CIRCULAR LETTER

TO : ALL INSURANCE COMPANIES TRANSACTING SURETY BUSINESS

SUBJECT : OUTSTANDING LIABILITIES WITH VARIOUS COURTS, THE SUPREME COURT, AND THE BUREAU OF CUSTOMS

It has come to the attention of the Insurance Commission that outstanding liabilities with various courts, the Supreme Court, and the Bureau of Customs have persisted over the years inspite of the provisions of Section 241 of the Insurance Code, to wit:

Sec. 241. (1) No insurance company doing business in the Philippines shall refuse, without just cause, to pay or settle claims arising under coverages provided by its policies, nor shall any such company engage in unfair claim settlement practices. Any of the following acts by an insurance company, if committed without just cause and performed with such frequency as to indicate a general business practice, shall constitute unfair claim settlement practices:

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(b) failing to acknowledge with reasonable promptness pertinent communications with respect to claims arising under its policies;
(c) failing to adopt and implement reasonable standards for the prompt investigation of claims arising under its policies;
(d) not attempting in good faith to effectuate prompt, fair and equitable settlement of claims submitted in which liability has become reasonably clear; or
(e) compelling policyholders to institute suits to recover amounts due under its policies by offering without justifiable reason substantially less than the amounts ultimately recovered in suits brought by them.

(2) Evidence as to numbers and types of valid and justifiable complaints to the Commissioner against an insurance company, and the Commissioner's complaint experience with other insurance companies writing similar lines of insurance shall be admissible in evidence in an administrative or judicial proceeding brought under this section.

(3) If it is found, after notice and an opportunity to be heard, that an insurance company has violated this section, each instance of non-compliance with paragraph (1) may be treated as a separate violation of this section and shall be considered sufficient cause for the suspension or revocation of the company's certificate of authority.

Henceforth, all insurance companies transacting surety business are directed to clear all outstanding liabilities with various courts, the Supreme Court, and the Bureau of Customs within thirty (30) days from the effectivity of this circular.
Any case of non-compliance with this Circular shall be cause for suspension and/or non-renewal of license, without prejudice to other penalties applicable under the Insurance Code and such other penalties that may be imposed by the Insurance Commission.

This Circular shall take effect immediately.

[Signature]
EVANGELINE CRISOSTOMO-ESCOBILLO
Commissioner

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INSURANCE COMMISSION
RECEIVED
31 MAY 2006