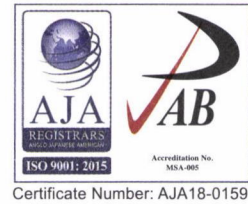




Republic of the Philippines
Department of Finance
INSURANCE COMMISSION
1071 United Nations Avenue
Manila



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TRANQUILINO E. ESPEJON
IC Supervising Administrative Officer
Administrative Division
Insurance Commission

Circular Letter (CL)	2020-95
No.:	
Date:	1 October 2020
Supersedes:	NONE

CIRCULAR LETTER

TO : ALL INSURANCE COMPANIES AND MUTUAL BENEFIT ASSOCIATIONS (MBAs) PROVIDING LIFE INSURANCE PRODUCTS AND PRE-NEED COMPANIES DOING BUSINESS IN THE PHILIPPINES

SUBJECT : GUIDELINES IN THE INTERPRETATION AND APPLICATION OF SECTION 4 (UU) OF REPUBLIC ACT NO. 11494, OTHERWISE KNOWN AS THE "BAYANIHAN TO RECOVER AS ONE ACT"

WHEREAS, the Coronavirus Disease 2019 (COVID-19) has spread in different parts of the world, including the Philippines;

WHEREAS, the COVID-19 outbreak has been characterized by the World Health Organization as a pandemic;

WHEREAS, Republic Act No. 11494, otherwise known as the "Bayanihan to Recover as One Act", was signed by President Rodrigo Roa Duterte into law on 11 September 2020, providing for various statutory COVID-19 response and recovery interventions;

WHEREAS, as part of these statutory COVID-19 response and recovery interventions, Section 4 (uu) of Republic Act No. 11494, otherwise known as the "Bayanihan to Recover as One Act", provides that, to wit:

*"(uu) Directing all banks, quasi-banks, financing companies, lending companies, real estate developers, **insurance companies providing life insurance policies, pre-need companies**, entities providing in-house financing for goods and properties purchased, asset and liabilities management companies and other financial institutions, public and private, including the Government Service Insurance System (GSIS), the SSS and Home Development Mutual Fund (Pag-IBIG Fund), to **implement a one-time sixty (60)-day grace period** to be granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31 2020, including, but not limited to, salary, personal, housing, commercial, and motor vehicle loans, amortizations, financial lease payments and **premium payments**, as well as credit card payments, without incurring interest on interests, penalties, fees, or other charges and thereby extending the maturity of the said loans: Provided, That all loans may be settled on staggered basis without interest on interests, penalties and*


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other charges until December 31, 2020 or as may be agreed upon by the parties. Provided, further, That nothing shall stop the parties from mutually agreeing for a grace period longer than sixty (60) days: Provided, furthermore, That the banks and other non-bank financial institutions (NBFIs) that agree to further loan term extensions or restructuring pursuant to this subsection shall be entitled to regulatory relief, as may be determined by the BSP, which may include, but is not limited to, (i) staggered booking of allowances for credit losses, (ii) exemption from loan-loss provisioning, (iii) exemption from the limits of real estate loans, when applicable, (iv) exemption from related party transaction restrictions, and (v) non-inclusion in the bank's or NBFIs reporting on non-performing loans: Provided, finally, That the loan term extensions or restructuring pursuant to this subsection shall be exempt from documentary stamp taxes.

It is understood that this provision shall not apply to interbank loan and bank borrowings." [Emphasis supplied.]

WHEREAS, this Commission finds the need to issue guidelines as regards the interpretation and application of Section 4 (uu) of Republic Act No. 11494 in relation to a life insurance policy or a pre-need plan with premiums or installments payable on a weekly, monthly, quarterly, or any other regular payment arrangement, of which more than one premium or installment shall fall due between the effectivity of Republic Act No. 11494 until the prescribed coverage period of 31 December 2020;

WHEREAS, this Commission likewise finds the need to clarify whether Section 4 (uu) of Republic Act No. 11494 applies to policy loans issued by life insurance companies;

NOW, THEREFORE, in view of all the foregoing and in accordance with the undersigned's powers under Section 437 of the Insurance Code of the Philippines, as amended by Republic Act No. 10607, and Section 6 of Republic Act No. 9829, otherwise known as the Pre-Need Code of the Philippines, the following ***Guidelines in the Interpretation and Application of Section 4 (uu) of Republic Act No. 11494, Otherwise Known as the "Bayanihan to Recover As One Act"***, are hereby adopted and promulgated, to wit:

1. ***One-Time Sixty (60)-Day Grace Period.*** – Insurance companies and mutual benefit associations (MBAs) providing life insurance policies and pre-need companies are directed to implement a one-time sixty (60)-day grace period for the payment of all life insurance premiums or pre-need installments falling due between the date of effectivity of Republic Act No. 11494 until the prescribed coverage period of 31 December 2020.

The mandatory one-time sixty (60)-day grace period shall be individually/separately applied to each premium or installment falling due between the date of effectivity of Republic Act No. 11494 until the prescribed coverage period of 31 December 2020, whether the premiums or installments be payable on a weekly, monthly, quarterly, or any other regular payment arrangement. It shall be inclusive of any contractual grace period already provided under existing life insurance policies and pre-need plans; and shall not be interpreted as requiring a sixty (60)-day addition thereto.

The mandatory one-time sixty (60)-day grace period shall apply to each life insurance policy and/or pre-need plan, whether the policyholder or planholder has a single policy or plan or multiple policies or plans with the subject life insurance company, MBA, or pre-need company.


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2. **Management of Automatic Debit/Charge Arrangements** – Automatic debit/charge arrangements (e.g., against credit or debit cards, savings accounts, etc.) under terms of payment of life insurance premiums and pre-need installments shall be continued; *Provided, That*, an “Opt-Out Offer” shall be communicated to life insurance policyholders and pre-need planholders who are enrolled under such schemes, through announcements via electronic mail, SMS, website, and social media channels. The “Opt-Out Offer” shall include an advisory that policyholders or planholders who wish to avail of the mandatory one-time sixty (60)-day grace period given per Section 1 of this Circular Letter shall signify such intention in writing and request termination of their automatic debit/charge arrangement accordingly.
3. **Interest on Interests, Penalties, Fees or Other Charges.** – Insurance companies and MBAs providing life insurance policies and pre-need companies shall not charge or apply interest on interests, penalties, fees or other charges during the one-time sixty (60)-day grace period to future premium or installment payments of policyholders or planholders.
4. **Non-Waiver of Provisions of Republic Act No. 11494.** – Insurance companies and MBAs providing life insurance policies and pre-need companies are prohibited from requiring policyholders or planholders to waive the application of the provisions of Republic Act No. 11494. No waiver previously executed by policyholders or planholders covering premium and/or installment payments falling due from the date of effectivity of Republic Act No. 11494 until 31 December 2020 shall be valid.
5. **Longer Grace Period.** – The parties in a life insurance policy or pre-need plan may agree on a grace period longer than sixty (60) days as required under Section 4 (uu) of Republic Act No. 11494, which agreement shall be in writing.
6. **Exclusion of Policy Loans.** – Considering that policy loans are not commercial loans *per se* but essentially only an advance on the cash value of the life insurance policy that a policyholder himself or herself owns, and that the same are not covered by any repayment schedule agreements, **policy loans are excluded from the purview of Section 4 (uu) of Republic Act No. 11494.**
7. **Separability Clause.** – If any provision of this Circular Letter shall be held unconstitutional or invalid, the other provisions not otherwise affected shall remain in full force and effect.
8. **Effectivity.** – This Circular Letter shall take effect immediately; and shall remain effective for the duration of the effectivity of Republic Act No. 11494 pursuant to Section 18 of the same law.


DENNIS B. FUNA
 Insurance Commissioner

