

SPLITTING OF SURETY BOND RISKS

IC CIRCULAR LETTER NO. 7/88, April 20, 1988

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Reports have been received that there are surety and bonding companies adopting the underwriting practice of "splitting surety bond risks" by issuing two or more surety bonds on a single risk or several bail bonds in behalf of an accused in a criminal case when the cover is of substantial amount

Splitting of risk in such manner makes it possible for a surety and bonding company to -

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charge a rate of bond premium higher than that as authorized under existing rules on rate of premium on various kinds of surety bonds; and,

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retain an amount of surety bond risks beyond the limit of twenty (20%) per cent of the net worth of the surety and bonding company as prescribed under Section 215 of the Insurance Code (PD No. 1460).

All surety and bonding companies are hereby enjoined from resorting to such underwriting practice of "splitting surety bond risks". Non-observance of this instruction shall be sufficient cause for both the suspension of the certificate of authority to do business of the surety and bonding company concerned under Section 247 of the Code and recommendation by this Commission to the President of the Philippines for the revocation of such company's authority to act as surety upon official recognizances, stipulations, bonds and undertakings granted under Act No. 536, as amended by Act No. 2206.

Adopted: 20 Apr. 1988

(SGD.) ADELITA A. VERGEL DE DIOS

Insurance Commissioner

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