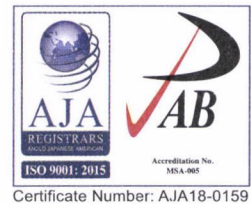




Republic of the Philippines  
Department of Finance  
**INSURANCE COMMISSION**  
1071 United Nations Avenue  
Manila



Circular Letter (CL) No:	2020-03
Date:	07 February 2020
Supersedes:	"None"

**CIRCULAR LETTER NO. 2020 - 03**

**TO : All INSURANCE COMPANIES, MUTUAL BENEFIT ASSOCIATIONS AND COOPERATIVE INSURANCE SOCIETIES ENGAGED IN MICROINSURANCE BUSINESS AND OPERATING IN THE PHILIPPINES**

**SUBJECT : GUIDELINE FOR THE MONITORING OF THE PERFORMANCE OF THE MICROINSURANCE PROVIDERS IN ACCORDANCE WITH CIRCULAR LETTER NO. 2016-63**

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**WHEREAS**, the Insurance Commission ("IC") issued Circular Letter No. 2016-63 dated 16 December 2016 entitled "*ENHANCED PERFORMANCE INDICATORS AND STANDARDS FOR MICROINSURANCE 2016*" ("*SEGURO FRAMEWORK*" for brevity);

**WHEREAS**, there are corresponding points in the *SEGURO FRAMEWORK* for each key performance indicator;

**WHEREAS**, there is a need to rationalize the standards set by *SEGURO FRAMEWORK* by providing a set of implication with regard to the total points earned by each insurance company, mutual benefit association and cooperative insurance society engaged in microinsurance business;

**NOW THEREFORE**, by the powers vested in me in accordance with Section 188 in relation with the third paragraph of Sections 437 and 437(p) of Republic Act No. 10607 and to afford transparency, the guideline for monitoring of the entities engaged in microinsurance business is hereby promulgated:

**SECTION 1. *Application*** – This circular shall apply to the monitoring and evaluation by the Microinsurance Division, in coordination and collaboration with the other Divisions concerned of the Insurance Commission, on existing and operating insurance companies, mutual benefit associations and insurance cooperative societies who are actively selling microinsurance products as approved by the Insurance Commission.

**SECTION 2. Procedure** – The Microinsurance Division, in coordination and collaboration with the other Divisions of the Insurance Commission, shall check the accuracy of the performance indicators as declared by the insurance companies, mutual benefit associations and cooperative insurance societies engaged in microinsurance business in accordance with the SEGURO FRAMEWORK. The Microinsurance Division shall use the form attached hereto as Annexes A, B and C, respectively, depending on the type of microinsurance provider.

The result with the corresponding points shall be rated by the Microinsurance Division in accordance with Section 3 hereunder and the overall performance of all the microinsurance providers and shall be posted in the Insurance Commission's official website or in a newspaper of general circulation or both, at the discretion of the Insurance Commissioner, subject to paragraphs 5 and 6 of the SEGURO FRAMEWORK.

The total points garnered by any of the insurance companies, mutual benefit associations and cooperative insurance societies engaged in microinsurance business shall be used solely for monitoring and evaluating purposes.

**SECTION 3. Total points and implications** – The total points, as evaluated, shall have the corresponding implications:

TOTAL SCORE	NUMERICAL RATING	IMPLICATION
91-100	4	EXCELLENT
81-90	3	GOOD
71-80	2	SATISFACTORY
1-70	1	MARGINAL/POOR

**SECTION 4. Implications explained** – the aforementioned implications shall have the following presumptive, but disputable, interpretations:

- a. **4 (Excellent)** - The financial condition and operating performance are stable and the insurer is most capable to withstand volatile business conditions. Financial strength (i.e., solvency and liquidity) is more than adequate indicating its ability to pay obligations now and in the future. Resources are efficiently handled. The insurer has adequately met the needs of the insured and clients understand the product fully well. Board and management exhibits strong performance and risk management practices relative to the insurer's size, design of its products and risk profile. Any lapses or weaknesses in operations are minor and can be addressed by management in the ordinary course of business.
- b. **3 (Good)** - The financial condition and operating performance of the insurer are appropriate and can withstand business conditions. Resources are sufficient for its operations and can pay obligations now and in the near term. The insurer currently meets the needs of the insured and most of its clients presumptively understand the product. Board and management exhibits suitable performance and risk management practices are acceptable relative to the insurer's size, design of its products and risk profile. Moderate



weaknesses in operations are noted and can be addressed by management in the ordinary course of business.

- c. **2 (Satisfactory)** - The financial condition and operating performance of the insurer are in a fragile position, making it more vulnerable to business fluctuations. The insurer's overall solvency and stability ratios are within the required minimum thresholds and results of operations may not presumptively be adequate for its size, design of its products and profile. The insurer barely meets the needs of the insured and clients are less likely to renew given the unstable product performance. Board and management may lack the ability and willingness to effectively address the weaknesses within appropriate timelines and risk management practices are generally inappropriate relative to the insurer's size, products and risk profile. Close supervisory attention is required and enforcement action may be necessary to address the problems.
- d. **1 (Poor)** - Serious financial or managerial deficiencies that result in unsatisfactory or deficient performance. The insurer's overall solvency and stability ratios are below the required minimum thresholds and results of operations are deficient for its size, design of its products and profile. The insurer does not meet the needs of the insured and product performance is below the normal standard. Risk management practices are deficient relative to the insurer's size, products and risk profile. Weaknesses and problems may be beyond the board and management's ability and willingness to control or correct. There is also a presumptive need for an immediate outside financial assistance for the insurer to be viable. Continuing close supervisory attention is necessary as the insurer poses significant risk to the funds of the clients and its failure is highly probable.

**Section 5. Effectivity** - This Circular shall take effect immediately.

  
**DENNIS B. FUNA**  
Insurance Commissioner

