

	<b>REINSURANCE PARTNERSHIP POLICY</b>	<b>NATCCO MBAI-OP-11-2021</b>	
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Policy Area: <b>OPERATIONS</b>		Effective Date: Dec 16, 2021	

## 1. INTRODUCTION

NATCCO MBAI has two (2) micro-insurance products approved by the Insurance Commission (IC). These are the Basic Life Insurance Product (BLIP) and Credit Life Insurance Product (CLIP).

To accommodate the member's needs in the insurable loan amounts that exceed NATCCO MBAI's risk appetite, the Association will enter into a "reinsurance contract" with local insurance companies. Under Section 407 of Republic Act 10607, "a mutual benefit association may, by reinsurance agreement, cede in whole or in part any individual risk or risks under certificates of insurance issued by it, only to a life insurance company authorized to transact business or to a professional reinsurer authorized to accept life risks in the Philippines: *Provided*, that a copy of the draft of such reinsurance agreement shall be submitted to the Commissioner for his approval. The association may take credit for the reserves on such ceded risks to the extent reinsured."

## 2. POLICY STATEMENT

It is NATCCO MBAI's objective to provide financial assistance to its members in the form of death benefits, sickness benefits, provident savings, and loan redemption assistance. Therefore, it is best to offer micro-insurance products that can address the ever-changing needs of the members by developing new products and/or partnering with other insurance companies.


## 3. APPLICABILITY

This Policy applies to microinsurance products that are not within the IC- approved products and beyond the Association's risk appetite.

## 4. DEFINITION OF TERMS

4.1 Microinsurance - a financial product or service that meets the risk protection needs of the poor where: (a) The amount of contributions, premiums, fees, or charges, computed on a daily basis, does not exceed seven and a half percent (7.5%) of the current daily minimum wage rate for nonagricultural workers in Metro Manila, and (b) The maximum sum of guaranteed benefits is

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not more than one thousand (1,000) times of the current daily minimum wage rate for nonagricultural workers in Metro Manila.

4.2 Reinsurance - A contract of reinsurance is one by which an insurer procures a third person to insure him against loss or liability by reason of such original insurance. (from Insurance Code, Section 97).

4.3 Reinsurer - is a company that provides financial protection to insurance companies. Reinsurers handle risks that are too large for insurance companies to handle on their own and make it possible for insurers to obtain more business than they would otherwise be able to.

## 5. PROCEDURES

5.1 Identify priority products relevant to the changing needs of the members

5.2 Select reinsurance partner based on the following criteria:

5.2.1 Licensed by IC as microinsurance vendor

5.2.2 Financial strength

5.2.3 Extensive experience in providing microinsurance products

5.2.4. A domestic insurance company, cooperative insurance society, a reinsurance company duly licensed entities by the IC to do business in the Philippines.



5.2.5. A foreign licensed insurance risk-bearing entity provided that the entity must comply based on the following as provided by the Microinsurance Handbook.


a) The foreign-based reinsurance entity is represented by an appointed resident agent duly registered with the IC, provided, however, the said appointed resident agent must not in any way, directly or indirectly, be a party to any transaction involving the risk being ceded;

b) If a block of risk is ceded through a local reinsurance broker, the broker involved shall not also act as the appointed resident agent of the foreign accepting company;

c) As per provisions of the Insurance Commission's Circular Letter 2014-42, prior approval of the treaty or agreement by the Insurance Commission must be obtained before a microinsurance ceding company may enter into a reinsurance treaty or agreement involving remittances of foreign exchange with a foreign company.

d) At least ten percent (10%) of the microinsurance risk being ceded to a foreign company shall be offered to National Reinsurance Corporation of the Philippines (PhilNaRe), notwithstanding that PhilNaRe is entitled to refuse the offer in writing.

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e) The reinsurance agreement shall clearly specify that the reinsured portions of all microinsurance claims are payable by the reinsurer to the ceding company within ten (10) calendar days upon submission by the ceding microinsurance entity of complete documentary requirements.

**6. SEPARABILITY CLAUSE**



If any provision or part of this policy is declared invalid, the remaining parts or provisions not affected must remain in full force and effect.

**7. AMENDMENTS**

This Policy may be amended or modified only by a written instrument, executed by the Product Review and Development Committee, and approved by the Board of Trustees.

**8. DATE OF EFFECTIVITY**

This policy must take effect on the date of the approval of the Board of Trustees.

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