



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



Circular Letter (CL) No.:	2018-67
Date:	28 December 2018
Amends:	Part VII, C(14); CL No. 2014-15, d. 15 May 2014

CIRCULAR LETTER

TO : ALL NON-LIFE INSURANCE COMPANIES DOING BUSINESS IN THE PHILIPPINES AND ALL LICENSED INSURANCE AGENTS

SUBJECT : GUIDELINES IN THE IMPOSITION OF FINES FOR BREACH OF TARIFF RATES

WHEREAS, Section 365 of Republic Act No. 10607, otherwise known as the Amended Insurance Code of the Philippines, provides that:

“Section 365. No member or subscriber of a rating organization, and no insurance company doing business in the Philippines, or agent, employee or other representative of such company, and no insurance broker shall charge or demand a rate or receive a premium which deviates from the rates, rating plans, classifications, schedules, rules and standards, made and last filed by a rating organization or by or on behalf of the insurance company, or shall issue or make any policy or contract involving a violation of such rate filings.”

WHEREAS, Section 372 of the same Code states that:

“Section 372. If the Commissioner, after notice and hearing, finds that any insurance company, rating organization, agent, broker or other person has violated any of the provisions of this title, it shall order the payment of a fine not to exceed Twenty-five thousand pesos (P 25,000.00) for each such offense, and shall immediately suspend or revoke the license issued to such insurance company, rating organization, agent, or broker. The issuance, procurement or negotiation of a single policy or contract of insurance shall be deemed a separate offense.”

WHEREAS, Part VII ("*Penalties*"), item number C. 14, of this Commission's Circular Letter No. 2014-15 on *Fees and Charges* provides that the penalty/fine for Breach of Tariff is "*P25,000/offense or policy*";

WHEREAS, in the course of regulation and supervision of the concerned covered entities, this Commission has observed confusion in the imposition of appropriate penalties for breaches of tariff;

NOW, THEREFORE, pursuant to the power and function of the Insurance Commissioner under Section 437 (d) of the same Code to "*prepare, approve, amend or repeal rules, regulations and orders, and issue opinions and provide guidance on and supervise compliance with such rules, regulations and orders*", the following **Guidelines in the Imposition of Fines for Breach of Tariff Rates** are hereby promulgated and adopted, to wit:


1. **"Offense," Defined.** – For the purposes of this Circular Letter, each policy and/or bond issued, covered, procured, or negotiated in breach of tariff rates shall be considered as one (1) offense.

In the case of a motor car insurance policy covering two (2) or more vehicles or units, each breaching vehicle or unit shall be considered as one (1) offense.

In the case of a fire insurance policy covering two (2) or more risks located in various locations, each risk in a particular location shall be considered as one (1) offense.

2. **Determination of Breach.** – A breach shall be determined from the face of the policy, bond, proposal, or through any other evidence; and after the non-life insurance company and/or agent/s has/have been given a reasonable opportunity to explain or defend itself/himself/herself/themselves.
3. **Fines.** – The following fines shall be imposed on the party/ies determined by this Commission to be guilty of breach of tariff rates, to wit:
 - a. A fine of **Twenty-Five Thousand Pesos (Php 25,000.00)** per offense shall be imposed on a non-life insurance company that directly issued a policy or bond in breach of tariff rates without the intervention of an agent;
 - b. A fine of **Fifteen Thousand Pesos (Php 15,000.00)** per offense shall each be imposed on the non-life insurance company and/or the intervening agent determined to be guilty of breach of tariff rates;
 - c. In the case of a motor car insurance policy covering two (2) or more vehicles or units, the guidelines stated in item 3 (a) and (b) shall be observed, where each vehicle or unit covered in breach of tariff rates shall be considered as one (1) offense;

- d. In the case of a fire insurance policy covering two (2) or more risks located in various locations, the guidelines stated in item 3 (a) and (b) shall be observed, where each risk in a particular location covered in breach of tariff rates shall be considered as one (1) offense.
- e. The total fines to be imposed in the case of item 3 (c) and (d) shall not, in any case, exceed **One Million Pesos (Php 1,000,000.00)**, respectively.
4. **"Intervention," How Determined.** – In relation to Section 3 (b) of this Circular Letter, where the name of an agent appears on the face of a policy or bond, it shall be presumed that the issuance, procurement, or negotiation of said policy or bond was with the intervention of such agent.
5. **Additional Penalties for Renewal of Breaching Policy or Bond.** – When an insurance policy or bond determined to be in breach of tariff rates is renewed with the same breaching rates, appropriate penalties under Section 438 of the Amended Insurance Code of the Philippines shall be imposed on the non-life insurance company renewing such policy or bond.
6. **Effectivity.** – This Circular Letter shall take effect immediately.


DENNIS B. FUNA
Insurance Commissioner

