



January 29, 2010

JOINT IC-CDA-SEC MEMORANDUM CIRCULAR NO. 01 - 2010

SUBJECT: DEFINING GOVERNMENT'S POLICY ON INFORMAL INSURANCE ACTIVITIES

WHEREAS, under the Insurance Code of the Philippines, entities that will undertake or are undertaking insurance activities are required to secure a Certificate of Authority from the Insurance Commission before these entities can transact an insurance business;

WHEREAS, under Chapter XIII of the Cooperative Code of 2008, cooperatives registered with the Cooperative Development Authority that are undertaking or will undertake insurance activities are required to comply with the provisions of the Insurance Code, including the requirement of securing a Certificate of Authority from the Insurance Commission;

WHEREAS, there are private entities including non-profit organizations registered with the Securities and Exchange Commission and other entities providing insurance products and/or undertaking informal risk protection schemes to their clients/members without the required Certificate of Authority from the Insurance Commission;

WHEREAS, the members/clients of these institutions engaged in self-insurance or informal insurance schemes without the requisite Certificate of Authority from the Insurance Commission are exposed to certain risks;

WHEREAS, it is of utmost importance to protect the general public from unsafe and unsound insurance and informal risk protection schemes.

NOW, THEREFORE, pursuant to the authority vested in us under existing laws the following are hereby promulgated:

1. All entities that will engage or are engaged in insurance activities, including microinsurance, are hereby required to secure a Certificate of Authority from the Insurance Commission. For this purpose, insurance activity is hereby defined as an activity wherein:
 - 1.1. Contributions/premiums are regularly collected prior to the occurrence of a contingent event; and

1.2. Guaranteed benefits are provided upon the occurrence of a contingent event.

This definition excludes risk pooling practices such as the “damayan” or “abuloy” system wherein the individuals or groups of individuals voluntarily pledge and contribute a certain amount of money to a fund and the benefits are not pre-determined but are contingent to the amounts collected. Membership to the fund is voluntary and the amount collected in such fund or portions thereof will be given to the aggrieved party (who is likewise a contributor to the fund) upon the occurrence of an unforeseen or contingent event.

2. Entities including cooperatives and non-government organizations currently engaged in unauthorized insurance or insurance-like activities (hereinafter referred to as informal insurance providers) shall terminate their informal insurance or insurance-like activities within one (1) year from the effectivity of this Circular.
3. To ensure smooth transition and to continually provide insurance coverage of their members or clients within the one-year transition period, these informal insurance providers may enter into formal arrangements with authorized insurance providers by:
 - 3.1. Partnering with commercial insurance companies that will provide approved insurance products and services either under a group or individual insurance policy contract; or
 - 3.2. Having their members/clients become members of authorized cooperative insurance providers or mutual benefit associations of their choice.
4. For informal insurance providers that will continually engage in insurance business and thereby undertake insurance activities, they shall, within two (2) years from effectivity of this Circular, organize themselves into an insurance provider and secure a Certificate of Authority from the Insurance Commission as a:
 - 4.1. Life or Non-Life Insurance Company;
 - 4.2. Cooperative Insurance Provider; or
 - 4.3. Mutual Benefit Association.
5. The Insurance Commission (IC), Securities and Exchange Commission (SEC) and the Cooperative Development Authority (CDA) shall collaborate and exchange information, and undertake the necessary measures including the issuance of cease and desist orders, after due notice and hearing, to ensure that insurance providers are operating within the provisions of the Insurance Code and other appropriate laws, rules and regulations.


6. All issuances, circulars and regulations that are inconsistent with the provisions of this Joint Memorandum Circular are hereby repealed accordingly.

This Circular shall take effect fifteen (15) days after publication in a newspaper of general circulation in the Philippines.

Signed this 29th day of January, 2010, Manila, Philippines.



EDUARDO T. MALINIS
Insurance Commissioner
Insurance Commission

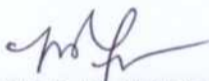


FE B. BARIN
Chairperson
Securities and Exchange Commission



LECIRA V. JUAREZ
Chairperson
Cooperative Development Authority

Noted by:



MARGARITO B. TEVES
Secretary
Department of Finance