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| <b>Circular Letter (CL) No.:</b> | <b>2022-32</b>                                     |
| <b>Date:</b>                     | <b>6 July 2022</b>                                 |
| <b>Supplements/ Amends:</b>      | <b>CL No. 2020-096A Section 1.10 (Examination)</b> |

## CIRCULAR LETTER

**TO : ALL MANAGEMENT COMPANIES AUTHORIZED TO DO BUSINESS IN THE PHILIPPINES UNDER THE PERSONAL PASSENGER ACCIDENT INSURANCE (PPAI) PROGRAM**

**SUBJECT : EXAMINATION/VERIFICATION RULES AND PROCEDURES**

**WHEREAS**, Circular Letter (CL) Nos. 2020-096, 2020-096A and 2020-108 provide for the Framework for Passenger Personal Accident Insurance (PPAI) for Public Utility Program. Currently, the PPAI Program is the only known and licensed insurance pool.

**WHEREAS**, Section 1.1 of CL No. 2020-096A states that "Each pool shall have a duly appointed Management Company duly licensed as a General Agent by this Commission that shall handle day to day operations of the pool in order to ensure the fiscal stability and viability of the program and particularly, to be able to respond to claims quickly and effectively."

**WHEREAS**, Section 314 of the Amended Insurance Code provides "*that an application for the issuance or renewal of a license to act as an insurance agent or insurance broker may be refused, or such license, if already issued or renewed, shall be suspended or revoked if the Commissioner finds that the applicant for, or holder of, such license: ...has been guilty of fraudulent or dishonest practices; or has misappropriated or converted to his own use or illegally withheld moneys required to be held in a fiduciary capacity.*"

**WHEREAS**, Section 1.10 (Examination) of the same CL provides that "the Commission shall at least once a year and whenever the public interest so demands, cause an examination to be made to ensure compliance with the requirements provided in this Section. The Commission may, in connection with any examination, require the production of all documents relevant to the implementation of the Program."

**WHEREAS**, Section II.2. of CL No. 2020-096 states that any complaint for non-payment of claims or failure to pay the claim within the time required by the Commission or the Land Transportation Franchising and Regulatory Board (LTFRB), or both, by any insured public utility vehicle operator or transport group representing the insured public utility vehicle operator shall be dealt with severely and may lead to disqualification and/or blacklisting of the concerned Management Company and insurance pool from the program.

**WHEREAS**, Insurance Core Principle (ICP) 18 on Intermediaries states that where appropriate, the insurance supervisor shall apply and observe supervisory measures on licensed insurance intermediaries.

**WHEREAS**, under Section 437(d) of the Amended Insurance Code, the Insurance Commissioner shall have the powers and authority to prepare, approve, amend, or repeal rules, regulations and orders, and issue opinions and provide guidance and supervise compliance with such rules, regulations, and orders.

**NOW, THEREFORE**, pursuant to the authority vested to the Insurance Commissioner under Section 437(d) of the Amended Insurance Code, the Examination/Verification Rules and Procedures for Management Companies under the PPAI Program are hereby promulgated:

#### **SECTION 1: COVERAGE**

- 1.1. This Framework shall govern all management companies with Certificates of Authority/License under CL No. 2020-096A or the Amended Framework for PPAI for Public Utility Vehicles.
- 1.2. This CL does not cover the examination/verification of the Lead insurance company and member insurance companies that are covered in other provisions of the Code, as amended, and pertinent CLs.

#### **SECTION 2: OBJECTIVES**

The objectives of this CL are:

- 2.1. To supplement the enforcement of Section 1 Subsections 2 (Paid-up Capital), 6 (Claims Fund) and 10 (Examination) of CL No. 2020-096A;
- 2.2. To provide statutory reporting requirements for management companies; and
- 2.3. To exercise the authority and power of the IC to refuse renewal, suspend or revoke the license of any insurance pool, management company and member insurance companies in accordance with Section 314 of the Amended Insurance Code.