

Benefits of Risk Management

Application of a consistent and comprehensive risk management process will:

- Increase the likelihood of achieving our strategic and operational objectives;
- Build an environment that enables us to deliver timely products and services and meet performance objectives in an effective and cost-efficient manner;
- Protect our assets;
- Support more effective decision making through better understanding of risk exposures;
- Foster a high level of accountability at all levels of the Association; and
- Enable us to meet legal, regulatory and governance requirements.

Definition of Terms

All definitions of terms are found in Appendix A.

III. RISK MANAGEMENT FRAMEWORK

To structure and formalize the risk management activities across the Association, a framework needs to be developed. The aim of the framework is to facilitate integration of risk management into the overall operations of the Association and to ensure that the risk information, as produced by the risk management process, is visible and is utilized in decision-making processes across the Association.

The components of the risk management framework are shown in Figure 1. The risk management process itself forms part of this framework. Without the framework, the risk management process will be a standalone effort with little or no effect on the outcome itself.

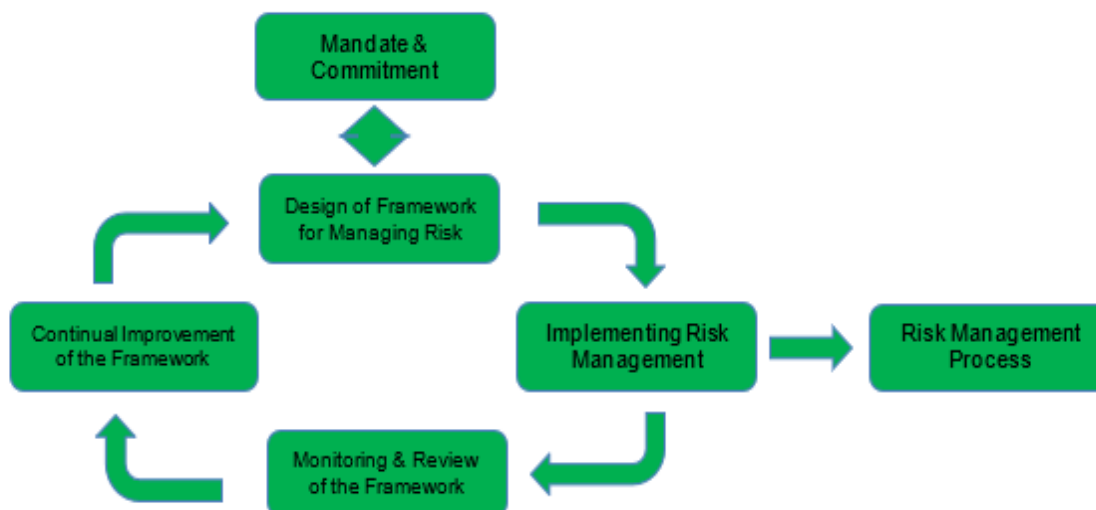


Figure 1: Components of the Risk Management Framework

The starting point for a successful risk management is the mandate and commitment of all the participants especially the Board and Management. The Board and Management is



committed to implement and maintain a formal risk management system with the integration of risk management throughout the organization. This is fundamental to achieving the Association's strategic and operational objectives. It is therefore no longer a question of whether risk management will be performed; it is only a question of how it will be performed.

The framework will be continuously reviewed and improved, as indicated in Figure 1.

A. Purpose and Objectives of Risk Management Framework

Objectives of a risk management framework:

1. Provide a proactive and systematic approach to the timely identification and management of risks;
2. Set consistent risk assessment criteria;
3. Make available accurate and concise risk information that informs decision making including business direction;
4. Implement risk treatment strategies that are cost effective and efficient in reducing risk to an acceptable level;
5. Monitor and review risk levels to ensure that risk exposure remains within an acceptable level; and
6. Assist the Association in integrating risk management into significant activities and functions.

B. Roles and Responsibilities

1. The Board of Trustees

The Board of Trustees is accountable for the overall risk management.

2. The Audit Committee

The Audit Committee will review and provide advice on the risk management process established and maintained by Management and the procedures in place to ensure that they are operating as intended.

3. The Risk Management and Related Party Transaction Committee

The Risk Management and Related Party Transaction Committee (RMRPTC) Charter prescribes the duties and responsibilities of the RMRPTC in relation to overseeing the risk assessment and risk management.

4. The Top Management

The Top Management is responsible for the overall implementation of risk management plans and programs.

5. The Risk Management Committee

The Risk Management Committee (RMC) shall ensure that the Risk Management Plan is properly executed consistent with the corporate risk management. It is in-



charge of supervising the day-to-day risk management of the Association. It is responsible for the direction, coordination and application of risk management and internal control down the line to the Risk Management Teams. It shall provide consultative support to the RMRPTC in matters involving risk management.

6. Risk Management Team

The Risk Management Team participates in the risk management process by providing candidate risk input and supporting risk mitigation planning and execution activities.

7. Internal Audit Office

Internal Audit Office (IAO) is responsible in providing reasonable assurance on the effectiveness of and contribute to the improvement of risk management process.

8. All Offices

- Monitor occurrence of risk events, policy breaches and procedural infractions and ensure that these are documented and reported to the next level Office Head and/or Top Management
- Identify new and emerging risks
- Measure potential impact of risks
- Analyze and control risks
- Ensure proper implementation of risk management strategies

9. All AFPMBAI Employees

All AFPMBAI employees shall diligently identify risks and report them to their supervisor/ immediate superior, especially during periods of change in processes or operational practices. Staff shall comply with all risk responses.

C. Integration

Embedding risk management principles and practices into strategy development as well as day-to-day operations is critical to achieving robust and proactive business outcomes – a balance between mitigating threats and exploiting opportunity.

Risk management process shall be undertaken in conjunction with strategic planning. The risks identified and evaluated as part of the strategic planning process will be the risks that will affect the entire Association and its ability to achieve its Vision.

Risk Register is the primary mechanism to bring corporate strategies/initiatives and operational/action plans together to ensure appropriate risk mitigation plans are built into strategic implementation plans.



Appendix B: Corporate Risk Management Policy

CORPORATE RISK MANAGEMENT POLICY

AFPMBAI envisions to be the undisputed leader and the industry standard among Mutual Benefit Associations trusted to fulfill the needs of its members and their families in providing comprehensive insurance, opportunity for lifetime financial security, and significant social services.

The Association considers risk management as a significant aspect of good corporate governance in attaining its mission and strategic goals and objectives. The Association takes risks inherent to its strategy to deliver better value to its members and other stakeholders. Thus, managing these risks forms an essential part of the Association's business. The aim of risk management within AFPMBAI is to ensure that all significant risks to the Association are identified, assessed, and treated accordingly. This is realized by ensuring that at all times:

- Risks are properly identified, assessed, managed, monitored and reported;
- Risk ownership is taken and communicated;
- Resources are effectively and efficiently allocated to manage risks;
- Risks that could significantly affect the Association, its members, employees, and other stakeholders are properly managed; and
- The Association is compliant with regulatory and legal requirements.

In line with this, a general statement of the Risk Appetite of the Association, which states that:

“At the AFPMBAI, we promote a culture of selfless service, integrity and high ethical standards in the conduct of our duties. As such, we continuously champion the cause of good governance and a strong risk awareness framework in all our processes and undertakings.

In keeping with our mission, we comply with sound policies, principles and guidelines of the Insurance Commission (IC) hinging on:

- a) maintaining the set Risk-Based Capital (RBC) Ratio; and
- b) maintaining the acceptable level of financial ratios as approved by the Board.

With the above measures, we accept and manage strategic, investment, and insurance risks in accordance with our corporate strategy, investment policy, and annual business plans. We seek to minimize potential exposure to market, liquidity, and operational risks.

Finally, we commit to be compliant with internal policies, regulations and procedures to ensure sustainability of operations and promote a sound risk culture.”

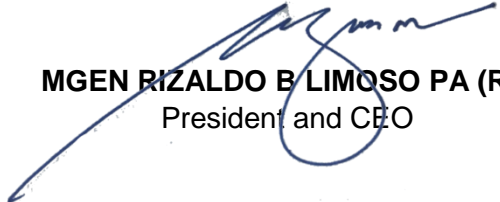


The Board of Trustees and Management shall ensure the effective implementation of the risk management program of the Association. Management's decisions as integral to the implementation of said program shall always be in accordance with regulatory mandate and authority limits as approved by the Board of Trustees.

The foregoing statements shall serve as an assurance of AFPMBAI's commitment to enterprise risk management anchored on prudent judgement and strict adherence to risk management best practices and standards.

Quezon City, 05 November 2020.


GEN GILBERT T. GAPAY PA
Chairman, AFPMBAI


MGEN RIZALDO B. LIMOSO PA (Ret)
President and CEO



Appendix C: Risk Management Structure

RISK MANAGEMENT STRUCTURE

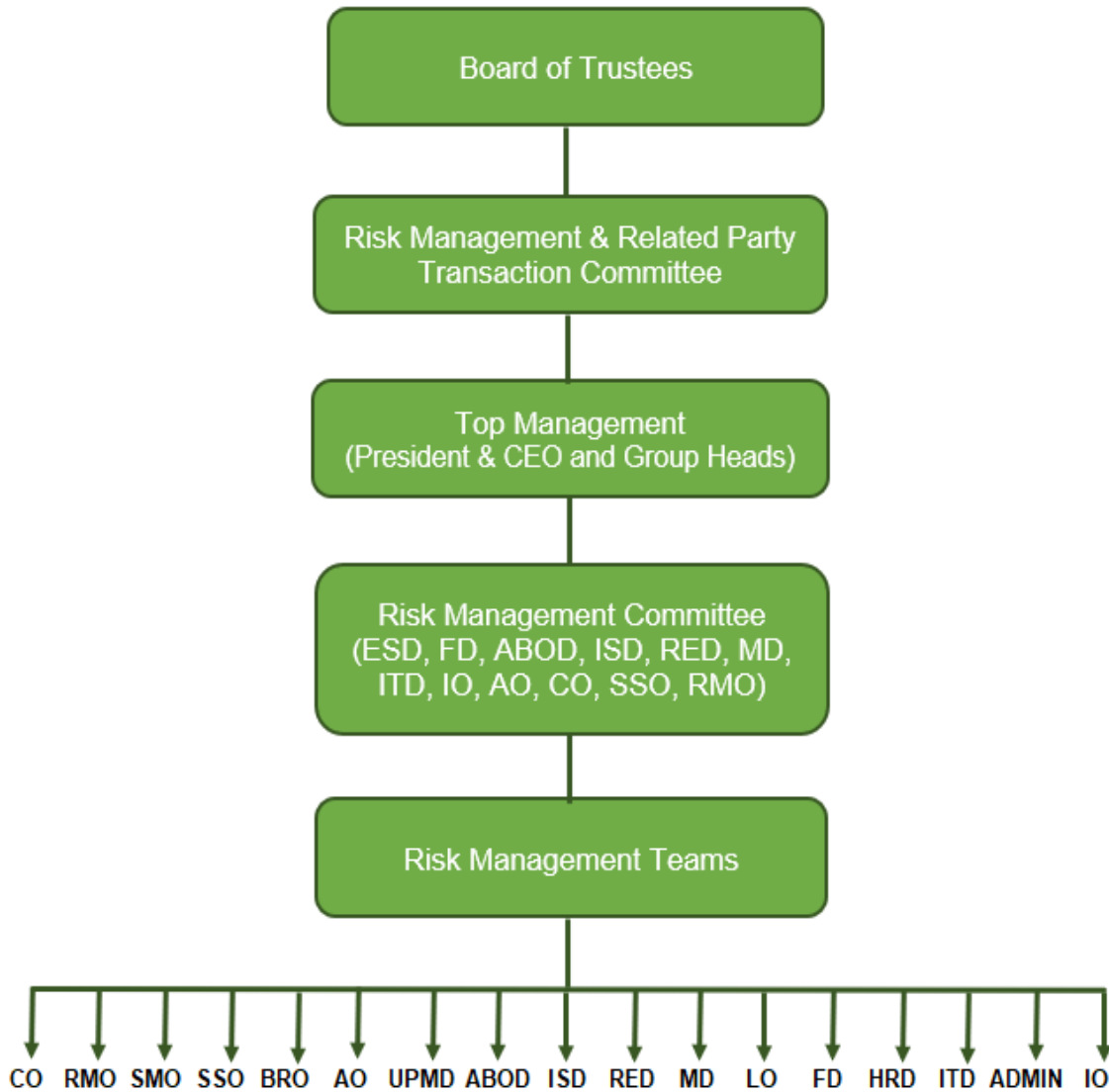


Figure 3: Risk Management Structure