

## **RISK MANAGEMENT STATEMENT**

The Board of MAA General Assurance Phils., Inc. is one with the Board of its parent company in recognizing that effective risk management requires systemic process and thorough approach of its implementation. Its application in the core operation of the company would effectively manage the risk and increase the probability of realizing the defined corporate goals.

With this, MAAGAP adopts the framework wholly implemented by MAA Group Berhad to all its subsidiaries, while taking into account the specific requirements and mandates in Philippine Insurance Industry.

### **FRAMEWORK**

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The framework of MAAGAP risk management begins with the strong presence of the Board overseeing all the activities performed by the company. The directors, being themselves, shareholders add a concentrated need to steer the company towards the business objectives. Approval of risk policies and procedures is performed by the Board.

Under the Board is a recommendatory body called the Risk Management Committee designed to assess the effectiveness of the strategies in placed. The key role of the body also includes determining appropriate risk related measures to be applied in the corporation.

Each department head represents it own unit in the whole Risk Management Structure and identified as risk owners. Each head is task to manage the daily occurrences and activities within its specific unit. Each head is also accorded an authority to exercise its better judgment, within acceptable risk level, in responding and implementing a risk mitigating measure to ascertain non disruption of its operation.

The major responsibility of identifying, evaluating and managing the risk falls within the authority of the Risk Champion. The Risk Champion is appointed by the management to overall handle the risk management requirements including analysis and interpretation of the risk as well as development of tools and strategies.

The Risk Champion is responsible to assist Business Unit Risk Owners in ensuring the risks of each business entity is managed and monitored effectively and adequately. Risk Management Report of each department is forwarded to the Risk Champion and Compliance Department twice a year.

## **INTERNAL AUDIT**

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The internal audit function is performed by an independent department of MAAGAP's parent company called the internal audit department. Each year, the department's auditors would conduct a thorough audit on all the areas of operation to assess the MAAGAP's level of compliance to policies, procedures and applicable Philippine laws and regulations. Adequacy of implemented risk management measures is also evaluated.

## **RISK MANAGEMENT PROCESS**

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The risk management process encompasses the following four (4) stages:

### 1. Risk Identification

Each department is required to identify the potential risk that may be encountered. Risks have been classified into nine (9) categories as follows:-

<b>CATEGORY</b>	<b>DESCRIPTION</b>
Strategic	Associated with the unsuccessful performance or strategy failure due to potential threats, actions, or events that adversely affect the organization's ability to achieve its objectives.
Human Resources	Associated with employees that do not possess the requisite knowledge, skills and experience needed.
Compliance / Regulatory	Associate with the breaching of relevant rules, regulation, guidelines, and standards of laws issued by regulatory bodies.

Reputation	Associated with loss of brand image that the Company may lose customers, key employees or its ability to compete.
Operational	Associated with problems in the performance of business functions or processes. Exposure to this risk can result from deficiencies or breakdowns in internal controls or processes, technology failures and human errors, or from external events.
Financial	Associated with financial loss that may be incurred or circumstances under which the opportunity or Potential financial gain may be lost.
Credit risk:	Arises from inability or unwillingness to fully meet its on-balance sheet and/or off-balance sheet contractual obligations. It also includes the ability to secure financing for its operations and expansion.
Market risk:	Arises from changes in market rates or prices. Exposure to this risk can result from market-trading, dealing, and position-taking activities in markets such as interest rate, foreign exchange, equity, commodity and real estate
Liquidity risk:	Arises from inability to purchase or otherwise obtain the necessary funds, either by increasing liabilities or converting assets, to meet its on and off balance sheet obligations as they come due, without incurring unacceptable losses.
External	Associated with the threat or opportunity arisen from current or future external environment factor, where the company has no or little influence on it.

Customers	Associated with the persons who purchase or utilize the products or services
Integrity	Associated with the attitude and behavioral aspects of employees with respect to fraudulent activities, illegal, unethical, and unauthorized acts.

## 2. Risk Evaluation

In this stage, the identified risks are evaluated on their probability of occurrence and their impact severity. It is at this stage that the risk profile for each risk is established. The risk factors are rated either as High Risk, Significant Risk, Moderate Risk or Low Risk.

## 3. Risk Treatment

This is the stage where each risk is treated according to the risk appetite of the Business Units. The risks can be accepted, minimized, transferred or terminated. Risks are accepted if they are within the risk tolerance limit and the controls are sufficient to mitigate the risks. Risks will be minimized if they are within the risk tolerance limit and controls can be implemented in order to reduce the risk implication. In the case where the risks are not within the tolerance limit but the function is important to the business operations, the risks will be transferred to a third party, i.e., outsourcing. Where the risks are not within the tolerance limit and the function is not crucial to the business operations, the function will be terminated and discontinued.

## 4. Risk Monitoring

Key Risks are monitored through Risks Management Action Plan. The appointed Risk Champion is responsible to ensure risk management activities are carried out and reported timely. The progress on the implementation of risk policies and action plans are reported to the Board through Risk Management Committee.