

Republic of the Philippines Department of Finance

INSURANCE COMMISSION 1071 United Nations Avenue Manila



02 June 2022

INTERIM BOARD OF TRUSTEES

FIRE SERVICES MUTUAL BENEFIT ASSOCIATION INC. Unit 418, 145 Union Square Condominium 15th Avenue, Cubao Quezon City fsmbai2004@gmail.com

ATTENTION: MR. HENRY M. MOJICA

SSUPT (Ret) BFP

Ex-Officio Compliance Officer

SUBJECT: Examination of the 2021 Annual Statement (AS)

Gentlemen:

Examination of the 2021 AS of Fire Services Mutual Benefit Association, Inc. disclosed the following:

I. FINANCIAL CONDITION

Total Admitted Assets	₱ 55,133,216.54
Total Liabilities	₱ 50,952,445.80
Total Fund Balance	₱ 4,180,770.54
Consisting of: Assigned Fund Balance Free and Unassigned Fund Balance	₱13,270,000.00 (9,089,229.16)
Member's Equity Aggregate RBC Requirement RBC Ratio	₱ 4,180,770.84 990,406.16 422.13%

The Association is compliant with the Minimum Guaranty Fund requirement of P12,500,000.00 as provided in Insurance Memorandum Circular No. 2-2006 dated 24 April 2006.

Likewise, the Risk Based Capital ratio of **422.13**% is compliant with the ratio prescribed in IMC No. 11-2006 dated 08 December 2006.

Considering that the Association has fully complied with the above requirements, the Conservatorship status of the Association may be lifted subject to the approval of your submitted Rehabilitation Plan. The same shall be covered in a separate letter.

Further, the Association is required to implement the following:

- 1. Effective Internal Control and Manual of Operation Procedures
- 2. Adoption and compliance to the Revised Code of Corporate Governance for IC regulated entities as required under Circular Letter (CL) No. 2020-71 dated 1 June 2020
- 3. Money Laundering & Terrorism Financing Prevention Program as required under CL No. 2019-65 dated 22 November 2019

Proof of compliance to the above requirements shall be strictly monitored by the IC - Life, MBA & Trust Division, through subsequent conduct of examination, should this Commission decide to lift the Conservatorship Order issued against FSMBAI.

Attached herewith are copies of the working balance sheet, computation of Guaranty Fund and RBC and the summary of non-ledger assets, non-admitted assets and non-ledger liabilities as of year-end 2021.

The Association is given ten (10) working days from receipt of this letter within which to submit its comments, observations on the attached working balance sheet otherwise, the figures therein shall be the basis in the preparation of the final balance of the 2021 Annual Statement.

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uly yours,

DENNIS B. FUNAInsurance Commissioner



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1	FIRE SERVICES MUTUAL BENEFIT ASSOCIATION, INC.		1				<u></u>	<u> </u>	<u> </u>		·	· · · · · · · · · · · · · · · · · · ·		
-	WORKING BALANCE SHEET													
3	AS OF 31 DECEMBER 2021													
4														
\vdash			1							NON-A	DMITTED ASSETS/ NON-			
5		BALANCES		RECLASSIFYING	ENTRIE	S (Annex A)	ADJUSTED	NO	N-LEDGER ASSETS	LE	EDGER LIABILITIES	ADMITTED ASSETS	ADMITTED ASSETS	
6	ACCOUNTS	PER CO	Ref.	DR	Ref.	CR	BALANCES	Ref.	Annex B	Ref.	Annex C	12/31/2021	12/31/2020	INCR / (DECR)
7	Cash and Cash Equivalent	36,169,949.99					36,169,949.99	-	-	C-1	1,000.00	36,168,949.99	24,366,547.52	11,802,402.47
8	Financial Assets at Amortized Cost (FAAC)	13,177,173.05					13,177,173.05	B-1	92,826.95		• • • • •	13,270,000.00	13,270,000.00	(0.00)
14	Net Premius Due and Uncollected						-		•					
15	Members' Contribution Due & Uncollected	11,658.79		-			11,658.79			C-2	11,658.79	(0.00)	•	(0.00)
\vdash	Members' Assessment Receivable	2,143.26					2,143.26		•	C-3	2,143.26	(******		(3.33)
\vdash	Accrued Income	1,112,727.56					1,112,727.56		-	C-4	1,101,128.32	11,599.24	141,340.13	(129,740.89)
\vdash	Other Current Receivables	1,935,174.50					1,935,174.50			C-5	1,935,174.50			, , , , , , , ,
23	Loans Receivable	11,772,528.75					11,772,528.75			C-6	9,109,989.38	2,662,539.36	6,364,249.14	(3,701,709.78)
2B	Property and Equipment - Net	3,043,312.20					3,043,312.20			C-7	23,184.15	3,020,128.05	3,176,445.04	(156,316.99)
\vdash		-,,-			•							-,,	2,,	(100,010177)
30	TOTAL ASSETS	67,224,668.09					67,224,668.09	:	92,826.95		12,184,278.40	55,133,216.64	47,318,581.83	7,814,634.81
31			-							-				
32	Liability on Individual Equity Value	36,455,351.21					36,455,351.21		•			36,455,351.21	33,594,025.01	2,861,326.20
33	Basic Contingent Benefit Reserve	406,938.72			, ,	,	406,938.72					406,938.72	447,049.13	(40,110.41)
35	Claims Payable on Basic Contingent Benefit	1,268,093.68					1,268,093.68	•				1,268,093.68	1,795,868.13	(527,774.45)
37	Other Benefits Payable on Basic Policies	8,163,780.31					8,163,780.31		•			8,163,780.31	7,173,954.38	989,825.93
44	Accounts Payable	906,665.38	-	-			906,665.38			•		906,665.38	914,334.03	(7,668.65)
45	Accrued Expenses	844,414.69					844,414.69	•	•			844,414.69	169,136.22	675,278.47
46	Unearned Bond Discount									C-8	92,826.95	92,826.95	98,011.43	(5,184.48)
47	Other Long Term Liabilities				A-2	2,814,374.86	2,814,374.86			-		2,814,374.86	254,129.65	2,560,245.21
49													•	
50	TOTAL LIABILITIES	48,045,243.99				-	50,859,618.85	,	-	-	92,826.95	50,952,445.80	44,446,507.98	6,505,937.82
51	·		7			-								
П			' '			*		•	!	C-1 to	•			
52	Free and Unassigned Fund Balance	5,909,424.1D	A-2	2,814,374.86	A-1	92,826.95	3,187,876.19			C-8	(12,277,105.35)	(9,089,229.16)	(10, 397, 926. 15)	1,3D8,696.99
53														
54	Assigned Fund Balance	13,270,000.00				•	13,177,173.05	B-1	92,826.95		•	13,270,000.00	13,270,000.00	
55	Funds Assigned for Guaranty Fund	13,270,000.00	A-1	92,826.95			13,177,173.05	B-1	92,826.95	•		13,270,000.00	13,270,000.00	
56	Funds Assigned for Member's Benefit												•	
57	Funds Assigned for Community Development													
58	Revaluation Increment/Surplus								·		· · · · · · · · · · · · · · · · · · ·			
59	TOTAL FUND BALANCE	19,179,424.10					16,365,049.24		92,826.95		(12,277,105.35)	4,180,770.84	2,872,073.85	1,308,696.99
60	TOTAL LIABILITIES & FUND BALANCE	67,224,668.09		2,907,201.81		2,907,201.81	67,224,668.09		92,826.95		(12,184,278.40)	55,133,216.64	47,318,581.83	7,814,634.81
61	- · · · · · · · · · · · · · · · · · · ·													
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FIRE SERVICES MUTUAL BENEFIT ASSOCIATION, INC. AS OF 31 DECEMBER 2021

1 COMPUTATION OF GUARANTY FUND:

Required Guaranty Fund per IMC No. 2-2006	₱	12,500,000.00
Guaranty Fund per ISD as of 12/31/20		13,270,000.00
Excess/(Deficiency) in Guaranty Fund	₽	770,000.00

*Guaranty Fund per Investment Services Division (ISD) as of 12/31/2021

Treasury Bills	P	13,270,000.00
Total	₽ P	13,270,000.00

2 RBC COMPLIANCE

RBC RATIO PER COMPUTATION	422 .13%
RBC RATIO REQUIREMENT	100.00%
Excess/(Deficiency)	3 22. 13%

FIRE SERVICES MUTUAL BENEFIT ASSOCIATION, INC. AS OF 31 DECEMBER 2021

	SUM	MARY OF NON-LED	GER ASSETS
ACCOUNT		AMOUNT	<u>REMARKS</u>
Financial Assets at Amortized Cost	. ₽	92,826.95	- Per IC computation
• •	₽_	92,826.95	
			· ·
	SUMM	ARY OF NON-ADMI	TTED ASSETS
Cash and Cash Equivalent	₽	1,000.00	- Uncollectible revolving fund
Members' Contribution Due & Uncollected	1 *		- Not certified by actuary
Members' Assessment Receivable		2,143.26	- Not certified by actuary
Accrued Income		1,101,128.32	- Non-admitted per company
Other Current Receivable	1	1,935,174.50	- NAA per Section 203 of the Amended Insurance Code
Loans Receivable		9,109,989.38	- Long overdue accounts
Property & Equipment		23,184.15	- NAA per Section 203 of the Amended Insurance Code
	₽_	12,184,278.40	
	SUMMA	RY OF NON-LEDGE	ER LIABILITIES
Unearned Bond Discount	₽	92,826.95	- Per IC computation
	₽ —	92,826.95	· i

ANNEX A

FIRE SERVICES MUTUAL BENEFIT ASSOCIATION, INC. ADJUSTING JOURNAL ENTRIES AS OF 31 DECEMBER 2021

	ACCOUNTS	DR	CR
A-1	Funds Asssigned for Guaranty Fund	92,826.95	
	Free & Unassigned Fund Balance		92,826.95
	To reclass to proper account.		
A-2	Free & Unassigned Fund Balance	2,814,374.86	
	Other Liabilities		2,814,374.86
	To reverse entry made by the Association on Floating equity Reserves.		
	TOTAL	2,907,201.81	2,907,201.81

ANNEX	В
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FIRE SERVICES MUTUAL BENEFIT ASSOCIATION, INC. NON-LEDGER ASSET
AS OF 31 DECEMBER 2021

Reference		AMOUNT			
	Account Name	Non-Ledger Asset (additional)	Net Worth (additional)		
B-1	Financial Assets at Amortized Cost (FAAC)	92,826.95			
	Retained Earnings		92,826.95		
	To set up as Non-Ledger Asset per computation.				
	TOTAL	92,826.95	92,826.95		

FIRE SERVICES MUTUAL BENEFIT ASSOCIATION, INC. NON-ADMITTED ASSETS/ NON-LEDGER LIABILITIES AS OF 31 DECEMBER 2021

		AMOUNT			
Reference	Account Name	Non-Admitted Assets (reduction)	Non-Ledger Liabilities (additional)	Net Worth (reduction)	
C-1	Cash and Cash Equivalent	1,000.00			
C-1	Free and Unassigned Fund Balance	1,000.00		1,000.0	
	To disallow unaccounted cash fund.			1,000.0	
	To disulton unaccounted cash juna.				
C-2	Members' Contribution Due & Uncollected	11,658.79			
	Free and Unassigned Fund Balance	 		11,658.7	
	To disallow accounts not certified by actuary.				
C-3	Members' Assessment Receivable	2,143.26			
	Free and Unassigned Fund Balance			2,143.2	
	Ta disallaw accounts not certified by actuary.				
C-4	Accrued Income	1,101,128.32			
	Free and Unassigned Fund Balance			1,101,128.3	
	Ta disallaw nan-admitted accaunts per campany.				
C-5	Other Current Receivable	1,935,174.50			
***	Free and Unassigned Fund Balance	, , , , , , , , , , , , , , , , , , , ,		1,935,174.5	
	To disallow generally non-admitted assets under Sec. 203				
	af the Amended Insurance Cade.				
C-6	Loans Receivable	9,109,989.38			
	Free and Unassigned Fund Balance		-	9,109,989.3	
	Ta disallaw long-overdue accounts.				
C-7	Property and Equipment	23,184.15			
C-7	Free and Unassigned Fund Balance	23,104.13		23,184.1	
	To disallaw generally nan-admitted assets under Sec. 203			23,104.1	
	af the Amended Insurance Cade.				
C 8	Unearned Bond Discount		02.024.05	***	
C-8	Free and Unassigned Fund Balance	-	92,826.95	92,826.9	
	0			72,020.9	
	To set up as Non-Ledger Liabilities per computation.				
	TOTAL	12,184,278.40	92,826.95	12,277,105.3	

FIRE SERVICES MUTUAL BENEFIT ASSOCIATION, INC. RBC EXHIBIT 17 - NET WORTH AND RBC RATIO EXAMINATION AS OF 31 DECEMBER 2021

	RBC requirement	
	Noe requirement	-
(1) C-1: Asset Default Risk (Exh 17, col 4 total)	614,908.20	
(2) C-2: Insurance Pricing Risk (Exh 19, Part 1, col 5 total)	476,506.79	
(3) C-3: Interest Rate Risk (Exh 20, col 10 total)	•	
(4) C-4: General Business Risk (Exh 19, Part 1, col 5 total)	212,478.90	
(5) Sum of C-1 to C-4 requirements	1,303,893.90	
(6) Aggregate RBC requirement $\sqrt{((1)+(3))^2+(2)^2}+(4)$	990,406.16	
(7) Member's Equity (from p.3)	4,180,770.84	
(8) RBC Ratio: (7) / (6)	422.13%	
(9) RBC Ratio, previous year	113.51%	per 2020 examination