



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



**PRESS RELEASE**  
**27 September 2017**

## **PRE-NEED COMPANIES MAY NOW EXTEND LOANS TO DEPED TEACHERS**

Insurance Commissioner Dennis B. Funa recently signed Circular Letter No. 2017-42 prescribing the amended rules on admissibility of salary loans extended to the teachers of the Department of Education (DepEd) as assets of IC-regulated entities.

Prior to such Circular Letter, salary loans extended to DepEd teachers qualify as admitted assets of insurance companies and mutual benefit associations only.

Under the amended rules, the salary loans extended to DepEd teachers are now considered as allowable investments for pre-need companies with trust funds of not lower than One Hundred Million (P100 million) provided that such investment in salary loans shall not exceed fifteen percent (15%) of the trust fund.

Commissioner Dennis B. Funa said, "The move to amend the previous Circular Letter is aimed to increase the number of regulated entities which can offer salary loans to DepEd teachers and allow IC-regulated entities to intensify their investment opportunities by increasing threshold."

"Furthermore, to make this type of investment viable and beneficial to other regulated entities, the Commission increased the threshold in the amount of investments of insurance companies and mutual benefit associations," he added.

Under the old rules, the aggregate amount of salary loans extended to DepEd teachers shall not exceed twenty percent (20%) of the total assets of a life insurance company and mutual benefit association and twenty percent (20%) of the networth of non-life insurance company.

Under the amended rules, the threshold for life insurance companies and mutual benefit associations is now thirty percent (30%) of its total assets while the threshold for non-life insurance companies is now fifty percent (50%) of its net worth.

The threshold shall be based on the latest approved financial statements of each company or association.

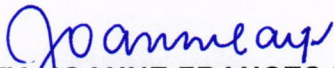
In addition, insurance companies, mutual benefit associations and pre-need companies are now authorized to purchase salary loan portfolios of reputable

companies engaged in Teachers' Loans, subject to the approval of the Insurance Commission.

Under the IC rules, the Salary Loan Program of these entities are required to be covered by a Memorandum of Agreement with the DepEd.

The credit risk inherent to the loan granted shall be subject to the prescribed risk charge under the RBC2.

Circular Letter No. 2017-42 was drafted after the consultation with the Investment Advisory Committee composed of the representatives from the Insurance Commission, the Philippine Life Insurers Association, Inc., the Philippine Insurers and Reinsurers Association, Inc., the Federation of Pre-Need Companies, and Chamber of Mutual Benefit Association, Inc.



**ATTY. JOANNE FRANCES D.C. CASTRO**

*Media Relations Officer*

*jfdc.castro@insurance.gov.ph*