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Department of Finance
INSURANCE COMMISSION
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CIRCULAR LETTER

To : All Non-Life Insurance Companies, Insurance Agents, General Agents, and Brokers doing Business in the Philippines

Subject : Enforcement of Circulars on the Prescribed Minimum Rates for Catastrophic Perils

Whereas insurance companies have realized the danger of undercutting rates;

Whereas its continued practice would eventually jeopardize the financial solvency of insurance companies and their subsequent ability to settle claims;

Whereas a group of insurance companies have voluntarily submitted themselves to the "Declaration of Mutual Covenant and Undertaking";

Whereas said "Declaration" is a commitment to follow strictly IC circulars enumerated below to ensure the viability of insurance companies to meet obligations to the insuring public in the event of catastrophic loss brought about by natural perils;

Whereas IC rules and regulations must be followed by all insurance companies without exception;

The Commission thus, strongly enjoins all insurance companies to strictly adhere to and faithfully comply with, the following Circulars:

1. IC Circular 24-2006 dated May 26, 2006 stipulating a minimum rate for Natural Perils of 0.10% for Earthquake Fire and Shock and 0.05% for Typhoon & Flood, and the corresponding penalties for violations;
2. IC Circular 29-2006 dated July 27, 2006 clarifying IC Circular 24-2006 and identifying types of policies that the minimum CAT Peril Rate should cover;

3. IC Circular 39-2006 dated December 7, 2006 further clarifying the two above cited circulars;
4. IC Circular No. 08-2007 dated 23 April 2007 stipulating a commission of 5% for natural perils and/or a maximum commission of 15% for composite rates (fire Plus CAT Perils); and
5. IC Circular Letter No. 5-2005 dated 2 March 2005 as amended by IC Circular No. 22-2009 dated 18 August 2009 requiring the submission of quarterly reports on aggregate net retained insured values by all non-life insurance companies.

The rates for a fire policy with additional perils insured against, should be clearly broken down corresponding to each of the various coverages of the policy.


It shall be the obligation and moral duty of everyone to immediately report any violation of aforesaid Circulars, as well as the provisions of this Circular Letter to the Insurance Commission.

For this purpose, the Philippine Insurers and Reinsurers Association, Inc. (PIRA) is hereby deputized to assist the Insurance Commission in monitoring compliance and in the investigation of possible violations, of the aforesaid circulars in accordance with the Letter of Authority granted to PIRA by the Insurance Commission.

All previous Circulars or issuances of the Commission, inconsistent with the provisions of this Circular Letter, are hereby deemed repealed, amended, modified or superseded, accordingly.

This Circular shall take effect on June 15, 2010.

For strict compliance.



SANTIAGO JAVIER RANADA
Insurance Commissioner

