	<b>POLICY ON FUND ASSIGNED FOR MEMBER'S EQUITY ENHANCEMENT</b>	<b>NATCCO MBAI-FM-01-20</b>	
		Revision Code: 0	Page 1 of 5
Policy Area: FINANCIAL MANAGEMENT		Effective Date: October 2, 2020	




## 1. INTRODUCTION


NATCCO MBAI, is a non-stock and non-profit association organized to extend financial assistance to the members in the form of death benefits, sickness benefits, provident savings and loan redemption assistance. On top of the insurance benefits, MBAs give additional benefits to the members. As indicated in the Insurance Code of the Philippines Republic Act 10607, Section 408, paragraph 3, *"A mutual benefit association shall only maintain free and unassigned surplus of not more than twenty percent (20%) of its total liabilities as verified by the Commissioner. Any amount in the excess shall be returned to the members by way of dividends, enhancing the equity value or providing benefits in kind and other relevant services. In addition, subject to the approval of the Commissioner, a mutual benefit association may allocate a portion for the capacity building and research and development such as developing new products and services, upgrading and improving operating systems and equipment and continuing member education."*

With this, the Insurance Commission approved on February 15, 2019 the association's request of the allocation plan for the excess of 20% limit of the Free and Unassigned Fund Balance:

ITEM	WEIGHT
1. Member's Benefits	
a. <b>Equity enhancement</b>	25%
b. Product seminar	25%
2. Product Development	
a. Surveys and best practices	20%
b. Focus group discussion (FGD)	10%
c. Professional fees	10%
3. Office/Services Upgrading	
a. IT development	5%
b. Equipment upgrading	3%
c. Intra office process assessment	2%
<b>TOTAL</b>	<b>100%</b>

Based on the approved allocation plan, 25% will be used for the Member's Equity Enhancement and this policy will be the association's guide in the proper implementation of such.

<b>Prepared by:</b>  <b>MINERVA G. TEJADA</b> President Date: 10/02/2020	<b>Reviewed and Endorsed by:</b>  <b>EVELIA BARDOS-TIZON</b> Policy Review Committee Chairperson Date: 10/02/2020	<b>Approved by:</b>  <b>ELLEN R. PASTORES</b> BOT Chairperson Date: 10/02/2020
---	--	---

	<b>POLICY ON FUND ASSIGNED FOR MEMBER'S EQUITY ENHANCEMENT</b>	<b>NATCCO MBAI-FM-01-20</b>	
		Revision Code: 0	Page 2 of 5
Policy Area: FINANCIAL MANAGEMENT		Effective Date: October 2, 2020	

## 2. POLICY STATEMENT




It is hereby declared a policy of NATCCO MBAI to implement the Member's Equity Enhancement allocation as approved by the Insurance Commission and in compliance with the Insurance Code of the Philippines (RA 10607).


## 3. APPLICABILITY

This policy will apply to all members with Active-Inforce Basic Life Insurance Product (BLIP).

## 4. DEFINITION OF TERMS

- 4.1 **Mutual Benefit Association (MBA)** is a microinsurance company that is formed through membership
- 4.2 **Basic Life Insurance Product (BLIP)** or Damayan Family Plan is a microinsurance product of NATCCO MBAI that covers the life of the insured Member for twelve (12) months.
- 4.3 **Policy Status** is the current condition of the Policy
- 4.4 **Active-Inforce** refers to the BLIP Policy that is within the 12-month coverage
- 4.5 **Active-ACL (Automatic Contribution Loan)** refers to the BLIP Policy that is beyond the 12-month coverage with no renewal application and with available Equity Value that can be used for payment of contribution.
- 4.6 **Deceased** refers to the BLIP Policy with approved and released death claim
- 4.7 **Surrendered** refers to the BLIP Policy wherein the Member has withdrawn its membership from NATCCO MBAI and the available Policy's Equity Value has been returned to the member.
- 4.8 **Lapsed** refers to the BLIP Policy with exhausted Equity Value that is still reinstatable within three (3) years
- 4.9 **Matured** refers to the BLIP Policy with Member that is more than 65 years old
- 4.10 **Terminated** refers to the BLIP Policy that is lapsed for more than three (3) years and can no longer be reinstated
- 4.11 **Rescinded** refers to the BLIP Policy that has been cancelled

<b>Prepared by:</b>  <b>MINERVA G. TEJADA</b> President Date: 10/02/2020	<b>Reviewed and Endorsed by:</b>  <b>EVELIA BARDOS-TIZON</b> Policy Review Committee Chairperson Date: 10/02/2020	<b>Approved by:</b>  <b>ELLEN R. PASTORES</b> BOT Chairperson Date: 10/02/2020
---	--	---

	<b>POLICY ON FUND ASSIGNED FOR MEMBER'S EQUITY ENHANCEMENT</b>	<b>NATCCO MBAI-FM-01-20</b>	
		Revision Code: 0	Page 3 of 5
Policy Area: FINANCIAL MANAGEMENT		Effective Date: October 2, 2020	

- 4.12 **Fund Balance** refers to the residual interest in the asset of an MBA after deducting all its liabilities. This refers to the accumulated earnings of an MBA reduced by whatever losses an MBA may incur during a certain accounting period.
- 4.13 **Members** refers to the Members of NATCCO MBA under the BLIP
- 4.14 **Free and Unassigned Surplus** represents that portion of the Fund Balance that is not restricted. Pursuant to IC Circular Letter 2014-41, free and unassigned surplus of MBA is reported under the account title "Free and Unassigned Fund Balance".

## 5. PROCEDURES




### 5.1 Qualified Policy Status


POLICY STATUS	QUALIFIED for EQUITY ENHANCEMENT
Active-Inforce	YES
Active-ACL	NO
Deceased	NO
Surrendered	NO
Terminated	NO
Matured	NO
Rescinded	NO

### 5.2 Rationale for Qualification

As an MBA, membership is required for the availment of the microinsurance products. The product Basic Life Insurance Plan or the Damayan Family Plan is the primary product that gives membership to the policyholder. It is a group plan with 12-month coverage for the insured and is renewable yearly.

As stated in the Amended Bylaws, under Article III-Membership, section 5:

<b>Prepared by:</b>  <b>MINERVA G. TEJADA</b> President Date: 10/02/2020	<b>Reviewed and Endorsed by:</b>  <b>EVELIA BARDOS-TIZON</b> Policy Review Committee Chairperson Date: 10/02/2020	<b>Approved by:</b>  <b>ELLEN R. PASTORES</b> BOT Chairperson Date: 10/02/2020
---	--	---

	<b>POLICY ON FUND ASSIGNED FOR MEMBER'S EQUITY ENHANCEMENT</b>	<b>NATCCO MBAI-FM-01-20</b>	
		Revision Code: 0	Page 4 of 5
Policy Area: FINANCIAL MANAGEMENT		Effective Date: October 2, 2020	

“Section 5. In order to remain in good standing, a member must not be in arrears in the payment of membership contributions and other required fees. (as amended on November 11, 2019)”

With this, members with policy that have status of Active-Inforce is the only qualified to be the recipient of additional equity value coming from available Fund Balance of the association.




**5.3 Distribution of available fund balance for equity enhancement**


- 5.3.1 Determine the available Fund Balance as stated in the latest Audited Financial Statement
- 5.3.2 Determine the amount allocated for Member’s Equity Enhancement, which is 25% of the assigned Fund Balance;
- 5.3.3 Determine the number of members with qualified policies as of year-end and their earned Equity Value;
- 5.3.4 Determine the total amount of earned Equity Value of the qualified member at year-end;
- 5.3.5 Determine the Members Equity Enhancement (MEE) rate.
- 5.3.6 Use the rate to determine the enhanced equity value for each member
- 5.3.7 Formulas to get the member’s additional EV:

5.3.7.1 To get the Ratio/percentage of the member’s allocation

$$\frac{\text{25\% allocation for member’s equity enhancement}}{\text{Total amount of Earned Equity Value}} = \text{MEE \%}$$

5.3.7.2 To get member’s additional Equity Value

<b>Prepared by:</b>  <b>MINERVA G. TEJADA</b> President Date: 10/02/2020	<b>Reviewed and Endorsed by:</b>  <b>EVELIA BARDOS-TIZON</b> Policy Review Committee Chairperson Date: 10/02/2020	<b>Approved by:</b>  <b>ELLEN R. PASTORES</b> BOT Chairperson Date: 10/02/2020
---	--	---

	<b>POLICY ON FUND ASSIGNED FOR MEMBER'S EQUITY ENHANCEMENT</b>	<b>NATCCO MBAI-FM-01-20</b>	
		Revision Code: 0	Page 5 of 5
Policy Area: FINANCIAL MANAGEMENT		Effective Date: October 2, 2020	

$$\text{MEE \%} \times \text{Individual Equity Value} = \text{Amount of additional EV}$$

Once the computation is done, Accounting will implement the Fund Balance debit and then members' contribution credit. The amount for Equity Enhancement will be added to the existing Equity Value of individual qualified members.

#### 5.4 Reporting of the fund allocation to the Insurance Commission

The NATCCO MBAI will submit a report on the allocation and distribution of Equity Enhancement within 15 days from its completion.

#### 6. Separability Clause




If any provision or part of this policy is declared invalid, the remaining parts or provisions not affected shall remain in full force and effect.

#### 7. Amendments

This Policy may be amended or modified only by a written instrument, executed by the President, reviewed by the Policy Review Committee and approved by the Board of Trustees.

#### 8. Date of Effectivity

This policy shall take effect fifteen (15) working days from the date of approval of the Board of Trustees, to allow proper dissemination to all concern.

<b>Prepared by:</b>  <b>MINERVA G. TEJADA</b> President Date: 10/02/2020	<b>Reviewed and Endorsed by:</b>  <b>EVELIA BARDOS-TIZON</b> Policy Review Committee Chairperson Date: 10/02/2020	<b>Approved by:</b>  <b>ELLEN R. PASTORES</b> BOT Chairperson Date: 10/02/2020
---	--	---