



INTERNATIONAL MARKETING GROUP  
*Total Financial Solution*



# RISK MANAGEMENT MANUAL

## **Chapter 1:**

### **Purpose and Objective**

#### **Purposes:**

- Support the development of a common understanding of what the risk based approach involves;
- Outline the high-level principles involved in applying the risk-based approach;
- Identify characteristics of risks indicating that enhanced mitigation strategies may be warranted;
- Describe good public and private sector practice in the design and implementation of an effective risk-based approach; and
- Foster communications between public and private sectors that are conducive to the prevention of any form of risks.

However, it should be noted that applying a risk-based approach is neither mandatory nor prescriptive. A properly applied risk-based approach does not necessarily mean a reduced burden, although it should result in a more cost effective use of resources.

#### **Objectives:**

The objective of this Manual is to serve as basis and reference for consistent risk management that is applicable to all employees. It aims to create a culture of risk-awareness, not risk-aversion based on the prudential framework required by the Insurance Commission (IC). It provides a general set on risk principles delegated to each business unit through its reporting and approval procedures.

#### **Risk Management Objectives:**

1. Identify, measure and control risks inherent in all activities
2. Disseminate Compliance and Risk Management philosophy and policies
3. Assist risk-taking business units in understanding, measuring compliance and risk/return profiles
4. Develop control infrastructure, compliance and risk management.

## **Chapter 2:**

### **Risk Management Scope**

The **(Risk Management) RM** headed by the **Risk officers with Audit Officers** is or are appointed by the Board of Directors (BOD) to assist in the fulfillment of the BOD's risk management responsibilities as defined by applicable laws and regulations. The **RM** shall have direct access to, and receive regular reports from the Management. It shall have the power to conduct or authorize inquiry into any matter within the scope of the office's responsibilities.

The office shall monitor the risk environment and provide direction for the activities to mitigate to an acceptable level the risks that may adversely affect the Corporation's ability to achieve its goals.

#### **Risk Management Roles and Responsibilities**

##### **Board of Directors**

For BOD Is ultimately responsible for ensuring compliance with this Guidelines, their respective implementing rules and regulations, and other directives, guidance and issuances from the IC and AMLC.

##### **Senior Management**

Oversee the day-to-day management to ensure effective implementation of all risk management policies approved by the board and alignment of activities with the strategic objectives, risk profile and corporate values set by the board.

Establish a management structure that promotes accountability and transparency and upholds checks and balances.

## **Board of Directors thru Risk Management**

### **1. Role**

The **RM** together with **Risk and Audit Officers and members** (shall be primarily responsible for the development and oversight of the risk management programs which include the following:

- a. Oversight of management functions and approval of proposals regarding policies, procedures and best practices relative to asset and liability management, credit, market and business operations risks ensuring that:
  - Insurance requirements of its clients are passed or forwarded for assessment.
  - underwriting guidelines are strictly observed.
  - Immediate corrective actions are taken whenever underwriting guidelines are breached or whenever necessary.
- b. Be responsible for ensuring compliance to written policies and procedures relating to the management of risks throughout. This shall include:
  - Comprehensive risk management approach;
  - Detailed structure of limits, guidelines and other parameters used to govern risk-taking units;
  - Clear delineation of lines of responsibilities for managing risk;
  - Adequate system for measuring risk; and
  - Effective internal controls and a comprehensive risk reporting process.

### **2. Authority**

The **RM** shall exercise authority over matters within the scope of its functions and responsibilities as approved by the BOD.

### **3. Composition**

The **RM** shall be composed of members of the appointed by the Board of Directors who shall possess a range of expertise as well as adequate knowledge of all risks exposure to be able to develop appropriate strategies for preventing losses and minimizing the impact of losses when they occur.

### **4. Frequency of Meetings**

The **RM** shall hold regular meetings at least quarterly, or as often as it considers necessary and appropriate. The Officer or the majority of its

members may call a special meeting when deemed necessary. A majority of the members will constitute a quorum.

A notice of each meeting confirming the date, time and venue must be forwarded to each member of **RM** before the scheduled date of the meeting. The agenda of each meeting will be circulated, whenever reasonably practicable, to each member prior to the meeting.

The Office shall report to the Board of Directors matters discussed at each meeting along with the actions taken during said meeting.

## 5. Duties and Responsibilities

### A. Core Duties and Responsibilities

**RMOs** shall perform the following core duties and responsibilities but not limited to:

- 1) Notation of the risk reports as presented by the Authorized Risk Takers (ARTs). The **RM** shall:
  - Assess the probability of each risk becoming reality and shall estimate its possible effect and cost with priority on those risks that are most likely to occur and are costly when they happen.
- 2) Approval of the Risk Management Strategies and Plan. (RISK IMPROVEMENT PLAN) RIP

### B. Specific Duties and Responsibilities

The **RM** shall perform the following specific duties and responsibilities:

- 1) Promote a risk culture that requires and encourages the highest standards of ethical behavior by risk management overseers and authorized risk takers.
- 2) Meet with request the submission of and evaluate information from the management and other Departments ; and perform/approve the necessary actions/proposals as it deems appropriate, regarding the scope of its work, significant findings, together with the actions and responses of management.
- 3) Oversee the management of future risks rather than risk in past transactions.
- 4) Recognize those risks and institute contingency plans to mitigate said risks.
- 5) Provide regular periodic reports to the Board of Directors pertaining to overall risk exposure and actions taken to reduce the risks.
- 6) Encourage the professional development and training of personnel engaged in both risk oversight and risk-taking activities.

- 7) Oversee the adequacy of this Manual on an annual basis and recommend any proposed changes to the Board of Directors for approval.

## **B. Risk Management and Audit Officers (RMAOs)**

**RMOs** are personnel which reports administratively and functionally to **RMAOs**. The **RMAOs** shall be the Risk Focal Person.

### **Compose of:**

Compliance Officer  
Alternate Compliance Officer

Chief Risk officer  
Audit Officer  
and other members

### **1. Duties and Responsibilities**

The RMOs shall perform the following core duties and responsibilities:

- 1) Consolidate **RM** reports submitted by the Authorized Risk Takers (ARTs). The
- 2) RMOs shall:
  - Perform **RM** Secretariat function
  - Collaborate with the (Authorized Risk Takers )ARTs for the preparation of **RM** report
  - Consolidate report for **RM**
    - ( RISK IMPROVEMENT PLAN) RIP
    - Internal AUDIT
- 3) Develop Risk Management Strategies and Plan. The **RM** shall:
  - Develop a written plan defining the strategies and plan for managing and controlling the major risks.
  - Identify practical strategies to reduce the chance of harm and failure or minimize losses if the risks become real.
  - Communicate the risk management plan and loss control procedures to affected parties.
  - Conduct regular discussions on current risk exposure based on regular management reports and direct concerned units or offices on how to reduce these risks.

- 4) Review and revise the Compliance and Risk Management Plan, as needed. The **RM** shall:
- Review and evaluate the steps that management has taken to monitor and control risk exposures to ensure its continued relevance, comprehensiveness and effectiveness.
  - Revisit strategies, look for emerging or changing exposures and stay abreast of developments that might affect the likelihood of harm or loss.
  - Report regularly to the Board of Directors of The **RM**'s over-all risk exposure, actions taken to reduce the risks, and recommend further action or plans as necessary.
- 5) In case of an **Outsource Internal Audit** is needed **RMFs** shall be in charge of assigning officer to oversight the audit activity and be responsible for managing the fully outsource internal audit according to set guidelines and protocols as approved by the BOD.

**Outsource Internal Audit** shall perform the core duties and responsibilities not limited to:

- The **3<sup>rd</sup> Party auditor** is responsible for investigating internal and external management risk, evaluating exposure, fraud, performing **audits** on operations, and reporting on findings, and providing recommendations and other task as assigned and guided by company **RMOs or Senior officers**.

## C. Authorized Risk-Takers (ARTs)/ Frontliners

ARTs, which operate within designated units and specified limits, "**front-line**" such as Agents, Customer service, Accountings and the like in risk exposure management. They are responsible for identifying opportunities for return, taking commensurate risk positions and actively monitoring, evaluating and adjusting those positions.

### 1. Duties and Responsibilities

In view of considerable discretion inherent in their activities, ARTs have the responsibility to:

- Identify and evaluate exposures.
- Identify and document types of risks.
- Identify and assess the external risks that may affect the business plans and directions.

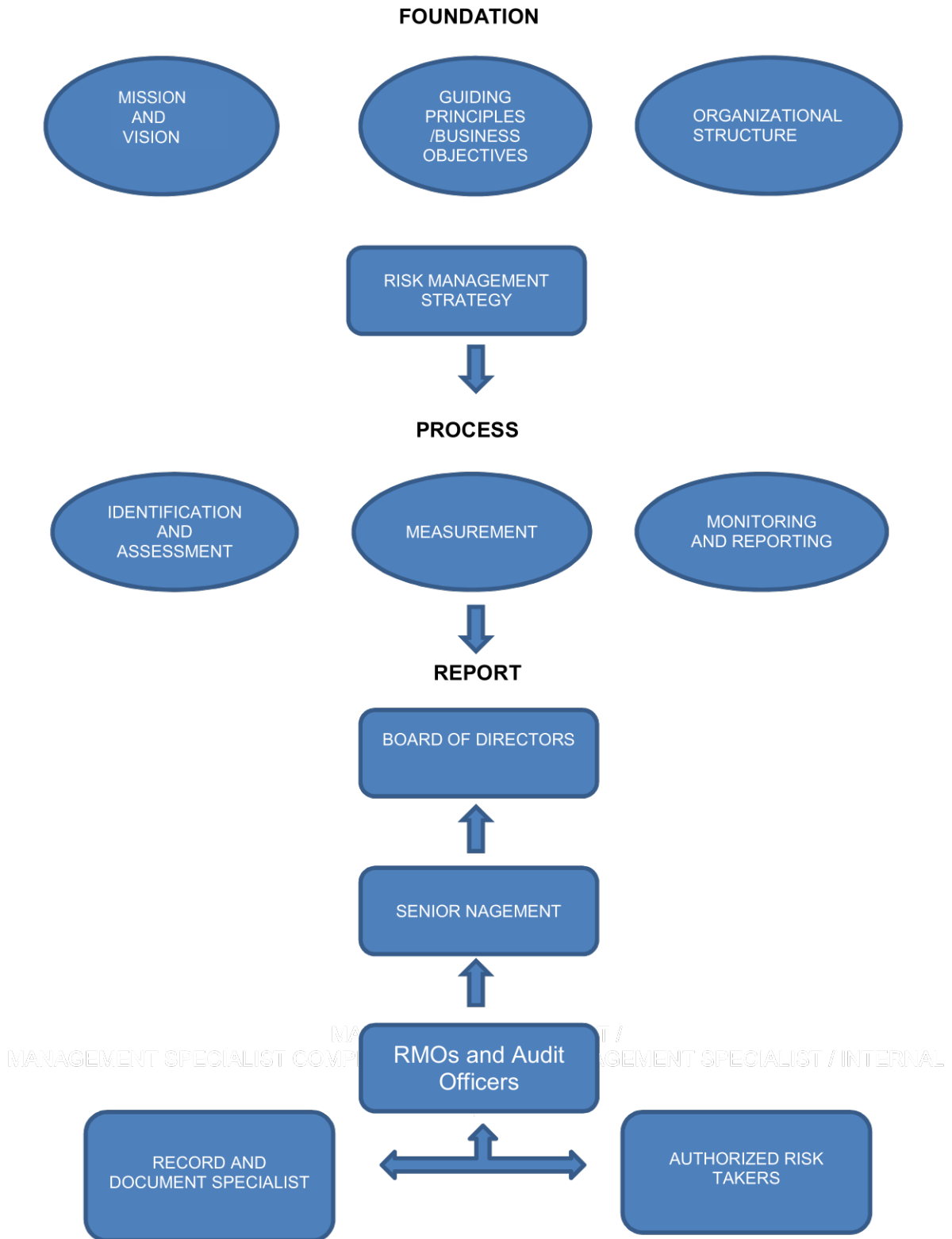
- Assess the probability of each risk becoming reality and shall estimate its possible effect and cost with priority on those risks that are most likely to occur and are costly when they happen.
- Conduct risk-taking activities within limits at all times.
- Understand risk profile of managed position/portfolio and to scan and determine market opportunities within context of overall LIBI strategy and risk tolerance.
- Submit quarterly (or as needed) risk reports to **RM** for notation

## 2. Specific Duties and Responsibilities

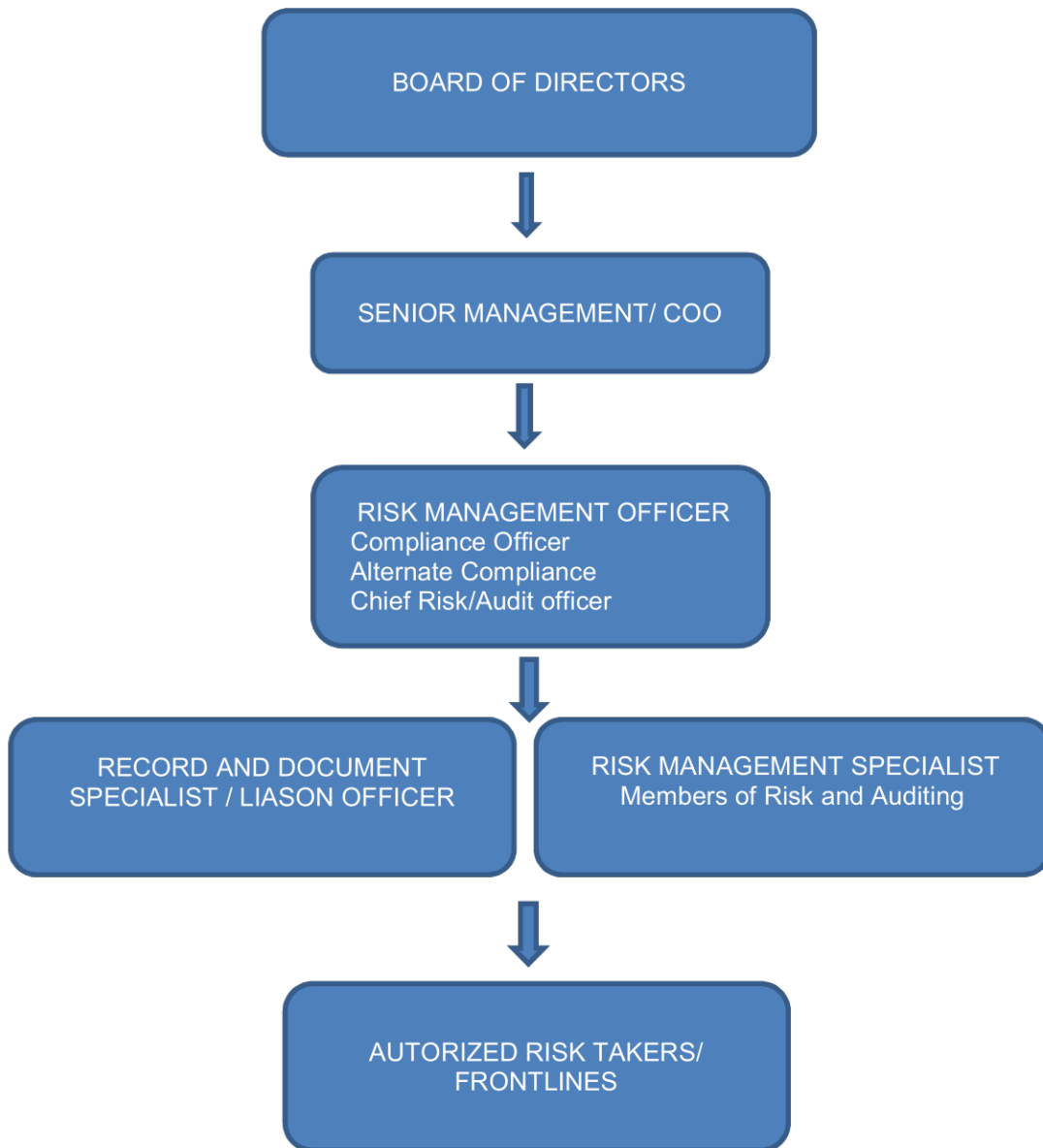
- 1) Meet with, request/gather (or compel submission, in proper cases), receive and evaluate information from management and appropriate sources and act or approve proposals, accordingly, on the following items relating to Risk:
  - Policies and procedures on risk;
  - Risk resulting from all transactions;
  - Information relating to compliance with both external and internal regulations regarding risks.
  - Policies and procedures on operational risk matters e.g. technology, legal, reputation and personnel risks;
  - Management reports relating to operational issues and risk;
  - Awareness on proper risk culture and how risks should be addresses.

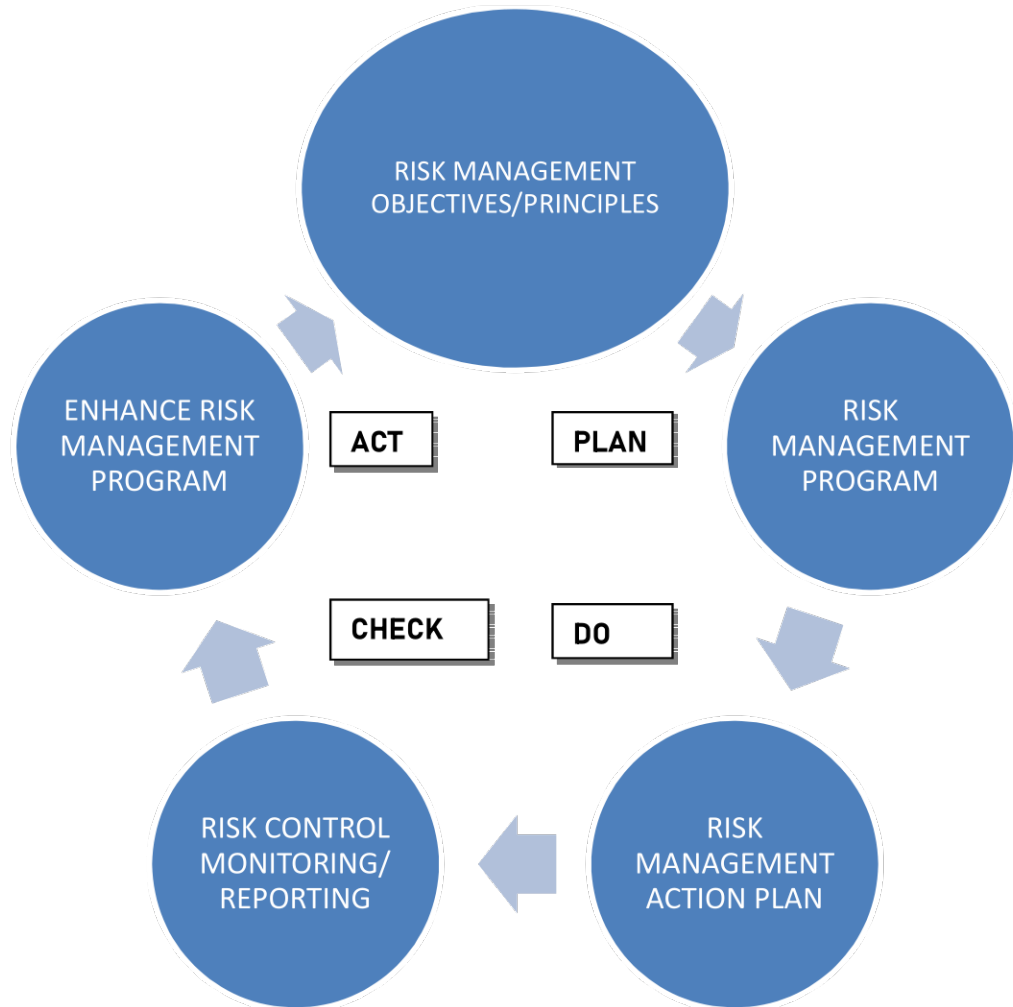


# RISK MANAGEMENT FRAMEWORK



## RISK MANAGEMENT STRUCTURE





## **Chapter 3**

### **Risk Assessment, Plan and Implementation**

#### **I. Risk Categories**

In order to implement a reasonable risk-based approach, the company should identify appropriate criteria for categorizing risks and assessing risks in each category. Identification of all management risks posed by customers, categories of customers, beneficial owners, beneficiaries, products, distribution channels and geographies together with an assessment of the level of the risk. This will allow determining and implementing appropriate policies, procedures and controls to mitigate these risks. While a risk assessment should always be undertaken at the inception of a customer relationship, for some customers, a comprehensive risk profile may only become evident over time. May also have to adjust its view of a particular customer, distribution channel geography or product based upon information received from a competent authority.

While there is no universal set of risk categories. There is no one single methodology to apply to assessing the risks and the application of these risk categories is intended to provide a broad strategy for managing all kind of potential risks.

#### **II. Implementing Risk Policies**

1. In contrast, transactional level involves specifics of day-to-day risk taking activities as performed by ARTs (Authorized Risk Takers).
2. ARTs start day-to-day Risk Management Process by determining opportunities such as enhancement, hedging of trade positions, alternative source of funding or liquidity, cost reduction, etc.
3. Once opportunities are determined, ARTs identify types of risks associated.
4. ARTs quantify and evaluate identified risk limits delegated to them or its potential effect on a position. It also includes assessment of existing system capability to support risk-taking activities.
5. To measure and effectively manage impact of risk, specific tools and techniques, ARTs use Proper tools and techniques as well as strict compliance in policies and procedures are requisites of a coherent risk management system.
6. Culmination of transactional level is when an ART takes a position. This act would further entail active monitoring, evaluating and if necessary, adjusting position to attain Risk Management twin objectives of pursuing best possible return and managing associated risk.

### **III. Controls for Higher Risk Situations**

Implement appropriate policies, procedures and controls to mitigate the potential money laundering and terrorist financing risks of those customers, products and countries that they determine pose a higher risk. Risk mitigation measures and controls include:

- Identify and monitor higher risk customers and transactions within business lines across the company.
- Increased levels of due diligence and preventive guidelines. The measures should be directed toward strengthening the knowledge of all these measures.
- Escalation for approval of the establishment of an account/policy/contract or relationship.
- Increased monitoring of transactions (frequency, thresholds, volumes, etc.).
- Increased levels of ongoing controls and frequency of reviews of relationships.

The same measures and controls may often address more than one of the risk criteria identified, and it is not necessarily expected that an insurance company establish separate controls, providing that identified heightened risks are addressed.

#### **A. Measures**

Whenever measures is applied as required by all guidelines, or by the customer, staff officers and BOD acceptance policies or where the risk are higher company should perform applicable measures.

#### **B. Record Keeping Management and Requirements.**

Complimented by the requirements under the Guidelines on Digitization of Customer Records, the company must retain all transaction records.

Ensure that all information and transaction records are available swiftly to the IC, AMLC and other domestic competent authorities in the exercise of their official functions or upon order by a competent authority.

Take measures to ensure that customer records are submitted in the manner, quality and period as would assist the AMLC and its prompt investigations and institution of legal actions,

for this purpose. Should implement the guidelines, on the digitization of records as issued by the AMLC.

### **C. Monitoring**

The degree and nature of monitoring will depend on the size of the company, the risks that the company has, the monitoring method being utilized (manual, automated or some combination), and the type of activity under scrutiny. In applying a risk-based approach to monitoring, they must recognize that not all transactions, accounts/policies/contracts, or customers will be monitored in the same way. In highly automated operations, appropriate risk-based practices may start with filtering out those risk which need particular monitoring from the large number which are processed by highly-automated methods. The purpose of the process should be to identify whose activities appear to be unusual and which require further analysis to determine if there are grounds for further concern. The degree of monitoring will be based on the perceived risks associated with the customer, the products or services being used by the customer and the location of the customer and the transactions. These monitoring methodologies may change over time based on specific experience or after general experience by the company as a whole. Monitoring methodologies and processes also need to take into account the overall volume of higher risk situations, resources of the insurance company and the information available for use by the insurance company.

The principal aim of monitoring in a risk-based system is to respond to enterprise-wide issues based on company analysis of its major risks. Regulatory authorities should, therefore, be mindful of and give due weight to the determinations made, provided that these determinations are consistent with any legislative or regulatory requirements, and are reasonable and adequately documented.

Subject to national legislation, monitoring under a risk-based approach should allow to create monetary or other thresholds to identify transactions based on size or type which will be reviewed. Defined situations or thresholds used for this purpose should be reviewed on a periodic basis to determine adequacy for the risk levels established. Changes to systems and processes should be based on the analysis of the effectiveness and efficiency of prior results, new information that would warrant such changes, and the ability of the insurance company to effect such a change. The results of the monitoring should always be documented.

**D. Ongoing Monitoring.**

On the basis of all risk, conduct ongoing establishing a system that will enable them to understand the normal and account or business of customers, and scrutinize transactions undertaken throughout the course of the business relationship to ensure that the customers, transactions being conducted are consistent with knowledge of its customer, their business and risk profile, including where necessary.

**E. Risk Monitoring**

Risk Monitoring is the process of tracking and evaluating the performance and status of RM activities. Risk monitoring shall be done to determine the following:

- RM strategies or responses crafted have been implemented as planned
- risk action plans are effective in addressing the risks or if new responses should be developed
- risk exposure has changed from its prior state and whether risk priorities should be updated
- new risks have occurred that were not previously identified or residual risks are still existing and require new responses
- business assumptions are still valid and if there is a need to revisit and revise the RMPS

The Company shall utilize RM Action Plan Monitoring template (**Table 5**) used in the effective monitoring the actual accomplishments of identified responsible unit.

<b>RISK DRIVER</b>	<b>ACTION PLAN</b>	<b>RESPONSIBILITY</b>	<b>TIME FRAME</b>	<b>KEY RESULTS AREA</b>	<b>ACCOMPLISHMENTS</b>
<b>Identified critical risk driver</b>	<b>Specific action steps to implement the RM Strategies</b>	<b>Primary unit responsible for the action plan, showing designation of unit head</b>	<b>Specific date or deadline to implement the RM Action Plan</b>	<b>Expected output from RM Action Plan</b>	<b>Actual output of responsible unit with the implementation of the RM Action Plan</b>

**Table 5. Risk Management Action Plan Monitoring Template**

The Audit and Risk Management Officer of the Corporation consolidate the risk reports and present to Senior Management, and BOD for approval. Same reports shall be submitted which shall also be presented.

## **A. Reporting**

In accordance with the registration and reporting guidelines of AMLC and IC, the company shall ensure the accuracy, completeness and timeliness of transaction reports, which shall be filed in such form as may be prescribe and shall be submitted in a secured manner.

## **B. STR Framework.**

Relevant policies, procedures, processes and controls in place that would enable an employee to report to the compliance officer any suspicion or knowledge of all risk and/or transaction that is detected or identified;

### **A. Confidentiality of Reporting**

When reporting directors, officers and employees, are prohibited from communicating, directly or indirectly, in any manner or by any means, to any person or entity, or the media, the fact that the risk has been or is about to be reported, the contents of the report, or any other information in relation thereto.

Any information about such reporting shall not be published or air in any manner or form by the mass media or through electronic mail, or other similar devices.

In case of violation thereof, the concerned director, officer and employee and media shall be held criminally liable.

### **B. Training and Awareness**

Shall develop programs against all risks. These programs should include the provision of IC regulatory commission and risk management training to their employees which is appropriate and proportional. The commitment of each insurance company or intermediary to having successful controls relies on both training and awareness. This requires an enterprise-wide effort to provide all relevant employees with a minimum level of general information on IC laws, regulations and internal policies. Ongoing training may take place at a time and in a manner deemed appropriate in keeping with the insurance company or intermediary's overall risk mitigation strategy, and the methodologies may evolve based on specific training experiences or after general experiences of the insurance company as a whole.



Applying a risk-based approach to the various methods available for training, however, gives each life insurance company or intermediary additional flexibility regarding the frequency, delivery mechanisms and focus of such training. A life insurance company or intermediary should review its own workforce and agents and available resources and implement training programs that provide appropriate risk information that is:

- Tailored to the appropriate staff responsibility (*e.g.*, customer contact or operations).
- At the appropriate level of detail (*e.g.*, front-line personnel, complicated products or customer- managed products).
- At a frequency related to the risk level of the business line involved.

Risk training should take into account those internal risk and procedures which require that high risk situations are forwarded to and handled within the organisation.

#### **VI. Authority to check compliance**

The IC shall have the authority to conduct compliance checking to validate the compliance of with the requirements of regulatory commission Laws, their respective implementing rules and regulations, this Guidelines, and other applicable issuances.

For the said purpose, it will immediately make available, give full access and submit to the compliance checker any and all information and documents, including customer identification, account opening and transaction documents, as he or she may require and the latter shall also have the power to interview the officers and staffs during compliance checking.

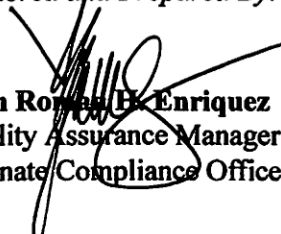
#### **V. Enforcement Action**

In line with the objective of ensuring that maintain high anti-money laundering standards in order to protect its safety and soundness, violation of this Guidelines shall constitute a major violation subject to the following enforcement actions against the board of directors, senior management and officers, not necessarily according to priority and whenever applicable:

- a. Written reprimand;
- b. Suspension or removal from the office they are currently holding; or
- c. Disqualification from holding any position in any covered persons.

# RISK MANAGEMENT MANUAL

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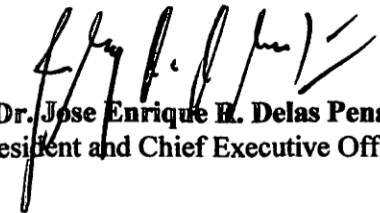


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