

**[ IC CIRCULAR LETTER NO. 18/89, August 31, 1989 ]**

**REQUIREMENTS IN THE ISSUANCE OF INDUSTRIAL ALL RISKS (IAR) INSURANCE POLICIES OR COVERS**

In order that a risk may qualify and be covered by an IAR insurance policy, the following requirements are imposed for compliance by those concerned:

1. *Definition* - Industrial All Risk, or IAR for short, are risks which are attendant to the manufacture or commodities, i.e., industrial type of risks as classified in the Fire Tariff Manual, pp. 61 to 96, inclusive, including all risks ancillary to industrial properties.

2. *Minimum Amount of Cover* - The minimum amount of cover shall not be less than P2.5 billion for property damage per one location, the premises occupied by the insured comprising a ten (10) kilometer radius reckoned from the main plant.

3. *Indexing* - This minimum amount of cover shall be based on the Consumer Price Index prevailing during the period the IAR policy is issued and computed accordingly per steps outlined in Annex "A"-1, and 2 hereof (Note: not included here).

4. *Exclusions* - All those excluded and listed in the standard IAR policy form.

5. *Form* - The corresponding IAR policy, application, rider, clauses, warranty or endorsement to be attached to, printed, or stamped upon such policy shall be in the standard form previously approved by the Insurance Commissioner pursuant to the provisions of Section 226 of the Insurance Code.

6. *Rate* - The rate is non-tariff, provided that at the time the request for its approval by the Insurance Commissioner, the same is acknowledged, acceptable and/or adopted by internationally reputable underwriters/ reinsurers to the extent of at least 20% of the entire sum insured. Brokerages, commission, taxes, overrides, and other similar charges may be added to form the gross rate therefor, subject to full disclosure to the Insurance Commission of the complete list of foreign securities and/or reinsurance facilities.

7. *Basis of IAR Coverage and Indemnification* - The basis shall be the sound value of the risks and/or ancillary industrial properties and contemplated in the standard fire policy. The replacement value, instead of the sound value, as basis shall be an option to the insurer and accordingly manifested as the insurer's choice by the corresponding endorsement attached to the IAR policy cover.

8. *Effectivity* - This Circular Letter shall take effect October 1, 1989.