



COCOGEN
INSURANCE

COMMITTED.
COMPASSIONATE.
GENUINE.

COCOGEN INSURANCE, INC.

22F One Corporate Center
Doña Julia Vargas Avenue corner Meralco Avenue
Ortigas Center, Pasig City, 1600 Philippines

23 June 2023

HON. REYNALDO A. REGALADO

Insurance Commissioner

Insurance Commission

1071 United Nations Avenue

Manila, Metro Manila

Attention: **Hon. Ferdinand George A. Florendo**
Deputy Insurance Commissioner
Financial Examination Group
Insurance Commission

Subject: Submission of Own Risk and Solvency Assessment Policy

Dear Commissioner Regalado:

In compliance with the Honorable Commission's Circular Letter No. 2022-41 and Advisory No. RS-2022-036, Cocogen Insurance, Inc. (the "Company") hereby submits the attached Own Risk and Solvency Assessment ("ORSA") Policy of the Company.

The Company's Board of Directors has resolved to approve the subject ORSA Policy, as attested to in the *Secretary's Certificate* appended to the said ORSA Policy.

We hope that the foregoing is in order.

Thank you.

Sincerely,

COCOGEN INSURANCE, INC.

By:

Atty. Augusto M. Perez, Jr.

Chief Risk Officer

butch_perez@cocogen.com



Enrico D. Cleofas

Insurance Commission - Admin.
Records - Receiving



OWN RISK AND SOLVENCY ASSESSMENT POLICY

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I. INTRODUCTION

The Own Risk and Solvency Assessment (ORSA) is an internal process conducted by an insurance company to assess the sufficiency of its risk management and solvency positions under normal and severe stress scenarios. Such a measure is implemented in order to require insurance companies to conduct their own assessment of their current and projected risk. This allows regulators such as the Insurance Commission in the Philippines to have an objective view of the ability of an insurance company to withstand financial stress under various kinds of scenarios.

Further, the goal of the ORSA process and its implementation is to support an insurance company's risk management system by providing a future-oriented quantitative and qualitative assessment of its current and future positions in terms of its solvency when experiencing common and severe stress scenarios under all the types of risks.

The ORSA is added to the regulatory risk-based capital requirement of financial companies in recognition of the principle that any standardized calculation of risk-based capital requirement has inherent unavoidable limitations. This intends to provide good risk management incentives for a sound management of the company's own objectives and to set up a supervision of the risk management system appropriate for the specific risk appetite of each company as reflected in its business model, strategic plans and policies.

To realize its vision of being the market leader in driving growth, development, profitability, and in managing risks by being the most trustworthy partner to its insureds, COCOGEN INSURANCE, INC. (hereinafter referred to as "COCOGEN" or the "Company") ensures the proper implementation of the ORSA as an essential component of the company's risk management system.

Accordingly, this ORSA Policy contains the guidelines on the conduct of ORSA within COCOGEN. With this ORSA Policy in place, COCOGEN's organization (including its Board, Management, business units, stockholders, and other stakeholders) shall be properly guided with regard to the safeguards, metrics, measures and other factors in the evaluation of its solvency readiness for unforeseen events.

II. OBJECTIVES

COCOGEN and its Board, Management, and employees are expected to commit themselves to the conduct and implementation of the ORSA within the company, in accordance with the company's Strategic Plan, the Insurance Commission Circular Letter 2022-41, and subsequent regulatory issuances. COCOGEN will assess, at least once a year, its overall solvency needs. A properly conducted and implemented ORSA policy is fundamental to achieve COCOGEN's goal as a leader in the non-life insurance industry.

Pursuant to Rule II (C) of Circular Letter 2022-41, COCOGEN shall perform the following relative to ORSA:

- 1.) Review the risk profile and risk appetite of COCOGEN with regard to its financial position, competitiveness within the industry, management structure, marketing strategy and aggressiveness, and soundness of fiduciary controls;

- 2.) Identify potential risks within the expected horizon, given the macroeconomic and political environment;
- 3.) Assess the financial situation and readiness of COCOGEN, as determined by its Finance Management Division and the Actuarial Services Department, and COCOGEN's ability to meet or cover its current and future obligations, in view of the potential stresses from within or outside the company;
- 4.) Evaluate COCOGEN's overall ability to continue or sustain its business and operations, given the challenges and opportunities, and to meet regulatory capital requirements imposed by the governing authorities in the Philippines; and
- 5.) Check, as needed, the soundness and viability of the Company's existing mitigation controls, especially since the insurance industry constantly faces a multiplicity of challenges.

The underlying objective of ORSA is to properly assess COCOGEN's financial readiness when it faces or meets expected or unforeseen risks. A quantitative evaluation of its solvency position will ensure its capability to mitigate or cover risks. A periodic review of COCOGEN's risk profile, capital sufficiency, management competency, competitiveness within the industry, and other material factors should give a clear view of the solvency position of COCOGEN.

III. SCOPE

This ORSA Policy applies to and complies with the general framework established by COCOGEN's Enterprise Risk Management Framework (ERMF).

The ORSA Process shall be aligned with the Strategic Plan of the Company, in terms of definition of the projected required and available capital over the length of the long-term plan and of management actions.

IV. ELEMENTS OF COCOGEN'S ORSA

The following elements and methodologies are highly important and necessary in the conduct and implementation of COCOGEN's ORSA:

1.) Current solvency position of COCOGEN

The current solvency position of COCOGEN is determined by comparing its current *economic available capital resources* ("EACR") and the total of its current *economic capital target* ("ECT").

The EACR pertain to COCOGEN's total amount of sufficient available capital resources that can cover or absorb losses, while the ECT refers to the level of capital that COCOGEN needs in order to manage its business given the company's risk appetite and business model.

2.) Foreseeable future solvency position of COCOGEN

In the estimation of COCOGEN's future financial and solvency position, the following shall be performed:

- a. Make reliable projections over a certain horizon or time period for the EACR and for the total ECT with both the current business and the future new business put into consideration; and
- b. Consider various adverse events and scenarios that may materially affect capital resources.

3.) Effect on the foreseeable future solvency position of sufficiently changing and realistic adverse events and scenarios

COCOGEN shall design a reasonably broad range of adverse events and scenarios tailored to the company's individual risk profile and business model, such as, but not limited to, sensitivity analysis, stress tests, and reverse stress tests.

4.) Continuous compliance with the regulatory solvency requirements

COCOGEN shall regularly review its compliance with the requirements or regulations of the governing bodies in the Philippines.

5.) Identification of the measures that COCOGEN may adopt

If COCOGEN's solvency position is positive, which is a situation where the EACR of COCOGEN is greater than and exceeds its ECT, and there is no negative trend that can be observed in the foreseeable future of the time horizon that is being considered, COCOGEN is considered to possess the appropriate risk appetite set in its business model.

Meanwhile, if the EACR of COCOGEN is less than or below the ECT, or when negative trends have been observed, COCOGEN is required to implement corrective measures which will consist of the following:

- a. Reduction of risk appetite;
- b. Mitigation of risks;
- c. Increase in capital resources;
- d. Or a combination of the above actions.

6.) Breakdown of the total ECT into the risks COCOGEN is exposed to and the areas of activity where each risk stems from

COCOGEN is required to assess the material risks which contribute to the ECT and determine whether or not the levels of the material risks are currently based on COCOGEN's risk appetite and risk tolerance.

7.) Qualitative analysis of the overall risk profile and its exposure to material risk in order to determine whether or not it is consistent with COCOGEN's risk appetite and risk tolerance as contained in the company's business model, strategic plans, and policies

COCOGEN shall perform both quantitative and qualitative assessments of its overall risk profile in relation to its processes or operations, targets, and other factors.

V. ORSA PROCESS GOVERNANCE

The table below shows the functions of the participants in the ORSA Process and the main activities of the process:

Process	Responsibility	Participants	Main Activities
Review, Endorsement, and Approval of ORSA Policy, including revisions thereto	Risk Oversight Committee (endorsement) Board of Directors (approval)	Risk Management Department (RMD), ORSA Platform	ORSA Policy review and approval. Review and approval of subsequent revisions to this ORSA Policy.
Approval of Scenarios	Risk Oversight Committee (endorsement) Board of Directors (approval)	ORSA Platform, ORSA Technical Group	Base case, scenarios and sensitivity analyses preparations and approval.
Design and implementation of ORSA Process	Risk Oversight Committee (endorsement) Board of Directors (approval)	ORSA Platform, ORSA Technical Group	<ul style="list-style-type: none"> • Ensure that the ORSA Process is designed in accordance with the ORSA Policy. • Ensure that the ORSA Process addresses all material risks. • Ensure that sufficient resources are allocated to the ORSA Process. • Ensure the planning and coordination of participating areas.
Process Execution and Results	ORSA Platform	ORSA Technical Group	<ul style="list-style-type: none"> • Implement the ORSA Process in compliance with the ORSA Policy. • Ensure that a relationship with other management processes is established and that all participating areas are coordinated. • Ensure that the various contributions are consolidated into a single ORSA Report and verify their overall

Process	Responsibility	Participants	Main Activities
			<p>cohesion.</p> <ul style="list-style-type: none"> ● Run analysis, projections, sensitivities, stress tests, etc. ● Ensure the compliance with the requirements for the calculation of the technical provisions. ● Coordinate the process and results with areas involved. Drafting ORSA Report
Review of results	<p>Risk Oversight Committee (endorsement)</p> <p>Board of Directors (approval)</p>	ORSA Platform, ORSA Technical Group	<ul style="list-style-type: none"> ● Verify that the process complies with ORSA Policy and has been duly executed. ● Analyze ORSA results, methods and assumptions before submission to the Board of Directors. ● Examine results provided by the participating departments.
Review compliance of Technical Provisions	Actuarial Function	Actuarial Function	Review the methodologies and assumptions underlying the Technical Provisions estimates for ORSA purposes.
ORSA Endorsement and Approval	<p>Risk Oversight Committee (endorsement)</p> <p>Board of Directors (approval)</p>	ORSA Platform	Approve ORSA results based on proposal of the ORSA Platform and ensure that they reflect the risk profile
Review of Risk Strategy	<p>Risk Oversight Committee (endorsement)</p> <p>Board of Directors (approval)</p>	ORSA Platform	Review and advise on setting the maximum level of risk which is willing to accept in order to achieve the objectives set in the Strategic Plan.

The ORSA Platform is hereby created and shall be composed of the following officers as permanent members to perform the functions as above-described:

1. Head of Risk Management (Chair);
2. Head of Corporate Strategy;
3. Head of Finance;

4. Head of Accounting; and
5. Head of Actuarial.

The ORSA Platform shall create the ORSA Technical Group and shall assign relevant and competent officers and employees to assist the ORSA Platform in conducting the ORSA. The ORSA Technical Group is hereby authorized to execute operational ORSA activities and deliver ORSA report elements. The ORSA Technical Group shall report to the ORSA Platform.

VI. ORSA DECISION-MAKING INVENTORY

The RMD of COCOGEN shall create an inventory of all decision-making processes of the Company where ORSA outcomes are required to be used. This inventory shall include all decision-making processes that have or may have a material impact on the financial and solvency condition of the Company. The inventory may cover the following actions of the Company:

1. Strategic Planning;
2. Capital Allocation;
3. Product Development and Pricing;
4. Reinsurance and Risk Transfer;
5. Risk Management Framework;
6. Merger and Acquisition Decisions;
7. Solvency and Capital Adequacy Requirements;
8. Business Continuity Planning;
9. Compliance and Regulatory Reporting; and
10. Other Significant Decisions and Actions of Board and Senior Management.

VII. FREQUENCY OF ORSA EXECUTION

COCOGEN, as required by the Insurance Commission, shall conduct the ORSA at least once every year and at any time during the year when there are significant changes to the risk profile of COCOGEN that would trigger an ad hoc ORSA.

The ORSA Process may be carried out in full or in part on an extraordinary basis when the Board of Directors decides to do so upon the occurrence of an extraordinary event resulting in a significant change in the risk profile.

VIII. IT SYSTEMS USED FOR COCOGEN's ORSA

Financial data shall be gathered through the use of various systems including GENIISYS (core system), IT reports, tracking systems and dashboard where booked productions, disbursements, collections and other quantitative information are processed and stored. Monthly cut-off is implemented to gauge the company's financial performance and position as of the reporting period covered.

The RMD of COCOGEN shall be responsible for reporting the ORSA Report and its process to the Board, the Risk Oversight Committee, Management, and other relevant business units. The RMD shall likewise be responsible for submitting the ORSA Report to the Insurance Commission, in accordance with regulatory issuances, and to concerned third parties, including shareholders, reinsurers, and other stakeholders. To implement such responsibilities, the RMD shall issue guidelines on the internal and external reporting process of the ORSA.

X. MISCELLANEOUS INFORMATION

1. Outsourcing

It is understood that the COCOGEN's ORSA is not to be outsourced. However, in the event that some or all of the elements and activities of the ORSA process are outsourced to an outside party, the description of such elements, activities, and all relevant control procedures are to be recorded. Outsourcing of ORSA activities shall be subject to the endorsement of the Risk Oversight Committee and approval of the Board.

In any case, the RMD of COCOGEN shall retain supervision of the conduct of the ORSA, and the Risk Oversight Committee and the Board shall retain the authority to respectively endorse and approve the ORSA Report.

2. Communication of the ORSA Policy

The RMD of COCOGEN shall be responsible for communicating this ORSA Policy to Management, all relevant business units, the Insurance Commission, and other stakeholders.

The RMD of COCOGEN shall ensure that this ORSA Policy is uploaded in the Company's MyPortal and/or other Company document repository for easy access of all concerned officers and employees.

3. Review and Approval of Revisions

The RMD of COCOGEN shall be responsible for proposing revisions to this ORSA Policy at least annually, unless circumstances arise that warrant a revision after a shorter period. It shall likewise be responsible for securing the necessary approvals and shall ensure that this ORSA Policy follows accepted standards. Revisions to this ORSA Policy shall be subject to the endorsement by the Risk Oversight Committee and approval by the Board.

SECRETARY'S CERTIFICATE

I, **RHETT D. GAERLAN**, of legal age, Filipino, and with office address at 22F One Corporate Centre, Doña Julia Vargas Ave. cor. Meralco Ave., Ortigas Center, 1605 Pasig City, after having been sworn to in accordance with law, hereby depose and state:

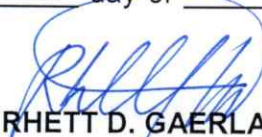
1. I am the duly appointed Corporate Secretary of **COCOGEN INSURANCE, INC.** ("COCOGEN" or "Company"), a domestic corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office at 22F One Corporate Centre, Doña Julia Vargas Ave. cor. Meralco Ave., Ortigas Center, 1605 Pasig City.
2. As Corporate Secretary, I am the custodian of the records of the Company, including the Minutes of the Meeting of the Board of Directors.
3. During the special meeting of the Board of Directors of the Company, validly held on 16 June 2023, in which a quorum was present, the following resolution was unanimously passed and resolved:

BOARD RESOLUTION NO. 25-2023

"**RESOLVED**, as it is hereby resolved, that the Board of Directors approves the Company's Own Risk and Solvency Assessment Policy[.]"

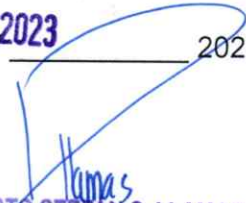
4. The above-quoted resolution, not having been superseded nor revoked, is still in full force and effect as of this date.

IN WITNESS HEREOF, I have hereunto set my hand this JUN 26 2023 day of _____ 2023 at Pasig City.


RHETT D. GAERLAN
Corporate Secretary

SUBSCRIBED AND SWORN to before me this JUN 26 2023 day of _____ 2023 at Pasig City, Affiant exhibiting to me his TIN 488-506-409.

Doc. No. 184 ;
Page No. 38 ;
Book No. 02 ;
Series of 2023.


ATTY. ROBERTO STEFAN S. LLAMAS
Notary Public for Pasig City
Appointment No. 206 (2023-2024)
Until 31 December 2024
Roll Number 80206
PTR Number 0863263 - 01/11/2023 - Manila
IBP Number 269245 - 01/04/2023 - Quezon Province
Admitted to the Philippine Bar in 2022
22F One Corporate Center, Dona Julia Vargas Avenue
Comer Meralco Avenue, Ortigas Center, Pasig City