

M E M O R A N D U M

FOR : THE BOARD OF DIRECTORS

FROM : REYNALDO B. MONTALBO, JR.
President

DATE : February 21, 2020

SUBJECT : Request for the Ratification of the Board on the Role and Limit of Authority of the Senior Management Committee

This is to request for the ratification of the role and limit of authority of the Senior Management Committee.

The salient features of the Senior Management will be as follows:

A. On Committee Membership: The committee will be comprised of four permanent members with the Managing Director as ex-officio of the following:

- | | | |
|---------------------------------|---|--------------------|
| 1. President | - | Committee Chairman |
| 2. Head of Finance | - | Member |
| 3. Head of Sales and Marketing | - | Member |
| 4. Head of Underwriting | - | Member |
| 5. Designated Managing Director | - | Member |

B. On the Required Quorum and Frequency of Meeting: The minimum number of voting members, who must be present at the properly called meeting, in order to carry out the set business agenda on behalf of the committee should be 2 plus 1 other member, with the Committee Chairman in attendance at all times. In case, the Committee Chairman is unavailable, he will delegate his replacement and may ask the Managing Director to preside over Senior Management Committee.

The Senior Management Committee meets once a month, two weeks before the scheduled board meeting if necessary.

C. On the Recording of Minutes: The Head of Strategic Support is in charge of recording, documenting and releasing the minutes of the meeting to the committee members two days after the meeting.

D. On Senior Management Committee's Tasks: The tasks to be carried out by the Senior Management Committee are the following:

1. Provides strategic planning and decision-making for Alliedbankers Insurance Corporation (ABIC) in accordance with its mission, vision and values;
2. Provides organizational direction and suggestion to the President and to the Board of Directors.
3. Addresses pressing issues that affects ABIC substantially, such as an emerging crisis. It prioritizes issues for the Board to address.
4. Conducts research relative to investment, risk and industry trends to be able to advise the Board on pertinent business matters.
5. Monitors and evaluates the progress of ABIC's strategic goals and initiatives, and makes periodic and timely updates to the Board.
6. Identifies and monitors the potential risks of the project/s undertaken by ABIC.

7. Oversees and decides on ABIC's existing and new products, policy and procedures development, security and risk guidelines, quality management, human resources and regulations.

E. On Matters to be Handled, Discussed and Approved: The following areas of management and concerns, but not limited to such, will be escalated to the Senior Management Committee for discussion, decision and approval:

Areas of Management	Department Concerned	Concerns
Annual Business Plan and Budget	Finance and Accounting	Annual budget amount of ABIC Capex and Opex, exception approvals
Write-Offs/Offsetting	Finance and Accounting	Account Receivables/Claims/Suspense
Regulatory Compliance	Compliance	Penalties and sanctions imposed by the regulatory bodies, AMLA and CTF suspicious transactions
Employee Benefits and Engagement	Human Resources	New benefits, promotions, Material Incidents (i.e. fraud committed by employees against ABIC), exception approvals
Product and Market Development	Sales and Marketing	New Product features, pricing and incentives, third party partnerships and collaborations, new branches

F. Framework for the Approving Amount Limit: The proposed approving framework is based on the principle of materiality in financial transactions and reporting. Relevant industry benchmark is applied in materiality determination.

The benchmark proposes to provide guidance as to levels of materiality based on the entity's risks tolerance, i.e. low, medium to high and the corresponding risks level of high, medium to low, respectively. This framework provides that low tolerance of 10% to high tolerance of 5% of profits before tax, or low tolerance of 2% to high tolerance of .50% of Total Assets, are to be used as benchmarks.

This is then applied to ABIC's current risk environment, risk management policies and the resulting tolerance level in each area. The industry benchmark and relevant table of limits per area are shown as part of Appendix A, subject to approval by the Board.

G. Approving Limit: Given the above framework, the limit of authority of the Senior Management Committee is as follows:

Amount	Usage	Approver	Escalation to the Board
All	Annual budget amount of ABIC Opex including new branches and new office	SMC	✓
Exceeding budget Above PHP1M	ABIC Opex exception approvals including new branches and new office	SMC	✓
All	Penalties and sanctions imposed by the regulatory bodies, AMLA and CTF suspicious transactions	SMC	✓
All	Annual budget amount of ABIC Capex	SMC	✓
Exceeding budget Above PHP3M	ABIC Capex exception approvals	SMC	✓
All	New benefits, promotions, Material	SMC	✓

	Incidents (i.e. fraud committed by employees against ABIC), exception approvals		
All	New Product features, pricing and incentives, third party partnerships and collaborations	SMC	✓
All	Write-offs/Offsetting	SMC	✓

For your approval.



Reynaldo B. Montalbo, Jr.

Annex A - Principles of Materiality

INDUSTRY BENCHMARK						PROPOSED APPROVING FRAMEWORK FOR ALLIEDBANKERS INSURANCE CORPORATION (ABIC)			
SECTION	USER'S TOLERANCE FOR FINANCIAL MISTATEMENTS					ABIC TOLERANCE BASED ON RISKS			
	LOW	LOW TO MEDIUM	MEDIUM	MEDIUM TO HIGH	HIGH	AREA	PERCENTAGE	BASIS	AMOUNT
Revenue	2%	1.75%	1.50%	1%	0.50%	Annual OPEX Budget	0%	Actual Budget Amount	All
Profit Before Tax	10%	8%	7%	6%	5%	OPEX Excess Budget	1%	Net Income of PHP107M	PHP1M
Total Assets/Total Liabilities	2%	1.75%	1.50%	1%	0.50%	Investments	1%-2%	Investments of PHP1.3B	PHP10M - PHP25M
						Claim Liabilities	0.50%	Insurance Liabilities of PHP600M	PHP3M
Net Assets/Current Assets/Equity	10%	8%	7%	6%	5%	Annual CAPEX Budget	0%	Actual Budget Amount	All
						CAPEX Excess Budget	10%	PPE of P26M	PHP3M
						Regulatory Compliance Breaches	0%	Actual Fees and Penalty Amount	All
						Write-Offs/Offsetting	0%	Actual Write-Off /Offset Amount	All