



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



Circular Letter (CL) No.:	2018-41
Date:	31 July 2018
Supplements:	IC Circular Letter No. 2015-46 dated 08 September 2015

CIRCULAR LETTER

TO : ALL MUTUAL BENEFIT ASSOCIATIONS AND PRE-NEED COMPANIES

SUBJECT : RECOGNITION OF PRE-NEED PLANS AS AN ADMITTED ASSET OF MUTUAL BENEFIT ASSOCIATIONS

WHEREAS, under Sec. 408 of the Insurance Code of the Philippines, as amended by Republic Act No. 10607, a mutual benefit association (MBA) shall only maintain free and unassigned surplus of not more than twenty percent (20%) of its total liabilities and any amount in excess shall be returned to its members by way of dividends, enhancing the equity value or providing benefits in kind and other relevant services;

WHEREAS, IC Circular Letter No. 2015-46 defines free and unassigned surplus of MBAs and provides for the return of any excess amount to the members of an MBA by way of dividends, enhancement of equity value, providing additional member benefits or other services;

WHEREAS, Sec. 411 of the Insurance Code of the Philippines, as amended by Republic Act No. 10607, provides that an MBA may invest such portion of its funds that are not required to meet pending claims and other obligations in any of the classes of investments in which life insurance companies doing business in the Philippines may invest;

WHEREAS, under Section 202(k) of the Insurance Code of the Philippines, as amended by Republic Act No. 10607, the Insurance Commissioner has the discretion to admit other assets not inconsistent with the provisions of the law that are readily realizable and available for the payment of losses and claims;

WHEREAS, the fundamental premise of a pre-need plan is that it is a guarantee of future payment of money, goods or services at a specified date or at the occurrence of an event which can be transferred and assigned by the policy owner to another and can be immediately liquidated if necessary. It represents value that can be made ready and available for payment of losses and claims;