



Circular Letter (CL) No.:	2015-02-A
Date:	13 January 2015
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CIRCULAR LETTER

TO : ALL NEW AND EXISTING LIFE AND NON-LIFE INSURANCE AND PROFESSIONAL REINSURANCE COMPANIES DOING BUSINESS IN THE PHILIPPINES

SUBJECT : MINIMUM CAPITALIZATION REQUIREMENTS UNDER SECTIONS 194, 197, 200 AND 289 OF REPUBLIC ACT 10607 (THE AMENDED INSURANCE CODE)

WHEREAS, R.A. No. 10607, which amended the Insurance Code (P.D. No. 612) was signed by the President of the Philippines on 15 August 2013 and took effect on 20 September 2013.

WHEREAS, in view of the aforesaid powers, and in view of the provisions of Sections 194, 197, 200 and 289 of the new law which provides for the minimum capitalization and networth requirements of new and existing insurance companies in the Philippines, there is a need to issue clarifications to ensure the compliance with the aforesaid minimum capitalization and networth requirements by the insurance companies.

NOW, THEREFORE, pursuant to the authority vested in me by the provisions of Section 194 and 437 of the Amended Insurance Code, and after series of consultations, dialogues, and discussions conducted and held with the insurance industry associations and other stakeholders, the following rules and regulations concerning Section 194, 197, 200 and 289 are hereby promulgated:

1. Domestic life and non-life insurance companies

1.1. Paid-up capital requirements

1.1.1. No new domestic life and non-life insurance company shall, in a stock corporation, engage in business in the Philippines unless possessed of a paid-up capital equal to at least One billion pesos (Php1,000,000,000.00), which shall be unimpaired at all times. (Sec 194)

1.1.2. The Commissioner may, as a pre-licensing requirement of the new insurance company, in addition to the required capital or assets, require the stockholders or parent company to pay in cash to the company in proportion to their subscription or interests, a contributed surplus fund of not less than One hundred million pesos (Php100,000,000.00). (Sec 194)

1.2. Networth requirements

1.2.1. All domestic life and non-life insurance companies duly licensed by the Insurance Commission must have a networth of at least Two hundred and fifty million pesos (Php250,000,000.00) by December 31, 2013. (Sec 194) The minimum networth of the said companies shall remain unimpaired at all times and shall increase to the amounts as follows:

<u>Minimum Network</u>	<u>Compliance date</u>
Php550,000,000.00	December 31, 2016
Php900,000,000.00	December 31, 2019
Php1,300,000,000.00	December 31, 2022

2. Branches of foreign life and non-life insurance companies

2.1. Capital or assets and reserve requirements

2.1.1. No insurance company organized or existing under the government or laws other than those of the Philippines shall engage in business in the Philippines unless possessed of unimpaired capital or assets and reserve of not less than One billion pesos (P1,000,000,000.00). (Sec 197)

2.2. Statutory deposit requirements

2.2.1. No new branch of a foreign life and non-life insurance company shall, in a stock corporation, engage in business in the Philippines unless possessed of a statutory deposit equal to at least One billion pesos (Php1,000,000,000.00), which shall be unimpaired at all times.

2.3. Trusteed surplus requirements:

2.3.1. All branches of foreign life and non-life insurance companies in the Philippines must have a trusteed surplus of at least Two hundred and fifty million pesos (Php250,000,000.00) by December 31, 2013. The

minimum trusted surplus of the said companies shall remain unimpaired at all times and shall increase to the amounts as follows:

<u>Minimum Network</u>	<u>Compliance date</u>
Php550,000,000.00	December 31, 2016
Php900,000,000.00	December 31, 2019
Php1,300,000,000.00	December 31, 2022

- 2.4. The Commissioner may, as a pre-licensing requirement of a new branch office of a foreign insurance company, in addition to the required trusted surplus, require the company to have an additional fund of not less than One hundred million pesos (Php100,000,000.00).

3. Reinsurance companies authorized to transact solely reinsurance business

- 3.1. New professional reinsurance companies:

- 3.1.1. New reinsurance companies authorized to transact solely reinsurance business must have a capitalization of Three billion pesos (Php3,000,000,000.00) paid in cash, of which at least 50% should be paid-up capital and the remaining as contributed surplus, which in no case shall be less than Four hundred million pesos (Php400,000,000.00). (Sec 289)

- 3.2. Existing professional reinsurance companies:

- 3.2.1. All existing reinsurance companies authorized to transact solely reinsurance business must have a network of at least Two Billion Pesos (Php2,000,000,000.00) by December 31, 2013. The minimum network of the said companies shall remain unimpaired at all times and shall increase to the amounts as follows:

<u>Minimum Network</u>	<u>Compliance Date</u>
Php2,250,000,000.00	December 31, 2016
Php2,500,000,000.00	December 31, 2019
Php3,000,000,000.00	December 31, 2022

4. Clarification of terms

- 4.1. For domestic companies, the network consists of:

- 4.1.1 Paid-up capital;

The capital stock issued at par value, with corresponding number of shares issued.

- 4.1.2 Retained earnings;

The accumulation of the Company's earnings, net of dividends declared.

4.1.3 Unimpaired surplus;

4.1.3.1 Contributed surplus;

4.1.3.2 Contingency surplus;

4.1.3.3 Additional paid in capital;

4.1.3.4 All other equity accounts not classified in this list.

4.1.4 Revaluation of assets.

The appraisal increment on land and buildings as may be approved by the Commissioner.

4.1.5 The networth shall be reduced by the cost of treasury shares.

4.2 For foreign branches, the trustee surplus consists of:

4.2.1 Statutory deposit;

4.2.2 Home office inward remittances; and

4.2.3 Head office account.

4.3 Unimpaired networth:

The networth should at least be equal to the required minimum amounts as enumerated above.

4.4 Unimpaired paid-up capital:

The paid-up capital should at least be equal to the required minimum amounts mentioned above.

- 5 The Secretary of Finance may, upon recommendation of the Commissioner, increase such minimum paid-up capital stock or cash assets requirement under such terms and conditions as he may impose, to an amount which, in his opinion, would reasonably assure safety of the interest of the policyholders and the public. The minimum paid-up capital and networth requirement must remain unimpaired for the continuance of the license.**

This Circular Letter No. _____ shall take effect immediately. Signed this ___ day
of _____, 2013.



EMMANUEL F. DOOC
Insurance Commissioner