



KASAGANA-KA Mutual Benefit Association, Inc.
2nd Regular Meeting of the Board of Trustees
5 Don Francisco St., Don Enrique Heights, Brgy. Holy Spirit, Quezon City
April 25, 2019, 8:30 am

In Attendance

Board of Trustees

- | | |
|-----------------------------|----------------------|
| 1. Isabel M. Iliw-iliw | - President |
| 2. Marissa A. Loyola | - Treasurer |
| 3. Brenda Lumbao | - Secretary |
| 4. Ma. Elizabeth G. Fuentes | - Member |
| 5. Marlyn Aldave | - Member |
| 6. Anita L. Manundo | - Member |
| 7. Ma. Teresa G. Bucad | - Member |
| 8. Philip Arnold Tuano | - Independent Member |
| 9. Atty. Gettie Sandoval | - Independent Member |

Board of Advisers

- 10. Leticia Rodriguez
- 11. Maria Anna dR. Ignacio

Management

- | | |
|--------------------------|----------------------|
| 12. Silvida R. Antiquera | - General Manager |
| 13. Evangeline Pe | - Operations Manager |
| 14. Evelyn Lagmay | - Finance Manager |

The following were not able to attend:

- | | |
|----------------------------|-----------------|
| 15. Wenifreda F. Rodriguez | - Board Adviser |
| 16. Chona B. Capayas | - Board Adviser |



ORDER OF BUSINESS

- I. Call to Order
- II. Prayer
- III. Determination of Quorum
- IV. Approval of the proposed agenda
- V. Reading and approval of the minutes of the meeting
- VI. Business arising from the previous meeting
- VII. Financial Report
 - a. Financial Statements for the months of January to March 2019
 - b. Investments as of April 24, 2019
- VIII. For Discussion/Approval
 - a. Variation Order
 - b. Investment Offer
 - c. Additional Guaranty Fund
 - d. Closure/ transfer of accounts/ opening of new account
 - e. Invitations
 - i. ICMIF Biennial Conference
 - ii. AOA Members' Study Group Visit
- IX. For Updates/ FYI
 - a. Building construction and transfer to new office
 - b. Tax exemption
 - c. 2018 ACGS Report
 - d. Proxy Voting
- X. Upcoming Schedule
 - a. Annual General Meeting
- XI. Next Board meeting
- XII. Adjournment



DISCUSSION HIGHLIGHTS

I. The meeting started at 8:45 a.m. with a prayer.

II. Quorum and Agenda

The Secretary announced the presence of a quorum, with the attendance of all the Trustees.

Pres. Isabel presented the proposed agenda for the day's meeting. It was approved by the Board, upon motion by Ms. Beth, duly seconded by Ms. Marissa.

III. Reading and Approval of the Minutes of the Meeting

The following are items for correction in the minutes of the previous meeting:

- i. On page 9, on proxy voting, the quorum requirement is 80%, and not 70%.
- ii. Under the report on the financial statements, the increase in receivables in December 2018 was due to delayed remittance of the premium payments of members, and not because of an existing loan due from K-Coop.

Ms. Marissa moved to approve the minutes of the previous meeting, including the two items for correction raised by the Board. Ms. Beth seconded the motion.

IV. Business Arising

GM Salve updated the Board on the matters arising from the previous meeting:

- KMBA has proceeded to open a US Dollar account with Metrobank.
- K-Coop will no longer avail of a loan from KMBA.
- Following the introduction of ranges in the rank of Account Officer in January, the increase in salary, which was only minimal, has been made effective April 1, 2019.
- Building construction is now 70% complete.
- SEC would like to set a meeting with KMBA prior to approving the amendments to the By-Laws and the Articles of Incorporation. This in contrary to SEC's earlier pronouncement that the amendments have already been approved.

V. Financial Report and Investments

A. Financial Statements

FM Eve presented the Statement of Financial Position as of March 31, 2019. The summary of the report is provided below.

Particular	As of Mar 31, 2019	As of Mar 31, 2018	Variance	
Total Assets	P 213.62M	P 194.89M	P 25.73M	13%
Total Liabilities	139.21M	122.75M	16.46M	13%
Total Fund Balance	74.41M	72.14M	2.27M	10%



On the other hand, the summary of the income statement as of March 31, 2019 is as follows:

Particular	As of Mar 31, 2019	For the month of Mar 2019	For the month of Feb 2019	Variance
Gross Revenue	P 13.41M	P 4.83M	P 4.56M	P 0.27M
Total Benefit Expense	9.41M	3.07M	3.15M	(0.08M)
Total Operating Expenses	2.21M	0.70M	0.62M	0.08M
Total Investment Revenue and Other Income	0.95M	0.46M	0.22M	0.24M
Net Surplus (Loss)	2.74M	1.52M	1.01M	0.51M

With no further questions, Ms. Tess moved to accept the financial reports as of March 31, 2019. Ms. Marilyn seconded the motion.

B. Investments as of April 22, 2019

The portfolio mix as of April 22, 2019 is as follows:

Type of Investment	Current Placement (in Php)
Cash in bank	P 25.81M
Time Deposit	5.68M
Government Securities	73.16M
Corporate Bonds	13.50M
UITF	23.00M
Mutual Fund	5.00M
Stocks	8.00M
Property	49.26M
TOTAL INVESTMENTS	P 203.42M

Board Adviser MeAn reminded the Board to spread funds to different banks as part of its risk management policy. This was after she noted that KMBA has around P30Million in its accounts with Metro Bank, which is among the several creditor banks of the bankrupt shipping line Hanjin. Sir Randy agreed with GM MeAn, adding that KMBA need not open new accounts with new banks. KMBA must simply spread the funds among its existing accounts with various banks.

Action Point: Review the investment mix and spread the funds more evenly in different banks.

The advice well-taken, Ms. Marissa moved to accept the investment mix as of April 22, 2019. The motion was seconded by Ms. Beth.



VI. For Discussion/ Approval

A. Variation Order

KMBA requested for a price quotation from the contractor Rodsy for five change orders. The price quotation reached P1,061,984.62.

In consultation with Arch. Yusingco, management reviewed the change orders to determine which items may be deferred for later installation, which may be purchased from other suppliers, and which would be better supplied and installed by Rodsy in line with the construction schedule. Thus, management recommended the deferment of the procurement and installation of three units of frosted tempered glass board mounted on wall, which may be bought at lesser price from other suppliers. Also, the procurement and installation of cyclone wire fence may be done even after the building construction.

The following are the change orders recommended by management and Arch. Yusingco for Board approval: (i) three sets of folding door Sound-fold by Varifold; (ii) twenty units of deck-mounted faucet for lavatories; and (iii) provision for the construction of additional storage room under main stairs landing and fire exit stairs landing at ground floor. This will total P833,517.96.

GM Salve noted that this additional cost for the change orders does not include the cables that MIS will require.

Ms. Tess moved to approve the change orders as recommended by management. Ms. Beth seconded the motion.

BOARD RESOLUTION NO. 2019-13: APPROVING A SET OF VARIATION ORDERS AND ALLOCATING ADDITIONAL BUDGET FOR THE PURPOSE

RESOLVED, to approve a set of variation orders consisting of (i) three sets of folding door Sound-fold by Varifold; (ii) twenty units of deck-mounted faucet for lavatories; and (iii) provision for the construction of additional storage room under main stairs landing and fire exit stairs landing at ground floor, with a total additional cost of P833,517.96;

RESOLVED FURTHER, to approve the allocation of additional budget to fund the abovementioned variation orders.

B. Investment Offer

Upon evaluation, management determined around P8Million funds are available for placement. This determination was based on the assumption that premium payments will come in as projected, and with consideration on possible subsequent variation orders relative to the building construction.



FM Eve presented the investment offers of FMIC and China Bank. For long-term investments, brokers offered SM Prime Holdings bonds and preferred shares of Petron Corporation. China Bank offered Government Treasury Bills of various maturity with 5% net rate.

The Board considered the investment return, the tenor of the security and the possibility for the exercise of a call option. GM Salve expressed confidence that the P8Million funds may be placed in a long-term security, given the regularity of the influx of remittances.

Sir Randy thought that the 7.50% net rate offered by Petron Corporation for its Series 3B preferred shares, with call option, is an attractive offer. It also has the highest net rate among the three options presented. Notably, KMBA currently holds Petron Corporation stocks, placed in 2014, with a net rate of 6.3%.

There was general agreement that the Petron Series 3B offer would be most beneficial to KMBA. Ms. Anita thus moved to approve the purchase P8Million worth of Series 3B preferred shares of Petron Corporation, with perpetual tenor, call option, and a net rate of 7.50%. Ms. Beth seconded the motion.

BOARD RESOLUTION NO. 2019-14: AUTHORIZING THE INVESTMENT IN PETRON CORPORATION PREFERRED SHARES SERIES 3B

RESOLVED, to authorize the investment of EIGHT MILLION PESOS (P 8,000,000.00) in funds in Petron Corporation Preferred Shares Series 3B, under the terms and conditions offered by FMIC.

C. Additional Guaranty Fund

The Insurance Commission (IC) requires MBAs to set aside a guaranty fund equivalent to 5% of its annual premium collection.

Based on the financial statements as of end of December 2018, the guaranty fund of KMBA should be around P24Million. However, the guaranty fund actually set aside at present is around P22Million. This year, the amount would be equivalent to P2,226,000.

Similar to how additional guaranty fund was set aside last year, this will be sourced from KMBA's 25-year Fixed Rate Treasury Notes (FXTN) investment, which is classified as tradeable fund. Because IC policy requires Guaranty Fund to be non-tradeable, the investment company's Treasury Department will simply be requested to classify Php2Million out of the total FXTN as non-tradeable. The decision was reached by the Board upon motion by Ms. Beth, duly seconded by Ms. Marilyn.



BOARD RESOLUTION NO. 2019-15: ADDITIONAL GUARANTY FUND

RESOLVED, to reclassify P2,226,000 under the FXTN investment from tradeable to non-tradeable fund, to serve as additional guaranty fund of KMBA, in compliance with the requirements of the Insurance Commission.

D. Closure or Transfer of Accounts and Opening of New Account

KMBA will soon transfer to its new office location in V. Luna, Quezon City. This early, management sought Board's authorization to close or transfer some of its bank accounts, and open new ones in banks within the vicinity of the new office location. The proximity of the bank to the KMBA office is important to facilitate financial transactions.

Ms. Marissa made a motion to grant the requested authority to close, or where possible, transfer its corporate bank accounts and open new ones in banks within the vicinity of the new office location. Ms. Tess seconded the motion.

BOARD RESOLUTION NO. 2019-16: AUTHORIZING THE CLOSURE OR TRANSFER OF BANK ACCOUNTS AND THE OPENING OF NEW ACCOUNTS AS A CONSEQUENCE OF KMBA OFFICE TRANSFER

RESOLVED, to authorize the closure or, where possible, transfer of bank accounts and the opening of new ones in banks in the vicinity of the new KMBA office location.

E. Invitations

i. ICMIF Biennial Conference

ICMIF organizes a gathering of cooperatives and mutual insurance institutions every two years. This year, the conference is scheduled on November 12-15, 2019 in New Zealand. As an ICMIF member, the participation of KMBA is expected. AOA likewise expects KMBA to attend in order to assist in the organization of a micro-insurance forum. Board Adviser MeAn added that it is important for GM Salve to attend the conference, she being the incumbent MiMAP President.

Board approval is requested to begin the process of registration. The budget for the trip will subsequently be submitted to the Board for consideration and approval.

Given KMBA's partnership with ICMIF and its leadership role in MiMAP, Ms. Marilyn moved to authorize GM Salve to attend the ICMIF Conference on November 12-15, 2019 in New Zealand. Ms. Beth seconded the motion.



BOARD RESOLUTION NO. 2019-17: AUTHORIZING GENERAL MANAGER SILVIDA ANTIQUERA TO ATTEND THE ICMIF BIENNIAL CONFERENCE 2019

RESOLVED, to authorize the General Manager, Silvida Reyes-Antiquera to attend the ICMIF Biennial Conference 2019 in New Zealand on November 12-15, 2019, subject to this Board's approval of the official budget for the trip.

In connection with official trips abroad, GM MeAn has recommended to the HR Committee the conduct of review of the daily subsistence allowance of Kasagana-Ka delegates. She proposed the use of the updated United Nations daily subsistence allowance rates as basis, although less than the 100% rate.

ii. AOA Members Group Study Visit

Annually, AOA arranges a group study visit for employees of its members, in order to support their capacity-building and learn best practices in the industry. This year's members group study visit will be held in Singapore and will center on the subject technology and innovation.

AOA has given KMBA four slots in the group study tour. Two will be allotted to K-Coop. For KMBA, GM Salve recommended Eve and Jobert as delegates. Should AOA open a few more slots, GM Salve would also recommend Analyn to attend the study.

Expenses for the tour will be charged against the capacity-building funds of the KMBA.

Ms. Tess moved to authorize the attendance of KMBA delegates to the AOA Members Group Study Visit in Singapore, namely Eve Lagmay and Diobert Calanza. Ms. Marissa seconded the motion.

BOARD RESOLUTION NO. 2019-18: AUTHORIZING EVELYN LAGMAY AND DIOBERT CALANZA TO ATTEND THE AOA MEMBERS GROUP STUDY VISIT IN SINGAPORE

RESOLVED, to authorize Evelyn Lagmay and Diobert Calanza to attend the AOA Members Group Study Visit in Singapore, the travel budget for which shall be sourced from KMBA's capacity-building funds.

VII. For Updates/ Information

A. Building Construction

The contractor committed that by May 25, KMBA can transfer to the new building. By then, half of the parking spaces shall be available for use, and the 2nd and 3rd floors shall have been completed. Related to that, the application for occupancy permit will be filed soon so the process for approvals may begin until the building is completed.



The application for electrical connection will also be processed soon. The current residential connection may still be used, but must be upgraded in anticipation of the transfer of the other KSOs.

The building should be ready for the holding of KMBA's Annual General Meeting on May 31, 2019.

B. Tax Exemption

The Board tasked Sir Randy and Atty. Gettie to consult a tax lawyer regarding the tax concerns of KMBA. The two did meet with a CPA-Lawyer.

According to the lawyer, the application for income tax exemption is a matter distinct from the issue of the taxability of the rental income from the lease of KMBA building. As to the application for income tax exemption, the same should be pursued by filing a new application. The 2012 application may have already been archived and no longer being considered. KMBA should process this upon transfer to the new office location, and the consequent transfer under a new RDO.

Action Point: Pursue the application for income tax exemption.

As to the issue of taxability of the rental income, the lawyer advised seeking the Insurance Commission (IC)'s rule on the treatment of the building. Per the IC's Investment Division, if the purpose of the building is to serve as an investment, it should earn. Under the IC's rules, a property is classified as an investment property if its cost is more than 20% of the Association's admitted assets. According to FM Eve, cost of the land and building construction has now reached 23% of KMBA's admitted assets. As such, it is an investment property, which is expected to earn investment returns for KMBA.

Atty. Gettie emphasized the importance of faithfully complying with the distinct rules of the two separate agencies. Accordingly, GM Salve expressed optimism that KMBA may now come up with options to get a better return on the investment property.

C. 2018 ACGS Report

GM Salve was pleased to inform the Board that KMBA was among the top five MBAs according to the ACGS ratings. The official rating is expected to be available by next week.

MBAs have been a prime mover in the insurance industry in terms of premium payments generation. The MBAs sector is therefore pleased to start gaining recognition.

D. Proxy Voting

The process of proxy voting has been smooth. Results will be announced on the day of the annual general meeting.



VIII. Upcoming Schedule

KMBA's Annual General Meeting will be on May 31, 2019. There will be a mass and a blessing of the building, followed by a one-hour Board meeting. After lunch, the general assembly will meet for its annual meeting. All members of the Board of Directors/ Trustees of other KSOs will be invited, as well as the coordinators and managers of K-Coop. The celebration will be limited to members of the Kasagana-Ka and MiMAP families.

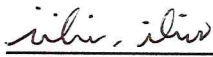
IX. Adjournment


There being no other matters to discuss, the meeting ended at 11:19 am.


Prepared by:

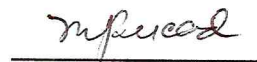
Brenda F. Lumbao
Board Secretary


Attested by:



Isabel M. Iliw-iliw
President


Marissa A. Loyola
Treasurer

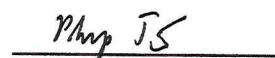

Marilyn C. Aldave
Member


Ma. Teresa G. Bucad
Member


Elizabeth G. Fuentes
Member


Anita L. Manundo
Member


Atty. Maria Cleofe Gettie C. Sandoval
Independent Board


Philip Arnold P. Tuaño
Independent Board