



**BPI MS**

# **RISK MANAGEMENT COMMITTEE CHARTER**

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Version 3.0  
RMC Approved: December 05, 2023

## Revision History Summary

Version	Effective date	Description of Change
1.0	September 19, 2021	New
2.0	December 2, 2021	Additional item under the Responsibilities Section
3.0	December 5, 2023	<ul style="list-style-type: none"><li>• Inclusion of risk categories as aligned with the Risk Appetite Framework.</li><li>• Additional provisions</li></ul>

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# **BPI/MS INSURANCE CORPORATION**

## **RISK MANAGEMENT COMMITTEE CHARTER**

### **MISSION STATEMENT**

The Risk Management Committee (RMC) of BPI/MS Insurance Corporation's (BPI/MS) Board of Directors shall oversee and manage the company's exposures to risks and monitor its regulatory and internal capital adequacy vis-à-vis these exposures to risks. The committee shall nurture a culture of risk and capital management across the company and shall implement and oversee the enterprise risk management program (ERM) to assist the Board in fulfilling its corporate governance responsibilities relating to the management of risks.

### **I. RESPONSIBILITIES**

#### **A. DEVELOP, IMPLEMENT, AND OVERSEE THE RISK MANAGEMENT PROGRAM**

1. Establish an enterprise risk management (ERM) and governance framework and define the organization's enterprise risk management objectives, direction, and strategy, and ensure that it is aligned with the Company's overall business objectives.
2. Formulate and approve BPI/MS' risk appetite, tolerance and limits and establish strategies, including but not limited to controlling risk tolerances, risk exposure and capital allocation, and overall risk profile.
3. Monitor that senior management's actions are consistent with the approved risk appetite, strategy, and policies.
4. Review and assess the integrity, independence, adequacy, and effectiveness of the risk management functions of the Company.
5. Review and approve risk management frameworks and policies that are compliant with regulatory requirements and aligned with international standards on risk management best practices.
6. Review key risk and capital management methodologies, risk metrics and rating systems, including framework and results of stress testing exercises, and give special attention to the quality, completeness and accuracy of the data used to make risk decisions.
7. Monitor and ensure that the necessary infrastructure, technology, processes are adequate for the effective implementation and communication of the BPI/MS Enterprise Risk Management program.
8. Review and revise risk management program to ensure that it is kept relevant, comprehensive, and effective.
9. Evaluate annually the performance of the Committee as a body and report the results to the Board or to such committee that may be appointed by the Board for review.
10. Review and reassess the adequacy of the RMC Charter annually.

#### **B. IDENTIFY, ASSESS AND MANAGE RISK EXPOSURES**

1. Ensure the proper identification, measurement, monitoring and control of the company's risk exposures versus acceptable risk appetite, tolerances, and approved risk limits and in relation to the enterprise business objectives.

**Corporate Objectives**

Corporate objective forms the reward element generated from risk taking activities under the overall risk appetite statement.

**Underwriting Risk**

Defined as the risk associated with volatilities in the timing, frequency and severity of insurance events, relative to the expectations of the insurer at the time of underwriting.

**Reserving Risk**

Reserving risk is associated with fluctuations from unpaid insurance loss estimates from prior and/or current accident periods.

**Market Risk**

Market risk arises from fluctuations in interest rates, foreign exchange rates, share prices and other relevant market prices.

**Credit Risk**

Credit risk refers to the risk of financial loss as a result of failure by another party to meet its contractual obligations or failure to perform them in a timely fashion. Credit risk applies to, but not limited to, investment asset counterparties, banks, reinsurers and debtors.

**Liquidity Risk Appetite**

Liquidity risk refers to the risk of not being able to meet short-term financial demands due to insufficient cash or cash equivalent and/or the inability to convert illiquid assets into liquid assets in a timely manner.

**Natural Catastrophe Risk**

The risk of a natural catastrophe occurrence that can cause damage far beyond modelled results and treaty limits resulting to liquidity and solvency concern. This could be due to inadequate RI coverage or high risk charge on outstanding reinsurance.

**Operational/other Risk**

Operational risk is defined as the risk arising from inadequate or failed internal control processes, people and system.

2. Provide senior management recommendations and/or plans of actions, including resolutions to significant risk issues and exposure to appetite and tolerance limit breaches, to minimize losses from probable or realized risks.
3. Regularly report to the Board the company's overall risk exposure and necessary action taken / recommendations to reduce, mitigate and/or transfer risks.

**C. MONITOR AND OVERSEE THE CAPITAL MANAGEMENT PROGRAM**

1. Monitor the company's capital, encompassing both the demand and supply of capital, to ensure that the enterprise maintains an appropriate level and quality of capital commensurate with all relevant

risks to which it is exposed, vis-à-vis related business opportunities, and in compliance with regulatory requirements.

2. Review the company's policies and processes for the management of capital and ensure that capital planning and management are effectively implemented, communicated, and integrated into the overall management culture and approach of BPI/MS.

- D. PERFORM OTHER FUNCTIONS** as may be mandated by the Board relating to the management of BPI/MS' capital, and risks covering underwriting, reserving, market, credit, liquidity, natural catastrophe and operational/other risks.

## **II. AUTHORITIES**

### **A. RIGHTS AND POWERS**

1. Form sub-committees and delegate its capital and risk management functions to sub-committees or line management as may be deemed necessary
2. Require reports from BPI/MS Management Committee, and Risk Management Department that are necessary to monitor and assess the capital adequacy and risk exposures and their implication to the company
3. Recommend to the Board for approval the following:
  - a. Most appropriate capital structure for the company in consideration of the company's long-term strategic objectives, current business plans, and risk appetite
  - b. BPI/MS Capital Management and Risk Management Policies
4. Confirm and/or approve proposals related to risk limits, risk exposure, capital allocation, risk management policies, risk management metrics, methods, and systems.

- B. SCOPE OF AUTHORITY** - monitoring of BPI/MS' capital and management of risk exposures in underwriting, reserving, market, credit, liquidity, natural catastrophe and operational/other risks.

## **III. MEMBERSHIP**

- A. COMPOSITION** - BPI/MS RMC members shall be appointed by the Board of Directors. The RMC shall be composed of at least four (4) members of the Board, two (2) of whom shall be independent directors. It will have a Committee Chairman, who must always be an independent director.

- B. AUTHORITY TO CHANGE** - The composition of the committee shall rest with the Board of Directors.

## **IV. MEETINGS**

- A.** Action required or permitted to be taken by the Board/Committee may be taken without or in lieu of a meeting by written consents, identical in content, setting out the action taken and signed by all the members of the Board/Committee. The written consents shall have the same effect as a unanimous vote and may be made in electronic counterparts. The written consents shall be documented as minutes of action.

- B.** Additional provisions:

- While the Committee is governed by the same rules regarding meetings as are applicable to the BPI MS Board of Directors, the Committee is authorized to adopt its own rules of procedure not

inconsistent with any provision of this Charter, the Articles of Incorporation or Bylaws of BPI MS, or any applicable law.

- Special meetings or actions may be called for as needed.

**V. MINUTES OF MEETINGS OR ACTION**

- A.** The Board/Committee members will be furnished with copies of the minutes of each meeting and any action taken by unanimous consent (i.e. minutes of action).
- B.** The Board of Directors shall ensure that the Committee shall maintain appropriate records (e.g., minutes of meetings, minutes of action or summary of matters reviewed and decisions taken).
- C.** The key matters reviewed and approved by the Committee and their minutes of meetings, minutes of action, including agenda and supporting materials if needed, are to be presented regularly to the full Board of Directors for confirmation.

**VI. CORPORATE SECRETARY**

- A.** The Corporate Secretary’s functions, as stated in the BPI MS Amended By-laws and Manual on Corporate Governance, include: Keep the minutes of meetings/actions.
- B.** Committee meetings and actions shall be recorded and written minutes by the corporate secretary. The work, accomplishments and minutes of the meetings/ actions of the committee shall be regularly reported to the full Board.

**VII. TEMPLATE OF RESOLUTIONS**

“The undersigned, being all of the Members of the \_\_\_\_\_ Board/Committee (the “Board” or “Committee”), hereby consent in writing to the adoption of ---“

**VIII. CHARTER CHANGES**

- A.** Proposal – changes to the charter may be initiated by any of the Committee Members
- B.** Endorsement – by the Committee Chairman
- C.** Approval – by the BPI/MS Board of Directors

**\* \* \* Nothing Follows \* \* \***