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**INSURANCE COMMISSION**  
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## **INSURANCE MEMORANDUM CIRCULAR**

**TO:** ALL INSURANCE COMPANIES, MUTUAL BENEFIT ASSOCIATIONS AND COOPERATIVE INSURANCE SOCIETIES DOING BUSINESS AND OPERATING IN THE PHILIPPINES

**SUBJECT:** REGULATIONS FOR THE PROVISION OF MICROINSURANCE PRODUCTS AND SERVICES

WHEREAS, the Insurance Commission, in line with the government's objective of poverty alleviation, recognizes the importance of providing social protection and appropriate safety nets for the poor;

WHEREAS, the National Strategy for Microfinance promotes the establishment of a viable and sustainable private financial market, including microinsurance for the poor,

WHEREAS, private sector providers of insurance play an important role in the provision of appropriate risk protection to the poor;

WHEREAS, a Regulatory Framework for Microinsurance was formulated by the Insurance Commission, in coordination with the Department of Finance-National Credit Council, other regulatory authorities, and the associations of life insurance companies, non-life insurance companies, cooperative insurance societies and mutual benefit associations ;

WHEREAS, the Regulatory Framework clearly specifies the details for the establishment of an appropriate policy and regulatory environment that will facilitate the increased participation of the private sector in microinsurance and ensure that the rights and privileges of the insured poor are protected and promptly acted upon;

WHEREAS, in recognition of the Framework and current developments, there is a need to amend Insurance Memorandum Circular 9-2006 dated October 25, 2006 emphasizing the need for microinsurance, promoting its

importance, defining its features and implementing regulations to ensure the safe and sound provision of microinsurance products to the poor;

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

1. *Microinsurance* is an activity providing specific insurance, insurance-like and other similar products and services that meet the needs of the low-income sector for risk protection and relief against distress, misfortune and other contingent events. This shall include all forms of insurance, insurance-like and other similar activities with the following features:
  - 1.1. Premiums, contributions, fees or charges are collected/deducted prior to the occurrence of a contingent event; and
  - 1.2. Guaranteed benefits are provided upon occurrence of a contingent event.
2. *Microinsurance product* is a financial product or service that meets the risk protection needs of the poor where:
  - 2.1. The amount of premiums, contributions, fees or charges, computed on a daily basis, does not exceed five (5) percent of the current daily minimum wage rate for non-agricultural workers in Metro Manila; and
  - 2.2. The maximum sum of guaranteed benefits is not more than 500 times the daily minimum wage rate for non-agricultural workers in Metro Manila.

The maximum amount of premium and guaranteed benefits shall apply on a per product or per policy basis. In the case of a bundled product, this shall apply to each component of the bundled product.
3. All microinsurance contracts shall clearly state the benefits and terms of coverage. The key features of a microinsurance contract are provided for in Annex 1 of this Circular.
4. All insurance companies, cooperative insurance societies and mutual benefit associations licensed by the Insurance Commission may provide microinsurance products and services to their clients following prescribed regulatory and prudential requirements. These entities may offer bundled microinsurance products (e.g. life, non-life insurance, health and/or pre-need products) provided that:
  - 4.1. The bundled product shall comprise only of microinsurance products as defined in Section 2 of this Circular;



- 4.2. Each of the components of the bundled product is underwritten separately by the entities; and
- 4.3. The contract specifies that the lead microinsurance provider shall assume the liability for the bundled microinsurance products or services.
5. All microinsurance providers shall ensure the following:
  - 5.1. The contract shall bear the microinsurance logo (Annex 2) at the upper right hand corner thereof;
  - 5.2. Contract provisions can be easily understood by the insured and printed in English and/or Filipino. In case of conflict, the contract written in English shall prevail;
  - 5.3. Documentation requirements are simple; and
  - 5.4. Manner and frequency of collection of premiums, contributions, fees or charges coincide with the cash flows of the insured and are not onerous.
6. To facilitate the distribution of microinsurance products, a microinsurance agent/broker shall be licensed by the Insurance Commission.
  - 6.1. A microinsurance agent/broker shall not be required to take the regular licensure examination. He/she shall undergo a duly approved and prescribed microinsurance training program and pass a qualifying examination at the end of such training program.
  - 6.2. Licensed agents/broker are allowed to sell microinsurance products and services; Provided, that microinsurance agents/brokers shall sell only microinsurance products.
  - 6.3. In the case of Microinsurance Brokers/General Agents, they shall have a capitalization requirement equivalent to half of what is required for regular brokers / general agents.
  - 6.4. Microfinance Institutions or institutions engaged in microfinance operations may apply and be licensed as microinsurance agent, provided that:
    - 6.4.1. A soliciting agent is identified by the institution and;
    - 6.4.2. The institution sells microinsurance products only to its microfinance clients.

- 6.5. Primary cooperative member-owners of a Cooperative Insurance Society (CIS) may apply and be licensed as microinsurance agent provided that the primary cooperative sells microinsurance products only to the individual members of the primary cooperative that is a member of the CIS.
7. To ensure stability, viability and the delivery of safe and sound products and services to their clients, microinsurance providers 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 the microinsurance industry.

The Insurance Commission may issue such other guidelines as it deems necessary to enforce the provisions of this Circular.

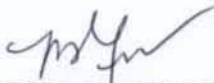
All rules, regulations and issuances inconsistent with this circular are hereby deemed amended, modified or repealed.

This Circular shall take effect immediately.



**EDUARDO T. MALINIS**  
Insurance Commissioner

Approved:



**MARGARITO B. TEVES**  
Secretary  
Department of Finance

**Annex 1**  
**Key Features of a Microinsurance Contract**

- I. The following features are applicable to **microinsurance contracts**:
- A. **Coverage** - A microinsurance contract shall cover the insured, and at his/her option, may include his/her immediate family (i.e. his/her spouse, children, and in the case of single persons, his/her parents and siblings), and his/her assets;
  - B. **Period of Cover** – The term of the microinsurance contract shall be determined by the provider and shall depend on type of coverage;
  - C. **Risk and Contingent Events Covered**- A microinsurance contract may cover any of the following:
    - 1. Death (may be bundled with memorial plan, mortuary or burial benefits);
    - 2. Accident and illness;
    - 3. Fire and other extended perils;
    - 4. Calamities/disasters/catastrophic events (e.g. typhoon, earthquake, infestation, and other natural calamities);
    - 5. Casualty (e.g. personal accident, motor vehicle, and money security and payroll robbery); and
    - 6. Other contingent events as may be determined by the concerned regulator
  - D. **Terms and Conditions** - A microinsurance contract shall clearly state the face amount, benefits and terms of insurance coverage. Contract provisions shall be clearly stated in simple terms. The manner and frequency of premium collections shall, if possible, coincide with the cash flow of the insured and may be collected daily, weekly, monthly, quarterly, semi-annually, and annually whichever is applicable.
  - E. **Effectivity** - A microinsurance contract becomes immediately effective only upon full payment of the first premium, contribution, fees or charges.
  - F. **Claims Settlement** - Claims for a microinsurance contract must be settled within 10 working days upon receipt of complete documents by the provider.



- G. **Dispute Resolution** - Disputes related to microinsurance contract shall be settled initially through alternative dispute resolution mechanisms.

II. The following apply to **life microinsurance contracts only**:

- A. **Grace Period**- During the effectivity of the contract, the insured is entitled to a maximum grace period of 45 calendar days from the date of default of premium/contribution payment.
- B. **Contestability** – The contestability period for a microinsurance contract shall be one (1) year.
- C. **Suicide Clause** - The provider shall be liable if the insured commits suicide after one (1) year from the effective date or date of last reinstatement of the contract. Suicide committed in the state of insanity will be compensable regardless of the date of commission. Where suicide is not compensable, the liability of the provider will be limited to the return of premiums.

III. In the case of **non-life microinsurance contracts**, the provider shall send notices to the microinsurance clients at least 45 days prior to expiration of the contract. Such notice shall include in clear terms whether the contract may or may not be renewed and any changes to be made thereon, if renewed.

Annex 2

Microinsurance Logo

