



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	₱13,270,000.00
Free and Unassigned Fund Balance	(9,089,229.16)
Member's Equity	₱ 4,180,770.84
Aggregate RBC Requirement	990,406.16
RBC Ratio	422.13%

The Association is compliant with the Minimum Guaranty Fund requirement of **₱12,500,000.00** 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.

Very truly yours,



DENNIS B. FUNA
Insurance Commissioner



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		<u>13,270,000.00</u>
Excess/(Deficiency) in Guaranty Fund	₱	<u><u>770,000.00</u></u>

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

Treasury Bills	₱	<u>13,270,000.00</u>
Total	₱	<u><u>13,270,000.00</u></u>

2 RBC COMPLIANCE

RBC RATIO PER COMPUTATION	422.13%
RBC RATIO REQUIREMENT	<u>100.00%</u>
Excess/(Deficiency)	<u><u>322.13%</u></u>

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

SUMMARY OF NON-LEDGER ASSETS

<u>ACCOUNT</u>	<u>AMOUNT</u>	<u>REMARKS</u>
Financial Assets at Amortized Cost	P 92,826.95	- Per IC computation
	<u>P 92,826.95</u>	

SUMMARY OF NON-ADMITTED ASSETS

Cash and Cash Equivalent	P 1,000.00	- Uncollectible revolving fund
Members' Contribution Due & Uncollected	11,658.79	- 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	1,935,174.50	- 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
	<u>P 12,184,278.40</u>	

SUMMARY OF NON-LEDGER LIABILITIES

Unearned Bond Discount	P 92,826.95	- Per IC computation
	<u>P 92,826.95</u>	

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

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

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

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

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

Reference	Account Name	AMOUNT		
		Non-Admitted Assets (reduction)	Non-Ledger Liabilities (additional)	Net Worth (reduction)
C-1	Cash and Cash Equivalent	1,000.00		
	Free and Unassigned Fund Balance			1,000.00
	<i>To disallow unaccounted cash fund.</i>			
C-2	Members' Contribution Due & Uncollected	11,658.79		
	Free and Unassigned Fund Balance			11,658.79
	<i>To disallow accounts not certified by actuary.</i>			
C-3	Members' Assessment Receivable	2,143.26		
	Free and Unassigned Fund Balance			2,143.26
	<i>To disallow accounts not certified by actuary.</i>			
C-4	Accrued Income	1,101,128.32		
	Free and Unassigned Fund Balance			1,101,128.32
	<i>To disallow non-admitted accounts per company.</i>			
C-5	Other Current Receivable	1,935,174.50		
	Free and Unassigned Fund Balance			1,935,174.50
	<i>To disallow generally non-admitted assets under Sec. 203 of the Amended Insurance Code.</i>			
C-6	Loans Receivable	9,109,989.38		
	Free and Unassigned Fund Balance			9,109,989.38
	<i>To disallow long-overdue accounts.</i>			
C-7	Property and Equipment	23,184.15		
	Free and Unassigned Fund Balance			23,184.15
	<i>To disallow generally non-admitted assets under Sec. 203 of the Amended Insurance Code.</i>			
C-8	Unearned Bond Discount		92,826.95	
	Free and Unassigned Fund Balance			92,826.95
	<i>To set up as Non-Ledger Liabilities per computation.</i>			
	TOTAL	12,184,278.40	92,826.95	12,277,105.35

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

	RBC 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 report