



Republic of the Philippines
Department of Finance
INSURANCE COMMISSION
1071 United Nations Avenue
Manila



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Date	20 June 2016
Supersedes	None

CIRCULAR LETTER

TO : ALL MUTUAL BENEFIT ASSOCIATIONS (MBAs) DOING BUSINESS IN THE PHILIPPINES

SUBJECT : LOANS TO PARTNER MICROFINANCE INSTITUTIONS (MFIs)

In accordance with Sections 202, 204 and 411 of the New Insurance Code (RA 10607), MBAs may be allowed to grant loans to partner MFIs to finance their lending business to MFI clients, based on the following guidelines:

1. The MFI/s shall have a P. E. S. O. rating not lower than "2";¹
2. The total amount of loans granted by the MBA to all its partner MFIs shall not exceed 10% of the former's Total Admitted Assets (TAA) based on the latest verified financial statements or 20% of the Members' Equity/Paid-Up Capital of the partner MFI, whichever is lesser

¹ "Overall Adjectival Rating", Performance Standards for all Types of Microinsurance Institutions in the Philippines [accessed 17 February 2016], Part VII, Overall Adjectival Rating, p 11

- Rating 1 (90 to 100) – Excellent The MFI has strong performance that provides safe and sound operation The microfinance operations of institutions in this category are resistant to external shocks and financial disturbances and are able to withstand adverse changes in the business environment
- Rating 2 (80 to 89) – Very Satisfactory The MFI has a satisfactory performance They have safe and sound operations and are able to withstand business fluctuations However, there are some areas in operations that need special attention which, if left unchecked may negatively affect its microfinance operations
- Rating 3 (70 to 79) – Satisfactory. There are areas in the microfinance operations that need special mention Key performance measures indicate that the operations may be adversely affected may deteriorate further when left unchecked
- Rating 4 (Below 70) – Needs improvement. The microfinance operation has serious problems and needs close supervision

Available <http://www.microfinancecouncil.org/wp-content/uploads/2011/06/Performance-Standards-for-MFIs.pdf>

3. The loan shall be secured by a qualified security enumerated under Section 204 of the New Insurance Code (RA 10607);
4. The loan transaction shall be approved by the Board of Trustees and duly supported by a notarized loan agreement incorporating the following conditions
 - a) The MFI/s shall remit collections due the MBA within twelve (12) days after the end of each month; and
 - b) The MFI/s shall have a separate quarterly aging schedule of the loans granted to their clients and shall furnish copy of the same to the MBA concerned;
5. The loan to partner MFI/s shall be subject to prior approval of the Insurance Commission; and
6. The request for approval shall be accompanied by a risk management plan drawn up jointly by the MBA and MFI in relation to the administration of the loan.

Please be guided accordingly

This Circular shall take effect immediately.


EMMANUEL F. DOOC
Insurance Commissioner