# MINUTES OF THE ORGANIZATIONAL MEETING

OF THE BOARD OF TRUSTEES OF

# PAGASA NG PINOY MUTUAL BENEFIT

# ASSOCIATION, INC. (PPMBAI)

The regular meeting of the Board of Trustees of PagASA ng Pinoy Mutual Benefit Association, Inc. was held at the 7th Floor, Jenkinsen Tower, No. 80 Timog Avenue, Quezon City on October 21, 2021 at 1:00 p.m.

Present:

Genaro L. Kong

Jonnette C. Almanzar

Eufrecina T. De Jesus

Sheen Ray U. Acosta

Ken Albert G. Bayudan

Joan S. Alfarero

Atty. Joselito D. Fernandez

Julieta Macaoay (via teleconference)

Delia B. Villalon

Lolita Avenido (via teleconference)

Elizabeth A. Loot (via teleconference)

Marilyn Largo (via teleconference)

Leslie S. Embradora (via teleconference)

Ricardo P. Lirio

Reena Concepcion G. Obillo

Also Present:

TIM Fakruzzaman (via teleconference)

Md. Shamsul Hasan

Md. Azizur Rahman (via teleconference)

Richard Jeremy L. Tabudlo

Noel D. Madriaga

Atty. Josef Bertrand L. Arquero

**CALL TO ORDER**

The President, Mr. Genaro L. Kong, acting as Chair called the meeting to order and thereafter presided. The Corporate Secretary, Atty. Joselito D. Fernandez, recorded the minutes thereof.

**CERTIFICATION OF QUORUM**

The Corporate Secretary certified that notices and agenda of the regular meeting of the Board were sent to all the trustees and that a quorum existed for the transaction of business.

OPENING REMARKS AND PRAYER

Consultants from PPFC, Messrs. Md. Azizur Rahman and Md. Shamsul Hasan also delivered their respective opening remarks and salutations to all members and guests present. An opening prayer followed with PPMBAI’s Treasurer, Ms. Eufrecina T. De Jesus (“Treasurer De Jesus”) leading the invocation.

READING AND APPROVAL OF THE

MINUTES OF THE PREVIOUS MEETING

The Chairman/President summarized the highlights of the minutes of the organizational meeting of the Board of Trustees last August 5, 2021. The members of the Board were given time to go over the minutes of the meeting for any comments.

Upon motion made and duly seconded, it was unanimously

“RESOLVED, as it is hereby resolved, that the minutes of the organizational meeting of PPMBAI’s Board of Trustees held on August 5, 2021, be approved and ratified.”

OPERATIONAL UPDATES FOR THE

THIRD QUARTER 2021

The Chairman/President apprised the Board on the status of the study conducted by the actuarial firm (Asian Actuaries, Inc.) on the proposed Expanded Hospitalization Care Assistance (“HCA”) as discussed during the previous Board meeting.

According to the Chairman/President, the actuarial firm already submitted its report on the Expanded HCA and recommended for an additional premium amount of ₱250.00 for qualified spouse/dependents, on top of the ₱100.00 premium for the member. The premium rate will cover an unlimited number of qualified dependents. The PPMBAI had already submitted its application for Expanded HCA to the Insurance Commission (“IC”) on the basis of the actuarial report.

The Chairman/President mentioned that the Expanded HCA was pilot-tested in 27 branches from September 1 to 30, 2021. Consultant Md. Shamsul Hasan proposed for a longer period for a longer observation period to enable more members to become aware of the Expanded HCA. The Chairman/President clarified that the Expanded HCA cannot be implemented yet nationwide as the same has not been approved by the IC, and only limited pilot-testing so far, was conducted. The pilot testing in 27 branches, however, was only able to yield a total number of 127 availments, indicating lukewarm acceptance from the members. Consultant Md. Azizur Rahman asked whether the premium ₱400.00 for the Expanded HCA during the pilot-testing already includes the ₱100.00 original HCA premium for the member? The Chairman/President replied that it is already included. However, since the actuarial report proposed for a total of ₱350.00 total HCA premium for the member and unlimited number of qualified dependents, thus, the premium for the dependents is only ₱250.00, which as earlier clarified by the Chairman/President is only optional, meaning, the member may choose to avail or not.

Independent Trustee Rina Concepcion Obillo (“Independent Trustee Obillo”) proposed for the nanay trustees to provide their updates on the reception by the members to the Expanded HCA in their respective branches. The nanay trustees provided their feedback and it was gathered that there was generally lack of interest among the members in the product as they found it expensive, while some of the members no longer have qualified spouses/dependents to enroll that would justify their availment of the Expanded HCA. Independent Trustee Ricardo P. Lirio (“Independent Trustee Lirio”) inquired whether the ₱50.00 excess premium charged during the pilot-testing of the Expanded HCA would still be refunded to the borrowers, the Chairman/President responded in the negative.

THE PRESIDENT’S REPORT ON PPMBAI’S

OPERATIONAL PERFORMANCE

The Chair/President presented to the Board, the operational data for the 9-months ended September 30, 2021 (“Q3 2021”) vis-à-vis the 9-months ended September 30, 2020 (“Q3 2020”). The following premium/fee collections were disclosed, to wit:

| **PRODUCT/SERVICE COLLECTION** | | |
| --- | --- | --- |
| **YEAR** | **ADMISSION FEE** | |
| **Premium Collection** | **Members Collected** |
| As of the 9-months ended September 30, 2020 | ₱8,437,400 | 84,374 |
| As of the 9-months ended September 30, 2021 | ₱10,359,651 | 103,597 |
| % Increase (Decrease) | 22% | 22% |

| **PRODUCT/SERVICE COLLECTION** | | | |
| --- | --- | --- | --- |
| **YEAR** | **BASIC LIFE INSURANCE PLAN (BLIP)** | | |
| **Active Members** | **Premium Collection** | **Members Collected** |
| As of the 9-months ended September 30, 2020 | 201,635 | ₱78,637,068 | 201,634 |
| As of the 9-months ended September 30, 2021 | 212,143 | ₱117,278,244 | 300,713 |
| % Increase (Decrease) | 5% | 49% | 49% |

| **PRODUCT/SERVICE COLLECTION** | | | |
| --- | --- | --- | --- |
| **YEAR** | **CREDIT LIFE INSURANCE PLAN (CLIP)** | | |
| **Active Members** | **Premium Collection** | **Members Collected** |
| As of the 9-months ended September 30, 2020 | 201,634 | ₱16,213,526 | 201,634 |
| As of the 9-months ended September 30, 2021 | 212,143 | ₱24,524,148 | 300,713 |
| % Increase (Decrease) | 5% | 51% | 49% |

The Chairman/President noted that the year 2020 was basically not a comparable year as the PPMBAI did not earn revenues for about 3 to 4 months during that year. Generally, fee/premium collections for Admission Fees, BLIP, and CLIP have exceeded the Q3 2020 figures, particularly the premium collections for BLIP, which almost doubled, for which the Chairman/President construed as encouraging signs of recovery of its partner MFI (PPFC), and also that of PPMBAI as a result. The Chairman/President added the increases also indicates that the borrowers-members are already coming back to its partner MFI and the result shows that PPMBAI’s operations is returning back to normal.

| **PRODUCT/SERVICE COLLECTION** | | | |
| --- | --- | --- | --- |
| **YEAR** | **RETIREMENT SAVINGS FUND (RSF)** | | |
| **Active Members** | **Premium Collection** | **Members Collected** |
| As of the 9-months ended September 30, 2020 | 96,182 | ₱24,683,370 | 189,872 |
| As of the 9-months ended September 30, 2021 | 205,816 | ₱37,945,213 | 291,886 |
| % Increase (Decrease) | 113% | 54% | 54% |

The Chairman/President noted the RSF posted a huge jump in terms of collections and membership, with premium collections of ₱37 million or an increase of 54% as of Q3 2021 as compared with Q3 2020 figures.

| **PRODUCT/SERVICE COLLECTION** | | | |
| --- | --- | --- | --- |
| **YEAR** | **HOSPITALIZATION CARE ASSISTANCE** | | |
| **Active Members** | **Premium Collection** | **Members Collected** |
| As of the 9-months ended September 30, 2020 | 198,914 | ₱19,891,394 | 198,914 |
| As of the 9-months ended September 30, 2021 | 212,334 | ₱30,065,613 | 300,656 |
| % Increase (Decrease) | 7% | 51% | 51% |

Similarly, for the HCA, the Chairman/President noted an increase in membership, with premium collections amounting to ₱30 million or an increase of 51% as Q3 2021 as compared with Q3 2020 figures.

As for members’ claims, for the Q3 2021 as compared to Q3 2020, the number of claims and claims payments posted generally substantial increases. The following claims, equity return, and benefit payments were disclosed, to wit:

| **CLAIMS, EQUITY RETURN, AND BENEFIT PAYMENT** | | | | |
| --- | --- | --- | --- | --- |
| **CLAIMS** | **BASIC LIFE INSURANCE (BLIP)** | | **CREDIT LIFE INSURANCE (CLIP)** | |
| **YEAR** | **No. of Claims** | **Claims Payment** | **No. of Claims** | **Claims Payment** |
| As of the 9-months ended September 30, 2020 | 43,174 | ₱59,668,017 | 387 | ₱4,472,226 |
| As of the 9-months ended September 30, 2021 | 70,884 | ₱75,994,063 | 548 | ₱12,326,860 |
| % Increase (Decrease) | -64% | -27% | -42% | -176% |

The Chairman/President attributed the huge jump in BLIP claims due to the fact that the PPMBAI was not able to process claims for almost 3 months in 2020, thus, it is only in 2021 that the claims may have been processed, again noting that the year 2020 was not a comparable year. He also observed the significant increase in CLIP, which said increase may also be the likely result of the 3 months in 2020 that there have been no transactions on account of the outbreak of the covid-19 pandemic.

| **CLAIMS, EQUITY RETURN, AND BENEFIT PAYMENT** | | | | |
| --- | --- | --- | --- | --- |
| **CLAIMS** | **RETIREMENT SAVINGS FUND** | | **HOSPITALIZATION CARE ASSISTANCE** | |
| **YEAR** | **No. of Claims** | **Claims Payment** | **No. of Claims** | **Claims Payment** |
| As of the 9-months ended September 30, 2020 | 37,435 | ₱16,648,340 | 2,273 | ₱3,316,600 |
| As of the 9-months ended September 30, 2021 | 60,880 | ₱24,916,419 | 2,050 | ₱3,466,100 |
| % Increase (Decrease) | -63% | -50% | 10% | -5% |

The Chairman/President likewise noted increase in claims for retirement savings fund from ₱16.6 million in Q3 2020 to ₱24.9 million in Q3 2021, indicating a big number of drop-outs from the program. As for HCA, there was only a slight increase in claims. For HCA claims to be paid, it is required that the member must have been confined in a hospital, the Chairman/President explained. It appears that the members may have been hesitant against hospital confinement for fear of getting covid-19, which partly explains the drop in the number of HCA claims.

Thereafter, the Chairman/President presented the breakdown of the payment for BLIP into equity returns and death benefits, to wit:

| **YEAR** | **BASIC LIFE INSURANCE (BLIP) – Claims and Benefit Payment** | | |
| --- | --- | --- | --- |
| **Equity Return** | **Death Benefit** | **Total** |
| 3rdQuarter 2020 | ₱31,035,012 | ₱28,633,005 | ₱59,668,017 |
| 3rd Quarter 2021 | ₱43,787,166 | ₱32,206,897 | ₱75,994,063 |

Similarly, the equity returns and death benefits were further broken down as to how much went to payments for members and their dependents as of Q3 2021, to wit:

| 3rd Quarter 2021 | | | | | | |
| --- | --- | --- | --- | --- | --- | --- |
| BENEFIT PAID TO | Equity Return | | Death Benefit | | TOTAL | |
| No. of Claims | Amount | No. of Claims | Amount | Number of Claims | Amount |
| Dependent | - | ₱ 0 | 932 | ₱9,981,245 | 932 | ₱9,981,245 |
| Member | 69,404 | ₱43,787,166 | 548 | ₱22,225,651 | 69,952 | ₱66,012,817 |
| TOTAL | 69,404 | ₱43,787,166 | 1,480 | ₱32,206,897 | 70,884 | ₱75,994,063 |

PROPOSAL FOR AN ACTUARIAL REVIEW

ON THE ADEQUACY OF THE CURRENT BLIP

PREMIUM RATE

Moving on to the next item in the agenda, the Chairman/President presented to the Board, the ratio of members’ claims versus collections. For BLIP, the ratio is 27% while for HCA, it is 11%. As per IC rules, the ratio of claims payments related to death must not exceed 30% of the total revenues, otherwise, an actuarial study must be conducted and accordingly, the PPMBAI must seek approval from the IC for an increase in premiums. Since the BLIP claims ratio to revenues is almost near the ceiling of 30%, the Chairman/President hinted that now may be the appropriate time for an actuarial review in order for PPMBAI to be properly guided in coming up with a sound decision on whether there is a need to raise premiums but clarified, however, that it does not mean that BLIP premium would automatically be increased as it still would depend on the decision of its partner MFI.

Consultant TIM Fakruzzaman (“Consultant Fakruzzaman”), President & CEO of PPFC, supported the Chairman/President’s proposal for an actuarial study. Independent Trustee Obillo likewise voiced her support for the proposal, saying that it would be appropriate to conduct an actuarial study to make the premiums more responsive. Treasurer De Jesus equally agreed with the proposal saying that the 27% BLIP claims ratio to revenues is already critical for PPMBAI. No objections to the proposal were raised by the other members of the Board.

Upon motion made and duly seconded, it was unanimously

“RESOLVED, as it is hereby resolved, to authorize the conduct of an actuarial study by the actuarial firm on the PPMBAI’s BLIP product, for the purpose of determining the adequacy of the current rate of premium.”

THE PRESIDENT’S REPORT ON PPMBAI’S

FINANCIAL PERFORMANCE

The Chair/President/President presented an overview of the MBA’s financial standing. Assets, liabilities, and fund balance as of September 30, 2021, in relation to figures as of December 31, 2020. The Chair/President noted that the total assets, total liabilities, and fund balance have posted increases as of September 30, 2021, as compared with the December 31, 2020, figures, to wit:

|  |  |  |
| --- | --- | --- |
|  | **As of** | |
|  | **September 30, 2021** | **December 31, 2020** |
| **Assets** |  |  |
| Cash and Cash in Banks | ₱264,811,478 | ₱153,447,510 |
| Time Deposits | 238,841,572 | 358,006,217 |
| FVPL Investments | 4,405,320 | 4,405,320 |
| HTM Investments | 18,299,409 | 0 |
| Receivables | 113,353,213 | 24,050,914 |
| Property and Equipment | 4,496,516 | 5,220,890 |
| Other Assets | 638,499 | 395,987 |
| **Total Assets** | **₱644,846,007** | **₱545,526,838** |
|  |  |  |
| **Liabilities** |  |  |
| Due to Members (Equity and RSF) | ₱469,828,763 | ₱439,658,697 |
| Reserve for Insurance Liability | 32,471,743 | 23,549,322 |
| Hospitalization Care Assistance | 9,374,159 | 6,615,107 |
| Other Liabilities | 72,161,240 | 21,525,447 |
| **Total Liabilities** | **₱583,835,904** | **₱491,348,573** |
|  |  |  |
| **Fund Balance** | **₱61,010,103** | **₱54,178,265** |

The Chairman/President explained that the increase in assets was attributable to the increased premium collections.

For the Q3 2021, gross revenues were higher compared with the full year of 2020. The President/Chairman projected an increase of 150% over the year 2020 figures in terms of revenues.

| **FINANCIAL PERFORMANCE (In Php)** | **For the 9-months ended September 30, 2021** | **For the year 2020** | **For the year 2019** |
| --- | --- | --- | --- |
| **Revenue** | **₱182,265,650** | **₱173,471,990** | **₱236,750,850** |
|  |  |  |  |
| **Benefits and Expenses** |  |  |  |
|  |  |  |  |
| Insurance Benefit Expenses | 123,202,480 | 88,654,272 | 149,319,682 |
| Reimbursement of Expenses | 20,990,895 | 19,673,989 | 25,193,359 |
| General and Administrative Expenses | 31,240,437 | 62,630,098 | 50,679,261 |
| **Total** | **175,433,812** | **170,958,359** | **225,192,302** |
| **Income before final tax** | **6,831,838** | **2,513,631** | **11,558,548** |
| **Final Tax** | **-** | **1,242,889** | **2,333,312** |
| **Excess of Revenue over Expenses** | **₱6,831,838** | **₱1,270,742** | **₱9,225,236** |

Independent Trustee Lirio noticed a big drop in General and Administrative Expenses in Q3 2021 as compared to full year of 2020. The Chairman/President explained that the drop was due to the absence of the partner MFI’s activities/programs such as Development Officers’ Gathering, Group Leaders’ Gathering, and the Annual General Membership meeting of borrower-members to which the PPMBAI share in the expenses of the activities.

|  | **As of** | | |
| --- | --- | --- | --- |
| **INSURANCE LIABILITIES AND RESERVE** | **September 30, 2021** | **December 31, 2020** | **December 31, 2019** |
| Reserves for Member’s Equity Value | ₱324,001,295 | ₱306,809,362 | ₱294,720,599 |
| Retirement Savings Fund | 145,827,468 | 132,849,335 | 121,774,358 |
| **Total Liabilities – To Members** | **₱469,828,763** | **₱439,658,697** | **₱416,494,957** |
|  |  |  |  |
| Reserves for Basic Life Insurance | ₱15,992,377 | ₱11,381,875 | ₱15,233,663 |
| Reserves for Credit Life Insurance | 5,645,027 | 3,680,655 | 8,721,092 |
| Policy and Contract Claims Payable | 10,834,339 | 8,486,791 | 15,885,635 |
| **Total Reserve Liabilities** | **₱32,471,743** | **₱23,549,322** | **₱39,840,390** |
|  |  |  |  |
| **GRAND TOTAL** | **₱502,300,505** | **₱463,208,018** | **₱456,335,347** |

| **GUARANTY FUND AND RISK BASED CAPITAL REQUIREMENT** | **As of December 31, 2020** |
| --- | --- |
| TOTAL GUARANTY FUND AS REQUIRED UNDER IMC NO. 2-2006 (IC REQUIREMENT) | ₱48,750,227 |
| TOTAL GUARANTY FUND DEPOSITED WITH IC – GOV’T. BONDS AND DEPOSIT CERTIFICATES | 49,005,785 |
| **EXCESS (DEFICIENCY) IN GUARANTY FUND** | **₱255,558** |
| Risk Based Capital (RBC) Ratio Requirement per IC | Should not be lower than 125% |
| **PPMBAI RBC – As calculated** | **277%** |
| PPMBAI RBC – As previously verified by IC (2019) | **195%** |

**OPEN FORUM**

The other Members of the Board were allotted time individually by the Chair/President to provide their updates. Treasurer De Jesus facilitated the open forum.

The nanay trustees were asked by Treasurer De Jesus if they already received vaccination. The feedback gathered from the nanay trustees indicated that not all of them have already been vaccinated for various reasons.

For her part, nanay trustee Marilyn Largo relayed her concern on the delay over the processing of death claim of a certain borrower-member at her branch in Digos. The Chairman/President took note of the particular member and promised to look into the cause of delay in the processing of the member’s claim.

Moreover, the President Chairman mentioned that he had already previously given instructions to General Manager Noel D. Madriaga (“GM Madriaga”) to conduct an analytical study on the likely causes of delay in claims processing. Considering the handling of claims documents passes through different levels starting from the Development Officers going to the Branch Managers and then to the Claims & Underwriting Officers before it finally reaches PPMBAI’s head office, thus, it requires a thorough review to identify where the bottlenecks in the processing transpires. The Chairman/President directed GM Madriaga to render a report to the Board on the results of his study during next scheduled Board meeting.

**CLOSING REMARKS**

Consultant TIM Fakruzzaman (“Consultant Fakruzzaman”), President & CEO of PPFC, gave his closing remarks. He mentioned that his agenda was regarding the updates on the current status of vaccination of borrowers-members and the National ID (“NID”). As for the NID, Consultant Fakruzzaman exhorted the Chairman/President and MFI’s Operations to continue to gather more data from the branches. Likewise, Consultant Fakruzzaman said that he fully supports the Chairman/Presidents earlier proposal in conducting a study on the adequacy of the current rate of premium for PPMBAI’s products, particularly the BLIP, and called on GM Madriaga to present analytical data both individual and product-wise to provide both the MFI and PPMBAI a clear idea on where it is moving to. Both Consultant Fakruzamman and the Chairman/President agreed for GM Madriaga to present the analytical data to the members during the next scheduled Board meeting. As for the HCA, Consultant Fakruzzaman stated that it was a good product and asked that more time be allotted to analyze the proposed Expanded HCA product since it allows for an unlimited number of qualified dependents.

Consultant Fakruzzaman noted that PPMBAI’s financial data remained very good despite the current pandemic and thanked the members of the Board, the Independent Trustees, PPMBAI’s management and those working in the field, and the MFI’s staff for their contributions to make things positive even with huge number of problems and limitations.

Likewise, Consultant Fakruzzaman reiterated his previous request for the nanay trustees to visit at least 1 to 2 borrower groups and to ask the members on what they like, what they do not like, etc. and to provide their report on the feedback gathered from the field during next scheduled Board meeting. The Chairman/President proposed that at least one month before the next Board meeting, the PPMBAI will send to the nanay trustees a letter containing the agenda regarding matters that they need to ask, as well as their own agenda so that they could be properly guided. GM Madriaga shall take charge of providing the letter to the nanay trustees and instruct them to visit at least 2 borrower groups.

Finally, Consultant Fakruzzaman inquired from the nanay trustees on the status of vaccination at least from their respective groups. Only nanay trustee Josephine Cariso (“Nanay Trustee Cariso”) was asked to provide feedback and she disclosed that not all members from her group had been vaccinated as only senior citizens were given priority in the vaccination at their locality. The Chairman/President advised Nanay Trustee Cariso to check with their local government unit as the vaccination drive of the government is now open to the general public regardless of age or health status.

**ADJOURNMENT**

There being no further business to transact, on motion duly made and seconded, the meeting was adjourned.

CERTIFIED CORRECT:

**(SGD.) JOSELITO D. FERNANDEZ**

Secretary of the Meeting

ATTEST:

|  |  |
| --- | --- |
| **(SGD.) GENARO L. KONG**  Trustee / President  Chairman of the Meeting | **(SGD.) JONNETTE C. ALMANZAR**  Trustee / Vice President |
| **(SGD.) EUFRECINA T. DE JESUS**  Trustee / Treasurer | **(SGD.) JOSELITO D. FERNANDEZ**  Trustee / Corporate Secretary |
| **(SGD.) KEN ALBERT G. BAYUDAN**  Trustee | **(SGD.) JOAN S. ALFARERO**  Trustee |
| **(SGD.) SHEEN RAY U. ACOSTA**  Trustee | **(SGD.) JULIETA MACAOAY**  Trustee |
| **(SGD.) DELIA B. VILLALON**  Trustee | **(SGD.) JOSEPHINE B. CARISO**  Trustee |
| **(SGD.) LOLITA AVENIDO**  Trustee | **(SGD.) LESLIE S. EMBRADORA**  Trustee |
| **(SGD.) MARILYN LARGO**  Trustee | **(SGD.) RICARDO P. LIRIO**  Independent Trustee |
| **(SGD.) REENA CONCEPCION G. OBILLO**  Independent Trustee | |