

POLICY NO. – MHI – 004
EFFECTIVITY DATE – 01 Aug 19

ORIGINAL POLICY NO. – NA
ORIGINAL ISSUE DATE – NA

LAST AMENDMENT DATE – NA
PROCEDURE FLOW NO. – NA

POLICY TITLE : RELATED PARTY TRANSACTIONS - METROCARE

POLICY STATEMENT :

Pursuant to the Rules and Guidelines prescribed by the Insurance Commission and this Policy, the company shall ensure that its transactions with any related party, as may be applicable, shall at all times be undertaken on an arm's length basis for the financial, commercial and economic benefit of the company and, more importantly, for the protection of the company's HMO members and other stakeholders.

OBJECTIVES:

1. To establish a policy governing Related Party Transactions (RPT) in compliance with the requirements of the Insurance Commission (IC), taking into account the company's size, structure, risk profile and complexity of operations.
2. To formulate guidelines for and assign responsibility over the proper implementation of this Policy.

DEFINITIONS:

1. RELATED PARTY – as defined under IC Circular Letter No. 2017-29, Related Party covers subsidiaries, affiliates and special purpose entities that the company exerts direct/indirect control over or that exerts significant influence over the company, the directors, officers, stockholders and related interests and their close family members. Significant influence may stem from share ownership, statute or agreement, and may be exercised by representation on the board of directors, participation in the policy-making process, material inter-company transactions, interchange of management personnel and dependence on technical information.
2. CLOSE FAMILY MEMBERS – are persons related to the company's directors, officers and stockholders (DOS) within the second degree of consanguinity or affinity.
3. CORRESPONDING PERSONS IN AFFILIATED COMPANIES - are the DOS of the affiliated companies and their close family members.
4. CONTROL OF AN ENTERPRISE - as may be applicable to the company, exists when there is:
 - a. Power to govern the financial and operating policies of the enterprise under a statute or an agreement;
 - b. Power to appoint or remove the majority of the members of the board of directors or equivalent governing body;
 - c. Power to cast the majority votes at meetings of the board of directors or equivalent governing body; or
 - d. Any other arrangement similar to any of the above.
5. RELATED PARTY TRANSACTIONS (RPT) – are transactions or dealings with related parties of the company, regardless of whether or not a price is charged. These shall include, but not limited to the following:
 - a. On-and off-balance sheet credit exposures and claims and write-offs;
 - b. Investments and/or subscriptions for debt/equity issuances;
 - c. Consulting, professional, agency and other service arrangements/contracts, except excluded transactions provided in this Policy;

- d. Purchases and sales of assets, including transfer of technology and intangible items;
- e. Construction arrangements/contracts;
- f. Lease arrangements/contracts;
- g. Trading and derivative transactions;
- h. Borrowings, commitments, fund transfers and guarantees;
- i. Sale, purchase or supply of any goods or materials; and
- j. Establishment of joint venture entities

RPTs shall be interpreted broadly to include not only transactions that are entered into with related parties but also outstanding transactions that were entered into with an unrelated party that subsequently becomes a related party.

- 6. EXCLUDED RPTs – are transactions with related parties that, in the objective assessment of the company, undertaken in the regular course its business, and do not give rise to any credit and/or counterparty risks or nay material/special risk or potential abuse to the company, its HMO members and stakeholders. These shall include, but not limited to: HMO coverage for related parties' employees, lease of office space, contracts for janitorial, security services, and other similar transactions; provided that the said transactions are not undertaken on more favorable economic terms to such related parties than similar transactions with non-related parties under similar circumstances.
- 7. MATERIAL RPTs – are transactions that are not undertaken in the regular course of business of the company and which may affect the company's ability to comply with the Risk-Based Capitalization, Net Worth and Liquidity requirements prescribed under IC CL No. 2016-41. This shall be without prejudice to the adoption of a different materiality threshold for select transactions as may be warranted and approved by the company's Board of Directors (BOD).

POLICY GUIDELINES:

- 1. The OODr/OCOO and Compliance Office shall, periodically and whenever warranted, review and update the company's inventory of related parties, and submit the updated list to the President and BOD for approval.
- 2. All RPTs shall be subject to the review of the OODr/OCOO and Compliance Office. The assessment shall be guided by the following minimum considerations:
 - 2.1 The company's size, structure, risk profile and complexity of operations.
 - 2.2 Extent of relationship with the related party and interest in the transaction.
 - 2.3 Value of the transaction and the company's possible exposure or liability under the transaction.
 - 2.4 Necessity and benefits of the transaction to the company, its HMO members and stakeholders.
 - 2.5 Compliance with the existing procurement requirements of the company.
 - 2.6 The availability of other sources of comparable products or services.
 - 2.7 Identification and prevention or management of potential or actual conflict of interest which may arise. The members of the BOD, stockholders and management shall disclose to the BOD whether they directly, indirectly or on behalf of third parties, have a financial interest in any transaction or matter affecting the company. Directors and officers with personal interest in the transaction shall abstain from the discussion, approval and management of such transaction or matter affecting the company.
 - 2.8 Determination of potential reputational risk issues that may arise from the transaction.
 - 2.9 An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances.
- 3. The results of the review of the OODr/OCOO and Compliance Office shall be submitted to the President for approval. The President shall thereafter submit his/her recommendation to the BOD.
- 4. The BOD shall only approve RPTs that have been favorable recommended by the President, and when it is satisfied that the terms of the subject RPT will promote the best interests of the company, its HMO members and its stakeholders, and that the same is conducted in the regular course of business and not undertaken on more favorable economic terms and conditions to such related parties than similar transactions with non-related parties under similar circumstances. All RPTs shall be presented in the annual stockholders meeting of the company.

5. All Material RPTs shall be subject to the approval of the majority stockholders of the company. The stockholders shall be provided the results of the review of the OODr/OCOO and Compliance Office, accompanied by the favorable recommendations of the President and BOD.
6. In addition to the regular and spot audit functions of the Internal Audit Department (InAd) relative to the company's compliance with the requirements and procedures prescribed in this Policy, the InAd is tasked to conduct periodic formal review of the effectiveness of the Policy and submit its findings and recommendations to the President.
7. The Compliance Office shall ensure that the company complies with all relevant rules and regulations and is informed of regulatory developments in areas affecting related parties, including the disclosure and submission of necessary reports, if applicable, to the IC and other relevant authorities.
8. Any violation of or non-compliance with this Policy shall be acted upon in accordance with procedure and sanctions prescribed in the Code of Discipline. The resulting RPT shall be re-evaluated by the company, taking into account possible exposure and losses, and shall be submitted to the BOD for appropriate action, which may include immediate termination of the transaction.
9. The company's existing procedure/protocol on whistleblowing shall apply to this Policy.

IMPLEMENTATION

1. The OODr/OCOO Head and Compliance Officer are responsible for the strict and proper implementation of this Policy.

MONITORING

1. The InAd Head is responsible for closely monitoring the strict and proper implementation of this Policy.

REPEALING CLAUSE

1. Any policy, procedure, rules or regulations, or instructions not consistent in whole or in part with this Policy are hereby repealed, amended, or modified accordingly.

AMENDMENT

1. Any amendment to or cancellation of this Policy must be in writing and duly approved by the President and Board of Directors.


EFFECTIVITY

1. This Policy takes effect ten (10) days after approval by the Board of Directors.

Policy Written By:


ATTY. CARLO ROBERTO C. SOLIS

Recommending approval by:


ELMER Z. ACANCE
President