

**MINUTES OF THE MEETING OF THE BOARD RISK OVERSIGHT COMMITTEE
OF BETHEL GENERAL INSURANCE AND SURETY CORPORATION
VIA VIDEOCONFERENCING AT 2:45 P.M. ON SEPTEMBER 18, 2023**

PRESENT:

Ms. Vida T. Chiong	- Chairperson
Ms. Dominga G. Garcia	- Member
Atty. Rozaire G. Ombao-Bagares	- Proxy for the President and CEO
Sharmaine Madonna O. Millares	- Paralegal / Minute-taker
Mr. Nestor B. Liwanag, Jr.	- Resource Person

CALL TO ORDER

The meeting was called to order by the Chairperson of the Risk Oversight Committee at 2:45 P.M. on September 18, 2023, via hybrid meeting – Ms. Vida Chiong and Ms. Dominga Garcia attended thru Zoom videoconferencing, while Mr. Liwanag and Atty. Ombao were at the Bethel Conference Room, located at the Bethel General Insurance - Head Office.

SERVICE OF NOTICE AND DETERMINATION OF QUORUM

Atty. Ombao reported that, in accordance with the provisions of the Corporation Code and the Amended By-Laws of the Company, written notice of the meeting was served to all members of the Committee. The majority of the members of the committee are present to validly transact business.

DISCUSSION ON THE UNDERWRITING REPORT AS OF JUNE 30, 2023

Atty. Ombao screen-shared the report of Mr. Nestor Liwanag, Jr., VP for Underwriting and Chief Risk Officer.

Mr. Liwanag, Jr. reported on the Comparative Production Report as of June 30, 2023, which is composed of the Direct and Assumed Business. For direct business, the premium generated amounted to [REDACTED] with an increase of [REDACTED] or [REDACTED] compared to the same period of last year [REDACTED]. For assumed business, the premium amounted to [REDACTED], with an increase of [REDACTED] or [REDACTED] compared to the same period of last year [REDACTED].

The combined business, which is the total of direct and assumed business amounted to [REDACTED], with an increase of [REDACTED] or [REDACTED] compared to the same period last year [REDACTED]. In terms of product mix, the top line is the Motor Car business which is 30.65% of the total portfolio, followed by Fire with 26.05%, and Bonds with 23.46%.

The increase in production is attributed to the following producers or sources of business: the Reinsurance Channel, Brokers Channel, and the following Branches: Sorsogon, Ortigas, Antique, Isabela, Antipolo, Cubao, Bacolod, Cebu, and Cagayan de Oro.

Mr. Liwanag, Jr. discussed the performance of the Company based on the combined business loss ratio as of June 30, 2023:

Line of Business	Premium	Losses Incurred	Loss Ratio
Motor car			25.10%
Bonds			0.00%
Fire			24.08%
CARI			4.43%
Miscellaneous			1.68%
Marine			7.91%
Total			14.80%

Loss ratio based on source:

Source	Loss Ratio
Head Office	
Agencies	
Brokers	
Luzon	
Visayas	
Mindanao	
Reinsurance	
Total	

Mr. Liwanag, Jr. clarified that the negative loss ratio is attributed to the high reserve last year, and it is a result of the adjustment of the loss reserve. Loss reserves are higher as compared to the amount actually settled or paid for the loss. He informed the committee that the high loss ratio for the Visayas Area is because of a Fire claim in Bacolod. Atty. Ombao added that it is a general merchandise store, where the sum insured is [REDACTED]. Unfortunately, the adjuster found this claim a total loss, and the claim was paid and fully satisfied by Bethel Gen.

For the Reinsurance, there is a big loss from a Mega Re account. The risk is a chicken dressing plant, which was totally burned down. Bethel Gen's share in the claim of almost [REDACTED].

Ms. Garcia asked about Mindanao's loss ratio. Mr. Liwanag, Jr. replied that it is the result of combined motor car losses from Davao, CDO, and General Santos branches. Ms. Garcia suggested that in the next meeting, losses of branches should be emphasized because

the premium is smaller compared to the other channels/sources. Mr. Liwanag, Jr. replied that there is a quarterly report that the Accounting Department generates and distributes to the branches concerned.

Next, Mr. Liwanag, Jr. discussed the insurance companies giving business to Bethel Gen, which are: Cocogen (with a total premium of [REDACTED]), and Mega Re ([REDACTED]). The overall total premium from inward reinsurance is [REDACTED] with an increase of [REDACTED] or [REDACTED] compared to the same period last year ([REDACTED]). Ms. Chiong asked if those mentioned premiums are all receivables. Mr. Liwanag, Jr. replied that every time the Company accepts business from another insurance company, they normally add some subjectivities, like "subject to premium payment warranty". Thus, the insurance company is forced to pay Bethel Gen within the term of the PPW, otherwise, there will be no effective cover on Bethel Gen's share. There is a 90-day credit term as standard business practice among insurance companies.

Ms. Garcia asked about the loss ratio of Marsh Insurance Brokers. Mr. Liwanag, Jr. explained that the losses incurred amounted to [REDACTED] as a result of over-reserving last year.

Ms. Chiong requested details about the loss ratio for the Marine business. Mr. Liwanag, Jr. explained that the losses are more on inland marine, which are in the nature of "truck risk loss" where the trucking company or logistics company seeks to insure the goods and merchandise transported or onboard their trucks.

Ms. Chiong and Ms. Garcia noted that the overall result of the loss ratio is good. Lastly, Ms. Chiong suggested that for the next meeting, there should be a comparison between the loss ratio for the current period and the loss ratio for the same period - previous year.

At this point, Ms. Chiong asked if Bethel Gen has its own rating system for fire insurance, and Mr. Liwanag, Jr. replied that [REDACTED] there is a pending application for Bethel Gen.

[REDACTED] Mr. Liwanag, Jr. replied that they had done so many follow-ups and they did not receive any written reply from the Insurance Commission, citing verbally that the application is for further study. Ms. Chiong mentioned that in any case, if an examiner asks why Bethel Gen is using BF Gen-approved rates, the Company can present the documents filed with the IC which were submitted to support the current application. [REDACTED]

Ms. Garcia asked if the underwriting authority of the branch managers is still the same. Mr. Liwanag, Jr. replied that in 2021, they released a new set of underwriting authorities to all branches, with the authority or limit dependent on their experience in handling the particular line of insurance.

Further, Ms. Garcia asked how much production is the goal for 2023. Mr. Liwanag, Jr., replied that the 2023 target/goal is [REDACTED]. He then continued to report that Landbank Brokers' production amounted to [REDACTED] with an increase of [REDACTED] or [REDACTED] compared to the same period last year ([REDACTED]).

At this point, Ms. Chiong asked if Bethel Gen had its Strategic Planning for 2023. Atty. Ombao replied that a managers' conference was held in Bohol last [REDACTED] 2023. She explained further that in December 2022, Ms. Uy already informed the branches of their targets for 2023. At the branches' conference in Bohol, they were able to lay down their plans for their respective branches for the year 2023 up to January 2024. Ms. Chiong requested to be updated once there is planning and discussion for the targets for 2024. [REDACTED]

At this point, Ms. Chiong inquired about the circular on Corporate Governance because she wanted to pursue the preparation of the Enterprise Risk Management (ERM) Framework. Atty. Ombao informed Ms. Chiong that the ERM framework has been finalized to be sent to the committee. Ms. Chiong further requested to include an inventory of risks to be able to identify the type of risks the company is exposed to, and how to be able to mitigate the risk. The inventory should be able to determine the level of risk-whether it is low, medium, moderate, high, or very high. Ms. Chiong asked about Bethel Gen's [REDACTED] system. Atty. Ombao replied that the Company maintains an updated [REDACTED] and [REDACTED] to [REDACTED] software. [REDACTED] and for the last 3 years, there has been no incident of hacking or data breach.

ADJOURNMENT

There being no other matters to be taken up, the meeting was adjourned at 3:45 p.m.

Prepared by:

(Sgd.) SHARMAINE MADONNA O. MILLARES
Paralegal / Minute-taker

Noted by:

(Sgd.) ATTY. ROZAIRE G. OMBAO-BAGARES
Corporate Secretary