



Republic of the Philippines
Department of Finance
INSURANCE COMMISSION
1071 United Nations Avenue
Manila



PRESS RELEASE

20 May 2020

IC INCREASES THRESHOLD AMOUNT OF FINANCIAL ASSISTANCE TO OFFICERS, EMPLOYEES, AND SALES ASSOCIATES OF INSURANCE COMPANIES

As a form of regulatory relief during the 2019 Coronavirus Disease (COVID-19) Pandemic, the Insurance Commission (“IC”) raised the limitation imposed on the aggregate amount of financial assistance that may be given to officers, employees, and sales associates of insurance companies.

On 18 May 2020, the IC issued Circular Letter No. 2020-63 on “Regulatory Relief from the Exposure Limit Applied to Financial Assistance Program of Insurance Companies”. The new Circular Letter temporarily increased the threshold amount provided in Circular Letter No. 2014-20 dated 15 May 2014 as a response to the adverse financial and economic effects brought by the COVID-19 pandemic.

“The Insurance Commission is continuously thinking of ways how to help our stakeholders who have been affected by the COVID-19 pandemic. This new Circular Letter came as a breakthrough for us because through it, we can simultaneously help the officers, employees, and sales associates of insurance companies while softening the blow of the pandemic to the financial condition of said companies,” said Insurance Commissioner Dennis B. Funa.

It will be recalled that Circular Letter No. 2014-20 dated 15 May 2014 provides that up to a maximum of six percent (6%) of an insurance company’s net worth as shown in its latest approved synopsis may be utilized to extend financial assistance to its officers, employees, and sales associates in the following forms, *viz*:

1. Car loans / lease-purchase plans for officers, employees, and sales associates subject to a maximum availment per borrower;
2. Financial assistance / emergency loans to said officers, employees, and sales associates;
3. Loans to said officers, employees, and sales associates for the purchase of computers and office equipment, secured by chattel mortgage over said equipment; and
4. Salary loans up to a maximum of six (6) months’ salary.

Circular Letter No. 2020-63 adjusted this six percent (6%) ceiling in Circular Letter No. 2014-20 to twenty percent (20%).

“This new Circular Letter has a two (2)-fold benefit. First, the increased threshold benefits the insurance company’s officers, employees, and sales associates that were adversely affected by the pandemic because an increased amount of financial assistance will now be made available to them. Second, the increased ceiling likewise benefits the insurance company itself because the fourteen percent (14%) increase provided by the new Circular Letter may now be considered as additional admitted assets for the company,” Commissioner Funa explained.

Section 2 of Circular Letter No. 2020-63 provides that, as a rule, the increased threshold shall only be allowed for the financial reporting periods covering 2020.

“While this relief is only temporary, the IC can extend the effectivity of this regulatory relief depending on prevailing circumstances,” added Commissioner Funa.



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