

ALLIEDBANKERS INSURANCE CORPORATION
MEMORANDUM

FOR : The Board
FROM : The President
RE : Non – Executive Committee
DATE : December 19, 2018

The following Board Members constitutes the Non-Executive Committee :

- Chairman - MR. LUCIO C. TAN
- Vice Chairman - MR. WILLY S. CO
- Treasurer - MR. HARRY C. TAN
- Member - MR. MICHAEL G. TAN
- Member - MR. LUCIO K. TAN, JR.
- Member - MR. MANUEL T. GONZALES
- Independent Director - MR. PETER Y. ONG
- Independent Director - MR. ALFREDO B. JIMENEZ, J

Following the retirement of the previous President of Alliedbankers Insurance Corp. (ABIC), Ms. Rebecca dela Cruz, we seek approval of the reconstitution of the Board and Management Committees effective immediately as follows:

1. BOARD COMMITTEES

A. CORPORATE GOVERNANCE AND REMUNERATIONS COMMITTEE

- 1. LUCIO C. TAN - Chairman
- 2. MICHAEL G. TAN - Vice-Chairman
- 3. HARRY C. TAN - Member
- 4. ROWENA T. CHUA - Member
- 5. LUCIO K. TAN, JR. - Member
- 6. PETER Y. ONG - Member (Independent Director)
- 7. REYNALDO B. MONTALBO, JR. - Member

B. INVESTMENT COMMITTEE

- 1. MICHAEL G. TAN - Chairman
- 2. ROWENA T. CHUA - Member
- 3. MANUEL T. GONZALES - Member
- 4. RUFINA T. YU - Member
- 5. REYNALDO B. MONTALBO, JR. - Member

C. MANAGEMENT COMMITTEES

A. CLAIMS COMMITTEES

- 1. REYNALDO B. MONTALBO, JR. - Chairman
- 2. RUFINA T. YU - Member
- 3. CHIEF UNDERWRITER - Member
- 4. MARKETING HEAD - Member

5. RISK MANAGEMENT OFFICER

Based on the approving limits and subject to Board of Directors confirmation for claims of One Million Pesos (P1,000,000.00) and above.

B. UNDERWRITING COMMITTEE

1. REYNALDO B. MONTALBO , JR. - Chairman
2. RUFINA T. YU - Member
3. HEAD OF UNDERWRITING - Member
4. LINE UNDERWRITERS - Member
5. MARKETING HEAD - Member

Based on the approving limits as defined in the policy and Fifty Million Pesos (P50,000,000.00) and up sum insured is to be reported and confirmed by the Board of Directors.

2. Delegated Authority of the President

This delegated authority is granted in respect of the role in Alliedbankers Insurance Corporation. A delegated authority is required prior to engaging in any activity which will, or has the potential to commit the current or future assets of the Company.

It is expected to act at all times the delegated authorities issued :

- Role's responsibilities and /or position description
- Approved business plan(s) and the Company's Risk Management Strategy
- All relevant Company policies, strategies, standards and guidelines
- All relevant procedures, practices or instructions as communicated to the President and;
- Fiduciary responsibilities towards Alliedbankers Insurance Corporation

All amounts set out in this delegated authority are in Philippine Peso, unless otherwise stated.

The President/s authority is valid until amended by the Board of Directors and/or Authorized Director as delegator. The authority must be ratified annually as part of the business plan approval process.

Delegation of authority to ABIC Staff

The President may delegate his authority other than as specifically prohibited in the document. Delegation must be in writing, expressed in terms similar to the delegated authority.

The President cannot delegate more authority than the provision made in delegated authority. Should he be transferred or leave the employment of the Company, the authority delegated to staff will remain in force until replaced by his successor or revoked by the Board of Directors and/or Authorized Director.

Referrals for matters exceeding authority should be made to the Authorized Director , except where specified otherwise:

- **General Principles – conflict of interest**

A conflict of interest arises in situations where an individual has a personal, financial or other interest that conflicts ABIC’s ethics, vision and values. He must adhere to the applicable Code of Conduct, however the following principles also apply:

- The President or his staff must not underwrite policies for, or manage claims in connection with, his respective family or friends;
- The President must not approve the release of payment (e.g. sign cheque) for goods or services that he have authorized or requisitioned , unless his act is jointly approved by another individual acting within their authority but not related to him.

- **Underwriting authority**

3.1. General Principles

Underwriters must underwrite to the highest ethical standards of ABIC and the markets in which they operate, observing the spirit as well as the letter of any internal and external requirements. Underwriters should not do anything which they would not be confident to write or be endorsed by respected colleagues in the market.

Although ABIC encourages an entrepreneurial style of underwriting, emphasis is on gross underwriting profits, not premium volume. Before underwriters commit ABIC to any business , they must ensure that such acceptances are made with a justifiable profit margin.

3.2 Referral

3.3 Extent of authority and limits

3.4 Realistic disaster scenarios

- Must use the best endeavours to ensure that the maximum event retention (net loss after reinsurance recoveries and reinstatement premiums inward and outward) from any RDS event does not exceed the approved RDS limit.

3.5 Extensions and restrictions

3.6 Delegation to external parties

3.6.1 Contracts with insurance agents and brokers

3.6.2 Restrictions on delegations to external parties

3.7 Period of coverage

3.8 **Underwriting information, records and notes**

Detailed records of business underwritten, including information submitted, rating methodology and notes of conversations that influenced your judgement at the time of acceptance must be maintained on the underwriting file. This information must be

retained to meet the requirements of the relevant underwriting guidelines, to satisfy statutory requirements, for renewal, for servicing the risk, for underwriting reviews and audits and for negotiation of claims including disputes (whether or not involving either arbitration or litigation.)

3.9 Purchase of outward reinsurance including fronting

3.9.1 Treaty reinsurance

3.9.2. Facultative reinsurance

3.10 Fronting by ABIC

3.11 **Portfolio Management**

The President is responsible for the profitability of the business under his control and for achieving his approved business plan. He must ensure that appropriate procedures are in place to adequately monitor the performance of each portfolio against the approved business plan so that action can be taken at an early stage if one or more of the profit drivers are not being achieved.

Claims authority

- 4.1 Extent of authority
- 4.2 Ex-gratia payments
- 4.3 Commutations

Funds management and treasury authority

- 5.1 General principles
- 5.2 Scope of authority

Expenditure and functional authorities

6.1 General expenditure principles

Expenditures must be generally be within the approved budget and in any event within any applicable ABIC policies and procedures,

No individual may authorize the payment for goods or services that they have requisitioned.

Delegations of cheque signing authorities must be advised in writing.

6.2 Business expenses

6.3 Staff authority

6.4 Representations

It is critical that ABIC is represented consistently and any risk associated with external communications are managed effectively. When representing ABIC, a corporate or external lawyer should be consulted prior to making representations where appropriate.

Must adhere to any ABIC policies in relation to external communications and in particular should not make any representations that might reflect negatively on ABIC's brand or reputation unless required by law.

Must not disclose any confidential information unless required by law or consistent with his role.

6.5 Information system access

6.6 Company accounting policies

6.7 Advertising

6.8 Tax remittances and disputes

6.9 Insurance

6.10 Business travel expenses

6.11 Legal documents, including service provider contract & lease agreements

Contract of any sort (other than insurance or reinsurance policies) which are material should not be signed without consulting either an ABIC corporate or external lawyer or other suitably qualified /experienced individual as appropriate (except for standard agreements that have been subject to legal review.) . This includes renewal of contracts.

Material contract" includes any contract:"

- Relating to a business-critical service, including but not limited to leases and IT agreements.
- Involving payment obligations
- Creating any payment obligations more than 12 months after the date of the agreement or
- Resulting ABIC to give an indemnity of any kind or
- That cannot be cancelled or terminated in accordance with its terms on 30 days notice or less.

Court documents - if the Company receive a letter threatening court proceedings against ABIC , or summons, claim form or any other official court documents that does not directly relate to a claim under a contract of either insurance or reinsurance you must notify the relevant ABIC corporate lawyer immediately.

KEY RESPONSIBILITIES OF NON-EXECUTIVE DIRECTORS

1. **Strategic direction** - to provide a creative and informed contribution and to act as a constructive critic in looking at the objectives and plans devised by the chief executive and the executive team..
2. **Monitoring performance** - should take the responsibility for monitoring the performance of executive management, especially with regards to the progress made towards achieving the determined company strategy and objectives.
3. **Remuneration** - Non- executive directors are also responsible for determining appropriate levels of remuneration of executive directors. In large companies this is carried out by the remuneration committee, the objective of which is to ensure there is an independent process for setting the remuneration of executive directors.
4. **Communication** – to help connect the business and board with networks of potentially useful people and organizations,
5. **Risk** – **should satisfy themselves on the integrity of financial information and that** financial controls and system of risk management are robust and defensible.
6. **Audit** – It is the duty of the whole board to ensure that the company accounts properly to its shareholders by presenting a true and fair reflection of its actions and financial performance and that the necessary internal control system are put into place and monitored regularly.