

[IC CIRCULAR NO. 21-2010, June 03, 2010]

**ENFORCEMENT OF CIRCULARS ON THE PRESCRIBED MINIMUM
RATES FOR CATASTROPHIC PERILS**

Whereas insurance companies have realized the danger of undercutting rates;

Whereas its continued practice would eventually jeopardize the financial solvency of insurance companies and their subsequent ability to settle claims;

Whereas, a group of insurance companies have voluntarily submitted themselves to the "Declaration of Mutual Covenant and Undertaking";

Whereas said "Declaration" is a commitment to follow strictly IC circulars enumerated below to ensure the viability of insurance companies to meet obligations to the insuring public in the event of catastrophic loss brought about by natural perils;

Whereas IC rules and regulations must be followed by all insurance companies without exception;

The Commission thus, strongly enjoins all insurance companies to strictly adhere to and faithfully comply with, the following Circulars:

1. IC Circular 24-2006 dated May 26, 2006 stipulating a minimum rate for Natural Perils of 0.10% for Earthquake Fire and Shock and 0.05% for Typhoon & Flood, and the corresponding penalties for violations;
2. IC Circular 29-2006 dated July 27, 2006 clarifying IC Circular 24-2006 and identifying types of policies that the minimum CAT Peril Rate should cover;
3. IC Circular 39-2006 dated December 7, 2006 further clarifying the two above cited circulars;
4. IC Circular No. 08-2007 dated 23 April 2007 stipulating a commission of 5% for natural perils and/or a maximum commission of 15% for composite rates (fire Plus CAT Perils); and
5. IC Circular Letter No. 5-2005 dated 2 March 2005 as amended by IC Circular No. 22-2009 dated 18 August 2009 requiring the submission of quarterly reports on aggregate net retained insured values by all non-life insurance companies.

The rates for a fire policy with additional perils insured against, should be clearly broken down corresponding to each of the various coverages of the policy.

It shall be the obligation and moral duty of everyone to immediately report any violation of aforesaid Circulars, as well as the provisions of this Circular Letter to the Insurance Commission.