ELECTRONIC DATA PROCESSING (EDP) MACHINES

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Pursuant to the provisions of Paragraph 9, Section 196 of the Insurance Code, the following guidelines are hereby promulgated:

1. Electronic Data Processing (EDP) Machines shall mean the physical components that perform the functions of data preparation, data input, data manipulation, data storage and output of data.

2. The following shall be classified as software:

- Applications software - set of programming language that solve a specific task (examples: General Ledger, General Accounting, Payroll and other software packages).

- Systems Software - coordinate the computer system. They support the execution of other programs and the development of other types of Software, monitor the use of the machine's resources and manage the storage space efficiently (examples: assembler, compiler, operating system, database management system and utility programs).

- Environmental software - evaluates the efficiency of a computer system as well as internal control arrangements.

- Storage media - tape reels, floppy disks, cassette tapes, 3 ½ diskettes, hard disk pack

3. Other peripheral devices such as communication devices and networks that support the EDP machine shall likewise be considered:

Examples:

a. Modems

c. LAN analyzers

b. PABX

d. Computer interface and other related peripherals/ equipments.

4. Acquisition of the EDP Machines and/or associated systems software, environmental software and peripherals is hereby authorized provided that documents relative to the acquisition shall be made available to the Commission for verification whenever required. These shall be evidenced by (1) official receipts showing the date(s) and payment(s) and (2) other documents pertinent to such acquisition.

5. The acquisition cost/purchase price of the EDP Machine and/or associated systems software, environmental software and peripherals shall be amortized in equal annual amounts within a period of five (5) years from date of purchase thereof.

6. Total purchase (acquisition cost) of EDP Machines and corresponding software shall not exceed five percent (5%) of the company's total admitted asset based on the latest approved synopsis. Acquisition in excess of the 5% limit shall be subject to prior approval of the Insurance Commissioner.

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This Circular Letter shall take effect immediately.

Adopted: 10 Dec. 1993

(Sgd.) ADELITA A. VERGEL DE DIOS
Insurance Commissioner

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