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CIRCULAR LETTER

TO : ALL NON-LIFE INSURANCE COMPANIES DOING BUSINESS IN THE PHILIPPINES

SUBJECT : STRICT IMPLEMENTATION OF THE MINIMUM RATES FOR EARTHQUAKE AND FIRE AND SHOCK AND TYPHOON AND FLOOD

It has come to the attention of this Commission that excessive competition has resulted in companies charging rates for Fire and Allied Perils, which are not commensurate with the risks carried. This could affect the ability of the companies to meet their obligations under their policies.

As an initial step towards protecting the long-term viability of the industry and the welfare of its clients, this Commission enjoins all companies to strictly comply with the following minimum rates for Natural Perils as follows:

Earthquake Fire & Shock 0.10%
Typhoon & Flood 0.05%

The deductibles applied should be per those specified in the PIRA Fire Manual of 1998.

Strict compliance of the above will be enforced on all policies with inception dates of August 1, 2006, onwards.

Violation of this Circular shall be dealt with as follow as:

- i. **first offense** the company will be required to pay a penalty equivalent to 50% of the difference between the above rates and actual premium charged
- ii. **second offense** the company will be required to pay a penalty equivalent to 75% of the difference between the above rates and the actual premium charged
- iii. **third offense and for each offense thereafter**, the company will be required to pay a penalty equivalent to 100% of the difference between the above rates and the actual premium charged

Please be guided accordingly.



Evangelina Crisostomo Escobillo
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