

## **113-B MARKETING, SALE AND SERVICING OF MICROINSURANCE PRODUCTS BY THRIFT BANKS<sup>1</sup>**

In order to better serve microfinance clients pursuant to the financial inclusion thrust of National Strategy and Regulatory Framework for Microinsurance, a TB, including its authorized branch/es, branch-lite unit/s, can present, market and sell microinsurance products as defined under the Insurance Commission's Memorandum Circular (IMC) No. 1-2010<sup>2</sup>: *Provided*, That the microinsurance product is duly approved by the Insurance Commission.

The presentation, marketing and sale of microinsurance products by TBs has been determined to be a necessary and complementary component of the primary business of TBs considering the relationship of the latter with their microfinance clients. For this purpose, the Monetary Board has defined that for TBs, microinsurance products as defined under IMC Nos. 9-2006<sup>3</sup> and 1-2010<sup>4</sup> shall serve as a "financial product of an allied undertaking" under Section 20 of the General Banking Law.

A TB can also service (i.e., collect premiums and pay claims) microinsurance products as collection and payment agents pursuant to Section 53.3 of the General Banking Law.

A TB which intends to avail of the option to market or sell microinsurance products shall ensure that microinsurance products presented and marketed are clearly distinguishable from bank products. Towards this end, all organic documents, informational and promotional materials used in the presentation and sale of these products shall prominently display both the name of the issuing insurance provider and a clause stating that the insurance product/s of (name of issuing insurance provider) is/ are not insured by the PDIC and is/are not guaranteed by the (name of bank)". The bank shall also ensure compliance with pertinent laws and rules on the sale of microinsurance products set by the Insurance Commission. As part of product due diligence, the bank should check whether the microinsurance product-issuing insurance provider has a functioning customer care and claims-handling mechanism to handle consumer protection issues.

A bank, prior to selling and/or marketing microinsurance products, shall submit the following documents to the Bangko Sentral as bases for the latter's evaluation:

- a. Copy of the approval of the bank's board of directors on the presentation, sale and servicing (i.e., collect premiums and pay claims) of microinsurance products;
- b. Copy of duly executed written agreement between the bank and the insurance provider on the presentation, sale and servicing by the bank of the financial products of the latter, including the terms of compensation for the services;
- c. Copy of the letter of approval from the Insurance Commission covering each of the microinsurance product to be marketed or sold by the bank;

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- d. Copy of the corresponding Certificate of Authority from the Insurance Commission of the insurance provider/s issuing the microinsurance products to be marketed or sold; and
- e. Bank's license from the Insurance Commission as a microinsurance agent or broker, as may be applicable<sup>5</sup>.
- f. Certification from the bank president that he/she ascertained and will ensure continuing compliance with the following:
  - (1) The product is authorized for cross selling under existing Bangko Sentral rules and regulations;
  - (2) The microinsurance product is approved by the Insurance Commission and issued by an entity duly licensed and held in good standing by the Insurance Commission;
  - (3) The bank conducted product due diligence to be suitable to its customers;
  - (4) The organic, informational and promotional materials for the microinsurance products comply with Bangko Sentral requirements; and
  - (5) The bank personnel concerned has undertaken the necessary training and passed the qualifying examination for the presentation and sale of microinsurance products, in compliance with the requirements set forth by the Insurance Commission on marketing personnel for insurance products.
- g. A letter of undertaking from the bank president that he/she will ensure the retention of the following:
  - (1) Copies of the latest Certificate of Authority from the Insurance Commission covering all insurance companies whose microinsurance products are being marketed or sold by the bank;
  - (2) Copies of the letters of approval from the Insurance Commission covering all the microinsurance products to be marketed or sold;
  - (3) Bank's license from the Insurance Commission as a microinsurance agent or broker or in lieu of a bank's license as a microinsurance agent or broker, copies of the license from the Insurance Commission covering all its marketing personnel for microinsurance products; and
- h. Such other information that may be required by the Bangko Sentral.

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*(Circular No. 917 dated 08 July 2017, M-2015-041 dated 27 November 2015 and Circular No. 890 dated 02 November 2015)*

### Footnotes

1. Insurance Commission (IC) issued Circular Letter (CL) No. 2015-54 dated 16 October 2015 requiring the adoption and implementation of the Enhanced Microinsurance Regulatory Framework
2. Dated 29 January 2010
3. Dated 25 October 2006
4. Dated 29 January 2010
5. To act as a microinsurance agent of an authorized insurance provider, a bank needs to acquire the appropriate license from the IC. The requirements for such application consist of: (i) attendance in prescribed microinsurance training course and passing the qualifying examination at the end of the course; and (ii) amending a bank's articles of incorporation (AOI). In view of the latter requirement, applicant banks shall amend their AOI by including a secondary purpose of acting as a microinsurance agent, and shall submit simultaneously the amended AOI to the appropriate Bangko Sentral office and the IC. (See IC Memo Circular No. 6-2011 dated 15 February 2011)