



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



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CIRCULAR LETTER

TO : All Insurance Companies and intermediaries

SUBJECT : Guidelines on Group Insurance of Both Life and Non-life Insurance Companies

WHEREAS, group insurance has become an important line of business in insurance that provides certain cover to classes of individuals at a lower cost;

WHEREAS, group insurance as a scheme of distribution has gained tremendous growth particularly in the microinsurance level and has become a reliable vehicle to promote financial inclusion;

WHEREAS, while group insurance provides simple distribution of products and benefits at lower cost, it poses issues on transparency, disclosures, and obligations of the insurers and policyholders;

WHEREAS, group insurance may be used as a scheme by some persons acting as policyholders in a group policy primarily for income generation rather than the promotion of interest of its members and to mask the lack of license as an intermediary;

WHEREAS, group insurance greatly affects the interest of employees and ordinary Filipinos as it is now being availed of by employees through group life and health insurance and by low income groups and as an add on to services required by or offered by public utility providers such as those in public transportation and telecommunication.

NOW, THEREFORE, by the power vested in me by Section 437 of the Insurance Code, as amended, the following Circular on the Guidelines on Group Insurance is hereby promulgated:

Section 1. Groups Subject of Group insurance

- 1.1. A group should consist of persons with a commonality of purpose, interest or circumstances or engaging in a common economic and/or social activity similar, but not limited to employees of a corporation or member of a professional association.
- 1.2. Insurable groups can broadly be classified into two main groups, namely: a) employee group, where all members work for the employer proposing to cover them; and b) affinity group, whose members have a commonality other than employment and whose insured members are not its employees such as depositors or borrowers of banks or lending companies, passengers of transportation operators, members of a professional associations, cardholders of credit card companies, members of an employees welfare associations, beneficial owners of a trust handled by a trustees, among others. In an employee group, the employer becomes the policyholder and the employees are the insured persons. In the affinity group, the policyholder is the association, trustee, union, and other organization to which an individual insured must belong or be associated with to be insured.
- 1.3. The policyholder may also include any entity in which two or more employers or two or more associations, trustees, and organizations of the affinity groups belong. The benefits provided by the group insurance policy shall redound to the benefit of the insured persons or their beneficiaries.
- 1.4. The term "employees" in the employee group may include the officers, managers and employees of subsidiary or affiliated corporations when the business of such subsidiary or affiliated corporations is controlled by the policyholder through stock ownership, contract or otherwise, or when the corporation is controlled by affiliated corporation through stock ownership, contract or otherwise. The term "employees" may also include the partners who constitute the partnership entity acting as policyholder.
- 1.5. The employer as policyholder includes the state and any political subdivisions thereof, which may contract for group insurance in the same manner as any private employer. For public employer, members in group insurance may include voters or residents within its territorial jurisdiction.
- 1.6. Coverage of the group insurance in the employee group may be extended to dependents of the insured member, which include the member's spouse, children, siblings and parents.
- 1.7. The association, partnership or corporation contracting as policyholder must have a valid certificate of registration from the Securities and Exchange

Commission. In the case of a cooperative, it must be registered with the Cooperative Development Authority. Unless an individual possesses valid registration for its single proprietorship business from the Department of Trade and Industry, he or she cannot act as policyholder for his or her employees. This requirement does not apply to recognized and legal foreign entities which have offices or branches in the Philippines such as diplomatic, foreign or international organizations.

Section 2. Groups Not Eligible Under Group Insurance

- 2.1. No group should be formed with the main purpose of availing insurance. There should be a clear and evident relationship between the member and the policyholder for services other than insurance.
- 2.2. No group policy shall be issued with the insurance agent or insurance broker as policyholder, except when the covered members are its employees.

Section 3. Obligations of the Policyholders

3.1. The policyholder has the following obligations:

- a) To contract with insurance company for the coverage of individual members under a group policy taking into consideration the best interest of its members;
- b) To negotiate for a reasonable premium which its members may partially or fully pay;
- c) To distribute to the insured members the statement, proof of cover, confirmation or certificate issued by the insurer;
- d) To make available to the insured for reading or copying the master policy and relevant documents and provide a copy thereof in paper or electronic form in an amount not exceeding the cost of reproduction or delivery;
- e) To collect from the insured person an amount not higher than the amount of premiums indicated in the policy;
- f) To faithfully remit to the insurer the amount collected as premium;
- g) To maintain the list of insured members or documents to prove individual membership or enrollment;
- h) To assist the insured person or beneficiary in the processing of claims and submission of documents to the insurer;
- i) To support individual insured or beneficiary in the filing of cases relevant to the non-payment of claims;
- j) To inform the active members of the impending cancellation of the group policy by the insurer upon its receipt of the notice; and

- k) To inform the covered members of the fact of issuance and important contents of any endorsement or rider issued after the issuance of the group policy which shall be agreed upon by the policyholder and the insurer.

3.2. Insurers shall communicate the provision of Section 3.1 to the policyholders during the negotiation or preparation of the group policy or immediately after the issuance of the policy.

Section 4. The Insured

- 4.1. When an employer buys a group insurance policy as a service benefit for its employees and pays the premium in full or in part, the employer shall be treated as the policyholder with the employees being the insured.
- 4.2. In an affinity group, the individual group members shall be treated as the insured and the group organizer or entity will be the holder of the group policy. In such case, the employer/group organizer who acts as policyholder shall request the insurer to issue a statement¹, proof of cover, confirmation, or certificate of insurance to individual employees or members with clear reference to the group policy and benefits secured thereby.
- 4.3. The claims of individual persons insured may be processed by the policyholder. While the employer and policyholder may play the role in facilitating the submission and settlement of a claim, the insurer shall remain responsible in ensuring that the claims payment is made to or received by the proper payee, whether he or she be the insured member or beneficiary.

Section 5. Premium, Commission and Charges

- 5.1. The amount of premium or basis of rates and benefits shall be clearly specified in the group policy. The policyholder shall not vary the premium or benefits of the insured persons unless such changes are stipulated in the policy provisions on premiums or benefits or is made in accordance with a pre-determined basis of determining the sum insured such as the outstanding loan amount. In any case, the insurer and policyholder should agree to such changes.
- 5.2. The premium for individual member shall always appear in the statement, proof of cover, confirmation or certificate of insurance issued to the insured member. If the policyholder agrees to pay in full the premium for the members, it should be clearly stated in the statement, proof of cover, confirmation or certificate of insurance that the premium will be shouldered entirely by the policyholder. This

¹ Section 234 (g) of the Insurance Code requires that the group life policy shall contain a provision that the insurer will issue to the policyholder for delivery to each person insured a statement as to the insurance protection to which he is entitled, to whom the insurance benefits are payable, and the rights set forth in paragraphs (h), (i) and (j) of Section 234.

is to ensure that claims will not be denied by the insurer on the grounds of non-payment of premiums by the insured.

- 5.3. When the insurer contracts or agrees to the collection of premium required from the individual insured and the remittance by the policyholder to the insurer, the insurer shall not set-up the non-payment of the premium as a ground for denial of the claim when the policyholder fails to remit the amount to the insurer and the insured person, beneficiary or any person in his or her behalf can prove that the insured person had paid the premium and secured the proper receipt.
- 5.4. The commission paid to an insurance agent or insurance broker with respect to a group insurance policy sold shall not exceed the percentage or amount set in the applicable Circular.
- 5.5. A service fee or collection fee may be paid by the Insurer to the Policyholder. It is understood that the payment of a service fee or collection fee to the Policyholder is necessary to help defray the costs for servicing and administering the plan.
- 5.1. No insurance company shall give any officer, employee or director of the policyholder a remuneration, commission or payment of any other description from the insurer by reasons of the issuance or administration of the group policy.
- 5.2. The insurer shall advise the policyholder to distinctly separate the amount of premium for group insurance from the cost of other products, entry to a credible program or other services it offers. The amount taken for insurance should be disclosed to the member who pays part or the entire premium for his or her coverage.

Section 6. Group Policy, Certificate of Insurance and Endorsement

- 6.1. The group policy shall be identified as a group policy. For proper identification, the word "group" or "master" may be affixed in the name of the policy or in the policy number. No individual policy form or those not approved as a group policy form shall be issued to cover group of individual persons, which shall normally be covered and is rated under group insurance.
- 6.2. The cover page or first page, or specifications page shall identify the name of the policyholder, the policy number, and the effective date of the group policy. For life insurance and other insurance products to be issued by a life insurance company, the information shall include the benefits, effective date of the individual coverage, expiry date, participation requirement, eligibility conditions, and whether the insurance is contributory or non-contributory.
- 6.3. Each insured member shall be provided by the insurer, which may be made through the policyholder, a statement, proof of cover, confirmation or certificate of insurance.

- 6.4. The statement, proof of cover, confirmation or certificate shall contain the following information:
- a. The full corporate name, address and contact details of the insurer;
 - b. The name of the policyholder;
 - c. The name of the insured member;
 - d. Master policy number;
 - e. The document number;
 - f. The period of insurance for the member insured;
 - g. Premium;
 - h. A certifying language or statement of coverage;
 - i. Benefits and amount of coverage provided in the policy;
 - j. Reporting period provided in the group policy;
 - k. A statement regarding the availability of the group policy for inspection, reading or copying; and
 - l. For group life insurance, the beneficiary, claims notice clause and claims procedure.
- 6.5. The compliance under Section 6.4 above is without prejudice to the other requirements as stated in other Circular.
- 6.6. The marketing name or logo may be placed on the first page or cover page and statement, proof of cover, confirmation or certificate provided that the marketing name or logo does not mislead as to the identity of the insurer.
- 6.7. For group under a blanket policy where the insured persons are the unnamed passengers of the public utility vehicles or ships or unnamed persons in a specified group, where no enrolment was made to cover them or no contribution for premium was taken from each person insured, the statement, proof of cover, confirmation or certificate may be dispensed with. In blanket policy, the individual insured is automatically covered and need not apply for the coverage.
- 6.8. Directors and officers liability insurance and any other insurance covering the liability against third party claims of the organization including its subsidiaries, directors, officers, and employees are not included under these Guidelines.

Section 7. Termination of Group Policy

- 7.1. In case of the termination of the group policy covering health and/or accident by the insurer, the notice of termination or cancellation shall contain an advice to the policyholder to inform the insured person with active coverage of the termination of the group policy.
- 7.2. In case of termination or cancellation of the group policy other than life in accordance with Section 64 and 65 of the Insurance Code, no automatic cancellation of the group policy is allowed since the Insurance Code requires the issuance of the notice of cancellation.

- 7.3. Automatic termination or cancellation of the individual coverage may be provided in the group policy.
- 7.4. If possible and due to the emergence of faster and easier communication technology such as email and text messaging, important communications or advice may be sent to the insured members by the policyholder or insurer.

Section 8. Sales Materials

The insurer shall ensure that all sales materials and prospectuses of the insurance plans are properly drawn up and comply with the applicable regulations on insurance advertisement and disclosures and the protection of policyholders' interest.

Section 9. Government Mandated Insurance

The Insurance Commissioner may relax any of the requirements for group insurance hereto for government mandated insurance taking into consideration the purpose of the law, regulation, intention of the program and the availability of other protection to the individual insured.

Section 10. Applicable Guidelines on the Approval of Product Forms and Microinsurance

These Guidelines shall be read and complied with in conjunction with the applicable guidelines on the approval of product forms, Section 234 and other applicable provisions of the Insurance Code, and regulations on microinsurance. Flexibility and adjustment may be afforded on the policy provisions and statement², proof of cover, confirmation, or certificate of insurance for microinsurance taking into consideration its requirements of simplicity, accessibility and affordability.

Section 11. Transitory Provision

Unless provided for by the Insurance Code and other applicable Circulars of the Commission, insurance companies shall not issue after December 31, 2018 policy contracts and ancillary forms unless the required information or provisions in this Circular are incorporated, subject to submission and approval under Section 232 of the Insurance Code. Policy forms to be submitted for approval

² Section 234 (g) of the Insurance Code requires that the group life policy shall contain a provision that the insurer will issue to the policyholder for delivery to each person insured a statement as to the insurance protection to which he is entitled, to whom the insurance benefits are payable, and the rights set forth in paragraphs (h), (i) and (j) of Section 234.


after the effectivity of this Circular shall comply with the requirements provided herein.

Section 12. Separability Clause

If any provision of these Guidelines or any part hereof be declared invalid or unconstitutional, the remainder of the Guidelines or other provisions not otherwise affected shall remain valid and subsisting.

Section 13. Effectivity

This Circular Letter shall take effect immediately.


DENNIS B. FUNA
Insurance Commissioner

