CIRCULAR LETTER

TO : All Insurance Companies and supervised entities

SUBJECT : Guidelines on the Release of Security Deposit

WHEREAS, Section 209 requires a domestic insurance company, to the extent of an amount equal in value to twenty-five percent (25%) of the minimum net worth required under Section 194, to invest its funds only in securities, satisfactory to the Commissioner and such securities shall be deposited with and held by the Commissioner for the faithful performance by the depositing insurer of all its obligations under its insurance contracts;

WHEREAS, under Sec. 197 of the Insurance Code, foreign insurance companies engaged in insurance business in the Philippines are required a deposit with the Commissioner for the benefit and security of the policyholders and creditors of securities satisfactory to the Commissioner consisting of good securities of the Philippines to the actual market value of not less than the amount required in Section 197;

WHEREAS, Section 281 allows foreign insurance companies authorized to do business in the Philippines to withdraw from the Philippines upon application to withdraw and approval thereof by the Commissioner;

WHEREAS, Section 198 allows the return of the securities deposited in the event the company ceases to do business in the Philippines upon the company's making application and proving to the satisfaction of the Commissioner that it has no further liability under any of its policies nor to its creditors in the Philippines;
WHEREAS, Section 209 of the Insurance Code applies by reference the provision of Section 198; however, for the release of security deposit for domestic insurance companies, satisfaction of no liability under its policies is sufficient.

NOW, THEREFORE, pursuant to the authority vested in me under Section 437 of the Insurance Code, as amended, the following are hereby promulgated:

1.0 APPLICABILITY

1.1 This Circular shall apply to the request or application for the release of security deposit of a company which has no license to do insurance business and is not under conservatorship, receivership or liquidation of the Insurance Commission.

1.2 Application for withdrawal or release of their security deposit of licensed insurance company may be allowed if accompanied by a surrender of license.

1.3 Nothing herein prohibits the solvent companies to collect interest or dividends on securities deposited and withdraw securities with the permission of the Commissioner upon depositing other like securities the market value of which shall be equal to the market value of such may be withdrawn.

2.0 DOCUMENTARY REQUIREMENTS

2.1 The application or request for withdrawal or release of security deposit shall be accompanied by the following documentary requirements:
   a. Latest financial statements for the last two years
   b. Interim financial statements
   c. Latest approved Synopsis
   d. Receipt of filing fee
   e. Surrender of certificate of authority
   f. Certification on the list of cases in the courts including the Supreme Court, NLRC, IC and other quasi-judicial body or Certification of the president or representative of no pending judicial or quasi-judicial case
   g. Draft Notice to the public of the application to withdraw security deposit

3.0 CONDITIONS IN THE APPROVAL OF APPLICATION

3.1 PUBLICATION- Upon receipt of the Application, the insurance company shall publish in a newspaper of general circulation once a week for three consecutive weeks the Notice to the Public of its application for the withdrawal of security deposit. After the publication of the Notice to the Public, the company shall submit to the Insurance Commission within five (5) days from last publication proof from the newspaper company of the publication of the notice.
3.2 WAITING PERIOD - There will be a one (1) year waiting period for the claimants to file, submit or report to the Commissioner any claim against the applicant-company reckoned from the date of the last publication. No release of security deposit shall be granted during the waiting period.

3.3 EXAMINATION – The Insurance Commission shall conduct an examination on the books and other documents of the company to determine its financial condition, and for a foreign insurance company, it must show to the satisfaction of the Commissioner that it has no further liability to any of its creditors in the Philippines.

3.4 LIABILITIES - The applicant must prove that it has no more liabilities over its insurance contracts or creditors as the case may be. The applicant shall provide detailed information of all its outstanding liabilities and pending cases.

3.5 SURRENDER OF LICENSE – Applicant with existing license must surrender its license or request the Commissioner for the cancellation of its license. For a foreign insurance company, in addition to the surrender of its license, it must file its application for withdrawal from the Philippines, which must be approved by the commissioner prior to approval of the release of the security deposit.

4.0 RELEASE - If it is proven that no liability exists or pending case which may result to liabilities, the Commission may permit the release of the security deposit after the waiting period. If the Commission is satisfied that the remaining liabilities of the company over its existing insurance contracts was properly transferred or assigned to a licensed insurance company and that the Commissioner is of the opinion that the assuming company is competent and reliable, the Commissioner may allow the release after six (6) months from the date of last publication of the application: provided, the amount to be released is not more than fifty percent (50%) of the required security deposit and the applicant was not issued a license to engage in insurance business for two years prior to the date of its application.

4.0 PROCEDURES WITHIN THE COMMISSION

4.1 Investment Services Division (ISD) – The Investment Services Division shall perform the following:

a. Receive and evaluate the application for withdrawal of security deposit and the requirements;
b. Require the publication of the Notice to the public;
c. Determine compliance with the conditions, the amount of security deposit, and, in coordination with the proper Examination Division, the asset and liabilities of the company; and
d. Recommend the denial or approval of the application for withdrawal of security deposit.
4.2 Examination Division - The appropriate Examination Division shall be informed by the ISD of the application for release or withdrawal of security deposit and shall conduct the examination of the financial condition of the company.

4.4 Actuarial Division – The Actuarial Division shall provide support to the Investment Services Division within its expertise, which may include determination of the reserves of the applicant.

4.5 Report – Report of the examination division and actuarial division shall be coordinated with the ISD immediately upon completion.

5.0 EFFECTIVITY - This Circular shall take effect immediately.

[Signature]
EMMANUEL F. DOOC
Insurance Commissioner