



KASAGANA-KA Mutual Benefit Association, Inc.
4th Regular Meeting of the Board of Trustees
Zoom Video Conference
May 30, 2024 9:00 am

In Attendance:

Board of Trustees:

- | | |
|--|---------------------------|
| 1. Marlin Perez | -President |
| 2. Nelly Vengano | -Vice President |
| 3. Whilmelita Pableo | -Secretary |
| 4. Emelda Castro | -Treasurer |
| 5. Myrna Verdadero | -Board Member |
| 6. Jeronima Teodoro | -Board Member |
| 7. Sylvia Trijo | -Board Member |
| 8. Philip Arnold P. Tuaño | -Independent Board Member |
| 9. Atty. Maria Cleofe Gettie C. Sandoval | -Independent Board Member |

Also Present:

Board of Advisers:

10. Isabel Iliw-iliw
11. Enriqueta Navarro

Board Member Emeritus

12. Leticia Rodriguez
13. Wenifreda Rodriguez

Management and Staff

- | | |
|------------------------|------------------|
| 14. Silivida Antiquera | -General Manager |
| 15. Evelyn Lagmay | -Finance Manager |
| 16. Khayla Lacpao | -Admin Officer |

ORDER OF BUSINESS



- I. Call to Order
- II. Prayer
- III. Determination of Quorum
- IV. Approval of Proposed Agenda
- V. Reading and Approval of the Minutes of the previous meeting on April 30, 2024
- VI. Business arising from the previous meeting
- VII. Financial Report
 - a. Financial Statement for the month of April 2024
 - b. Investments as of April 29, 2024
- VIII. For Discussion and Matters Requiring Resolution
 - a. SEGURADO Ratings
 - b. Investible funds
 - c. Internal Audit plans
- IX. Other Matters
 - a. Reminders for 18th AGM
- X. Adjournment

DISCUSSION HIGHLIGHTS

- I. The meeting was formally started at 9:00 am with a prayer.



II. Quorum and Agenda

Board Secretary Whilmelita Pableo conducted the roll call and determined the presence of a quorum, with all members of the Board present.

Subsequently, President Marlin Perez presented the Agenda. There were no questions or additions to the Agenda and was approved by the Board upon motion by BoT Nelly Vengano and seconded by BoT Sylvia Trijo.

III. Reading and Approval of the Minutes of the Meeting

On page 8, General Manager Salve Antiquera clarified that the score obtained by KMBA in the ASEAN Corporate Governance Scorecard is for the year 2022 and not for 2023.

The minutes of the previous meeting was reviewed, and with no other clarifications, the minutes of the previous meeting was approved upon motion by BoT Myrna Verdadero and seconded by BoT Nelly Vengano.

IV. Business Arising

General Manager Salve Antiquera provided updates on several pending tasks:

1. The response to the findings of the Intellectual Property Office regarding the registration of the KMBA logo was submitted on March 20, 2024, and the agency's response is still awaited.
2. Regarding the transfer of the payroll system from KDCI to KMBA, there has been a change in its implementation date from May 1, 2024, to June 1, 2024.
3. For the validation of votes related to the election, the independent auditor appointed to perform this task is from Moore Roxas Tabamo and Co.
4. The signing of the Memorandum of Agreement between KMBA and RMSI has been completed. Under this agreement, the current products offered to members, such as K-Yakap and KOK under RMSI, will now be managed by KMBA instead of the previous management by KDCI.

V. Financial Report

A. Financial Statements for the Month of April 2024

Finance Manager, Evelyn Lagmay presented the Statement of Financial Position for the month of April 30, 2024. The summary of the report is provided below:

Particulars	As of April 30, 2024	As of April 30, 2023	Variance
Total Assets	Php 268, 702,434.67	Php 243, 941,442.24	Php 24,760,992.44
Total Liabilities	145,079,939.76	144,593,297.02	486,642.74
Total Fund Balance	123,622,494.91	99,348,145.22	24,274,349.69



The increase in total assets is attributable to a change in how the valuation of the Association's investment property is calculated. Originally, the value of the land and buildings was determined using the cost method, which records the property at its original purchase price. However, the Association has transitioned to using the fair value method. This new method assesses the current market value of the land and buildings, which often results in a higher valuation compared to the original purchase price. By reflecting these properties at their fair market value, the reported total assets of the Association have increased, providing a more accurate and up-to-date representation of the property's worth.

On the other hand, the summary of the Income Statement for the month of May 2024 are as follows:

Particulars	As of April 30, 2024	As of April 30, 2023	Variance
Gross Revenue	Php 16,359,721.25	Php 15,864,889.30	Php 494,831.95
Total Benefit Expense	11,456,130.13	11,352,394.68	103,735.45
Total Operating Expense	4,758,961.48	5,252,365.55	(493,404.07)
Total Investment Revenue and Other Income	1,432,416.18	1,392,602.30	39,813.88
Net Surplus (Loss) before Income Tax	1,577,045.82	652,731.37	924,314.45
Income Tax Expense	-	-	-
Net Surplus (Loss)	1,577,045.82	652,731.37	924,314.45

Particulars	For the Month of April 2024	For the Month of March 2024	Variance
Gross Revenue	Php 4,081,937.62	Php 3,966,083.37	(Php 115,854.25)
Total Benefit Expense	2,441,702.66	2,484,474.88	(42,772.22)
Total Operating Expense	1,158,620.56	1,127,768.20	(104,051.29)
Total Investment Revenue and Other Income	395,815.18	357,295.62	6,763.17
Net Surplus (Loss) before Income Tax	877,429.59	711,135.91	166,293.67
Income Tax Expense	-	-	-
Net Surplus (Loss)	877,429.59	711,135.91	166,293.67

The report provided an explanation of the factors contributing to the association's improved financial performance in May. The reduction in claims expenses means that the association had fewer payouts or lower costs associated with claims during the said month. Also, the increase in collections indicates that the association was able to collect more dues, premiums, or fees from its members. Higher collections boost the revenue stream, thereby increasing overall income.

The Board duly accepted the Financial Report for the months of February and March 2024, with BoT Sylvia Trijo leading the motion and BoT Jeronima Teodoro seconding it.



B. Investments as of April 30, 2024

The composition of the Association's investments as of April 30, 2024, is detailed as follows:

Type of Investment	As of April 30, 2024	As of May 29, 2024
Cash in Bank	Php 21,474,557.43	20,323,416.98
Time Deposit	3,199,860.55	3,208,683.71
UITF	23,704,120.95	23,698,757.04
Government Securities	97,178,514.64	97,178,514.64
Corporate Bonds	4,280,000.00	4,280,000.00
Mutual Fund	5,710,209.93	5,710,209.93
Stocks	12,892,000.00	12,892,000.00
Investment Property	83,976,000.00	83,976,000.00
TOTAL INVESTMENTS	Php 257,415,263.50	Php 256,267,582.31

The Board acknowledged the efforts of the management and praised its good performance concerning the management of the organization's investments.

Additionally, it was explained that the "difference" between the total investment and total assets amounts to Php 111,287,171.17 comprising the following components:

ITEMS	AMOUNT
Cash on Hand	22,000.00
Receivables	7,278,281.00
PPE	2,926,577.64
Intangible	460,391.19
Prepaid Assets	509,545.81
Retirement Asset Benefit	59,259.53
Deferred Tax Asset	31,116.00
TOTAL DIFFERENCE	11,287,171.17

The Investment Mix as of April 30, 2024 was approved, with BoT Myrna Verdadero leading the motion and BoT Jeronima Teodoro seconding it.

VI. For Discussion

a. SEGURADO Ratings

Finance Manager Evelyn Lagmay provided a detailed report on KMBA's SEGURADO ratings as of March 31, 2024. The SEGURADO ratings are a comprehensive method used to evaluate the performance and effectiveness of microinsurance providers like KMBA.

These ratings assess various aspects of the organization's operations, including financial stability, service quality, claims processing efficiency, and member satisfaction. By analyzing these factors, the SEGURADO ratings provide a holistic view of how well KMBA is meeting its goals and serving its members.



KEY INDICATORS	STANDARD RATE	ACTUAL
Solvency ratio	≥ 110%	163%
Liquidity ratio	≥ 100 - 120%	116%
OpEx Ratio (BLIP)	≤ 15%	33%
OpEx Ratio (CLIP)	≤ 65%	58%
OpEx Ratio (HIIP)	≤ 45%	37.94%
Overall OpEx Ratio	≤ 20%	38.64%
Claims Ratio (BLIP)	≤ 30%	30%
Claims Ratio (CLIP)	≤ 30%	37%
Claims Ratio (HIP)	≤ 50%	8.46%
Overall Operating Ratio - Basic Life	≤ 45%	62.51%
Overall Operating Ratio - Optional	≤ 95%	89.16%
Time to Pay Out	≥ 90%	100%
Calims rejection	≤ 3%	0.00%
Return on Fund Balance	≥ 0%	0.36%
Investment Yield	≥ 0%	0.55%
Growth in numbers	≥ 0%	0.21%
Retention rate	≥ 90%	94%
Participation rate	≥ 90%	100%
RBC	≥ 125%	483.93%

The report explained that the Association received four red flags, all directly related to operating expenses (OpEx). Independent Trustee Philip Arnold P. Tuaño raised a concern about the factors contributing to the high OpEx ratio of the Basic Life Insurance Program (BLIP). Finance Manager Eve provided a detailed response, explaining that the current operating expenses are essential and cannot be reduced further, as they reflect the necessary costs of running the operations.

She elaborated that while the operational costs have remained stable when compared to the previous year, the primary issue affecting the OpEx ratio is the collection rate. The ratio is a measure of the operating expenses relative to the income generated. If collections are low, the OpEx ratio appears higher because the income side of the equation is not keeping up with the expenses. Therefore, improving the collection rate would directly help in lowering the OpEx ratio by increasing the income.

Additionally, she mentioned that increasing the number of members would also positively impact the OpEx ratio. More members mean higher collections, which in turn would spread the operational costs over a larger income base, thus reducing the OpEx ratio.

The report on the SEGURADO rating was accepted and approved by the Board, upon motion by BoT Jeronima Teodoro and seconded by BoT Sylvia Trijo.

b. Investible funds



The Finance Manager, Ms. Evelyn Lagmay discussed that the long-term investment with MetroBank, valued at Php 7,742,637.49, is reaching its maturity and can be reinvested in a new investment opportunity. Additionally, the Association has other investments that will reach their maturity period in the coming months:

ISSUER	ACCOUNT TYPE	MATURITY DATE	NET INTEREST RATE	AMOUNT
FMIC	Treasury Bills	July 24, 2024	4.62%	Php 10,000,148.31
China Bank	Retail Treasury Bond	August 20, 2024	3.30%	10,016,366.33
Ayala Land	Corporate Bond	June 20, 2024	3.11%	4,280,000.00

During the meeting of the Treasury Committee, the received investment offers from the following were discussed:

ISSUER	INVESTMENT TYPE	TENOR	INDICATIVE RATE	OFFER PERIOD
San Miguel Corporation	Corporate Bond	10 years	7.84% - 8.24%	June 17-21, 2024
SM Prime Holdings	Corporate Bond	7 years	7.11% - 7.61%	June 7-14, 2024

In the recent Treasury Committee meeting, Chairperson Marlin Perez, who also serves as the Chairperson of the Treasury Committee, outlined the committee's recommendation to invest Php 7,742,637.49 in San Miguel Corporation for a term of 10 years. This recommendation was based on the high indicative rate offered by San Miguel Corporation, which is expected to provide favorable returns over the long term.

The decision to opt for a longer investment tenor was influenced by the fact that the association will soon have an additional Php 24 million maturing from other investments in the coming months. This future influx of funds provides the financial flexibility to commit to a long-term investment without risking liquidity issues.

Independent Trustee Philip Arnold P. Tuaño supported the recommendation by explaining that during periods of high inflation, long-term investments can be particularly beneficial. Investments with high interest rates help preserve the value of money by ensuring that returns on investments outpace the rate of inflation. This approach is crucial in maintaining or increasing the purchasing power of the invested capital over time.

Board Emeritus Leticia Rodriguez concurred with the committee's proposal to invest in San Miguel Corporation. She highlighted the company's strong growth trajectory, especially its investments in infrastructure, which are likely to contribute to its continued success. Rodriguez also noted that the association will have additional funds maturing soon, which will prevent any financial shortfalls and ensure that the association remains financially stable.



The Board approved the investment of Php 7,742,637.49 in San Miguel Corporation for a term of 10 years, with BoT Nelly Vengano leading the motion and BoT Sylvia Trijo seconding it.

**BOARD RESOLUTION No. 2024-14
APPROVING THE PLACEMENT OF LONG-TERM INVESTMENT TO SAN MIGUEL CORPORATION**

***RESOLVED,** to approves the placement of a long-term investment in San Miguel Corporation's corporate bonds amounting to Php 7,742,637.49 for the period of ten years.*

c. Internal Audit plans
Independent Trustee Atty. Gettie Sandoval, also serving as the Chairperson of the Audit Committee, provided a detailed report on the internal audit plan for 2024. During the committee's meeting held on May 14, 2024, the following key points and plans for the year were discussed:

1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter
<ul style="list-style-type: none"> • Monetization of unused leave credits for 2023 • Check KPE (July-December 2023) 	<ul style="list-style-type: none"> • KOINS systems audit of membership module • KOINS systems audit using CIA Triad 	<ul style="list-style-type: none"> • Audit of RF and equity value • Audit of claims transactions • Compliance audit of AML and CTF • Check KPE (January-June 2024) • Check STEP Increment 	<ul style="list-style-type: none"> • 1 spot audit • Follow up audit of investments, payroll and PPE • Audit plan for 2025 • Process review of members mobile app and other digitalization efforts

The Board approved the Internal Audit plan for 2024, with BoT Jeronima Teodoro leading the motion and BoT Myrna Verdadero seconding it.

VII. AGM Program Flow

The flow of the program for the celebration of the Annual General Meeting on May 31, 2024, was discussed as follows:

Part 1	Anniversary Mass	7:30 - 8:30 am
Part 2	Business Meeting	9:00 - 12:00 nn
Part 3	Anniversary Celebration	1:30 onwards



The day's proceedings will commence with an Anniversary Mass, providing a solemn start to the event and offering attendees the opportunity for reflection and spiritual participation. Following the Mass, the Business Meeting will take place. This segment will involve discussions, presentations, and decision-making on various organizational matters, including reports on the past year's activities, financial updates, and plans for the future. It serves as a crucial component of the AGM, allowing members to engage in the governance and strategic direction of the organization. The final part of the program will be the Anniversary Celebration. This segment provides an opportunity for members, stakeholders, and guests to come together in a festive atmosphere to commemorate KMBA's achievements and milestones.

VIII. Adjournment

There being no other matters discussed, the meeting ended at at 11:74 am upon motion by BoT Sylvia and seconded by BoT Jeronima Teodoro.