

INTRODUCTION TO THE MARKET CONDUCT GUIDELINES

On August 10, 2007, the Office of Insurance Commission issued **OIC Circular No. 16-2007** entitled "**Adoption and Implementation of PLIA's Market Conduct Guidelines**" requiring all life insurance companies to move towards an environment of best practices. As the Life Insurance industry mellows with age, the Philippine Life Insurance Association (PLIA) and the Office of the Insurance Commission (OIC) serve as significant catalysts and patriarch-visionaries to spawn new generations of Trusted Sales Advisors or Values-based Financial Planners. By solid contributions such as this, OIC and PLIA establish this legacy and pass on the baton. In so doing, the industry does its share in improving our Philippine business environment.

As a bona-fide PLIA member company, PHILAM LIFE is likewise committed to maintaining the highest standards of professional and ethical conduct among our agency force. Our Agency and Leader Contracts are compatible with the Market Conduct Guidelines (MCG). The Philam Life edition of the MCG is a consolidation of our Agency and Leader Contracts, the OIC MCG version, Company rules and regulations and applicable sections in the Philippine Insurance Code and the PLIA Joint Declaration on Ethical Business Standards (No. 1-2002, 5-2002 and 6-2002). It cross-references itself with the Agency and Leader Contracts, as well as the OIC MCG version.

Improvements have been made for better organization and flow, to make them better teaching tools. These Guidelines are directly applicable to all Sales Underwriters, and by principle and precept to all brokers and non-traditional sales channels (herein known as 'Agents'), Unit Managers, Agency Managers, Senior Agency Managers and the like (herein known as 'Agency Leaders or Leaders') in relation to the conduct as representatives of the Company. The MCG shall be updated from time to time as and when necessary. All Agents and Agency Leaders are required to familiarize themselves with the Market Conduct Guidelines.

All Agents and Leaders are to abide by the MCG in the conduct of their insurance business. While every attempt is made to make the Guidelines as complete and comprehensive as possible, Agents and Agency Leaders should appreciate that the Guidelines, like the insurance industry, is not static but rather, very dynamic. From time-to-time, other rules, regulations and policies may also apply to the conduct of insurance business over and above the MCG. New products and improved methods brought into the industry could also change the make-up of these Guidelines. As and when new developments occur, the Company will advise all as soon as possible. Moreover, examples cited herein are not exhaustive.

For reasons of promoting professionalism among the agency ranks of the insurance industry and moving towards self-regulation, the Office of Insurance Commission and the Philippine Life Insurance Association support the need and use of penalties or sanctions or a combination thereof, as the Company deems fit.

The MCG may be updated from time to time as evaluated experience teaches us better ways. Later revisions shall always supersede earlier versions. Specific provisions in the MCG may be updated from time to time and communicated by way of the issue of Memorandums, Circulars, or information sheets, however called.

PHILAM LIFE is in humble pursuit of upholding and selling TRUST and INTEGRITY as integral to its main product lines. The MCG is a continuing testimony to such efforts.

TABLE OF CONTENTS

PAGE

Introduction, Table of Contents, Purpose of the Market Conduct Guidelines..... 1-4

DUTY TO INSURANCE PROFESSION

| | | |
|-----------|---|------------|
| A1 | <i>Agency and Leader Contract.....</i> | 5 |
| A2 | <i>Sub-Agency.....</i> | 5 |
| A3 | <i>Selling Without Appropriate License.....</i> | 5 |
| A4 | <i>Agents as Representatives of PHILAM LIFE.....</i> | 5-6 |
| A5 | <i>Compliance with Laws</i> | 6 |
| A6 | <i>Money Laundering and Attendance to AML Training</i> | 6-7 |
| A7 | <i>Duty to Report Agent Misconduct.....</i> | 7 |
| A8 | <i>Compliance and Market Conduct Training</i> | 7 |
| A9 | <i>Conflict of Interest.....</i> | 7 |

DUTY TO THE CUSTOMER

| | | |
|------------|---|--------------|
| B1 | <i>Agent's Business Conduct During Sales Presentation.....</i> | 8 |
| B2 | <i>Agent's Business Guidelines</i> | 8-10 |
| B3 | <i>Agent's Sales Process</i> | 10-12 |
| B4 | <i>Manipulation of Sales.....</i> | 12-13 |
| B5 | <i>Field Underwriting</i> | 13 |
| B6 | <i>Best Practices on Documents.....</i> | 13-14 |
| B7 | <i>Trustees, Beneficiaries, Assignees and Owners of Policies</i> | 14 |
| B8 | <i>Premium Collection and Use of Agent's Temporary Receipt.....</i> | 14-15 |
| B9 | <i>Delivery of Policies and Other Documents.....</i> | 15 |
| B10 | <i>Advancing and Financing of Premium Payments.....</i> | 15-16 |
| B11 | <i>Discounts, Rebate and Inducement</i> | 16 |
| B12 | <i>Replacment of Policies by Churning and Twisting</i> | 16-17 |

B13 Replacment of Policies by Switching - Regular, Single Pay, VUL..... 17-19

DUTY TO THE COMPANY

C1 Use of Company Premises and Facilities 20

C2 Competing Businesses..... 20

C3 Advertising, Marketing and Sales Materials 20-21

C4 Roadshows, Sales and Marketing Promos 21

C5 Company Assurance of Client Confidentiality and Data Privacy 22

C6 Copyright and Intellectual Property Rights 22

C7 Criminal Breach of Trust and Misappropriation of Premiums 23

C8 Forgery..... 23

C9 Investigation, Inspection and Audit..... 23

DUTY AS AGENCY LEADER

D1 Selecting and Contract Agents - Vesting Period, Selection Criteria, Appointment Requirement, Care and Management of Agents 24

D2 Record Keeping 24

SANCTIONS

E1 NOTE ON SANCTIONS 25-26

E2 TABLE OF SANCTIONS..... 27-32

Market Conduct Guidelines

Purpose and Objective of the Market Conduct Guidelines

PHILAM LIFE prides itself as having one of the highest Agency standards in the life insurance and financial services industry in Philippines. As the benchmark, we aim and aspire for all PHILAM LIFE Agency Leaders and Agents to conduct their business with the highest level of professionalism and personal integrity. Nothing less!

The Market Conduct Guidelines (MCG) shall be used in conjunction with the Agency and Leader Contracts. MCG provisions have been cross-referenced with the new 2010 Agency and Leader Contracts whenever applicable, to show consistency between the documents.

While modes of implementation may differ from one distribution channel to another, the intention of these guidelines is to arrive at a common set of best practices and values-based principles which shall be applicable to the traditional agency channel as well to the various non-traditional channels of distribution such as Telemarketing, Direct Marketing, Corporate Unit Advisors, Bancassurance and so on.

The thrust towards a fully synergized PHILAM LIFE organization, along with its affiliates Philam Asset Management Inc. and BPI-Philam Life Assurance Corporation, opens the way for the principles and provisions of these guidelines to thrive in an environment of best business practices. Under this environment, a consistent philosophy and implementation for corporate governance and compliance principles will be put in order for all agents under the Group. If there is any need to address particular issues per channel, separate addendum will be given to those concerned per channel.

The Company is committed to continue working with you in achieving your own personal dreams and aspirations in the most professional, ethical and productive manner. Together, we shall remain the undisputed benchmark for the profession and for our customers, bringing lasting benefit to our own families as a wonderful result.

TREVOR BULL
President and Chief Executive Officer

DUTY TO INSURANCE PROFESSION

A1 AGENCY AND LEADER CONTRACT

(Refer to Agency Contract #1, Leader Contract #1, OIC A1)

The AGENCY CONTRACT contains the terms and conditions of the business relationship and practice between the Company and Agents. Agency Leaders are also first and foremost, AGENTS, and thus are covered by the same basic Contract. A breach of the Market Conduct Guidelines is a breach of the AGENCY CONTRACT. In addition to being liable for corrective action, the AGENT is also subject to the applicable consequences of breach of any of the CONTRACT provisions.

A2 SUB-AGENCY

(Refer to OIC B9)

Agents are not allowed to operate or to engage in any form of Sub-Agency arrangement because sub-agents have no training and are not licensed to sell insurance.

Examples of Sub-Agency:

- When the person who conducted the sale and presentation to the prospect is not a licensed Agent, regardless of whether a fellow Agent was present at the time of signing of the proposal form.
- When the person who procured the signature of the prospect/client on the application form is not a licensed Company Agent.
- When a policy is recorded to have been sold by an Agent who was not present at the time of sale and presentation of that policy or at the time of signing of the application form.

A3 SELLING WITHOUT APPROPRIATE LICENSE

(Refer to Agency Contract #2a)

Agents cannot sell any product unless they pass the training and respective tests for Life Insurance, General Insurance and Investment-linked Financial Products (VUL). OIC will issue the Agent a proper license for each.

Agents with valid qualifications should not facilitate sales for Agents who do not have the necessary qualifications, through the use of their agency codes or other means.

A4 AS REPRESENTATIVES OF PHILAM LIFE

(Refer to Agency Contract #3-7)

Agents are representatives of PHILAM LIFE. As such, they must conduct their business with honesty, fairness, integrity and professionalism in order to maintain good faith and preserve public trust in the Company and the financial services industry. Agents must also exercise reasonable judgement to achieve and maintain objectivity in conducting their business. Agents must therefore avoid situations that might impair their ability to make objective recommendations.

Agents are therefore to be mindful that their actions may cast wrong impressions on the Company and the reputation of the Company. Agents should avoid making statements that are misleading, in fact or by implication, with respect to the assets, liabilities, insurance in force, corporate structure, financial condition, age or relative position of the Company in the insurance

business. Agents must always conduct themselves with the highest decorum at all times and ensure that they do not bring the Company's name into any disrepute. Although not an exhaustive list, the following are some important examples of unacceptable behaviour by Agents include:

- Intentional dishonest acts committed to secure unfair or unlawful gain for oneself or another and loss to the company or colleague.
- Committing financial fraud such as Theft, Misappropriation of Funds, Unremitted Premium Collection, Diverting Premium Collection, accepting bribes or kickbacks etc.
- Tampering or fabricating Cash Advance Forms, Medical Examinations and other official company accountable Forms
- Conduct prejudicial to the interests of the company.
- Misrepresenting product features and benefits of any of its insurance or investment plans; using or modifying any proposal or illustration material without prior clearance.
- "Overselling" a product, and Churning or Twisting existing policies in order to make a sale.
- Advancing Premiums or "abono", Rebating, Giving Discounts
- Non-disclosure of full information which could have enabled clients to make an informed choice or decision.
- Threatening or intimidating prospects, clients, members of the public, Company staff and Officers, Agents, or Agency Leaders.
- Poaching businesses in process of another agent or "sulutan"
- Use of abusive language or behavior towards policyholders, the public, Company staff or Officers, Agents, or Agency Leaders.
- Bad-mouthing the Company, fellow Agents, its own products.
- Bad-mouthing the insurance industry, other insurers, their staff, Agents, or products. Agents should avoid making disparaging remarks about other insurers, insurance distributors, policies, services, or methods of marketing. Agents should avoid making comparisons with the products of other insurers.
- Failure to pay permanent, temporary or contractual staff hired to perform agency-related work.

On Personal Particulars - Agents shall notify the Company of any change in their personal particulars within 14 days.

A5 COMPLIANCE WITH GLOBAL POLICIES AND LOCAL LAWS
(Refer to Agency Contract #7h, 31iv, OIC A3)

Apart from the Agency and Leader Contract provisions and the Market Conduct Guidelines, all Philam Agents should know and are obliged to comply with Global Policies such as Anti-Corruption Policy (Foreign Corrupt Practices Act) and Data Privacy Policy and all local equivalent laws of the Republic; as well of Company rules, regulations and pronouncements relevant to their business activity.

(Such examples include the Insurance Code of the Philippines, Laws on Agency, all Global Policies, Brand or Franchise Guidelines of the Company, PLIA guidelines, Corporate Communication Guidelines, Information Sheets, Memorandums, etc.)

A6 MONEY LAUNDERING AND ATTENDANCE TO AML TRAINING
(Refer to Agency Contract #7h, OIC B7)

Money laundering is a criminal offense. Facilitating or assisting in a money laundering transaction is also a criminal offense. Agents are to report any suspected money laundering

activities that they are aware of or that they encounter in the course and conduct of their business. Agents are advised to seek clarification from the Company whenever in doubt. No AGENT is to knowingly assist in any form of money laundering activity or allow his/her business to be used as a means of facilitating any money laundering activity.

All Agents and Leaders must attend all scheduled money laundering refresher-training sessions as stipulated by the Company.

A7 DUTY TO REPORT AGENT MISCONDUCT
(Refer to OIC A12)

Any AGENT who has knowledge that another Agent may be or is involved in an action that breaches the Agency Contract, Market Conduct Guidelines or violates any applicable law, rule and regulation relevant to their business activity, is required to inform the Company's designated Office and cooperate with the Company in its investigations, e.g. providing details such as the name of the client/prospect when required.

A8 COMPLIANCE AND MARKET CONDUCT TRAINING
(Refer to OIC A20)

The Company is committed to ensuring that its Agents engage in ethical market conduct and comply with applicable laws and regulations. The Company also requires Agents to periodically participate in Business Conduct training sessions as part of their Continuing Professional Development requirement documented in the Company's Training and Competency Plan.

Agency Leaders should regularly take up topics from the Agency Contract and MCG in their weekly or monthly meetings.

A9 CONFLICTS OF INTEREST
(Refer to Agency Contract #7b, 7c, 19, 24, 25, 26; OIC B7, C12)

Agents must act in the best interests of their prospects/clients when providing financial advisory services to their prospects/clients.

Agents must disclose any actual or potential conflicts of interest to the Company Management or their prospect/client that may arise from any connection to or association with any product provider, including any material information or facts that might compromise their objectivity or independence in the carrying on of financial advisory services.

Agents must not co-mingle his personal funds with the client's premium payments. Any payment received from the client must be used to promptly settle the client's outstanding premium and fees with the Company.

Agents or Leaders are not allowed to set up or build businesses on the side that will actually or directly compete with the insurance business or any of its Affiliates. The Company reserves the right to terminate his Contract immediately.

DUTY TO THE CUSTOMERS

B1 AGENT'S BUSINESS CONDUCT DURING SALES PRESENTATIONS (Refer to Agency Contract #7-8, OIC A19)

Agents must conduct themselves professionally during all sales presentations to Prospects or Clients. They must ensure that:

- Prospects/Clients understand what they are buying.
- Prospects/Clients understand what they are signing. There should be no pre-signing of official blank forms.
- Prospects/Clients understand that they must disclose any pre-existing medical condition as this affects the acceptability or rating of the application.
- Prospects/Clients understand that any incomplete or inaccurate information discovered may affect the suitability of recommendations made, while any information that is doubtful may delay the approval of the application.

The above is not an exhaustive list.

B2 AGENT'S BUSINESS GUIDELINES (Refer to Agency Contract #7-8, OIC C11)

Agents must ensure that all information and terminology presented to the prospects/clients are clear, unambiguous and in simple language. Information provided, including statistics and examples, should not be misleading nor give unrealistic expectations or projections.

B2.1 Opening Interview

Agents, as licensed representatives of the Company, must possess a Calling Card, disclosing the following, to the client/prospect before beginning a sales presentation:

- The type or types of insurance and financial advisory service that he is authorized to provide
- The Agent's contact details (such as business address and telephone number).

Agents must also inform the client of any change of information in any subsequent dealings with the client/prospect.

Examples of other types of information where Agents must **readily disclose** and clarify to clients/prospects include:

- General information on financial products.
- Information on the recommended product.
- Contents of the benefit illustration, in particular, the disclaimers and declarations in the Benefit Illustration
- Any risk, clauses, warnings, disclaimers, exclusion or terms and conditions.
- Basis for the recommendation.

B2.2 Presentation and Closing

Agents should collect information relating to the prospect's financial situation, needs, objectives, risk profile and priorities using PHILAM LIFE's **Personal Financial Review (PFR) or the Financial Health Check Form (FCH) or the Product Suitability Test (PST)**. The AGENT will put this information through proper analysis before making appropriate recommendations in the prospect's best interest. The basis of the recommendation must be documented in the PFR.

Greater care should be taken when soliciting business from claim proceeds of beneficiaries. When working with the family of the bereaved, do not assume that financial conditions and personalities are the same from one generation to another. Each heir may have different needs and plans to do with the claim proceeds.

For single products, the agent must explain the Sales Illustration and Product Summary for each of the recommended products.

For combination products involving Fund Management (FMU) or Mutual Funds (PAMI) and the like, the agent must explain the complex proposal and make sure that it is understood and signed-off by the prospects to avoid any misunderstanding in the future. The intention is to make sure that the single, multiple or combination plans is affordable and sustainable throughout the plan's life. Sales Illustrations not originating from the Company are prohibited. Any suggestions for improvement must be cleared by the Actuarial Office of the Company.

B2.3 Product Disclosures (OIC A14)

For VUL products, Agents must clearly disclose –

1. All risks to be borne by the client e.g. investment risks for investment-linked policies and currency risk for foreign currency policies.
2. Possible losses that could occur during the 15-day Decision (Cooling Off) Period
3. Length of payment period

For Ordinary Life products, Agents must clearly disclose –

1. The amount and timing for payment of benefits
2. Whether benefits are guaranteed or non-guaranteed.

This includes informing them of the following:

- **Earnings, Dividends and Self-Supporting Periods are not Guaranteed:** Any figures illustrating dividends and self-supporting periods are predictions or estimates. They are not guaranteed results for the future. Prospects/Clients should also be made aware that earnings from Mutual Funds and Investment-Linked products (VUL) are likewise not guaranteed and could affect projections and expectations.
- **Reference to past performance:** Where the AGENT made any reference to past performance, he/she must disclose to the prospects/clients that past performance is not necessarily a guarantee of future performance.
- **Lien on juvenile policies:** Where the Company has a lien on juvenile policies, the AGENT must disclose the fact and effect of such lien to the prospects/ clients.
- **Adverse Health:** If the Insured has an adverse health condition, it may be necessary to issue a rating with higher premium than the standard policy premiums initially shown or suggested to the applicant. Presence of medical ratings, just as with occupational ratings, lengthens the self-support period if compared with policies of standard rating.

Clients also should be made to understand that the required premium may vary from client to client if a health condition or risk factor results in a less favorable underwriting rating.

Agents should discuss any charges or expenses with prospects/clients.

Using the Product Summary, during the sales process, the AGENT must disclose and explain the following information to the prospect/client relating to:

1. Nature and objective of the product
2. Details of the Company
3. Commitment required from the prospect/client
4. Benefits and Risks of the Product
5. Pricing of the Product
6. Fees and Charges to be borne by the prospect/client
7. Withdrawal, surrender or claim
8. Warnings, exclusions and disclaimers (in relation to product)

Agents must not use the term “risk free” or any other similar terms.

Agents must not use the term “tax-free” or any other similar terms provided that they qualify by disclosing that “under the present tax laws, proceeds of a personal life insurance policy are not subject to income tax”.

B3 AGENT’S SALES PROCESS
(Refer to Agency Contract #7, OIC C13)

B3.1 Financial Objectives and Client’s Capability

Agents must make recommendations that take into account a prospect’s/client’s financial objectives, financial situation and particular needs. Agents must fact-find with the prospect /client using Personal Financial Reviews (PFR), the Financial Health Check (FHC) and Product Suitability Test (PST) as required by the Company. The Agent will document all important information and state their recommendations in the forms.

In particular, the AGENT must give due consideration to the prospect’s /client’s financial objectives, financial situation and particular needs as derived during the fact-finding process and/or that documented in the **PFR, FHC or PST**.

Agents are to ascertain and to ensure that their prospects/clients have sufficient financial resources to meet the premium commitments of the insurance product(s) that they sell these prospects/clients for the duration of the product(s) in question.

B3.2 Suitability of Product

It is Company policy that Agents recommend financial products where there is a reasonable basis to believe that they are suitable for the client. Such a recommendation must be made upon the basis of facts, if any, disclosed by the client as to his or her needs, objectives, risk appetite and risk profile, other holdings and financial situation. Reasonable efforts should be made to obtain information that is relevant to making a suitable recommendation to the client including, as appropriate, information concerning the client’s financial status, tax status, and insurance, personal, and business objectives.

The suitability of a particular insurance or unit trust sale is determined by reference to the circumstances disclosed by the client. Products should only be recommended to clients when the products satisfy the clients’ needs or financial objectives and can be purchased consistent with the clients’ financial condition and willingness to accept risk.

B3.3 Multiple Recommendations

The same Personal Financial Review, Financial Health Check Form and Product Suitability Test may be utilized for multiple recommendations to the same client within three months of the fact-find, on the condition that the PFR/FHC/PST forms has not been used to close any prior sales during the period. However, information contained must be up-to-date and the information on the application and supplemental forms must be complete, accurate, and consistent with the information on the forms.

B3.4 Misrepresentation (OIC C14)

Agents must ensure that any statement or representation made to any prospect/client is clear, adequate, accurate and not false or misleading. Agents must also ensure that they do not omit disclosing any matter that is material to the statement or representation made.

B3.5 Use of Terms and References (OIC 14.1)

The following are some guidelines on the use of certain terms and references: -

Words and Phrases to Avoid: Representations made to consumers during the sales process have become a basis for numerous legal and regulatory disputes. In an effort to minimize such disputes and decrease the chance of a misunderstanding arising among Agents and prospects/clients, the following is a selection of words and phrases that should be avoided in connection with the sales process. Although this list is lengthy, it is not necessarily exhaustive. Agents should remember that all presentations to prospects/clients should involve giving them comprehensive and helpful information about the Company's insurance products.

- **Suggesting the Company sells something other than Insurance**
Avoid referring to the Company's products as anything other than insurance or products as licensed to provide. Agents must accurately describe the ways in which prospects/clients can use the cash value that can be accumulated in their insurance policies.
- **Suggesting Non-Guaranteed Items are Guaranteed**
Avoid using words that describe non-guaranteed elements of a policy as guaranteed, or more certain than they really are. Under no circumstances should Agents state or imply that the payment or amount of non-guaranteed elements under a policy is guaranteed.
- **Suggesting premium requirements "Disappear"**
Avoid the suggestion that premiums will not be required for each year of the policy in order to maintain the illustrated death benefit, unless the policy is fully paid up (e.g., a single premium policy for which the premium is fully paid). In particular, refrain from using the terms "self-support period" or their equivalent.
- **Suggesting policies are guaranteed issue, where issue is not guaranteed**
Avoid suggesting that a policy is guaranteed issue, as if it were never to be questioned for medical contestability or fraud. The issuance of a policy is only simplified because less questions and documents are required at the time of underwriting. This only hastens the process but does not guarantee the claim if fraud has been discovered. Rules on disclosure still apply.

- **Suggesting clients/prospects can get something for nothing**
Avoid using the terms "risk free", "free," "no cost," "without cost," "no additional cost," "at no extra cost," or similar words with respect to any benefit or service being made available with a policy, unless there actually is no direct or indirect cost to the prospective policy owner for the service or benefit.
- **Referring to a policy as a unique or special offer, when it is not**
Avoid stating or implying that the policy or combination of policies is an introductory, initial, or special offer, that applicants will receive substantial advantages not available at a later date, or that the offer is available only to a specified group of individuals, unless that is the fact.

B3.6 Personal Equity and Retirement Account (PERA Bill)

Republic Act 9505, also known as the Personal Equity and Retirement Account (PERA) Act of 2008 allows a maximum investment of P100,000 in PERA Investment Products which are considered as Tax Qualified Retirement Programs. The Company will help you in determining whether a particular financial product will fit that category.

"PERA Investment Product" refers to a unit investment trust fund, mutual fund, annuity contract, insurance pension products, pre-need pension plan, shares of stock and other securities listed and traded in a local exchange, exchange-traded bonds or any other investment product or outlet which the concerned Regulatory Authority may allow for PERA purposes: Provided, however, That to qualify as a PERA investment product under this Act, the product must be non-speculative, readily marketable, and with a track record of regular income payments to investors. The concerned Regulatory Authority must first approve the product before being granted tax-exempt privileges by the BIR.

B4 MANIPULATION OF SALES (OIC A21)

Agents are strictly prohibited from manipulating sales for the purpose of qualifying for incentives, contests or awards.

Examples include:

- Any submissions of Agents' own and immediate family's cases during contest months, unless allowed beforehand in the contest rules made by the Company.
- Splitting large sum assured amounts into multiple small sum assured amounts.
- Lapsing of policies immediately after qualifying for incentives, contests or awards. (In this case, agents will be obliged to sustain payment until persistency is not going to be affected by that business.)

These are examples only and are not meant to be an exhaustive list.

B4.1 POOLING (OIC A8)

Agents are not allowed to pool cases or to pass cases that they have underwritten to another AGENT. The underwriting AGENT on record must be present at the time of the sale and participate in the presentation to the prospect/client and also at the time of signing of the proposal form by that prospect/client.

B4.2 SELLING TO RELATIVES AND CO-AGENTS FOR PRODUCTION PURPOSES (OIC B4)

Agents are also not allowed to sell policies for the purpose of counting production credits during contests to fellow Agents, spouses or children of fellow Agents.

B5 FIELD UNDERWRITING (Refer to Agency Contract #9, OIC B5)

Agents are expected to follow all applicable Company and regulatory guidelines pertaining to field underwriting. If in any doubt, the AGENT should contact the Company.

B5.1 Insurance Application Form and other required forms

Agents are to ensure that disclosure of information in the application form is accurate, truthful and complete.

B5.2 Medical Questionnaire

Agents are to personally ask each prospect every medical question contained in the application form and to record his response to each.

B5.3 Agent's Confidential Report

Agents are to ensure that, in relation to each new application, the Agent's Confidential Report must be duly completed and must contain all relevant and necessary information to assist the Company in assessing the application. It is therefore the duty of each AGENT to know his client and ensure the following:

- Accurate and complete information of the Client is provided on the Insurance Application form and other required forms (e.g. financial questionnaires).
- Any and all factors, which, if known to the Company, may result in an applicant receiving rated or no coverage at all, be made known to the Company.
- Any additional information required by the Company in order to determine any particular application be provided on a timely basis.
- All children who are being insured by their parents are physically seen by the agent.

B5.4 Client's Medical, Financial and Personal Disclosure

Agents must ensure that any information, declaration, statement or representation made about the Client to the Company is clear, adequate, complete and not false or misleading. Agents must also ensure that they do not fail to disclose any matter that is material to the statement or representation made. This includes, among other things, the AGENT's Confidential Report, Personal Financial Review (PFR), Financial Health Check and insurance application form.

B6 BEST PRACTICES ON DOCUMENTS (Refer to Agency Contract #10, OIC C3.2)

B6.1 Pre-signed Blank Forms – Agents should not make customers sign blank forms.

B6.2 Blank Spaces – Agents must not request or permit customers to sign on blank spaces of partially completed forms (i.e. an application or other form on which questions

have been left blank for the AGENT to complete at a later time). All forms must be fully completed before the client/prospect signs it.

B6.3 Alterations – Agents must not add or change information on a signed document without returning it to the customers for review and approval. Client must sign on the alteration.

B6.4 Signing on Behalf of Customers – Agents should not sign or initial on behalf of their Clients.

B6.5 Witnessing Documents without Being Present – Agents must not sign a document as a witness without having seen the customer sign the document.

Examples of breach of this duty include:

- Agents sending documents to clients/prospects by mail or messenger for their completion, and then signing off as a witness without witnessing in person, the client/prospect signing the documents.
- Agents depositing blank forms with clients/prospects for their completion, and then signing off as a witness without witnessing in person, the client/prospect signing the documents.

These are examples only and are not meant to be an exhaustive list.

B6.6 False Information – Agents must not knowingly enter or permit a customer to enter false information on any document.

B6.7 Assisting in a Fraud or Forgery – Agents must avoid assisting anyone in evading these requirements by filling in information on any document (even at the request of a customer or his representative) or by knowingly permitting a forged or fraudulent document to be used or approved by the Company.

B7 TRUSTEES, BENEFICIARIES, ASSIGNEES AND OWNERS OF POLICIES (OIC C10)

Agents cannot be named as trustees, assignees, owners or beneficiaries of any of their clients' policies, except if the policies are taken out on the lives of their immediate family members. For purposes hereof, the term "immediate family" shall be taken to mean, in respect of Agents who are not married, their parents and siblings and, in respect of Agents who are married, their parents, spouse and children.

B8 PREMIUM COLLECTION AND USE OF AGENT'S TEMPORARY RECEIPT (Refer to Agency Contract #11; OIC D)

In order to resist the temptation to use cash premiums for personal needs, emergency needs or as bridge financing of any kind, Agents should firstly encourage their Clients to pay premiums directly to the PHILAM LIFE office, to a bank, or to payment centers in malls and select areas.

If an Agent is forced by necessity to handle premiums, he is required to pay it immediately to the Company, as stipulated in the Agency Contract.

Agents should not replace client's Cash payment with any Check.

If for safety and security reasons, a high net worth client prefers not to carry his cash payment to Philam or a payment center, a special arrangement can be made to facilitate its collection. This will be cleared with the designated Agency Executive.

All premiums collected must be issued a corresponding Agent's Temporary Receipt duly signed by the collecting agent.

In line with the principle of command responsibility, the AGENT will be held directly accountable for any loss incurred if collection is delegated or done by any of his personal employees such as secretary, messenger or by his relative or any other designate.

B9 DELIVERY OF POLICIES AND OTHER DOCUMENTS

(Refer to Agency Contract #12, OIC C6)

Agents are to ensure that all documents entrusted to them by the Company for delivery to the clients/prospects (e.g. policy contracts, checks and counter-offer letters) are delivered to their clients/prospects without undue delay – 15 days from date of policy issue for metropolitan areas. Worksite and far-flung provincial areas may exceed this period of delivery but not later than 30 days. The Company will supply duplicate contracts to clients who complain beyond this period and charge the cost of delivery and duplicate contract to the agent concerned.

B9.1 Policy Contracts and Policy Acknowledgment Form (PAF)

Policy contracts must be delivered to the policyholder without undue delay. A Policy Acknowledgement Form (PAF) is to be accomplished by both the Client and the AGENT and submitted back to Head Office and the Agency Leader for monitoring purposes. The Client and the AGENT keeps one copy each also for reference.

B9.2 Personal Financial Review, Financial Health Check, Product Suitability Test

A copy of the PFR, FHC and PST must be furnished to client before the client signs on the application form. The Agent is advised to keep a duplicate copy for reference.

B9.3 Other Documents

Agents must also ensure that copies of the following documents are furnished to the client when making a presentation or recommendation to a client. -

- Product Summary
- Benefit Illustration

B9.4 Submission of client's documents

Agents must submit their clients' applications, requests for any kind of change (payment mode, Face Amount, type of product, etc), payments and any other documents to the Company personally or through their agency without delay.

B10 ADVANCING AND FINANCING OF PREMIUM PAYMENTS

(Refer to Agency Contract #19, OIC C7)

Life insurance is an aleatory contract and is enforceable only when the Client does his part in paying the premium himself and if he pays it on time. No AGENT or third party is to make any premium payment or any part of any premium payment for, or on behalf of any client. Agents are also to advise the client that check payments or inter-bank transfers are to be made directly to the

Company, and not to the AGENT's name. The payment must indicate the policies that are being paid for.

Firstly, an agent who advances or pays the premium on behalf of the Client may compromise the Company's position to pay out a claim where otherwise there should have been none. Secondly, if the Client does not also pay the agent back, this will also pressure the agent financially and thus affect his own budget and his whole business. Lastly, for contests or bonuses, agents who advance premiums are at an unfair advantage over other agents who cannot advance.

Appropriate sanctions will be implemented to enforce this safeguard against such practices.

B10.1 Advancing Premiums for Prospects/Clients

Agents must not pay for or make any advance towards any prospect/client's policy premiums, regardless of whether at the request or with the consent of such client.

B10.2 Paying Premiums for Immediate Family

Agents may however, pay for or make advances towards the policy premiums of their immediate family members. An Agent must, in such circumstances, declare their qualifying relationship with the client at the time of payment of the premiums in question. For these purposes, the term "immediate family" shall be taken to mean,

- a. In respect of Agents who are not married - their parents and siblings and,
- b. In respect of Agents who are married - their parents, spouse and children.

The policy for AGENT's immediate family members will not be recognised by the company for the purposes of the AGENT's production, promotion or contest/incentive requirements.

B10.3 Use of Agents' Personal Funds (Cash, Check or Credit Card) to effect policy premiums payments for or on behalf of Clients/Prospects

The AGENT must not effect or advance policy premium payments not received for or on behalf of client with their funds, whether by cash, check or credit cards. This practice also spoils the client who may not pay the agent back.

B11 DISCOUNTS, REBATE AND INDUCEMENT (OIC C9)

Agents are prohibited from giving partial discounts or full rebate of premium to their clients. Agents must also not offer any incentive (monetary or non-monetary) to induce any prospect or existing client to purchase a policy.

These practices alter the level playing field and disrupt fair market practices even among our own agents. This violation also merits immediate termination of an Agent's Contract.

B12 REPLACEMENT OF POLICIES BY CHURNING AND TWISTING (OIC C1)

Churning or Twisting are disallowed by Law in the Insurance Industry for this is an act where an agent gains at the expense and prejudice of the client. Agents must always act in the best interest of the clients. Unless to the obvious benefit of the client, Agents are not allowed to facilitate replacement, induce or trick any client to generate funds from the cash values of existing

policies to finance part or all of the premiums for the new policy. This will reduce the value of the existing policies, lengthen any self-supporting period and incur interest on the premium loan taken. This rule holds regardless of age of policy or whether the policy in question is from our Company (churning) or a Competitor (twisting).

The following are some examples of churning or twisting provided by the Office of Insurance Commission and PLIA for broad guidance and may not be prescriptive in every situation. The Company will evaluate the basis of the transactions in an objective manner, taking into account all relevant factors in determining if there is churning or twisting.

Examples of churning provided in the OIC Circular against Replacement:

- 1) Terminating a policy within a short period of time or before its maturity date and buying a new policy soon after.
- 2) Terminating a cash policy and buying a similar policy, or vice versa, when a change in payment mode or source or conversion could have been exercised.
- 3) Withdrawing from old funds or plans and buying into new funds or plan without using the facility available in the policy for switching of funds where commissions are not payable.
- 4) Generating funds in order to buy a new policy, by:
 - a. withdrawing monies from an existing policy, including making partial surrender, withdrawing from investment-linked policy, taking policy loan; or
 - b. reducing or terminating an existing regular premium commitment, including advance premium loan, vanishing premium, reduction of sum insured, conversion of the existing regular premium to paid-up policy or extended term insurance.

Examples provided on how such funds may be generated through the use of the following types of mechanisms:

- 1) Policy surrender
- 2) Partial withdrawal or cash values and dividends
- 3) Advance/automatic premium loan
- 4) Policy loan
- 5) Reductions in premiums

B13 REPLACEMENT OF POLICIES BY SWITCHING – REGULAR, SINGLE PAY, VUL (OIC C2)

Replacement is different from Churning and Twisting. Replacement is subject for review by the Company and is permitted or justified if the end result benefits the client by way of saving cost, shortening paying period, having more insurance benefit etc without endangering client's medical contestability.

Agents must always act in the interest of the clients and must not induce their clients to replace their policies (referred to as "original product") with another financial product, policy and/or rider (referred to as "replacement product") in a manner that would be detrimental to the client.

A. In the case where a PHILAM LIFE policy is being replaced with another PHILAM LIFE policy, replacement can only be approved when the Company sees that it will benefit the client and not be unduly detrimental to the Company as well.

B. In the case when a Competitor's policy is being replaced with a PHILAM LIFE policy, PHILAM LIFE must first inform the Competitor of the pending application. If the Competitor objects within a 60 day period, the application will be rejected. If replacement is discovered due to timing of rescission or surrender of previous policy, PHILAM LIFE can be charged a corresponding penalty based on the industry-approved PLIA Declaration of Ethics.

With regards to the commissions, if a replacement is considered justified on a policy less than 365 days old, then first year commissions of that policy shall first be debited and the commission of the new policy shall then be credited to the Agent.

In considering whether a replacement is justified, the Company may have regard to a number of factors, including: -

- Whether the client suffers any penalty or loss for terminating the original product;
- Whether the client will incur any transaction cost without gaining any real benefit from such a replacement;
- Whether the replacement product confers a lower or similar benefit at a higher cost,
- Whether the replacement is a less suitable product for the client.

A replacement of a policy and/ or rider is deemed to have occurred as follows:

B13.1 Regular Premium Policies

Replacement takes place whenever an existing policy and/ or rider is surrendered, discontinued or lapsed and a new policy and/ or rider is purchased by the same policyholder regardless of date of such surrender, discontinuance or lapse. This is so regardless of whether the policies and/ or riders in question are PHILAM LIFE policies or policies from competitors.

B13.2 Single Premium Policies

Replacement also happens whenever an existing single premium policy is partially or wholly surrendered, discontinued or lapsed and the same policyholder purchases a new single premium policy regardless of the date of such surrender, discontinuance or lapse. This is so regardless of whether the policies in question are our Company policies or otherwise, the type of the single premium policy or the source of money invested.

But if a replacement is justified by the Company on a policy less than 365 days old, then first year commissions of the old policy is debited and the commission of the new policy is credited to the Agent. If it is a single premium VUL product, other charges may be applicable due to the reckoning date of the Net Asset Value of the Fund it is in.

B13.3 Variable Unit-Linked Policies (VUL)

Lastly, replacement also takes place when a VUL policy is partially or wholly surrendered, discontinued or lapsed and the same policyholder purchases a new single premium policy within 365 days before or after the date of such surrender, discontinuance or lapse. This time period is given because of the time-sensitivity of the pricing of this product and its variability to the stock equity or bond market performance.

B13.4 Steps Involved in VUL Switching

Agents must always inform their clients on any switching done to move their investments between other investment-linked funds. Agents are discouraged from advising their clients to surrender and reinvest. Agency Training promotes the principle that the first sale made must be a good sale. The succeeding steps show the difficulty of replacing an original policy.

Agents should ask their clients if the product to be purchased is intended to replace another product in the application form and/or PFR. If so, all relevant forms must be completed and the replacement declared in the application form. This is for the information and evaluation of Underwriting. Under the guidelines of the Joint Declaration on Ethical Business Standards, the Company is obliged to inform the originating company that a replacement is about to be made. The originating company may exercise the right to file a replacement complaint with PLIA.

Agents must disclose to their clients in writing, and draw the attention of their clients to any fee or charge the client would have to bear if he were to switch from an original product to a replacement product, in order to ensure that their clients are able to make informed decisions on the switching recommendation. Fees and charges to be disclosed include any fees associated with the disposal or reduction of interests in the original product, and fees incurred during the purchase or increase of interests in the replacement product.

Agents must indicate clearly in the PFR, FHC and PST Forms about any justification or disadvantages that the client will or may suffer (temporarily or otherwise) as a result of switching from an original product to a replacement product – on benefits, on financial or medical reasons, etc.

DUTY TO THE COMPANY

C1 USE OF COMPANY PREMISES AND FACILITIES

(Refer to Agency Contract #26a, OIC A15)

Agents must ensure that the use of the Company's premises and facilities is restricted to conducting Company insurance and cross-selling Philam affiliate business only.

C2 COMPETING BUSINESSES

(Refer to Agency Contract #26b)

The Agent is not allowed to actively participate, build or promote any business which may compete or result in conflict of interest with PHILAM LIFE or any of its Affiliates. The Agent must seek clearance with Management, if in doubt. Management can evaluate whether the agent's relationship with the Company has become detrimental and decide on whether to continue doing business with the agent concerned or not.

C3 ADVERTISING, MARKETING AND SALES MATERIALS

(Refer to Agency Contract #27, OIC B1)

The AGENT must only use advertising and marketing materials that have been previously approved by the Company. He shall approach the Company's designated Department for such approval.

C3.1 Marketing Materials or Sales Materials

These include all forms of written communication (including electronic communication) of a general nature pertaining to the conduct of an Agent's insurance business, regardless of whether such materials are intended to prospect new business or to recruit new Agents.

Examples of controlled marketing materials include the following:

- Printed and published material, audiovisual material and descriptive literature used in direct mail, product brochures, flyers, newsletters, newspapers, magazines, annual report, radio and/or television scripts, telemarketing scripts, billboards and similar displays;
- Descriptive literature and sales aids of all kinds issued, distributed or used by the Company or the agency force selling the Company's products, including but not limited to, circulars, newsletters, leaflets, pamphlets, brochures, booklets, depictions, illustrations, software printouts, proposals and pre-approach letters, and other forms of letters delivered in any medium, including electronic;
- Reproduction of newspaper or magazine article clippings, published investment letters, industry publications, or any other material created by a third party; Material or communications that use the Company logo or rates;
- Material used for the recruitment, training and education of the agency force that is designed to be used for solicitation and sale of the Company's products, or is used to encourage the public to purchase, increase, modify, reinstate, borrow on, surrender, replace, or retain a policy or other product;

- Prepared sales talks, seminars, presentations and material for use by the agency force including but not limited to software presentations, videos, overheads and slides used to promote the Company's products or the Company;
- Internet publication of any information relating to the Company or its products, services, office locations, or Company staff, including but not limited to e-mail, web sites or home pages created by the agency force or others.

These are examples only and are not meant to be an exhaustive list.

Marketing Materials or Sales Materials do not include :

- Routine correspondence that contains no marketing text, such as thank-you letters, cover letters noting that sales literature, material and/or prospectuses are enclosed, notes to confirm appointments or contact changes, letters indicating office relocation.
- Materials that otherwise would be regarded as Marketing or Sales Materials, but that are used only within the Company and not intended for dissemination, or actually distributed to the public.

C3.2 Use of Illustrations

Agents are only permitted to use illustrations generated by the Company or software that have been approved by the Company and ensure that the illustrations they use are generated from the most current software. Agents are not permitted to alter the underlying assumptions, or operations of, any Company-approved software.

Presentation of Illustration

Where an illustration is used, Agents must advise clients that **the illustration is a projection and not a guarantee of performance**. The illustration is merely a statistical representation of past performance. In presenting and explaining the illustration, Agents must not:

- . Alter an illustration in any way;
- . Represent the policy as anything other than a life insurance policy;
- . Use or describe non-guaranteed elements in a manner that is misleading or has the capacity or tendency to mislead;
- . State or imply that the payment or amount of non-guaranteed elements is guaranteed;
- . Use any illustration that does not comply with the requirements of this policy;
- . Provide a client with an incomplete illustration;
- . Represent in any way that premium payments will not be required for each year of the policy, in order to maintain the illustrated death benefits
- . Represent a standard illustration as the same projection for a client who has a medical or occupational rating
- . Use the term "self-support year", "self-support period" or any similar term that implies that the policy becomes paid-up to describe a plan for using non-guaranteed elements to pay a portion of future premiums.

C4 ROADSHOWS, SALES AND MARKETING PROMOS (OIC A18)

Agents are to strictly comply with the guidelines on road shows, Sales and Marketing Promotions issued by the Company from time to time.

C5 COMPANY ASSURANCE OF CLIENT CONFIDENTIALITY AND DATA PRIVACY
(Refer to Agency Contract #31iv, OIC A17, C3.1, C4)

Clients' Particulars – Contact Numbers, Residence and Email Address

Because of the **Anti-Money Laundering Act** provision on **Know Your Customer (KYC)**, agents must ensure that the client's personal particulars such as contact numbers (home, office and cell), current addresses are accurately recorded on all policy application forms. Agents must verify the accuracy of information by checking against that client's personal documents (e.g. Official ID or Passport) before submitting any application form. Agents need to obtain a client's written instructions in the event that the client should want to submit an address that is not his usual residence or business address.

The Agent must not submit his personal address as the client's address on any application form. Agents are not allowed to receive any correspondence from the Company on behalf of the applicant, policy owner, insured or beneficiary, whether or not the client requests it or consents to it.

Client Confidentiality

PHILAM LIFE Clients are protected by **Data Privacy Policy**, which ensures that their Personal Identifiable Information (PII) shall be protected by the company at all times. Agents must update their client information and maintain confidentiality of any information obtained from their prospects/clients in the course of the conduct of their insurance business. Agents therefore must not discuss, disclose or otherwise utilise such information with any other person outside of their Agency Leaders or the Company,

Examples of breaches of the confidentiality include:

- Prospects'/Clients' information being disclosed or utilized other than as specified above without their express consent.
- Prospects'/Clients' information being posted on the Internet without their express consent.

C6 COPYRIGHT AND INTELLECTUAL PROPERTY RIGHTS, WEBSITES, FLYERS (OIC B3)

Agents are not allowed to modify any of the Company's materials or incorporate only part of any such materials for their own use without the prior approval of the designated Department. Modifying, amongst other things, includes adding and deleting wordings or figures whether via attachments to the Company's document or amending the Company document itself. For example, adding a disclaimer or attaching new clauses to any of the company documents. Agents are not to publish or cause to be published any material concerning the Company in whatever medium without the Company's prior approval.

All requests and enquiries to set up Websites, to print Flyers etc for give away must be referred to the Company for approval and clearance. As such, Agents should not be giving press statements or written communication to the media, including newspapers, journal, magazines, television, radio, or Internet on matters concerning the Company.

Agents are also not allowed to use or cause others to use trademarks or any copyrighted material belonging to the Company entity without the prior permission.

C7 CRIMINAL BREACH OF TRUST AND MISAPPROPRIATION OF PREMIUMS
(Refer to Agency Contract #11, OIC C5)

Agents must not misappropriate any monies entrusted to them by prospects/clients for payments due to the company. Agents must also not misappropriate any monies owing to a prospect/client from the Company.

Examples of Criminal Breach of Trust include:

- Premiums not remitted to the company, Premiums diverted to other policies
- Withholding premiums paid by prospect/client
- Not submitting these premiums to the Company immediately (delayed remittance)
- Withholding benefits, dividends, overpayments or refunds to a prospect/client, or not forwarding these to the prospect/client immediately or for more than one working day following the day of receipt.

These are examples only and are not meant to be an exhaustive list.

C8 FORGERY
(Refer to Agency Contract #10, OIC C8)

Forgery of any kind is prohibited and is a criminal offense, thus meriting immediate termination of the Agency Contract. Agents must never forge another person's signature or initial on any form or document – whether with that person's consent or at his request. Forgery of any kind is unacceptable to the Company and should always be reported to Management.

Every signature or initial contained in an insurance document must be the authentic signature of the person named in that policy. Agents are not to accept any document for and on behalf of the Company if they are aware or have reason to suspect that someone, other than the person named in that document, signed the document. Agents should be aware that no one is allowed to sign an insurance document for or on behalf of another person, regardless of whether the two persons are related, or they have mutual agreements or consent.

C9 INVESTIGATION, INSPECTION AND AUDIT (OIC A16)

Agents must cooperate and render full assistance to any Company representative assigned to conduct an investigation, inspection or audit. An Agent should not intimidate or threaten the company officer in the course of his work.

Agents must cooperate and render full assistance to the Company representative. Cooperation and assistance to these parties includes assisting in investigations, answering queries, attendance in meetings as requested. These parties may include the Compliance and Ethics Committee (CEC) or any individual or corporate body appointed by Management to help resolve the dispute.

DUTY AS AGENCY LEADERS

D1 SELECTING AND CONTRACTING PROSPECTS

(Refer to Agency Contract #42; Leader Contract #8-19, 45; OIC A11)

D1.1 Vesting Period of New Prospects

All agents should be licensed by their recruiting leader within 90 days from their date of invitation.

D1.2 Selection Criteria

Agency Leaders involved in the recruiting and selection process should recruit and select qualified candidates who can be appointed by the Company. As such, the appointment standards below should be examined for guidance in determining whether to recruit or select a particular candidate.

Leaders are advised against recruiting complete strangers with backgrounds that are either shady or cannot be adequately checked, those who have difficulty in handling their finances, those who are not morally upright and the like. In the long run, problems could arise. PHILAM LIFE reserves the right to require NBI or Police Clearances from prospective candidates.

D1.3 Appointment Requirement

To be permitted to engage in sales activity, an AGENT must be appointed by the Company. An AGENT should pass all required licensing exams to sell particular financial products, and must meet all regulatory and Company requirements in order to be appointed by the Company. An AGENT must be at least 21 years old and must meet the minimum qualifications set by the Company, which may include academic or minimum training requirements. Continuous training may be prescribed.

D1.4 Care of Agents

In this people-caring business, leaders should act as good stewards and shepherds of people they take in. But agents are not to be treated as chattel or personal property. Occasionally, relationships turn out bad and requests for transfer of agencies are made. While in general, transferring is discouraged, there are times when the request for transfer is in the best interest of all concerned. No agent should be held against his will nor prevented from earning a decent livelihood. At times, simply releasing an agent to a more compatible style of management could make him a more productive one. It is not ownership but proper care, inspiration and management which keep an agent loyal to a leader. Good leaders diligently and regularly upgrade their leadership and people skills.

The Company reserves the right to evaluate requests for transfer and decide what is fair and just for all. If the request has no merit, the transfer will not be allowed. If the Company verifies that the requesting agent is a victim of bad agency practices, maltreatment, injustice and the like, the Company could grant the transfer.

D2 RECORD KEEPING

(Refer to Leader Contract #31-33, OIC A13)

Agency Leaders must maintain proper records on their agency, on their Agents and on their agency's client relationships. Client records are kept permanently. Policy records should be kept for at least 7 years after its inception date. However, records that relate to ongoing investigations or transactions that have been subject of a disclosure, shall be retained beyond the stipulated retention period until the case has been closed. Records may be retained as originals or copies, on microfilm, or in electronic form, provided that such forms are admissible in court.

E1 NOTE ON SANCTIONS (Refer to OIC on Penalties)

For reasons of promoting professionalism among the agency ranks of the insurance industry and moving towards self-regulation, the Office of Insurance Commission and the Philippine Life Insurance Association support the need and use of penalties or sanctions or a combination thereof as their respective Companies deem fit.

Upon receipt of a complaint, the Company has the discretion to immediately withhold commissions and suspend the selling privileges of an AGENT. This period will cover a period pending the outcome of investigation.

Once the AGENT is cleared, a **RELEASE ORDER** will be issued by the appropriate Department/Division to all units concerned.

Penalty for breaches of the Market Conduct Guidelines are determined by Management. Unusual cases may be reviewed by the Compliance and Ethics Committee (CEC) or a Committee so designated, composed of Senior Executives of Management representing various disciplines and divisions. These are then implemented through a designated Company Officer.

Unless otherwise specified, the penalty to be imposed on an AGENT found to be in breach of any clause depending on the severity of the unacceptable behavior, may range from a Letter of Warning, Financial Penalties, Suspension of Selling Privileges to Termination of Contract.

The Company has discretion to impose a single penalty for an offense or a combination of penalties as it deems fit, such as suspension of NMA privileges, removal of the AGENT's non-medical limit, additional training or for the AGENT to bear the cost of any service recovery to the complainant or policyholder. Notwithstanding any penalty meted which may not have specifically required the agent to bear the cost of service recovery to the complainant or policyholder, the Company reserves the right to recover from the AGENT any expense incurred by the Company in having to effect service recovery to the complainant or policyholder.

Once an irregularity exists or an agent has committed a violation, the Company can suspend other rules, courses, 'Simplified Insurance Offer' privileges and the like which the errant agent or leader may use to help him circumvent the penalty or the sanction. Such circumvention will defeat the purpose of the lesson being taught by the penalty/sanction. One such example may be, a person whose NMA is temporarily suspended cannot use the rule on following the higher NMA limit to circumvent the sanction. If there is a valid joint case, the case should still be given a medical. Most rules, courses and privileges apply when no irregularity exists. There could be other kinds of circumvention, so disputes such as these will be resolved by Company Management.

Where unacceptable behavior constitutes an offense under the law or a breach of the Insurance Code or on PLIA notices and guidelines, the agent's contract can be terminated and the penalty imposed as stipulated under the Insurance Code. If applicable, the Company can also file a police report or initiate proper legal action at the duly constituted courts of the land.

RANGE OF SANCTIONS - LETTER OF WARNING, FINANCIAL PENALITES, SUSPENSION OF SELLING PRIVILEGES AND TERMINATION OF AGENT'S CONTRACT (OIC Appendix A)

Sanctions will be reviewed from time to time depending on what provision is frequently violated and on the level of discipline of the entire Agency Force. Management may also choose to modify the implementation of sanctions as needed.

LETTER OF WARNING

- The Company, through its duly authorized representative, may write a letter of warning ranging from a reprimand, stern warning. Depending on the type of offense, the Company may opt to move to the next level of penalty, which is financial.

FINANCIAL PENALTY

- The Company has the prerogative to impose financial penalty on the Agent depending on the gravity of the offense.

SUSPENSION OF SELLING PRIVILEGES

- Suspension is basically Withdrawal of Selling Privileges, disallowing the AGENT or LEADER from selling insurance. This can take place with effect from the day following the three-day deadline for the AGENT to inform the designated Department of his intention to appeal.
- If the AGENT appeals and the CEC decides to uphold the suspension, the AGENT will be suspended upon communication to the AGENT of the CEC decision.
- Until such time as an appeal has been resolved and depending on the case, the suspension may or may not be temporarily lifted.
- Retraining for Agents and Leaders serving suspension in areas where they had failed in. Retraining could be by attendance of a relevant course conducted by Agency Training or one-on-one.

SUSPENSION OF OTHER PRIVILEGES

- Suspension of NMA – all cases within designated period must be medicalled
- Others

IMMEDIATE SUSPENSION OF SELLING PRIVILEGES

- Immediate suspension to be effected by Company. Depending on the violation involved, the duration of suspension shall be determined accordingly by the Committee.

DO'S AND DON'TS DURING SUSPENSION PERIOD

Agents who are suspended are **not permitted** to do the following during the suspension period:

- Submit new business
- Collect First Year Premiums
- Prospect for clients
- Recruit or be involved in recruitment exercises for new Agents, where applicable
- Receive over-riding commission, where applicable

However, Agents **are permitted and required** to serve their clients in non-revenue generating and non-financial tasks, and to do such tasks excellently during the suspension period:

- Service, submit policy Withdrawal/Surrender/Policy Loan Requests for existing clients. But the client must still be the one to actually receive any cash or check proceeds.
- Submit administrative requests for existing clients.

TERMINATION OF AGENT'S CONTRACT

- Termination can be effected by the Company. If the AGENT appeals, he shall be suspended from all activities as a representative of the Company until the Compliance and Ethics Committee has decided on his appeal.
- Once termination is effected, the AGENT should return his Company ID Card, all official documents and ATR's and sign the Letter of Undertaking.