



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

Circular Letter (CL) No.:	2014 - 27
Date:	05 June 2014
Supersedes:	CL 23-2007, CL 41-2006

CIRCULAR LETTER

TO : ALL INSURANCE COMPANIES AND MUTUAL BENEFIT ASSOCIATIONS (MBAS)

SUBJECT : GUIDELINES IN THE APPLICATION OF SEC. 84 OF REPUBLIC ACT 10607, OTHERWISE KNOWN AS "THE INSURANCE CODE OF THE PHILIPPINES, AS AMENDED", THEREBY AMENDING CIRCULAR LETTER 23-2007 DATED 21 DECEMBER 2007 & CIRCULAR LETTER 41-2006 DATED 20 DECEMBER 2006 ON THE RULES ON CONTINGENCY FUNDS, FUTURE FUNDS, BENEFIT ENHANCEMENT FUNDS AND SIMILAR RIDERS

In view of the amendatory provisions of Republic Act 10607, the need to provide safeguards and guidelines in the application of premium deposit funds, contingency funds, future funds, benefit enhancement funds and similar riders cannot be more overly emphasized.

Henceforth, the rules on contingency funds, future funds, benefit enhancement funds and similar riders as outlined in Circular Letters 23-2007 & 41-2006 are hereby modified accordingly to include the following guidelines, to wit:

1. As a policy rider, the contracting or acceptance of additional payments for contingency funds, future funds, benefit enhancement funds and similar riders by the insured is dependent on the existence of the basic plan of the policyholders. If the basic plan is terminated for valid cause, the existing fund should be refunded to the policyholders, including the accumulated interest thereto.
2. Unless otherwise directed by the Commissioner, insurance companies and MBAs may issue or renew contingency funds, benefit enhancement funds and similar riders that accumulate or permit the accumulation of fund deposits or contributions in excess of total future premiums under

insurance policies after effectivity hereof; *Provided*, however, that such additional fund deposits or contributions shall be for the purpose of paying future premium or increasing the benefits attached to the insurance policies;

3. Notwithstanding the foregoing, however, insurance companies and MBAs shall not accept contingency funds, benefit enhancement funds and similar riders from policyholders in excess of the combined amount of the total future premiums and the amount of insurance or pure endowment, as the case may be. Any excess shall be refunded to the policyholders or be used as premium payment.

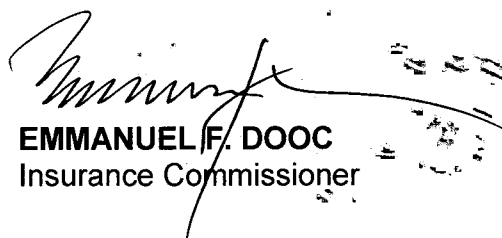
In determining compliance to such limitation, the amount of the said funds shall be net of all withdrawals that was used as premium payments or of other deductions used for the benefits of the policyholder/s.

4. Contingency funds, premium deposit funds, benefit enhancement funds and similar riders may earn interest; *Provided*, however, that the interest is subject to the prior approval of the Insurance Commission taking into consideration relevant factors such as the net income of the said fund.
5. The interest earned from the contingency funds, future funds, benefit enhancement funds and similar riders shall be credited to the individual policyholder. Such earned interest shall be recorded and accounted for separately from the actual paid contribution of the policyholder to the fund.
6. The aggregate amount of contingency funds, premium deposit funds, benefit enhancement funds and similar riders shall be supported with corresponding asset that is properly identified and verified by the company's accountant and duly certified to. The amount shall be equal to or more than the said liability.

All existing contingency funds, future funds, benefit enhancement funds and similar riders shall conform to the provisions of this Circular Letter. Accordingly, existing riders prior to the issuance of this Circular Letter shall be resubmitted to the Insurance Commission for its evaluation and approval.

All other terms and conditions of IC Circular Letters 23-2007 & 41-2006 that are not inconsistent with the foregoing shall remain in force.

This Circular shall take effect immediately.


EMMANUEL F. DOOC
Insurance Commissioner