

Circular No.: 8 - 2007 Date: 23 April 2007
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**CIRCULAR LETTER**

**TO: ALL INSURANCE COMPANIES DOING BUSINESS IN THE PHILIPPINES**

**SUBJECT: MAXIMUM COMMISSION RATE FOR POLICIES WITH A SINGLE COMPOSITE RATE**

Minimum Premium rates for Natural Perils cover are required by the Insurance Commission to enable insurance companies to build up their reserves and ensure their capacity to respond to losses and meet their liabilities on policies covering natural catastrophic perils. Information has been received that some insurers resort to paying excessively high commissions in order to circumvent the provisions of Circular Letter No. 39-2006.

The commission rate provided under the Fire Tariff as approved by this Commission is five percent (5%) for natural perils. While the Commission can require a breakdown of rates as to what pertains to natural perils, and what pertains to fire and other perils where higher commission rates can be granted, the growing industry practice now is to apply a single composite premium rate for all perils. In our on-going examination of the rating practices of some insurers, it has been noted that the rate allowed for the fire peril is only a small fraction of the composite rate so that even if higher commissions are granted on the fire premium using such rate, the average commission rate cannot be more than fifteen percent (15%).

Therefore, in accordance with the objective of Circular No. 39-2006, this Commission imposes a maximum commission rate of fifteen percent (15%) for policies with a single composite rate (covering fire and allied perils inclusive of natural perils), without prejudice to insurers' right to break down rates by peril.

Any violation of this Circular shall result in the imposition on the insurance company of a penalty equal to the difference between the maximum commission allowable under this Circular and the actual commission paid.

For your strict compliance.

**(SGD.) EVANGELINE CRISOSTOMO-ESCOBILLO**  
**Insurance Commissioner**

Copy furnished:

**HON. MARGARITO B. TEVES**  
**Secretary**  
**Department of Finance**