



Republic of the Philippines
Department of Finance
INSURANCE COMMISSION
1071 United Nations Avenue
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**INSURANCE COMMISSIONER PROPOSES
ALTERNATIVE TO 1-YEAR PREMIUM
PAYMENT MORATORIUM TO CONGRESS**

In a letter dated 12 August 2020 addressed to members of the Bicameral Conference Committee of Congress, Insurance Commissioner Dennis Funa proposed an alternative to the 365-day moratorium on life insurance and pre-need premium payments proposed in the “Bayanihan 2” Bill, which is part of a relief package in response to the 2019 Coronavirus Disease (COVID-19) pandemic.

On the one hand, the House of Representatives’ version of the “Bayanihan 2” Bill, particularly House Bill (HB) No. 6953, provides that insurance companies providing life insurance policies and pre-need companies shall implement a one-year or three hundred sixty-five (365) day grace period, staggered payment schedule, or any mutually beneficial arrangement for premium payments.

On the other hand, it will be noted that the Senate version, particularly Senate Bill (SB) No. 1564, only provides for a thirty (30)-day grace period.

“We understand that the proposed policy in HB No. 6953, while favoring life insurance and pre-need customers, may spell financial danger to life insurance and pre-need companies, which are among the pillars of the Philippine economy that also need protection,” said Commissioner Funa.

“As the regulatory body for life insurance and pre-need companies, the IC needed to tell Congress that the proposed ‘one-year or three hundred sixty-five (365) day grace period’ in HB No. 6953, if passed into law, will add to the life insurance and pre-need industries’ challenge of generating as much premiums from its existing business. Right now, said industries need to generate such premiums from existing business in order to offset the decline in new business premiums resulting from the slowed market demand,” Commissioner Funa explained.

“Life insurance and pre-need companies are still reeling from the effects of the reduced economic activity, which has already resulted in the reduction of premiums collected and earned. With due respect to Congress, we fear that a one-year moratorium will exacerbate the adverse economic effects of the pandemic to said industries’ financial and capital positions, such that said industries may be permanently unable to recoup the consequent losses during this period, even if we were to consider future premiums,” he added.

In his letter to the Bicameral Conference Committee, Commissioner Funa accordingly suggested the alternative of a thirty (30)-day extension to the usual and existing thirty (30)- or thirty-one (31)-day contractual grace periods under insurance policies and pre-need contracts.

“As a form of compromise between the House of Representatives and Senate versions of ‘Bayanihan 2’, we wrote Congress to suggest that life insurance and pre-need customers instead be given a thirty (30)-day extension in addition to the usual and existing thirty (30)- or thirty-one (31)-day contractual grace periods under insurance policies and pre-need contracts. Taken together, this makes for a total extension of sixty (60) days in favor of the consumers,” noted Commissioner Funa.

“We firmly believe that this proposed alternative achieves a balancing of interests. The suggestion affords both life insurance and pre-need customers, as well as life insurance and pre-need companies, much needed relief from the adverse economic and financial effects of the COVID-19 pandemic,” Commissioner Funa said.

“It will help ensure the continued ability of life insurance and pre-need industries to service their commitments to and respond to the needs of their customers in these trying times”, Commissioner Funa added.



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