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Department of Finance
INSURANCE COMMISSION
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Supersedes :

CIRCULAR LETTER

TO : ALL INSURANCE COMPANIES AND MUTUAL BENEFIT ASSOCIATIONS (MBAs)

SUBJECT : NEW RULES ON CONTINGENCY FUNDS, FUTURE FUNDS, BENEFIT ENHANCEMENT FUNDS, AND SIMILAR RIDERS

The Insurance Commission shall no longer allow insurance companies and MBAs to issue or renew 'contingency funds,' 'future funds,' 'benefit enhancement funds,' and any other riders similar to any and all of the subject riders, that accumulate or permit the accumulation of fund deposits or contributions in excess of the total future premiums under an insurance policy. The approval of all previous riders of similar nature to the subject riders shall be deemed revoked.

The rationale for this rule is that insurance rider features of this import indirectly or directly result to insurers and MBAs engaging or partaking of quasi-banking functions, contrary to law and regulations. This prohibition applies whether such rider is attachable to an individual insurance policy or to a group insurance policy.

Henceforth, insurance companies and MBAs can only issue Premium Deposit Fund riders that limit the maximum amount that may be held, at any time, in the fund to the total future premiums due under the insurance policy. In the case of renewable policies, the maximum amount that may be held in the fund must not exceed the total premiums payable until the renewal date of the said policy.



Jose Angel C. Cuatrecasas

For riders already issued, insurance companies and MBAs are given two (2) years from the effectivity of this Circular within which to refund to the policyholder the amount in the fund in excess of the total future premiums due under the policy. At least forty percent (40%) of such excess funds must be paid out by December 31, 2007 and all of the remaining balance must be paid out in 2008.

Item V – Contingency Fund Rider of the Guidelines Relative to Products Approval (Annex E) under Circular Letter No. 27-2005 on the Expeditious Approval of Traditional Life Insurance Products shall no longer apply.

A fine of five hundred pesos (P500.00) per day for every policy found to be non-compliant with this Circular, in whole or in part, is hereby imposed. This is without prejudice to other administrative sanctions provided for under the Insurance Code, including but not limited to suspension of license, that may be imposed, taking into account the frequency and gravity of the violation/s.

This Circular shall take effect immediately.


EVANGELINE CRISOSTOMO-ESCOBILLO
Commissioner

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Copy furnished:

THE HONORABLE MARGARITO B. TEVES
Secretary
Department of Finance