



Republic of the Philippines
Department of Finance
INSURANCE COMMISSION
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Manila

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IC CONDUCTS INVESTIGATION VS UNAUTHORIZED SALE OF PRE-NEED PRODUCTS

The Insurance Commission (IC) is currently investigating companies offering pre-need products without the required license from the Commission.

“We are currently investigating companies which do not possess a license to operate as a pre-need company offering pre-need products to the public, specifically memorial chapels and associations offering products which has the features of a memorial plan.”, according to Insurance Commissioner Emmanuel F. Dooc.

In fact, the IC already issued a Cease and Desist Order against an association offering a mutual-aid inspired program for senior citizens collecting a fixed amount of money purporting to be a membership fee in exchange for free memorial services.

Commissioner Dooc said, “The IC issued a Cease and Desist Order against Majar Senior Citizen Damayan preventing it from offering memorial service packages to its members without being licensed by the Commission as a pre-need company.”

“Another cease and desist order was issued against Cosmopolitan Memorial Chapel preventing it from advertising memorial services packages as it is not a licensed pre-need company”, added Commissioner Dooc.

As defined under the Pre-Need Code, a pre-need plans are contracts, agreements, deeds or plans for the benefit of the planholders which provide for the performance of future service/s, payment of monetary considerations or delivery of other benefits at the time of actual need or agreed maturity date, as specified therein, in exchange for cash or installment amounts with or without interest or insurance coverage and includes life, pension, education, interment and other plans, instruments, contracts or deeds as may in the future be determined by the Commission. Under the law, only companies registered with and licensed by the IC to sell or offer to sell pre-need plans can engage in the pre-need business. In order to protect the investing public, such licensed pre-need companies cannot advertise itself or its plans unless its advertising material is previously approved by the IC.

Commissioner Dooc said that “this investigation is aimed to ensure that our agency is doing all it can to protect consumers from entities purporting to be pre-need companies and the legitimate companies engaged in pre-need business.”

Based on the latest data from the Insurance Commission, there is still a significant demand for pre-need plans, specially on memorial/life plans. It remains an attractive investment despite the collapse of other pre-need companies in 2009. This was due to the reform in the regulatory law governing the pre-need industry when the Pre Code of the Philippines was enacted in 2009.

The supervision and regulation of pre-need companies was transferred to the Insurance Commission from the Securities and Exchange Commission in 2009 upon the effectivity of Republic Act No. 9829, also known as the Pre-Need Code of the Philippines.

Of the more than 200 companies offering pre-need plans in the 1990s, only 16 are operating and licensed by the IC as of May 2015. Although there are only a few companies legally allowed to engage in the pre-need business, Insurance Commissioner Dooc said that this is a good indicator that only those who are financially stable are allowed to engage in pre-need business. With the enactment of the Pre-Need Code and stringent regulatory requirements, the public is assured that the liabilities of the companies will be met.



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