CIRCULAR LETTER

TO : ALL INSURANCE COMPANIES, PRE-NEED COMPANIES AND MUTUAL BENEFIT ASSOCIATIONS AUTHORIZED TO TRANSACT BUSINESS IN THE PHILIPPINES

SUBJECT: SALARY LOANS EXTENDED TO DEPARTMENT OF EDUCATION (DepEd) TEACHERS

Pursuant to the provisions of Section 202 (j) of the Insurance Code, as amended by R.A. No. 10607 and in addition to the provisions of Section 34 of the Pre-need Code, salary loans extended to DepEd teachers shall qualify as admitted assets for insurance companies, mutual benefit associations (MBAs) and allowable investments for pre-need companies, subject to the following conditions:

1. Qualification - The following can extend salary loans to DepEd teachers:
   (a) Only those insurance companies and MBAs with funds representing earned surplus;
   (b) Those MBAs whose members are purely teachers and;
   (c) Pre-need companies with trust fund not lower than Php 100,000,000.00 can extend salary loans to DepEd teachers.

2. The Salary Loan Program shall be duly approved by the insurance or pre-need company's Board of Directors or MBA's Board of Trustees;

3. The loans should be paid regularly in equal installments under the terms and conditions of such loans;

4. The loan shall not be used as an inducement to solicit other insurance business;

5. The aggregate amount of loans shall be valued according to their unpaid balances but should not exceed thirty percent (30%) of the total assets for life insurance companies and MBAs and fifty percent (50%) of the net worth for non-life insurance companies as shown in the latest approved financial statements;
6. For the **pre-need companies**, investment in salary loans shall not exceed fifteen percent (15%) of the trust fund. This shall form part of the Other Investments with the corresponding limits provided under Section IV of IC Circular Letter No. 08-2012, dated 15 March 2012;

7. The investment in salary loan may include purchase of salary loan portfolios of reputable companies engaged in Teachers’ Loans, subject to the approval of the Insurance Commission.

8. The Salary Loan Program shall be covered by a Memorandum of Agreement between the insurance company, MBA or pre-need company and the DepEd, copy furnished this office;

9. The credit risk inherent to the loan granted shall be subject to the prescribed risk charge under the RBC2; and

10. This shall be considered as reserve investment.

For strict compliance.

DENNIS B. FUNA
Insurance Commissioner