

Excerpts from Sec. 408-409, Chapter VII, Insurance Code of the Phils.

Section 408. - The constitution or bylaws of a mutual benefit association must distinctly state the purpose for which dues and/or assessments are made and collected and the portion thereof which may be used for expenses.

Death benefit and other relief funds shall be created and used exclusively for paying benefits due the members under their respective membership certificates. A general fund shall likewise be created and used for expenses of administration of the association.

A mutual benefit association shall only maintain free and unassigned surplus not more than twenty percent (20%) of its total liabilities as verified by the Commissioner. Any amount in excess shall be returned to the members by way of dividends, enhancing the equity value or providing benefits in kind and other relevant services. In addition, subject to the approval of the Commissioner, a mutual benefit association may allocate a portion for capacity building and research and development such as developing new products and services, upgrading and improving operating systems and equipment and continuing member education.

Section 409. – Every outstanding membership certificate must have an equity value equivalent to at least fifty percent (50%) of the total contributions collected thereon. The equity value only applies to basic life insurance product and excludes optional products.