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FREEZING OF RATES APPLIED TO FIRE POLICES DURING THE PERIOD APRIL 30, 1998 TO APRIL 30, 1999

IC CIRCULAR LETTER NO. 7-99, April 14, 1999

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In view of the prevailing conditions in the fire insurance market, the following rules and regulations on rating of fire risks are hereby issued to prevent their further decline.

- The rates, terms and conditions of all fire insurance policies regardless of the sums insured with inception dates from April 30, 1998 to April 30, 1999 are hereby frozen for one year; i.e., the rates to be used in the renewal of said policies up to April 30, 2000 shall not be reduced, and the terms and conditions shall not be broadened in any manner howsoever unless done in accordance with the fire manual and subject to the payment of the corresponding additional premium.

- Policies with inception dates prior to May 1, 1999 adjudged by the Insurance Commission (IC) as having breached rates, shall all be considered as first offenses carrying a P500.00 penalty for each policy, thereby temporarily suspending the classification of subsequent breaches into 2nd and 3rd offenses referred to in IC Circular 13-97, while the freeze order is in effect.

- To provide a basis for monitoring and to ensure strict compliance with this freeze order, all policies with total sums insured of P100 million and above in one or more locations shall be submitted to the Insurance Commission, not later than seven (7) days after effectivity of the policy. Failure to do so shall be considered as an offense subject to the penalties provided herein. It must be noted however, that policies with sums insured less than P100 million although exempt from this requirement are, likewise, to this freeze order as stated in item 1) above.

- The determination of whether or not there is a violation of the freeze order shall be vested in a committee composed of the Deputy Insurance Commissioner, the Chairman and Vice Chairman of PIRA and the Administrator and Deputy Administrator of the Tariff Enforcement Board (TEB)

- The following penalties shall be imposed:

> First Offense - Premium differential (difference between the freeze rate and the new rate used) plus 25% surcharge, minimum of P50,000.
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> Second Offense - Premium differential (difference between the freeze rate and the new rate used) plus 25%
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> Third Offense - Premium Differential (difference between the freeze rate and the new rate used) plus 25% surcharge, minimum of P150,000 plus suspension of fire underwriter's license for, three (3) months.
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> Fourth Offense - Premium differential (difference between the freeze rate and the new rate used) plus 25% surcharge, minimum of P200,000 plus suspension of fire underwriters' license for six (6) months.
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> Fifth Offense - Premium differential (difference between the freeze rate and the new rate used) plus 25% surcharge, minimum of P250,000 plus revocation of fire underwriters' license and referral to the Insurance Commission for further evaluation/sanction deemed proper by it, like, among others things, revocation of company's license to write fire and allied perils.

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- Each policy found to be in violation of the freeze order shall be considered as one offense. For purposes of determining the application of the penalties, the chronological order shall be based on the date of discovery.

- To safeguard accounts from being the subject of rate-cutting practices by prospective competitors the present insurer may at his option submit copies of the existing policies for registration with the IC. This can then be compared against the copy of the replacing policy submitted to it or obtained from other sources.

- The present insurer may also provide any member of the Committee with copies of proposals or rate quotations from any source offering improved terms and conditions to an existing insured in violation of the freeze order. The Committee shall then take the matter up with the erring member for corrective action. If the proposal emanated from an agent or broker and the principal is not identified, then the Committee shall refer the matter to the Insurance Commission for disposition.

It is understood that all other risks not subject to this freeze order shall be rated in accordance with the fire tariff manual.

Adopted: 14 April 1999

(SGD.) EDUARDO T. MALINIS
Insurance Commissioner

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