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PCC Investigation: Insurance pool charged for anti-competitive agreements

The Enforcement Office of the Philippine Competition Commission (PCC) is charging a pool of insurance companies and the National Home Mortgage Finance Corporation (NHMFC) with entering into anti-competitive agreements for the exclusive provision of mortgage redemption insurance (MRI) to its account holders for almost four decades.

In a Statement of Objections filed on December 27, 2019, the PCC's Enforcement Office charged the NHMFC, and the following insurance companies and their responsible officers for violating Section 14(c) of the Philippine Competition Act (PCA):

1. Beneficial Life Insurance Company, Inc.
 2. Country Bankers Life Insurance Corporation
 3. First Life Financial Co., Inc.
 4. Fortune Life Insurance Company, Inc.
 5. Manila Bankers Life Insurance Corporation
 6. Philippines International Life Insurance Co., Inc.
 7. The Manufacturers Life Insurance Company (Phils), Inc.
 8. United Life Assurance Corporation
- Also charged are members of the Executive Committee who administered the agreements of the insurance pool
1. Ignacio A. Macrohon, Jr. (President)
 2. Daniel M. Mercado, Jr. (Vice-President)
 3. Jaime M. Santiago (Chairman of the Technical Committee)
 4. Evelyn T. Carada (Secretary and Treasurer)
- The Statement of Objections serves as the Enforcement Office's complaint against the respondents and will be heard and decided by the Commission. As the PCC's investigative and prosecutorial arm, the Enforcement Office found the respondents to have entered into agreements that allowed the pool to **exclusively and indefinitely** provide mortgage redemption insurance (MRI) to borrowers whose

loans have been assumed by NHMFC as secondary mortgagor. One of the anti-competitive agreements has been in force since 1980. The investigation was initiated when NHMFC approached the PCC during the two-year transitory period of the PCA, seeking a review of its agreements with the pool. Prior to the PCA's enactment, the NHFMC already attempted to terminate the said agreements, but faced legal obstacles brought about by the insurance pool. NHMFC, as secondary mortgagor, manages different mortgage loan portfolios that are originated by banks, housing developers, and other primary lending institutions that offer loans for socialized and low-cost housing. Mortgagor-borrowers of these primary lending institutions, whose housing loans have been assumed by NHMFC, must obtain an MRI as a form of security.

The MRI ensures outstanding loans will be settled in the event of the borrower's premature death.

This exclusive arrangement effectively deprived NHMFC and the housing loan borrowers of choosing MRI coverage from other providers which may offer better terms and conditions at lower premium rates. Any insurance company wishing to offer MRI to NHMFC is effectively required to go through the pool, thereby foreclosing competition in the relevant market. Additionally, the agreements cannot be terminated by mere notice, aggravating their foreclosure effect.

With such agreements in place, facilitated by the pool's Executive Committee, the insurance pool has enjoyed the lack of any competitive constraints for almost 40 years. This has resulted in poor service, unfavorable premium rates, and lack of options to the detriment of thousands of account-holders, including low-cost and socialized housing borrowers.

Under the PCA, entities found to have entered into anti-competitive agreements could face an administrative fine of up to PHP 100 million.

About the PCC

The Philippine Competition Commission is a national government agency duly mandated by the Philippine Competition Act (RA 10667) to promote competition in the market, prohibit anti-competitive agreements, abuses of market dominance, and anti-competitive mergers and acquisitions, and push for the level playing field among businesses.

About the Statement of Objections

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A Statement of Objections refers to a document charging the entity under investigation for any violation of the Philippine Competition Act, its implementing rules, or other existing competition laws. It is the official complaint of the Enforcement Office as the complainant for administrative cases filed before the Philippine Competition Commission. The Commission, acting as a quasi-judicial body, makes a final determination on the complaint.

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REFERENCE:

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