

THE MERCANTILE INSURANCE
CO., INC.

EMPLOYEE HANDBOOK

C-3.1

THE EVOLUTION OF THE THREE LOGOS OF MIC

The original logo was first used in 1962 until the latter part of 1969. The logo bore the initials of the Company, M I C, with the big letter M dominating the design. Below the logo, the words "SERVICE & PROTECTION" were inscribed. The shield was included to highlight the importance of insurance in our daily needs.

On 1 January 1970, the black & green logo replaced the first one. It is composed of three vertical lines connected by a horizontal bar. The vertical lines represent Mercantile's various lines of specialized non-life insurance services. The colors black and green project a certain aura of serenity ... colors that are calm and peaceful. The logo stands for "UNITY IN DIVERSITY, TRUST-WORTHINESS IN BALANCE AND CONTINUITY."

On 29 October 1991, Mercantile's current logo was launched. The bars resemble the Stonehenge, and stands for "STABILITY AND STRENGTH" which Mercantile Insurance provides for the insuring public. The circle represents the continuing effort of Mercantile to serve the public to the fullest. Color green stands for growth and abundance, while white stands for integrity.

The current logo of Mercantile signifies that the insurance company you have trusted all these years strengthens its effort to be your partner in service and growth.

BRIEF HISTORY OF THE MERCANTILE INSURANCE CO., INC.

On 29 October 1962, The Mercantile Insurance Co. was born. A highly diversified company, it offers all types of non-life insurance: fire, marine, motor car, personal accident, surety and other kinds of bonds, coverage for other special risks, namely: aircraft, marine hull, theft and burglary, and plate glass insurance. It was established by a group of dynamic and experienced businessmen, knowledgeable in the trade, to meet the challenges brought about by the sweeping insurance consciousness in the country then. With the Mercantile House Corporation as its managing arm, the company first held offices at the Puyat Building in Escolta, the business heart of the Metropolis during that decade. In its initial year in the business, Mercantile bested the veterans with a remarkable performance.

With the increase in its volume sales, there was no other way to go but up. So in the following year, Mercantile organized a nationwide chain of 10 general agents and representatives located all over the country, followed by the setting up of permanent branches in Cebu and Davao in 1964, the Bacolod branch in 1965 and the Cagayan de Oro Branch in 1966. Social and political upheavals plagued the country's economy by the end of the decade and in early seventies. Nevertheless, during those bad times, Mercantile trudged on and strengthened even more its responsibility towards helping achieve the nation's economic stability as well as uplifting society's search for a better and secured future.

And now, Mercantile Insurance has realized a dream nurtured by so many. At the corner of Gral. Luna and Beaterio Streets in Intramuros stands a Spanish-style, three-storey edifice that houses the Mercantile Insurance Co., Inc.

In 1984, it has set up a service office in General Santos City and another in Cubao, Quezon City in 1990. This was followed by San Fernando (Pampanga) in January 1993; Calamba, Laguna in March 1993; Dagupan in July 1993; Legazpi in April 1995; and Makati in 1995.

THE MERCANTILE INSURANCE CO., INC.

MISSION STATEMENT

- *** At Mercantile Insurance, our mission is to provide excellent insurance coverage with timely and personalized service to respond to our customers' need.
- *** Mercantile Insurance is highly committed to delivering peace of mind to our insuring public.
- *** At Mercantile Insurance, we strive to build long-lasting relationships and we do this by operating with honesty, integrity and respect.
- *** Our competence comes from decades of experience and proven reliability.
- *** Mercantile Insurance is a quality team composed of professionals who are highly trained with our risk strategies and financial obligations.
- *** At Mercantile Insurance, we are conscious of our obligations to society and our shareholders. We are committed to provide our shareholders reasonable or equitable return on their investments.

MIC VALUES

Competence / Excellence
Customer Service
Profitability
Concern For People
Growth
Market Leadership
Teamwork
Creativity and Innovation
Social Responsibility

PERSONNEL POLICIES

CLASSIFICATION OF EMPLOYEES

A **CONTRACTUAL** employee is a person who is hired on a contract basis to perform a specific work or project on a stipulated period as indicated in his contract.

A **PROBATIONARY** employee is a person who is hired to occupy a permanent position in the company, undergoing a six (6) month trial period during which the performance of the employee shall be appraised. During this period, the services of an employee may be terminated only for a just cause as authorized by existing laws.

A **PERMANENT** employee is a person who has satisfactorily completed the probationary period of employment.

WORKHOURS AND WORKDAYS

The standard workweek shall consist of five (5) days (Monday thru Friday) of eight (8) hours each - 8:30 a.m. to 12:00 p.m.; 1:00 p.m. to 5:30 p.m.

BREAKTIME

Employees shall be entitled to fifteen (15) minutes break period in the morning (between 9:30 and 10:30 A.M.); fifteen (15) minutes in the afternoon (starting at 3:00 P.M.); one (1) hour lunch break (12:00 - 1:00 P.M.)

However, the department /regional or section head shall see to it that the schedule of coffee breaks would be such that at any given time of the business hours, a skeleton force should remain in every department/unit so as not to disrupt the normal services of the company.

PUNCTUALITY

Every employee shall follow the official time in reporting to and leaving from work. For consideration, an employee is given an allowance of ten (10) minutes after the official time.

If an employee reports for work between 8:41 and 9:00 a.m., for **FOUR (4) TIMES** within a calendar month, such shall be considered as a case of simple tardiness.

All tardiness in excess of the allowable four (4) times in a month shall be considered **UN-EXCUSED**, and therefore, subject to the provisions of our Code of Discipline, i.e.:

First offense (within a calendar year) - written reprimand

Second offense (within a calendar year) - three (3) days suspension from work without pay

OFFICIAL BUSINESS

Official business (O.B.) shall require the **PRIOR CLEARANCE AND APPROVAL (AT LEAST ONE (1) DAY BEFORE)** of the division/department/ regional head through the prescribed O.B. Slip.

TIME RECORD

Every employee, with the exception of the officers and supervisors, shall use the fingerprint scanner to record attendance.

Time "OUT" and Time "IN" should have an interval of the actual break availed of (lunchbreak).

All blank entries must be supported by an approved leave form, O.B. slip, or travel request form, otherwise, they shall be considered as absence without pay.

UNDERTIME

Undertime incurred by an employee shall **AUTOMATICALLY BE DEDUCTED FROM HIS SALARY**, but should nonetheless have the clearance of the division/department/regional head.

For this purpose, undertime shall mean leaving the office one (1) hour earlier than the official time (5:30 p.m.). More than one (1) hour shall be considered as half-day leave.

LEAVE OF ABSENCE

Application for scheduled vacation leave must be filed **AT LEAST TWO (2) DAYS BEFORE** the intended date of leave. Application for sick leave must be filed **IMMEDIATELY** upon reporting for work or **TWO (2) DAYS** after the employee's last day of absence.

Sick leaves which last for three (3) days must be supported by a medical certificate. Sick leaves, whether for a day or two (2), occurring before or after a legal holiday, must also be supported by a medical certificate. Failure to submit the required medical certificate shall mean that such leave is unexcused and without pay.

In all cases of absence **WITHOUT PRIOR NOTICE OR PERMISSION**, the employee must,

WITHIN ONE (1) DAY FROM HIS BEGINNING TIME OF ABSENCE, notify his superior or the HR Office of his whereabouts and the reason for such absence as required.

Failure to give this notification, whether by himself or through another, within the prescribed time of:

1 DAY - shall be considered as simple absence

2 DAYS - shall be considered as dereliction of duty and subject to three (3) days suspension from work without pay and disqualification from any meritorious and promotional increase during the year.

3 DAYS - abandonment of work and subject to termination for cause with preventive suspension.

Whenever, in the considered judgment of the superior, an absence is not warranted, the division/department/regional head may require the employee to report back to work immediately. Failure to comply with this directive at the appointed time will constitute a violation:

WITHIN 48 HOURS - leave shall be considered UNEXCUSED AND WITHOUT PAY;

3 DAYS ABSENCE - dereliction of duty and subject to three (3) days suspension from work without pay and disqualification from any meritorious and promotional increases during the year

4 DAYS ABSENCE - abandonment of work and subject to termination for cause with preventive suspension.

FOREIGN AND STUDY LEAVE

A permanent employee who wishes to go on leave to travel abroad or to take up further studies shall be allowed up to a maximum of ninety (90) calendar days without pay, once every three (3) years.

Foreign leave exceeding the maximum allowable 90 calendar days shall no longer be subject to extension.

OVERTIME WORK

While overtime work cannot altogether be eliminated, it should at least be minimized but not to the extent of sacrificing our output and efficiency. The need for overtime work is best assessed by the department/regional head. Therefore, control and responsibility thereof shall form part of his functions.

Written authorization from the division / department head concerned and the approval of the President / Executive Vice President shall be secured prior to each overtime work to be rendered.

An employee who is on leave shall not be allowed to render overtime work on the rest day immediately following said absence. Therefore, overtime work cannot offset absence.

TYPHOON AND EMERGENCIES

Work is automatically suspended or employees are automatically allowed to go home at Storm Signal No. 3.

Work may be suspended on a case-to-case basis if: downpour is heavy; reports indicate that the area is flooded; transportation is difficult; or other related contingencies arise.

TRAINING

The Company encourages its employees to attain self-development and improvement. For proficiency in their jobs, the Company at its own expense, sends employees to various training programs. However, all employees shall endeavor to uphold the standards and expectations of Management. They shall, at all times, conduct themselves in the stature and manner befitting their respective posts as responsible employees of MIC. Failure in this regard or failure to pass the examinations required by the training institution shall hold the concerned staff accountable for the expenses incurred as:

For failure to take the examinations - the employee shall shoulder 100% of the seminar fee
For failure to pass the examinations - the employee shall shoulder 50% of the seminar fee

SERVICE AWARDS

To give due recognition to the employee's continuous and dedicated service to the Company, the Service Awards Program was implemented. The Company gives awards to employees with 10, 15, 20, 25, etc. (in multiples of 5) years of service. Awards in valuable mementos are presented during the celebration of the Company's anniversary on the 29th of October.

SOCIAL AND RECREATIONAL ACTIVITIES

To promote harmonious employer-employee relationship and to develop good leaders in the organization, the Company organized the Sports & Social Affairs Committee which undertakes yearly various activities such as outing, Company anniversary program, Christmas Party, etc.

PAYMENT OF SALARIES

Payday is every 15th and end of the month. Salaries are paid through Automated Teller Machine (ATM). An employee's salary should be treated with the strictest confidence. Therefore, it should not be discussed with anyone but the HR Office.

USE OF TELEPHONE

While personal telephone calls, either incoming or outgoing, cannot be prohibited, it is expected that calls of this nature should be brief and made during "OFF" periods since our business cannot be transacted promptly when lines are kept too busy by personal calls.

FRINGE BENEFITS

VACATION LEAVE

The Company grants its permanent employees a non-cumulative fifteen (15) days vacation leave with full pay which shall be on a forced basis. Scheduled leaves must be availed of on the approved dates. Failure to use said leaves shall mean its forfeiture, unless deferred and re-scheduled by the division/department/regional head, with the HR Office properly notified. As a company policy, scheduled leaves are not allowed on days immediately preceding and/or following regular holidays.

Unused vacation leaves shall be converted to its cash equivalent, at the option of the employee, under the following scheme:

1 - 3 years of service	= 1 day
4 - 6 years of service	= 2 days
7 -10 years of service	= 3 days
11-14 years of service	= 4 days
15 and up	= 5 days

Terminal leave is not allowed.

SICK LEAVE

In addition to the vacation leave, every permanent employee shall be entitled to fifteen (15) days sick leave with full pay, exclusive of Saturdays, Sundays and holidays. Sick leaves shall be non-cumulative.

In the event that a permanent employee does not incur any illness during any one (1) year, the Company shall convert to its cash equivalent the unused sick leaves.

If the employee has exhausted all sick leaves with pay, he can seek the assistance of the HR Office in availing of the sickness benefits under the SSS.

BIRTHDAY LEAVE

All permanent employees are granted a one (1) day Birthday Leave which shall be availed of on the employee's birthday (as appearing in his/her personal information sheet or SSS record). Non-availment shall mean forfeiture of this leave.

MATERNITY LEAVE

All female employees are entitled to maternity leave of sixty (60) calendar days (for normal delivery) or seventy-eight (78) calendar days (for surgical delivery), provided she meets the requirements of the SSS. The SSS maternity benefit will be equivalent to 100% of the member's average daily salary credit multiplied by 60 or 78 days. As a matter of company policy, permanent female married employees shall receive 100% of her basic salary and COLA for the duration of the maternity leave.

As provided for by the Social Security Law, maternity leave shall be compensable only for the first four (4) deliveries or miscarriages starting 24 May 1997.

PATERNITY LEAVE

As provided for by law, all married male employees are entitled to paternity leave of seven (7) working days with full pay, for the first four (4) deliveries or miscarriages by his lawful wife. Availment of this benefit may be before, during or after the delivery by his wife but not later than 60 days after delivery date, provided the employee has notified the HR Office of the pregnancy of his wife.

BEREAVEMENT LEAVE

An employee whose absence is due to mourning and bereavement of a member of the family shall be excused as follows: (a) parent/ spouse /child (within Metro Manila) - for three (3) days; (outside Metro Manila) - for five (5) days; (b) brother/sister (within Metro Manila) - for two (2) days; (outside Metro Manila) - for three (3) days. This privilege shall, however, apply to immediate members of the family with the exclusion of collateral relatives.

MILITARY LEAVE

As required by law, a permanent employee who is summoned by the Armed Forces of the Philippines for military training shall be on leave with pay until his relief from the military service certified to by the duly-designated authority in the Armed Forces of the Philippines.

PTB LEAVE

A permanent employee who is afflicted with tuberculosis and certified to by the Company physician will be granted a PTB leave up to a maximum of six (6) months with full pay plus medicines prescribed by the Company physician.

PREMIUM / OVERTIME PAY

The Company provides its employees a weekly rest period of two (2) days - Saturday and Sunday. When an employee is made or permitted to work on his rest day or after his regular eight (8) hours work, he shall be paid the premium / overtime rates as provided for by law.

UNIFORM SUBSIDY

The Company agrees to subsidize a certain portion of the cost of the employee's uniform yearly. The total cost is advanced by the Company and the employees reimburse the difference between the Company's share and the total cost through salary deductions.

The Company-prescribed uniform shall be worn by permanent employees from Monday to Thursday. Probationary employees, on the other hand, are required to wear the proper office attire. The wearing of walking shorts or tight/provocative pants/outfits, pedal pusher/leggings, slippers, step-in and any footwear inappropriate for office wear is prohibited.

PER DIEM ALLOWANCE

In cases of authorized provincial trips, the Company grants its employees travel/per diem allowance depending on the following factors:

- area covered
- distance of trip
- employee's classification/job level

Out-of-town trips shall require the approval of the division/department/regional head and the approval of the Executive Vice President/ President.

Travel and meal allowances are fixed amounts and not subject to liquidation. TRAVEL ALLOWANCE shall be applicable only for OUT-OF-TOWN TRIPS WITH OVERNIGHT STAY. Only meal allowance will be provided for out-of-town trips with NO OVERNIGHT STAY.

Cash advances for hotel and transportation expenses must be liquidated or settled immediately after the completion of the trip.

TRAVELLING GUIDE - The employee concerned must report for work on the day following the completion of his provincial trip, as indicated in the approved Travel Request Form.

MEDICINE ALLOWANCE

In line with the Company's policy of maintaining and increasing the efficiency of the employees through assistance in their medical needs, the Company grants its permanent employees, on out-patient basis, a Medicine Allowance of P 2,000.00 per year. This is non-cumulative and excludes cost of vitamins, pre- and post-natal vitamins and over-the-counter medicines.

13TH-MONTH PAY

As provided for by law, the Company grants its employees the 13th-month pay which is usually given before the opening of the regular school year.

ANNUAL MEDICAL EXAMINATIONS

In line with its health program, the Company, through a designated laboratory, conducts the annual chest x-ray and laboratory examinations of all permanent employees.

HEALTH CARE

It is the policy of the Company to see to it that its employees are healthy and physically fit so that they may work efficiently. It is for this purpose that the Company provides its permanent employees with health care benefits which include in-patient services, out-patient care and emergency treatment in any accredited clinic or hospital of our existing health provider.

LIFE INSURANCE

In its desire to assist not only its employees but also the employees' beneficiaries in the event of the former's death or total and permanent disability, the Company extends to all its permanent employees who are actively at work, a group life insurance cover which is non-contributory.

PERSONAL ACCIDENT INSURANCE

Apart from the group life insurance, the Company extends to all its permanent employees a Personal Accident Insurance which covers the employee's loss of life, limbs, sight, et.al., resulting from bodily injury caused by accident. Likewise, murder and assault are covered. The amount of this insurance depends on the employee's nature of work. Our Personal Accident Insurance also includes a coverage for Dog / Cat bites.

LIFE PLAN

In the event of an employee's death, the Company shall assign a memorial plan for use by the deceased employee. Memorial services shall be rendered by Provident Plan International in accordance with the type of plan used.

RETIREMENT PLAN

All permanent employees, provided they have not attained the age of 60, are covered by the Retirement Plan of the Company. The plan is non-contributory and provides the following benefits:

a. **NORMAL RETIREMENT.** The normal retirement date of an employee shall be the first day of the month coinciding with or following his 60th birthday.

b. **EARLY RETIREMENT.** With the consent of the Company, an employee may retire provided he has reached at least twenty (20) years of service and has reached the age of fifty (50).

c. **COMPULSORY RETIREMENT.** When an employee reaches the age of sixty-five (65), retirement is mandatory.

d. **RETIREMENT BENEFIT.** In the event that the Company approves the retirement of an employee or the Company retires an employee who has reached at least 20 years of service and 50 years of age, retirement pay will be 1.25 months salary for every year of credited service, based on his final monthly salary.

e. **DEATH AND DISABILITY BENEFITS.** In the event that an employee dies from any cause except self-inflicted injuries, or is retired by the Company due to permanent total disability or due to sickness, as determined by a licensed physician acceptable to the Company, his death or disability benefit shall be a sum computed in accordance with the retirement benefit formula as of date of death or disability.

f. **SEVERANCE BENEFIT.** Should an employee be separated from the Company due to resignation or for causes not due to his own fault, misconduct, or material neglect, he shall be entitled to and shall be paid a percentage of his accrued retirement benefits as follows:

Less than 10 years	=	0%
10 to 14 years	=	50% of plan salary
15 to 19 years	=	75% of plan salary
20 years or more	=	125% of plan salary

The above benefits shall form part of and not an addition to the benefits required by the New Retirement Law of the Labor Code.

g. **DISMISSAL FOR CAUSE.** An employee who is separated from the service for cause shall not be entitled to any part of the Fund.