-2010 issued by the Bureau of Internal Revenue (BIR), hereunder are the information on taxes, duties and license fees paid and accrued during the taxable year.

A. LBP Insurance Brokerage, Inc. is a VAT- registered Corporation with VAT output tax declaration of P33,600,510 based on actual collections during the year of service fees and rental income amounting to P280,004,250. Actual VAT paid for the year amounted to P31,613,437 after applying Input Tax of P1,975,796 and creditable withholding tax of P11,277. The VAT payable of P2,768,298 (Note 13) was remitted in the following month/year. Government VAT of P465,519 withheld from payments to suppliers of goods and services was also remitted to the BIR within the reglementary period.

Changes in the balance of the input tax are as follows:

Balance, beginning of year		1,278,979
Current year's purchases:		
Capital goods	238,903	
Goods other than for resale or manufacture	441,142	
Services lodged under other accounts	876,196	
Input taxes claimed for the year	(1,975,796)	(419,555)
Balance, end of year		859,424

Other taxes and licenses recorded under the Taxes and licenses account are as follows (Note 21):

Local		
Mayor's permit		1,689,034
Real property tax		188,050
Community tax certificate		10,500
		1,887,584
National		
Renewal of Insurance Commission License		25,250
Registration of motor vehicle at LTO		9,416
BIR annual registration		500
Certification of 2020 Audited Financial Statement		500
Document stamp and Tax Clearance		500
		36,166
		1,923,750

B. The income taxes/withholding taxes paid/accrued for the year amounted to:

Corporate tax		
Income Tax		9,861,200
Creditable withholding tax at source (paid in advance by LIBI and used as tax credits)		41,436,807
		51,298,007
Tax on compensation and benefits		2,234,262
Expanded withholding tax from suppliers		3,406,907
		56,939,176

Reconciliation of the corporate tax paid for the year is as follows:

Net fees and commission income (Note 19)	269,892,446
Other non-operating income (Note 24)	572,389
Total	270,464,835
Allowable deductions (Note 20 to 23, excluding impairment loss)	63,715,647
Total Taxable income	206,749,188
Tax rate	25%
Tax due (Note 25)	51,687,297

Tax credits/payments	
Prior years excess credits	6,373,173
Tax payments 1 st to 3 rd quarter 2021	3,488,027
Creditable withholding tax at source used in previous quarters	28,884,438
Creditable withholding tax BiR Form 2307 for the 4 th quarter	12,552,369
Totax tax credits/payments	51,298,007
Tax still due after application of 4th quarter tax	389,290

The income tax payable as of December 31, 2021, amounted to P12,940,659 (Note 13).

27. SUPPLEMENTARY INFORMATION REQUIRED UNDER REVISED SECURITIES REGULATION CODE (SRC) RULE 68

The financial soundness indicators of LIBI are as follows:

	2021	2020
Current Ratio	2.40	2.03
Quick Ratio	2.12	1.75
Solvency Ratio	0.44	0.39
Debt to Equity Ratio	0.33	0.32
Asset to Equity Ratio	1.33	1.32
Gross Profit Margin	1.00	1.00
Return on Average Assets	0.11	0.10
Return on Average Equity	0.15	0.13

Return on Average Equity (ROE) for CY 2021 is 15.35 per cent, while Return on Average Asset (ROA) is 11.28 per cent, higher by 22.21 per cent and 16.77 per cent compared to last year's ROE of 12.56 per cent and ROA of 9.66 per cent, respectively. Likewise, per capita income is P3.08 million, higher by 14.50 per cent or P0.39 million compared to the per capita income of P2.69 million last year

28. RELATED PARTY DISCLOSURES

The financial statements include various transactions with its parent and affiliated companies. The more significant related party transactions, arising from normal course of business include the following:

- a. To defray expenses in the appraisal, inspection of property to be insured and other administrative matters such as collection of insurance premium payments of insured properties; handling fees are given to LIBI's clients, the LBP units, branches and subsidiaries. For the current year, handling fee accrued and payable to LBP units, branches and subsidiaries reached P26,136,698 (Note 19).
- b. Compensation of key management personnel for 2021 and 2020 are as follows:

	2021	2020
For the President and General Manager		
Total salaries and wages	2,135,721	3,075,832
Total short-term employee benefits (RA, PEI, SRI, per diem, bonuses)	1,959,551	1,341,414
	4,095,272	4,417,246
For Corporate officers who are employees of the parent, LBP:		
Total short-term employee benefits (per diems and reimbursable expenses)	329,894	160,000
	4,425,166	4,577,246

c. A Trust Agreement was made and entered into by and between LBP Insurance Brokerage, Inc. (LIBI) and LBP – Trust Banking Group (LBP-TBG) on July 18, 2011 thereby appointing the latter as the Trustee of the LIBI's Retirement Benefit Plan. The essential terms and conditions of the agreement are as follows:

- The Trustor (LIBI) shall deliver and pay to the Trustee such sums representing the annual contributions of the Trustor as provided in the Plan, starting with the contribution for the current year in the amount of PESOS: Ten Million One Thousand Pesos (Php10,001,000.00).
- The Trustor hereby waives all its rights and interest to the money or properties which are and will be paid or transferred to the Fund, to the extent required to provide the benefits pursuant to the Plan.
- The Trustee shall hold the title to the Fund to be held in trust for the purpose stated in and subject to all the terms and conditions of the Agreement as well as the Plan, which shall be deemed part of this Agreement. The Trustee shall invest and re-invest the Fund, together with all increments and proceeds in fixed-income government securities like Treasury Bills or Notes, Agrarian Reform Bonds, Retail Treasury Bonds, BSP Special Deposit Account and other financial instruments duly guaranteed by the Republic of the Philippines; deposit arrangements/special deposit account with reputable banks including the Trustee's own commercial banking sector; and common or preferred shares of stocks, bonds or note issued by blue-chips private and government-owned corporations. Other investment outlets shall require prior written approval of the Trustor.
- To cause any asset acquired from the investment/reinvestment of the Fund to be held, registered and issued in its own name as Trustee or in the name of its nominee, provided, that the books and records of the Trustee shall at all times show that all such properties are part of the Fund. To pay all costs, fees, charges and such other expenses connected with the investments, administration, reservation and maintenance of the Fund and to charge the same to the Fund.

- In the management of the fund, the Trustee shall pay to the beneficiaries the benefits under the Plan upon written advice of the Trustor. To keep and maintain books of accounts and/or records of the management and operations of the Fund, which the Trustor or its authorized representative may inspect from time to time. At the end of every calendar quarter, to submit the financial reports, investment activity reports or such other reports as may be requested by the Trustor. The Trustee shall administer the funds held in trust with such degree of skill and care as a prudent man would exercise in the conduct of an enterprise of like character and with similar aims.
- For its services, the Trustee shall be entitled to a fee equivalent to 0.75 per cent per annum of the average total assets of the Fund, computed daily and collected at the end of each quarter. The Trustee is hereby authorized to debit its fees from the Fund. The above fee is quoted with the understanding that the same may be reviewed at the request of either party and adjusted in a mutually satisfactory basis.
- Except for fraud, bad faith or gross negligence, the Trustee shall not be liable for any losses or depreciation in the value of the Fund resulting from investments or reinvestments thereof as authorized herein, or from the performance of any act in accordance with the provision of the Agreement. This Agreement shall not guarantee a yield, return of income on the investment/reinvestments of the Fund as the same can fall as well as rise depending on prevailing market conditions and is not covered by Philippine Deposit Insurance Corporation. Losses, if any, shall be for the account of the Trustor (pursuant to Section X409.1 of the Manual of Regulations for Banks-Part IV).
- The Agreement shall remain in full force and effect until the termination of the Plan unless sooner terminated by either party hereto by giving thirty days advance notice to the other.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

LIBI recognizes the importance of an effective financial risk management program and a Risk Management Manual was finalized and approved by the members of the Board in 2009.

The objective of the Manual is to serve as basis and reference for consistent risk management that is applicable to all employees of LIBI. It aims to create a culture of risk-awareness, not risk-aversion based on the prudential framework required by BSP circulars. It provides a general set of risk principles delegated to each business unit through its reporting and approval procedures.

An Audit and Risk Management Committee was created to be primarily responsible for the development and oversight of the risk management programs of LIBI which include oversight of management functions and approval of proposals regarding LIBI's policies, procedures and best practices relative to asset and liability management, credit, market

and business operations risks ensuring that: (a) insurance requirements of its parent, LBP, and their lending units are passed on to LIBI; (b) system of limits remain effective; and (c) immediate corrective actions are taken whenever limits are breached or whenever necessary.

As part of identification risk, the following are classified as major risks that LIBI manages in the course of its business.

Market Risk

Market risk can be generally defined as risk of loss, immediate or over time, due to adverse, fluctuations in price or market value of instruments, products and transactions in LIBI's overall portfolio. Market risks are central focus of risk measurement methodologies and limits, as well as gauge by which LIBI can determine returns it will require for its activities.

Net premium volume produced during the year reached P1,255,142,571 representing an increase of 30.14 per cent or P290,710,254 compared to last year's P964,432,317 net premium volume. This was primarily due to the increase in LBP Livelihood Loan Branches Borrowers.

Net service fees from insurance brokering for the year of P269,892,446 is P65,487,911 or 32.04 per cent higher compared to last year's P204,404,535 net service fees (Note 19).

LIBI, as a subsidiary of LBP, has already captured LBP as market for its products and services. Nonetheless, LIBI continues to intensify its campaign to solicit more direct business from private corporations and other government entities.

Liquidity Risk

It is the risk that LIBI will be unable to make a timely payment of any of its financial obligations to customers or counterparties in any currency. Trading Liquidity risk refers to inability to unwind positions created from markets, exchanges and counterparties due to temporary or permanent factors.

Prudent liquidity risk management implies sufficient cash and cash equivalents and marketable securities. Insurance cash inflows from operations and readily marketable government securities investments provide the bulk of LIBI's liquidity buffer.

Interest Rate Risk

This is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. LIBI's fixed rate investments in held-to-maturity investments are exposed to such risk. Interest income derived from investments and savings deposits this year of P34,968,752 was lower by 9.37 per cent or equivalent to P3,613,895 compared to last year's interest income of P38,582,647 (Note 19).

It is the policy of LIBI to invest excess funds in government securities (GS) where the servicing and repayments are fully guaranteed by the government. The investment in GS may be placed with the LBP Treasury and Investment Banking Group or LBP-TBG.

LIBI's Investment Committee observes diversified GS portfolio, varied maturity spectrum and optimum yields in deciding the type and term of investment. When yields of GS are expected to go down, LIBI buys long-term GS in order to lock-in on high yielding GS. Conversely, when yields are expected to go up, it buys short-term GS to stay liquid and be able to switch to high yielding GS when rates start to pick up.

LIBI's principal financial instruments comprise of cash deposits, held-to-maturity (HTM) investments consisting primarily of investment in government securities like Retail Treasury Bonds (RTBs) and DBP Tier-II (Note 8). These are not subjected to mark-to-market valuation but impairment testing is being done on HTM in DBP Tier-II

Total investments at amortized cost as at December 31, 2021 is P1,271,443,131 which is 72.64 per cent of the LIBI's total assets of P1,750,384,074. Liquid assets of P300,171,912 are 0.848 times the current liabilities of P355,321,831.

The table below summarizes the Maturity Profile of the Corporation's Assets and Liabilities.

	Up to 3 mos.	3 to 6 mos.	6 mos. to 1 year	More than 1 year	TOTAL
ASSETS					
Cash and Cash equivalents	300,171,912	0	0	0	300,171,912
Receivables, net	64,128,663	8,235,575	11,850,373	43,610,092	127,824,703
Inventories	42,287	0	186,757	0	229,044
Investments	0	453,144,195	0	818,298,936	1,271,443,131
Investment Property	0	0	0	998,316	998,316
Property and Equipment, net	0	0	0	24,823,592	24,823,592
Intangible Assets, net	0	0	0	5,042,976	5,042,976
Deferred Tax Assets	0	0	0	4,190,505	4,190,505
Other Assets	12,152,977	1,429,166	1,064,741	1,013,011	15,659,895
Total Assets	376,495,839	462,808,936	13,101,871	897,977,428	1,750,384,074
LIABILITIES					
Financial Liabilities	139,565,611	17,375,152	10,907,734	47,218,752	215,067,249
Inter-agency payables	16,058,304	0	0	0	16,058,304
Trust liabilities	84,913,945	17,295,465	62,800,238	26,292,127	191,301,775
Provisions	646,131	645,246	1,178,790	9,417,237	11,887,404
Other payables	3,935,215	0	0	89,437	4,024,652
Total Liabilities	245,119,206	35,315,863	74,886,762	83,017,553	438,339,384
Asset-Liability Gap	131,376,633	427,493,073	(61,784,891)	814,959,875	1,312,044,690

Credit Risk

a. Direct Credit Risk is the risk that a customer or counterparty will be unable to pay obligations on time or in full as expected or previously contracted, subjecting LIBI to a financial loss. It lasts for the entire tenor and is set at the full amount of a transaction. The possibility of non-collection of Accounts Receivable within one year is moderate due to intensified collection through faster sending of Statement of Accounts thru fax, email, mail and frequent follow-ups by phone. LIBI's collection rate of 96 per cent for the current year is four per cent higher than the 92 per cent collection rate last year.

b. Management has negotiated with LB P for the advance payment of policies by the branches/lending units.

30. COMMITMENT

Full Service and Maintenance Agreement (FSMA) with Fuji Xerox Philippines, Inc. expired on July 11, 2021. However, due to the pandemic, the renewal of the agreement was delayed. The Administrative Unit has already notified thru email Fuji Xerox Philippines, Inc. The agreement is in status quo until such time a new agreement will be executed.

PART II

OBSERVATIONS AND RECOMMENDATIONS

OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL ISSUES

1. The Customers Deposit Payable account amounting to P191.075 million as at December 31, 2021 include: (a) insurance premiums collected in advance from less than a year to four years amounting to P45.508 million but awaiting reconciliation with the concerned accredited insurance companies and LBP Lending Centers (LCs); (b) excess insurance premiums of P54.163 million for refund to clients aged from one year to four years; and (c) insurance premiums paid in advance by 5,344 insured amounting to P91.403 million still awaiting for the issuance of insurance policies from one month to more than one year, contrary to the provisions of the LIBI Manual and to the disadvantage of the clients.

1.1 As broker, the primary function of LIBI is to assist the client in providing their insurance needs which includes and limited only to the procurement of best insurance companies that can render and provide immediate assistance in the insurance of the policies.

1.2 The LIBI Manual provides for the detailed procedures on insurance coverage from accredited insurance companies relative to bank-client loans approved by LBP. The insurance company delivers the insurance policy to LIBI within a reasonable time, as provided in the Standard Brokerage Agreement signed by LIBI and the insurance company.

1.3 The process involves, among others, the specific procedures and responsibilities of LIBI upon receipt of copies of the insurance policy from the insurance companies until the remittance of the insurance premium to the insurance companies, and including the accounting of insurance premium collected.

1.4 If there are excess from the advance insurance premium payments received, LIBI will request from LBP LCs to provide details of the insured, such as their bank account number in which to remit the refund.

1.5 Insurance premium payments received without any details as to the payees are recognized by LIBI under Other Payables account, and Official Receipts (ORs) will only be issued once the details of the payees are identified. On the other hand, insurance premium payments with details as to the insured but are still awaiting insurance policies from insurance companies will be temporarily credited under Customers' Deposit Payable (CDP) account and an OR will be issued to the insured.

1.6 Review of the Schedule of CDP account disclosed that the balance of the account as at December 31, 2021 amounting to P191,074,575 is composed of the following:

- (1) Insurance premiums amounting to P45,508,076.91 in which LIBI had not yet determined whether these are excess insurance premium payments for refund to the insured or awaiting for the issuance of insurance policies.

The amount is still subject to reconciliation with the insurance companies and the LBP LCs;

- (2) Excess insurance premium payments amounting to P54,163,423.88 for refund to the insured; and
- (3) Insurance premiums paid in advance by 5,344 insured amounting to P91,403,073.86, awaiting for the issuance of insurance policies.

Insurance premiums collected subject to verification/reconciliation – P45,508,076.91

1.7 The insurance premium payments amounting to P45,508,076.91 was not yet determined by LIBI whether the amounts represent excess insurance premium payments for refund to the insured or awaiting for the issuance of insurance policies. There was no reconciliation conducted with the insurance companies and the LBP LCs at year end and in prior years, resulting to the accumulation of the balance of these insurance premium payments received for reconciliation from less than one year to four years. Details is presented below:

Period	Amount
Within the year	36,155,820.73
CY 2020	7,453,818.66
CY 2019	1,446,135.02
CY 2018	335,826.43
CY 2017	116,476.12
Total	45,508,076.96

1.8 Management explained that the validation of these insurance premium payments were not possible during the migration of data to the new accounting system of LIBI that started in August 2020 up to CY 2021, hence they were not able to determine whether the insurance premiums amounting to P45,508,076.96, booked under CDP account, are excess payments for refund or awaiting for insurance policies.

1.9 We noted, however, that the LIBI Manual, specifically the section on Billing and Collection, does not include specific procedures and timelines on reconciliation/validation of insurance premium payments received with the concerned insurance companies and/or the LBP LCs.

Excess insurance premiums for refund – 54,163,423.88

1.10 It was also noted that excess insurance premium payments which are in the books from less than one year to four years as of December 31, 2021, are not yet refunded to the insured. Details is as follows:

Period	Amount
Within the year	47,515,054.63
CY 2020	2,622,189.69
CY 2019	1,788,901.68
CY 2018	1,893,484.46

CY 2017	343,793.42
Total	54,163,423.88

1.11 The Accounting Unit prepares and sends to the LBP LCs a Monthly Reconciliation Statement (MRS) with covering letter seeking assistance on the details of the insured with excess insurance premium to facilitate refund. In addition, the Accounting Unit prepares a monitoring tool called "Tracers" which indicate the dates the MRS were sent to the LBP LCs. However, this practice is not reduced to writing and included in the LIBI Manual to effectively guide the responsible personnel of LIBI in the processing of refund of excess insurance premiums.

1.12 The Accountant explained that they encountered difficulty in returning the excess insurance premium payments because LIBI is dependent on the response of the LBP LCs on the payment details of the insured.

Insurance premiums collected in advance still awaiting for the issuance of insurance policies – P91,403,073.86

1.13 Item B.3, Article III of the Standard Brokerage Agreement signed between LIBI and its accredited agencies provides that:

"ARTICLE III – PERFORMANCE DUTIES, RESPONSIBILITIES AND OBLIGATIONS

Xxx

B. INSURANCE COMPANIES' RESPONSIBILITIES

The insurer shall have the following duties and responsibilities:

Xxx

3. The INSURER shall deliver the policy/endorsement copies to the BROKER within reasonable time upon receipt of the BROKER'S Placement Slip. Xxx"

1.14 Our review also showed insurance premiums paid in advance by 5,344 insured amounting to P91,403,073.86 with Confirmation of Coverage (COC) from insurance companies but were not yet issued with insurance policies. Aging is presented below:

Period	Amount
Within the year	81,338,772.94
CY 2020	9,212,770.39
CY 2019	443,119.51
CY 2018	29,565.37
CY 2017	378,845.65
Total	91,403,073.86

1.15 In actual practice, the Marketing Unit of LIBI requests for the issuance of a COC from the winning accredited insurance company pending the issuance of the actual copy

of the insurance policy. This however, is not included among the written provisions in the Standard Brokerage Agreement. According to Management, while it is not an industry practice, the COC provides assurance that the insurance companies will honor any insurance claims despite the delay in the issuance of insurance policies.

1.16 The Accounting Unit prepares a monthly aging of unapplied insurance premium payments sorted for each LBP LC. A copy of the monthly aging is sent to the Marketing Unit for assistance in the follow-up of the insurance policies not yet forwarded by the insurance companies. Management commented that continuous follow-ups on the issuance of insurance policies from the insurance companies are being made. Likewise, the Marketing Unit maintains Google Sheets for monitoring of receipt and follow-ups of copies of insurance policies. Despite all of the actions taken, insurance policies remain unissued as at year end.

1.17 We also noted that the Billing and Collection portion of the LIBI Manual does not include specific procedures and timelines in securing and monitoring insurance policies from insurance companies. As a result, a total of 5,344 insured who already paid their insurance premiums were not issued insurance policies for more than a year up to four years from the time of application.

1.18 Delays for a considerable period in the verification/reconciliation of insurance premiums collected in advance with insurance companies and LBP LCs; as well as in the refund to clients of excess premiums are not only contrary to best practices in brokerage business and LIBI's primary function, but also proves to be disadvantageous to its clientele. On the other hand, delays in the issuance of insurance policies exposes the LBP as lender from higher risk of loss.

1.19 **We recommended and Management agreed to:**

- a. **Expedite the reconciliation of the insurance premiums received by LIBI amounting to P45,508,076.96 to determine whether these are excess payments for refund or for remittance to the insurance companies;**
- b. **Request insurance companies for the issuance of insurance policies for premiums already paid covering the period 2017 to 2020. In the absence of insurance policies, refund the premium payments to the insured;**
- c. **Refund the excess insurance premium amounting to P54,163,423.88 to the insured; and**
- d. **Revisit the LIBI Manual and include detailed guidelines and specific timelines on the periodic reconciliation/validation of outstanding insurance premiums received with concerned insurance companies and/or LBP LCs; monitoring of issuance of insurance policies by the insurance companies and in the refund of excess insurance premium payments to the insured.**

2. **The balance of Other Payables account amounting to P4.025 million as at December 31, 2021 includes collected insurance premiums without details aged one month to more than one year, but, were not yet applied to Accounts**

Receivables (AR) nor remitted to the insurance companies due to absence of LIBI monitoring policies on the timely disposition of insurance premiums received as well as ensuring that insurance policies are issued by the insurance companies to its clients.

2.1 As mentioned in the previous paragraph, as broker, the primary function of LIBI is to assist the client in providing their insurance needs which includes and limited only to the procurement of best insurance companies that can render and provide immediate assistance in the insurance of the policies.

2.2 In order to efficiently render this primary function, LIBI needs to institutionalize monitoring procedures for the receipt and timely disposition of insurance premiums received as well as ensuring that insurance policies are issued by the insurance companies to its clients.

2.3 Review of the schedule of Other Payables account revealed that insurance premium payments amounting to P4,024,652, received from September 2020 to December 2021 remained recorded under Other Payables account. Details as follows:

Month Credited	Aggregate Amount
September 2020	935.00
November 2020	23,207.28
December 2020	47,852.44
January 2021	49,195.10
February 2021	164,627.07
March 2021	65,073.81
April 2021	203,180.47
May 2021	253,790.24
June 2021	24,593.57
July 2021	362,543.08
August 2021	15,165.88
September 2021	298,891.93
October 2021	264,954.86
November 2021	128,520.62
December 2021	2,122,120.33
Total	4,024,651.68

2.4 Aging of the insurance premiums collected lodged to the temporary account showed the following:

One month to 3 months	2,515,595.81
3 months to 1 year	1,437,061.15
More than 1 year	71,994.72
Total	4,024,651.68

2.5 Management explained that most clients pay their insurance premiums using the mobile banking/iAccess facility of LBP during the COVID-19 pandemic. The LIBI Cashiering Unit admitted that they encountered difficulty in identifying clients who settled their insurance premiums due to incomplete details of payment.

2.6 There were delays in the application of insurance premium payments to the corresponding receivable account of the insured due to lack of payment details. There is no information, such as the name of those insured that paid through electronic banking. These will be identified only upon confirmation with the concerned LBP LCs who remitted the payments. These collections were temporarily lodged under the Other Payables account and will be applied to AR account when Official Receipts are issued to the insured.

2.7 The Cashiering Unit further explained that they coordinated with the Marketing Unit and reminded clients to email the screenshots of insurance premium payments to facilitate application to the receivable account.

2.8 Review disclosed that LIBI has no policy on the handling and timely application of unapplied insurance premium payments from Other Payables to AR. Hence, monitoring of unapplied premiums recognized under the Other Payable account is not periodically done as evidence by accumulation of outstanding balances in the account ranging from one month to more than one year.

2.9 The unnecessary delay in the remittance of insurance premiums to insurance companies, is a valid cause for the denial of insurance claims.

2.10 **We recommended that Management:**

a. **Coordinate with the concerned LBP LCs and secure immediately the necessary information for premium payments received with incomplete details amounting to P4,024,652, in order to send requests for insurance coverage from and remittance of premiums to insurance companies; and**

b. **Formulate guidelines on the handling and periodic monitoring of insurance premium payments to include coordination procedures with LBP LCs in order to timely apply insurance premiums recognized under Other Payables to Accounts Receivable.**

2.11 Management informed that the LBP-Systems Implementation Department Head issued a memorandum dated March 11, 2022 through the EVP of LBP Branch Banking Sector reminding all LBP branches of the proper and complete fill-up of reference fields in online collections for salary loans to be able to process insurance coverage to intended borrowers that resulted to payments being booked as Other Payables.

3. The faithful representation of the balance of Pension Payable account amounting to P2,109,420 and the sufficiency of the Retirement Fund amounting to P21,403,128 were not established as at December 31, 2021 because of the absence of updated actuarial assumptions.

3.1 Paragraph 1 of Philippine Accounting Standards (PAS) 19, Employee Benefits, prescribes the accounting and disclosure for employee benefits. The standard requires an entity to recognize:

- (a) *A liability when an employee has provided service in exchange for employee benefits to be paid in the future; and*
- (b) *An expense when the entity consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.*

3.2 The same PAS also provides that:

Paragraph 48

Accounting for defined benefit plans is complex because actuarial assumptions are required to measure the obligation and the expense and there is a possibility of actuarial gains and losses. Moreover, the obligations are measured on a discounted basis because they may be settled many years after the employees render the related service.

Paragraph 57

This Standard encourages, but does not require, an entity to involve a qualified actuary in the measurement of all material post-employment benefit obligations. For practical reasons, an entity may request a qualified actuary to carry out a detailed valuation of the obligation before the end of the reporting period. Nevertheless, the results of that valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the end of the reporting period.

3.3 The LIBI Retirement Benefit Plan is a defined benefit plan and non-contributory that provides a retirement benefit equal to one-half month basic salary for every year of service. Any deficiency in the Retirement Fund for the provision of retirement benefits shall be shouldered by LIBI, to be determined after the results of every actuarial made. The retirement benefit equal to "One half month basic salary" shall include the following:

- a. Fifteen (15) days salary based on the latest salary rate;
- b. Cash equivalent of five (5) days of service incentive leave (vacation leave);
- c. One-twelfth (1/12) of the 13th month pay (where the 13th month pay is the total basic salary of the last twelve-month service divided by twelve);
- d. Other benefit inclusions as may be agreed upon by the employer and employee.

3.4 LIBI appropriated from its Retained Earnings from 2000 to 2008 a total amount of P10,000,000 for the retirement benefit plan. LIBI's Board of Directors approved the creation of a retirement fund and setting-up of Retirement Fund Liability account (now Pension Benefit Payable account) through Board Resolution Nos. 2010-006-012 and 2010-007-013 dated July 30, 2010 and September 01, 2010, respectively.

3.5 On July 18, 2011, the Retirement Fund was finally set-up by LIBI of which the LBP-Trust Banking Group (LBP-TBG) was appointed as Trustee of the fund.

3.6 The cost of defined benefit plan is determined by using actuarial valuation, hence LIBI engaged the services of a duly certified independent actuarial firm on December 30, 2010. Revaluations of LIBI's Retirement Plan by an independent actuarial firm were made on January 01, 2015, December 31, 2017 and December 31, 2020,

3.7 The amount of yearly accrual to be set-up by LIBI is equal to the estimated annual normal cost or the present value of retirement benefits payable in the future in respect of services in the current period to be determined by the actuary. Accordingly, Pension Benefits Expense account is debited and Pension Payable account is credited for the accrual of liability of retirement benefit.

3.8 The latest actuarial for the retirement fund of LIBI was made in CY 2020. The results of the actuarial disclosed that the Retirement Trust Fund balance amounting to P27,260,160 as at December 31, 2020 is more than enough to cover the estimated past service liability or the present value of the units of benefits payable in the future in respect of services rendered prior to valuation date amounting to P23,361,895 or an overfunding of P3,898,265. Also, the estimated annual normal cost for CY 2020 is reported to be P1,607,783. Below is the details of the actuarial valuation results below:

**Summary of Actuarial Valuation Results
As of December 31, 2020**

Number of Lives Covered	53
Average Age in Years	39.8
Average Years of Remaining Working Life of the Employee Group	20.2
Average Years of Past Service	11
Annual Covered Payroll (ACP)	21,576,948
Past Service Liability (PSL)	23,361,895
Annual Normal Cost (ANC)	1,607,783
ANC as percentage of ACP/Funding Rate [(6) ÷ (4)]	7.5%
Total Fund Net Assets	27,260,160
Amount Overfunded (Underfunded) [(8) – (5)]	3,898,265

3.9 With the overfunding, the actuary recommended that contribution to the Retirement Fund be discontinued for the valuation period of CY 2020.

3.10 LIBI did not engage actuarial services for the valuation of the retirement fund for CY 2021 since the actuary recommended that an actuarial valuation be made only every two to three years to check if there are material deviations from the latest actuarial assumptions arising from the investment yield, mortality gains and losses, employee turnover, and benefit forfeitures.

3.11 In CY 2021, retirement benefits amounting to P13,267,805 were withdrawn from the Retirement Fund due to the retirement of eligible employees resulting in the decrease of the balance of the Retirement Fund at year end. Despite the significant withdrawals from the fund due to employee turnover in CY 2021, LIBI did not consider an updated valuation of its Retirement Fund. This is not compliant with the requirement of the pertinent accounting standard.

3.12 Since the amount of estimated past service liability amounting to P23,361,895 was based on the 2020 Actuarial Valuation and before withdrawals for the retirement pay of employees in CY 2021, it was not established whether the balance of the Retirement Fund amounting to P21,403,128.05 as of December 31, 2021, as reported by LBP-TBG, is still sufficient to cover the retirement benefits of the remaining employees.

3.13 Further, LIBI recognized Pension Payable amounting to P2,109,420 as at December 31, 2019. There were no adjustments made to the account balance for CYs 2020 and 2021.

3.14 The LIBI Accountant commented that there was no additional accrual to the retirement benefit fund recognized since 2020 because the Pension Payable of P2,109,420 is more than the estimated annual normal cost of P1,607,783 based on the 2020 Actuarial Valuation.

3.15 It is to be emphasized that there were material transactions after 2019 that would warrant an updated actuarial valuation of the retirement fund. Hence, the faithful representation of the balance of Pension Payable account amounting to P2,109,420 was not established as at December 31, 2021 due to the absence of updated actuarial assumptions.

3.16 We recommended and Management agreed to engage the services of a qualified actuary to conduct a detailed valuation of the obligation in accordance with PAS 19 in order to faithfully represent the balance of the Pension Payable account and to establish the sufficiency of the Retirement Fund as at the date of the financial statements.

C. NON-FINANCIAL ISSUES

4. Retained Earnings-Unappropriated exceeded the Share Capital by P93,363,438 as at December 31, 2021, contrary to Section 42 of the Corporation Code of the Philippines.

4.1 Section 42 of Republic Act No. 11232 or the Revised Corporation Code of the Philippines approved by the President of the Republic of the Philippines on February 20, 2019 relative to the power to declare dividends states:

The board of directors of a stock corporation may declare dividends out of the unrestricted retained earnings which shall be payable in cash, property, or in stocks to all stockholders on the basis of outstanding stock held by them: x x x

Stock corporations are prohibited from retaining surplus profits in excess of one hundred (100%) percent of their paid-in-capital stock, except: (1) when justified by definite corporate expansion projects or programs approved by the board of directors; or (2) when the corporation is prohibited under any

loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its/his consent and such consent has not been secured; or (3) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation, such as when there is need for special reserve for probable contingencies.

4.2 Moreover, pertinent provisions of the Revised Implementing Rules and Regulations (IRR) to Republic Act (RA) No. 7656 dated January 26, 2016, states:

Section 4. Coverage

xxx Provided, finally, that Net Earnings derived from operations funded by monies not held in a fiduciary capacity by the above cited GOCCs shall be subject to declaration of dividends as herein required.

Xxx

Section 5. Dividends

Except as otherwise provided herein, all GOCCs covered by these Rules, regardless of shareholdings, shall annually declare and remit Dividends directly to the National Government in the name of the Treasurer of the Philippines in accordance with following guidelines:

On or before 15 May of each year, at least fifty percent (50%) of their Net Earnings, as Cash, Stock and/or Property Dividends to the National Government.

Xxx

4.3 As at December 31, 2021, the Equity account in the financial statements of LIBI has a balance of P1,312,044.690. This is composed of Retained Earnings (RE) and Share Capital amounting to P1,012,044,690.36 and P300,000,000, respectively. On April 28, 2022, LIBI's Board of Directors approved the declaration of cash dividends amounting to P96,474,244 or 50 per cent of the Net Earnings of LIBI for CY 2021. However, even after the declaration and remittance of the cash dividend, the Retained Earnings-Unappropriated still exceeded the Share Capital by P93,363,438.

4.4 The excess of RE over the Share Capital is recurring for the last three years as shown below:

Particulars	CY 2021	CY 2020	CY 2019
	(In Philippine Peso)		
Total Retained Earnings	1,012,044,690	898,744,139	813,414,488
Less: Appropriations	522,207,008	405,850,000	405,850,000
Retained Earnings - Unappropriated - Surplus Profits	489,837,682	492,894,139	407,564,488

Add: Retained Earnings –			
Appropriated for completed projects	0	173,000,000	0
Less: Amount declared for cash dividend for the relevant Dividend Year	96,474,244	74,984,977	62,767,419
Balance	393,363,438	590,909,162	344,797,069
Less: Share Capital	300,000,000	300,000,000	300,000,000
Excess of RE over the Share Capital	93,363,438	290,909,162	44,797,069

4.5 Inquiry with Management disclosed that the surplus profits in CYs 2019 to 2021 were intended for their continuous business expansion, office improvements, procurement of off-site building as part of their Business Continuity Plan, other contingencies due to the COVID-19 pandemic and the recent approval of their Compensation and Position Classification System. However, LIBI did not prepare and provide the audit team detailed appropriations and plans for the excess surplus. Moreover, review revealed that the timeline for the completion of various programs appropriated from RE spans to several years such that the yearly appropriations is not fully utilized, hence, the amounts appropriated from the Retained Earnings for projects and other purposes is more than the funding requirements.

4.6 It was further noted that the excess of Retained Earnings over the Share Capital amounting to P93,363,438 were without additional disclosures in the financial statements.

4.7 The retention of surplus profits in excess of 100 per cent of the paid-in capital stock of LIBI is contrary to Section 42 of the Corporation Code of the Philippines.

4.8 We recommended that Management:

- a. Consider the declaration of additional dividends and remit to the NG the surplus profits in excess of 100 per cent of the paid-in-capital stock in compliance with Sections 4 and 5 of the Revised IRR of RA No. 7656 dated January 26, 2016;
- b. Disclose in the financial statements the retention of surplus profits to comply with Section 42 of the Corporation Code of the Philippines; and
- c. Strictly comply with Section 42 of the Corporation Code of the Philippines, which prohibits the retention of surplus profits in excess of 100 per cent of the paid-in-capital stock of stock corporations.

4.9 Management explained that LIBI plans to use the P93,363,438 excess RE as an additional appropriation for other contingencies considering the effect of inflation which is now at 4.9 compared to 3.1 as of December 2021. This amount, including the reversals to be made for the Virtual Machine for Remote Access and Hiring of a Technical Writer for the Annual Report and Employee's Handbook, amounting to P1 million each, will barely cover the effect of inflation. Board approval will be secured for the necessary reversals and additional appropriation on the forthcoming Special Board meeting.

4.10 LIBI needs these appropriations for the projected business expansion in the following months and years based on the trend of production and financial attainments. These appropriations will greatly cater the enhancement of LIBI internal operations, as well as customer engagement mechanisms, to effectively discharge the mandate as a GOCC in providing insurance brokerage to the public.

4.11 As a rejoinder, unless LIBI provide detailed appropriations and plans with specific timelines and corresponding budgets for the intended purposes out of the excess surplus amounting to P93,363,438 in CY 2021, we maintain our recommendation to comply with Section 42 of the Corporation Code of the Philippines.

Gender and Development (GAD)

5. LIBI has not yet prepared its GAD Agenda 2020-2025, hence has no strategic framework and plan on gender mainstreaming, and achieving women's empowerment and gender equality contrary to PCW Memorandum Circular No. 2018-04.

5.1 PCW Memorandum Circular (MC) No. 2018-04 provides the guidelines and procedures in the formulation, implementation, monitoring, and evaluation of the multi-year GAD Agenda as basis for the annual GAD Plans and Budgets (GPB) of agencies.

5.2 The same Memorandum Circular provides that the GAD Agenda is the agency's strategic framework and plan on gender mainstreaming, and achieving women's empowerment and gender equality. It shall:

- a. serve as basis in identifying programs, activities, and projects to be undertaken to achieve the GAD goals and outcomes;
- b. provide the monitoring and evaluation (M&E) framework for assessing GAD results and outcomes that shall be the basis for strengthening the mainstreaming of a GAD perspective in the agency's operations and programs; and
- c. be formulated in a participatory, consultative and inclusive process. It shall consider the results from consultations with women target beneficiaries as well women's groups/organizations working on the sector and other concerned stakeholders, and the identified gaps resulting from gender analysis.

5.3 The GAD Agenda is a two-part document consisting of the GAD Strategic Framework (GADSF) and the GAD Strategic Plan (GADSP). The GADSF outlines the agency's GAD Vision, Mission and Goals anchored on the mandate of the agency, while GADSP defines the strategic interventions, indicators, and targets to be pursued to achieve GAD goals over a period of time. The timeframe of the GAD Agenda is six years.

5.4 Annex B of PCW Memorandum Circular 2018-04 dated September 19, 2018 prescribed the steps in formulating the GAD Agenda, as follows:

- Step 1: Organize the planning team
- Step 2: Conduct gender analysis
- Step 3: Set the agency's GAD vision and mission
- Step 4: Formulate the GAD goals
- Step 5: Prioritize gender issues and/or GAD mandates per GAD goal
- Step 6: Outline the GAD outcomes, indicators, baseline data, and targets per GAD goal
- Step 7: Translate the GAD outcomes into GAD programs, projects, and/or activities

5.5 As required by PCW, the GAD Focal Point System (GFPS) shall prepare the GAD Agenda 200-2025 and upload this through the Gender Mainstreaming Monitoring System (GMMS) in 2019.

5.6 The GFPS has not yet completed all the required steps in the formulation of the LBRDC GAD Agenda, hence the GAD Agenda 2020-2025 required under the PCW regulation was not yet prepared. As such the agency has no strategic framework and plan on gender mainstreaming, and achieving women's empowerment and gender equality. Management explained that it is only recently that they became aware of the requirement of PCW and their focus was mainly on the preparation of GPB. The Head of the GAD-TWG commented that despite the non-preparation of the GAD Agenda, GAD issues included in the GPB were identified from the results of gender analysis conducted and contained in the Gender Mainstreaming Evaluation Framework.

5.7 Management committed to prepare and submit the GAD Agenda 2020-2025 as it is one of the GAD activities in CY 2022.

5.8 The non-preparation of the GAD Agenda 2020-2025 is contrary to PCW MC No. 2018-04.

5.9 We recommended and Management agreed to require the GFPS to prepare the GAD Agenda 2020-2025 and submit to PCW in accordance with PCW Memorandum Circular No. 2018-04.

6. The GAD Budget for CY 2021 is only 1.38 per cent of LIBI's board-approved Corporate Operating Budget (COB) for CY 2021 contrary to PCW-NEDA DBM Joint Circular No. 2012-01 and PCW Memorandum Circular No. 2020-05, hence was not endorsed by PCW.

6.1 PCW-NEDA-DBM Joint Circular No. 2012-01 prescribes the guidelines and procedures for the formulation, development, submission, implementation, monitoring and evaluation including accounting of results of agency annual GAD Plan and Budget (GPB) and GAD accomplishment reports (AR).

6.2 The same Joint Circular provides that GAD planning and budgeting shall be conducted annually as part of all programming and budgeting exercises of agencies. The programs, activities and projects in the GPB shall be included in the agency budget

proposal and they shall be reflected in the Annual Work and Financial Plan of concerned offices or units within the agency or department. Further, the GAD budget, which is the cost of implementing the GAD plan, shall form part, and is not in addition to the agencies' approved budget.

6.3 Moreover, PCW issued Memorandum Circular No. 2020-05 dated September 11, 2020 on the Preparation and Online Submission of Fiscal Year (FY) 2021 GPB. Presented below are pertinent provisions of MC No. 2020-05:

a. *Paragraph 1.2.2.1*

As provided under Section 36(a) of the MCW, the GAD budget, which is the cost of implementing GAD programs, shall be at least five percent (5%) of the agency's total budget appropriations. As such, GPBs that do not meet the minimum 5% requirement shall not be reviewed nor endorsed by PCW. xxx

b. *Paragraph 1.2.2.1.1*

The GAD budget may be drawn from the agency's maintenance and other operating expenses (MOOE), capital outlay (CO), and/or personnel services (PS).

c. *Paragraph 1.2.2.1.4*

For GOCCs, the computation of the minimum five percent (5%) requirement shall be based on their corporate operating budget (COB).

d. *Paragraph 1.2.5.1*

PCW shall endorse the FY 2021 GPB if (1) the minimum five percent (5%) GAD Budget requirement has been met, and (2) the agency has complied with all the requested revisions (if any) in the GPB within the prescribed deadline.

e. *Paragraph 1.2.5.2*

For GPBs that have been returned by PCW for revision or enhancement, agencies may revise and resubmit their GPB twice to PCW to comply with the requirements requested for the plan's endorsement. On the third round of the submission of the GPB, PCW shall make the final decision as to the GPB's endorsement or non-endorsement.

6.4 Under the PCW MC, the deadline for encoding and submission of FY 2021 GPBs of GOCCs through the Gender Mainstreaming Monitoring System (GMMS) is November 10, 2020. Series of electronic mails between LIBI and PCW showed that LIBI submitted their GPB for FY 2021 on November 10, 2020 and was returned by PCW on March 17, 2021 with recommendations for enhancement and resubmission before March 22, 2021. LIBI claimed that they submitted the revised GPB along with the requested documents within the deadline of March 22, 2021 but according to PCW and, log details extracted from the GMMS, the GPB for CY 2021 was not endorsed.

6.5 The approved COB of LIBI for CY 2021 amounting to P454,578,705 is broken down as follows:

Particulars	Budget for CY 2021 (Peso)
Personnel Services	39,849,107
Maintenance and Other	35,261,557
Operating Expenses(MOOE)	
Financial Expenses	248,210
Non-Cash Expenses	10,719,831
Capital Outlay	368,500,000
Total COB CY 2021	454,578,705

6.6 Review of the 2021 GPB was made and it was noted that the GAD Budget of P6,261,554.40 was only 1.38 per cent of the approved COB. The amount allocated to GAD was not computed on the total Personnel Services, MOOE and Capital Outlay for CY 2021, hence, the requirement of at least five per cent of the total COB was not complied with.

6.7 Further, the GAD Budget was reduced to P4,586,129 or only 1.01 per cent of the COB for CY 2021 due to various adjustments and exclusion of two attributed programs, per advice of PCW.

6.8 Management asserted that the PCW had no comment and/or recommendation to include the amount of Capital Outlay in the computation of GAD budget as basis for the five per cent requirement, hence, they had the presumption of regularity and that they are compliant with the requirement of the PCW regulation.

6.9 Under the PCW regulation, GPBs that do not meet the minimum five per cent requirement shall not be reviewed nor endorsed by PCW. The absence of a PCW-endorsed GPB for 2021 is an indication that the budget reflected in the GPB submitted is not compliant with the minimum requirement.

6.10 The GAD budget for 2021 which was not computed on the total personnel services, MOOE and capital outlay of LIBI, hence, is below five per cent of the LIBI's board-approved COB for CY 2021 contrary to PCW-NEDA-DBP Joint Circular No. 2012-01 and PCW Memorandum Circular No. 2020-05.

6.11 We recommended and Management agreed to allocate GAD budget of at least five (5) per cent of the board-approved COB of the relevant year in compliance with PCW-NEDA-DBP Joint Circular No. 2012-01 and PCW Memorandum Circular No. 2020-05.

7. Several programs and activities included in the 2021 GPB were not accomplished resulting in a low budget utilization rate of only 47.89% of the GAD budget of P4,586,129.64 in CY 2021.

7.1 PCW-NEDA-DBM Joint Circular No. 2012-01 prescribes the guidelines and procedures for the formulation, development, submission, implementation, monitoring

and evaluation including accounting of results of agency annual Gender and Development (GAD) Plan and Budget (GPB) and GAD Accomplishment Reports (AR).

7.2 The same Joint Circular provides that GAD planning and budgeting shall be conducted annually as part of all programming and budgeting exercises of agencies. The programs, activities and projects in the GPB shall be included in the agency budget proposal and they shall be reflected in the Annual Work and Financial Plan of concerned offices or units within the agency or department. Further, the GAD budget, which is the cost of implementing the GAD plan, shall form part, and is not in addition to the agencies' approved budget.

7.3 Item 6.3 of the same Joint Circular state the following:

The utilization and outcome of the GAD budget shall be annually monitored and evaluated in terms of its success in influencing the gender-responsive implementation of agency programs funded by the remaining ninety-five percent (95%) budget.

7.4 Review of the prepared GAD-AR of LIBI for CY 2021 disclosed that only 47.89% or P2,196,068.32 of the revised GAD budget of P4,586,129 was utilized in CY 2021.

7.5 LIBI explained that the major reason for the low budget utilization rate in 2021 is that most of the GAD activities included in the GPB cannot be implemented due to the restrictions imposed by the National Government for the duration of the COVID19 pandemic in 2021. However, review of the GPB and the GAD AR disclosed that there are various GAD Projects such as seminars and orientations on GAD-related issues which can be done through virtual conferences. These activities were reported not accomplished during the year, hence the low budget utilization.

7.6 Further, there were activities partially accomplished in CY 2021, but the actual costs incurred were not reflected in the GAD AR. The GAD major programs and activities of LIBI not accomplished in 2021 resulted in the low utilization of GAD budget.

7.7 We recommended and Management agreed to exert effort to accomplish all the activities in the GPB to maximize the utilization of GAD budget.

Compliance with tax laws

8. The Corporate Tax amounting to P49.407 million, taxes withheld from the compensation and benefits of LIBI personnel and those withheld from suppliers amounting to P2.234 million and P3.407 million, respectively, and VAT totaling P32.079 million, as disclosed in Note 26 to the Financial Statements, were remitted to the Bureau of Internal Revenue within the reglementary period.

SSS Contributions and Remittances

9. In 2021, LIBI complied with Republic Act No. 8282 on the collection and remittance of contributions to SSS as follows:

- a. Mandatory monthly contribution of covered employees and employer in accordance with Section 18, and
- b. Remittance of employees' and employer's contributions and employees' compensation premium within the due date pursuant to Section 19.

Philhealth and Pag-ibig Premiums

10. In 2021, LIBI complied with Title III Rule III, Section 18 of the Implementing Rules and Regulations of R.A. No. 7875, as amended, in the payment of national health insurance premium contributions to the Philhealth.

LIBI also complied with Rule VII, Section 3 of the Implementing Rules and Regulations of R.A. No. 9679 in the collection and remittance of contributions to the Pag-ibig Fund in 2021.

Status of Disallowances, Suspensions and Charges

11. The Notice of Disallowance (ND) No. LBP-Subs. 2008-015 (2002-2003) issued on August 11, 2008 in the amount of P1.697 million pertaining to the payment of additional allowances and benefits of LBP Officials acting as Officers/Board of Directors of LIBI was affirmed under COA Decision No. 2012-018 dated February 16, 2012.

A Motion for Reconsideration to the Commission was filed by LBP on March 19, 2012, however, it was denied under COA Resolution dated April 4, 2014 for lack of merit. Subsequently, the Legal Services Group, LBP, filed a Petition for Certiorari before the Supreme Court (SC) on August 4, 2014 on the aforementioned COA Resolution.

On October 5, 2021, LBP received the Supreme Court Notice of Judgment with the Decision where the Petition for Certiorari filed by LBP and LIBI, LBRDC, LLFC, MSI and LCDFI (collectively referred to as the "Subsidiaries") was DISMISSED. In the said Decision, the members of LBP subsidiaries' board of directors, as erring approving officers, are held solidarily liable for the return of the disallowed amount under ND No. LBP-Subs. 2008-015 (2002-2003), while the payees are individually liable for the return of the disallowed amounts they respectively received.

As the last available legal remedy, as of March 3, 2022, the Legal Services Group of LBP will file for Motion for Reconsideration on the above SC En Banc Decision.

PART III

**STATUS OF IMPLEMENTATION OF PRIOR
YEARS' AUDIT RECOMMENDATIONS**

**STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT
RECOMMENDATIONS**

Out of the six audit recommendations embodied in the prior years' Annual Audit Reports, two were fully implemented and four were not implemented. Of the four unimplemented audit recommendations, two were reiterated with modifications in Part II of the Report, one was dropped since the audit recommendation was already overtaken by events and no longer applicable, and one is presented below:

References	Audit		Status of Implementation
	Observations	Recommendations	
CY 2014 AAR/ AOM No. 2/ Pages 33 to 36	The unexpired insurance premium pertaining to the Credit Life Insurance (CLI) covering LBP's Employee Salary Loan (ESL) and the related service fee totaling P40.876 million and P9.024 million, respectively, have not been collected from Philippine Prudential Life Insurance Company, Inc. (PPLICI), an insurance company under conservatorship, due to LIBI's discontinuance of business with the former without prior written notification, which could result in financial loss to LIBI.	Continuously coordinate with the Insurance Commission to expedite the collection of the insurance premium receivable amounting to P40,876,291 and the corresponding accrued service fee of P9,023,564.	Not implemented. According to Management, the process of collection is still on hold pending further advice from the Insurance Commission since PPLICI is under receivership to date. According to the Insurance Commission (IC), the PPLICI is under receivership since September 2017. As per latest update on the case, the OGCC filed a Memorandum on February 1, 2022 in accordance with the December 10, 2021 Order. After the submission of the parties' respective Memoranda, the case shall be deemed submitted for resolution.