



Republic of the Philippines
Department of Finance
INSURANCE COMMISSION
1071 United Nations Avenue
Manila

Circular Letter No.: 2016-07
Date : 5 February 2016

CIRCULAR LETTER

**TO : ALL INSURANCE COMPANIES DOING BUSINESS
IN THE PHILIPPINES**

**SUBJECT : ESTABLISHMENT OF A BRANCH OUTSIDE THE
PHILIPPINES**

Pursuant to the powers of the Insurance Commissioner under Section 437 of the New Insurance Code aimed at monitoring the activities of branches established outside the Philippines by domestic insurance companies, the following guidelines are hereby promulgated:

1. **Definition of terms:** the following terms shall have the respective meaning hereinafter set forth or indicated, unless the context otherwise requires.

Branch - an operating entity which is not a legal entity separate from an insurer but part of the insurer in terms of its organization¹. Its capital is held by the parent company. It writes both direct insurance and reinsurance. The primary focus, however, in this circular is on direct insurance.

Parent - means a corporation which has control over another entity or corporation, directly or indirectly, through one or more intermediaries².

Representative - performs management functions and/or represents the insurer with regard to the branch's operations¹.

¹Issues paper of IAIS on Supervision of Cross-Border Operations through Branches dated October 2013

²RA No. 9856 "The Real Estate Investment Trust (REIT) Act of 2009".

2. Qualifications

- a. The parent company which is a domestic company shall comply with the Minimum Paid-up Capital and Net worth required under Section 194 of the New Insurance Code.
- b. Has strong internal control, adequate risk management and governance systems.
- c. The branch has secured the necessary license in the jurisdiction it operates.

3. Prior approval of the Insurance Commission

Every domestic insurance company that intends to carry out the activities through a branch in other jurisdictions shall seek prior approval from this Commission.

Prior approval of the Commission shall also be required on any sales, purchases, exchanges, loans or extension of credit or investments made by the branch.

4. Compliance

- a. The branch shall limit the exposure of policyholders from the host jurisdiction to the risks associated with the branch's legal structure. Hence, it shall always maintain assets that correspond to its insurance liabilities and the required capital. These assets shall be readily available for the protection of the branch's policyholders;
 - b. The said branch shall submit annually its audited financial statements not later than every 30th day of March of each year; and
 - c. It shall provide the names of the representatives or officers in the jurisdiction which it operates.
5. All other applicable provisions of the New Insurance Code shall be complied with and the provisions of this Circular shall be without prejudice to other requirements that the Commission may deem necessary from time to time.

Please be guided accordingly.


EMMANUEL F. DOOC
Insurance Commissioner