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| Advisory No.:   | <b>RS-2022-040</b>                         |
| Classification: | <b>Regulatory and Supervisory Advisory</b> |
| Date:           | <b>28 October 2022</b>                     |

## **INSURANCE COMMISSION ADVISORY**

**TO** : ALL REGULAR AND MICROINSURANCE MUTUAL BENEFIT ASSOCIATIONS (MBAs) AUTHORIZED TO TRANSACT BUSINESS IN THE PHILIPPINES

**SUBJECT** : DRAFT CIRCULAR LETTER (CL): INCREASE IN GUARANTY FUND OF REGULAR AND MICROINSURANCE MBAs

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Insurance Memorandum Circular (IMC) No. 2-2006 dated 24 April 2006 was issued mandating all existing MBAs to increase their Guaranty Fund to Twelve Million Five Hundred Thousand Pesos (₱12,500,000.00) on or before 31 December 2006; while new MBAs or one that is sought to be rehabilitated must possess an initial Guaranty Fund equivalent to not less than 25% of the minimum paid-up capital required for new insurance companies or One Hundred Twenty Five Million Pesos (₱125,000,000.00) effective 01 July 2006.

Thereafter, IMC No. 9-2006 dated 25 October 2006 was issued requiring all microinsurance MBAs to possess a Guaranty Fund equivalent to not less than Five Million Pesos (₱5,000,000.00), which shall be maintained at all times. It further states that every year thereafter, all microinsurance MBAs 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 reaches 12.5% of the required capital for domestic life insurance companies.

The disparity between the established regulations on regular and microinsurance MBAs necessitates an update and harmonization of the Guaranty Fund requirement. Moreover, the aforementioned ceiling of 12.5% is determined to be lower than the requirement under the Amended Insurance Code. Hence, there is a need to increase the existing Guaranty Fund to a maximum amount equal to 25% of the minimum net worth requirement for domestic life insurance companies.

Relative thereto, all regular and microinsurance MBAs are hereby requested to provide comments/feedback on the contents of the attached draft CL using the prescribed format below:

| Section/Provision | Comment/s | Recommendation/s |
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Comments/feedback shall be submitted to the Life/MBAs/Trust Division (LMTD) through the following e-mail addresses on or before 15 November 2022:

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|--------------------------------|--|
| 1. Mr. Allan M. Abella         | <a href="mailto:am.abella@insurance.gov.ph">am.abella@insurance.gov.ph</a>       |
| 2. Mr. Carlo F. Garcia         | <a href="mailto:cf.garcia@insurance.gov.ph">cf.garcia@insurance.gov.ph</a>       |
| 3. Mr. Mark Anthony J. Parinas | <a href="mailto:maj.parinass@insurance.gov.ph">maj.parinass@insurance.gov.ph</a> |



**DENNIS B. FUNA**  
Insurance Commissioner

