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CIRCULAR LETTER

**TO : ALL INSURANCE/REINSURANCE COMPANIES AND
MUTUAL BENEFIT ASSOCIATIONS AUTHORIZED TO
TRANSACTION BUSINESS IN THE PHILIPPINES**

**SUBJECT : UPDATED RULES IMPLEMENTING THE TRUTH IN
LENDING ACT**

Cognizant of the need to enhance loan transaction transparency, uphold consumer protection, as well as promote healthy competition and ensure a level playing field among credit providers, the following rules and regulations are hereby prescribed for loans and receivables granted by insurance companies and mutual benefit associations.

A. Method of Computing Interest on Loans & Receivables:

The amount of interest shall be charged only based on the outstanding balance of a loan at the beginning of an interest period.

For a loan where principal is payable in installments, interest per installment period shall be calculated based on the outstanding balance of the loan at the beginning of each installment period.

B. As defined under IC-CL Nos. 33 & 34-2006

1. Loans and Receivables represents non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than:
 - a. those that the company intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the company upon initial recognition designates as fair value through profit or loss;