

IMC No	:	2 -2006
Date	:	April 24, 2006

INSURANCE MEMORANDUM CIRCULAR NO. 2 - 2006

SUBJECT: INCREASE IN THE AMOUNT OF GUARANTY FUND OF MUTUAL BENEFIT ASSOCIATIONS

WHEREAS, the primordial purpose of mutual benefit associations is to provide for its members sick benefits, financial support while out of employment, or death benefits to relatives of deceased members; the socio-economic impact of mutual benefit associations, whose members, more often than not, belong to the less advantaged sectors of our society, is inestimable;

WHEREAS, because of their purpose and social impact, mutual benefit associations are regulated by the Insurance Commission;

WHEREAS, to the prejudice of hundreds of thousands of members, a number of mutual benefit associations have failed because of mismanagement and failure to comply strictly with the provisions of the Code;

WHEREAS, failed and non-compliant mutual benefit associations prejudice the interest of their members, other stakeholders, and the general public as a whole;

WHEREAS, the Code provides for the constitution and establishment of a Guaranty Fund to answer for any valid benefit claim of any of its members;

WHEREAS, there is a compelling need to increase the Guaranty Fund of mutual benefit associations to protect the interest of their members, other stakeholders, and the general public as a whole;

NOW, THEREFORE, pursuant to the authority vested in me under Section 392 of the Insurance Code, as amended, the following are hereby promulgated:

- I. On or before December 31, 2006, all existing mutual benefit associations must have a Guaranty Fund of Twelve Million and Five Hundred Thousand Pesos (P12,500,000.00).
- II. Effective July 1, 2006, any new mutual benefit association or one that is sought to be rehabilitated must have an initial Guaranty Fund equivalent to not less than twenty five percent (25%) of the minimum paid-up capital required for new insurance companies or One Hundred Twenty Five Million Pesos (P 125,000,000.00).

III. All mutual benefit associations shall deposit with the Insurance Commission the amount of Guaranty Fund required in cash or in government securities with a total value equal to such amount.

IV. The Commission shall invest the moneys received in government securities or in interest-bearing deposits with any financially-sound commercial bank or trust entity for the account of the particular mutual benefit association constituting the Guaranty Fund.

The Insurance Commission may issue such other guidelines as it deems necessary to enforce the provisions of this Circular.

This Circular shall take effect on May 15, 2006.

(SGD.) EVANGELINE CRISOSTOMO-ESCOBILLO
Commissioner

Approved:

(SGD.) MARGARITO B. TEVES
Secretary
Department of Finance