



Legal Opinion No.	2023-04
Date:	17 January 2023

MS. DALLY DALISAY

dally.dalisay@axa.com.ph

AXA Philippines
286 Philippine AXA Life Centre,
Sen. Gil Puyat Avenue, Makati City

**SUBJECT: INQUIRY ON THE GRACE PERIOD
REQUIREMENT FOR MICROINSURANCE
POLICIES**

Dear Ms. Dalisay,

This pertains to your e-mail sent last 14 October 2022, by which you sought this Commission's "x x x guidance on the implementation of the grace period requirement for microinsurance".

In said e-mail, you made the following queries, to wit:

1. "Is the 45-day grace period fixed, meaning it cannot be less than 45 days regardless of the payment mode?"
2. "If we can define it, can we give different grace periods depending on the payment mode:

For example:

- a. *For weekly pay plans, grace period will be 7 days*
- b. *For monthly pay plans, grace period will be 30 days*
- c. *For annual pay plans, grace period will be 45 days"*

I. Background

Notably, the "grace period" given to policyholders under Section 77 of Presidential Decree ("P.D.") No. 612 ("Old Insurance Code") operates as an exception to the rule that an insurer is entitled to premium payment "as soon as the thing insured is exposed to the peril insured against".

Under Section 227 (a) of the Old Insurance Code applicable to individual life or endowment insurance and Section 228 (a) applicable to group life insurance policies, the grace period is thirty (30) days or one (1) month. For industrial life policies, the

grace period under Section 230 (a) of the Old Insurance Code provides for a grace period of four (4) weeks.

It should be stressed that there were no provisions on microinsurance in the Old Insurance Code, much less about grace periods pertaining to said product.

Pursuant to the Medium-Term Philippine Development Plan 2004-2010, Insurance Memorandum Circular ("IMC") No. 9-2006 dated 25 October 2006 was issued, providing for *Microinsurance Regulation and Declaration of Policy Objectives*. This was later amended by IMC No. 1-2010, entitled *Regulations for the Provision of Microinsurance Products and Services*.

Under Annex 1 ("*Key Features of a Microinsurance Contract*"), Part II (A) of IMC No. 1-2010, specifically for "**life microinsurance contracts only**", a grace period of **forty-five (45) calendar days** was prescribed. However, in the case of "**non-life microinsurance contracts**", a provider is directed to "*send notice to the microinsurance clients at least 45 days prior to the expiration of the contract*".

In 2012, Republic Act No. 10607 ("*Amended Insurance Code*") was enacted into law, thereby amending the Old Insurance Code.

Title 6 ("*Microinsurance*") of the Amended Insurance Code did not specify any grace period for microinsurance products. The provision of Section 77 of the Old Insurance Code on the grace period were maintained as Section 77 of the Amended Insurance Code. Meanwhile, the grace periods under the Old Insurance Code, i.e., Section 227 (a) for individual life or endowment insurance, Section 228 (a) for group life insurance policies, and Section 230 (a) for industrial life policies, were retained as Sections 233 (a), 234 (a), and 236 (a) of the Amended Insurance Code, respectively.

II. Answers to Queries

In reply to the first query, IMC No. 1-2010 provides that, as regards life microinsurance contracts, the insured is entitled to a maximum grace period of forty-five (45) calendar days from date of premium/contribution payment, which grace period shall be within the effectivity of the contract.

A perusal of the circular shows that the condition pertaining to the grace period is one of the key features of a microinsurance contract; and hence, indispensable. Said condition clearly shows the right of the insured to be entitled to a grace period of forty-five (45) calendar days from date of default, which period shall be within the effectivity of the life microinsurance policy. It is only after such period that the policy will lapse and may be cancelled by the insurer for non-payment of premiums.

As to the second query, the forty-five (45)-day grace period is fixed and cannot be reduced regardless of premium payment terms. The applicable provision does not distinguish whether the insured is under a weekly, monthly, and annual payment plan arrangement as they are all entitled to a maximum grace period of forty-five (45) calendar days from the date of default.

Please note that the above opinion rendered by this Commission is based solely on the particular facts disclosed in the query and relevant only to the particular issues raised therein and shall not be used, in any manner, in the nature of a standing rule binding upon the Commission in other cases whether for similar or dissimilar circumstances.

For your information and guidance.

Thank you very much.

Very truly yours,



DENNIS B. FUNA
Insurance Commissioner



Cc: **Mr. Bernardo Serrano Lopez**
President and CEO
AXA Philippines