CIRCULAR LETTER

TO : ALL MUTUAL INSURANCE COMPANIES DOING BUSINESS IN THE PHILIPPINES

SUBJECT : MINIMUM MEMBERS' EQUITY REQUIREMENTS FOR MUTUAL COMPANIES

WHEREAS, RA 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, under Section 437 of RA No. 10607, the Commissioner may issue such rulings, instructions, circulars, orders and decisions as may be deemed necessary to secure the enforcements of The Insurance Code.

WHEREAS, under Section 194 of RA 10607, a mutual company, in lieu of such net worth requirement, must have available total members' equity in an amount to be determined by the Insurance Commission.

WHEREAS, Section 278 (h) of RA 10607 provides that all insurers mutualized under the provisions of Chapter III shall be subject to all other applicable provisions of this Code. The provisions of the Corporation Code shall apply in a suppletory manner.

WHEREAS, "Net Worth" is the total assets minus total outside liabilities of an individual or a company while the term "Members' Equity/Owner's Equity" equals total company assets minus total company liabilities.

NOW, THEREFORE, pursuant to the authority vested in me by the provisions of Sections 194 and 437 of The Insurance Code, the following rules and regulations are hereby promulgated for mutual company.
1. Total Members' Equity

All mutual companies duly licensed by the Insurance Commission must have a total members' equity of at least ₱550 Million by 31 December 2016. The minimum total members' equity of mutual companies shall remain unimpaired at all times and shall increase to the amounts as follows:

<table>
<thead>
<tr>
<th>Minimum Total Members' Equity</th>
<th>Compliance Date</th>
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<tr>
<td>₱ 990,000,000.00</td>
<td>31 December 2019</td>
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<tr>
<td>₱ 1,300,000,000.00</td>
<td>31 December 2022</td>
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2. The Secretary of Finance may, upon recommendation of the Commissioner, increase such minimum members' equity 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 members' equity requirement must remain unimpaired for the continuance of the license.

This Circular Letter No. 2017-14 shall take effect immediately. Signed this 10th day of March 2017.

DENNIS B. FUNA
Insurance Commissioner