



Republic of the Philippines  
Department of Finance  
**INSURANCE COMMISSION**  
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**PRESS RELEASE**  
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## **COURT NULLIFIES CREDIT INFORMATION CORPORATION'S ORDER REQUIRING INSURERS TO REPORT ENTIRE CUSTOMER DATABASES**

### **INSURANCE COMMISSION HAILS MAKATI COURT DECISION**

Acting on the Petition for Declaratory Relief filed by the Philippine Life Insurance Association, Inc. (PLIA), a Makati City court nullified Circular Letter No. 2017-04 issued by the Credit Information Corporation (CIC) requiring insurers to submit the premium payments, insurance contracts and policy loans of its clients.

In a Decision dated 04 January 2019, the Makati Regional Trial Court Branch 56 nullified Circular Letter No. 2017-04 by declaring that premium payments, insurance contracts and policy loans are not within the ambit of basic credit data required to be submitted under Republic Act (R.A.) No. 9510 or the Credit Information System Act as it does not pertain to a borrower's performance on a loan, credit line, guarantee or any other form of financial accommodation.

The Court negated the allegation of the CIC that the law expresses the inclusion of any data reflective of a borrower's credit worthiness and other factual and objective information related to or relevant therein in the submitting entity's data files or that of other sources of information.

In its Decision, Judge Bonifacio S. Pascual discussed that, for an information to constitute basic credit required to be submitted to the CIC under R.A. No. 9510, the information must be either positive credit information or negative credit information.

The Court ruled that "For this reason, it is apparent that for information to be submitted to the respondent, the basic credit data must be either positive or negative. This is an unconditional prerequisite of the law, as the objective of RA 9150 is to create a credit information system that will directly address the need for reliable credit information concerning the credit standing and track records of borrowers."

In ruling that policy loans, premium payments, and insurance contracts do not reflect the insured's credit worthiness, the Court noted the arguments of the PLIA that policy loans are in the nature of advances against the policy benefit fund that is earned as payments are made on the policy through the years.

“As stated by PLIA, ‘taking out a policy loan may or may not reflect a need for cash by the policyholder. Availing of the same is the sole option of the policyholder as it is a benefit feature of the insurance policy granted to him by law. He may use it any which way and whenever he wants to. That is not an indication of risky behavior. On the contrary, the policyholder may use the same so that he does not need to apply for a loan from somebody else. He may even just invest it to allow higher yields,’” the court decision reads.

The Court likewise ruled against the argument of the CIC that the submission of policy loans, premium payments, and insurance contracts does not constitute violation of the Data Privacy Act as it expressly excluded from its coverage.

The Court noted that requiring the submission of an insured’s policy loans, premium payments, and insurance contracts is tantamount to giving CIC a duplicate of all insurance companies’ customer databases.

According to the Court, “It is obvious then that the CIC, in requiring the submission of these information, is collecting thousands of personal information. Notably, CIC cannot rely on the foregoing exemption under the DPA applicable because policy loans, premium payments and insurance contracts do not constitute basic credit data.”

Insurance Commissioner Dennis B. Funa welcomed the decision of the Makati RTC as it affirms the position of the insurance regulator that insurance contracts, premium payments and policy loans are not basic credit data.

“The decision of the Makati RTC supports our stance that policy loans should not be treated as reportable credit transactions under the Credit Information System Act. For the past three (3) years, this Commission has been trying to explain and convince the CIC that policy loans, as one of the benefits of an insurance contract, are not credit data that are required to be reported under the CISA. However, all our arguments have fallen on deaf ears.” said Commissioner Funa.

He added, “The CIC dismissed all our arguments by simply invoking that the same are bereft of probative value in relation to the coverage of the CISA. It was at this instance that the PLIA was forced to elevate the issue before the court.”

The Credit Information Corporation, headed by its President and CEO Jaime P. Garchitorena, was created in 2008 by the Credit Information System primarily tasked to construct a system for the collection and dissemination of credit information.

  
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