



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



PRESS RELEASE
26 May 2021

INSURERS AND MBAs IMPROVE ON CORPORATE GOVERNANCE PER REPORT ON 2019 ACGS RESULTS

Life and non-life insurance companies and mutual benefit associations (“MBAs”) collectively registered an increase of 3.36 points in their ASEAN Corporate Governance Scorecard (“ACGS”) average score for 2019, per the assessment conducted by the Institute of Corporate Directors (“ICD”).

The insurance industry and MBAs collectively registered an ACGS average score of 45.9 in 2019 vis-à-vis the previous year’s score of 42.54 in five (5) assessment areas of the G20/OECD Principles of Corporate Governance, namely: “Rights of Shareholders”, “Equitable Treatment of Shareholders”, “Role of Shareholders in Corporate Governance”, “Disclosure and Transparency”, and “Responsibilities of the Board”. The 2019 assessment by the ICD covered a total of 119 entities regulated by the Insurance Commission (“IC”), of which 56 are non-life insurers, 32 are life insurers, and 31 are MBAs.

“The IC aims to raise the bar of corporate governance standards of the Philippine insurance industry and MBAs by providing them with a regulatory environment that will allow, if not encourage, said companies to adopt international best practices on corporate governance,” highlighted Insurance Commissioner Dennis Funa.

Notably, the ICD report mainly attributed the 3.36-point increase in the total average score in 2019 to the IC’s issuance of Circular Letter No. 2021-26 that mandated the creation and maintenance of company websites.

“This Commission observed from the ICD report that the average score of the insurance and MBA sectors continued to increase every year. However, there is still much room for improvement, as this yearly increase in the average score of insurers and MBAs did not directly translate to significant improvements in the corporate governance performance of said regulated entities,” stated Commissioner Funa.

In 2019, insurers and MBAs registered a score of 5.53 out of 10 in “Rights of Shareholders”, which determines a company’s attitude towards shareholders, especially those that do not have controlling interest, i.e., minority and/or institutional shareholders. Said sectors registered a score of 9.92 out of 15 in “Equitable Treatment of Shareholders” in 2019, which area ensures fair treatment of all shareholders, with a particular focus on the protection of minority shareholders from possible manipulation by controlling shareholders. In the area of “Role of Shareholders in Corporate Governance”, which focuses on the company’s policies and activities to respect, promote, and defend the interests of the company’s other

stakeholders (i.e., other parties that have non-equity stakes in the company, that need to be laid out, articulated, and undertaken), said sectors registered a score of 3.97 out of 10. Meanwhile, in “Responsibilities of the Board”, which assesses a company’s corporate governance policy on the definition of the fiduciary duties and responsibilities of its Board of Directors, insurers and MBAs registered a score of 16.38 out of 40. In 2019, insurers and MBAs also earned an additional 1.48 points in “Bonus and Penalties”, by which assessment area points are added for company practices beyond minimum standards and points are subtracted for poor corporate governance practices.

“The ICD’s report for 2019 also reveals that the area of ‘Disclosure and Transparency’ is of special concern, which area refers to disclosure of corporate governance-related documents by insurers and MBAs. Said regulated entities only scored an average of 8.59 points out of a maximum of 25 in ‘Disclosure and Transparency’, as many insurers and MBAs were not able to disclose their Annual Reports, Notices and Minutes of Annual General Meetings (‘AGM’), and Board Charters in their respective websites. Some companies were even found to have websites that were either not working or under construction on the date of assessment and review. It should be stressed that disclosure and transparency are two major demands of good corporate governance that deter corporate fraud and malpractice,” Commissioner Funa said.

The ACGS is a tool used to evaluate companies’ corporate governance practices that was developed based on international benchmarks and industry-leading corporate governance practices of the ASEAN and the world. It relies primarily on publicly available and easily accessible information, such as, but not limited to, companies’ annual reports, information posted in company websites, announcements, circulars, articles of association, minutes of annual shareholders’ meetings or excerpts thereof, corporate governance policies, codes of conduct, and sustainability reports.

It will be recalled that the IC issued Circular Letter No. 2015-23, which provides for Guidelines on Compliance with the ASEAN Corporate Governance Scorecard. This is in connection with the Advisory dated 3 May 2013 and Circular Letter No. 14-2013 dated 1 July 2013 adopting the ACGS, which replaced the Corporate Governance Scorecard prescribed under Circular Letter No. 21-2009 dated 12 August 2009.

“The IC highly commends the efforts of our insurers and MBAs to improve their corporate governance practices, which contributed to the improvement of said industries’ overall performance, as evidenced by the 3.36-point increase in the ACGS total average score of said entities for the year 2019. Nevertheless, there is a great opportunity to enhance the ACGS performance of said insurers and MBAs, especially in the areas of disclosure and transparency. The IC strongly encourages said regulated entities to take advantage of such opportunity,” he added.



ATTY. ALWYN FRANZ P. VILLARUEL
Media Relations Officer
afp.villaruel@insurance.gov.ph