CIRCULAR LETTER

TO : ALL DOMESTIC MUTUAL LIFE INSURANCE COMPANIES DOING BUSINESS IN THE PHILIPPINES

SUBJECT : RULES AND REGULATIONS ON DEMUTUALIZATION OF DOMESTIC MUTUAL LIFE INSURANCE COMPANIES DOING BUSINESS IN THE PHILIPPINES

Pursuant to the powers vested in the Insurance Commissioner by Sections 437, 438 and 280 of Republic Act No. 10607, "An Act Strengthening the Insurance Industry, further amending Presidential Decree No. 612, otherwise known as the Insurance Code”, as amended, the following Rules and Regulations on the Demutualization of Domestic Mutual Life Insurance Companies Doing Business in the Philippines are hereby adopted and promulgated:

TITLE I. GENERAL PROVISIONS

Section 1. Objectives of Regulatory Framework. – This Circular Letter provides for the regulatory framework for demutualization of domestic mutual life insurance companies doing business in the Philippines. This framework shall: (a) maintain the security and reasonable expectations of policyholder benefits; (b) promote fair and equitable treatment of the converting company and the members during the conversion process and empower them to decide on the approval or disapproval of the conversion proposal; (c) allow for an orderly and transparent demutualization process; and, (d) promote competitiveness and efficiency of the demutualized company to sustain the safety and soundness of the insurance industry and financial sector.

Section 2. Policy Statement and General Principles. – It is the policy of the Insurance Commission to afford full protection of policyholders through the security and reasonable expectations of benefits, the fair and equitable treatment of members and the interests of the converting company. The Commissioner shall
not approve a conversion proposal unless, in his opinion, the policy intentions set out above are satisfied and that said conversion proposal will be fair and equitable in its implementation.

In going through a demutualization, the following key principles shall be adhered to:

a) The demutualization process must be transparent. Key features and the financial and legal impact of the demutualization on policyholders and members must be timely and publicly fully disclosed.

b) The converting company must allow the members to fully understand the demutualization proposal and to provide sufficient opportunity to make an informed and reasoned judgment with respect to the demutualization proposal.

c) The company value of the converting company's membership rights must be determined realistically and allocated entirely and equitably to Eligible Members. The determination and allocation of the company's value must be done with expert assistance.

d) The converting company's safety and soundness must be maintained. The company must see to it that the policies' benefits are fully secured even after the demutualization.

e) The present management of the converting company shall be prevented from unduly benefiting from its demutualization. Conflict of interest must be avoided.

f) The Commission shall supervise the entire demutualization process to ensure that the State policy of public protection is fully enforced.

g) After demutualization, Eligible Members who may have exchanged their membership rights in the converting company for voting shares of stock in the converted company shall have the right, as a shareholder, to vote as well as representation in the board of directors of the converted company.

Section 3. Policyholders' Interest. – The interest of policyholders in the converted company shall be protected. Accordingly, the insurer shall ensure that:

a) The converted company will maintain the system in the management of policies with respect to the collection of premium and payment of claims;

b) The converted company will manage its operations and investments prudently; and,
c) The converted company will pay stockholders' dividends as may be determined by the Board of Directors in accordance with law.

Section 4. Definition of Terms. – For purposes of these Rules, the following terms shall mean or be understood as follows:

a) **Commissioner** refers to the Insurance Commissioner;

b) **Conversion** refers to the process of converting a mutual life insurance company, which is owned by its members, into a stock company owned by shareholders.

Conversion shall also refer to Demutualization;

c) **Converted Company** refers to the domestic mutual life company that has completed its conversion to a stock life insurance corporation;

d) **Converting Company** refers to the domestic mutual life insurance company that is proposing its conversion into a stock life insurance corporation, through the submission of a conversion proposal for approval of the members of the Converting Company, the Commissioner and other concerned regulatory agencies;

e) **Completion Date** refers to the date when the demutualization takes effect as found in Section 22 of these Rules;

f) **Demutualization Benefit** refers to compensation to be provided to Eligible Members upon conversion in exchange for their rights with respect to, and interests in, the converting company as a mutual company, in accordance with the conversion proposal.

Demutualization Benefit shall also refer to demutualization compensation;

g) **Eligibility Day** shall be the thirtieth (30th) calendar day prior to day of the Special Meeting;

h) **Eligible Voting Members** refer to policyholders of insurance policies which shall have been in force for at least one (1) year as of the Eligibility Day and who are entitled to vote on the approval and adoption of the conversion proposal which include the following:

i. Persons insured under an individual policy of life insurance, or of health and accident insurance, or any combination of life, health and accident insurance, except where the policy or contract declares some other person to be the owner thereof,
ii. Persons to whom any annuity or pure endowment is presently or prospectively payable by the terms of an individual annuity or pure endowment contract, except where the policy or contract declares some other person to be the owner thereof. In such case, the designated owner shall be considered as the eligible policyholder;

iii. Assignees of a policy, provided that the assignment is absolute on its face to an assignee other than the insurer and had been filed at the principal office of the insurer at least thirty (30) days prior to the date of the Special Meeting;

iv. Executives, officers, members and employees of any corporation or association who are holders of certificates of policies issued under or in connection with a master group policy; and,

v. Any persons authorized to vote in accordance with the converting company's Articles of Incorporation and/or By-Laws.

In any case, where a policy or contract names two (2) or more persons as joint insured, payees, owners or holders thereof, the said persons shall be considered collectively as one (1) eligible member for the purpose of these Rules.

Beneficiaries under unmatured policies shall not, as such, be deemed to be policyholders.

i) Eligible Members refer to those members of the converting company who are entitled to receive demutualization benefits pursuant to the conversion proposal;

j) Independent Actuary refers to an IC-accredited actuary who is not an employee, officer, or trustee of the converting company. It may also refer to an actuarial firm operating in the Philippines that which employs IC-accredited actuaries. Certifications issued by an actuarial firm should be duly signed by the Head of said actuarial firm in the Philippines and the IC-accredited actuary of the actuarial firm;

k) Special Meeting refers to any meeting of Eligible Members following the procedure laid down in Section 15 of these Rules; and,

l) Value refers to the estimated market value of the converting company computed following the procedure laid down in Section 7 (e) Rules.

Section 5. Conversion Methods. – The converting company may choose to demutualize through any of the industry-recognized modes of demutualization or any other appropriate modes of demutualization, such as, but not limited to:
a) Full demutualization, where a mutual life insurance company completely converts to a stock company, and issuing its own stock, cash or policy enhancements to the Eligible Members, and, at its option, undergo an Initial Public Offering (IPO);

b) Sponsored demutualization, where a person or entity purchases the shares of stock of the newly converted company, as part of the conversion process; or,

c) Through a mutual holding company, where the membership rights are transferred to a mutual holding company which shall own a newly formed subsidiary stock life insurance company.

A converting company may also demutualize through a variation of the foregoing or through other appropriate modes, as may be approved by this Commission.

TITLE II. DEMUTUALIZATION PROCESS

Section 6. **Board Resolution to Demutualize; Publication of Advisory to the Public.** – A conversion proposal shall be adopted by a vote of a majority of the members of the Board of Trustees of the Converting Company. The Board of Trustees’ resolution to demutualize shall include the authority of the Chairman of the Board, the Chief Executive Officer or the President, for such purpose, to sign all proper documents in behalf of the converting company necessary to implement said resolution. An advisory to the public shall then be published at least once a week for two consecutive weeks in a newspaper of general circulation in accordance with IC Circular Letter No. 2016-34 dated 21 June 2016. The advisory shall contain the following wordings:

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<td>TO ALL POLICYHOLDERS OF __________________________</td>
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NOTICE IS HEREBY GIVEN THAT THE BOARD OF TRUSTEES OF __________________________ HAS, BY A MAJORITY VOTE, RESOLVED TO CONVERT THE COMPANY FROM A MUTUAL LIFE INSURANCE COMPANY INTO A STOCK LIFE INSURANCE COMPANY. MEANWHILE, A COMMITTEE HAS BEEN CREATED TO DEVELOP A CONVERSION PROPOSAL IN ACCORDANCE WITH CIRCULAR LETTER NO._________, DATED _____ OF THE INSURANCE COMMISSION WHICH SHALL BE SUBMITTED FOR THEIR APPROVAL AND SUBSEQUENT RATIFICATION OF ELIGIBLE POLICYHOLDERS AT A SPECIAL MEETING TO BE CALLED AND HELD FOR SUCH PARTICULAR PURPOSE TO BE ANNOUNCED AS SOON AS PRACTICABLE.

(SIGNED)
AUTHORIZED SIGNATORY
NAME OF COMPANY
Section 7. **Documentary Requirements.** – A Letter of Intent to Demutualize, duly signed by the President of the company, addressed to the Insurance Commissioner, together with the payment of a fee in the amount of Two Hundred Fifty Thousand Pesos (P250,000.00) plus One Percent (1%) thereof as Legal Research Fee, shall be accompanied by the following:

a) A Secretary's Certificate certifying the resolution to demutualize duly approved by a majority of the converting company's Board of Trustees and the authorized signatories for such purpose;

b) Conversion Proposal;

c) Copies of existing Articles of Incorporation and By-Laws,

d) Actuarial Certification. - A certification duly prepared by an IC-accredited Actuary of the Converting Company:

   i. Stating that the eligibility for demutualization benefits and method to be used to apportion the value and/or benefits of the converting company's membership rights among Eligible Members are fair and equitable to those Eligible Members;

   ii. Providing an explanation of how the assets of the converted company are expected to be adequate to:

      a. Meet contractual obligations;

      b. Meet the reasonable expectations of the policyholders of those policies in respect of future dividend and other non-guaranteed policy benefits;

      c. Support any future participating policies; and,

   iii. Stating that the financial strength and viability of the converted company and the security of policyholders will not be materially adversely affected by the conversion.

e) Valuation Opinion. - The total Value for distribution to Eligible Members shall be determined using generally accepted valuation methods certified by a valuation expert. The valuation opinion rendered by said expert to be submitted shall take into account, among other considerations:

   i. The industry's underlying economic and technical characteristics;
ii. Informed forecast/s of the converting company's market performance;

iii. Appropriate valuation model/s;

iv. Conversion of said forecast/s into fair and equitable valuation; and,

v. Risk factors for investment in the company after its conversion.

f) Appropriate Substitute Opinion. - Where, in respect of a conversion, other benefits are to be provided in lieu of shares, an opinion from the valuation expert that those benefits are appropriate substitutes for the shares as of the day the value of the Eligible Members' membership rights was estimated;

g) The annual statement for the most recently completed financial year of the converting company, accompanied by reports for that year of the external auditor and actuary of the company;

h) Latest Audited Financial Statements with stamp received by the Securities and Exchange Commission (SEC) and Bureau of Internal Revenue (BIR);

i) Pro forma financial statements of the converted company, showing the effect of the conversion and any other significant transactions contemplated in connection with the conversion, including any proposed initial public offering of common shares, or other class of shares, based on the annual statement for the most recently completed financial year;

j) The compilation report of the external auditor of the converting company, and a statement of reconciliation, in respect of the financial statements referred to in paragraph (g) of this Section;

k) A detailed description of any significant transaction contemplated in connection with the conversion proposal;

l) The Notice of the Special Meeting;

m) The form of proxy and any management proxy circular, which shall be for the specific purpose of demutualization, to be sent with the Notice of Special Meeting;

n) A draft of the information statement to be sent to Eligible Members;

o) A list of ineligible policyholders and the reason/s for non-inclusion in the list of eligible policyholders. Any dispute or issue involving the eligibility to vote must be reported to the Commissioner citing the positions of the policyholders and that of the company; and,
p) Affidavit of Publication on the public announcement by the converting company of its plan to demutualize as referred to in Section 6.

The foregoing shall be without prejudice to other documentary requirements that the Commission may require from the converting company.

Section 8. Conversion Proposal. – A conversion or demutualization proposal duly signed by the President of the converting company as authorized by the Board of Trustees shall include:

a) Summary of the proposal to demutualize;

b) Reason/s for conversion or demutualization of the converting company;

c) Conversion Method to be adopted by the converting company;

d) A report setting out the Value as required by the preceding section of the converting company and a description of how that Value was estimated, the method used and any assumption made;

e) A statement as to who, among the members, will be eligible to receive the benefits in respect of the conversion;

f) Specification of relevant classes, categories, or groups of eligible policyholders, if any, and in such case, the description and explanation of any differences in the form or forms and amount of consideration to be distributed to or among the Eligible Members, if and when necessary;

g) A description of the form, amount and aggregate value of the benefits, also known as demutualization compensation, to be provided to Eligible Members in exchange for their membership rights in, the converting company as a mutual company.

The allocation to each Eligible Member may be on a fixed allocation per policyholder basis, or a variable allocation per policy basis or a combination of both. In choosing the appropriate methodology or formula for the fair and equitable allocation of stock among Eligible Members, the Independent Actuary must adhere to the generally accepted actuarial principles,

h) The method to be used to apportion the value of the converting company among Eligible members, indicating:

i. The basis on which any variable amount of benefits will be calculated;
ii. Any fixed, minimum or maximum amount of benefits that may be provided to an Eligible Member;

iii. The rationale for choosing the method for determining and allocating benefits among Eligible Members.

Other fair and equitable allocation methodologies may be allowed.

i) An undertaking that:

i. Benefits in respect of the conversion will be provided only to Eligible Members; and,

ii. These benefits will be provided to eligible members whose policies are entitled to participate in profit distributions.

j) A description of the mechanisms proposed to effect an initial issuance of common shares and any other class of shares of the converted company, including a copy of the proposed Articles of Incorporation and/or By-Laws authorizing the issuance of those shares;

k) Statement of the plan to undergo IPO, if any, and its timeframe for implementation in such case;

l) Draft of the proposed amended Articles of Incorporation and/or By-Laws of the converted company or of the holding company to whom the shares of the converted company are to be issued, which may include the increase in the authorized capital stock.

The converting company or the holding company, as the case may be, may choose to impose a ceiling, if it deems necessary, as to the number of shares of stock that may be subscribed to;

m) A description of the rights of members before and after the conversion;

n) A description of the income tax implication/s, if any, on the benefits allocated to Eligible Members; and,

o) Such other documents as may be required by the Commission.

Section 9. **Review of Documentary Requirements** – Upon receipt by the Commissioner of the Letter of Intent to Demutualize accompanied by the documentary requirements as enumerated under Section 7 of this Circular, the Commission:

a) Shall review and evaluate the documentary requirements;
b) May engage the services of third-party actuary, valuation expert, accountant, lawyer or other relevant experts to assist in the evaluation of the documentary requirements. Such third-party experts shall act independently from that of the converting company;

The third-party experts shall submit an independent and unbiased report, evaluation or findings, together with their recommendations, for the consideration of the Commissioner;

The terms and fees for the engagement of third-party experts shall be determined by the Commission and the said fees shall be borne by the converting company.

c) Shall have the discretion to adopt, modify or disregard the opinions of the third-party experts, for the protection of the interest of the policyholders or members, vis-a-vis the converting company;

d) After evaluation of the submissions, may deny the application for conversion, the reasons for which shall be stated in writing.

Section 10. Communication of Approval of Documentary Requirements and Authority to Send Notice of Special Meeting.

a) If the documentary requirements, or any modifications therein, if any, have been found to be in order, and the Commissioner finds that conversion serves the best interests of the converting company and its members and protects the interest of policyholders, he shall, in writing, communicate his approval of the conversion and authorize the converting company to send the Notice of Special Meeting;

b) In considering whether or not to grant the said authorization, the Insurance Commissioner may consider any other information, including any opinion or report on any aspect of the conversion proposal.

Section 11. Information to Members as Part of the Notice. – The Notice of a Special Meeting shall be accompanied by the following:

a) The resolution of the Board of Trustees approving the conversion from a mutual life insurance company into a stock life insurance company;

b) The conversion proposal referred to in Section 8 as approved by the Commissioner;

c) Approval of the conversion proposal by the IC;

d) A description of the advantages and disadvantages of the proposed conversion to the converting company and to its members;
e) A description of the alternatives to the conversion that the trustees of the converting company have considered, and the reason/s why, in their opinion, the conversion is in the best interest of the converting company and its members as a whole;

f) A description of the form, amount and estimated market value or range of market values of the benefits to be provided as a result of the conversion to the Eligible Members to whom the notice is sent in exchange for the Eligible Members' rights with respect to, and interests in, the converting company as a mutual company;

g) Summaries of:

i. the opinions referred to in Section 7, other than any opinions not required to be submitted under those paragraphs by virtue of an exemption granted by the Commissioner, on such terms and conditions as the Commissioner considers appropriate; and

ii. the documents referred to in Section 8 (g), and (h);

h) A brief description of the business carried on by the converting company and its subsidiaries, and the general development of that business, during the three (3) years preceding before the day on which the notice of the Special Meeting is sent, and any future business foreseen as of that day;

i) The identity of all persons who, on the day on which the notice of the Special Meeting is sent, have a significant interest (significant number of shares to be received) in the converting company or who, as a result of the conversion, will have a significant interest in the converted company, and a description of the type and number of shares held or to be held by those persons;

j) The name and address of the external auditor of the converting company;

k) A description of any measures, including the establishment of dedicated lines and internet sites, the holding of information sessions, and the placement of advertisements in a newspaper of general circulation, that the converting company has taken or will take before holding a Special Meeting, to Eligible Members with information about the proposed conversion and an opportunity to raise questions or concerns about the proposed conversions;

l) Proxy form; and,

m) Any other information that the Commissioner may require.
Section 12. **Public Hearings and Information Sessions.** – The Insurance Commissioner may call and conduct public hearing/s and consultation/s in order to protect the interests of the policyholders and that Eligible Members' interests have been fairly addressed.

Whenever necessary, the Commissioner may direct the company to hold one or more information sessions for Eligible Members prior to the holding of a Special Meeting and set the rules under which those sessions must be held to assist Eligible Members in forming a reasoned judgment on a conversion proposal of a converting company. The Commissioner may likewise direct the company to take such other measures prior to the holding of the Special Meeting.

Section 13. **Service and Publication of Notice of Special Meeting.** – The Special Meeting to consider demutualization and the consequent amendment of the Articles of Incorporation and By-laws, shall be called by a majority of the members of the Board of Trustees. Every Eligible Voting Member shall have one (1) vote, regardless of the number of policies or amount of insurance he holds, and regardless of whether such policies are policies of life insurance or policies of health and accident insurance or annuity contracts.

A Notice of Special Meeting shall be given to each Eligible Voting Member, at least forty-five (45) days before the date set for such meeting, by registered mail in a sealed envelope, postage prepaid, addressed to such Eligible Voting Member at his last known address. The Notice of Special Meeting shall also be posted at the converting company's official website and sufficiently published at least once a week for four (4) successive weeks immediately preceding the date of Special Meeting in a newspaper of general circulation in accordance with Circular Letter No. 2016-34 dated 21 June 2016.

Section 14. **Election Committee.** – The Special Meeting shall be conducted under the direction and supervision of an Election Committee.

The Election Committee shall be composed of three (3) members nominated by the converting company and appointed by the Commissioner. It shall be presided by a Chairman who must be a member of the Philippine Bar for at least ten (10) years and two (2) Committee Members, one of which must be a certified public accountant. Two (2) alternate members, who shall have the same qualification of: a Chairman and Members, respectively, shall also be appointed by the converting company and approved by the Commissioner, who shall assume such position whenever a vacancy occurs at any time.

The members of the Election Committee shall, before commencing performance of their duties, subscribe to and file with the converting company and with the Commissioner an oath that they, and each of them, will perform their duties impartially, in good faith, to the best of their ability and as expeditiously as is practicable. The members of the Election Committee shall be entitled to
reasonable compensation to be borne by the converting company in the amount approved by the Commissioner.

Section 15. **Conduct of the Special Meeting.** – The demutualization resolution and the consequent amendment of the Articles of Incorporation and By-laws shall be approved by at least two-thirds (2/3) of the eligible voting members who actually voted in person, by mail or by proxy, provided that such policyholders who are present, voted and represented constitute a quorum of at least five percent (5%) of all the Eligible Voting Members. Voting at the Special Meeting shall be in person, by proxy, or by mail through a ballot, which may be electronic or actual paper ballot.

The proxy should contain a statement that it should be received at least ten (10) calendar days before the Special Meeting. Any such proxy with ballot duly received by the converting company shall be used in lieu of any valid existing proxy on record with the converting company.

For the purpose of casting of votes by mail, the converting company shall attach a ballot in the Notice of Special Meeting to be sent to eligible policyholders with a statement containing that all votes cast by mail should be received at least ten (10) calendar days before the Special Meeting.

The Special Meeting shall be conducted under the direction and supervision of an Election Committee. The decision, act or certificate of a majority of the members of the Election Committee shall be effective in all respects as the decision, act or certificate of all.

The Election Committee shall determine the number of eligible voting members, the voting power of each, the eligible voting members represented at the meeting, the existence of a quorum and the authenticity, validity and effect of proxies and votes cast. They shall receive votes, hear and determine all challenges and questions in any way arising in connection with the right to vote, count and tabulate all votes, determine the result, and do such other acts as are proper to conduct the vote with fairness to all eligible voting members.

The Election Committee shall make a report in writing of any challenge or question or matter determined by them and execute a certificate of any fact found by them. They shall also certify the result of such vote to the insurer and to the Commissioner. Any report or certificate made by them shall be prima facie evidence of facts stated therein.

All necessary expenses incurred in connection with such Special Meeting shall be borne by the converting company.
Section 16. **Issuance of the Certificate of Conversion.**

a) Within three (3) months after the ratification of the conversion proposal by the Eligible Members, the Board of the converting company shall, unless the conversion proposal is withdrawn, apply to the Insurance Commission for:

i. Confirmation of the duly ratified conversion proposal;

ii. Issuance of Certificate of Conversion; and,

iii. Issuance of Endorsement to the SEC for the amendment of the Articles of Incorporation and By Laws, subject to payment of appropriate fees.

b) An application for the issuance of Certificate of Conversion made by a converting company to the Insurance Commission shall include:

i. The duly ratified conversion proposal by the Eligible Voting Members;

ii. The proposed amendments to Articles of Incorporation, amendments to by-laws or repeals of Articles of Incorporation or bylaws, that are necessary to implement the conversion proposal;

iii. The Board Resolution and the Trustees' Certificate indicating the results of the votes held in respect of those resolutions; and,

iv. Such other matters as may be required by the Insurance Commission.

**TITLE III. CONSEQUENCES OF DEMUTUALIZATION**

Section 17. **Equity for Distribution.** – The total Value of the membership rights of the company as determined under Section 7(e) above must be distributed to the Eligible Members.

Section 18. **Termination of Membership in Mutual Company; Allocation of Benefits.** – Upon issuance by the SEC of the Certificate of Amendment of Articles of Incorporation and By-Laws, membership rights in the mutual company shall cease without affecting his rights as a policyholder. Thereafter, the company shall commence to distribute the benefits to Eligible Members in the amounts and forms (shares, cash, or policy enhancements, etc.) indicated in the conversion plan as approved by the Commissioner.
Section 19. **Restriction on Benefits.**

a) A converting company shall not provide any trustee, officer or employee of the company with a fee, compensation or any other consideration in relation to the conversion of the company, other than:

   i. The regular compensation provided in his capacity as a trustee, officer or employee of the company, and,

   ii. Any benefits provided to the person as an Eligible Member.

b) A converted company shall not, prior to the listing of its shares on a recognized stock exchange and for a period of one (1) year after such a listing, issue or provide shares, share options or rights to acquire shares of the converted company to:

   i. Any director, officer or employee of the converted company, or any of their relatives within the fourth (4th) civil degree of consanguinity or affinity; or,

   ii. Any person who was a trustee, officer or employee of the converting company during the year preceding the effective date of conversion of the Company and who ceased to be a trustee, officer or employee of the company, other than shares issued to that person as an Eligible Member.

c) Any violation of the foregoing restrictions shall be dealt with under the penal provisions of the Insurance Code, as amended by RA 10607.

Section 20. **Discretion of the Commissioner.** – The Commissioner may exempt a converting company from any of the requirements under these regulations, on such terms and conditions as the Commissioner considers appropriate.

Section 21. **Amendment or Withdrawal of Conversion Proposal.** – The converting company, by action of the majority of the entire Board of Trustees, may:

a) Amend the conversion proposal at any time before the vote of Eligible Members is held at the Special Meeting; or,

b) Withdraw the conversion proposal at any time before an application is made to the Commissioner for the issuance of the Certificate of Conversion pursuant to Section 16 of these Rules.
Any amendment or withdrawal of the Conversion shall be made in writing and addressed to the Commissioner.

Section 22. **Completion Date.** – Following the issuance by the SEC of the Amended Articles of Incorporation and/or By-Laws, the Commission shall issue an Amended Certificate of Authority for a stock life insurance company in favor of the converting company. The date of the issuance of the Amended Certificate of Authority shall be the completion date of the conversion.

Section 23. **Effects on Juridical Personality and Existing Policies.** – The converted company, after demutualization, shall be a continuation of the original insurer, and such demutualization shall not affect existing suits, rights or contracts except as provided in the conversion proposal duly approved as provided in these regulations. Such insurer, after demutualization, shall exercise all the rights and powers and shall perform all the duties conferred or imposed by law upon insurers writing the classes of insurance written by it, and to protect rights and contracts existing prior to demutualization.

Section 24. **Unclaimed Demutualization Benefits.** – Should an eligible policyholder be entitled but was unable to claim demutualization compensation due, the unclaimed benefits shall be governed by the pertinent laws, rules and regulations governing unclaimed personal property.

**TITLE IV. MISCELLANEOUS PROVISIONS**

Section 25. **Applicability of the Insurance Code and Corporation Code.** – All insurers demutualized under the provisions of these regulations shall be subject to all other applicable provisions of the Insurance Code. The provisions of the Corporation Code shall apply in a suppletory manner.

Section 26. **Initial Public Offering.** – The stock life insurance company may issue new shares for public offering in accordance with applicable rules and regulations of the Securities and Exchange Commission and the Philippine Stock Exchange, provided such Initial Public Offering (IPO) shall not be detrimental to the interests of the stockholders. Any plan to undergo IPO and its timeframe for implementation shall be part of the conversion plan.

The IPO may be:

a) For the new shares issued in exchange for the cancelled membership rights, for those who opt to sell their shares; or,

b) For the additional shares issued to subscribing third party investors resulting from the increase of authorized capital stock.
The interest of the former members and the new-stockholders must be balanced and equitable.

The converting company may propose to impose a ceiling, if it deems necessary, as to the number of shares a single individual may subscribe during the IPO.

Section 27. **Strategic Investor.** – The converted company may sell its shares through:

a) Partial subscription by a strategic investor or additional shares issued by the converted company while the remaining newly issued and unsubscribed shares shall be offered through IPO.

The interest of the strategic investor and the former members must be balanced and equitable; or,

b) The strategic investor may offer, either its shares or cash, to all of the former members in exchange for the partial or full control of the converted company.

Section 28. **Repealing Clause.** – All rules, regulations, orders, issuances, or parts thereof, which are inconsistent with the provisions of this Circular, are hereby superseded or modified accordingly.

Section 29. **Separability Clause.** – If any provision of this Circular is declared invalid or unconstitutional, the other provisions not affected thereby shall remain valid and subsisting.

Section 30. **Effectivity.** – This Circular shall take effect immediately.

DENNIS B. FUNA
Insurance Commissioner