

MINUTES OF THE ORGANIZATIONAL AND
REGULAR MEETING OF THE BOARD OF TRUSTEES OF
**PAGASA NG PINOY MUTUAL BENEFIT
ASSOCIATION, INC. (PPMBAI)**

The organizational and regular meeting of the Board of Trustees of PagASA ng Pinoy Mutual Benefit Association, Inc. for the Third Quarter of 2023 was held at the 7th Floor, Jenkinsen Tower, No. 80 Timog Avenue, Quezon City on October 17, 2023, at 2:00 p.m.

Present:

Genaro L. Kong
Jonnette C. Almanzar
Eufrecina T. De Jesus
Joselito D. Fernandez
Md. Shamsul Hasan
Joan S. Alfarero
Sheen Ray U. Acosta
Joan D. Madriaga
Lorna D. Dalere
Jocelyn S. Pavia
Arlene A. Catolico
Zorabel G. Asuncion
Emelita B. Bordaje
Ricardo P. Lirio
Reena Concepcion G. Obillo

Also Present:

TIM Fakruzzaman (via videoconference)
Khristopher Ian D. Magboo
Richard Jeremy L. Tabudlo
Noel D. Madriaga

CALL TO ORDER

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

OPENING PRAYER

Trustee and Treasurer Eufrecina T. De Jesus led the opening invocation.

CERTIFICATION OF NOTICE AND QUORUM

The Corporate Secretary certified that a quorum existed for the meeting to proceed.

REINTRODUCTION OF THE MEMBERS OF THE PPMBAI BOARD OF TRUSTEES AND MANAGEMENT TEAM

All the members of PPMBAI's Board of Trustees and management team took the opportunity to reintroduce themselves, with a special focus on the newly elected Nanay Trustees who were all present at the meeting. The Nanay Trustees had the opportunity to introduce themselves to the other members of the Board and the PPMBAI management team.

READING AND APPROVAL OF THE MINUTES OF THE PREVIOUS MEETING

The Chairperson/President delivered an account of the matters discussed during the previous meeting and gave the members of the Board time to go over the minutes of the regular meeting of the Board of Trustees last August 14, 2023, for their comments/inputs. Thereafter, the entirety of the minutes was deemed to be a faithful recording of what transpired during the said meeting.

Upon motion made and duly seconded, it was unanimously

"RESOLVED, as it is hereby resolved, that the minutes of the regular meeting of PPMBAI's Board of

Trustees held on August 14, 2023, be approved and ratified.”

OPERATIONAL UPDATES

The Chairperson/President apprised the Board that the Insurance Commission (“IC”) had already approved the increase of Basic Life Insurance Plan (“BLIP”) premium from the current ₱390 to ₱440. The Chairperson/President explained, however, that the management, subject to the concurrence of the Board, has decided not to implement the increase yet in consideration of current economic conditions, such as rising commodity prices. The Chairperson/President asked for the board members’ opinion on the matter. The all the board members present agreed with the position of the Chairperson/President not to implement the increase for the time being.

Concerning the equity of inactive or dormant borrowers, their equity will be offset against their outstanding past due loans which was already incorporated in the Loan Application, however, at least one equity payment will be retained in the books in order to preserve their membership with PPMBAI.

The Chairperson/President announced to the members that all the newly elected Nanay Trustees are currently in town because they are obliged to attend an Anti-Money Laundering (AMLA) and governance training as mandated by the IC.

TEAMBUILDING BUDGET

The Chairman/President announced that partner MFI Pagasa Philippines Finance Corporation (“PPFC”) and Pagasa ng Masang Pinoy Microfinance, Inc. (“PMPMI”) would be holding its Development Officer’s

("DO") Gathering or teambuilding activity for the year 2023. PPMBAI's estimated share in the expenses for the DO Gathering is about ₱2.5 Million and the remainder would be shared by the two other entities (PPFC and PMPMI).

Upon motion made and duly seconded, it was unanimously

"RESOLVED, as it is hereby resolved, that the PPMBAI's contribution to the DO Gathering budget in the amount of ₱2.5 million is approved and ratified."

CLASSIFICATION OF INACTIVE MEMBER'S EQUITY AS NON-INTEREST-BEARING LIABILITY OF PPMBAI

The Chairperson/President informed the Board that the equity of inactive borrowers would be classified as non-interest-bearing liability of PPMBAI, in order to segregate the equity of the active from the non-active members. Currently, the equity of approximately 275,000 non-active borrowers has a value of more or less ₱165 million. The Chairperson/President emphasized, however, that the members may claim their equity at any time.

Upon motion made and duly seconded, it was unanimously

"RESOLVED, as it is hereby resolved, that the outstanding equity of inactive members be classified as non-interest-bearing payables account of PPMBAI."

THE PRESIDENT'S REPORT ON PPMBAI'S OPERATIONAL PERFORMANCE

Moving on to the next item on the agenda, the Chairperson/President presented to the board the operations data for Q3 2023 compared to Q3 2022, to wit:

Operational Performance - Collection

PRODUCTS		3RD QUARTER 2023	3RD QUARTER 2022	INCREASE/ DECREASE
ADMISSION FEE	MEMBERS COLLECTED	145,940	116,990	25%
	COLLECTION	₱14,594,180	₱11,698,990	25%

PRODUCTS		3RD QUARTER 2023	3RD QUARTER 2022	INCREASE/ DECREASE
BLIP	MEMBERS COLLECTED	408,519	371,390	10%
	COLLECTION	₱159,322,147	₱144,841,990	10%
	ACTIVE MEMBERS	275,232	255,429	8%

PRODUCTS		3RD QUARTER 2023	3RD QUARTER 2022	INCREASE/ DECREASE
CLIP	MEMBERS COLLECTED	408,519	371,390	10%
	COLLECTION	₱34,150,922	₱30,361,579	12%
	ACTIVE MEMBERS	275,232	255,429	8%

PRODUCTS		3RD QUARTER 2023	3RD QUARTER 2022	INCREASE/ DECREASE
RSF	MEMBERS COLLECTED	397,199	367,546	8%
	COLLECTION	₱51,636,529	₱47,781,000	8%
	ACTIVE MEMBERS	1,400,200	926,462	51%

PRODUCTS		3RD QUARTER 2023	3RD QUARTER 2022	INCREASE/ DECREASE
HCA	MEMBERS COLLECTED	539,514	3791,390 (expanded – 18,669 from Mar. – Sep. 2023)	45%
	COLLECTION	₱54,006,650	₱42,121,600	28%
	ACTIVE MEMBERS	275,232	255,429	8%

The Chairperson/President noted an increase in Q3 2023 as compared to Q3 2022 for all insurance products in terms of premiums and active members, particularly the HCA collections due to increase premium for additional dependents.

Operational Performance - Claims

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
3rd Quarter 2022	63,705	₱74,286,691	589	₱13,600,517
3rd Quarter 2023	79,862	₱104,568,305	603	₱12,010,120
% Increase (Decrease)	25%	41%	2%	-12%

CLAIMS, EQUITY RETURN, AND BENEFIT PAYMENT				
CLAIMS	RETIREMENT SAVINGS FUND		HOSPITALIZATION CARE ASSISTANCE	
YEAR	No. of Claims	Claims Payment	No. of Claims	Claims Payment
3rd Quarter 2022	59,499	₱23,703,199	2,943	₱4,847,850
3rd Quarter 2023	77,993	₱39,507,995	5,509	₱9,529,504
% Increase (Decrease)	31%	67%	87%	97%

YEAR	BASIC LIFE INSURANCE (BLIP) – Claims and Benefit Payment		
	Equity Return	Death Benefit	Total
3rd Quarter 2022	₱39,141,391	₱35,145,300	₱74,286,691
3rd Quarter 2023	₱62,035,274	₱42,533,031	₱104,568,305

3rd Quarter 2023						
BENEFIT PAID TO	Equity Return		Death Benefit		TOTAL	
	No. of Claims	Amount	No. of Claims	Amount	No. of Claims	Amount
Dependent	-	₱ -	1,285	₱14,235,713	1,285	₱14,235,713
Member	78,577	₱62,035,274	603	₱28,297,318	79,180	₱90,332,592
TOTAL	78,577	₱62,035,274	1,888	₱42,533,031	80,465	₱104,568,305

Concerning BLIP, member claims increased by 41% from ₱74 million to ₱104 million in third quarter of 2023 versus third quarter of 2022. He apprised the board that he had already asked General Manager Noel D. Madriaga and Financial Controller Richard Jeremy Tabudlo to verify the cause for the increase and that he will present a report to the board regarding the matter at its next scheduled meeting.

Retirement Savings Fund ("RSF") and Hospitalization Care Assistance ("HCA") claims have likewise registered substantial increases. The Chairperson/President explained that members' dependents were already included in the extended HCA coverage, which accounted for the increase in the number of members.

THE PRESIDENT'S REPORT ON PPMBAI'S FINANCIAL PERFORMANCE

The Chairperson/President gave an overview of the PPMBAI's financial standing, to wit:

Financial Highlights – Financial Position

	As of September 30, 2023 (Unaudited)	As of December 31, 2022 (Audited)
Assets		
Cash and Cash in Banks	₱317,242,260	₱408,599,128
Time Deposits	240,434,102	240,434,102
FVPL Investments	7,751,036	122,251,036
HTM Investments	76,586,422	12,234,667
Loans and Receivables	153,472,820	4,257,702
Property and Equipment	12,194,186	3,468,437
Intangible and Other Assets	422,116	540,564
Total Assets	₱808,102,942	₱681,785,635
Liabilities		
Due to Members (Equity and RSF)	₱548,915,052	₱516,541,957
Reserve for Insurance Liability	47,233,759	37,438,358
Hospitalization Care Assistance	16,591,017	12,538,836
Other Liabilities	90,814,557	25,150,243
Total Liabilities	₱703,554,385	₱591,669,394

	As of September 30, 2023 (Unaudited)	As of December 31, 2022 (Audited)
Fund Balance	₱104,548,557	₱90,116,241

As of September 30, 2023, total assets was ₱808 million up from ₱681 million as of December 31, 2022. The Chairperson/President predicted that total assets could reach the ₱1 billion mark in about two years' time. Total liabilities on the other hand, was ₱703 million as of September 30, 2023, up from ₱591 million as of December 31, 2022. Residual fund balance amounted to ₱104 million, which represents PPMBAI's accumulated earnings since its start of operations, the Chairperson/President, added.

Financial Highlights – Financial Performance

	For the 9-months ending September 30, 2023 (Unaudited)	For the year ending December 31, 2022 (Audited)
Revenues	₱262,171,861	₱304,361,199
Benefits and Expenses		
Insurance Benefit Expenses	160,200,072	175,050,064
Reimbursement of Expenses	29,156,864	33,191,719
General and Administrative Expenses	58,382,609	69,260,408
Total	247,739,545	277,502,191
Income before final tax		
Final Tax	14,432,316	26,859,008
Excess of Revenue over Expenses	₱14,432,316	₱26,859,008

The Chairperson/President predicted that the current year's revenues and excess of revenues over expenses would surpass that of last year.

Insurance Liabilities and Reserves

	As of September 30, 2023	As of December 31, 2022
Reserves for Member's Equity Value	₱353,947,662	₱333,703,101
Retirement Savings Fund	194,967,390	182,838,856
Total Liabilities – To Members	₱548,915,052	₱516,541,597
Reserves for Basic Life Insurance	₱22,351,575	₱17,590,783
Reserves for Credit Life Insurance	9,653,294	5,733,842
Policy and Contract Claims Payable	15,228,890	14,113,733
Total Reserve Liabilities	47,233,759	37,438,358
GRAND TOTAL	₱596,148,811	₱553,980,314

*Guaranty Fund and Risk-Based
Capital Requirement*

GUARANTY FUND AND RISK BASED CAPITAL REQUIREMENT	As of December 31, 2021 (Verified)	As of December 31, 2022 (Unverified)
TOTAL GUARANTY FUND AS REQUIRED UNDER IMC NO. 2-2006 (IC REQUIREMENT)	₱63,356,574	₱74,068,062
TOTAL GUARANTY FUND DEPOSITED WITH IC – GOV'T. BONDS AND DEPOSIT CERTIFICATES	65,000,000	76,585,422
EXCESS (DEFICIENCY) IN GUARANTY FUND	₱1,643,426	₱2,517,360
Risk Based Capital (RBC) Ratio Requirement per IC	Should not be lower than 125%	Should not be lower than 125%
PPMBAI RBC – As previously verified by IC for the Year 2021	224%	388%
As of December 31, 2022		
ADMITTED ASSETS	₱675,598,788	₱588,954,826
TOTAL LIABILITIES	₱591,669,394	₱535,609,999
Members' Equity	₱83,929,394	₱53,344,827

The Chairperson/President explained that PPMBAI's guaranty fund and risk-based capital requirement was well above the requirements of the IC, which means that has enough funds to cover its liabilities.

OPEN FORUM

The Chairperson/President provided time to each of the other board members to share their inputs or concerns. The Nanay Trustees raised the following queries/concerns:

Feedback/Suggestion	Response
Member confined in hospital for 6 days but still required to pay her weekly amortization.	Moratorium on loans is no longer available to borrowers, as a delay in payment of loan would result in additional interest. Borrowers could use the proceeds of HCA proceeds.
HCA benefit takes days or weeks to receive.	PPMBAI to study to make release more efficient, such as releasing the HCA at the branch subject to safety nets.
Member suffered from kidney disease and undergoing dialysis after becoming a member. Is she entitled to benefits?	It would depend if the illness occurred after the one-year contestability period. If beyond the one-year contestability period, member can claim benefits.
How long is the validity period of insurance coverage of if member already offset?	Members who offset their loans are still entitled to forty-five days (45) additional insurance coverage after the lapse of six months of their loan term. This is on the condition that the member did not renew her loan. If the member renewed, the additional forty-five days is superseded by the new six months coverage.

Feedback/Suggestion	Response
PPFC branch staff does not provide briefing to the borrower their responsibilities with respect to the loan as well as the breakdown of charges deducted from the loan proceeds.	Consultant and PPFC President TIM Fakruzzaman took note of the feedback.
Short-term loan to Group Leaders to pay for the amortization of the delinquent group member with loans from other microfinance lenders.	Group Leaders are not responsible in paying the amortizations of delinquent members of their group. It is not encouraged by PPFC. The Group Leader's role is to maintain group discipline and encourage and put pressure on the other borrowers to pay. The Group Leaders can go to the borrower's co-maker. Besides, is going to pay for the short-term loan?
Moratorium during local holidays.	PPFC no longer declares loan moratorium during local holidays.
How loan rebates work?	Rebates are only granted in the event that the loan is repaid in its entirety prior to the 23rd week. For instance, if the loan were paid in full by the 19th week, any interest that would have accrued on the remaining amortization would be waived.
Christmas perks for members	As much as it would have wanted, PPMBAI cannot afford to give gifts or to throw Christmas party for all of its members. In lieu of this, an annual GL gathering is being held to show the Company's appreciation for its members.
Delays in loan renewal process (e.g. borrowers' documents being misplaced by staff, slow system, etc.)	The Chairperson/President has acknowledged the problem. PPFC is doing everything to address the problem.

Feedback/Suggestion	Response
Loan supporting documents such as Mayor's permit which is being issued on an annual basis is being required from borrowers every loan renewal	PPFC's policy is to require it only every year. PPFC management to reiterate the policy.
Implication of Credit Information Corporation (CIC)	Members are advised to be very careful in their loan payment so as not to ruin their credit reputation as banks, lending, and financing companies already have access to the CIC database from where they could obtain the borrower's credit history as almost all financial institutions are now uploading their clients' credit data as mandated by law.
What is meant by "group pressure"?	This means that the group members join in maintaining group discipline and reaching out to pay the delinquent (undisciplined) member as a way of encouraging her to pay the loan.
"Pasaway" borrowers must not be allowed to renew their loan.	Group Leaders' recommendations are well taken, thus, the PPFC management is giving weight to their recommendation before granting loans.

CLOSING REMARKS

President & CEO of PPFC TIM Fakruzzaman ("Consultant Fakruzzaman") remarked with delight on the constructive dialogue and the direct feedback he received from the Nanay Trustees. He thanked them for their assistance to PPFC and PPMBAI and urged them to bring more matters for discussion during the board's next scheduled meeting.

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
Chairperson of the Meeting

(SGD.) JONNETTE C. ALMANZAR
Trustee / Vice President

(SGD.) EUFRECINA T. DE JESUS
Trustee / Treasurer

(SGD.) JOSELITO D. FERNANDEZ
Trustee / Secretary

(SGD.) MD. SHAMSUL HASAN
Trustee

(SGD.) JOAN S. ALFARERO
Trustee

(SGD.) SHEEN RAY U. ACOSTA
Trustee

(SGD.) JOAN D. MADRIAGA
Trustee

(SGD.) LORNA D. DALERE
Trustee

(SGD.) JOCELYN S. PAVIA
Trustee

(SGD.) ARLENE A. CATOLICO
Trustee

(SGD.) ZORABEL B. ASUNCION
Trustee

(SGD.) EMELITA B. BORDAJE
Trustee

(SGD.) RICARDO P. LIRIO
Trustee

(SGD.) REENA CONCEPCION G. OBILLO
Independent Trustee