

**MINUTES OF THE MEETING
OF THE BOARD OF DIRECTORS OF
PHILIPPINE LIFE FINANCIAL ASSURANCE CORPORATION**

Wednesday, 7 April 2021
Conducted via Remote Communication due to COVID-19 Pandemic

DIRECTORS PRESENT:

MONICO V. JACOB
JOSEPH AUGUSTIN L. TANCO
EUSEBIO H. TANCO
MARTIN K. TANCO
PAOLO MARTIN O. BAUTISTA
JESLI A. LAPUS
JOSE ALFONSO A. POBLETE
ARMANDO L. SURATOS

ALSO PRESENT:

YOLANDA M. BAUTISTA
MICHELLE L. AMBAGAN
OSCAR C. KHO, JR.
LYNDON F. FADRI
ARSENIO C. CABRERA, JR.
ANNA CARMINA S. HERRERA

I. CALL TO ORDER

The Chairman, Mr. Monico V. Jacob, called the meeting to order and presided over the same. The Corporate Secretary, Atty. Arsenio C. Cabrera, Jr., recorded the minutes of the proceedings.

II. CERTIFICATION OF NOTICE AND QUORUM

The Corporate Secretary certified that the notices of the meeting were sent to all directors. Thereafter, the Corporate Secretary conducted a roll call of the directors present.

The meeting was conducted through remote communication pursuant to Section 52 of the Revised Corporation Code of the Philippines which authorizes that directors who cannot physically attend or vote at board meetings can participate and vote through remote communication such as videoconferencing, teleconferencing, or other alternative modes of communication that allow them reasonable opportunities to participate.

All directors attended the meeting through remote communication via Zoom. The directors confirmed that they could completely and clearly hear each other. They likewise confirmed receipt of the agenda and all of the materials for the meeting.

After the roll call and foregoing confirmations, the Corporate Secretary, thereafter, certified as to the existence of quorum for the valid transaction of business.

III. APPROVAL OF THE MINUTES OF THE MEETING

Upon motion made and duly seconded, the Minutes of the Board Meeting held on 20 January 2021 were unanimously approved.

IV. FINANCIAL REPORTS

A. Results of Operations for Year Ended 31 December 2020

Mr. Oscar C. Kho, Jr. presented the following snapshot of the results of operations for the year ended 31 December 2020.

Amount in Php [REDACTED]

PERIOD	DECEMBER 2020	DECEMBER 2019	INC (DEC)	%
Income from Insurance Business				
Net Written Premium				
Underwriting Expenses				
Underwriting Income				
Income from Loan Business				
Revenue on Loan Business				
Costs of Loan Business				
Net Income from Loan Business				
Total Operating Expenses				
Income from Operations				
Income from Other Investments				
EBITDA				
Interest Expenses				
Depreciation Expense				
Provision for Income Tax				
Net Income				

Mr. Eusebio H. Tanco requested management to present a report on the tenures and amount of investments of the Corporation during the next Board meeting.

Mr. Kho provided the following breakdown for insurance revenue:

Amounts in Php Millions	December 2020	December 2019
First Year		
Renewal		
Inc. in Net Due & Uncollected Premiums		
Reinsurance Premiums		
Net Written Premium		
Death claims, disability & health claims		
Other (Surrender, Commission, ER etc.)		
Increase in Legal Policy Reserves		

Underwriting Expenses	
Underwriting Income	

Mr. Kho stated that the Corporation had been able to secure the following new clients:

Client	Actual Premium	Annual Premium

Mr. Kho noted that several clients had opted not to renew their insurance policies with the Corporation due to the pandemic. He added that other clients had also remitted lower premiums due to the pandemic.

Mr. Kho presented the following ratios:

	December 2020	December 2019
Ratio of Claims over Premiums		
Ratio of Other Underwriting Expense over Premium		
Ratio of Reserves over Premium		
Ratio of Underwriting Expenses over Premiums		
Ratio of Underwriting Income over Premium		

Mr. Kho presented the following breakdown of the income from the loan business:

Amounts in Php Millions	December 2020	December 2019
Interest Income		
Service Fee (NFC)		
Gain on sale of loans receivables		
Revenue on Loan Business		

Mr. Kho noted the following highlights of the loan business:

SLI production	<ul style="list-style-type: none"> ▪ Decreased from [REDACTED] ▪ Interest income decreased from [REDACTED] 	
SLI collection efficiency	Improved from 90% to 99%	
Total loan volume	<ul style="list-style-type: none"> ▪ 2020: [REDACTED] ▪ 2019: [REDACTED] 	
Loan receivable balance at start of year	<ul style="list-style-type: none"> ▪ 2020: [REDACTED] ▪ 2019: [REDACTED] 	
NFC Deferred income – future income to be recognized	<ul style="list-style-type: none"> ▪ 2020: [REDACTED] ▪ 2019: [REDACTED] 	
Receivables sold	2020	2019
	Amount	[REDACTED]
	Rate	[REDACTED]

B. Net Worth Computation

Mr. Kho presented the following computation for the net worth of the Corporation as of December 2020:

Net Worth as of December 2020	
Less: Non-Admitted assets	
Salary Loans – SLI	
Unlisted Shares of stock – Riviera	
Other Receivables	
Non-IT Fixed Assets	
Deposit & Prepayments	
Investment in AAMI	
Deferred Tax	
Net Worth, net of non-admitted assets	
Minimum Net Worth requirement 2020	
Net Worth Surplus/Deficiency 2020	

V. DESIGNATION OF AUTHORIZED FILERS FOR REPORTORIAL REQUIREMENTS

Upon motion made and duly seconded, the Board unanimously approved the following resolutions in connection with the designation of authorized filers for the submission of reportorial requirements with the Securities and Exchange Commission (“SEC”) through the SEC’s Online Submission Tool:

RESOLUTION NO. 2021-BD-04

“RESOLVED, That the Board of Directors authorize and designate, as it hereby authorizes and designates, the following persons as the Corporation’s Authorized Filers, to represent the Corporation and act for it in the submission of reportorial requirements with the Securities and Exchange Commission through its Online Submission Tool (“OST”):

<u>Name</u>	<u>Position</u>
<i>Oscar C. Kho</i>	<i>Chief Financial Officer</i>
<i>Arsenio C. Cabrera, Jr.</i>	<i>Corporate Secretary.”</i>

VI. CONVERSION OF NAGA BRANCH OFFICE INTO A SATELLITE OFFICE

Upon motion made and duly seconded, the Board approved the following resolutions in connection with the conversion of the Corporation’s branch office in Naga City into a satellite office:

RESOLUTION NO. 2021-BD-05

“RESOLVED, That the Corporation hereby approves the conversion of its office located at 2nd Floor, Luzonian Machine Shop Bldg., Dr. Panganiban Drive,

Naga City from a branch office to a satellite office (the "Naga Satellite Office");

"RESOLVED FINALLY, That the Corporation hereby authorizes Flora T. Tayo, First Vice-President-Salary Savings Division and Macabuhay Tayo, Marketing Director, to enter into a Lease Agreement in relation to the office space of the Naga Satellite Office."

VII. APPROVAL OF AUDITED FINANCIAL STATEMENTS

Mr. Jesli A. Lapus, the Chairman of the Audit Committee, stated that the Audit Committee had reviewed the Audited Financial Statements of the Corporation for the year ended 31 December 2020 and recommended their approval by the Board of Directors.

Upon motion made and duly seconded, the Board unanimously approved the following resolutions in connection with the approval of the Audited Financial Statements of the Corporation for the year ended 31 December 2020:

RESOLUTION NO. 2021-BD-06

"RESOLVED, That the Board of Directors approve, as it hereby approves, the Audited Financial Statements of the Corporation for the period ended 31 December 2020 in all material respects and delegates to the President the setting of the release date of these Audited Financial Statements;

"RESOLVED FINALLY, That the Corporation's external auditor, SyCip Gorres Velayo & Co. be, as it is hereby authorized to release the audit report on the Audited Financial Statements of the Corporation for the period ended 31 December 2020 in accordance with the instructions of the President of the Corporation."

VIII. AMENDMENT OF ARTICLES OF INCORPORATION

The Chairman informed the Board about the plan to amend Article Seventh of the Articles of Incorporation to increase the Corporation's authorized capital stock from [REDACTED] divided into [REDACTED] common shares with a par value of One Centavo (Php0.01) per share to [REDACTED] divided into [REDACTED] common shares with a par value of One Centavo (Php0.01) per share.

The Chairman stated that, out of the increase of Php400 Million in the Corporation's authorized capital stock, the Corporation would open for subscription [REDACTED] shares at a subscription price

of One Centavo (Php0.01) per share to all stockholders of record as of 15 May 2021 and payable on or before 31 May 2021.

The Chairman stated that the proceeds of the capital call would be used for working capital and as part of the capital buildup to comply with the net worth requirement of the Insurance Commission amounting to Php1.3 Billion by 31 December 2022.

Upon motion made and duly seconded, the Board unanimously approved the following resolutions in connection with the amendment of Article Seventh of the Corporation's Articles of Incorporation:

RESOLUTION NO. 2021-BD-07

"RESOLVED, That the Board of Directors approve, as it hereby approves, the amendment of Article Seventh of the Articles of Incorporation to increase the authorized capital stock from [REDACTED] divided into [REDACTED] common shares with a par value of One Centavo (Php0.01) per share to [REDACTED] divided into [REDACTED] common shares with a par value of One Centavo (Php0.01) per share;

"RESOLVED FINALLY, That the officers of the Corporation be duly authorized to submit all documents and perform all actions as may be necessary to implement the foregoing resolutions."

The Board also decided to convene the Annual Stockholders' Meeting on 14 May 2021 in order to approve the amendment of Article VII of the Corporation's Articles of Incorporation.

IX. REVERSAL OF EXCESS APPROPRIATIONS OF RETAINED EARNINGS

Mr. Kho stated that, pursuant to Insurance Commission Circular No. 2016-66, *Valuation Standards for Life Insurance Policy*, the Corporation is required to make appropriations of its retained earnings if the actuarial computation using gross premium valuation (GPV) on traditional life insurance results in a negative reserve as at year-end. Based on the GPV report of the Corporation's actuary, Mr. Kho explained that management was seeking the approval of the Board to reverse excess appropriations amounting to [REDACTED] as of 31 December 2020. He noted that existing appropriations amounted to [REDACTED] while negative reserves were only at [REDACTED] as at reporting date.

Upon motion made and duly seconded, the Board unanimously approved the following resolution in connection with the reversal of the excess appropriations from retained earnings amounting to [REDACTED] as of 31 December 2020:

RESOLUTION NO. 2021-BD-08

"RESOLVED, That the Board of Directors approve, as it hereby approves, the reversal of the excess appropriations of retained earnings amounting to [REDACTED] as of 31 December 2020."

X. OTHER MATTERS

A. Confirmation of Rates

Ms. Michelle L. Ambagan presented the following rates for confirmation. The Board confirmed that these rates or policies would still be applied in 2021.

Annual Dividend Declaration	Indefinite suspension of Annual Dividend declaration starting October 2016
Accumulation Rate	Interest rate on accumulated dividends 2020 - [REDACTED] p.a. 2021 - [REDACTED] p.a.
Premium & Capital Fund (PCF) Accumulation Rate	PCF are deposits made by the policyholders to the Insurance Company which are meant to cover future premiums due. 2020 Fund Value at 100,000 and greater - [REDACTED] p.a. Fund Value at less than 100,000 - [REDACTED] p.a. 2021 Fund Value at 100,000 and greater - [REDACTED] p.a. Fund Value at less than 100,000 - [REDACTED] p.a.
Group Comprehensive Benefits Plan Accumulation Rate	2020 Fund Value at 500,000 and greater - [REDACTED] p.a. Fund Value at less than 500,000 - [REDACTED] p.a. 2021 Fund Value at 500,000 and greater - [REDACTED] p.a. Fund Value at less than 500,000 - [REDACTED] p.a.

B. Status of Credit Lines

Mr. Kho updated the Board regarding the status of the Corporation's applications for credit lines. He noted that no credit lines had been approved to date.

C. Delegation of Power to Amend By-Laws to the Board of Directors to Comply with the Provisions of the Revised Corporation Code

The Chairman stated that there was a need to amend the By-Laws to comply with the provisions of the Revised Corporation Code. He noted that the stockholders of the Corporation could delegate the power to amend the By-Laws to the Board of Directors during the Annual Stockholders' Meeting on 14 May 2021.

Upon motion made and duly seconded, the Board approved the following resolution in connection with the delegation to the Board of the power to amend the By-Laws to comply with the Revised Corporation Code and to submit said delegation for the approval of the stockholders during the Annual Stockholders' Meeting on 14 May 2021:

RESOLUTION NO. 2021-BD-09

"RESOLVED, That the Board of Directors approve, as it hereby approves, the delegation to the Board of Directors of the power to amend the By-Laws of the Corporation to comply with the provisions of the Revised Corporation Code and to submit said delegation for the approval of the stockholders during the Annual Stockholders' Meeting on 14 May 2021."

XI. ADJOURNMENT

There being no further business to transact, upon motion duly made and seconded, the meeting was adjourned.

ARSENIO C. CABRERA, JR.
Corporate Secretary

ATTEST:



MONICO V. JACOB
Chairman



JOSEPH AUGUSTIN L. TANCO
Director


PAOLO MARTIN O. BAUTISTA
Director

JOSE ALFONSO A. POBLETE
Independent Director


EUSEBIO N. TANCO
Director


MARTIN K. TANCO
Director


JESLI A. LAPUS
Independent Director

ARMANDO L. SURATOS
Independent Director