



# ANNUAL REPORT 2020





Established in September 2011, KGI Mutual Benefit Association Inc., is a non-stock, non-profit organization and is the microinsurance arm of KAZAMA Grameen Microfinance Inc. to its members. Registered with Securities and Exchange Commission with registration no. CN201117039 and regulated by the Insurance Commission. KGI MBA is the second institution of KGMI and is owned and managed by the members. KGMI's client-beneficiaries and staff members constitute KGI MBA's primary members. The Association is a regular member of the Microinsurance MBA Association of the Philippines Inc., a microinsurance technical resource center recognized by the Insurance Commission.

# VISION

By 2028, KGI MBA is one of the 5 leading Mi-MBA's in Luzon.



# MISSION

Protect low-income Filipino households from life-cycle risks.



# GOALS and OBJECTIVES

1. To extend financial assistance to its members, spouse, children and parents in the form of death benefits, sickness benefits, provident savings and loan redemption assistance;
2. To ensure continued access to benefits/resources by actively involving the members in the management of the association that will include implementation of policies and procedures geared towards sustainability and improved services.



## *Serving amidst the Pandemic*

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**Leticia C. Castillo**  
**President**

Another year has passed of providing services to our dear KGI MBA members. Though this year has been very challenging to everyone due to the sudden stoppage of businesses and gatherings because of the pandemic, KGI MBA has been faithful in providing benefits to members even during the height of quarantine in various areas where we operate.

Providing benefits may have not been easy if not for the courage and bravery of our KGMI branch staffs who risks their lives just to reach out to the members who needs to receive their benefits and facilitate the process as well. We truly salute you Ma'am and Sir's for your unrelenting service and support to the association. This is being true to our words that we will be the "Tunay na Kaagapay" and proving that "Pamilya ay nakaseguro, Benepisyo ay sigurado" in times of crisis like this.

We are also grateful to our regulator, the Insurance Commission, who have provided more flexible policies and ways for our members so that they can keep up with their insurance payments after the enhance community quarantine has been lifted. The circulars issued for the extension of grace period for the member's payment were a great help to think of ways to secure their coverage of insurance.

We may not know what the future may bring us or when will this pandemic ends, but we commit to continually provide a more flexible, more reliable and more efficient service to our member beneficiaries.

# Products and Services

## 1. BASIC LIFE INSURANCE PLAN (BLIP)

Basic Life Insurance Plan is a family insurance and is provided to all eligible members and staff of Partner KGMI. Members contribute Php50.00 weekly, for all the benefits stated below.

<b>KGI-MBA Table of Benefits</b>				
<b>Length of Membership</b>	<b>Cause of Death / Total and Permanent Disability (TPD)</b>	<b>Benefits (in Php)</b>		
		Member	Spouse	Child
<b>Less than 1 year</b>	Death/TPD due to pre-existing condition	2,000	none	none
	Death due to Natural or Non-accidental cause	30,000	none	none
	Death due to Accident	120,000	20,000	10,000
	TPD due Accidental or Natural/Non-accidental cause	15,000	none	none
<b>1 year and above</b>	Death due to Natural or Non-accidental cause	60,000	10,000	5,000
	Death due to Accident	120,000	20,000	10,000
	TPD due to Accidental or Natural/Non-accidental cause	30,000	5,000	none

Hospital Bill Reimbursement Benefit or HBRB is a rider of the BLIP. The member and her/his beneficiaries are entitled to this benefit if they were confined/hospitalized due to sickness or accident for not less than 24 hrs.

<b>Hospital Bill Reimbursement Benefit</b>	<b>Member</b>	<b>Spouse</b>	<b>Child</b>
	<b>1,500</b>	<b>600</b>	<b>300*</b>

## 2. CREDIT LIFE INSURANCE PLAN (CLIP)

CLIP is offered to all BLIP members to cover their loans to partner MFI. This insurance covers up to Php300,00.00 and the member only pays Php10.00 per thousand per year.

### *3. MEMBERS EQUITY VALUE REFUND*

A member is entitled to an equity value equivalent to at least FIFTY PER CENTUM (50%) of his/her total gross contributions paid, and an interest is credited annually, which can be refunded upon exit to the program.

### *4. KGI MBA RELIEF ASSISTANCE*

KGI MBA also focuses on giving non-financial assistance to its members through relief assistance, whenever they are affected by flood, fire, typhoon and other perils that may affect them. The relief consists of enough goods for a family of four that they may use for a day after the event.

# Operational Highlights

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## **Total Members**

14,704

## **Total Insured Individuals**

29,755

## **Total Claims**

Php 11,959,292

## **Total Contribution & Premium**

Php 15,768,130

# Operational Highlights

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## **Basic Life Insurance**

**No. of Claims**    306  
**Amount**        Php 2,584,540

## **Operating Expense for the Year**

**Php 4,415,550**

## **Credit Life Insurance**

**No. of Claims**    35  
**Amount**        Php 495,000

## **Operating Income for the Year**

**Php 2,524,874**

## **Equity Value Refund**

**No. of Claims**    6,964  
**Amount**        Php 8,879,752

## **Total Assets**

**Php 83,084,242**



# *Corporate Governance and Management*

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## *COMMITMENT TO CORPORATE GOVERNANCE*

KGI MBA, Inc. is committed in the promotion of good corporate governance within its organization and among its stakeholders. Together with the Board of Trustees and Management, KGI MBA will remain steadfast in monitoring the performance of the organization, strive to make good and sound decisions, and will hold its governing board accountable for its execution in achieving our corporate goals.

The Board of Trustees and the Management are guided and adheres to the principles and practices reflected in the Corporate Governance Manual and Code of Ethics. Thus, KGI MBA confirms its full adherence to the code of Corporate Governance.

## *BOARD OF TRUSTEES*

The responsibility of governing, controlling, and managing the affairs, funds and property of the association lies with its Board of Trustees as per the association's By-Laws. Compliance with the principles of sound corporate governance is of high priority. The Board of Trustees approves and oversee that proper implementation of the policies and procedures are met. They are also responsible in overseeing the performance of the senior management towards the attainment of the Association's short and long-term strategic objectives.

KGI MBA's Board of Trustee's is composed of seven (7) members, to wit: four (4) trustees are elected from the active members, one (1) from the MFI staff representative, and two (2) independent trustees who are professionals and expert in their field. The Trustees has a term of three (3) years and are elected by majority of its members during annual general meeting attended by the MBA Coordinators as the member's representative to the election. The Board of Trustees holds no executive position in the association.

Despite the situation due to Covid19 pandemic, KGI MBA Board of Trustees never fail to meet using the approved remote communication platform to assess the situation of the members and the association. For 2020, the KGI MBA Board of Trustees conducted four (4) regular and two (2) special meetings via remote communication (Zoom). Their attendance to the 2020 Annual General meeting is also indicated below.

SN	Name	Designation/Position	Annual General Meeting	Total No. Of Meetings	No. of Meetings Attended	Percentage of Attendance
1	Leticia C. Castillo	President	✓	6	6	100%
2	Sonia L. Yape	Vice-President	✓	6	6	100%
3	Dolores D. Medina	Secretary	✓	6	6	100%
4	Demetria V. Merza**	Treasurer	✓	2	2	100%
5	Dr. Ricardo S. Reyes Jr.	Independent Board	✓	6	6	100%
6	Piedad D. Matias	Independent Board	✓	6	6	100%
7	Mary Grace P. Baysan**	Member	✓	2	2	100%
8	Jonalie A. Bonilla*	Secretary	✓	5	5	100%

\* Term Ended

\*\* Newly Elected 2020

## *BOARD COMMITTEES*

Committees of the board address relevant issues and make recommendations to the entire board for final approval. The primary function of a committee is to contribute to the efficient operation of the organization.

Board committees normally function independently from each other and are provided with sufficient authority, resources, and assigned responsibilities in assisting the entire board. These committees handle a greater number of issues with greater efficiency by having experts focus on specific areas.

KGI MBA has 3 committees. Immediately after the Annual General Meeting, the Board of Trustees appoints among themselves who will fill the different committees and selects their chairperson in each committee. Below are the Board committees and meetings in 2020.

## *NOMINATION COMMITTEE*

The Nomination Committee is composed of three (3) members of the Board of Trustees, one of them is an independent board. The committee is responsible to review and evaluate the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board of Trustees.

The Nomination Committee held 2 meetings during the year regarding the nominees and election of the new Board of Trustees.

<b>SN</b>	<b>Members</b>	<b>Position</b>	<b>Total No. of Meetings</b>	<b>No. of Meetings Attended</b>	<b>Percentage of Attendance</b>
1	Dr. Ricardo S. Reyes Jr.	Chairperson	2	2	100%
2	Sonia L. Yape	Member	2	2	100%
3	Dolores D. Medina	Member	2	1	50%

The Nomination Committee together with an Independent Election Committee composed of the Senior Operations Director and Internal Audit Manager of KGM and the Operations Officer of KGI MBA, played a crucial role in the election of the new Board of Trustees in late 2020. A sufficient number of Proxy Voting Forms was still collected from the branches of the partner MFI in order to pursue the election for the year. Because of the pandemic and gatherings are prohibited, the association result to use online voting that is approved by the Board of Trustees, while the meeting is through remote communication.

## *AUDIT COMMITTEE*

The Audit Committee provides oversight of the institution's internal and external auditors. It is responsible for the setting-up of internal audit department, and the appointment of the internal auditors as well as of independent external auditors. They also monitor and evaluate the adequacy and effectiveness of the internal control system of the company.

The Audit Committee is composed of three (3) trustees and shall serve for three (3) years or co-terminus with the Board of Trustees. The chair of the committee is an independent trustee and had two (2) meetings in 2020.

SN	Members	Position	Total No. of Meetings	No. of Meetings Attended	Percentage of Attendance
1	Piedad D. Matias	Chairperson	2	2	100%
2	Leticia C. Castillo	Member	2	2	100%
3	Alex L. Labsan*	Member	2	1	50%

\*Resigned

### *REMUNERATION COMMITTEE*

The main role of the Remuneration Committee is to assist and advise the Board on matters relating to the salary, financial benefits/allowances (retirement, medical, etc) and remuneration package for the officers and employees of the association, in order to motivate and retain executives ensure that the company is able to attract the best talents in the market subject to the approval of the board.

The committee also oversee and supervise that the salary packaged is in compliance with the labor code of the government of the Philippines and recommends salary increases of the employees based on performance.

The Remuneration Committee is composed of three (3) trustees and shall serve for three (3) years or co-terminus with the Board of Trustees. The committee had one (1) meeting in 2020.

SN	Members	Position	Total No. of Meetings	No. of Meetings Attended	Percentage of Attendance
1	Sonia L. Yape	Chairperson	1	1	100%
2	Leticia C. Castillo	Member	1	1	100%
3	Jonalie A. Bonilla	Member	1	1	100%

## BOARD REMUNERATION

The members of the Board of Trustees of KGI MBA as defined in its constitution and ByLaws shall not be entitled to any compensation or remuneration for their services rendered, except for any actual reimbursements of monitoring and transportation expenses incurred in the performance of their duties and responsibilities.

## BOARD PERFORMANCE APPRAISAL

The Board of Trustees conducts an annual evaluation of its performance through self-assessment by the individual Trustees of their respective individual performance, the performance of the Board Committee to which they belong and the Board as a whole through the accomplishment of Self- Assessment Form.

The Annual Performance Appraisal of the Board and Committees are conducted to measure its compliance to the governance manual. The assessment form is also based on the Company ByLaws and Code of Corporate Governance Principles and Leading Practices. The accomplished forms are submitted to the Corporate Secretary. For this year, the Board finished the assessment during the last quarterly meeting for the year in December 17, 2020.

## BOARD CONTINUING EDUCATION AND LEADERSHIP DEVELOPMENT

For first time Trustees, it is critical to receive the training they need in order to be an effective member of the Board and help lead the organization in the right direction. Orientation for first-time trustees will begin immediately after they are elected and before their first Board meeting.

The Board as a group and as individual trustees should have sufficient knowledge relevant to the Association's core activities to provide effective governance and oversight and should be exposed to different capacity building programs and outside trainings to help them manage the organization well. Below are the trainings attended by the Board of Trustees for 2020.

Name of Trustee	Leadership Training for Mi-MBA's	National Microinsurance Forum 2020: Value Creation through Partnership and Collaboration	E-Learning Platform 101	Briefer on ARISE Philippines Act (HBN 6815)	MiMAP AGM	Briefer on the Revised ACGR for ICR's and the Annual Governance Report
	Jan. 8-10, 2020	Jan. 30, 2020	Jun 29,2020	Jul 6, 2020	Jul 13, 2020	Aug 10,2020
Leticia C. Castillo		✓	✓	✓	✓	✓
Sonia L. Yape		✓		✓		✓
Jonalie A. Bonilla	✓	✓		✓		✓
Dolores D. Medina	✓	✓	✓	✓		✓
Dr. Ricardo Reyes Jr.	✓	✓				✓
Piedad D. Matias	✓	✓				✓



# Board of Trustees Profile

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**Ms. Leticia C. Castillo**

**PRESIDENT**

Age: 52  
Qualification: BS Accountancy  
Date Elected: May 18, 2018  
Directorship: Member, Audit Committee  
Directorship in Listed Companies: None  
Relative Experience: 4 years, MBA Coordinator  
Trainings Attended: Governance and AMLA Workshop for Mi-MBA's. Leadership Training Workshop for Mi-MBA's, National Microinsurance Forum, Financial Management, Strategic Planning, ACGR Writeshop



**Ms. Sonia L. Yape**

**VICE PRESIDENT**

Age: 54  
Qualification: BS Commerce  
Date Elected: May 18, 2018  
Directorship: Member, Nomination & Remuneration Committee  
Directorship in Listed Companies: None  
Relative Experience: 6 years, Center Chief  
Trainings Attended: Governance and AMLA Workshop for Mi-MBA's. Leadership Training Workshop for Mi-MBA's, National Microinsurance Forum, Financial Management, Strategic Planning



**Ms. Dolores D. Medina**

**SECRETARY**

Age: 49  
Qualification: Associate Secretarial Administration  
Date Elected: May 17, 2019  
Directorship: Member, Remuneration Committee  
Directorship in Listed Companies: None  
Relative Experience: 12 years, Center Chief  
Trainings Attended: Governance and AMLA Workshop for Mi-MBA's. Leadership Training Workshop for Mi-MBA's, National Microinsurance Forum, Financial Management, Strategic Planning



**Ms. Demetria V. Merza**

**TREASURER**

Age: 59  
Qualification: High School Graduate  
Date Elected: November 27, 2020  
Directorship: Member, Nomination Committee  
Directorship in Listed Companies: None  
Relative Experience: 11 years, Center Chief  
Trainings Attended: Training for first time Board of Trustee

# Board of Trustees Profile

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**Dr. Ricardo S. Reyes**

**INDEPENDENT BOARD**

Age: 72  
Qualification: Ed.D Educational Management  
Ph.D in Agriculture  
Date Elected: May 19, 2017  
Directorship: Chairman, Nomination & Remuneration Committee  
Directorship in Listed Companies: President – Marifer School of Divine Mercy Inc.;  
Chairman – Kazama Grameen Microfinance Inc.  
Relative Experience: 12 years, MFI Board of Trustee  
Trainings Attended: Governance and AMLA Workshop for Mi-MBA's. Leadership  
Training Workshop for Mi-MBA's, National Microinsurance Forum, Financial  
Management, Strategic Planning



**Ms. Piedad D. Matias**

**INDEPENDENT BOARD**

Age: 81  
Qualification: BSBA - Accountancy  
Date Elected: May 19, 2017  
Directorship: Chairman, Audit Committee  
Directorship in Listed Companies: None  
Relative Experience: 9 years, MFI Board of Trustee  
Trainings Attended: Governance and AMLA Workshop for Mi-MBA's.  
Leadership Training Workshop for Mi-MBA's, National Microinsurance  
Forum, Financial Management, Strategic Planning



**Ms. Mary Grace P. Baysan**

**MEMBER**

Age: 37  
Qualification: BS Education  
Date Elected: November 27, 2020  
Directorship: Member, Audit Committee  
Directorship in Listed Companies: None  
Relative Experience: 7 years, MFI Manager. 5 years MFI Center  
Manager  
Trainings Attended: Training for first time Board of Trustee



# *The Corporate Secretary*

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Ms. Carmi G. Muli is the newly appointed Corporate Secretary of the Company. She is also the Executive Secretary and the Corporate Secretary of Kazama Grameen Microfinance Inc. (KGMI). She was formerly the Account Officer of KGMI from 2007 to 2009 and appointed as Executive Secretary of the company on September, 2009. She was formerly a HR Assistant of RL Vercons Merchants Corporation in 2006. She obtained her

Bachelor of Science in Business Administration Major in Management degree from Bataan Peninsula State University. She has a Career Service Sub Professional Eligibility.

Her trainings attended Related to Corporate Governance are the following:

- Governance & AMLA Orientation
- Orientation: Governance, Human Resource & MIS
- Orientation on the Template Articles of Incorporation and By Laws and Manual on Good Governance

As the Corporate Secretary, she should:

- a. Be responsible for the safekeeping and preservation of the integrity in the minutes of the meetings of the Board and its committees, as well as the other official records of the corporation;
- b. Be loyal to the mission, vision and objectives of the corporation;
- c. Work fairly and objectively with the Board, Management and stakeholders;
- d. Have appropriate administrative and interpersonal skills;
- e. If s/he is not at the same time the corporation's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his/her duties and responsibilities;
- f. Have a working knowledge of the operations of the association;

- g. Inform the members of the Board, in accordance with the bylaws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- h. Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him/her from doing so; and
- i. Ensure that all Board procedures, rules and regulations are strictly followed by the members.

# The Compliance Officer

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The Compliance Officer of the association, Ms Mary Jane Concepcion is also the General Manager who manages its day-to-day operations. She is a graduate of Bachelor of Science in Accountancy in Metro Manila College and has a Masters Degree in Business Management from President Ramon Magsaysay State University in Zambales. She has been with the association since its establishment until its



necessary government registration were completed, to the issuance of the association's first authority to operate as a Mutual Benefit Association from the Insurance Commission. The trainings she attended includes: Governance and AMLA Workshop for Mi-MBA's, Leadership Training; Financial Management; Fraud Manula Writeshop, Corporate Governance Manual Writeshop and other Governance trainings for Mi-MBA's.

Being the Compliance Officer, her responsibilities are the following:

- a. Monitor compliance with the provisions and requirements of this Manual;
- b. Determine violations of the Manual and recommend appropriate sanctions and/or penalties for violation thereof, for further review and approval of the Corporation's Board of Trustees;
- c. Identify, monitor, and control compliance risks;
- d. Appear before government agencies, if necessary; and
- e. Annually prepare and submit to the Office of the Insurance Commission (IC) a Corporate Governance Scorecard as required by the Code of Corporate Governance before deadline set by IC.

# Disclosure and Transparency

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## EXTERNAL AUDIT ENGAGEMENT

The Association is in compliance with Insurance Commission Circular No. 29-2009 dated November 10, 2009 in the selection of external auditors. Sycip Gorres Velayo and Co. through its partner Ms. Bernalette L. Ramos certified the Financial Statement of the association. The association incurred **P184,800.00** for its audit for the 2020 financial statement. There was no non-audit engagement in 2020, hence, no non-audit fees were paid.

## COMPLIANCE

KGI-Mutual Benefit Association Inc. (KGI-MBA) is committed to comply with the Philippine government and the Insurance Commission rules and regulations governing all licensed Mutual Benefits Associations and Insurance Companies. Hence, pursuant to IC Circular Letter No. 10-2002 dated June 27, 2002 a Compliance System has been developed.

The General Manager of KGI MBA, Ms. Mary Jane Concepcion was appointed by the Board of Trustees to ensure full compliance of the Association to laws, policies, circulars, and guidelines issued by the Insurance Commission, Securities and Exchange Commission, Bureau of Internal Revenue, Local Government Units, and other government agencies.

## INTERNAL AUDIT

KGI MBA shares internal audit service with its partner MFI, KGMI. The Audit team is headed by Ms. Ginalyn Cipriano. The internal audit is tasked to provide independent assessment and reasonable assurance of the adequacy and effectiveness of KGI MBA internal controls.

## RELATED PARTY TRANSACTIONS

Arm's length transactions in all related party transactions shall be observed at all times to protect the best interest of the Association, its members and stakeholders. The Association shall seek the assistance of a committee of independent trustees to review and check the materiality and fairness of the transactions.

Note 20 of the 2020 Audited Financial Statement presents the details of Related Party Transactions of the association.

## TRANSPARENCY AND DISCLOSURE

KGI MBA is committed to promote and ensure full disclosure, transparency and accountability to its stakeholders. Thus, to be able to ensure wider access by the members and, these disclosures and other corporate information are made available through the different communication tools as follows:

- **Website** – [www.kgi-mba.com](http://www.kgi-mba.com) Financial and Non-financial reports can be accessed in the website of the association as well as all the pertinent manuals and forms used in the course of our business
- **Media** – Members can reach the association through our Facebook page- **KGI MBA**.
- **Brochures/Leaflets** – To enable the members and potential clients to better understand the products and services of the association, brochures and leaflets are distributed to its partner MFI branches and KGIMBA website.
- **Hotline** - Members can contact the association via its hotline numbers +63 908 892 9371 or +63 930 226 5498 or they can email us at [kgi\\_mba@yahoo.com](mailto:kgi_mba@yahoo.com) for inquiries.

## STAKEHOLDER INTEREST

The Association ensures that quality service and programs are given to stakeholders and that every transaction with them are conducted in a transparent and fair manner.

### MEMBERS' SATISFACTION

Despite the situation because of the pandemic, KGI MBA ensures that claims during the year are processed as early as possible so that the benefit will reach the members in time of their need. The MBA Coordinators and staff of the branches has a vital role in this area. They are the ones that verify the claims and reports it to their respective branches for the timely processing of benefits. They also helped our MFI partner in marketing their new HMO product to the members.

### SUPPLIER/CONTRACTOR SELECTION

To ensure that engagements with suppliers/contractors will be impartial and transparent; the Association will conduct a bidding process for projects with contracts amounting to more than One Hundred Thousand Pesos (PhP 100,000) where minimum of three (3) suppliers shall submit their proposal and business profile to the management for background check and validation of proposal. The association appoints a bidding committee to lead the bidding and selection process. All decisions on the selection of suppliers shall be presented and approved by the board. Selected supplier/contractor shall be issued a legal contract/agreement that will be notarized to make the engagement binding.

### ENVIRONMENTALLY-FRIENDLY VALUE CHAIN

The Association's business operation does not directly affect the environment. However, it is still committed to do its part in promoting environmental sustainability through various initiatives within the office like recycling papers, putting off the lights and air conditioner during lunch break and after office hours.

## COMMUNITY OF OPERATIONS

The association is committed to providing good service not only to its members but also to the areas where it operates. The association conducts relief operations in areas where it has members affected by flood or fire. KGI MBA also participates with its partner MFI in town activities where the association's head office is located, in activities such as float parade and job hiring. The association also accepts students nearby who need OJT to help them complete their school requirements. KGI MBA also participates in raising awareness in various areas about microinsurance by participating in the Insurance Commission's awareness campaign programs.

## EMPLOYEES

The progress and success of the association depends on its human resources and that only through carefully selected, well-trained, results-oriented, and dedicated employees can the association achieve its objectives. The association has existing policies and programs for employees in the Personnel Manual. In January 2020, the staffs of the association were enrolled to the HMO offered by RMSI with its provider Philcare. This is to ensure that the health of the employees of the association is well taken care of and protected especially during this time of pandemic.

## ANTI-CORRUPTION PROGRAM

To better protect the association that provides services to members, the association encourages members to report to the association if they have known any activity that would put the association in a bad position such as fraud in any way and by anyone involved in the activity. The association commits that any information disclosed will be kept confidential and thoroughly investigated and take action after.

## EMPLOYEES' CAPACITY BUILDING AND DEVELOPMENT

Every year, KGI MBA makes sure that the employees attend seminars and trainings to upgrade their knowledge about the industry. For this year, the following online trainings and seminars were attended by the employees of the association.

DATE	TRAINING TITLE
Jan. 8-10, 2020	Leadership Training Workshop for Mi-MBA's
Jan. 30, 2020	National Microinsurance Forum: Value Creation through Partnership and Collaboration
June 18, 2020	Meaningful use and Accomplishment of ACGS
June 22, 2020	Conduct of AGM during Pandemic
June 29, 2020	E-Learning Platform 1010
July 6, 2020	Briefer on ARISE Philippines Act (HBN 6815)
July 27, 2020	Social Media Marketing 101
July 30, 2020	Progreso Bonds (RTB 24) Webinar
Aug. 7, 2020	Train Law 4 - PIFITA
Aug. 10, 2020	Briefer on the Revised Code of Corporate Governance for ICRE's and the ACGR
Aug. 17, 2020	Improving Mi-MBA's Technological Competency
Aug. 27, 2020	Promoting Well-being (Personal Competency)
Aug. 27, 2020	E-Forum on Business Continuity for SME's: Digitalization through E-Commerce
Sept. 7 & 14, 2020	Improving Mi-MBA's Performance Management System
Sept. 21, 2020	Center Meeting at Social Distancing: Paano Maitatawid?
Sept. 30, 2020	Enhancing MS Excel Competency: V Look-up
Oct. 5, 2020	Enhancing MS Excel Competency: Pivot Table
Oct. 28, 2020	Financial Management Seminar for Mi-MBA's
Nov. 4, 2020	Public Hearing on the Proposed Assessment Fee for the Training Regulations for MI Service II (For MBA)
Nov. 20, 2020	Virtual Investors Briefing on Premyo Bonds 2



## *The Board of Advisors*



( From Left to Right: **Mr. Marlou R. Concepcion**, KGMI President; **Mr. Ronald V. Tactaquin**, KGMI Finance Director; **Mr. Ruben A. Rianzares** , KGMI Executive Director; **Mr. Sonny R. Guiang**, KGMI Research & Development Director and **Mr. Joan A. Cortez**, KGMI Senior Operations Director)

The Board of Advisers is a five-member body whose main task is to assure policy and operating coordination between KGI MBA and KGMI. This board has informal yet important day-to-day contact with KGI MBA management, and frequent interaction with the MBA President.

The Board of Advisors also provides significant formal oversight of the MBA and the Trustees in terms of management, policies, regulatory compliance and governance and is invited to all meetings of the latter. However, they are not allowed to vote. They hold the position for one year, and is confirmed by the Board of Trustees on annual basis. They may resign from their post, or may no longer be confirmed by the Board of Trustees upon its discretion.

# The Management



( From Left to Right: **Ms. Edna E. Mediaro**, Operations Officer; **Mr. Ronald D. Pascua**, MIS Officer; **Ms. Mary Jane N. Concepcion**, General Manager; **Miss Cristine Arvei A. Peralta**, MIS Staff; **Miss Dignadise M. Dayao**, MIS Staff and **Ms. Crystalyn R. Estel**, Bookkeeper )

The Management has given the authority to implement the policies determined by the Board in directing the course/business activity/ies of the organization and is responsible of the day-to-day affairs of the organization.

The management also has an obligation to supply the Board with complete, adequate information in a timely manner, and provides all the members of the Board with a balanced and understandable account of the association's performance, position and prospects on a quarterly basis.

# *MBA Coordinators*



The Coordinators are the MBA's representatives in the field and may be characterized as member service representatives. Their activities includes: factual verification of claim documentation, claim payment, educating current and potential clients, and addressing questions from KGI's staff or clients.

They also work with branch managers to ensure appropriate and timely collection and transfer of premiums as well as document compliance. And their most important task is they are charged with MBA information dissemination and education among members for deeper understanding of the policies, procedures and products of the association.

## INDEPENDENT AUDITOR'S REPORT

The Board of Trustees  
Kazama Grameen (KGI) Mutual Benefit Association (KGI-MBA) Inc.

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying financial statements of Kazama Grameen (KGI) Mutual Benefit Association (KGI-MBA) Inc. (a non-stock, not-for-profit association) ("the Association"), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of comprehensive income, statements of changes in fund balance and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

#### Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Association in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.



Those charged with governance are responsible for overseeing the Association's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.





- 3 -

**Report on the Supplementary Information Required Under Revenue Regulations 15-2010 and 34-2020**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 and 34-2020 in Note 24 and Note 25 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Kazama Grameen (KGI) Mutual Benefit Association (KGI-MBA) Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

*Bernalette L. Ramos*  
Bernalette L. Ramos

Partner

CPA Certificate No. 0091096

SEC Accreditation No. 0926-AR-3 (Group A),  
July 25, 2019, valid until July 24, 2022

Tax Identification No. 178-486-666

BIR Accreditation No. 08-001998-081-2021,

February 1, 2021, valid until January 31, 2024  
PTR No. 8534351, January 4, 2021, Makati City

April 23, 2021



A member firm of Ernst & Young Global Limited

**KAZAMA GRAMEEN (KGI) MUTUAL BENEFIT ASSOCIATION  
(KGI-MBA) INC.**

(A Nonstock, Not-for-Profit Association)

**STATEMENTS OF FINANCIAL POSITION**

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
Cash (Notes 6 and 21)	<b>₱18,016,164</b>	₱32,676,253
Short-term investments (Notes 7 and 21)	<b>28,980,780</b>	29,381,661
Financial assets (Notes 8, 19 and 21)		
Held-to-maturity investments	<b>13,084,473</b>	10,735,944
Financial asset at fair value through profit or loss	<b>5,820,997</b>	5,458,760
Loans and receivables	<b>16,882,143</b>	2,123,870
Property and equipment - net (Note 9)	<b>53,965</b>	118,151
Intangible asset - net (Note 10)	-	222,222
Prepayments and other assets (Note 11)	<b>245,720</b>	140,366
<b>Total Assets</b>	<b>₱83,084,242</b>	₱80,857,227
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Insurance contract liabilities (Note 12)	<b>₱42,086,454</b>	₱42,239,705
Accrued expenses and other liabilities (Notes 13 and 21)	<b>5,420,871</b>	5,565,480
<b>Total Liabilities</b>	<b>47,507,325</b>	47,805,185
<b>Fund Balance</b>		
Appropriated fund balance (Note 21)	<b>22,686,122</b>	14,342,927
Unappropriated fund balance	<b>12,890,795</b>	18,709,115
<b>Total Fund Balance</b>	<b>35,576,917</b>	33,052,042
	<b>₱83,084,242</b>	₱80,857,227

*See accompanying Notes to Financial Statements.*



**KAZAMA GRAMEEN (KGI) MUTUAL BENEFIT ASSOCIATION  
(KGI-MBA) INC.**

(A Nonstock, Not-for-Profit Association)

**STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31	
	2020	2019
<b>REVENUE</b>		
Premiums on insurance contracts (Note 14)	P15,768,130	P24,428,852
Investment and other income (Note 15)	2,008,581	2,009,583
Miscellaneous income (Note 16)	330,904	5,105,124
	<b>18,107,615</b>	<b>31,543,559</b>
<b>BENEFITS, CLAIMS, AND EXPENSES (Note 12)</b>		
Gross insurance contract benefits and claims paid	10,429,499	13,938,185
Gross change in insurance contract liabilities	(153,251)	959,738
Collection fees	674,791	1,195,432
Insurance benefits and claims	<b>10,951,039</b>	<b>16,093,355</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES (Note 17)</b>		
	4,415,550	6,119,032
	<b>15,366,589</b>	<b>22,212,387</b>
<b>EXCESS OF REVENUE BEFORE PROVISION FOR FINAL TAX</b>	<b>2,741,026</b>	<b>9,331,172</b>
<b>PROVISION FOR FINAL TAX</b>	<b>(216,151)</b>	<b>(321,988)</b>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>2,524,875</b>	<b>9,009,184</b>
<b>OTHER COMPREHENSIVE INCOME*</b>	-	-
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>P2,524,875</b>	<b>P9,009,184</b>

*See accompanying Notes to Financial Statements.*

*\*The Association has no other comprehensive income items.*





**KAZAMA GRAMEEN (KGI) MUTUAL BENEFIT ASSOCIATION  
(KGI-MBA) INC.**

(A Nonstock, Not-for-Profit Association)

**STATEMENTS OF CHANGES IN FUND BALANCE**

	Appropriated Fund Balance (Note 21)	Unappropriated Fund Balance	Total
<b>At January 1, 2020</b>	<b>₱14,342,927</b>	<b>₱18,709,115</b>	<b>₱33,052,042</b>
Excess of revenue over expenses	–	2,524,875	2,524,875
Appropriation during the year	8,343,195	(8,343,195)	–
<b>At December 31, 2020</b>	<b>₱22,686,122</b>	<b>₱12,890,795</b>	<b>₱35,576,917</b>
At January 1, 2019	₱12,961,309	₱12,025,629	₱24,986,938
Excess of revenue over expenses	–	9,009,184	9,009,184
Appropriation during the year	2,325,698	(2,325,698)	–
Distribution to members	(944,080)	–	(944,080)
<b>At December 31, 2019</b>	<b>₱14,342,927</b>	<b>₱18,709,115</b>	<b>₱33,052,042</b>

*See accompanying Notes to Financial Statements.*



**KAZAMA GRAMEEN (KGI) MUTUAL BENEFIT ASSOCIATION  
(KGI-MBA) INC.**

(A Nonstock, Not-for-Profit Association)

**STATEMENTS OF CASH FLOWS**

	Years Ended December 31	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Excess of revenue over expenses before provision for final tax	P2,741,026	P9,331,172
Adjustments for:		
Interest income (Note 15)	(1,720,575)	(1,847,438)
Reversal of provision for probable losses (Note 16)	(327,518)	(5,099,945)
Fair value gain on financial assets through profit or loss (Note 15)	(288,006)	(162,145)
Depreciation and amortization (Notes 9, 10 and 17)	286,408	356,796
Cash generated from operations before changes in working capital	691,335	2,578,440
Increase (decrease) in:		
Loans and receivables	(14,804,969)	201,319
Prepayments and other assets	(105,354)	(26,619)
Increase (decrease) in:		
Insurance contract liabilities	(153,251)	959,738
Accrued expenses and other liabilities	182,909	316,493
Distribution to members (Note 21)	-	(944,080)
Net cash generated from (used in) operations	(14,189,330)	3,085,291
Final taxes paid	(216,151)	(321,988)
Net cash flows provided by (used in) operating activities	(14,405,481)	2,763,303
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	1,719,798	1,551,032
Acquisitions of:		
Held-to-maturity investments (Note 8)	(13,037,000)	(10,418,000)
Short-term investments (Note 7)	(15,111,279)	(6,348,299)
Property and equipment (Note 9)	-	(129,500)
Financial assets at FVPL (Note 8)	(74,231)	(3,000,000)
Maturities of:		
Short-term investments (Note 7)	15,512,160	14,361,706
Held-to-maturity investments (Note 8)	10,735,944	21,039,438
Net cash flows provided by (used in) investing activities	(254,608)	17,056,377
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(14,660,089)	19,819,680
<b>CASH AT THE BEGINNING OF THE YEAR</b>	32,676,253	12,856,573
<b>CASH AT THE END OF THE YEAR (Note 6)</b>	P18,016,164	P32,676,253


*See accompanying Notes to Financial Statements.*







**KAZAMA GRAMEEN (KGI) MUTUAL BENEFIT ASSOCIATION (KGI-MBA) INC.**

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