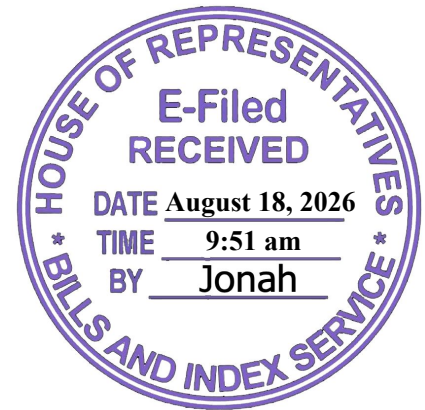




Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

TWENTIETH CONGRESS
Second Regular Session

HOUSE BILL NO. 10842



Introduced by Representative **ANTONINO B. ROMAN III**

EXPLANATORY NOTE

Microinsurance Mutual Benefit Associations, or Mi-MBAs, play a vital role in providing affordable, accessible, and community-based risk protection to low-income, vulnerable, underserved, and informal-sector Filipinos. They serve members who are often excluded from, or unable to afford, conventional insurance products, including microentrepreneurs, farmers, fisherfolk, workers, cooperative members, microfinance clients, and families dependent on small livelihood activities.

Unlike ordinary commercial insurance providers, Mi-MBAs are member-based and non-profit in character. They operate on the principles of mutual aid, pooled contributions, democratic participation, and community-based risk sharing. Through small and affordable contributions, members are able to obtain basic protection against death, sickness, accident, calamity, fire, flood, crop loss, livestock loss, livelihood disruption, business interruption, and other risks that may severely affect low-income households.

Despite their importance, Mi-MBAs continue to face legal, tax, and operational limitations that affect their ability to provide broader and more responsive protection to their members. There is a need to clarify the tax treatment of member contributions, premiums, dues, assessments, claims expense, benefit funds, guaranty funds, reserves, member equity value, investment income, revenue-generating activities, and related documents. There is likewise a need to rationalize the tax burden on non-life microinsurance products so that transaction costs do not unduly reduce the benefits intended for low-income members.

The need for non-life microinsurance has become more urgent in light of the recurring risks faced by low-income communities. Many Mi-MBA members do not only need protection against death or life-related contingencies. They also need

protection against fire, typhoon, flood, earthquake, crop loss, livestock loss, damage to residential homes used for livelihood, loss of tools and equipment, business inventory loss, livelihood asset loss, and microenterprise interruption. These risks are often too small for ordinary insurance markets, but too devastating for poor households and microentrepreneurs to bear on their own.

This bill therefore seeks to strengthen Mi-MBAs by allowing qualified associations, subject to the approval and supervision of the Insurance Commission, to provide limited non-life microinsurance products to their members. The authority granted is not intended to convert Mi-MBAs into full commercial non-life insurance companies. Rather, it is limited to member-based, low-value, microinsurance-specific products, subject to actuarial review, reserve requirements, separate accounting, risk management standards, reinsurance, catastrophe protection, and other safeguards prescribed by the Insurance Commission.

The bill also recognizes that Mi-MBAs may not always be legally, technically, or financially capable of developing or underwriting all products needed by their members. For this reason, it authorizes Mi-MBAs to facilitate access to Micro-Products and micro-risk protection products issued by duly licensed or regulated providers, such as commercial insurers, non-life insurers, pre-need companies, health maintenance organizations, takaful operators, and other authorized risk-protection providers. This authority is limited to facilitation, administration, servicing, collection, member education, and claims assistance, and does not authorize Mi-MBAs to act as underwriters or issuers of products beyond their license.

This measure also supports the development of Micro-Products, including Microinsurance and Micro Takaful, as inclusive and affordable protection mechanisms for low-income and informal-sector members. These products are intended to expand access to basic protection while remaining subject to the rules and supervision of the Insurance Commission and other appropriate regulators.

To ensure sustainability, the bill authorizes Mi-MBAs to engage in regulated investments and revenue-generating activities, provided that such activities are incidental, complementary, or supportive of their mutual benefit and microinsurance purposes. Any net income from these activities must be used exclusively for member-benefit purposes, including payment or enhancement of benefits, reduction or stabilization of member contributions, strengthening of reserves and member equity value funds, improvement of claims processing, digitalization, financial literacy, disaster preparedness, calamity assistance, educational scholarships, civil documentation assistance, and other member-support programs.

The bill likewise promotes the digital transformation of Mi-MBAs. It encourages the adoption of secured, safe, accessible, and member-friendly digital

systems for onboarding, know-your-customer procedures, contribution collection, certificate issuance, claims filing and payment, member engagement, regulatory reporting, tracking of member equity value, and product monitoring. This will make Mi-MBA operations more efficient, transparent, responsive, and accessible to members.

At the same time, the bill strengthens member protection. It requires clear disclosure of benefits, exclusions, fees, charges, claims requirements, and the identity of the actual issuer or underwriter in the case of facilitated products. It also requires timely claims processing, written explanation for denied claims, internal grievance mechanisms, annual or periodic reporting, internal audit, risk management, data privacy safeguards, and member education, consistent with the Bill of Rights of Policyholders and applicable issuances of the Insurance Commission.

The bill does not remove or diminish the authority of the Insurance Commission. On the contrary, it reinforces the Commission's supervisory, visitorial, regulatory, and enforcement powers over Mi-MBAs, their products, funds, investments, partnerships, facilitated products, revenue-generating activities, governance, and member-protection mechanisms. It also contains safeguards against unauthorized insurance activity, tax avoidance, private inurement, misuse of member funds, false representation, commingling of funds, and circumvention of applicable laws.

In view of the foregoing, this bill seeks to establish a clearer, fairer, and more responsive legal framework for Mi-MBAs as non-stock, non-profit, member-based institutions serving low-income and underserved communities. By rationalizing their tax treatment, expanding their authority to provide and facilitate micro-risk protection products, strengthening their sustainability, and ensuring strict regulatory supervision, this measure will help advance social protection, financial inclusion, and community resilience.

In view of the foregoing, the immediate passage of this bill is earnestly sought.



ANTONINO B. ROMAN III



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

TWENTIETH CONGRESS
Second Regular Session

HOUSE BILL NO. 10842

Introduced by Representative **ANTONINO B. ROMAN III**

AN ACT
STRENGTHENING MICROINSURANCE MUTUAL BENEFIT ASSOCIATIONS
AS INSTRUMENTS OF SOCIAL PROTECTION, FINANCIAL INCLUSION,
AND COMMUNITY-BASED RISK PROTECTION, RATIONALIZING THEIR
TAX TREATMENT, EXPANDING THEIR AUTHORITY TO PROVIDE
MICROINSURANCE AND MICRO-RISK PROTECTION PRODUCTS, AND
FOR OTHER PURPOSES

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

SECTION 1. Short Title. – This Act shall be known as the “Microinsurance Mutual Benefit Association Strengthening Act.”

SEC. 2. Declaration of Policy. – It is hereby declared the policy of the State to promote social justice, financial inclusion, community-based risk protection, and affordable access to microinsurance, mutual benefit, and inclusive risk-protection services, particularly for low-income, vulnerable, underserved, and informal-sector members.

Toward this end, the State shall recognize Microinsurance Mutual Benefit Associations as partners in delivering affordable, member-based, and community-based social protection. The State shall likewise promote the sustainability, good governance, transparency, financial soundness, responsible growth, and digital transformation of Microinsurance Mutual Benefit Associations, subject to the supervision and regulation of the Insurance Commission.

SEC. 3. Objectives. – This Act shall have the following objectives:

- (a) To strengthen Microinsurance Mutual Benefit Associations as instruments of social protection, financial inclusion, and community-based risk protection;
- (b) To rationalize the tax treatment of member contributions, premiums, dues, assessments, claims expense, benefit funds, guaranty funds, reserves, member equity value, investment income, revenue-generating activities, and related documents of duly licensed Microinsurance Mutual Benefit Associations;
- (c) To expand the authority of qualified Microinsurance Mutual Benefit Associations to provide limited non-life microinsurance products to their members, subject to the approval and supervision of the Insurance Commission;
- (d) To impose a preferential premium tax rate of two percent (2%) on premiums, contributions, dues, or assessments collected for approved non-life microinsurance products;
- (e) To authorize duly licensed Microinsurance Mutual Benefit Associations to facilitate access by their members to approved micro-risk protection products issued by duly licensed or authorized providers;
- (f) To authorize duly licensed Microinsurance Mutual Benefit Associations to engage in regulated investments and revenue-generating activities for the exclusive benefit of their members;
- (g) To recognize and support, where applicable and duly authorized, Micro-Products, including Microinsurance and Micro Takaful, designed to provide affordable and accessible protection to low-income, vulnerable, underserved, and informal-sector members;
- (h) To promote secured, safe, accessible, and member-friendly digital systems for efficient collection, claims settlement, member engagement, regulatory reporting, financial reporting, and member protection;
- (i) To strengthen member protection through clear disclosure, fair claims processing, grievance mechanisms, good governance, risk management, separate accounting, and transparency; and
- (j) To strengthen the supervisory, visitorial, and enforcement powers of the Insurance Commission over Microinsurance Mutual Benefit Associations.

SEC. 4. Definition of Terms. – For purposes of this Act:

- (a) *Mutual Benefit Association or MBA* refers to a mutual benefit association duly licensed and regulated by the Insurance Commission under the Insurance Code, as amended, and other applicable laws, rules, and regulations;
- (b) *Microinsurance Mutual Benefit Association or Mi-MBA* refers to a Mutual Benefit Association duly licensed and authorized by the Insurance Commission to provide microinsurance products to its members;
- (c) *Micro-Products* refer to financial or risk-protection products specifically designed to provide affordable and accessible coverage, protection, relief, or assistance to low-income, vulnerable, underserved, and informal-sector members. Micro-Products may include Microinsurance, Micro Takaful, and other similar products or services approved or regulated by the Insurance Commission or other appropriate regulator;
- (d) *Microinsurance* refers to an activity providing specific insurance, insurance-like, mutual benefit, or similar products and services that meet the needs of the low-income sector for risk protection and relief against distress, misfortune, and other contingent events, subject to the rules and regulations of the Insurance Commission;
- (e) *Micro Takaful* refers to a risk-protection arrangement operating on the principle of mutual assistance and shared responsibility, providing coverage for health, life, property, education, livelihood, or other risks to low-income and informal-sector members in accordance with Shariah principles, subject to applicable law and regulation;
- (f) *Life Microinsurance* refers to microinsurance products that provide benefits upon death, disability, illness, accident, or other life-related contingencies of a member or covered person;
- (g) *Non-Life Microinsurance* refers to microinsurance products that provide protection against loss or damage arising from fire, calamity, typhoon, flood, earthquake, crop loss, livestock loss, livelihood asset loss, property damage, casualty, personal accident, microenterprise interruption, or other non-life risks as may be approved by the Insurance Commission;
- (h) *Member Contributions* refer to premiums, dues, assessments, subscriptions, or other payments made by members to a Mi-MBA for approved mutual benefit, microinsurance, Micro-Product, or similar member-protection product;
- (i) *Claims Expense* refers to amounts incurred or paid by a Mi-MBA for the settlement, processing, administration, documentation, investigation, or payment of valid claims, benefits, member entitlements, or related obligations under approved products or programs;

- (j) *Benefit Fund* refers to any fund established, maintained, or administered by a Mi-MBA for the payment of benefits, claims, equity value, refunds, or other member entitlements;
- (k) *Guaranty Fund* refers to the fund required under the Insurance Code and relevant rules and regulations to answer for valid benefit claims and other member obligations of a Mi-MBA;
- (l) *Reserve Fund* refers to funds required by law, regulation, actuarial determination, or prudential standards to ensure the ability of a Mi-MBA to meet present and future obligations;
- (m) *Member Equity Value or MEV* refers to the refundable equity value or accumulated member entitlement under an approved membership certificate, mutual benefit product, or microinsurance product, including such interest or crediting rate as may be required by law, regulation, actuarial determination, or rules of the Insurance Commission;
- (n) *Investment Income* refers to income derived from the lawful placement, deposit, investment, or management of funds of a Mi-MBA in instruments, facilities, or activities allowed by law or approved by the Insurance Commission;
- (o) *Revenue-Generating Activities* refer to lawful activities undertaken by a Mi-MBA, whether directly or through approved arrangements, which generate income in support of its mutual benefit, microinsurance, social protection, financial inclusion, or member-service purposes;
- (p) *Net Income from Revenue-Generating Activities* refers to income remaining after deducting reasonable, necessary, and duly documented costs and expenses directly related to such activities;
- (q) *Facilitated Micro-Risk Protection Product* refers to an approved insurance, pre-need, health, takaful, or other risk-protection product issued by a duly licensed or regulated provider and made available to members of a Mi-MBA through a lawful partnership, facilitation, distribution, administrative, or servicing arrangement approved or recognized by the Insurance Commission and other concerned regulators, as may be applicable;
- (r) *Partner Risk-Protection Provider* refers to a duly licensed commercial life insurer, non-life insurer, pre-need company, health maintenance organization, takaful operator, or other regulated entity authorized by law to provide risk-protection products or services; and
- (s) *Member Protection Mechanism* refers to the system of governance, disclosure, complaint resolution, claims processing, internal control, audit, risk management, regulatory reporting, and member education intended to protect the rights and benefits of members.

SEC. 5. Scope and Coverage. – This Act shall apply only to duly licensed and authorized Microinsurance Mutual Benefit Associations, including their approved microinsurance, Micro-Product, Micro Takaful, investment, revenue-generating, digitalization, partnership, and member-service activities.

Regular Mutual Benefit Associations that are not licensed or authorized by the Insurance Commission as Microinsurance Mutual Benefit Associations shall not be entitled to the special authorities, tax treatment, incentives, privileges, or regulatory treatment granted under this Act, unless they subsequently qualify and are duly authorized as Microinsurance Mutual Benefit Associations under rules prescribed by the Insurance Commission.

Nothing in this Act shall be construed as authorizing any person, entity, association, or organization to operate as a Mi-MBA, insurer, insurance provider, takaful operator, insurance intermediary, microinsurance provider, or Micro-Product provider without the required license, authority, accreditation, or approval from the Insurance Commission or other appropriate regulator.

SEC. 6. Recognition of Mi-MBAs as Social Protection Partners. – Duly licensed Mi-MBAs are hereby recognized as community-based social protection institutions and partners of the State in advancing financial inclusion, disaster resilience, livelihood protection, and affordable risk protection for their members.

National government agencies, local government units, cooperatives, microfinance institutions, workers' associations, farmers' and fisherfolk organizations, transport groups, homeowners' associations, people's organizations, rural banks, organized community groups, and other similar institutions may, subject to applicable laws and regulations, partner with duly licensed Mi-MBAs for the delivery, promotion, administration, or servicing of approved mutual benefit, microinsurance, Micro-Product, and member-protection programs.

SEC. 7. Tax Treatment of Member Contributions, Premiums, Dues, and Assessments. – Member contributions, premiums, dues, assessments, and similar amounts collected by a duly licensed Mi-MBA for approved mutual benefit, microinsurance, Micro-Product, or member-protection products shall not be treated as ordinary taxable income of the Mi-MBA, provided that such amounts are held, reserved, invested, or applied exclusively for the payment of benefits, claims, claims expense, reserves, member equity value, refunds, member services, reasonable and necessary operating expenses directly connected with the carrying out of its approved business, or other lawful purposes directly connected with the protection and welfare of members.

The tax treatment provided under this section shall apply only to duly licensed Mi-MBAs in good standing with the Insurance Commission and only with respect to products, benefits, or programs approved by the Insurance Commission or other appropriate regulator.

SEC. 8. Preferential Premium Tax on Non-Life Microinsurance. – Premiums, contributions, dues, assessments, and similar payments collected by a duly licensed Mi-MBA for approved non-life microinsurance products issued to its members shall be subject to a preferential premium tax rate of two percent (2%) of gross premiums, contributions, dues, or assessments collected.

The same preferential premium tax rate may apply to approved non-life microinsurance products facilitated by a duly licensed Mi-MBA for its members through a duly licensed non-life insurance company or other authorized partner risk-protection provider, subject to the rules and conditions to be jointly prescribed by the Department of Finance, Bureau of Internal Revenue, and Insurance Commission.

The tax imposed under this section shall be in lieu of value-added tax, percentage tax, and other national business taxes imposed on such premiums, contributions, dues, or assessments.

Service fees, administrative fees, commissions, or other facilitation income received by a Mi-MBA in connection with facilitated micro-risk protection products shall be separately accounted for and shall be subject to the tax treatment prescribed by the Department of Finance, Bureau of Internal Revenue, and Insurance Commission, taking into account the non-stock, non-profit, and member-benefit character of Mi-MBAs.

The Department of Finance, Bureau of Internal Revenue, and Insurance Commission shall issue the necessary rules to implement this section, including the manner of payment, reporting, remittance, audit, verification, classification of covered products, and safeguards against abuse.

SEC. 9. Local Tax Treatment. – Local government units may extend local tax, fee, or charge incentives to duly licensed Mi-MBAs, consistent with the Local Government Code and other applicable laws, in recognition of their role as community-based social protection institutions.

Nothing in this Act shall be construed as automatically exempting Mi-MBAs from local taxes, fees, charges, permits, or regulatory requirements, unless expressly provided by law or ordinance.

SEC. 10. Documentary Stamp Tax Treatment. – Membership certificates, microinsurance certificates, Micro-Product certificates, renewals, endorsements, riders, notices, proofs of coverage, and similar documents issued by a duly licensed Mi-MBA in connection with approved microinsurance, Micro-Product, or mutual benefit products shall be exempt from documentary stamp tax, subject to such conditions, thresholds, reporting requirements, and anti-abuse safeguards as may be jointly prescribed by the Department of Finance, Bureau of Internal Revenue, and Insurance Commission.

The exemption under this section shall apply only to documents directly connected with approved mutual benefit, microinsurance, Micro-Product, or member-protection products issued to members of duly licensed Mi-MBAs.

SEC. 11. Tax Treatment of Claims Expense, Benefit Funds, Guaranty Funds, Reserves, Member Equity Value, and Investment Income. – Claims expense, benefit funds, guaranty funds, reserve funds, member equity value funds, and other funds required by law, regulation, actuarial determination, or membership certificate to be maintained by a Mi-MBA shall not be treated as taxable income when such funds are held, maintained, accumulated, credited, or applied exclusively for the benefit of members or to comply with prudential, reserve, solvency, equity value, or member-protection requirements.

Investment income derived from the lawful investment of such funds shall likewise be exempt from income tax, provided that the same is used exclusively for any of the following purposes:

- a) Payment of benefits, claims, or claims expense;
- b) Strengthening of reserves guaranty funds, benefit funds, or member equity value funds;
- c) Crediting of interest or earnings to refundable member equity value, where required by law, regulation, actuarial determination, or rules of the Insurance Commission;
- d) Enhancement of member benefits;
- e) Reduction or stabilization of member contributions;
- f) Improvement of claims processing, digital systems, and member services;
- g) Member education, financial literacy, and disaster preparedness programs;
- h) Disaster-response, emergency assistance, or calamity-related member support;
- i) Research and development related to product innovation, market development, actuarial studies, financial reporting standards, and member protection; or
- j) Such other member-benefit purposes as may be approved by the Insurance Commission.

SEC. 12. Authority of Mi-MBAs to Provide Non-Life Microinsurance. – A duly licensed Mi-MBA may, upon prior approval of the Insurance Commission, provide non-life microinsurance products to its members.

The non-life microinsurance products that may be approved under this Act include, but are not limited to:

- a) Fire microinsurance;
- b) Calamity, typhoon, flood, earthquake, and disaster microinsurance;
- c) Crop and agricultural microinsurance;
- d) Livestock microinsurance;
- e) Residential house microinsurance, especially where the residence is also used for livelihood or microenterprise activities;
- f) Small property protection;
- g) Livelihood asset protection;
- h) Business inventory protection;
- i) Business equipment, tools, assets, and small machinery protection;
- j) Personal accident microinsurance;
- k) Equipment, tool, tricycle, motorcycle, banca, or small livelihood vehicle protection;
- l) Microenterprise interruption or livelihood disruption protection;
- m) Funeral, emergency, and disaster-related protection products, subject to applicable regulation; and
- n) Other non-life microinsurance products that may be approved by the Insurance Commission.

The authority granted under this section shall be limited to approved microinsurance products issued to members of the Mi-MBA and shall not be construed as a general authority to engage in commercial non-life insurance business.

SEC. 13. Authority of Mi-MBAs to Facilitate Micro-Risk Protection Products. – A duly licensed Mi-MBA may, subject to the approval, rules, or supervision of the Insurance Commission and other concerned regulators, facilitate access by its members to Micro-Products or micro-risk protection products issued by duly licensed partner risk-protection providers.

Such facilitated products may include life insurance, non-life insurance, Micro Takaful, health protection, pre-need, personal accident, calamity, property, livelihood, agricultural, funeral, emergency, or other member-protection products that the Mi-MBA is not authorized or able to develop or issue on its own.

The Mi-MBA may receive reasonable service fees, administrative fees, or other lawful compensation for facilitating, administering, collecting, servicing, or assisting in the delivery of such products, provided that:

- a) The product is issued by a duly licensed or authorized provider;
- b) The Mi-MBA does not misrepresent itself as the issuer or underwriter of the product, unless legally authorized;
- c) The roles, fees, obligations, and liabilities of the Mi-MBA and the partner provider are clearly disclosed to members;
- d) The product is suitable to the needs and capacity of the members;
- e) The arrangement does not result in unfair, excessive, hidden, or unauthorized charges to members;
- f) Net income received by the Mi-MBA is used exclusively for member-benefit purposes; and
- g) The arrangement complies with the rules of the Insurance Commission and other concerned regulators.

SEC. 14. Conditions for Approval of Non-Life Microinsurance Products. – The Insurance Commission shall approve non-life microinsurance products of Mi-MBAs only upon compliance with prudential, actuarial, governance, and member-protection requirements, including but not limited to:

- (a) Actuarial study or certification;
- (b) Product design suitable for microinsurance and low-income members;
- (c) Clear benefit schedule;
- (d) Affordable premiums, contributions, dues, or assessments;
- (e) Simple documentation requirements;
- (f) Prompt and accessible claims processing;
- (g) Adequate reserves;
- (h) Separate accounting for life and non-life funds;
- (i) Separate actuarial valuation, where required;
- (j) Reinsurance, catastrophe protection, stop-loss arrangement, risk-pooling arrangement, or other risk-transfer mechanism, when required by the Insurance Commission;
- (k) Risk management plan;
- (l) Claims management plan;
- (m) Member education plan;
- (n) Disaster or catastrophe exposure assessment, where applicable;
- (o) Financial capacity and solvency assessment; and
- (p) Such other requirements as may be imposed by the Insurance Commission.

SEC. 15. Separate Accounting, Financial Reporting, and Protection of Funds. – Mi-MBAs shall maintain separate books, accounts, and records for life microinsurance,

non-life microinsurance, Micro Takaful, facilitated micro-risk protection products, guaranty funds, benefit funds, reserves, member equity value, claims expense, investment income, service fees, administrative fees, grants, donations, and revenue-generating activities.

Mi-MBAs shall observe the applicable financial reporting framework, accounting standards, and standard chart of accounts prescribed or recognized by the Insurance Commission and other competent regulatory authorities. For this purpose, Mi-MBAs shall maintain accurate, complete, timely, and verifiable books of accounts, financial records, product records, claims records, member equity value records, and other regulatory records necessary to ensure transparency, accountability, proper fund segregation, and member protection.

No fund intended for the payment of member benefits, claims, claims expense, reserves, guaranty fund obligations, member equity value, refunds, or other member entitlements shall be diverted, commingled, transferred, or used for any purpose not authorized by law, regulation, the approved product, membership certificate, or the Insurance Commission

SEC. 16. Investments by Mi-MBAs. – A duly licensed Mi-MBA may invest funds not immediately needed for claims, benefits, reserves, member equity value, and lawful obligations, subject to the rules, limitations, and approval requirements of the Insurance Commission.

Allowable investments may include deposits, government securities, approved debt instruments, quoted and unquoted equity securities, investment properties, approved collective investment schemes, and other safe, liquid, prudent, and lawful investments authorized under the Insurance Code, rules of the Insurance Commission, and other applicable laws.

In all cases, the investment policy of a Mi-MBA shall observe the principles of safety, liquidity, diversification, prudence, transparency, accountability, and protection of members.

SEC. 17. Revenue-Generating Activities. – A duly licensed Mi-MBA may engage in revenue-generating activities, subject to such approval, regulation, or reporting requirements as may be prescribed by the Insurance Commission, provided that such activities are incidental, complementary, or supportive of its mutual benefit, microinsurance, social protection, financial inclusion, or member-service purposes.

Prior approval of the Insurance Commission shall be required only for such revenue-generating activities, transactions, or arrangements that the Insurance Commission may specifically identify as requiring prior approval, taking into account their nature, scale, risk, impact on members, use of member funds, and consistency with the purposes of the Mi-MBA.

SEC. 18. Use of Income from Revenue-Generating Activities. – Net income from revenue-generating activities shall be used exclusively for the benefit of members and for purposes consistent with the nature of a Mi- MBA, including:

- a) Payment or enhancement of benefits;
- b) Reduction or stabilization of member contributions;
- c) Strengthening of guaranty funds, benefit funds, reserves, and member equity value funds;
- d) Improvement of claims processing and member services;
- e) Digitalization and technology upgrades;
- f) Efficient collection and payment systems;
- g) Research and development related to product innovation, market development, actuarial soundness, and financial reporting standards;
- h) Financial literacy, insurance literacy, and member education;
- i) Disaster mitigation, disaster preparedness, and climate-risk education;
- j) Disaster-response, calamity assistance, emergency relief, and livelihood recovery programs;
- k) Non-financial member benefits, including educational scholarships, calamity and disaster assistance, civil documentation assistance, community-based welfare support, and similar member-benefit programs approved by the Insurance Commission;
- l) Costs of maintaining, administering, and operating approved revenue-generating activities;
- m) Expansion of approved microinsurance and member-protection programs; and
- n) Other purposes approved by the Insurance Commission.

No part of the net income or assets of a Mi-MBA shall inure to the benefit of any trustee, officer, employee, incorporator, organizer, partner institution, service provider, or private individual, except as reasonable compensation for services actually rendered, reimbursement of duly documented expenses, lawful payments under approved contracts, or lawful benefits due to members.

Cost-sharing arrangements between a Mi-MBA and a partner microfinance institution, cooperative, rural bank, association, or other partner institution for joint activities involving the same client-members shall be allowed, provided that such

arrangements are fair, reasonable, documented in writing, properly accounted for, approved or reported to the Insurance Commission when required, and not used to divert funds, conceal private benefit, or unduly burden members.

SEC. 19. Digitalization of Mi-MBA Operations. – Mi-MBAs are encouraged to adopt secured, safe, accessible, and member-friendly digital systems for:

- a) Member onboarding and registration;
- b) Identity verification and lawful Know-Your-Customer procedures;
- c) Collection of contributions, premiums, dues, and assessments;
- d) Issuance of membership certificates, microinsurance certificates, Micro-Product certificates, notices, and other documents;
- e) Efficient collection and claims settlement;
- f) Claims filing, claims tracking, and claims payment;
- g) Member engagement, education, and communication;
- h) Regulatory and supervisory compliance reports;
- i) Financial and operational reports to members, the board, management, partners, regulators, and stakeholders;
- j) Capturing, storing, and updating KYC information of members and their dependents;
- k) Capturing, storing, and reporting member payments, refundable member equity value, benefits, and claims;
- l) Capturing, storing, and reporting Mi-MBA products and product performance;
- m) Recordkeeping, audit, and risk management; and
- n) Other lawful purposes approved by the Insurance Commission.

The use of digital systems shall comply with applicable laws on data privacy, cybersecurity, consumer protection, electronic transactions, financial regulation, and anti-money laundering, where applicable.

SEC. 20. Partnerships with Cooperatives, Microfinance Institutions, Local Government Units, and Community Organizations. – Mi-MBAs may enter into partnership arrangements with cooperatives, microfinance institutions, rural banks, local government units, people’s organizations, workers’ associations, farmers’ and fisherfolk organizations, transport groups, homeowners’ associations, and other community-based organizations for the promotion, distribution, administration, servicing, or delivery of approved mutual benefit, microinsurance, Micro-Product, facilitated micro-risk protection, financial literacy, disaster preparedness, and member-protection programs, subject to the rules of the Insurance Commission and other applicable laws.

No partnership arrangement shall authorize any partner institution to act as an insurer, Mi-MBA, insurance intermediary, takaful operator, microinsurance provider, or Micro-Product provider unless duly licensed or authorized by the Insurance Commission or other appropriate regulator.

SEC. 21. Member Protection Standards and Bill of Rights of Policyholders. – Mi-MBAs shall adopt and implement member protection standards consistent with the Bill of Rights of Policyholders and other applicable issuances of the Insurance Commission.

These standards shall include:

- a. Right to clear, accurate, and understandable information on benefits, exclusions, limitations, contributions, dues, assessments, fees, charges, and claims requirements;
- b. Right to receive a membership certificate, microinsurance certificate, Micro-Product certificate, proof of coverage, or similar document evidencing coverage or entitlement;
- c. Right to know the actual issuer, underwriter, facilitator, administrator, or servicing entity for facilitated micro-risk protection products;
- d. Right to timely processing and payment of valid claims;
- e. Right to receive a written explanation for denial of claims;
- f. Right to internal reconsideration, appeal, or grievance mechanism;
- g. Right to fair, respectful, and non-discriminatory treatment;
- h. Right to data privacy and confidentiality;
- i. Right to annual or periodic reporting on member benefits, funds, and relevant association matters;
- j. Right to member education and financial literacy support; and
- k. Such other rights and protection standards as may be prescribed by the Insurance Commission.

SEC. 22. Claims Processing. – Mi-MBAs shall establish simple, accessible, and timely claims processing procedures appropriate to the nature of mutual benefit, microinsurance, and Micro-Product arrangements. Such procedures may include the filing, submission, verification, tracking, approval, denial, and payment of claims through electronic, digital, mobile, online, or other technology-enabled means, subject to applicable laws on electronic transactions, data privacy, cybersecurity, consumer protection, and regulations of the Insurance Commission.

The Insurance Commission shall prescribe maximum periods for the processing, approval, denial, and payment of claims, taking into account the simplified, low-value, urgent, and technology-enabled nature of microinsurance and Micro-Products.

Any denial of claim shall be in writing, which may be in electronic form where allowed by law and regulation, and shall clearly state the factual and legal basis for such denial.

SEC. 23. Governance Standards. – Mi-MBAs shall comply with governance standards prescribed by the Insurance Commission, including:

- a. Fit and proper standards for trustees, directors, officers, and key management personnel;
- b. Duties of loyalty, integrity, stewardship diligence, prudence, good faith, transparency, and accountability;
- c. Prohibition against self-dealing and conflict-of-interest transactions, except under conditions approved by the Insurance Commission;
- d. Regular meetings and reporting to members;
- e. Independent audit;
- f. Actuarial review, when required;
- g. Risk management and internal control systems;
- h. Protection of benefit funds, guaranty funds, reserves, and member equity value funds;
- i. Transparent reporting of investments, revenue-generating activities, service fees, grants, donations, and cost-sharing arrangements; and
- j. Other governance requirements necessary to protect members.

SEC. 24. Mi-MBA Development and Support Program. – There is hereby established a Mi-MBA Development and Support Program under the Insurance Commission.

The Program shall provide, coordinate, or facilitate:

- a) Governance training;
- b) Actuarial and technical assistance;
- c) Compliance support;
- d) Product development assistance;
- e) Digitalization support;
- f) Claims processing improvement;
- g) Financial literacy, insurance literacy, and member education materials;
- h) Disaster-risk, climate-risk, and calamity-response protocols;
- i) Research and development support;
- j) Financial reporting and regulatory compliance support;
- k) Capacity building for community-based Mi-MBAs; and
- l) Such other support mechanisms as may be necessary to strengthen Mi-MBAs.

The Insurance Commission may coordinate with the Department of Finance, Bureau of Internal Revenue, Cooperative Development Authority, Bangko Sentral ng

Pilipinas, Department of Trade and Industry, Department of Social Welfare and Development, Department of Labor and Employment, Department of Agriculture, local government units, technical and business development support providers, Mi-MBA industry associations, insurance industry associations, and other relevant agencies or organizations for the implementation of this Program.

SEC. 25. Registry of Licensed Mi-MBAs. – The Insurance Commission shall maintain a public and regularly updated registry of licensed Mi-MBAs.

The registry shall include, at a minimum:

- a) Name of the Mi-MBA;
- b) License or authority status;
- c) Principal office address;
- d) Approved products or programs;
- e) Status of compliance or good standing;
- f) Authority to provide non-life microinsurance, Micro Takaful, or other Micro-Products, if applicable;
- g) Approved facilitated micro-risk protection arrangements, where required by regulation; and
- h) Such other information as may be necessary to protect members and the public.

SEC. 26. Prohibited Acts. – The following acts are prohibited:

- a) Operating as a Mi-MBA without license or authority from the Insurance Commission;
- b) Offering, selling, issuing, facilitating, administering, or servicing mutual benefit, microinsurance, non-life microinsurance, Micro Takaful, Micro-Product, or facilitated micro-risk protection products without proper authority;
- c) Misrepresenting any association, entity, product, document, tax treatment, exemption, or approval as licensed, approved, tax- exempt, or authorized when it is not;
- d) Misappropriating, diverting, or misusing member contributions, benefit funds, guaranty funds, reserves, member equity value funds, claims funds, investment income, grants, donations, service fees, or income from revenue-generating activities;
- e) Commingling funds in violation of this Act or rules of the Insurance Commission;
- f) Refusing or failing, without lawful basis, to pay valid claims;
- g) Imposing unauthorized deductions, charges, fees, or assessments on members;

- h) Engaging in revenue-generating activities without required approval or reporting, when such approval or reporting is required;
- i) Using the income, assets, funds, facilities, or privileges of a Mi-MBA for private benefit;
- j) Concealing material information from members, regulators, auditors, or the Insurance Commission;
- k) Falsifying reports, financial statements, actuarial submissions, claims records, member records, or tax documents; and
- l) Such other acts as may be prohibited by the Insurance Commission to protect members and the public.

SEC. 27. Penalties and Sanctions. – Any person, association, corporation, trustee, officer, employee, agent, representative, service provider, or partner institution that violates this Act shall be subject to administrative, civil, and criminal penalties under the Insurance Code, National Internal Revenue Code, Revised Penal Code, and other applicable laws.

Without prejudice to the imposition of higher penalties under existing laws, the Insurance Commission may impose any or all of the following administrative sanctions:

- a) Warning or reprimand;
- b) Administrative fine;
- c) Restitution or refund to affected members;
- d) Suspension of product approval;
- e) Suspension or revocation of license or authority;
- f) Disqualification of trustees, directors, officers, or responsible persons;
- g) Cease and desist order;
- h) Disallowance of tax privileges or preferential treatment, in coordination with the Department of Finance and Bureau of Internal Revenue;
- i) Appointment of conservator, receiver, or other authorized regulatory intervention, when warranted by law; and
- j) Such other sanctions as may be authorized by law.

In determining the appropriate sanction, good faith, degree of participation, nature of the violation, damage to members, repetition, concealment, restitution, cooperation, and other mitigating or aggravating circumstances may be considered.

SEC. 28. Coordination Among the Insurance Commission, Department of Finance, and Bureau of Internal Revenue. – The Insurance Commission, Department of Finance, and Bureau of Internal Revenue shall jointly issue rules and regulations to implement the tax provisions of this Act, including rules on:

- a) Tax treatment of member contributions, premiums, dues, and assessments;
- b) Preferential two percent (2%) premium tax on non-life microinsurance;
- c) Preferential tax treatment of collection fees, service fees, administrative fees, or similar compensation paid to duly authorized distribution channels, partner institutions, or delivery partners for the distribution, collection, administration, servicing, or delivery of approved microinsurance, non-life microinsurance, Micro Takaful, or Micro-Product arrangements of Mi-MBAs;
- d) Documentary stamp tax exemption or treatment;
- e) Tax treatment of benefit funds, guaranty funds, reserves, member equity value, claims expense, and investment income;
- f) Tax treatment of revenue-generating activities, facilitated micro-risk protection products, grants, donations, service fees, administrative fees, and cost-sharing arrangements;
- g) Reporting, withholding, audit, verification, and certification requirements;
- h) Prevention of abuse, tax avoidance, unauthorized insurance activity, or private inurement; and
- i) Such other matters necessary to implement this Act.

SEC. 29. Reportorial Requirements. – Mi-MBAs availing of the tax treatment, incentives, authorities, or privileges under this Act shall submit such reports as may be required by the Insurance Commission, Department of Finance, and Bureau of Internal Revenue.

The reports may include:

- a) Audited financial statements;
- b) Actuarial reports;
- c) Product performance reports;
- d) Claims payment reports;
- e) Claims expense reports;
- f) Investment reports;
- g) Reports on revenue-generating activities;
- h) Reports on facilitated micro-risk protection products;
- i) Reports on Micro-Products and Micro Takaful, where applicable;
- j) Reports on grants, donations, service fees, administrative fees, and cost-sharing arrangements;
- k) Tax compliance reports;
- l) Member protection reports; and
- m) Such other reports necessary to ensure compliance with this Act.

SEC. 30. Safeguards Against Abuse. – The tax treatment, incentives, authorities, and privileges granted under this Act shall not apply to any transaction, product, fund, investment, activity, partnership, or arrangement that is designed or used primarily

for tax avoidance, private benefit, profit distribution, unauthorized insurance business, circumvention of regulatory requirements, or violation of insurance, tax, banking, securities, cooperative, data privacy, anti-money laundering, consumer protection, local government, or other applicable laws.

The Insurance Commission, Department of Finance, and Bureau of Internal Revenue may disallow the tax treatment, incentives, authorities, or privileges granted under this Act upon finding that the Mi-MBA, partner institution, service provider, trustee, officer, or responsible person has violated this Act or its implementing rules and regulations.

SEC. 31. Harmonization with Existing Laws – This Act shall be interpreted in harmony with the Insurance Code, National Internal Revenue Code, Local Government Code, Data Privacy Act, Electronic Commerce Act, cooperative laws and regulations, banking and financial regulations, anti-money laundering laws, consumer protection laws, and other applicable statutes and regulations.

Nothing in this Act shall be construed to diminish the regulatory, supervisory, visitorial, examination, enforcement, or rule-making powers of the Insurance Commission over Mi-MBAs, insurance products, microinsurance products, Micro-Products, and related activities.

SEC. 32. Transition Period. – Existing Mi-MBAs shall be given a reasonable transition period, not exceeding one (1) year from the effectivity of the implementing rules and regulations, to comply with new reportorial, accounting, product approval, digitalization, governance, and tax-related requirements under this Act, unless a shorter period is required by the Insurance Commission for member protection or public interest.

SEC. 33. Congressional and Regulatory Review. – Within three (3) years from the effectivity of this Act, and every three (3) years thereafter, the Insurance Commission, in coordination with the Department of Finance and Bureau of Internal Revenue, shall submit to Congress a report on the implementation of this Act.

The report shall include, among others:

- a) Number of licensed Mi-MBAs;
- b) Number of members covered;
- c) Products approved;
- d) Claims paid;
- e) Non-life microinsurance products issued or facilitated;
- f) Micro-Products and Micro Takaful issued or facilitated, where applicable;
- g) Tax incentives or preferential treatment availed of;

- h) Investment and revenue-generating activities undertaken;
- i) Member protection issues and complaints;
- j) Regulatory actions taken; and
- k) Recommendations for legislative or regulatory improvement.

SEC. 34. Implementing Rules and Regulations. – Within one hundred twenty (120) days from the effectivity of this Act, the Insurance Commission, in coordination with the Department of Finance, Bureau of Internal Revenue, Bureau of Local Government Finance, and other relevant government agencies, shall issue the necessary rules and regulations for the effective implementation of this Act.

SEC. 35. Appropriations. – The amount necessary for the initial implementation of this Act shall be charged against the existing appropriations of the Insurance Commission and other concerned agencies. Thereafter, such sums as may be necessary for the continued implementation of this Act shall be included in the annual General Appropriations Act.

SEC. 36. Separability Clause. – If any provision of this Act is declared unconstitutional or invalid, the remaining provisions not affected thereby shall continue to be in full force and effect.

SEC. 37. Repealing Clause. – All laws, decrees, executive orders, rules and regulations, issuances, or parts thereof inconsistent with this Act are hereby repealed, amended, or modified accordingly.

SEC. 38. Effectivity. – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation. Approved.

Approved,