

**[QUEDANCOR CIRCULAR NO. 482, S. 2011,
February 22, 2011]**

**QUEDANCOR GUIDELINES IN FACILITATING INSURANCE
COVERAGE FOR SPECIAL WINDOW MODE ACCOUNTS**

1. RATIONALE

To effectively manage the credit risks associated with the existing accounts under the special window mode, QUEDANCOR strengthens its policies and procedures relative to the current organization's direction and strategy.

2. OBJECTIVES

- 2.1 Strengthen the insurance component of existing accounts under the special window mode.
- 2.2 Simplify the procedures and responsibilities related to providing insurance coverage to existing QUEDANCOR borrowers.

3. LEGAL BASIS

- 3.1 Republic Act No. 7393 dated 13 April 1992
- 3.2 Republic Act No. 8435 or Agriculture and Fisheries and Modernization Act of 1997

4. SCOPE

This Circular shall cover the policies and procedures involved in facilitating insurance coverage to existing QUEDANCOR borrowers under special window mode.

5. DEFINITION OF TERMS

- 5.1 **Comprehensive Insurance** – a combination of several insurance coverages like loss or damage to automobile and/or other forms of chattel.
- 5.2 **Crop Insurance** – as a comprehensive coverage against crop loss

caused by natural disaster (i.e., typhoon, flood, drought, earthquake, volcano eruption, etc.) as well as pest infestations and plant diseases.

- 5.3 **Group Credit Life Insurance (GCLI)** – Insurance issued to the creditor on the lives of his debtors to pay the amount of indebtedness in the event of death of the latter. Legitimately to reduce the problem of collection from a deceased estate.
- 5.4 **Insurance** – a contract in which one party, the insurer, agrees in consideration of the premium to pay the beneficiaries of the insured a certain sum upon the death of the insured or to indemnify him for loss to property caused by fire or marine risks.
- 5.5 **Insurance Company (IC)** – refers to all individuals, partnerships, associations or corporations, including government-owned or controlled corporations or entities, engaged as principals in the insurance business as duly authorized by the Insurance Commission.
- 5.6 **Life Insurance** – an insurance on human lives and insurance appertaining thereto or connected therewith.
- 5.7 **No Evidence Limit (NEL)** – an insurance coverage not requiring application and medical examination.
- 5.8 **Non-life Insurance** – an insurance on properties and insurance appertaining thereto or connected therewith.
- 5.9 **Philippine Crop Insurance Corporation (PCIC)** – is a government owned and controlled corporation created under and by virtue of Presidential Decree No. 1467, as amended by Act No. 8175 to provide crop insurance cover to palay, corn, livestock, high value crops and non-crop agricultural assets of both borrowing and self-financing farmers.
- 5.10 **Premium** – refers to the consideration paid to an insurance company or insurer for undertaking to indemnify the insured within a specified period. It is also the agreed price for assuming and carrying the risk.
- 5.11 **Special Window Mode (SWM)** – a mode of lending provided by QUEDANCOR directly to its clients where access to the credit market is not available or not convenient.
- 5.12 **Quedan Operations Officer (QOO)** – QUEDANCOR's field personnel duly authorized to implement its programs.
- 5.13 **QUEDANCOR Field Office (QUEDANCOR FO)** – refers to the business operation areas of QUEDANCOR in different regions of the country.
- 5.14 **Unsecured Loan** – for the purpose of securing GCLI, unsecured loan

shall refer to agri-fishery loan without Real Estate Mortgage (REM) Chattel Mortgage (CM), Deed of Assignment of bonds/securities, Time Deposits and the like, as collateral.

6. STATEMENT OF POLICIES

6.1 Insurance Coverage

Nature of insurance and respective coverage shall be in accordance with the following:

<u>Nature</u>	<u>Coverage</u>	<u>Issuer</u>
a. Fire Insurance	Any building structure or improvement erected on the real estate property mortgaged with QUEDANCOR.	IC
b. Comprehensive Insurance	Chattel and other similar properties mortgaged with QUEDANCOR	IC
c. GCLI	Borrowers with unsecured or partly unsecured loans under the QUEDANCOR credit and guarantee facilities, except AIM, and related programs. For partly secured loans, only the unsecured portion shall be subject to GLI coverage	IC
d. Crop Insurance	Grains – covers rice and corn High Value Commercial crops – cover asparagus, banana, cassava, sugarcane, tomato, peanut, potato, garlic, onion, industrial trees and other crops or as determined by the PCIC and QUEDANCOR.	PCIC

Availment of appropriate insurance coverage shall be required from all borrowers except for crop insurance which shall be optional or at the borrower's discretion.

6.3 Application of Insurance Coverage

a. GCLI

For accounts under the Remedial Management System, Account Remediation Program, Loan Modification Program and other similar programs, the GCLI shall cover both the principal amount and the existing interest plus the new interest on the loan being remedied. However, accounts with paid GCLI and those already remediated (i.e. rescheduled/restructured) under any of the above mentioned programs, shall not be covered by the herein cited provisions unless the account is again subjected to another remedial measure upon effectivity of this circular.

GCLI shall be secured by the borrower upon favorable evaluation of his/her loan application by QUEDANCOR approving authority and shall be subject to the following IC terms and conditions:

1. Borrowers whose amount of loan are below NEL shall be automatically covered by GCLI, and shall no longer be required to fill-out the GCLI Application Form or undergo medical examination.
2. Borrowers whose amount of loan are above NEL, shall be required to fill-out the GCLI Application Form.

Borrowers whose loan is above NEL up to P 1M with adverse information gathered by the IC may be required to secure GCLI depending on the decision of the concerned IC.

Medical examination administered by the IC's accredited hospitals/clinics shall be automatically required for borrowers whose amount of loan is above P 1M.

For loans above NEL, QUEDANCOR FO shall forward the duly filled out application form to CGD for transmittal to IC, for further evaluation and reference.

N.B. For loans with a term of less than one (1) year, the GCLI premium shall be computed equivalent to the actual terms of loan by the QUEDANCOR FO.

b. Other Insurance Coverages

Applicant-borrower shall secure the required insurance coverage from the QUEDANCOR FO and submit the following insurance requirements to QUEDANCOR FO – Loans Management Group (LMG) depending on the type of insurance:

Type of Insurance	Requirement
a. Fire Insurance	Type, location and picture of property
b. Comprehensive Insurance	Official Receipt, Certificate of Registration, stencil of chassis number, motor/engine

number and recent pictures of vehicle

- c. Crop-insurance PCIC Application Form and Farm Plan
 Budget

6.4 Premium Payment by the Borrower

The GCLI shall be renewed every anniversary date of release of the loan and shall be computed based on the outstanding principal balance of the loan and its corresponding interest for the covering year.

The QUEDANCOR FO – Loans Management Group (QOO-LMG) shall notify the borrowers on the renewal of their GCLI coverage a month before the anniversary date of release of loan or expiration date of the existing insurance coverage. The borrowers may either pay in cash or issue PDC for such payment.

The QUEDANCOR FO Cashier shall safekeep the PDCs and strictly monitor the due date of PDCs for deposit to the bank. A photocopy of the Official Receipt (OR) of the premium payment must be regularly forwarded to the CGD, for its reference.

In cases where the borrower's application for GCLI is denied by QUEDANCOR's accredited IC, QUEDANCOR may opt to accept the existing life insurance of the borrower subject to the following conditions:

- a. Insurance coverage must be in force within the term of the loan;
- b. Issuance of post dated check/s (PDCs) for premium payments for the whole term of the loan;
- c. Execution of a Deed of Assignment of the existing insurance by the client-borrower;
- d. Submission of OR of premium payment; and
- e. Endorsement of the insurance policy by the IC which shall be validated by the concerned QUEDANCOR FO.

The client-borrower may assign in whole or in part, his/her existing insurance coverage equivalent to the amount of loan. In case the existing insurance coverage of the borrower is inadequate to cover the whole loan, the loan amount may be reduced equivalent to the value thereof.

6.5 Renewal of Insurance Coverage

GCLI renewal shall be based on the outstanding principal and interest.

Renewal of GCLI shall be governed by the following order of procedures to ensure effective monitoring and strict compliance:

- a. Upon release of loan, the QOO-Loans Management Group (QOO-LMG) shall provide the borrower a copy of the Amortization Schedule reflecting the schedule of payment of loan, as well as, the