

IMC No:	9 -2006
Date:	October 25, 2006
Superseding:	New

INSURANCE MEMORANDUM CIRCULAR

TO: ALL INSURANCE COMPANIES AND MUTUAL BENEFIT ASSOCIATIONS DOING BUSINESS AND OPERATING IN THE PHILIPPINES

SUBJECT: MICROINSURANCE REGULATION AND DECLARATION OF POLICY OBJECTIVES

WHEREAS, the Medium-Term Philippine Development Plan 2004-2010 considers poverty alleviation a principal development objective and with the stated goal of giving the disadvantaged sector preferential access to social protection, safety nets, and access to financial services such as microfinance;

WHEREAS, even as poor households are most vulnerable to risks associated with uncertain losses such as death, illness, or injury of a family member, micro-savings, micro-credit, and allied services available through microfinance are insufficient to enable the disadvantaged to cope with the risks they face and recognizing thus, many microfinance institutions and mutual benefit associations have made insurance products available to their members;

WHEREAS, the Insurance Code recognizes the significance of making insurance accessible to the disadvantaged, providing for industrial life insurance and regulating mutual benefit associations under Sections 229 to 231 and Sections 390 to 409, respectively, thereof;

WHEREAS, to adequately address and provide for the insurance needs of the disadvantaged, there is a need to recognize and promote the importance of

microinsurance, define its features, and ensure that the delivery of microinsurance services to the disadvantaged is done in a safe and sound manner;

WHEREAS, ensuring the security of the insuring public necessitates that the government set strict compliance and performance standards for all microinsurance providers, such as, but may not be limited to, mutual benefit associations providing microinsurance products and services to their members.

NOW, THEREFORE, pursuant to the authority vested in me under Section 414 of the Insurance Code, as amended, the following are hereby promulgated:

- I. The term “microinsurance” shall refer to the insurance business activity of providing specific insurance products that meet the needs of the disadvantaged for risk protection and relief against distress or misfortune.
- II. A “microinsurance product” is an insurance policy whereby:
 - a. The amount of premium computed on a daily basis does not exceed ten percent (10%) of the current daily minimum wage rate for non-agricultural workers in Metro Manila; and
 - b. The maximum amount of life insurance coverage is not more than five hundred (500) times the daily minimum wage rate for non-agricultural workers in Metro Manila.
- III. All microinsurance policies shall clearly identify the face amount, benefits, and terms of the insurance coverage and microinsurance providers shall ensure that:
 - a. The contract provisions can be easily understood by the insured;
 - b. The documentation requirements are simple; and
 - c. The manner and frequency of premium collections coincides with the cash-flow of, or otherwise not onerous for, the insured.
- IV. Any mutual benefit association wholly engaged in the business of providing microinsurance for their members shall be referred to as a “Microinsurance MBA.” Any existing and/or new MBA shall be considered wholly engaged in microinsurance if:
 - a. It only provides microinsurance policies to its members; and
 - b. It has at least five thousand (5,000) member-clients.

- V. All microinsurance MBA's must be possessed of a Guaranty Fund equivalent to not less than five million pesos (₱ 5,000,000.00) on or before December 31, 2006. This minimum amount shall be maintained at all times. Every year thereafter, all microinsurance MBA's must increase their Guaranty Fund by an amount equivalent to five percent (5%) of their gross premium collections until the amount of the Guaranty Fund shall reach twelve and a half percent (12.5%) of the required capital for domestic life insurance companies.
- VI. To ensure stability, viability, and the delivery of appropriate services to their members, microinsurance MBAs shall be evaluated and monitored on the basis of a set of performance standards to be established by the Insurance Commission covering the areas of solvency and stability, efficiency, governance, understanding of the product by the client, risk management, outreach, and such other areas deemed by the Insurance Commission to be critical to the continuing viability, growth, and development of microinsurance MBA's.

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 November 15, 2006.

(SGD.) EVANGELINE CRISOSTOMO-ESCOBILLO
Commissioner

Approved:

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