

information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules, regulations and contracts.

The minimum internal control mechanisms for the Board is to ensure the separation of duties are performed in accordance to the defined control environment of the association.

#### **2.1.5.5 Disclosure of Third Party Transactions and Other Conflict of Interest**

Board members and officers shall at all times avoid any actual or potential conflict of interest with the organization. Each shall also avoid any conduct, or situation, which could reasonably be construed as creating an appearance of a conflict of interest.

If a conflict of interest situation arises, or a situation arises which may give reason to assume that a conflict may arise, the relevant member of the board or committee, as the case may be, has a duty to report the matter forthwith to the president of the board, who will review the question and determine an appropriate course of action.

#### **2.1.5.6 Vacancy in the Board**

In case an office becomes vacant due to death, resignation, retirement, disqualification, incapacity or any other cause, of the incumbent, the Board of Trustees, a majority vote, may elect/appoint a successor, who shall hold office for the unexpired term

### **2.2 Board Meetings**

#### **2.2.1 Quorum Requirements**

In all regular or special meeting of members, at least fifty percent (50%) of all members of good standing plus one (1) must be present or represented by proxy in order to constitute a quorum. A member may be represented by a proxy, through a written notice to the Secretary. The authorization shall be valid only on the date of the meeting indicated thereon. If no quorum is constituted, the meeting shall be adjourned until the requisite number of members shall be present.

#### **2.2.2 Regular and Special Meetings**

The Board of Trustees shall meet regularly once every three months at the main office of KGI-MBA unless otherwise previously agreed upon by the members of the Board of Trustees. A special or emergency meeting of the Board of Trustees may be called by the President or the Secretary upon request of a majority of the incumbent members of the board and at least three (3) days' notice to all members of the board. Notice of any meeting of the board is in writing.

### **2.2.3 Orientation of New Trustees**

That the initial organizational meeting of a newly elected Board of Trustees shall be held immediately after the conclusion of the General Assembly at which they are elected.

## **2.3 Board Appointments and Re-elections**

The Board of Trustees shall be elected every three years by majority of its members during its annual meeting.

The independent trustee shall be elected by the majority of its members upon the nomination of the Nomination Committee of the Board of Trustees. Notwithstanding the foregoing, for the duration that the Association is under conservatorship of the Insurance Commissioner, the independent trustee shall be appointed by, and shall serve at the pleasure of the Insurance Commissioner.

## **2.4 Code of Ethics and Conduct**

### **2.4.1 Code of Conduct and Ethics for Trustees**

**Members of the board, management, officers and employees are committed to** adhere to ethical business conduct/corporate governance rules and principles as follows:

- a) Dealings of the Association with any of its trustees, officers, and their related interests shall be in the regular course of business and upon terms not less favourable to the Association than those offered to others to avoid insider abuses and unfair competitive advantage.
- b) The Board of Trustees and the created committees must be able to perform their duties with a high degree of independence; Board of Trustees, officers and employees shall not engage in any act or omission which may be considered as conducting business in an unsafe and unsound manner;
- c) Every member of the organization should promote the good reputation of the Association in dealing with members and other parties that transact business with the institution (e.g. ensuring payment of claims within the 1-3-5 day target);
- d) The Board of Trustees and the management shall at all times fully disclose material information dealings such as acquisition or disposition of asset, board changes, related party transactions, corporate strategy and off balance sheet transactions;
- e) The Association office's facilities shall not be used in the furtherance of any criminal activity;
- f) Members of the board and senior management shall disclose material interest in transactions affecting or which may affect the Association;