



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



Legal Opinion No.	2023-15
Date	18 July 2023

**MR. EDGARDO LINSANGAN**  
Internal Auditor  
**UNICON INSURANCE BROKERS CORP. (UIBC)**  
*A JG Summit Company*

**Dear Mr. Edgardo Linsangan:**

This pertains to your e-mail dated 22 June 2023 to the Office of the Insurance Commissioner. You mentioned that UIBC established a separate Audit, Risk Oversight and Related Party Committee last year and are formally setting up the Committees this year by creating foundational documentation such as an Internal Audit Charter and Audit Committee Charter – for Audit Committee.

You also stated that since UIBC is a subsidiary of JG Summit Holdings, Inc., it has been agreed that UIBC will be adopting the holding company's internal audit policies and procedures, including the Internal Audit Charter and Audit Committee Charter. That this Agreement is explicitly indicated in the drafted Internal Audit Charter, and as stated in the Charter, ***“UIBC Internal Audit Head will be functionally reporting to UIBCs Audit Committee and administratively reporting to the UIBC President. The Internal Audit Head will represent UIBC in the holding company’s Audit Committee.”***

Given the foregoing, you are requesting a Legal Opinion if there is a possibility of non-compliance if it would be stated in the UIBC Internal Audit Charter, the said agreement/alignment between UIBC and JG Summit Holdings.

Upon careful evaluation of your query and the facts presented, the findings of the Insurance Commission are as follows:

The Insurance Commission issued IC Circular Letter No. 2020-71, The Code of Corporate Governance to raise the corporate governance standards of the Insurance Commission Regulated Companies (ICRCs) to a level at par with its regional and global counterparts.

This Revised Code of Corporate Governance provides the importance of the creation of an Audit Committee and highlights its independence.

Among the many duties of the Audit Committee mentioned under IC CL 2020-71, it provides,

*The Board should establish an Audit Committee to enhance its oversight capability over the company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations. The committee should be composed of at least three appropriately qualified non-executive directors, the majority of whom, including the Chairman, should be independent. All of the members of the committee must have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance. The Chairman of the Audit Committee should not be the chairman of the Board or of any other committees.*

*The Audit Committee is responsible for overseeing the senior management in establishing and maintaining an adequate, effective and efficient internal control framework. It ensures that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets.*

*a. Recommends the approval of the Internal Audit Charter (IA Charter), which formally defines the role of Internal Audit and the audit plan as well as oversees the implementation of the IA Charter;*

*b. Through the Internal Audit (IA) Department, monitors and evaluates the adequacy and effectiveness of the corporation's internal control system, integrity of financial reporting, and security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances should be in place in order to (a) safeguard the company's resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, protect the accuracy and reliability of the company's financial data, and (d) ensure compliance with applicable laws and regulations;*

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Having taken note of the foregoing, we find as follows;

Absent any showing of impropriety and as long as the Internal Audit Charter is consistent with the IC Revised Code of Corporate Governance, we find no reason to consider as non-compliance the inclusion of the statement in the Internal Audit Charter, "UIBC will be

adapting the JGSHI's Audit Charter to align UIBCs internal audit activities to its holding company's procedure".

Please note that the above legal opinion rendered by the undersigned is based solely on the particular facts disclosed in the query and relevant solely to the particular issues raised therein and shall not be used, in any manner, in the nature of a standing rule binding upon the Commission in other cases whether for similar or dissimilar circumstances.

For your information and guidance

Very truly yours,

  
REYNALDO A. REGALADO  
Insurance Commissioner

