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IMC No.	: 1-2010
Date	: January 29, 2010
Superseding	: Nil

INSURANCE MEMORANDUM CIRCULAR

TO: ALL INSURANCE COMPANIES, MUTUAL BENEFIT ASSOCIATIONS AND COOPERATIVE INSURANCE SOCIETIES DOING BUSINESS AND OPERATING IN THE PHILIPPINES

SUBJECT: REGULATIONS FOR THE PROVISION OF MICROINSURANCE PRODUCTS AND SERVICES

WHEREAS, the Insurance Commission, in line with the government's objective of poverty alleviation, recognizes the importance of providing social protection and appropriate safety nets for the poor;

WHEREAS, the National Strategy for Microfinance promotes the establishment of a viable and sustainable private financial market, including microinsurance for the poor,

WHEREAS, private sector providers of insurance play an important role in the provision of appropriate risk protection to the poor;

WHEREAS, a Regulatory Framework for Microinsurance was formulated by the Insurance Commission, in coordination with the Department of Finance-National Credit Council, other regulatory authorities, and the associations of life insurance companies, non-life insurance companies, cooperative insurance societies and mutual benefit associations ;

WHEREAS, the Regulatory Framework clearly specifies the details for the establishment of an appropriate policy and regulatory environment that will facilitate the increased participation of the private sector in microinsurance and ensure that the rights and privileges of the insured poor are protected and promptly acted upon;

WHEREAS, in recognition of the Framework and current developments, there is a need to amend Insurance Memorandum Circular 9-2006 dated October 25, 2006 emphasizing the need for microinsurance, promoting its

importance, defining its features and implementing regulations to ensure the safe and sound provision of microinsurance products to the poor;

NOW, THEREFORE, pursuant to the authority vested to the Commissioner under Section 414 of the Insurance Code, as amended, the following are hereby promulgated:

1. *Microinsurance* is an activity providing specific insurance, insurance-like and other similar products and services that meet the needs of the low-income sector for risk protection and relief against distress, misfortune and other contingent events. This shall include all forms of insurance, insurance-like and other similar activities with the following features:
 - 1.1. Premiums, contributions, fees or charges are collected/deducted prior to the occurrence of a contingent event; and
 - 1.2. Guaranteed benefits are provided upon occurrence of a contingent event.
2. *Microinsurance product* is a financial product or service that meets the risk protection needs of the poor where:
 - 2.1. The amount of premiums, contributions, fees or charges, computed on a daily basis, does not exceed five (5) percent of the current daily minimum wage rate for non-agricultural workers in Metro Manila; and
 - 2.2. The maximum sum of guaranteed benefits is not more than 500 times the daily minimum wage rate for non-agricultural workers in Metro Manila.

The maximum amount of premium and guaranteed benefits shall apply on a per product or per policy basis. In the case of a bundled product, this shall apply to each component of the bundled product.
3. All microinsurance contracts shall clearly state the benefits and terms of coverage. The key features of a microinsurance contract are provided for in Annex 1 of this Circular.
4. All insurance companies, cooperative insurance societies and mutual benefit associations licensed by the Insurance Commission may provide microinsurance products and services to their clients following prescribed regulatory and prudential requirements. These entities may offer bundled microinsurance products (e.g. life, non-life insurance, health and/or pre-need products) provided that:
 - 4.1. The bundled product shall comprise only of microinsurance products as defined in Section 2 of this Circular;

- 4.2. Each of the components of the bundled product is underwritten separately by the entities; and
- 4.3. The contract specifies that the lead microinsurance provider shall assume the liability for the bundled microinsurance products or services.
5. All microinsurance providers shall ensure the following:
 - 5.1. The contract shall bear the microinsurance logo (Annex 2) at the upper right hand corner thereof;
 - 5.2. Contract provisions can be easily understood by the insured and printed in English and/or Filipino. In case of conflict, the contract written in English shall prevail;
 - 5.3. Documentation requirements are simple; and
 - 5.4. Manner and frequency of collection of premiums, contributions, fees or charges coincide with the cash flows of the insured and are not onerous.
6. To facilitate the distribution of microinsurance products, a microinsurance agent/broker shall be licensed by the Insurance Commission.
 - 6.1. A microinsurance agent/broker shall not be required to take the regular licensure examination. He/she shall undergo a duly approved and prescribed microinsurance training program and pass a qualifying examination at the end of such training program.
 - 6.2. Licensed agents/broker are allowed to sell microinsurance products and services; Provided, that microinsurance agents/brokers shall sell only microinsurance products.
 - 6.3. In the case of Microinsurance Brokers/General Agents, they shall have a capitalization requirement equivalent to half of what is required for regular brokers / general agents.
 - 6.4. Microfinance Institutions or institutions engaged in microfinance operations may apply and be licensed as microinsurance agent, provided that:
 - 6.4.1. A soliciting agent is identified by the institution and;
 - 6.4.2. The institution sells microinsurance products only to its microfinance clients.

