



Republic of the Philippines
Department of Finance
INSURANCE COMMISSION
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Manila



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“UNSAFE AND UNSOUND” INSURANCE PRACTICES DEFINED

Insurance companies engaged in “unsafe” and “unsound” practices will be probed, or else, fined, according to the rules issued by the Insurance Commission.

Insurance Commissioner Dennis B. Funa signed Circular Letter No. 2017-59 defining the term “unsafe business acts or practices” of insurance companies, reinsurance companies, mutual benefit associations, intermediaries, and adjustment companies.

The new regulation was issued after reviewing the unimplemented provision of the Insurance Code which empowers the Insurance Commission to penalize insurance companies, their directors, officers and/or agents for conducting business in an unsafe or unsound manner.

“The broad definition under the existing law could easily be challenged if the Commission would not clarify the definitions of prohibited acts that constitute violations of the law. A regulation clearly defining the same was issued to put more teeth in the regulation of the insurance industry,” Commissioner Funa said.

As defined under the new regulation, unfair business practices are broadly classified into: misrepresentation to the public, unfair discrimination, unfair claims management, misrepresentation in insurance applications or claims, failure to effectively control and supervise its agent/s, and failure to respond to regulatory inquiries.

Commissioner Funa emphasized that, “The definition provided under the said Circular Letter only covers those arising from the contractual relationship of these entities with the insuring public. It does not cover business practices likely to cause insolvency or substantial dissipation of assets or earnings of a covered entity or likely to weaken its financial condition.”

Other practices that may be considered unsafe or unsound are:

- Misrepresentation relating to terms and conditions of an insurance policy;
- Misleading or making false representation or incomplete comparison of policies for the purpose of inducing or tending to induce a person to lapse, forfeit, or surrender his said insurance;
- Failing to disclose all applicable charges;
- Advertising an insurance product which has not been approved by the Commission in a misleading manner;
- Failing to promptly acknowledge receipt of claims, to adopt and implement reasonable standards for prompt investigation of an insurance claim;