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## CIRCULAR LETTER

**To : All Non-Life Insurance Companies, Agents and Brokers doing Business in the Philippines**

**Subject : Strict Implementation of the Minimum Rates for Natural Perils or Acts of Nature (AON) Endorsement on Motor Car Insurance Policies**

There has been a strong demand for Acts of Nature (AON) insurance coverages for motor vehicles due mainly to the past experience of having had huge losses brought about by Typhoons "Ondoy" and Pepeng".

To protect the welfare of the assureds by building up sufficient reserves that would respond in case of catastrophic losses, and to avoid predatory pricing that would endanger the welfare of the insurers' financial stability, a minimum premium rate of **0.50%** is hereby prescribed for AON coverage. For purposes of monitoring in the case of a combined rate, the correct premium rates on the coverages indicated in the standard motor vehicle policy shall first be considered before the AON Endorsement premium rate.

It is understood that AON refers to Flood, Typhoon, Hurricane, Volcanic Eruption, Earthquake and other convulsions of nature.

The maximum commission rate for licensed intermediaries shall be **20%**.

A fine of FIVE HUNDRED PESOS (P500.00) shall be imposed for any violation of this Circular - minimum premium rate on AON endorsement and the maximum commission rate where each shall be considered a separate offense from the other rates prescribed in the Motor Car Manual of Rates.

For strict compliance.

*Ms. Vida T. Chiong*  
**VIDA T. CHIONG**

Deputy Insurance Commissioner  
Officer-in-Charge