

IMPLEMENTING RULES AND REGULATIONS
OF
CREDIT LIFE INSURANCE PLAN

Cooperative Alliance for Responsive Endeavor Mutual Benefit Association (CARE MBA), Inc, subject to the provisions of the Master Policy Contract issued to the CREDITOR, shall pay the insurance benefits as provided in Section 4 below in accordance with the following provisions:

Section 1 CREDIT LIFE INSURANCE PLAN

Credit Life Insurance Plan is insurance on the life of a DEBTOR in connection with a specific loan or other credit transaction of five years' duration or less, to provide payment equivalent to the outstanding loan balance of the loan to a CREDITOR and a return of total principal payments to the BENEFICIARIES, in the event of death of a DEBTOR.

Section 2 CREDITOR

CREDITOR means the lender of money or vendor or lessor of goods, services, property, rights or privileges, for which payment is arranged through a credit transaction, or any successor to the right, title, or interest of any such lender, vendor or lessor, or an affiliate, associates or subsidiary of any of them, or any other person in any way associated with them.

Section 3 DEBTOR

- a. DEBTOR means a borrower of money or a purchaser or lessee of goods, services, property, rights or privileges for which payment is arranged through a credit transaction.
- b. The DEBTOR must be at least eighteen (18) years old but not more than sixty-five (65) years old at loan release date.
- c. Credit Life Insurance may only be issued to DEBTORS **satisfying the age requirement and with loan amount not exceeding the maximum insurable loan amount** specified in Section 6.
- d. No credit life insurance may be further issued if the DEBTOR has an existing or in-force insurance coverage issued by CARE MBA.
- e. Moreover, in the event that there is more than one loan application, the **greater of the two loan amounts, except if it exceeds the maximum insurable loan amount**, will be covered under the policy.

Section 4 DEATH BENEFIT

Upon the death of the Insured DEBTOR, CARE MBA will pay the following benefits to the corresponding beneficiaries:

- a. the outstanding balance of the loan at the time of death of the DEBTOR, excluding interest charges, payable to the CREDITOR, and
- b. the sum of principal payments made on the loan at the time of death of the DEBTOR, payable to the BENEFICIARY declared in the Application Form for Credit Life Insurance Plan.

Section 5 CONTRIBUTIONS AND IDENTIFIABLE CHARGES

- a. DEBTORS shall be charged a **lump sum amount of PhP 12.50 per PhP 1,000 of approved loan amount per year** or equivalently, 1.25% of the approved loan per year for the benefits described in Section 4 above.
- b. CARE MBA shall not utilize more than FIFTEEN PERCENT (15%) of the Credit Life Insurance gross contribution for **administrative expenses**.
- c. CARE MBA shall not utilize more than THIRTY PERCENT (30%) of the Credit Life Insurance gross contribution for payment of **service fees**.
- d. CARE MBA shall contribute not more than FIVE PERCENT (5%) of the Credit Life Insurance contribution as **increment to the guaranty fund**.
- e. CARE MBA will review the contribution rates on a yearly basis. CARE MBA reserves the right to change the contribution rate at any time it deems appropriate to maintain the funds of the MBA at a level adequate to meet its benefit obligations or commitments under the plan.

Section 6 REINSURANCE

- a. To protect the MBA from adverse claim fluctuations and the risk posed by large loan amounts, CARE MBA may engage in a reinsurance agreement with a reputable reinsurer.
- b. CARE MBA may enforce a maximum insurable loan amount such that loans in excess of the said amount will not be covered under the policy, but may however be ceded to a reinsurer.
- c. The maximum insurable loan amount per insured life shall be no more than PhP 120,000 or 500 times the daily minimum wage of non-agricultural workers in Metro Manila, whichever is higher.

Section 7 SURPLUS SHARING

CARE MBA agrees to grant the CREDITOR a share of the surplus calculated at the end of the year with respect to all business enrolled under this policy, subject to at least ___ individual risks being in force at the time the calculation is made. The rate of Surplus Sharing will be agreed upon by CARE MBA and the Creditor in writing and the details of which shall be stipulated in the Surplus Sharing Statement.

Section 8 BENEFICIARIES

- a. In addition to the CREDITOR, the beneficiary/ies under this policy include those declared by the DEBTOR in the **Debtor's Application for Credit Life Insurance**.
- b. The right to change the beneficiary/ies, except the CREDITOR if the loan remains unpaid, is reserved to every DEBTOR, who may at any time, designate a new beneficiary/ies. Such request for change in beneficiary/ies, must be in writing signed by the DEBTOR under oath and must be submitted to CARE MBA Main Office.
- c. When a DEBTOR dies without a designated beneficiary/ies, the benefits payable thereon shall be awarded to the legal heirs according to existing laws.

Section 9 EFFECTIVITY

- a. Credit Life Insurance shall take effect upon the date of loan release by the CREDITOR to the DEBTOR as indicated in the **Loan Release Form** issued by the CREDITOR and the payment of insurance contribution.
- b. The DEBTOR shall be issued a **Certificate of Coverage** containing the date of effectivity of coverage, term of coverage, a summary of benefits and excerpts of the provisos for

the DEBTOR upon approval of the application for credit life insurance. A manual of this implementing rules and regulations shall be issued to both the CREDITOR and the DEBTOR.

- c. A DEBTOR with existing loan as of the effectivity of this Credit Life Insurance shall automatically be covered, provided the fees and dues as herein specified are paid.
- d. The term of insurance coverage shall not exceed the term of loan as stated in the Loan Release Form given by the CREDITOR.

Section 10 TERMINATION OF CREDIT LIFE INSURANCE COVERAGE

The credit life insurance coverage under the **Certificate of Coverage** of the DEBTOR shall automatically terminate under the earliest of the following conditions:

- a. upon the death of the DEBTOR
- b. upon the expiration of the term of the loan
- c. upon full payment of the loan
- d. upon attainment of age 65 of the insured life

If the DEBTOR decides to withdraw or terminate his/her insurance policy before the expiration of the term of loan, the unearned portion of the insurance contribution shall be refunded to the DEBTOR.

Termination of coverage shall be without prejudice to any claim arising prior to such termination.

Section 11 NOTICE AND PROOF OF CLAIM

- a. When a DEBTOR dies, the CREDITOR shall notify CARE MBA of such death, stating the full name and address of the deceased, the cause of death, the date of death, the address and full name(s) of the secondary beneficiary/ies. The claims should be filed within six (6) months after death with CARE MBA Main Office.
- b. The benefits described above shall be paid upon presentation of death certificate, sworn statement of the beneficiaries establishing their lawful status as such, and the special power of attorney executed by the beneficiaries as to whom among them shall receive the payment in the event that there is more than one secondary beneficiary, the Creditor being the primary beneficiary.
- c. Failure to give notice and proof as required, will not invalidate or diminish the claim if it is shown not to have been reasonably possible to give such notice or proof and that such was given as soon as was reasonably possible.

Section 12 ASSIGNMENT OF BENEFITS

CARE MBA will not be bound by any assignment of the benefits in the Certificate of Coverage unless a copy of the assignment and the written consent of every assignee, or other similarly affected person, if any, are filed at the CARE MBA Main Office and duly endorsed on the certificate. CARE MBA assumes no responsibility for the effect, sufficiency or validity of any assignment.

Section 13 MISSTATEMENT AND MISREPRESENTATION

Any willful misstatement in the **Debtor's Application Form for Credit Life Insurance** that would render a person eligible for insurance when he/she would otherwise be ineligible shall be a sufficient cause for the cancellation of his/her credit insurance plan at any time such misstatement is known. In such event, the liability of CARE MBA shall be limited to the refund of all contributions paid by the DEBTOR.

Section 14 NON-TRANSFERABILITY CLAUSE

The Certificate of Credit Life Insurance coverage is non-transferable.

Section 15 BOARD OF AWARDS

A Board of Awards composed of five (5) members shall be the body to decide the approval or disapproval of payment of benefits. No action of the Board shall be valid unless it is a decision of the majority. A majority constitutes at least three (3) members of the Board of Awards. The Board of Awards shall likewise authorize the release of the benefit and furthermore cause the remittance to the beneficiaries upon approval. In case of indecision, the result of the evaluation of claims and its recommendation will be submitted to CARE MBA Main Office for the decision of the CARE MBA General Manager. If, however, the CARE MBA General Manager cannot make a decision or recommendation, the case shall be referred to the Board of Trustees for a final decision.

Section 16 BOARD OF TRUSTEES

- a. The Board of Trustees shall adopt a prudent cash management program to invest profitably all cash in excess of current disbursements.
- b. The Board of Trustees shall set up each year sufficient reserves for the payment of claims and other obligations in accordance with actuarial procedures specified by the consulting actuary. If the reserves become impaired, the Board of Trustees shall require all members to pay CARE MBA the amount of the member's equitable proportion of such deficiency as ascertained by the Board of Trustees. If the payment is not made, it shall stand as indebtedness against the members and draw interest not to exceed FIVE PER CENTUM (5%) per annum compounded annually.
- c. The Board of Trustees shall adopt a complete statistical program to gather and analyze all information related to the insurance program. The information should be collated and submitted annually to the consulting actuary for analysis and evaluation so that he can provide sound advice to the Board of Trustees on matters pertaining to the viability of the Credit Life Insurance Plan.

Section 17 AMENDMENTS TO RULES AND REGULATIONS

Any amendment/s made to this Rules and Regulations is/are subject to approval by the regulator.

Section 18 REPEALING CAUSE

All rules and regulations, that are inconsistent herewith, are superseded or amended accordingly.

Section 19 IMPORTANT NOTICE

The Rules and Regulations of CARE MBA Credit Life Insurance Plan embodies the terms and conditions of the insurance described above. A copy of the Rules and Regulations is kept in the main office of CARE MBA and is available to the CREDITOR/DEBTOR for inspection during its regular office hours.

The Insurance Commission, with offices in Manila, Cebu and Davao, is the government office in charge of the enforcement of all laws relating to insurance and has supervision over mutual benefit associations. It is ready at all times to render assistance in settling any controversy between a mutual benefit association and a member relating to insurance matters.