



Republic of the Philippines  
Department of Finance  
**INSURANCE COMMISSION**  
1071 United Nations Avenue  
Manila

Head Office:  
P. O. Box 3589 Manila  
FAX No. 522-14-34  
Tel. Nos. 523-84-61 to 70  
E-mail: oic@i-manila.com.ph

**Circular Letter No. 3-2004**

To : **All Insurance Companies, Professional Reinsurers and Insurance Intermediaries**

Subject : **General Disclosure of Corporate Governance Practices**


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In accordance with Circular Letter No. 13-2002-A, please find attached IC Form CG-04 to be used for purposes of disclosing corporate governance practices of the company.

The form shall be accomplished by the Compliance Officer and signed jointly with the company President or Chief Executive Officer to be submitted under oath not later than April 30 of each year.

For this year, the reports must be submitted on or before April 30, 2004.

For strict compliance.

  
**EDUARDO T. MALINIS**  
Officer-In-Charge

26 February 2004



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**GENERAL DISCLOSURE OF  
CORPORATE GOVERNANCE PRACTICES FOR INSURANCE COMPANIES,  
PROFESSIONAL REINSURERS AND INSURANCE INTERMEDIARIES**

Issues/Practices Is the Company Remarks/  
Compliant Explanation  
 Yes No

**1. Board Composition and Responsibility**

**1. Composition and Board Size**

a	Composition	The Board is composed of at least five (5) but not more than fifteen (15) members elected by the shareholders.			
b	Non-executive independent directors	At least one (1) in the Board. Shall be identified in this annual report.			(Supply name/s)
c	Qualifications of an Independent Director	He has not been an officer or employee of the company for the last three (3) years immediately preceding his term or incumbency. Not related by consanguinity or affinity to an officer in a senior management position of the company. Does not provide services and receives no income for other professional services to the company.			

**2. Qualifications & Age Limit of Directors**

a	Directors	They are possessed with the necessary skills, competence and experience, in terms of management capabilities, particularly in the field of insurance or insurance-related disciplines. They are also persons of integrity and credibility.			
b	Director's ownership of stock	Every director owns at least one (1) share of the capital stock of the corporation whose share stands in his name in the books of the company.			

c Retirement age	The board may establish a fixed retirement age policy for directors.			
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### 3. Multiple Board Seats

a Guidelines on number of directorships	The Board shall consider guidelines on number of directors, subject to exceptions in few cases.			
b Guidelines on number of directorships	In general, the CEO and other executive directors shall submit themselves to a low indicative limit (four or lower) on membership in other corporate boards. There can be a higher indicative limit (five or lower) for other directors who hold non-executive positions in any corporation.			

### 4. Chairman and CEO

a Chairman of the Board	Is a non-executive director			
	The positions of Chairman and the CEO are held by two (2) different persons to ensure a balance of power and authority such that no one person has unfettered decision-making powers.			

### 5. Board Meetings

Meetings	At least once a year or as frequently needed			(number of meetings if more than 1)
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### 6. Board Remuneration

a Remuneration Levels	The Board has set levels to attract and retain qualified directors which are competitive and considering the duties and other commitments imposed upon them.			
	*Board may include a significant percentage of the remuneration package for directors in the form of stock ownership.			
	*Board may remunerate directors in the form of equity or cash.			

\*Stock options and registered stock awards may be integrated with other elements of remuneration to ensure that the package for directors is competitive and appropriate for the responsibilities they discharge.

7. Mission and Responsibility

a	Mission and Responsibility of the Board	Has approved corporate philosophy and mission.			
		Has reviewed and approved management's strategic and business plans.			
		Has reviewed and approved company's financial objectives, plans and actions.			
		Has overseen the conduct of the business to ensure proper management and fair equitable dealings with the policyholders, claimants and creditors.			
		Has identified key business risks, establishing operational risk-taking limits commensurate with financial capacity and technical capabilities for the company's core activities, specifically underwriting, reinsurance and investment, taking into consideration the pertinent provisions of the Insurance Code, and has insured the implementation of appropriate systems to manage risks within said limits.			
		Has approved corporate policies on major areas of operations, including underwriting, investments, reinsurance and claims management.			
		Has monitored corporate performance against the strategic and business plans.			
		Has reviewed performance of senior management, and succession planning including the replacement, appointment, training and remuneration of senior executive officers.			
		Has ensured the adequacy and effectiveness of internal control and management information systems, and compliance with applicable laws, rules and regulations and			

	the corporation's own articles of incorporation and by-laws.			
	Has assessed its own effectiveness in fulfilling its responsibilities.			
	Has performed other functions prescribed by law or assigned to the Board in the company's articles of incorporation and by-laws.			
	In sum, has fostered the long-term success of the company in a manner consistent with its fiduciary responsibility, which it exercises in the best interest of the company and its shareholders.			

II. Management Accountability

8. Orientation and Training of Directors

a	Orientation	The Company has provided orientation for new directors.			
b	Director development	The Board has assessed the adequacy of director development and education for individual directors and for the Board as a team.			

9. Board Authority

a	Procedures/Policies	The Board has instituted appropriate procedures/policies or safeguards regarding the ff:			
		(i) acquisition and disposal of assets of the insurance company or of its subsidiaries that are material in nature			
		(ii) related-party transactions of a material nature			
		(iii) authority levels for core functions of the insurance company			
		(iv) organizational structure, job description and authority limits for the CEO including changes thereto			
		(v) corporate policies on investment, underwriting, reinsurance and claims management			

### III. Corporate Independence

#### 10. Group structure and related-party transactions

a	Group structure	Controlling or substantial interest has been disclosed to the Board, and the latter has ensured compliance with the provisions of Title 20, Chapter III of the Insurance Code (Holding Company).			
		Overlapping interests in the insurance entity have been disclosed to the Board and any material transaction involving such interests has been similarly disclosed.			
b	Related party-transactions	Conducted in a manner comparable to normal commercial terms in order to safeguard the best interest of the insurance company.			
		Related-party transactions have been disclosed fully to the Board.			
		Prior Board approval has been obtained for related-party transactions that are material in nature.			
		Provisions of Title 20, Chapter III of the Insurance Code (Holding Company) have been complied with.			

### IV Internal Control and Operational Risk Management

#### 11. Board Committees

a	Audit Committee	Includes at least one independent director who is free to hire independent advisers when necessary.			(number if more than 1)
b	Executive Committee	Acts on behalf of the full board on matters defined by the Board, and submitted by management for action, when the Board cannot meet.			
c	Governance Committee	To advise the Board on corporate governance matters. It may serve as the mother committee for the: Compensation Sub-committee (to ensure that there			

	is in place a system of compensation providing performance-oriented incentives to management)			
	Monitoring and Performance Evaluation Sub-committee (to perform board and senior management evaluation)			

12. Transparency and Internal Control

a	Transparency	The Board has disclosed material information on the financial and operating results of the company including any material foreseeable risks of the company.			
	Internal Control	The Board ensures effective system of controls to protect the company's assets. Major risks facing the company has been reported to the Board. The Board has ensured that reports accurately reflect the financial condition of the company. The Board has regularly reviewed the system for securing adherence to key internal policies.			

V. Financial Reporting

13. Disclosures

	Duty to disclose	The Board has ensured the disclosure of all material matters, including financial condition, performance, ownership and governance of the company. The Board has ensured access to relevant information to all parties with legitimate interest in the company. The Board and senior management has received regular reports on all key aspects of the operations of the insurance company. The Board has ensured faithful compliance with the financial and other reportorial requirements under the Insurance Code.			
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## VI. Public Accountability

### 14. Duty of officers to the Public

Officers of the company:	<p>Have avoided conflicts of interest and have refrained from engaging in any unfair or deceptive acts or conduct that constitute unfair trade practices such as:</p> <ul style="list-style-type: none"> <li>(i) Misrepresentations</li> <li>(ii) Entering into an agreement resulting to market monopoly</li> <li>(iii) Knowingly committing as a general practice unfair claims settlement practices as defined in Section 241 of the Insurance Code</li> <li>(iv) Deliberately delaying remittance of funds representing payments of insurance and reinsurance premiums</li> <li>(v) Deliberately delaying remittance of funds representing claims</li> </ul>					
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### 15. Responsibility of Good Governance

	<p>The Board of directors has adopted a policy that good corporate governance is the responsibility of each and every officer and employee of the company.</p>			
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Republic of the Philippines )  
\_\_\_\_\_ ) S.S  
Philippines )

SWORN STATEMENT

We \_\_\_\_\_, President/CEO and \_\_\_\_\_, Compliance Officer, both of legal age and residing at \_\_\_\_\_ & \_\_\_\_\_ respectively, after being duly sworn in accordance with law, hereby depose and state:

1. That as such officers of said company, we attest under oath to the fact that the data indicated in the attached Disclosure Report on Corporate Governance Practices are true and correct according to the best of our information, knowledge and belief.
2. That this Sworn Statement is being executed in compliance with Circular Letter No. 13-2002 A dated 15 September 2003 of the Insurance Commission.

IN WITNESS WHEREOF, we have hereunto signed our names at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 2004.

\_\_\_\_\_  
President/CEO

\_\_\_\_\_  
Compliance Officer

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_ 2004 at \_\_\_\_\_, affiants having exhibited to me their community tax certificates nos. \_\_\_\_\_ and \_\_\_\_\_ issued on \_\_\_\_\_ and \_\_\_\_\_ at \_\_\_\_\_ and \_\_\_\_\_.

Doc. No.: \_\_\_\_\_  
Page No.: \_\_\_\_\_  
Book No.: \_\_\_\_\_  
Series of 2004

\_\_\_\_\_  
NOTARY PUBLIC



# ISAP, Incorporated

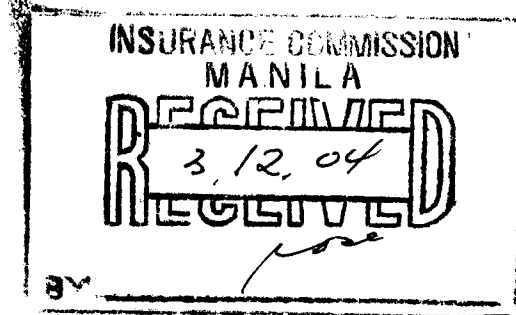
(Insurance & Surety Association of the Philippines)  
6th Floor, Champaca II Building,  
162 L. P. Leviste Street, Salcedo Village, Makati City  
Telephone Nos. 811-4587 / 811-4589 / 811-4629 / FAX - 813-8415

*pc*  
*Admin*  
*pls. include in*  
*the file of*  
*Circulars*  
*3/14/04*

Ref. No. 3-0086/2004

March 10, 2004

**Ms. Vida T. Chiong**  
Deputy Insurance Commissioner  
The Insurance Commission  
United Nations Avenue  
Concepcion, Manila



Dear Madam,

### CORPORATE GOVERNANCE REPORT CL # 3-2004

We acknowledge receipt of your letter dated March 04, 2004.

As requested, we have circularized your Circular Letter No. 3-2004 and we enclose a copy of our Circular No. ISAP-3536/2004 for your file.

Very truly yours,

*[Signature]*  
**SANTIAGO GASCON**  
General Manager

Encl.: a/s

SG/rom\*



For Members Only

ISAP, Inc.  
6<sup>th</sup> Floor, Champaca II Building  
162 L. P. Leviste Street, Salcedo Village  
Makati City

- 0 -

TO ALL MEMBERS:

Attention: Registered Representative  
and/or  
Accredited Alternates

**INSURANCE COMMISSION CIRCULAR LETTER NO. 3-2004**  
**CORPORATE GOVERNANCE REPORT - IC FORM NO. CG-04**

Quoted below is the Insurance Commission Circular Letter No. 3-2004 dated February 26, 2004, which is self-explanatory.

You will note that the form shall be accomplished by the Compliance Officer and signed jointly with the company President or Chief Executive Officer to be submitted under oath not later than April 30 of each year.

For Members strict compliance.

  
SANTIAGO GASCON  
General Manager

SG/rom

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(Sgd.)  
EDUARDO T. MALINIS  
Officer-In-Charge

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Issues/Practices

Is the Company Compliant

Yes No

Remarks/Explanation

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